

NH Hotel Group, S.A. and subsidiaries

Audit Report,
Consolidated Annual Accounts and
Consolidated Management Report
at 31 December 2019



Free translation of the independent auditor's report on the consolidated annual accounts originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Audit report on the consolidated annual accounts issued by an independent auditor

To the shareholders of NH Hotel Group, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of NH Hotel Group, S.A. (the parent company) and its subsidiaries (the Group), consisting of the consolidated balance sheet at 31 December 2019, consolidated profit and loss statement, consolidated statement of changes in shareholders equity, consolidated cash flow statement and the notes to the consolidated annual accounts for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the Group's consolidated equity and financial position at 31 December 2019 and the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We have performed our audit in accordance with audit regulations in force in Spain. Our responsibilities under said regulations are described below under *Responsibilities of the auditor in relation to the audit of the consolidated annual accounts*.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, applicable to our audit of the consolidated annual accounts in Spain, as required by auditing regulations. In this respect, we have not provided any services other than audit services, nor have any situations or circumstances arisen that, in accordance with those regulations, might have undermined said independence.

We consider that the audit evidence obtained provides a sufficient and appropriate basis for our opinion.

Key audit matters

Key audit matters are those that, based on our professional judgement, have been of the most significance in the audit of the consolidated annual accounts for the current period. These matters have been addressed in the context of our audit of the consolidated annual accounts as a whole and in the preparation of our opinion thereon, and we do not express a separate opinion on these matters.

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Key audit matters

How the matter was addressed in the audit

Recoverability of assets associated with the hotel business.

The Group operates 368 hotels under leases or owned. The assets associated with the hotel business include goodwill, right-of-use assets, property, plant and equipment and intangible assets, the carrying amounts of which amount to €107 million, €1,702 million, €1,713 million and €84 million, respectively, at 31 December 2019, representing 82% of all assets.

The Group assesses the assets for signs of impairment each year to determine whether there are any impairment losses entailing the write-down of the carrying amounts of the assets, calculated as described in Notes 4.2 and 4.4 to the consolidated annual accounts.

As a general rule, Group management estimates the recoverable amount of each cash-generating unit (CGU) on the basis of value in use, calculated using cash flows estimated by applying discount rates and expected growth rates, in accordance with the business plans approved by management.

As recognised in the consolidated profit and loss statement, the Group has recorded under " Net Profit /(Losses) from asset impairment" a net positive effect of impairment and reversal of impairment on the aforementioned assets amounting of €4,889 thousand.

In view of the significance of the judgements made by the Group and the significant estimates made to perform the said calculations, and considering the quantitative relevance of the assets, we believe the assessment of the recoverability of the assets associated with the hotel business to be a key audit matter.

Our audit procedures have included, among others:

Understanding of the methodology employed and evaluation of the controls in place in the Group's asset recovery analysis processes.

Obtainment from management of the impairment test carried out, to which we have applied the following substantive procedures, assisted by our internal experts:

- Verification of the reasonableness of the procedures and methods used to perform the impairment test.
- Assessment of the reasonableness of the key assumptions and estimates included in the model in relation both to future cash flow forecasts and the key aspects included in the estimation of the cash flows, such as the method applied by management to estimate the discount rates within an acceptable range.
- Analysis of departures between the cash flow projections prepared by management in the past and actual data.
- Arithmetic verification of the calculations taken into consideration in the impairment test and assessment of the sensitivity analyses, including the ranges within which the key model assumptions should fluctuate in order to give rise to the impairment of assets or the reversal of existing provisions.
- Evaluation of the sufficiency of the related information disclosed in the consolidated annual accounts.

The findings of the procedures carried out have allowed us to achieve the audit objectives for which the procedures were designed.

Key audit matters

How the matter was addressed in the audit

Adoption of IFRS 16 - Leases

The Group has adopted IFRS 16 – Leases, with effect on 1 January 2019, for all contracts that were identified as leases pursuant to IAS 17 and IFRIC 4, barring the exemptions recognised by the standard.

As stated in Note 2.1.1 to the accompanying annual accounts, IFRS 16 lays down the principles for recognising, measuring, presenting and disclosing leases. The standard stipulates that a liability must be recognised at lease inception equal to the present value of the lease instalments. The liability will include fixed instalments and those that are in substance fixed instalments, as well as variable instalments depending on an index or interest rate. In turn, an asset will be recognised representing the right of use of the underlying asset during the lease term.

The Group has applied the modified retrospective approach, entailing the recognition at the adoption date, as indicated in Note 2.1.1, of right-of-use assets amounting to €1,747 million and a lease liability of €2,099 million.

Group management has taken the necessary steps to correctly adopt the standard, which include analysing all the contracts affected by IFRS 16, studying the specific implications of each contract type to which it is applicable, determining lease terms, estimating discount rates and adapting systems to correctly recognise the first-time adoption of the standard in the accounts.

The implementation of the new standard has had considerable accounting impacts on the Group as regards the total value of its assets and liabilities, there being numerous contracts containing non-homogeneous clauses. The risk of material misstatement as a result of any incident in this first-time adoption process, together with the assessment of management's judgements and interpretations as regards the terms of the leases and the estimation of discount rates, have led us to consider our work on the first-time adoption of IFRS 16 – Leases to be a key audit matter.

Our audit procedures relating to the adoption of IFRS 16 – Leases include the following:

- Understanding and assessment of the accounting policies applied by management to adopt the standard as from 1 January 2019.
- Assessment of the operating effectiveness of the key controls associated with the calculation of the accounting effects of adopting the standard.
- Testing of the completeness of information, checking the inclusion in the computer system of all the contracts to which the standard is applicable.
- Evaluation of the estimates and assumptions considered by the Group to estimate the discount rates used for the leases deemed to be affected by the adoption of the standard.
- Performance of tests of detail on the information relating to the leases recorded in the systems, checking, based on a sample of leases, their existence, the correct determination of lease terms and the amount, in accordance with applicable accounting requirements.
- Assessment of the sufficiency of the information disclosed in the consolidated annual accounts in relation to the first-time adoption of IFRS 16.

The findings of the procedures carried out have allowed us to achieve the audit objectives for which the procedures were designed.

Other matters

The consolidated annual accounts of NH Hotel Group, S.A. and subsidiaries for the financial year ended 31 December 2018 were audited by a different auditor, which issued a favourable opinion on those consolidated annual accounts on 25 February 2019.

Other information: Consolidated management report

The other information only relates to the consolidated management report for 2019, the preparation of which is the responsibility of the parent company's directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility for the information contained in this consolidated management report is defined in auditing legislation, which establishes two distinct levels:

- a) A specific level applicable to the status of consolidated non-financial information and to certain information included in the Annual Corporate Governance Report (ACGR), as defined in Article 35.2. b) of Audit Law 22/2015, which consists of merely verifying that the said information has been furnished in the management report or, if applicable, that the report includes the relevant reference to the separate report on non-financial information in the manner stipulated in legislation. Otherwise, we are required to report on this matter.
- b) A general level applicable to the other information included in the consolidated management report, which consists of assessing and reporting on the consistency of the said information with the consolidated annual accounts, based on our knowledge of the Group obtained during the audit of the accounts, without including information other than the audit evidence obtained, as well as evaluating and reporting on whether the content and presentation of this part of the consolidated management report are in line with applicable legislation. If we conclude that there are material misstatements on the basis of our work, we are required to report them.

On the basis of the work performed, as described above, we have verified that the information mentioned in paragraph a) above is presented in the separate report, "Non-Financial Information Consolidated Statement 2019", to which the consolidated management report refers, that the ACGR information, mentioned in the said paragraph, is included in the consolidated management report and that the other information contained in the consolidated management report is consistent with that of the consolidated annual accounts for 2019 and its content and presentation comply with application legislation.

Responsibility of the directors and the Audit and Control Committee in relation to the consolidated annual accounts

The directors of the parent company are responsible for the preparation of the accompanying consolidated annual accounts such that they present fairly the Group's consolidated equity, financial situation and results in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for the internal control which they consider necessary to enable the preparation of annual accounts free from material misstatements, due to fraud or error.

In the preparation of the consolidated annual accounts, the parent company's directors are responsible for assessing the Group's capacity to continue as a going concern, disclosing, as appropriate, any going concern-related issues and applying the going-concern accounting principle, unless the directors intend to wind up the Group or discontinue its operations, or unless no other realistic alternative exists.

The parent company's Audit and Control Committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditors' responsibilities in relation to the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance that the consolidated annual accounts as a whole are free from material misstatement due to fraud or error, and to issue an audit report containing our opinion.

Reasonable assurance is a high degree of assurance but does not guarantee that an audit conducted in accordance with current Spanish auditing regulations will always detect a material misstatement when such exists. Misstatements may be due to fraud or error and are regarded as material if, individually or in aggregate, it may reasonably be foreseen that they will influence the business decisions taken by users on the basis of the consolidated annual accounts.

As part of an audit conducted in accordance with prevailing Spanish audit regulations, we apply our professional judgement and maintain an attitude of professional scepticism throughout the audit. In addition:

- We identify and assess the risks of material misstatement in the consolidated annual accounts due to fraud or error; we design and apply audit procedures to respond to those risks and obtain sufficient and adequate audit evidence to provide a basis for our opinion. The risk of not detecting material misstatement due to fraud is higher than in the case of a material misstatement due to error, as fraud may involve collusion, falsification, deliberate omissions, intentionally erroneous statements or the circumvention of internal control.
- We obtain knowledge of internal control mechanisms relevant for the audit in order to design the audit procedures which are appropriate depending on the circumstances, and not with the intention of expressing an opinion on the efficiency of the Group's internal control system.
- We assess whether the accounting policies applied are adequate and the reasonableness of the accounting estimates and the relevant information disclosed by the parent company's directors.
- We conclude as to whether the utilisation by the parent company's directors of the going concern principle is appropriate and, basing ourselves on the audit evidence obtained, we conclude as to whether there is or not any material uncertainty in relation to the events or conditions that could generate significant doubts as to the Group's capacity to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to the corresponding information disclosed in the consolidated annual accounts or, if those disclosures are unsuitable, to express a modified opinion. Our conclusions are based on audit evidence obtained up to the date of our audit report. However, future events or conditions could cause the Group to cease to be a going concern.
- We evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosed information, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that succeeds in expressing a true and fair view.
- We obtain sufficient, adequate evidence relating to the financial information of the Group's entities or business activities to express an opinion on the consolidated annual accounts. We are responsible for managing, overseeing and performing the audit of the Group. We are solely responsible for our audit opinion.

We liaise with the parent company's Audit and Control Committee in relation to, among other matters, the planned scope and timing of the audit and the significant audit findings, as well as any major internal control weakness that we identify in the course of our audit.

We also provide the parent company's Audit and Control Committee with a statement to the effect that we have complied with applicable ethical requirements, including those of independence, and we have notified the Audit Committee of any issues that could reasonably pose a threat to our independence and, if appropriate, the relevant safeguards.

Among the significant risks notified to the parent company's Audit and Control Committee, we determine those that have been of the greatest significance in the audit of the consolidated annual accounts for the current period and which therefore are key audit matters.

We describe these matters in our audit report unless legal or regulatory provisions prohibit the public disclosure of the matter concerned.

Report on other legal and regulatory requirements

Additional report for the parent company's Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report for the parent company's Audit and Control Committee dated 25 February 2020.

Term of engagement

We were appointed as the Group's auditors by the Annual General Meeting held on 13 May 2019 for a three-year period commencing as from the year ended 31 December 2019.

Services rendered

The non-audit services provided to the Group are described in Note 25.4 to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Mariano Cortés Redín (21829)

25 February 2020

NH Hotel Group, S.A. and Subsidiaries



2019

CONSOLIDATED BALANCE SHEETS	6
CONSOLIDATED COMPREHENSIVE PROFIT AND LOSS STATEMENTS	7
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	8
CONSOLIDATED CASH FLOWS STATEMENT.....	9
1.- ACTIVITY AND COMPOSITION OF THE PARENT COMPANY	10
2.- BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATION PRINCIPLES.....	11
2.1 BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS	11
2.1.1 STANDARDS AND INTERPRETATIONS EFFECTIVE IN THIS PERIOD	11
2.2 ACCOUNTING CORRECTION	15
2.3 ACCOUNTING CRITERIA CHANGE.....	15
2.4 COMPARISON OF INFORMATION	15
2.5 CURRENCY OF PRESENTATION	17
2.6 GOING CONCERN	17
2.7 RESPONSIBILITY FOR THE INFORMATION, ESTIMATES MADE AND SOURCES OF UNCERTAINTY.....	17
2.8 CONSOLIDATION PRINCIPLES APPLIED	17
3.- PROPOSED DISTRIBUTION OF PROFITS	20
4. VALUATION STANDARDS	20
4.1 TANGIBLE FIXED ASSETS	20
4.2 CONSOLIDATION GOODWILL.....	21
4.3 INTANGIBLE ASSETS	21
4.4 IMPAIRMENT IN THE VALUE OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL.....	22
4.5 LEASES	25
4.6 FINANCIAL INSTRUMENTS	26
4.6.1 FINANCIAL ASSETS	26
4.6.2 CASH AND CASH EQUIVALENTS	26
4.6.3 FINANCIAL LIABILITIES	27
4.6.4 EQUITY INSTRUMENTS	28
4.7 NON-CURRENT ASSETS AND ASSOCIATED LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS	28
4.8 SHAREHOLDINGS IN ASSOCIATED COMPANIES	29
4.9 FOREIGN CURRENCY TRANSACTIONS AND BALANCES.....	29
4.10 CLASSIFICATION OF FINANCIAL ASSETS AND DEBTS INTO CURRENT AND NON-CURRENT.....	29
4.11 INCOME AND EXPENSES	29
4.12 OFFICIAL SUBSIDIES	30
4.13 CORPORATION TAX	30
4.14 OBLIGATIONS TO EMPLOYEES	30
4.15 ONEROUS CONTRACTS	31
4.16 SHARE-BASED REMUNERATION SCHEMES	31
4.17 TREASURY SHARES	31
4.18 PROVISIONS	31
4.19 SEVERANCE PAY.....	32
4.20 BUSINESS COMBINATIONS.....	32
4.21 ENVIRONMENTAL POLICY	32
4.22 CONSOLIDATED CASH FLOW STATEMENTS	32
4.23 TREATMENT OF COMPANIES IN HYPERINFLATIONARY ECONOMIES	33
5. EARNINGS PER SHARE	33

6.-	GOODWILL	33
7.-	INTANGIBLE ASSETS	36
8.-	PROPERTY, PLANT & EQUIPMENT	38
9.	LEASES	40
10.-	INVESTMENTS VALUED USING THE EQUITY METHOD	41
11.	NON-CURRENT FINANCIAL INVESTMENTS	43
12.-	NON-CURRENT ASSETS HELD FOR SALE, LIABILITIES LINKED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	44
13.-	TRADE RECEIVABLES	47
14.-	CASH AND CASH EQUIVALENTS	47
15.	EQUITY	48
15.1	SUBSCRIBED SHARE CAPITAL	48
15.2	DIVIDENDS	48
15.3	PARENT COMPANY RESERVES	49
15.4	TREASURY SHARES	49
15.5	MINORITY INTERESTS	50
16.	DEBT IN RESPECT OF BOND ISSUES AND BANK BORROWINGS	51
17 -	OTHER NON-CURRENT LIABILITIES	55
18.-	PROVISIONS FOR RISKS AND CHARGES	56
19.-	TAX NOTE	58
20.-	COMMERCIAL CREDITORS AND OTHER ACCOUNTS PAYABLE	63
21.-	INFORMATION ON DEFERRED PAYMENTS TO SUPPLIERS. THIRD ADDITIONAL PROVISION. "DUTY TO REPORT" OF ACT 11/2013 OF 26 JULY	64
22 -	OTHER NON-CURRENT LIABILITIES	64
23.-	THIRD-PARTY GUARANTEES AND CLAIMS IN PROGRESS	64
24.-	LONG-TERM INCENTIVE PLAN	67
25.-	INCOME AND EXPENSES	68
25.1	INCOME	68
25.2	FINANCIAL INCOME	69
25.3	PERSONNEL EXPENSES	69
25.4	OTHER OPERATING EXPENSES	71
25.5	FINANCE COSTS	72
25.6	RESULTS FROM EXPOSURE TO HYPERINFLATION	72
26.-	RELATED PARTY TRANSACTIONS	73
27.-	INFORMATION BY SEGMENTS	74
27.1	INFORMATION ON MAIN SEGMENTS	74
27.2	INFORMATION ON SECONDARY SEGMENTS	76
28.	REMUNERATION AND OTHER STATEMENTS MADE BY THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT	76
28.1	REMUNERATION OF THE BOARD OF DIRECTORS	77
28.2	REMUNERATION OF SENIOR MANAGEMENT	77
28.3	INFORMATION ON CONFLICTS OF INTEREST ON THE PART OF DIRECTORS	77
29.-	EVENTS AFTER THE REPORTING PERIOD	78

30.- INFORMATION ON ENVIRONMENTAL POLICY.....	78
31. EXPOSURE TO RISK.....	79
APPENDIX I: SUBSIDIARIES.....	82
APPENDIX II: ASSOCIATED COMPANIES	87
EVOLUTION OF BUSINESS AND GROUP'S SITUATION.....	88

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

Translation of Consolidated Financial Statements and Consolidated Management Report originally issued in Spanish and prepared in accordance with the International Financial Reporting Standards adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2019 AND 31 DECEMBER 2018
(Thousands of euros)

ASSETS	Note	31/12/2019	31/12/2018	NET ASSETS AND LIABILITIES	Note	31/12/2019	31/12/2018
NON-CURRENT ASSETS:				EQUITY:			
Goodwill	6	106,577	109,432	Share capital	15	784,361	784,361
Intangible assets	7	83,807	110,569	Reserves of the parent company	15	777,089	681,068
Investment Property		2,964	-	Reserves of fully consolidated companies		(354,908)	(28,511)
Property, plant and equipment	8	1,713,123	1,637,718	Reserves of companies consolidated using the equity method		(18,198)	(23,436)
Right-of-use assets	9	1,701,499	-	Conversion differences		(58,407)	(60,854)
Investments accounted for using the equity method	10	7,517	8,971	Treasury shares and shareholdings	15	(1,647)	(2,530)
Non-current financial investments-	11	37,402	54,126	Consolidated profit for the period		89,964	101,573
<i>Loans and accounts receivable not available for trading</i>		35,327	42,598	Equity attributable to the shareholders of the Parent Company		1,218,254	1,451,671
<i>Other non-current financial investments</i>		2,075	11,528	Non-controlling interests	15	57,239	52,351
Deferred tax assets	19	220,040	138,724	Total equity		1,275,493	1,504,022
Other non-current assets		-	13,427				
Total non-current assets		3,872,929	2,072,967	NON-CURRENT LIABILITIES			
				Debt instruments and other marketable securities	16	345,652	342,485
				Bank borrowings	16	106,695	71,473
				Leasing liabilities	9	1,814,399	-
				Other financial liabilities		1,160	1,762
				Other non-current liabilities	17	7,637	47,296
				Provisions for contingencies and charges	18	48,241	51,178
				Deferred tax liabilities	19	180,082	177,478
				Total non-current liabilities		2,503,866	691,672
				CURRENT LIABILITIES:			
CURRENT ASSETS:				Liabilities associated with non-current assets classified as held for sale	12	2,584	2,456
Non-current assets classified as held for sale	12	47,811	55,974	Debt instruments and other marketable securities	16	141	73
Inventories		11,123	10,435	Bank borrowings	16	3,111	4,881
Trade receivables	13	106,496	106,601	Leasing liabilities	9	252,970	-
Non-trade receivables-		55,928	38,195	Other financial liabilities		251	710
<i>Tax receivables</i>	19	28,961	19,451	Trade and other payables	20	257,499	252,704
<i>Other non-trade debtors</i>	11	26,967	18,744	Accounts payable from related entities		1,050	-
Accounts receivable from related entities		2,493	978	Tax payables	19	40,875	59,453
Cash and cash equivalents	14	289,345	265,869	Provisions for contingencies and charges	18	5,021	2,713
Other current assets		5,771	12,109	Other current liabilities	22	49,035	44,444
Total current assets		518,967	490,161	Total current liabilities		612,537	367,434
TOTAL ASSETS		4,391,896	2,563,128	NET ASSETS AND LIABILITIES		4,391,896	2,563,128

Notes 1 to 31 set forth in the Consolidated Annual Report and Annexes I/III are an integral part of the Consolidated Balance Sheet at 31 December 2019.

The Consolidated Balance Sheet at 31 December 2018 is presented solely for the purposes of comparison.

The balance sheet at 31 December 2019 includes the application of IFRS 16 (See Note 2.1.1) that was not considered during 2018 given that its entry into force was 1 January 2019. In accordance with the significant event published in 6 May 2019, the Group has restated the comparative figures for 2018 (See Note 2.2).

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE YEARS 2019 AND 2018

(Thousands of euros)

	Note	2019	2018
Revenues	25.1	1,708,078	1,613,388
Other operating income	25.1	9,352	6,132
Net gains on disposal of non-current assets	7, 8, 12 and 25.1	(709)	85,982
Procurements		(76,765)	(74,810)
Staff costs	25.3	(448,762)	(422,671)
Depreciation and amortisation charges	7, 8 and 9	(297,080)	(116,301)
Net Profits/(Losses) from asset impairment	6, 7, 8 and 9	4,889	(304)
Other operating expenses		(624,175)	(852,924)
<i>Variation in the provision for onerous contracts</i>	18	-	4,342
<i>Other operating expenses</i>	25.4	(624,175)	(857,266)
Gains on financial assets and liabilities and other		8,529	(373)
Profit (Loss) from entities valued through the equity method	10	22	(499)
Financial income	25.2	4,204	6,039
Change in fair value of financial instruments		306	-
Financial expenses	25.5	(135,472)	(59,997)
Results from exposure to hyperinflation (IAS 29)	2.4 and 25.6	(85)	635
Net exchange differences (Income/(Expense))		(2,341)	1,053
Impairment on financial investments	12 and 26	(18,572)	-
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		131,419	185,350
Corporation tax	19	(38,568)	(79,664)
PROFIT FOR THE PERIOD FROM CONTINUING ACTIVITIES		92,851	105,686
<i>Profit (loss) for the year from discontinued operations net of tax</i>	12	50	(568)
PROFIT FOR THE PERIOD		92,901	105,118
Conversion differences		3,536	(2,187)
Income and expenses recognised directly in equity		3,536	(2,187)
TOTAL COMPREHENSIVE PROFIT		96,437	102,931
Profits from the period attributable to:			
<i>Parent Company Shareholders</i>		89,964	101,573
<i>Non-controlling interests</i>		2,937	3,545
Comprehensive Profit attributable to:			
<i>Parent Company Shareholders</i>		92,245	101,399
<i>Non-controlling interests</i>	15.4	4,192	1,532
Profit per share in euros (basic)	5	0.230	0.275

Notes 1 to 31 set forth in the Consolidated Annual Report and Annexes I/II form an integral part of the consolidated comprehensive profit and loss statement for 2019.

The Consolidated Comprehensive Profit and Loss Statement for 2018 is presented solely for the purposes of comparison.

The consolidated comprehensive profit and loss statement at 31 December 2019 includes the application of IFRS 16 (See Note 2.1.1) that was not considered during 2018 given that its entry into force was 1 January 2019. In accordance with the significant event published in 6 May 2019, the Group has restated the comparative figures for 2018 (See Note 2.2).

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR 2018 AND 2017

(Thousands of euros)

	Share capital	Reserves of the Parent Company			Reserves in companies consolidated by		Currency translation difference	Effect on equity attributable to the shareholders of the Parent Company	Treasury shares and shareholdings	Consolidated profit for the period	Equity attributable to the shareholders of the Parent Company	Non-controlling interests	Total Shareholders' Equity
		Share premium	Legal reserve	Other reserves	Full consolidation	the equity method							
Balances at 31 December 2017	700,544	634,659	56,017	(164,433)	38,877	(23,087)	(157,542)	27,230	(39,250)	35,489	1,108,504	43,472	1,151,976
Application adjustment of IFRS 9	-	-	-	8,571	-	-	-	-	-	-	8,571	-	8,571
Application adjustment of IAS29 (Note 2.2)	-	-	-	-	(50,724)	-	96,862	-	-	-	46,138	7,093	53,231
Initial balance adjusted at 1 January 2018	700,544	634,659	56,017	(155,862)	(11,847)	(23,087)	(60,680)	27,230	(39,250)	35,489	1,163,213	50,565	1,213,778
Net profit (loss) for 2018	-	-	-	-	-	-	-	-	-	117,785	117,785	6,722	124,507
Exchange differences	-	-	-	-	-	-	(174)	-	-	-	(174)	(2,013)	(2,187)
Recognised income and expenses for the period	-	-	-	-	-	-	(174)	-	-	117,785	117,611	4,709	122,320
Capital Increase	-	-	-	-	-	-	-	-	-	-	-	500	500
Distribution of Profit (Loss) 2017-	-	-	-	-	-	-	-	-	-	-	-	-	-
- To Reserves	-	-	2,817	25,355	7,666	(349)	-	-	-	(35,489)	-	-	-
- To Dividends	-	-	-	(39,158)	-	-	-	-	-	-	(39,158)	(729)	(39,887)
Remuneration Scheme in shares (Notes 28 y 15.3)	-	-	-	1,185	-	-	-	-	1,029	-	2,214	-	2,214
Application adjustment of IAS 29 (Note 2.2)	-	-	-	-	(43,199)	-	-	-	-	-	(43,199)	(548)	(43,747)
Minorities acquisition	-	-	-	-	646	-	-	-	-	-	646	(2,146)	(1,500)
Convertible bonds	83,817	122,331	-	33,691	-	-	-	(27,230)	35,691	-	248,300	-	248,300
Other movements	-	-	-	33	2,011	-	-	-	-	-	2,044	-	2,044
Balances at 31 December 2018	784,361	756,990	58,834	(134,756)	(44,723)	(23,436)	(60,854)	-	(2,530)	117,785	1,451,671	52,351	1,504,022
Accounting correction (Note 2.2)	-	-	-	-	16,212	-	-	-	-	(16,212)	-	-	-
Balances at 31 December 2018 restated	784,361	756,990	58,834	(134,756)	(28,511)	(23,436)	(60,854)	-	(2,530)	101,573	1,451,671	52,351	1,504,022
Application of new accounting policy (IFRS 16) (Note 2.1.1)	-	-	-	(3,443)	(251,262)	-	-	-	-	-	(254,705)	(1,098)	(255,803)
Accounting criteria change (Note 2.3)	-	-	-	(1,041)	(16,591)	5,737	166	-	-	-	(11,729)	3,761	(7,968)
Initial balance adjusted at 1 January 2019	784,361	756,990	58,834	(139,240)	(296,364)	(17,699)	(60,688)	-	(2,530)	101,573	1,185,237	55,014	1,240,251
Net profit (loss) for 2019	-	-	-	-	-	-	-	-	-	89,964	89,964	2,937	92,901
Exchange differences	-	-	-	-	-	-	2,281	-	-	-	2,281	1,255	3,536
Recognised income and expenses for the period	-	-	-	-	-	-	2,281	-	-	89,964	92,245	4,192	96,437
Distribution of Profit (Loss) 2018-	-	-	-	-	-	-	-	-	-	-	-	-	-
- To Reserves	-	-	16,019	144,173	(58,120)	(499)	-	-	-	(101,573)	-	-	-
- To Dividends	-	-	-	(58,771)	-	-	-	-	-	-	(58,771)	-	(58,771)
Remuneration Scheme in shares (Notes 24)	-	-	-	(998)	-	-	-	-	970	-	(28)	-	(28)
Application adjustment of IAS29 (Note 2.4)	-	-	-	-	1,151	-	-	-	-	-	1,151	777	1,928
Dividends distribution (Note 15.4)	-	-	-	-	-	-	-	-	-	-	(2,720)	(24)	(2,744)
Other movements	-	-	-	82	(1,575)	-	-	-	(87)	-	(1,580)	(24)	(1,604)
Balances at 31 December 2019	784,361	756,990	74,853	(54,754)	(354,908)	(18,198)	(58,407)	-	(1,647)	89,964	1,218,254	57,239	1,275,493

Notes 1 to 31 set forth in the Consolidated Annual Report and Annexes I/II form an integral part of the Consolidated Statement of Changes in Equity.

The Consolidated Statement of Changes in Equity for 2018 is presented solely for the purposes of comparison.

The Consolidated Statement of Changes in Equity for 2019 includes the application of IFRS 16 (See Note 2.1.1) that was not considered during 2018 given that its entry into force was 1 January 2019. In accordance with the significant event published in 6 May 2019, the Group has restated the comparative figures for 2018 (See Note 2.2).

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENTS FOR 2019 AND 2018

	Nota	31.12.2019	31.12.2018
1. OPERATING ACTIVITIES			
Consolidated profit before tax:		131.419	185.350
Adjustments:			
Depreciation of tangible and amortisation of intangible assets (+)	7, 8 y 9	297.080	116.301
Impairment losses (net) (+/-)	7, 8 y 9	(4.889)	304
Allocations for provisions (net) (+/-)		-	(4.342)
Gains/Losses on the sale of tangible and intangible assets (+/-)	7, 8, 9, 12 and 25.1	709	(85.982)
Gains/Losses on investments valued using the equity method (+/-)	10	(22)	499
Financial income (-)	25	(4.204)	(6.039)
Variation in fair value of financial instruments (+)		(306)	-
Financial expenses (+)	26	135.472	59.997
Results from exposure to hyperinflation (IAS 29)	26	85	(635)
Net exchange differences (Income/(Expense))		2.341	(1.053)
Profit (loss) on disposal of financial investments	11	(8.529)	373
Impairment on financial investments		18.572	
Other non-monetary items (+/-)		5.841	25.031
Adjusted profit		573.569	289.804
Net variation in assets / liabilities:			
(Increase)/Decrease in inventories		(144)	(626)
(Increase)/Decrease in trade debtors and other accounts receivable	11.2	(405)	28.387
(Increase)/Decrease in other current assets		(764)	(10.760)
Increase/(Decrease) in trade payables		5.466	10.480
Increase/(Decrease) in other current liabilities		(4.745)	2.948
Increase/(Decrease) in provisions for contingencies and expenses		(12.923)	3.330
(Increase)/Decrease in non-current assets	11	1.312	(403)
Increase/(Decrease) in non-current liabilities	17	(146)	(9.437)
Income tax paid		(55.959)	(61.561)
Total net cash flow from operating activities (I)		505.261	252.162,00
2. INVESTMENT ACTIVITIES			
Other financial incomes/collected dividends		716	527
Investments (-):			
Group companies, joint ventures and associates		(1.297)	(1.000)
Tangible and intangible assets and investments in property	7 y 8	(190.813)	(133.677)
Non-current financial investments		-	(671)
		(192.110)	(135.348)
Disinvestment (+):			
Group companies, joint ventures and associates	2.8.4 y 10	1.903	85
Tangible and intangible assets and investments in property		23.532	48.291
Non-current assets classified as held for sale		-	154.137
		25.435	202.513
Total net cash flow from investment activities (II)		(165.959)	67.692
3. FINANCING ACTIVITIES			
Dividends paid out (-)		(60.580)	(39.767)
Interest paid on debts (-)		(38.726)	(44.717)
Financial expenses for means of payment		(19.304)	(17.379)
Interest paid on debts and other interest		(19.422)	(27.338)
Variations in (+/-):			
Debt instruments:			
- Bonds and other tradable securities (+)	16	-	(44.894)
- Loans from credit institutions (+)		36.544	6.323
- Loans from credit institutions (-)	16	(3.974)	(11.147)
- Principal elements of lease payments (-)	9	(252.296)	-
- Other financial liabilities (+/-)		(755)	(262)
Total net cash flow from financing activities (III)		(319.787)	(134.464)
4. GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		19.515	185.391
5. Effect of exchange rate variations on cash and cash equivalents (IV)		2	325
6. Effect of variations in the scope of consolidation (V)	2.8.4	3.959	(96)
7. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III-IV+V)		23.476	185.620
8. Cash and cash equivalents at the start of the financial year		265.869	80.249
9. Cash and cash equivalents at the end of the financial year		289.345	265.869

The Consolidated Cash Flow Statements for 2018 is presented solely for the purposes of comparison.

The consolidated Cash Flow at 31 December 2019 includes the application of IFRS 16 (See Note 2.1.1) that was not considered during 2018 given that its entry into force was 1 January 2019. In accordance with the significant event published in 6 May 2019, the Group has restated the comparative figures for 2018 (See Note 2.2).

NH HOTEL GROUP, S.A. AND SUBSIDIARIES REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2019

1.- ACTIVITY AND COMPOSITION OF THE PARENT COMPANY

NH HOTEL GROUP, S.A. (hereinafter the Parent Company) was incorporated as a public limited company in Spain on 23 December 1981 under the trade name “Material para Ferrocarriles y Construcciones, S.A.”, which was subsequently changed to “Material y Construcciones, S.A.” (MACOSA) and later to “Corporación Arco, S.A.”

In 1992, Corporación Arco, S.A. took over Corporación Financiera Reunida, S.A. (COFIR), while at the same time adopting the trade name of the company taken over and amending its corporate purpose to the new activity of the Parent Company, which focused on the management of its shareholding portfolio.

During 1998, Corporación Financiera Reunida, S.A. (COFIR) merged with Grupo Catalán, S.L. and its subsidiaries and Gestión NH, S.A. through the absorption of these companies by the former. Subsequently, Corporación Financiera Reunida, S.A. (COFIR) took over NH Hoteles, S.A., adopted its trade name and broadened its corporate purpose to allow for the direct performance of hotel activities, activities in which it had already been engaged indirectly through its subsidiaries.

Information on these mergers can be found in the financial statements of the years in which said transactions took place.

The General Shareholders' Meeting of 21 June 2014 agreed to change the company's name from “NH Hoteles, S.A.” to “NH Hotel Group, S.A.”

The Parent Company is the head of a group of subsidiaries engaged in the same activities and that constitute, together with NH Hotel Group, S.A., the NH Hotels Group (hereinafter the “Group” – see Appendices I and II).

At the end of 2019, the Group was operating hotels in 30 countries, with 368 hotels and 57,466 rooms, of which around 70% are located in Spain, Germany, Italy and the Benelux countries.

NH Hotel Group, S.A. has its registered address in Madrid.

2.- BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATION PRINCIPLES

2.1 Basis of presentation of the Consolidated Financial Statements

The consolidated financial statements for 2019 were drawn up by the directors of NH Hotel Group, S.A. at the Board meeting held on 25 February 2020, in accordance with the regulatory reporting framework applicable to the Group, as established in the Code of Commerce and all other Spanish corporate law, and in the International Financial Reporting Standards ("IFRS") adopted by the European Union in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and in Law 62/2003, of 30 December, the Tax, Administrative, Labour and Social Security Measures Act as well as in the applicable standards and circulars of the National Securities Market Commission and the remaining Spanish accounting standards which may be applicable, and as such give a true and fair presentation the Group's equity and financial position at 31 December 2019 and of the results of its operations, changes in equity and consolidated cash flows for the year then ended.

The consolidated financial statements for 2019 of the Group and the entities that it comprises have not yet been approved by the shareholders at the respective Annual General Meetings or by the respective shareholders or sole shareholders. Nonetheless, the directors of the Parent Company believe that said financial statements will be approved without any significant changes. The consolidated financial statements for 2018 were approved by the shareholders at the Annual General Meeting held on 13 May 2019 and filed with the Companies Registry of Madrid.

Since the accounting standards and valuation criteria applied in the preparation of the Group's consolidated financial statements for 2019 may differ from those used by some of its component companies, the necessary adjustments and reclassifications have been made to standardise them and adapt them to the IFRS adopted by the European Union.

2.1.1 Standards and interpretations effective in this period

In 2019 new accounting standards came into force and were therefore taken into account when preparing the accompanying consolidated financial statements, but which did not give rise to a change in the Group's accounting policies:

(1) New obligatory regulations, amendments and interpretations for the year commencing 1 January 2019:

New standards, amendments and interpretations	Obligatory application in the years beginning on or after:
Approved for use in the European Union	
New Standards:	
IFRS 16 Leases (published in January 2016)	Replaces IAS 17 and associated interpretations. The main change hinges on the fact that the new standard proposes a single accounting model for lessees who will include all leases (with some exceptions) on the balance sheet with a similar impact to that of the current financial leases (the asset will depreciate due to the right of use and a financial expense for the cost of amortising the liability).
	01 January 2019

Amendments and/or interpretations

Amendment to IFRS 9 Characteristics of early cancellation with negative offset (published in October 2017).	This amendment allows for the valuation of some financial instruments with early payment characteristics at amortised cost allowing the payment of an amount less than the unpaid amounts of principal and interest.	01 January 2019
IFRIC 23 Uncertainty over tax treatment (published in June 2017)	This interpretation clarifies application of recognition and measurement requirements in IAS 12 when there is uncertainty over acceptability by the tax authorities of a certain income tax treatment used by the entity.	
Amendment to IAS 28 Long-term interest in associates and joint ventures (published in October 2017)	Clarifies that IFRS 9 must be applied to long-term interests in an associate or joint venture if the equity method is not applied.	01 January 2019
Amendment IAS 19 - Accounting for a change, reduction or settlement of a defined benefit plan (published in February 2018)	Addresses the accounting for a change, reduction, or settlement of a defined benefit plan that occurs in the fiscal year.	
Improvements to IFRS 2015-2017 Cycle (published in December 2017)	Minor amendments to a number of standards: IFRS 3, IFRS 11, IAS 12 and IAS 23.	

These regulations and amendments have been applied to these consolidated financial statements with no significant impacts on either the reported figures or the presentation and breakdown of the information, except for the application of IFRS 16; see breakdown of impacts in the following section:

(2) Analysis of IFRS 16 first application.

IFRS 16 replaces IAS 17, IFRIC 4, SIC-15 and SIC-17 and establishes the principles for the recognition, measurement, presentation and disaggregation of leases and requires lessees to account for all leases under a balance sheet recognition model similar to the accounting for finance leases under IAS 17. IFRS 16 came into force on 1 January 2019 and the Group decided not to apply it early.

The standard provides that at the inception of the lease, the lessee must record a liability equal to the present value of the lease payments. Such a liability includes fixed lease payments and those that are substantially fixed, as well as variable lease payments that depend on an index or interest rate. An asset that represents the right to use the underlying asset during the lease term (the right of use) is recognised. In the case of Grupo NH, the right of use is linked to “Buildings and Constructions”. Lessees are required to record separately the interest expense of the lease liability from the amortisation expense of the right of use.

Lessees are also required to recalculate the lease liability in certain circumstances (for example, a change in the term of the lease or a change in lease payments due to a change in the index or rate used to determine those payments). The lessee shall recognise the difference from the recalculation of the liability as an adjustment to the value of the right of use.

The lessor's accounting under IFRS 16 is substantially the same as under IAS 17. The lessor shall continue to classify leases using the same criteria as under IAS 17 and distinguish between operating and finance leases.

Transition to IFRS 16

The Group has begun applying the standard to all contracts that were identified as leases in accordance with IAS 17 and IFRIC 4, except for the exceptions recognised by the standard. These exceptions are as follows: leases of low-value assets (e.g. computers) and short-term leases (leases for periods of less than 12 months). Also, the Group analysed the subleases signed at the transition date and, due to their amount and the applicable market conditions, were not considered relevant for the application of the standard.

The Group decided to apply the modified retrospective method as the transition method to IFRS 16, calculating the asset at the commencement date of each identified contract and the liability at the transition date, using for the calculation of both the incremental interest rate at the transition date and recognising the difference between the two items as an adjustment to the opening balance of the consolidated reserves.

In order to determine the term of the lease contracts, the Group has taken as non-cancellable the initial term of each contract, taking the possible unilateral extensions at the option of the Group only in those cases in which it has been reasonably considered certain that they will be exercised, and only the cancellation options whose exercise has been reasonably considered certain have been taken into account.

The incremental interest rate is the interest rate that the lessee would incur at the commencement of the lease if it borrowed, over a period of time, with similar guarantees and in a similar economic environment. The interest was calculated as a combination of the following elements:

- CDS curve of the economic environment
- Euribor Swap Rate Curve.
- Synthetic NH CDS curve.

These elements were combined to obtain an interest rate curve for each contract based on its geoeconomic specificities and from which the calculation process consists of bringing each of the discounted flows to the present value at the interest rate corresponding to each maturity within said curve and calculating which single equivalent rate would be used to discount said flows. The simple average rate of all the Group's leasing contracts affected by IFRS 16 is 4.3%

The impact of IFRS 16 on the Group's financial statements is significant due to the lease contracts portfolio.

This impact at 1 January 2019 was mainly greater right-of-use net assets for 1.747 billion euros, a greater liability for operating leases of 2.099 billion euros (1.839 billion euros of non-current liabilities and 260 million euros of current liabilities), lower early payments assets of 3 million euros, lower lease linearisation assets of 16 million euros (13 million euros in non-current assets, 3 million euros in current assets), lower lease linearisation liabilities of 19 million euros (17 million euros in other non-current liabilities, 2 million euros in other current liabilities), greater deferred tax assets of 88 million euros and lower equity of 256 million euros. It also entailed the reclassification of certain balance sheet items that were associated with lease contracts under the Right-of-use assets heading. Specifically, a liability for risk provisions and expenses on onerous contracts of 7 million euros, a liability for grants of 22 million euros and net intangible assets of 22 million euros.

The calculation of these impacts has been performed as if IFRS 16 had been applied from the inception of each contract or from the date of initial consolidation of the lessee of the contract. The calculation was made by discounting the lease flows by recalculating the asset and liability for each material modification to the lease and using an incremental interest rate calculated for each of the contracts at the transition date without taking into account the tax effect.

In order to reconcile operating lease commitments at 31 December 2018 in accordance with IAS 17 (see Note 24.5 of the 2018 consolidated annual accounts) with operating lease liabilities in accordance with IFRS 16, it would be necessary to add the commitments discounted by operating leases in accordance with IAS 17 of approximately 2 billion euros (3.581 billion euros of pre-discounted nominal value commitments), the impact of applying different discount rates (approximately 274 million euros, and subtract the impact of contracts signed but not in force at the transition date (approximately -175 million euros), thereby achieving an operating lease

liability of 2.099 billion euros (1.839 billion euros of non-current liabilities and 260 million euros of current liabilities).

The main impacts on the Group's consolidation, according to the source of the contracts in the hotel sector distributed by geographical segment of IFRS 16 at 31 December 2019 are as follows (thousands of euros):

	Spain	Benelux	Italy	Germany	Latin America	Remainder	Total
Right-of-use assets	327,653	359,633	291,604	498,419	20,730	203,460	1,701,499
Leasing liabilities	393,308	430,026	354,367	622,116	23,113	244,439	2,067,369
Impact on reserves due to IFRS 16	63,079	51,392	43,168	68,928	1,177	26,961	254,705
Deferred tax assets	18,047	16,507	18,173	33,138	718	9,203	95,786
Amortisation of use rights	(58,995)	(17,570)	(30,449)	(49,626)	(2,605)	(21,834)	(181,079)
Financial expenses	14,846	19,354	18,842	23,988	2,683	9,907	89,620
Leasing expenses	(76,097)	(31,802)	(44,971)	(69,575)	(4,479)	(30,385)	(257,309)

(3) New regulations, amendments and interpretations which will be obligatory in the years following the year commencing 01 January 2020

The following standards and interpretations had been published by the IASB on the date the consolidated financial statements were drawn up but had not yet entered into force, either because the date of their entry into force was subsequent to the date of these consolidated financial statements or because they had not yet been adopted by the European Union:

Awaiting approval for use in the European Union as of the date of publication of this document ⁽¹⁾

New Standards:

IFRS 17 Insurance contracts (published in May 2017)	Replaces IFRS 4 and reflects the principles of registration, valuation, presentation and breakdown of insurance contracts with the objective that the entity provides relevant and reliable information which allows users of the information to determine the effect which contracts have on the financial statements.	1 January 2021 ⁽²⁾
Amendment to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associates or joint ventures"	These amendments clarify the accounting treatment of the sales and contributions of assets between an investor and its associates and joint ventures that will rest on if the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognise the full gain or loss when the non-monetary assets constitute a "business". If the assets do not meet said definition, the investor recognises the gain or loss to the extent of the interests of other investors. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for annual periods beginning on or after 1 January 2016. However, at the end of 2015, the IASB made the decision to postpone the effective date (without setting a new specific date) as it is planning a broader review that could result in simplifying the accounting of these transactions and other aspects of the accounting of associates and joint ventures.	Pending approval

(1) The approval status of the standards can be consulted on the EFRAG website.

(2) The IASB has proposed its deferral to 1 January 2022 (Draft amendment to IFRS 7 published on 26 June 2019).

Amendments and/or interpretations

Amendment to IFRS 3 - Definition of business (published in October 2018)	Clarifications to the definition of business.	01 January 2020
Amendments to IAS 1 and IAS 8 Definition of “materiality” (published in October 2018)	Amendments to IAS 1 and IAS 8 to align the definition of “materiality” to the content of the conceptual framework.	
Amendments to IFRS 9, IFRS 7 and IAS 39 Current reform of the benchmark interest rate. (published in September 2019)	Modifications that provide certain exemptions related to hedge accounting with respect to the reform of the benchmark interest rate (IBOR).	

2.2 Accounting correction

During the first quarter of 2019, a situation was detected in the Consolidated Annual Accounts at 31 December 2018 in relation to the accounting for hyperinflation in the Argentine subsidiaries of the Parent Company in accordance with IAS 29.

This situation corresponded to the recording of a higher consolidated result in 2018 derived from hyperinflation in Argentine subsidiaries, when a net amount of 19 million euros before minority interests should have been recorded directly in reserves. This therefore supposes a reclassification between the result and equity without there being any additional impact to consider.

Following a report from the Audit and Control Committee, the Board of Directors considered that the situation revealed did not represent a very significant impact on the Consolidated Annual Accounts at 31 December 2018 in the context of Article 38 of the Commercial Code as it did not affect the financial or equity position of the Company, and did not justify, therefore, the consolidated annual accounts be restated.

Based on the foregoing, the aforementioned reclassification has been recorded in equity balances at 1 January 2018, which has resulted in higher consolidated reserves of 16,212 thousand euros and a lower consolidated result for the same amount. On the other hand, the effect of the reclassification on minority interests was 3,177 thousand euros as higher reserves and the same amount as lower gain/(loss) and supposes zero effect on this heading of the abridged consolidated statement of changes in net equity (See Note 15.4).

2.3 Accounting criteria change

The impact recorded on the Statement of Changes in Equity in relation to the change in accounting criteria heading is mainly due to the provision for the pension plan on certain contract allocated in one country where a more prudent interpretation deriving a gross impact of 12,191 thousand euros, giving rise to an impact net of tax of less net equity amounting to 9,692 thousand euros. This impact has been recognised at 1 January 2019. (see Note 18)

2.4 Comparison of information

As required by IAS 1, the information on 2018 contained in this consolidated annual report is presented for solely comparative purposes with the information on 2019 and consequently does not in itself constitute the Group's consolidated financial statements for 2018.

First application of IFRS 16

As a result of applying IFRS 16 from 1 January 2019, there are certain items in the consolidated financial statements at 31 December 2019 that are not comparable with the previous year (see Note 2.1.1).

Conversion of NH Argentina's financial statements

During 2018, the economic crisis in Argentina worsened considerably, and this situation has led to a substantial increase in the rate of inflation and has surpassed 100% in the last three years. These events led Argentina to be considered a hyperinflationary economy from the third quarter 2018 onwards, in accordance with accounting standards. As a result, the Group applied IAS 29 "Financial Reporting in Hyperinflationary Economies" to the Group's business in Argentina in the third quarter of 2018 in accordance with accounting standards.

Given Argentina's consideration as a hyperinflationary country, the financial statements are adjusted for inflation (see Note 4.23), the most significant impact being the restatement of non-current assets and liabilities from the date of acquisition, last revaluation or first application of IFRS by the inflation index. The difference between the pre-tax result and the net result corresponds to the recognition of deferred tax (see Note 18) for the adjustments for inflation of net assets that, according to current tax legislation in Argentina, are not tax deductible.

The first application of IAS 29 from 1 January 2018 led to an increase of 46 million euros in consolidated reserves and an increase in the value of minority interests of 7 million euros, recorded mainly under "Property, Plant and Equipment" (an increase of 71 million euros in net book value upon first application, see Note 8) and under deferred tax liabilities (an increase of 18 million euros in the value of liabilities at the time of first application, see Note 19).

Additionally, the Group decided to classify the historical translation differences associated with the devaluation of the currency in Argentina to consolidated reserves. This had a negative effect on the consolidated reserves of 96,862 thousand euros and, therefore, the total effect of hyperinflation at the time of first-time application amounted to lower reserves in fully consolidated companies amounting to 50,724 thousand euros.

After this first application, the impact of the application of IAS 29 during 2018 had a negative net effect on the reserves of consolidated companies amounting to 27 million euros. This is composed of the effect of the devaluation of the currency that compensates for the increase in equity because of the restatement of non-monetary items due to hyperinflation. On the other hand, "Property, plant and equipment" increased by 1.8 million euros (see Note 8), and the deferred tax liability increased by 1.2 million euros (see Note 19) with respect to the first application at 1 January 2018. Also, the net effect in the profit and loss account of the application of IAS 29 is recorded as income of 635 thousand euros, under the heading "Results from exposure to hyperinflation" (IAS 29) in the 2018 consolidated comprehensive profit and loss statement.

The main impacts from applying IAS 29 in 2019 have had a positive effect on equity of 1.9 million euros, an increase in property, plant and equipment of 1.5 million euros, a decrease in deferred tax liabilities of 1.2 million euros (see Note 19) and an expense of 85 thousand euros under the heading "Results from exposure to hyperinflation" (IAS 29) of the consolidated comprehensive profit and loss.

2.5 Currency of presentation

These consolidated financial statements are presented in euros. Any foreign currency transactions have been recognised in accordance with the criteria described in Note 4.9.

2.6 Going concern

The application of the new accounting standard IFRS 16 (see Note 2.1.1) has led to, among others, a liability being recognised in the short term corresponding to the current value of the lease payment commitments to be made in the next twelve months that, at 31 December 2019, amounted to 252,970 thousand euros resulting in current liabilities being 93.6 million euros higher than current assets at that date. Given that this effect is caused by a purely accounting (non-financial) approach, this does not prevent the business's normal development.

2.7 Responsibility for the information, estimates made and sources of uncertainty

The Directors of the Parent Company are responsible for the information contained in these consolidated financial statements.

Estimates made by the management of the Group and of the consolidated entities have been used in preparing the Group's consolidated financial statements to quantify some of the assets, liabilities, revenue, expenses and undertakings recognised. These estimates essentially refer to:

- The assessment of possible impairment losses on certain assets.
- The hypotheses used in the actuarial calculation of liabilities for pensions and other undertakings made to the workforce;
- The useful life of the tangible and intangible assets.
- The valuation of consolidation goodwill.
- The market value of specific assets.
- Calculation of provisions and evaluation of contingencies.
- The recoverability of capitalised tax credits.

In spite of the fact that these estimates were carried out using the best information available at 31 December 2019 on events analysed, it is possible that events may take place in the future which compel their amendment (upwards or downwards) in years to come. This will be done in accordance with the provisions of IAS 8, prospectively recognising the effects of the change in estimate on the consolidated profit and loss statement.

2.8 Consolidation principles applied

2.8.1 Subsidiaries (See Appendix I)

Subsidiaries are considered as any company included within the scope of consolidation in which the Parent Company directly or indirectly controls their management due to holding the majority of voting rights in the governance and decision-making body, with the ability to exercise control. This ability is shown when the Parent Company has the power to direct an investee entity's financial and operating policy in order to obtain profits from its activities.

The financial statements of subsidiaries are consolidated with those of the Parent Company by applying the full consolidation method. Consequently, all significant balances and effects of any transactions taking place between them have been eliminated in the consolidation process. If necessary, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those used by the Group.

Stakes held by non-controlling shareholders in the Group's equity and results are respectively presented in the "Non-controlling interests" item of the consolidated balance sheet and of the consolidated comprehensive profit and loss statement.

The profit or loss of any subsidiaries acquired or disposed of during the financial year are included in the consolidated comprehensive profit and loss statement from the effective date of acquisition or until to the effective date of disposal, as appropriate.

2.8.2 Associates (See Appendix II)

Associates are considered as any companies in which the Parent Company has the ability to exercise significant influence, though it does not exercise either control or joint control. In general terms, it is assumed that significant influence exists when the percentage stake (direct or indirect) held by the Group exceeds 20% of the voting rights, as long as it does not exceed 50%.

Associates are valued in the consolidated financial statements using the equity method; in other words, through the fraction of their net equity value the Group's stake in their capital represents once any dividends received and other equity retirements have been considered. In the case of transactions with an associated company, the corresponding losses or gains are eliminated in the percentage of the Group's stake in its capital.

The profit (loss) net of tax of the associate companies is included in the Group's consolidated comprehensive profit and loss statement, in the item "Profit (Loss) from entities valued through the equity method", according to the percentage of the Group's stake.

If, as a result of the losses incurred by an associate company, its equity were negative, in the Group's consolidated balance sheet it would be nil; unless there were an obligation on the part of the Group to support it financially.

2.8.3 Foreign currency translation

The following criteria have been different applied for converting into euros the different items of the consolidated balance sheet and the consolidated comprehensive profit and loss statement of foreign companies included within the scope of consolidation:

- Assets and liabilities have been converted by applying the effective exchange rate prevailing at year-end.
- Equity has been converted by applying the historical exchange rate. The historical exchange rate existing at 31 December 2003 of any companies included within the scope of consolidation prior to the transitional date has been considered as the historical exchange rate.
- The consolidated comprehensive profit and loss statement was translated at the average exchange rate for the year, except for the companies in Argentina whose economy was declared hyperinflationary in 2018 and therefore, in accordance with IAS 29, their consolidated comprehensive profit and loss statement was translated at the 2019 year-end exchange rate (see Note 4.23).

Any difference resulting from the application these criteria have been included in the "Translation differences" item under the "Equity" heading (except for those arising from the translation of hyperinflationary economies).

Any adjustments arising from the application of IFRS at the time of acquisition of a foreign company with regard to market value and goodwill are considered as assets and liabilities of such company and are therefore converted using the exchange rate prevailing at year-end.

2.8.4 Changes in the scope of consolidation

The most significant changes in the scope of consolidation during 2019 and 2018 that affect the comparison between financial years were the following:

a.1 Changes in the scope of consolidation in 2019

a.1.1 Additions to the scope of consolidation

In October, the Group formed the company Anantara The Marker Ltd to acquire the company GCS Hotel Limited, operator of The Marker hotel in Dublin. The acquisition cost was 13,652 thousand euros and the inclusion of these companies has had the following effects on the consolidated balance sheet:

Item	Thousands of euros
Property, plant and equipment (See Note 8)	4,032
Usage Rights (See Note 9)	9,428
Current assets	2,257
Current liabilities	(2,065)
Fair value of the acquired entity's net assets	13,652
Net Consideration	(13,652)

The entry of this company has not had a significant effect on the consolidated comprehensive income statements at 31 December 2019. Likewise, the impact for the full year would not have a significant effect on the consolidated comprehensive income statements at 31 December 2019.

a.1.2 Disposals

In January 2019, the Group sold the 49% shareholding it held in Beijing NH Grand China Hotel Management Co, Ltd. This sale has resulted in a cash inflow of 1.9 million euros and has not had a significant impact on profits for the year (See Note 10).

a.2 Changes in the scope of consolidation in 2018

a.2.1 Additions to the scope of consolidation

During 2018, there were no additions to the scope of consolidation.

a.2.2 Disposals

In the first half of 2018, the Group liquidated Hotel&Congress Technology, S.L. and Hoteleira Brasil LTDA, in which it held 50% and 100% of equity, respectively. The net result of these liquidations produced a consolidated negative result of 40 and 45 thousand euros respectively.

In addition, in May 2018, the company belonging to the consolidated group Fast Good Islas Canarias, S.L. was liquidated. This liquidation had no impact on consolidated profit for the year.

2.8.5 Intra-group eliminations

All accounts receivable and accounts payable, and transactions performed between subsidiaries, with associate companies and joint ventures, and among each other, have been eliminated in the consolidation process.

2.8.6 Valuation uniformity

The consolidation of the entities included in the scope of consolidation has been performed based on their individual financial statements, which are prepared in accordance with the Spanish General Accounting Plan for companies resident in Spain and in accordance with their own local regulations for foreign companies. All significant adjustments necessary to adapt them to International Financial Reporting Standards and/or homogenise them with the accounting principles of the parent company have been considered in the consolidation process.

3.- PROPOSED DISTRIBUTION OF PROFITS

The proposed distribution of the profit (loss) for the year prepared by the Parent Company's Directors and that will be submitted for approval by the Shareholders at the General Shareholders' Meeting is as follows (in thousands of euros):

	2019
To legal reserve	15.894
To distribution of dividends	58.771
To voluntary reserves	84.275
Total	158.940

4. VALUATION STANDARDS

The main principles, accounting policies and valuation standards applied by the Group to draw up these consolidated financial statements, which comply with IFRS in force on the date of the relevant financial statements, have been the following:

4.1 Tangible fixed assets

Tangible fixed assets are valued at their original cost. They are subsequently valued at their reduced cost resulting from cumulative depreciation and, as appropriate, from any impairment losses they may have suffered.

Due to the transition to IFRS, the Group reappraised the value of some land to its market value on the basis of appraisals made by an independent expert for a total amount of 217 million euros. The reappraised cost of such land was considered as a cost attributed to the transition to the IFRS. The Group followed the criterion of not re-valuing any of its tangible fixed assets at subsequent year-ends.

Enlargement, modernisation and improvement costs entailing an increase in productivity, capacity or efficiency or a lengthening of the assets' useful life are recognised as increases in the cost of such assets. Conservation and maintenance costs are charged against the consolidated comprehensive profit and loss statement for the year in which they are incurred.

Withdrawn assets and items, whether arising as a result of a modernisation process or due to any other cause, are accounted for by derecognising the balances presented in the corresponding cost and accumulated depreciation accounts.

The Group depreciates its property, plant and equipment following the straight line method, distributing the cost of the assets over their estimated useful lives, in accordance with the following table:

	Estimated years of useful life
Buildings	33-50
Plant and machinery	10-30
Other plant, fixtures and furniture	5-10
Other fixed assets	4-5

These items are depreciated based on their estimated useful life or the remaining term of the lease, if this is less than the useful life.

The profit or loss resulting from the disposal or withdrawal of an asset is calculated as the difference between the profit from the sale and the asset's book value, and is recognised in the consolidated comprehensive profit and loss statement.

4.2 Consolidation goodwill

The goodwill generated on consolidation represents the excess of the cost of acquisition over the Group's share in the market value of the identifiable assets and liabilities of a subsidiary.

Any positive differences between the cost of interests in the capital of consolidated and associated entities and the corresponding theoretical carrying amounts acquired, adjusted on the date of the first consolidation, are recognised as follows:

1. If they are assignable to specific equity elements of the companies acquired, by increasing the value of any assets the market value of which is above their carrying amount appearing in the balance statements.
2. If they are assignable to specific intangible assets, by explicitly recognising them in the consolidated balance sheet, provided their market value on the date of acquisition can be reliably determined.
3. Any remaining differences are recognised as goodwill, which is assigned to one or more specific cash-generating units (in general hotels) which are expected to make a profit.

Goodwill is recognised only when it has been acquired for valuable consideration and represents, therefore, advance payments made by the acquirer of the future economic benefits derived from the assets of the acquired entity that are not individually and separately identifiable and recognisable.

Any goodwill generated through acquisitions prior to the IFRS transition date, 1 January 2004, is kept at its net value recognised at 31 December 2003 in accordance with Spanish accounting standards.

At the time of the disposal of a subsidiary or jointly controlled entity, the amount attributable to the goodwill is included when determining the profits or losses arising from the disposal.

Goodwill arising on the acquisition of companies with a functional currency other than the euro is valued in the functional currency of the acquired company, with the conversion to euros being made at the exchange rate prevailing at the balance sheet date.

Goodwill is not amortised. In this regard, at the end of every year, or whenever there are indications of a loss of value, the Group estimates, using the so-called "Impairment Test", the possible existence of permanent losses of value that would reduce the recoverable amount of goodwill to less than the net cost recognised. Should this be the case, it is written down in the consolidated comprehensive profit and loss statement. Any write-downs recognised cannot subsequently be reversed.

All goodwill is assigned to one or more cash-generating units in order to conduct the impairment test. The recoverable amount of each cash-generating unit is determined as the higher of the value in use and the fair value less sale costs.

The value in use is considered as the current value of expected future cash flows discounted at an after-tax rate that reflects the current market valuation with respect to the cost of money and the specific risks associated with the asset.

4.3 Intangible assets

Intangible assets are considered to be any specifically identifiable non-monetary assets which have been acquired from third parties or developed by the Group. Only those whose cost can be estimated in an objective way and from which future economic profits are expected are recognised.

Intangible assets are initially recognised at acquisition or production cost and are subsequently measured at cost less, as appropriate, their accumulated amortisation and any impairment losses they have suffered.

Any assets deemed to contribute indefinitely to the generation of profits are considered to have an indefinite useful life. The remaining intangible assets are considered have a “finite useful life”.

Intangible assets with an indefinite useful life are not amortised and are hence subjected to the “impairment test” at least once a year (see Note 4.4).

Intangible assets with a finite useful life are amortised according to the straight-line method on the basis of the estimated years of useful life of the asset in question.

The following are the main items recognised under the “Intangible assets” heading:

- i) “Concessions, patents and trademarks” basically reflect the disbursements made by Gran Círculo de Madrid, S.A. for the refurbishment and remodelling of the building where the Casino de Madrid is located. The amortisation of such works is calculated on a straight-line basis by taking into account the term of the concession for operating and managing the services provided in the building where the Casino de Madrid is located, which finalises on 1 January 2037. Furthermore, this item includes the brands of the Grupo Royal with a useful life of 20 years.
- ii) “Computer applications” include the costs incurred by the Group Companies in the acquisition and development of various computer software programmes acquired by the different consolidated companies. The amortisation of software applications is performed using the straight-line method at a rate of 20-25% per year.
- iii) On the other hand, as a consequence of entering into the consolidation of Hoteles Royal, S.A., operating rights of the hotel portfolio for 35 years were recognised within this concept.

4.4 Impairment in the value of tangible and intangible assets excluding goodwill

The Group evaluates the possible existence of a loss of value each year that would oblige it to reduce the carrying amounts of its tangible and intangible assets. A loss is deemed to exist when the recoverable value is less than the carrying amount.

The recoverable amount is determined as the value in use, with the sole exception of two cases, not significant in the context of the assets as a whole, in which the valuation of an independent third party was used as the recoverable amount. The value in use is calculated from the estimated future cash flows, discounted at a discount rate after tax that reflects the current market valuation with respect to the value of money and the specific risks associated with the asset, covering a five-year period and a perpetual value, except in the case of leased hotels that correspond to the lease period, a perpetual value therefore not being considered in the latter.

As a general rule, the Group has defined each of the hotels it operates as cash-generating units, according to the real management of their operations.

In the case of Hoteles Royal, S.A., where the whole business of Grupo Royal was acquired and whose purchase was effective in 2015, the cash-generating unit corresponds to the Group as a whole (Colombian, Chilean and Ecuadorian market).

For each CGU (hotel or Royal Group) the operating result is obtained at the end of the year without taking into account non-recurring results (if any) or financial results.

Once the operating result is obtained for each CGU, the impairment test is performed for those in which there are indications of impairment. Among others, the Group considers that a CGU has indications of impairment if it meets the following conditions: it has negative operating results and its business is stable (that is to say, they are not recently opened hotels until, generally speaking, they have been open for 3 years).

In addition, for all those CGUs in which impairment was recognised in previous years, an individual analysis and, therefore, an impairment test is performed for them.

Future cash flows are estimated based on the result for the year and the records of at least five previous years. The first projected year corresponds to the budget prepared by Management for the year following the impairment test. The projections for the following years are consistent with the macroeconomic information from external information sources and the knowledge of the business by the Group's Operations Department.

There are a number of factors that are considered by the Group's Management to make the projections, which are:

- Estimate of GDP (Gross Domestic Product) growth issued by the International Monetary Fund (IMF) in its report published in October of each year for the next five years.
- Knowledge of the business/asset/local situation of the local Management of each Business Unit to which each CGU belongs.
- Historical results obtained by the CGUs.
- Investments in repositioning the CGUs.

These factors are reflected in the cash flows through the following working hypotheses used to obtain the projections:

- Income from accommodation is projected as the product of the occupancy percentage, the average daily rate (ADR) per room, and the total available rooms per year.
- The other revenues are projected based on the average of the relationship between the revenue from accommodation and those revenues.
- Staff costs are calculated based on the average staff costs with a growth in the inflation index (CPI).
- For its part, tax is calculated from the tax rates applicable in each country.
- Direct expenses are directly associated with each of the revenues and are projected on the basis of an average ratio, while undistributed expenses are projected based on the average ratio between these and direct expenses.

For the calculation of the discount rate the Weighted Average Cost of Capital (WACC) methodology has been applied: Weighted Average Cost of Capital (WACC), as follows:

$$WACC=K_e \cdot E / (E+D) + K_d \cdot (1-T) \cdot D / (E+D)$$

Where:

K_e : Cost of Equity

K_d : Cost of Financial Debt

E: Own Funds

D: Financial Debt

T: Tax Rate

The Capital Asset Pricing Model (CAPM) is used to estimate the cost of equity (k_e).

The main variables used to calculate the discount rate are as follows:

- Risk-free rate: using the average long-term interest rates of a 10-year bond over the last 12 months for each country, in the local currency.
- Market risk premium: defined as 6.8% (6.6% in 2018), based on market reports.
- Beta or systematic risk: Used as outside sources of information, this information is gathered from independent databases and concerns the ratio between the risk of companies and overall market risk. The re-leveraged beta coefficient has been estimated on the basis of 72% de-leveraged betas (83% in 2018), the debt structure of comparable companies (Debt / (Debt + Equity) of 35% (26% in 2018) and the corresponding tax rate in each country.

- Market value of debt, amounting to 4.58% (4.11% in 2018).
- Premium by size: based on recent expert reports.

The after-tax discount rates used by the Group for these purposes range in Europe from 5.5% to 8.2% (6.2% and 9.0% in 2018) and in Latin America from 9.4% to 14.6% (10.6% and 18.4% in 2018) without taking into account Argentina, whose after-tax discount rate has been calculated taking into account its hyperinflationary economic situation (see Note 4.23) and varies between 47.1% in 2020 and 23.5% in 2024, based on the estimate of inflation. In this regard, the cash flows resulting from the impairment tests were also calculated after tax. In addition, the book value to which the value-in-use is compared does not include any deferred tax liabilities which could be associated with the assets.

Using a post-tax discount rate and post-tax cash flows is consistent with paragraph 51 of IAS 36, which states that "estimated future cash flows will reflect assumptions that are consistent with the manner of determining the discount rate". In addition, the result of the post-tax flows updated at a post-tax discount rate would obtain uniform results with respect to the impairment test if a pre-tax rate were used and, therefore, the impairment and reversion accounting records would be uniform.

Below are the pre-tax discount rates of the major countries:

	Discount rate before taxes:			
	Germany	Netherlands	Italy	Spain
2019	8.8%	7.4%	12.7%	9,3%
2018	7.8%	8.2%	10.2%	11,0%

If the recoverable amount of an asset is estimated to be lower than its carrying amount, the latter is reduced to the recoverable amount by recognising the corresponding reduction through the consolidated comprehensive profit and loss statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the limit of the original value at which such asset was recognised before the loss of value was recognised.

Information on impairment losses detected in the financial year appears in Notes 7 and 8 of this Consolidated Annual Report.

The evolution of the key assumptions in hotels with indications of impairment in the major countries in local currency was as follows:

	2019	2018	2019	2018	2019	2018	2019	2018
	Germany		Netherlands		Italy		Spain	
Post-tax WACC	5.47%	6.22%	6.01%	6.93%	8.21%	8.42%	6.88%	8.15%
Growth rate	2.13%	2.56%	2.01%	2.14%	1.50%	1.71%	1.77%	1.90%
Average ADR	96.8	80.9	66.0	73.9	97.5	110.9	91.6	88.9
Occupancy rate	71.5%	70.1%	54.1%	61.8%	60.9%	72.8%	74.6%	72.7%

"Average Daily Rate" (ADR): is the quotient of total room revenue for a specific period divided by the rooms sold in that specific period. This indicator is used to compare with companies in the sector the average prices per room of the hotels.

Additionally, the Group has analysed the potential impairment in ROU without having identified an impairment to record for this item.

4.5 Leases

Until financial year 2018, leases of fixed assets were classified as financial or operating leases. Since 1 January 2019, leases have been recognised as a right-of-use asset and the corresponding liability on the date the leased asset is available for use by the group (See Note 2.1.1).

Assets and liabilities arising from a lease are initially valued based on their present value. Leasing liabilities include the net present value of the following leasing payments:

- Fixed payments (including fixed payments in essence), less any lease incentive collectable.
- Variable payments for leases that reply on an index or rate, initially valued according to the index or rate on the start date.
- Amounts expected to be paid by the group for residual value guarantees.
- The price to exercise a purchase option if the group is reasonably certain that it will exercise that option.
- Penalty payments terminating the lease if the term of the lease reflects the group exercising that option.

In order to determine the term of the lease contracts, the Group has taken as non-cancellable the initial term of each contract, taking the possible unilateral extensions at the option of the Group only in those cases in which it has been reasonably considered certain that they will be exercised, and only the cancellation options whose exercise has been reasonably considered certain have been taken into account.

Contracts may contain leasing and non-leasing components. The Group assigns the consideration in the contract to the leasing and non-leasing components based on their relative independent prices. For real estate leases in which the Group cannot separate the leasing and non-leasing components, it accounts for them as a single leasing component.

Leasing payments are discounted using the implicit interest rate in the lease. If this rate cannot be easily determined, which is generally the case for the group's leases, the incremental interest rate is used. The incremental interest rate is the interest rate that the lessee would incur at the commencement of the lease if it borrowed, over a period of time, with similar guarantees and in a similar economic environment. The interest was calculated as a combination of the following elements:

- CDS curve of the economic environment
- Euribor Swap Rate Curve.
- Synthetic NH CDS curve.

These elements were combined to obtain an interest rate curve for each contract based on its socioeconomic specificities and from which the calculation process consists of bringing each of the discounted flows to the present value at the interest rate corresponding to each maturity within said curve and calculating which single equivalent rate would be used to discount said flows.

Potential future increases in variable payments for leases based on an index or rate are not included in leasing liabilities until they take effect. When the adjustments to the leasing payments based on an index or rate take effect, the leasing liability is assessed again and set against the asset for right of use.

Leasing payments are allocated between principal and financial cost. The financial cost is charged to profit/(loss) during the leasing period in a manner that creates a periodic interest rate on the remaining balance of the liability for each period.

Right-of-use assets are valued at cost that comprises the following:

- The initial valuation amount of the leasing liability.
- Any leasing payment made on or before the state date, less any incentive to lease received.
- Any initial indirect cost.
- Restoration costs.
- Incentives to lease received from the lessor.
- Provision on onerous contracts

4.6 Financial Instruments

4.6.1 Financial assets

Financial assets are recognised in the consolidated balance sheet when they are acquired and initially recognised at their fair value. The financial assets held by Group companies are classified as follows:

- Financial assets at fair value through profit or loss are those assets acquired by the companies with the objective of obtaining the contractual flows and selling them; or those assets that do not consist exclusively of the payment of the principal and interest and the management model is the sale of the same, in general terms, practically all of the variation in the fair value of the Group's financial assets are recorded with a charge to the consolidated statement of changes in equity. Interest income, exchange rate differences and impairment losses are recognised in the income statement and other gains or losses are recognised in "Other comprehensive profit and loss" in equity. Any cumulative gain or loss recognised in equity is reclassified to profit or loss at the time of derecognition.

- Financial assets at amortised cost: assets whose contractual cash flows consist exclusively of principal and interest payments and, if the management model of such assets is to hold them to obtain the contractual flows. In this case, the Group records any changes in value with a charge to the consolidated comprehensive profit and loss statement.

Transaction costs at the time of acquisition are recognised as an increase in acquisition cost or as an expense, depending on whether the financial asset being transacted is considered at fair value through profit or loss.

Fair value of a financial instrument on a given date is construed as the amount for which it could be bought or sold on that same date by two knowledgeable parties acting freely and prudently under conditions of mutual independence.

Interest accrued on financial assets at amortised cost is recognised in the consolidated comprehensive profit and loss statement on the basis of the effective interest rate. Amortised cost is construed as the initial cost minus any collections or amortisation of the principal, taking into account any potential reductions based on expected loss.

As regards valuation corrections made to trade and other accounts receivable in particular, the criterion used by the Group to calculate the corresponding valuation corrections, if any, generally consists of provisioning according to the expected loss based on the credit risk of the customer portfolio.

The Group derecognises financial assets when the cash flow rights of the corresponding financial asset have expired or have been transferred and the risks and rewards incidental to its ownership have been substantially all transferred.

Conversely, the Group does not derecognise financial assets and recognises a financial liability for an amount equal to the consideration received in the transfers of financial assets in which the risks and rewards inherent in its ownership are substantially all retained.

4.6.2. Cash and cash equivalents

"Cash and Cash Equivalents" in the consolidated balance sheet includes cash, demand deposits and other short-term, highly liquid investments that can be realised in cash quickly and are not subject to a risk of changes in value.

4.6.3 Financial liabilities

Issues of bonds and other securities

Debt issues are initially recognised at the fair value of the consideration received, less the costs directly attributable to the transaction. They are subsequently valued at their amortised cost using the effective interest rate method. Bonds with a maturity date greater than twelve months are classified under non-current liabilities, while those with a maturity date of less than twelve months are included in current liabilities.

In the case of renegotiations, if they were considered non-substantial and consequently did not require the de-recognition of the financial liabilities, the carrying amount of the amortised cost of those financial liabilities at the date of renegotiation is recalculated and a gain or loss due to changes in profit or loss is recognised.

Convertible bond issues are recognised at the time of their issue, distributing the fair value of the consideration received between their equity and liability components, assigning the residual value obtained after deducting the amount established separately for the liability component, from the fair value of these instruments as a whole, to the equity instrument. The value of any derivative embedded in the compound financial instrument other than the equity component will be included in the liability component.

Bank loans

Loans received from banking institutions are recognised at the amount received, net of costs incurred in the transaction. They are subsequently valued at amortised cost. These costs incurred in the transaction and the financial expenses are recognised on an accrual basis in the consolidated comprehensive profit and loss statement using the effective interest rate method, and their amount is added to liabilities to the extent to which they are not settled in the period they were produced.

In the case of renegotiations, if they were considered non-substantial and consequently did not require the de-recognition of the financial liabilities, the carrying amount of the amortised cost of those financial liabilities at the date of renegotiation is recalculated and a gain or loss due to changes in profit or loss is recognised.

Trade and other payables

Trade accounts payable are initially recognised at fair value and are subsequently valued at amortised cost using the effective interest rate method.

Derivatives and hedge accounting

Derivatives used to hedge the risks to which the Group's operations are exposed, mainly exchange and interest rate risks, are valued at market value on the date they are contracted. Any subsequent changes in their market value are recognised as follows:

- Concerning fair value hedges, the differences produced in both the hedging elements as well as in the hedged elements (regarding the kind of risk hedged) are directly recognised in the consolidated comprehensive profit and loss statement.

For cash flow hedges, valuation differences in the effective part of the hedge elements are temporarily recognised in the equity item "Equity valuation adjustments" and their adjustment is recognised as a lower or higher cost in the initial recognition of the item.

Hedge accounting is interrupted when the hedging instrument expires or is sold or finalised or exercised, or when it no longer meets the hedge accounting criteria. At that time, any cumulative gain or loss corresponding to the hedging instrument that has been recognised in equity is kept there until the expected transaction is undertaken.

When the transaction covered by the hedge is not expected to take place, the net cumulative gains or losses recognised in equity are transferred to the profit or loss for the period. Any changes in the fair value of derivatives

which fail to meet hedge accounting criteria are recognised in the consolidated comprehensive profit and loss statement as they arise.

Derivatives embedded in other financial instruments or in other main contracts are recognised separately as derivatives only when their risks and characteristics are not closely related to those of the main contract and providing such main contracts are not valued at fair value with changes through consolidated comprehensive profit and loss.

Valuation techniques and assumptions applying to the measurement of fair value

The fair values of financial assets and liabilities are determined as follows:

- The fair value of financial assets and liabilities under standard terms and conditions which are traded in active liquid markets are based on market prices.
- The fair value of other financial assets and liabilities (excluding derivatives) is determined in accordance with generally accepted valuation models on the basis of cash flow discounting using the price of observable market transactions and contributor listings of similar instruments.
- In order to determine the fair value of interest rate derivatives, cash flow discounting is used based on the implicit flow determined by the interest rate curve according to market conditions. In order to determine the fair value of options, the Group uses the Black-Scholes valuation model and its variants, using for this purpose market volatilities for the strike and maturity prices of said options.

Any financial instruments valued after their initial recognition at fair value are classified as level 1 to 3 based on the extent to which fair value can be observed:

- Level 1: includes any instruments indexed to listed prices (without adjustment) of identical assets or liabilities in active markets.
- Level 2: includes any instruments indexed to other observable inputs (which are not the listed prices included under Level 1) for assets or liabilities, be it directly (i.e., prices) or indirectly (i.e., derived from prices).
- Level 3: includes any instruments indexed to valuation techniques, which include inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

4.6.4. Equity instruments

An equity instrument represents a residual interest in the equity of the Parent Company once all its liabilities are subtracted.

Equity instruments issued by the Parent Company are recognised in equity for the amount received, net of the issue expenses.

4.7 Non-current assets and associated liabilities held for sale and discontinued operations

Assets and liabilities the carrying amount of which is recovered through a sale and not from continued use are classified as non-current assets held for sale and liabilities associated with non-current assets held for sale. This condition is considered to be met only when the sale is highly probable and the asset is available for immediate sale in its current state, and it is estimated that the sale will be completed within one year from the date of classification.

Non-current assets and associated liabilities classified as held for sale are valued at the lower of their historic cost or their fair value less selling expenses.

Discontinued operations represent components of the Group which will be disposed of. These components are activities and cash flows that can be clearly distinguished from the rest of the Group, both operationally and for the purposes of financial reporting, and represent lines of business or geographical areas which can be considered as separate from the rest.

4.8 Shareholdings in associated companies

Investments in companies over which the Parent exercises significant influence or are jointly controlled are accounted for using the equity method (see Appendix II). The carrying amount of the investment in the associate includes the goodwill and the consolidated statement of comprehensive income includes the share in the results of the associate's operations. If the associate recognises gains or losses directly in equity, the Group also recognises its share in such items directly in equity.

At each year-end, the existence of indicators of a potential impairment of the investment in the associate is assessed in order to recognise the related impairment loss, where appropriate. In order to determine the reasonable amount of the investments in companies whose sole asset consists of property inventories, appraisals were obtained from the same independent valuer that appraised the Group's inventories. In the case of the other companies, discounted cash flow valuations were performed internally, similar to those described in Note 4.4.

4.9 Foreign currency transactions and balances

The Group's functional currency is the euro. Consequently, any transactions in currencies other than the euro are considered as "foreign currency" and are recognised according to the prevailing exchange rate on the date the transactions are performed.

Cash assets and liabilities denominated in foreign currencies are converted into the functional currency at the prevailing exchange rate on the date of each consolidated profit and loss statement. Any gains or losses thus revealed are recognised directly in consolidated comprehensive profit and loss.

4.10 Classification of financial assets and debts into current and non-current

In the attached consolidated balance sheet, financial assets and debts are classified on the basis of their maturity; in other words, those with a maturity date equivalent to or less than twelve months are classified as current and those with a maturity date exceeding this are non-current.

4.11 Income and expenses

Income and expenses are recognised on an accrual basis, i.e. when the control of goods and services they represent has been transferred, irrespective of the moment when the monetary or financial flows deriving from them arise.

More specifically, income is calculated at the fair value of the consideration to be received and represents the amounts to be collected for the goods and services delivered within the ordinary framework of operations, subtracting any discounts and taxes.

Sale of rooms and other related services

Income from the sale of rooms and other related services is recognised daily based on the services provided by each hotel, including customers who are still staying at the hotel at the close of each day.

The consideration received is distributed among the contracted services. These include direct services such as room, food, drink and other consumption, and others related to banquets, events and the rental of spaces.

Provision of services

The Group recognizes the income from its hotel management contracts in the year in which the services are provided, based on the evolution of the variables that determines this income and which are mainly the total income and the gross operating profit of each hotel managed by the Group.

4.12 Official subsidies

Group companies follow the criteria set out below in recognising official subsidies:

- Non-reimbursable capital subsidies (connected with assets) are valued at the amount granted, recognised as deferred income and taken into profit and loss in proportion to the depreciation of the assets financed by such subsidies during the financial year.
- Operating subsidies are recognised as income at the moment of their accrual.

4.13 Corporation tax

The cost of the year's corporation tax is calculated through the sum of the current tax resulting from applying the tax rate to the taxable income for the year and then applying the relevant tax adjustments according to the law plus any changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities include temporary differences, being any amounts expected to be payable or recoverable due to differences between the carrying amounts of the assets and liabilities and their tax value, as well as tax loss carry-forwards and any credits resulting from unapplied tax deductions. Said amounts are recognised by applying to the relevant temporary difference or credit the tax rate at which they are expected to be recovered or settled.

In some countries, the tax rate varies depending on whether a transfer of assets is made. In these cases, the Group's policy consists of applying the effective tax rate at which they are expected to be recovered or settled. In the opinion of the Parent's Directors, the deferred tax thus calculated covers the amount which may eventually be settled, if any, in the foregoing case.

Deferred tax liabilities for all taxable temporary differences are recognised, except for those in which the temporary difference arises from the initial recognition of goodwill amortisation of which is not tax-deductible or the initial recognition of other operating assets and liabilities which do not affect either the tax or accounting result.

Deferred tax assets identified as temporary differences are recognised only if it is deemed probable that the consolidated entities will make sufficient tax profits in the future to realise them and they do not come from the initial recognition of other assets and liabilities in a transaction which does not affect either the tax or accounting result. Other deferred tax assets (tax loss carry-forwards and tax credits) are recognised only if it is likely that the consolidated companies will make sufficient tax profits in the future to be able to apply them.

At each year-end, deferred taxes (both assets and liabilities) are reviewed in order to verify that they remain in force and the relevant corrections are made in accordance with the outcome of the analyses conducted.

4.14 Obligations to employees

Spanish hotel companies are obliged to make a specific number of monthly salary payments to those employees who leave the company due to retirement, permanent disability or upon reaching a certain age and having a certain number of years of service and fulfilling certain pre-established requirements.

In this regard and in compliance with Royal Decree-Law 16/2005, the Group has outsourced its pension obligations for its employees' pension plans.

Also, in accordance with Italian law, employees of Italian companies have the right to compensation if they resign or are dismissed.

Its obligations to personnel also include those arising from contracting pension funds for certain employees, which in the Group, mainly affects the business units of Italy and the Netherlands.

Therefore, to provide for these obligations to future payments to personnel, the Group has recognised a liability under “Provisions for Risks and Charges” (See Note 18).

4.15 Onerous contracts

The Group considers onerous agreements to be those in which the inevitable costs of fulfilling the obligations they entail exceed the economic benefits expected from them.

The Group follows the principle of recording a provision at the present value of the aforementioned differences between the costs and benefits of the contract, or the compensation foreseen for abandonment of the contract, if such is decided.

The methodology, assumptions and discount rates used to calculate any necessary provisions are applied in accordance with the criteria described in Note 4.4.

4.16 Share-based Remuneration Schemes

These schemes, which are settled in shares, are valued at the time of granting, using a financial method based on a binomial model which takes into consideration the strike price, volatility, the exercise period, the expected dividends, the risk-free interest rate and the assumptions made concerning the financial year.

In accordance with IFRS 2, the above-mentioned valuation is recognised in profit or loss under personnel expenses during the period established as a requirement for the employee to remain in the company before exercising the option. Said value is recognised on a straight-line basis in the consolidated comprehensive profit and loss statement from the date the option is granted until the date on which it is exercised.

On each subsequent closing date, the Group reviews the estimates regarding the number of options expected to be exercisable, adjusting the equity figure if necessary.

4.17 Treasury shares

Pursuant to IAS 32, treasury shares are presented by reducing the Group’s equity. Treasury shares are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in the consolidated comprehensive profit and loss statement.

4.18 Provisions

The Group follows the policy of provisioning for the estimated amounts arising from ongoing litigation, indemnities or obligations, as well as for any sureties or guarantees granted by Group companies which could involve the Group in a payment obligation (either legal or implicit), provided the amount can be reliably estimated.

Provisions are quantified based on the best information available on the position and evolution of the events that cause them and are re-estimated at the end of each reporting period, being totally or partially reversed when these obligations cease to exist or decrease.

Contingent liabilities, except in business combinations, are not recognised in the consolidated financial statements, but are reported in the notes to the financial statements, in accordance with the requirements of IAS 37.

4.19 Severance pay

In accordance with current employment regulations and certain employment contracts, the Group is obliged to pay indemnities to employees who are dismissed under certain conditions. The Group recognised expenses of 3,119 thousand euros for this item in 2019 (5,751 thousand euros in 2018).

The consolidated balance sheet at 31 December 2019 includes, pursuant to IFRS (IAS 37), a provision of 841 thousand euros for this item (1,059 thousand euros at 31 December 2018).

4.20 Business combinations

Business combinations whereby the Group acquires control of an entity are accounted for using the acquisition cost method, calculating goodwill as the difference between the sum of the consideration transferred, the non-controlling interests and the fair value of any previous stake in the acquired entity, less the identifiable net assets of the acquired entity, measured at fair value.

In the event that the difference between these items is negative, income is recognised in the consolidated comprehensive profit and loss statement.

In the case of business combinations carried out in stages, goodwill is measured and recognised only once control of a business has been acquired. To do this, previous holdings are re-measured at fair value and the corresponding gain or loss is recognised.

4.21 Environmental policy

Investments arising from environmental activities are valued at their original cost and capitalised as increases in the cost of fixed assets or inventory in the financial year in which they are incurred.

Any expenses arising from environmental protection and improvement are recognised in the consolidated comprehensive profit and loss statements for the year in which they are incurred, irrespective of the moment when the cash or financial flows deriving from them arise.

Provisions for likely or certain liabilities, ongoing litigation and outstanding indemnities or obligations of an indeterminate amount connected with the environment and not covered by the insurance policies taken out are established at the time the liability or obligation linked to the indemnities or payment arises.

4.22 Consolidated cash flow statements

The following terms with their corresponding explanation are used in the consolidated cash flow statement prepared using the indirect method:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operational activities: the typical activities of the entities forming the consolidated group, along with other activities that cannot be classified as investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

4.23 Treatment of companies in hyperinflationary economies

In 2018, Argentina was declared a hyperinflationary economy due, among other causes, to the fact that the accumulated inflation rate of its economy exceeded 100% over a continuous period of three years.

As a result, the Group began to apply IAS 29 to the financial statements of Argentine companies with retroactive effect from 1 January 2018. The application of this standard entails the following exceptions to what is stated above in the rest of the valuation standards:

- Adjusting the historical cost of non-monetary assets and liabilities and the different equity items from the acquisition date or inclusion on the consolidated balance sheet until year-end to reflect the changes in currency's purchasing power resulting from the inflation.
- Reflecting the loss or gain corresponding to the impact of inflation for the year on the net monetary position in the profit and loss account.
- Adjusting the various items of the profit and loss account and the cash flow statement for the inflationary index since its generation, with a counterpart in financial results and in a reconciliation item on the cash flow statement, respectively.
- Converting all components of the financial statements of Argentine companies at the closing exchange rate; the exchange rate at 31 December 2019 was 67.20 pesos per euro.
- The figures from the years prior to 2018 should not be amended.

5. EARNINGS PER SHARE

Basic earnings per share (EPS) are calculated by dividing the net profit or loss attributable to the Group in a period by the weighted average number of shares in circulation during the period, excluding the average number of treasury shares held during the same period.

In accordance with this:

	31.12.2019	31.12.2018
Net profit for the year (thousands of euros)	89,964	101,573
Weighted average number of shares in circulation (in thousands)	391,754	369,873
Basic earnings per share in euros	0.230	0.275

6.- GOODWILL

The balance included under this item corresponds to the net goodwill arising from the acquisition of certain companies, and breaks down as follows (thousands of euros):

	2019	2018
NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH	75,212	77,933
Hoteles Royal, S.A.	27,607	27,607
Others	3,758	3,892
	106,577	109,432

The movements in this heading of the consolidated balance sheet in 2019 and 2018 were as follows (in thousands of euros):

Company	Goodwill at 31/12/2018	Conversion differences	Impairment	Goodwill at 31/12/2019
NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH	77,933	-	(2,721)	75,212
Hoteles Royal, S.A.	27,607	-	-	27,607
Others	3,892	(134)	-	3,758
Total	109,432	(134)	(2,721)	106,577

Company	Goodwill at 31/12/2017	Conversion differences	Impairment	Goodwill at 31/12/2018
NH Hoteles Deutschland GmbH and NH Hoteles Austria, GmbH)	79,181	-	(1,248)	77,933
Hoteles Royal, S.A.	28,629	(1,022)	-	27,607
Others	3,874	18	-	3,892
Total	111,684	(1,004)	(1,248)	109,432

Details of the cash-generating units to which such goodwill arising on consolidation has been allocated is shown below:

	Thousands of euros	
	2019	2018
Hoteles Royal, S.A. CGUs	27,607	27,607
CGU 6	15,113	15,113
CGU 21	9,929	9,929
CGU 22	7,711	7,711
CGU 12	7,042	7,042
CGU 5	6,107	6,107
CGU 13	5,624	5,624
CGU 2	5,023	5,023
CGUs with goodwill allocated individually < €4 M	22,421	25,276
	106,577	109,432

At 31 December 2019, Goodwill was subject to an impairment test which showed impairment of 2,721 thousand euros for certain CGUs with individually assigned goodwill of less than 4 million euros. This impairment arises

from their worsening expectations of future cash flows mainly due to the opening of competitor hotels or the loss of a major customer.

The basic assumptions used to estimate future cash flows of the CGUs mentioned above are detailed below:

- After-tax discount rate: 5.47% and 6.44% (6.22% and 7.86% respectively in 2018) for CGUs subject to the same risks (German and Austrian market); and for Grupo Royal CGUs, rates of 12.86% (Colombian and Ecuadorian markets) and 9.39% (Chilean market) (14.64% and 10.56% respectively in 2018).
- Terminal value growth rate (g): 2.13% and 2.00% (2.01% and 2.56% in 2018) for Germany and Austria and 1.10%, 3% and 3.04% (1.22%, 3% and 3.04% in 2018) for Grupo Royal CGUs (Ecuador, Chile and Colombia).
- Additionally, and considering the assumption implied in the preceding paragraph, the Group has conducted a sensitivity analysis of the result of the impairment test to changes in the following situations:

NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH			
	Average values		
	Impairment test	Scenario 1	Scenario 2
Discount rate (after tax)	5.47% - 6.14%	6.47% - 7.14%	4.47% - 5.14%
Growth rate	2.13% - 2.00%	1.13% - 1.00%	3.13% - 3.00%
Occupancy rate	79.61%	78.81%	80.41%
ADR (euros)	131.00	129.69	132.31

Hoteles Royal, S.A.			
	Average values		
	Impairment test	Scenario 1	Scenario 2
Discount rate (after tax)	12.93% - 9.39%	13.93% - 10.39%	11.93% - 8.39%
Growth rate	2.07% - 3.00%	1.07% - 2.00%	3.07% - 4.00%
Occupancy rate	69.00%	68.31%	69.69%
ADR (thousands of COPs)	290.81	287.9	293.72

"Average Daily Rate" (ADR): is the quotient of total room revenue for a specific period divided by the rooms sold in that specific period. This indicator is used to compare with companies in the sector the average prices per room of the hotels.

Scenario 1 is a negative one where the discount rate is raised 1 b.p. above the rate used in the test and a growth rate lower by 1 b.p., i.e. with minimum growth, and falls in occupancy and ADR of 1% which would lead to an additional impairment to that registered in 2019 for an amount of 0.8 million euros with respect to the goodwill of NH Hotels Deutschland, GmbH and NH Hoteles Austria, GmbH, and 10.5 million euros with respect to the goodwill of Hoteles Royal, S.A.

In the case of scenario 2, an impairment had been recorded for 0.79 thousand euros less than that recorded at 31 December 2018 with respect to the goodwill of NH Hotels Deutschland, GmbH and NH Hoteles Austria, GmbH, and no impairment in regard to the goodwill of Hoteles Royal, S.A. was registered.

7.- INTANGIBLE ASSETS

The breakdown and movements under this heading during 2019 and 2018 were as follows (in thousands of euros):

	Balance at 31/12/2017	Conversion differences	Inclusions/ Allowances	Retire- ments	Transfers to other items	Application of IAS 29	Balance at 31/12/2018	Exchange differences and adjustments for hyperinflation	Inclusions/ Allowances	Retire- ments	Transfer- s to other items	Balance at 31/12/2019
COST												
Hotel operating rights	69,222	(1,024)	973	(259)	-	-	68,912	6	737	-	(35,679)	33,976
Concessions, patents and trademarks	38,005	(187)	172	(68)	7	18	37,947	(8)	383	-	-	38,322
Software applications	64,328	13	12,385	(922)	669	99	76,572	(1)	13,715	(70)	(4)	90,212
Other rights	94,898	-	-	(38,612)	(9,283)	-	47,003	-	-	(3,504)	(26,460)	17,039
	266,453	(1,198)	13,530	(39,861)	(8,607)	117	230,434	(3)	14,835	(3,574)	(62,143)	179,549
CUMULATIVE AMORTISATION												
Hotel operating rights	(28,373)	883	(3,401)	250	-	-	(30,641)	(1)	(1,198)	-	26,357	(5,483)
Concessions, patents and trademarks	(21,674)	347	(1,433)	54	-	(16)	(22,722)	45	(1,203)	-	(2,512)	(26,392)
Software applications	(30,336)	3	(13,900)	830	(48)	(99)	(43,550)	4	(14,394)	61	3,959	(53,920)
Other rights	(22,493)	-	(5,193)	8,248	7,051	-	(12,387)	-	-	-	12,387	-
	(102,876)	1,233	(23,927)	9,382	7,003	(115)	(109,300)	48	(16,795)	61	40,191	(85,795)
Impairment	(12,494)	(7)	(1,079)	712	2,303	-	(10,565)	-	-	436	182	(9,947)
NET BOOK VALUE	151,083						110,569					83,807

7.1 Hotel operating rights

The main movement in 2019 corresponds to the classification of various assets related to lease contracts which, at 1 January 2019, are considered as the higher value of the right-of-use assets in accordance with the application of IFRS 16 (See note 9).

7.2 Software applications

The most significant inclusions in the current year were in Spain, as a result of the investments made to develop the corporate WEBSITE and implement front office systems of the hotels and IT transformation plan projects.

7.3 Other rights

The main movement in 2019 corresponds to the classification of various assets related to lease contracts which, at 1 January 2019, are considered as the higher value of the right-of-use assets in accordance with the application of IFRS 16 (See note 9).

As a result of the change of control of the NH Group (see Note 14.1) 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. ("GIHSA") was formalised, the latter being a former shareholder of the NH Group, 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 2019 consolidated comprehensive profit and loss statement.

During 2018, reversals of 436 thousand euros and transfers of 182 thousand euros were recognised under "Net Profits/(Losses) from asset impairment" of the consolidated comprehensive profit and loss statement (See note 8).

8.- PROPERTY, PLANT & EQUIPMENT

The breakdown and movements under this heading during 2019 and 2018 were as follows (in thousands of euros):

	Balance at 31/12/2017	Conversion differences	Inclusions	Retirements	Transfers to other items	Application of IAS 29 (see Note 4.23) *	Balance at 31/12/2018	Change in consolidation boundary (see Note 2.8.4)	Exchange differences and adjustments for Hyperinflation*	Inclusions	Retiremen ts	Transfers to other items	Balance at 31/12/2019
COST													
Land and buildings	1,601,557	(30,164)	26,089	(25,210)	(4,820)	73,794	1,641,246	-	(2,058)	8,296	(1,946)	1,723	1,647,261
Plant and machinery	791,302	(2,289)	38,333	(77,742)	10,623	33,220	793,447	9,901	(979)	80,881	(47,223)	9,533	845,560
Other plant, fixtures and furniture	440,680	(1,148)	25,969	(32,606)	2,484	9,770	445,149	5,462	219	42,409	(41,576)	5,332	456,994
Other fixed assets	(529)	(21)	-	-	(3)	51	(502)	-	(19)	-	(9)	20	(510)
Property, plant and equipment in progress	27,452	679	46,625	(3,167)	(21,526)	493	50,556	-	560	39,765	(32)	(16,563)	74,286
	2,860,462	(32,943)	137,016	(138,725)	(13,242)	117,328	2,929,896	15,363	(2,277)	171,351	(90,786)	45	3,023,591
ACCUMULATED AMORTISATION													
Buildings	(342,842)	1,516	(24,412)	19,051	689	(14,609)	(360,607)	-	1,431	(24,044)	1,391	-	(381,829)
Plant and machinery	(545,332)	1,271	(39,091)	67,098	(923)	(21,165)	(538,142)	(7,059)	706	(45,995)	43,076	-	(547,414)
Other plant, fixtures and furniture	(342,127)	1,579	(28,790)	30,500	215	(8,936)	(347,559)	(4,272)	244	(29,026)	40,192	(10)	(340,431)
Other fixed assets	10	22	(81)	-	-	(123)	(172)	-	119	(66)	-	-	(119)
	(1,230,291)	4,388	(92,374)	116,649	(19)	(44,833)	(1,246,480)	(11,331)	2,500	(99,131)	84,659	(10)	(1,269,793)
Impairment	(47,007)	(2)	(10,034)	11,345	-	-	(45,698)	-	2	(4,289)	9,288	22	(40,675)
NET BOOK VALUE	1,583,164						1,637,718						1,713,123

*Includes the net impact of the application of the criteria for hyperinflationary economies (Argentina).

The main additions and reductions in 2019 are due to the repositioning plan carried out by the Group, with refurbishments in all Business Units. Of note are the works of the NH Luz de Huelva and NH Malaga in Spain, the renovation of the NH Palermo and NH Ambassador in Italy, the works of the NH Vienna Airport and the NH Hamburg Altona and the new opening of the NH Leipzig Zentrum in Central Europe, the works of the NH Conference Centre Leeuwenhorst and the NH Collection Flower Market in Benelux. Finally, in New York, refurbishment of the NH New York Jolly Madison Towers.

The effect on the profit and loss account of assets de-recognised, replaced or disposed of to third parties outside the Group was an expense of 4,627 thousand euros, recognised under "Gain/(loss) on the disposal of non-current assets" in the 2019 consolidated comprehensive profit and loss statement.

The net additions in the year in the column "Changes in the scope of consolidation" come from the purchase of the company Anantara The Marker Ltd (see Note 2.8.4).

The net effect from applying IAS 29 in 2019 was the 1.5 million euro increase in assets recorded in the "Exchange differences and adjustments for hyperinflation" column. In 2018, the first year of application, the impact was as follows(See Note 2.4):

	IMPACT IAS 29 (millions of euros)		
	First application	Movements	Closing balance
Net Book Value	71	2	73

In 2019, impairment amounting to 4,289 thousand euros has been recognised for certain assets; this impairment mainly corresponds to real estate and is a result of the worsening of future expectations of cash flows for different reasons, including the opening of competitors' hotels or the loss of an important customer (10,034 thousand euros in 2018). On the other hand, there was a reversal of 9,288 thousand euros resulting from the improvement in future cash flows expectations of some hotels. The net effect recorded under the heading "Profits/(Net losses) due to impairment of assets" on the consolidated comprehensive profit and loss statement for 2019, has been an income of 4,999 thousand euros.

The breakdown of impairment by country is as follows (in thousands of euros):

	2019	2018
Spain	5,760	8,246
Italy	21,745	26,898
Germany	1,956	952
Benelux	9,306	9,376
Latin America	1,740	-
Others	168	226
Total impairment	40,675	45,698

At 31 December 2019, there were tangible fixed asset elements with a net book value of 232 million euros (237 million euros in 2018) to guarantee several mortgage loans and secured senior bonds maturing 2023 (see Note 16).

The Group has taken out insurance policies to cover any possible risks to which the different elements of its tangible fixed assets are subject, and to cover any possible claims that may be filed against it in the course of its activities. It is understood that such policies sufficiently cover the risks to which the Group is exposed.

At 31 December 2019, firm purchase undertakings amounted to 37.8 million euros. These investments will be made between 2010 and 2021 (66.7 million euros in 2018).

The recoverable amount of the CGUs subject to impairment or reversal (not the entire portfolio of the Group) is as follows:

Million euros	2019
	Recoverable amount
CGU A	27.5
CGU B	22
CGU C	16.5
CGU D	11.5
CGU E	9.4
CGU F	7.7
CGU G	7.4
CGU H	7.1
CGU I	5.9
CGU J	5.6
Top Ten	120.6
Spain	10
Italy	5.5
Benelux	8.7
Germany	(0.3)
LatAm	5.2
Other Countries	8.7
Other CGUs	37.8
	158.4

9. LEASES

IFRS 16 became effective on 1 January 2019, replacing IAS 17, IFRIC 4, SIC-15 and SIC-17 and establishing the principles for recognising, measuring, presenting and the breakdown leases. In this regard, information on leases where the NH Group is a lessee is presented below.

The amounts recorded on the consolidated balances sheets relating to leases at 1 January and 31 December 2019 are as follows:

	Thousands of euros	
	Year-end	First application
Right-of-use assets	1,701,499	1,747,323
Real estate	1,671,397	1,725,370
Operating rights	16,847	9,324
Contract premiums	13,255	12,629
Leasing liabilities	2,067,369	2,099,210
Non Current	1,814,399	1,839,135
Current	252,970	260,075

The “Contract premiums” and “Operating rights” headings are intangible assets related to lease contracts that were recorded as such in 2018 and that, with the application of IFRS 16, were reclassified at 1 January 2019 to right-of-use assets.

Additions to right-of-use assets during 2019 amounted to 131,428 thousand euros, offset by the amortisation expense recorded for the year amounting to 181,079 thousand euros.

The main recognitions for the year are due to the incorporation of several hotels on a lease basis. Of note is the incorporation of the Anantara Villa Padierna and the NH Collection Finisterre in Spain; NH Collection Fori Imperiali in Italy; and NH Collection Antwerp Centre in Belgium.

Likewise, among the additions for the year is the acquisition of GCS Hotel Limited operating the Anantara The Marker hotel in Dublin under lease and whose first consolidation difference was assigned to the lease contract of said property recording it as a right-of-use asset under the heading “Operating rights” for an amount of 9,428 thousand euros (See Note 2.8.4).

The movement in both right-of-use assets and leasing liabilities is mainly non-cash given that the asset is modified based on the variations produced in the liability, either due to changes in the contract’s payment structure or by the update in accordance with revenues benchmarks.

The main impacts on the statement on the consolidated comprehensive profit and loss statement related to the application of IFRS 16 are a higher financial expense of 89,620 thousand euros, a net gain of the disposal of non-current assets of 1,044 thousand euros, due mainly to cancellations of contracts that had no cash impact and net gains on asset impairment of 2,175 thousand euros.

The amounts recorded as right-of-use assets correspond to properties where the NH Group is a lessee for its operation as a hotel.

Short-term leases and low-value leases are recognised as an expense in the consolidated profit and loss account on a straight line basis. A short-term lease contract is one where the period is less than or equal to 12 months. A “low value contract” is one whose underlying asset assigned in use would have a new value of under 5,000 euros.

10.- INVESTMENTS VALUED USING THE EQUITY METHOD

The movements under this heading of the consolidated balance sheet during 2019 and 2018 were as follows (in thousands of euros):

Company	Net Balance at 31/12/2018	Profit (Loss) 2019	Currency translation difference	Changes in the scope of consolidation and additions	Net Balance at 31/12/2019
Inmobiliaria 3 Poniente, S.A. de C.V.	1,813	(195)	105	-	1,723
Mil Novecientos Doce, S.A. de C.V.	2,042	185	123	-	2,350
Consorcio Grupo Hotelero T2, S.A. de C.V.	1,361	111	83	-	1,555
Hotelera del Mar, S.A.	720	(7)	247	-	960
Borokay Beach, S.L.	1,001	(72)	-	-	929
Beijing NH Grand China Hotel Management Co, Ltd	2,034	-	156	(2,190)	-
Total	8,971	22	714	(2,190)	7,517

Company	Net Balance at 31/12/2017	Profit (Loss) 2018	Currency translation difference	Changes in the scope of consolidation and additions	Net Balance at 31/12/2018
Inmobiliaria 3 Poniente, S.A. de C.V.	1,860	(206)	159	-	1,813
Mil Novecientos Doce, S.A. de C.V.	1,780	170	92	-	2,042
Consorcio Grupo Hotelero T2, S.A. de C.V.	1,116	185	60	-	1,361
Hotelera del Mar, S.A.	1,158	(200)	(238)	-	720
Borokay Beach, S.L.	1,365	(364)	-	-	1,001
Beijing NH Grand China Hotel Management Co, Ltd	2,136	(84)	(18)	-	2,034
Hotel & Congress Technology, S.L.	4	-	-	(4)	-
Total	9,419	(499)	55	(4)	8,971

In January 2019, the Group sold its 49% shareholding in Beijing NH Grand China Hotel Management Co., Ltd. (see Note 2.7.4).

The Group's policy on holdings in associated companies consists of ceasing to book losses in these companies if the associated company's consolidated losses attributable to the Group are equivalent to or exceed the cost of its holding in them, provided there are no additional contingencies or guarantees connected with existing losses. This is the situation of the stake in Losan Investment, Ltd.

The balance sheet of these companies accounted for using the equity method at year-end is as follows (in thousands of euros):

Company	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Income	Net Profit (Loss)
Inmobiliaria 3 Poniente, S.A. de C.V.	7,038	55	(729)	(6,364)	-	(718)
Mil Novecientos Doce, S.A. de C.V.	9,283	-	-	(9,283)	739	739
Consorcio Grupo Hotelero T2, S.A. de C.V.	15,544	-	-	(15,544)	1,108	1,108
Hotelera del Mar, S.A.	940	3,729	(673)	(3,997)	-	(35)
Borokay Beach, S.L.	960	1,104	(91)	(1,973)	-	(144)

11. NON-CURRENT FINANCIAL INVESTMENTS

11.1 Loans and accounts receivable not available for trading

The breakdown of this item at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Subordinated loans to companies owning hotels operated by the Group through leases	20,505	21,487
Other collection rights	-	3,039
Lease advance payments	-	3,005
Loans to associates (Note 26)	143	-
Long-term deposits and sureties	12,703	13,165
Others	1,976	1,902
Total	35,327	42,598

The “Subordinated loans to companies owning hotels operated by the Group through leases” item includes a series of loans granted by the Group to companies which own hotels in countries such as Germany, Austria, the Netherlands, Italy and Spain, and which are operated by the Group under a leasing agreement.

The main features of these agreements are as follows:

- Hotel rentals are not subject to evolution of the inflation rate or to that of any other index.
- The aforementioned subordinated loans accrue interest at a fixed rate of 3% per annum.
- Lease agreements establish a purchase right on properties subject to agreements that, as a general rule, may be executed in the fifth, tenth and fifteenth year from the entry into force of the agreement.
- The model used for these lease agreements has been analysed and independent experts consider them to be operating leases.

At year-end 2018, “Other collection rights” included the claim for the sale of fifteen commercial premises. During 2019, an agreement was reached to deliver the aforementioned premises by cancelling the recorded accounts receivable and incorporating these premises in the “Investment Property” line.

The “Lease advance payments” item includes the advance payments made to the owners of certain hotels operated under a lease arrangement for the purchase of decoration and furniture; these are discounted from future rental payments. Resulting from the application of the new lease standard IFRS 16, there is no concept of linearisation (See Note 2.1.1).

11.2 Other non-current financial investments

This heading of the consolidated balance sheet comprised, at 31 December 2019 and 2018, the following equity interests, valued at cost:

	Thousands of euros	
	2019	2018
Varallo Comercial, S.A.	-	9,343
NH Panamá	3,767	3,767
Other investments	498	1,464
Provisions	(2,190)	(3,046)
Total	2,075	11,528

In December 2019, the Group sold its 9.87% shareholding in Varallo Comercial, S.A. and its 13.6% shareholding in Adquisiciones e Inversiones Europeo, S.L. The result of the operation was a consolidated gain of 8,525 thousand euros recorded under "Gains on financial and other operations". At year-end 2019, the Group had an account receivable under "Other non-trade debtors" for 17,017 thousand euros related to said sale. This amount has been collected in full the 2nd of January 2020.

In regard to the fair value of financial assets, it does not differ significantly from its book value.

12.- NON-CURRENT ASSETS HELD FOR SALE, LIABILITIES LINKED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In accordance with IFRS 5, Non-current assets classified as held for sale and discontinued operations (see Note 4.7), the group has classified non-strategic assets under this heading which are undergoing divestment with committed sales plans.

The assets classified as held for sale, after deducting their liabilities, were measured at the lower of their carrying amount and the expected sales price minus costs.

Specifically, the shareholdings in Sotocaribe, S.L and Capredo Investments GmbH are classified as discontinued operations; these companies represented the entirety of the Group's property activity. Sotocaribe, S.L. was consolidated by the equity method, while Capredo Investments, GmbH was consolidated by the global method.

Additionally, in 2018, the land and property in which the NH Málaga II hotel is located, the sale of which was formalised in February this year, was recognised as available for sale. This transaction represented an asset de-recognition of 12,758 thousand euros and a positive pre-tax result of 2,874 thousand euros recorded under "Net result on disposal of assets".

Consolidated balance sheets. Headings of Non-current assets and liabilities classified as held for sale:

A movement by balance headings of the assets and liabilities presented under the corresponding Held for Sale headings at 31 December 2019 and 2018 is shown below (in thousands of euros):

	31.12.2018	Net Variation	Impairment	31.12.2019
Property, plant and equipment	22,594	(12,099)	-	10,495
Financial assets	33,322	7,424	(3,481)	37,265
<i>Investments accounted for using the equity method</i>	33,322	7,424	(3,481)	37,265
Cash	9	8	-	17
Other current assets	49	(15)	-	34
Non-current assets classified as held for sale	55,974	(4,682)	(3,481)	47,811
Other non-current liabilities	528	36	-	564
Trade payables	363	76	-	439
Other current liabilities	1,565	16	-	1,581
Liabilities associated with assets classified as held for sale	2,456	128	-	2,584

As a result from the analysis of fair value of the company consolidated through the equity method it has been registered an impairment amounting to 3,481 thousand euros, this impact has been recorded under "Impairment on financial investments" of the consolidated comprehensive profit and loss statement.. As a consequence of this, the account receivables with this company has been impaired at the end of the year (See Note 26).

	31.12.2017	Net Variation	Transfers (see Note 8)	31.12.2018
Property, plant and equipment	75,560	(65,528)	12,562	22,594
Financial assets	33,556	(234)	-	33,322
<i>Investments accounted for using the equity method</i>	33,556	(234)	-	33,322
Cash	2	7	-	9
Other current assets	48	1	-	49
Non-current assets classified as held for sale	109,166	(65,754)	12,562	55,974
Other non-current liabilities	615	(87)	-	528
Trade payables	376	(13)	-	363
Other current liabilities	1,386	179	-	1,565
Liabilities associated with assets classified as held for sale	2,377	79	-	2,456

Consolidated comprehensive profit and loss statements

The profit and loss of the discontinued operations shown in the accompanying consolidated comprehensive profit and loss statement is broken down by company as follows (in thousands of euros):

	Capredo Investments, GmbH	Sotocaribe, S.L.	Total
2019			
Profit (loss) before tax	50	-	50
Profit (loss) for the year from discontinued operations net of tax	50	-	50
2018			
Profit (loss) before tax	(46)	(522)	(568)
Profit (loss) for the year from discontinued operations net of tax	(46)	(522)	(568)

Capredo Investment GmbH has no activity and the pre-tax profit is mainly the exchange differences caused by the loans that said company has with third parties.

Consolidated cash flow statements

The consolidated cash flow statements for the fully consolidated companies in 2019 and 2018 are detailed below (in thousands of euros):

	Capredo Investments, GmbH
2019	
Total net cash flow from operating activities I	8
Total net cash flow from investment activities II	-
Total net cash flow from financing activities III	-
GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	-
Effect of variations in the scope of consolidation (IV)	-
Cash and cash equivalents at the start of the financial year	9
Cash and cash equivalents at end of year	17

	Capredo Investments, GmbH
2018	
Total net cash flow from operating activities I	7
Total net cash flow from investment activities II	-
Total net cash flow from financing activities III	-
GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	-
Effect of variations in the scope of consolidation (IV)	-
Cash and cash equivalents at the start of the financial year	2
Cash and cash equivalents at end of year	9

13.- TRADE RECEIVABLES

This item reflects different accounts receivable from the Group's operations. The breakdown at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Trade receivables for services provided	111,633	113,143
Provision for bad debts	(5,137)	(6,542)
Total	106,496	106,601

As a general rule, these receivables do not accrue interest and are due at less than 90 days with no restrictions on how they may be availed.

Movements in the provision for bad debts during the years ending 31 December 2019 and 2018 were as follows:

	Thousands of euros	
	2019	2018
Balance at 1 January	6,542	9,156
Conversion differences	5	(226)
Additions	3,665	7,496
Applications	(5,075)	(9,884)
Balance at 31 December	5,137	6,542

The analysis of the ageing of financial assets in arrears but not considered impaired at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Less than 30 days	24,622	22,616
From 31 to 60 days	6,596	12,720
More than 60 days	10,840	20,756
Total	42,058	56,092

In this regard, the provisions recorded take into account all the expected losses on the balances of trade receivables on the balance sheet.

14.- CASH AND CASH EQUIVALENTS

"Cash and Cash Equivalents" largely includes the Company's cash position and bank deposits maturing in three months or less. These assets are recognised at their fair value.

There are no restrictions on the availability of cash, except for 2,841 thousand euros reserved in accordance with a firm commitment with the co-owners of Hoteles Royal (2,207 thousand euros in 2018) for future investments in the hotels.

As at 31 December 2019, there were no restrictions on the receipt of dividends distributed by the companies in which the Parent Company holds a direct or indirect minority shareholding other than the legally established regulations on the distribution of dividends.

As a result of the enactment of Royal Decree 1558/2012 of 15 November, of Article 42 bis of Royal Decree 1065/2007 of 27 July, approving the General Regulations on tax management, inspection and procedures, and implementing the common rules of the procedures for applying taxes, which establishes certain reporting obligations with regard to overseas assets and rights, among others, it is disclosed that some members of the NH Hotel Group S.A. Board of Directors have the right, as representatives or authorised officials, to dispose of bank accounts located abroad, which are in the name of Group companies. The reason certain Board members have the right to dispose of overseas bank accounts is that they are directors or board members of said subsidiaries.

NH Hotel Group S.A. holds other accounting documents, namely the consolidated annual accounts, from which sufficient data can be extracted in relation to the aforementioned accounts.

15. EQUITY

15.1 Subscribed share capital

NH Hotel Group, S.A. share capital at 31 December 2019 comprised 392,180,243 fully subscribed and paid up bearer shares with a par value of 2 euros each. All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

According to the latest notifications received by the Parent Company and the notices given to the National Securities Market Commission before the end of every financial year, the most significant shareholdings at 31 December 2019 and 31 December 2018 were as follows:

	31/12/2019	31/12/2018
Minor International Public Company Limited (“MINT”) ⁽¹⁾	94.13%	94.13%

The aforementioned (indirect) shareholding of MINT in NH Hotel Group, S.A. is the result of the IPO made by MHG Continental Holding (Singapore) Pte Ltd. on 11 June 2018 for 100% of the shares that were part of the share capital of NH Hotel Group, S.A., the result of which was that MINT acquired, through its wholly owned subsidiary MHG Continental Holding (Singapore) Pte. Ltd, shares representing 94.13% of the share capital of NH Hotel Group, S.A.

(1) MINT is the indirect shareholder through MHG Continental Holding (Singapore) Pte Ltd.

15.2 Dividends

The General Shareholders’ Meeting on 13 May 2019 approved, among other items, the proposed distribution of dividends. It therefore decided to draw from the profits of the year ended 31 December 2018 and distribute a dividend of 15 euro cents gross per share in the parent company NH Hotel Group, S.A. with the right to receive it, outstanding on the date of the payment; all according to the following schedule:

- Last date of trading with dividend: 11 June 2019
- Ex-dividend date: 12 June 2019
- Registration date: 13 June 2019
- Payment date: 14 June 2019 for 53 million euros and 3 July for 5.2 million euros.

This dividend was distributed through the companies with shares in “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal” (IBERCLEAR), with powers granted for this purpose to the Board of Directors, with express powers of substitution, so that after checking for compliance with obligations under the finance contracts of NH HOTEL GROUP, S.A., the Board will designate an entity to act as paying agent and will perform the other necessary or advisable actions for a satisfactory distribution. The total amount distributed as dividends was 58.771 million euros.

15.3 Parent Company Reserves

i) Legal reserve

In accordance with the Consolidated Text of the Corporate Enterprises Act, 10% of the net profit for each year must be allocated to the legal reserve until it reaches at least 20% of share capital. The legal reserve may be used to increase capital provided the remaining balance does not fall below 10% of the increased capital amount. With the exception of the aforementioned purpose, and when it does not exceed 20% of share capital, this reserve may be used only to offset losses, provided no other reserves are available for this purpose.

At 31 December 2019 and 2018, the parent company's legal reserve was not fully constituted.

ii) Share premium

The Consolidated Text of the Corporate Enterprises Act expressly allows the balance of this reserve to be used to increase capital and imposes no restrictions on its availability.

15.4 Treasury shares

At 31 December 2019, the Group had 374,464 own shares, compared to 600,000 own shares at 31 December 2018. The reduction in treasury shares over the period can be explained by the following movement:

- In the first half of 2019, the third cycle of the long-term incentive plan was settled (see Note 14). This second cycle was settled by the delivery of 226,067 shares valued at 1,670 thousand euros.
- On 10 April 2019, the Group signed a liquidity contract to manage its treasury shares with Banco Santander, which entered into force on 11 April 2019. The total number of shares allocated to the securities account associated with the new Liquidity Contract is 82,645 shares and the amount allocated to the cash account is 400,000 euros. At 31 December 2019, the number of shares assigned to the liquidity contract was 83,176 shares. The negative effect recorded in reserves for operations carried out in the first half of the year was 87 thousand euros.

15.5 Minority interests

The movements in this item in 2019 and 2018 are summarised below:

	Thousands of euros	
	2019	2018
Opening balance	52,351	43,472
Application of IAS 29	777	9,722
Application of IFRS 16	(1,098)	-
Comprehensive profit (loss) attributable to non-controlling interests	4,192	1,532
Changes in percentage shareholdings and purchase/sales	-	(2,146)
Dividends paid to non-controlling interests	(2,720)	(729)
Other movements	3,737	500
Closing balance	57,239	52,351

The 2019 "Dividends paid to non-controlling interests" item reflects the dividends paid out to the following companies: NH Marín, S.A., for 600 thousand euros, NH Las Palmas, S.A. for 621 thousand euros and various companies in Latin America for 1,499 thousand euros.

16. DEBT IN RESPECT OF BOND ISSUES AND BANK BORROWINGS

The balances of the “Bonds and other negotiable securities” and “Debts with credit institutions” items at 31 December 2019 and 2018 were as follows:

	Thousands of euros			
	2019		2018	
	Long-term	Short-term	Long-term	Short-term
Secured senior bonds maturing in 2023	356,850	-	356,850	-
Borrowing costs	-	3,308	-	3,308
Arrangement expenses	(6,882)	(1,910)	(8,792)	(2,120)
Effect of renegotiation of debt IFRS 9	(4,316)	(1,257)	(5,573)	(1,115)
Debt instruments and other marketable securities	345,652	141	342,485	73
Mortgages	25,300	2,544	28,950	2,736
Unsecured loans	42,445	806	5,759	2,271
Subordinated loans	40,000	-	40,000	-
Credit lines	-	-	-	8
Arrangement expenses	(1,050)	(786)	(1,835)	(769)
Effect of renegotiation of debt IFRS 9	-	-	(1,401)	(148)
Borrowing costs	-	547	-	783
Bank borrowings	106,695	3,111	71,473	4,881
Total	452,347	3,252	413,958	4,954

The effect of debt movement on the Group's cash flows as reflected in the cash flow statement is affected by non-cash movements generated by exchange rate differences as the group has debts in currencies other than the euro.

Secured senior bonds maturing in 2023

On 23 September 2016 the Parent Company placed guaranteed senior bonds, which mature in 2023, at the nominal value of 285 million euros. The nominal yearly interest rate for said issuance of notes is 3.75%. On 4 April 2017, the parent company issued an extension of guaranteed senior bonds maturing in 2023 for a nominal amount of 115 million euros with an implicit cost until maturity of 3.17%. The outstanding nominal amount at 31 December 2019 is 356,850 thousand euros (see the heading "Depreciation and Amortisation 2018").

Depreciation and Amortisation 2018

As a result of the change of control (see Note 15) and as established in the voluntary repurchase and early redemption offer of the senior secured bond issue maturing in 2023 (the "Bonds") due to the change of control, requests were received for the repurchase and redemption of bonds for a nominal amount of 3,150 thousand euros.

The bond repurchase offer was settled on 12 November 2018, the date on which the Company paid an aggregate amount of 3,195 thousand euros to the bondholders, who accepted the offer as a whole:

- Nominal paid in advance: 3.15 million euros
- Unpaid accrued interest: 13.5 thousand euros
- Amount of the repurchase premium: 31.5 thousand euros

On 14 December 2018, the Company carried out the partial voluntary early redemption, for a nominal amount of 40,000 thousand euros (representing 10% of its original total amount), of the senior secured bond issue maturing in 2023 (the "Bonds"), by means of a linear pro rata reduction of the nominal value of all the bonds in circulation. The Bonds were redeemed early through the payment of approximately 103.760% of the nominal value of the Bonds being redeemed, including:

- Nominal paid in advance: 40 million euros
- Unpaid accrued interest: 304.2 thousand euros
- Amount of the repurchase premium: 1.20 million euros

The Company paid the partial redemptions from available cash.

Secured credit line

On 22 September 2016, the Parent Company and NH Finance, S.A. entered into a revolving business credit with credit institutions amounting to 250,000 thousand euros ("syndicated credit line") with a maturity of three years, extendable to five years at the time of the refinancing of the guaranteed senior notes maturing in 2019. As a consequence of the refinancing and early payments of the guaranteed senior notes maturing in 2019 which took place in 2017, the maturity date of said financing was extended to 29 September 2021. At 31 December 2019, this financing was not available.

Obligations required in the guaranteed senior note indentures maturing in 2023 and in the syndicated credit line

The senior notes maturing in 2023 and the syndicated credit line require the fulfilment of a series of obligations and limitations of essentially homogeneous content as regards the assumption of additional borrowing or provision of guarantees in favour of third parties, the granting of real guarantees on assets, the sale of assets, investments that are permitted, restricted payments (including the distribution of dividends to shareholders), transactions between related parties, corporate transactions and disclosure obligations. These obligations are detailed in the issue prospectus for the aforementioned notes, as well as in the credit agreement of the syndicated credit line.

In addition, the syndicated credit line requires compliance with financial ratios; in particular (i) an interest coverage ratio of $\geq 2.00x$, (ii) a debt coverage ratio of $\leq 5.50x$, and (iii) a Loan to Value ("LTV") ratio which, as a result of the redemption of the 2019 senior secured obligations due in 2017, depends on the level of NH's indebtedness at any given time as indicated below:

- Net debt-to-income ratio $> 4.00x$: LTV ratio = 70%
- Net debt-to-income ratios $\leq 4.00x$: LTV ratio = 85%
- Net debt-to-income ratio $\leq 3.50x$: LTV ratio = 100%

As a result of the early redemption of the convertible bonds and of the Group's reduced net debt-to-income ratio, the maximum LTV permitted at 31 December 2019 is 100%.

At 31 December 2019 these ratios were completely adhered to.

Package of guaranteed senior notes maturing in 2023 and syndicated credit line

The guaranteed senior notes maturing in 2023 and syndicated credit line (undrawn at 31 December 2019) share the following guarantees: (i) pledge of shares: 100% of the share capital of (A) Diegem, (B) Immo Hotel Brugge NV, (C) Immo Hotel Diegem NV, (D) Immo Hotel GP NV, (E) Immo Hotel Mechelen NV, (F) Immo Hotel Stephanie NV, (G) Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V. and (H) NH Italia, S.p.A. (ii) first-tier mortgage guarantee on the following hotels located in the Netherlands: NH Conference Centre Koningshof, owned by Koningshof, B.V.; NH Conference Centre LeeuwenHorst, owned by LeeuwenHorst Congres Center, B.V.; NH Schiphol Airport, owned by Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp, B.V.; NH Zoetermeer, owned by Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.; NH Conference Centre SparreNHorst, owned by SparreNHorst, B.V.; NH Capelle, owned by Onroerend

Goed Beheer Maatschappij Capelle aan den IJssel, B.V.; and NH Naarden, owned by Onroerend Goed Beheer Maatschappij IJsselmeerweg Naarden, B.V. and the joint guarantee on first demand of the main operating companies in the group wholly owned by the Parent Company.

The net book value of the assets granted as mortgage security against the syndicated credit line of 250,000 thousand euros (undrawn at 31 December 2019) and guaranteed senior notes in the amount of 356,850 thousand euros, maturing in 2023, can be broken down as follows (in thousands of euros):

	Mortgaged asset	Net book value of the mortgaged asset
	NH Conference Centre Leeuwenhorst	57,229
	NH Conference Centre Koningshof	43,351
	NH Schiphol Airport	43,850
	NH Conference Centre Sparrenhorst	9,285
	NH Zoetermeer	7,494
	NH Naarden	11,016
	NH Capelle	6,234
Total		178,459
	Net value of assets assigned as mortgage collateral	178,459
	Value of guaranteed debt	356,850
	Fixed interest	356,850
	Variable interest (amount of the syndicated credit line undrawn)	250,000

Limitation on the distribution of Dividends

The guaranteed senior notes maturing in 2023 and the syndicated credit line described above contain clauses limiting the distribution of dividends.

In the case of the senior notes maturing in 2023, the distribution of dividends is generally permitted provided that (a) the interest coverage ratio is $> 2.0x$ and (b) the sum of restricted payments (including dividends and repayment of subordinated debt) made since 8 November 2013 is less than the sum of, amongst other items, (I) 50% of NH's consolidated net income (even though in the calculation of net income, 100% of consolidated net losses must be deducted) from 1 July 2013 to the date of the last quarterly accounts available (this is what is known as the CNI Builder) and, (ii) 100% of the net contributions to NH's capital from 8 November 2013.

Additionally, as an alternative and without having to be in compliance with the previous condition: (i) in the case of bonds maturing in 2023, NH may distribute dividends provided that the leverage ratio (gross debt/EBITDA) does not exceed 4.5x.

Finally, and also alternatively and without having to be concurrent with the previous ones, the notes maturing in 2023 establish a franchise to be able to make restricted payments (including dividends) without needing to comply with any specific requirement, for a total aggregate amount of 25,000,000 euros as of November 2013.

In the case of the syndicated credit line, the distribution of a percentage of the NH Group's consolidated net profit from the previous year is allowed, provided that there has been no breach of the financing agreement and the Net Financial Debt (through the Dividend payment) / EBITDA Ratio is less than 4.0x.

The maximum percentage of the consolidated net profit to be distributed will depend on the Debt Ratio. Net Financial (through the payment of the Dividend) / EBITDA according to the following breakdown:

- Net Financial Debt / EBITDA $\leq 4.0x$: Percentage of consolidated net profit: 75%
- Net Financial Debt / EBITDA $\leq 3.5x$: Percentage of consolidated net profit: 100%
- Net Financial Debt / EBITDA $\leq 3.0x$: Percentage of consolidated net profit: unlimited

All these metrics are calculated with consolidated data.

At 31 December 2019 all legal requirements for the distribution of dividends are met according to the propose of distribution of this annual report (See Note 3). This being said, it will be verified again at the date of the distribution.

Mortgages

The detail of the mortgage loans and credits is as follows (in thousands of euros):

	Mortgaged asset	Fixed rate	Variable interest	Total	Net book value of the mortgaged asset
Spain	Wilan Ander	4,169	-	4,169	5,629
	Wilan Huel	2,987	-	2,987	6,780
	NH Palacio de la Merced	-	3,213	3,213	16,015
Total Spain		7,156	3,213	10,369	28,424
Mexico	NH Querétaro	-	219	219	4,379
Italy	NH Villa San Mauro	-	877	877	-
Chile	NH Plaza de Santiago	16,379	-	16,379	18,143
Total		23,535	4,309	27,844	50,946

Subordinated loan

A loan amounting to 40,000 thousand euros fully drawn at 31 December 2019 and with a single maturity and repayment in 2037, are included in this item. The interest rate of these loans is the 3-month Euribor plus a spread.

Credit lines

At 31 December 2019 and 2018, the balances under this item include the amount drawn down from credit facilities. The joint limit of these loan agreements and credit facilities at 31 December 2019 amounted to 53,500 thousand euros, that had not been drawn down at that date. Additionally, at 31 December 2018, the Parent Company had a guaranteed syndicated credit line that had not been drawn down amounting to 250,000 thousand euros, maturing on 29 September 2021 (see section “Guaranteed syndicated credit line”).

Detail of current and non-current payables

The detail, by maturity, of the items included under “Non-Current and Current Payables” is as follows (in thousands of euros):

Instrumento	Limit	Available	Disposed	Maturity							
				2019	2020	2021	2022	2023	2024	2025	Resto
Mortgages	27,844	-	27,844	-	2,544	2,465	2,053	6,001	1,275	856	12,650
Fixed rate	23,535	-	23,535	-	1,304	1,415	1,442	5,381	646	697	12,650
Variable interest	4,309	-	4,309	-	1,240	1,050	611	620	629	159	-
Subordinated loans	40,000	-	40,000	-	-	-	-	-	-	-	40,000
Variable interest	40,000	-	40,000	-	-	-	-	-	-	-	40,000
Guaranteed senior notes mat. in 2023	356,850	-	356,850	-	-	-	-	356,850	-	-	-
Fixed rate	356,850	-	356,850	-	-	-	-	356,850	-	-	-
Unsecured loans	45,846	2,595	43,251	-	806	173	173	42,085	14	-	-
Variable interest	45,846	2,595	43,251	-	806	173	173	42,085	14	-	-
Secured credit line	250,000	250,000	-	-	-	-	-	-	-	-	-
Variable interest	250,000	250,000	-	-	-	-	-	-	-	-	-
Credit lines	53,500	53,500	-	-	-	-	-	-	-	-	-
Variable interest	53,500	53,500	-	-	-	-	-	-	-	-	-
SUBTOTAL	774,040	306,095	467,945	-	3,350	2,638	2,226	404,936	1,289	856	52,650
Arrangement expenses	(10,628)	-	(10,628)	-	(2,696)	(2,890)	(2,454)	(2,202)	(30)	(30)	(326)
Effect of renegotiation of debt IFRS 9	(5,573)	-	(5,573)	-	(1,257)	(1,414)	(1,588)	(1,314)	-	-	-
Borrowing costs	3,855	-	3,855	-	3,855	-	-	-	-	-	-
Borrowing at 31/12/2018	761,695	306,095	455,599	-	3,252	(1,664)	(1,816)	401,419	1,259	826	52,323
Borrowing at 31/12/2017	769,271	350,359	418,912	4,954	(1,504)	(1,928)	(2,074)	365,003	1,318	903	52,240

The detail for maturities of the debt for operating leases without discounting is as follows (in thousands of euros):

	Total liabilities 2019	Maturities						Remainder
		2020	2021	2022	2023	2024	2025	
Gross lease payments	2,998,501	259,006	247,223	227,611	215,623	206,669	196,727	1,645,642

Net Debt

The detail of net debt at 31 December 2019 and 2018 is as follows (in thousands of euros):

Net Debt	2019	2018
Cash and cash equivalents	289,345	265,869
Financial debt (Long and short term)	(455,599)	(418,912)
Lease liabilities (Nota 9)	(2,067,369)	-
Net Debt	(2,233,623)	(153,043)
Cash and liquid investments	289,345	265,869
Gross debt – fixed interest rates	(2,436,698)	(366,968)
Gross debt – variable interest rates	(86,270)	(51,944)

Net debt at 31 December 2019 includes lease liabilities as a consequence of the implementation of IFRS 16, not considered in 2018 because it entered into force the 1st of January of 2019 (See Note 2.1.1).

17 - OTHER NON-CURRENT LIABILITIES

The breakdown of the “Other non-current liabilities” item in the accompanying consolidated balance sheets, at 31 December 2019 and 2018, is as follows:

	Thousands of euros	
	2019	2018
At amortised cost:		
Linearisation of revenue (Note 2.1.1)	-	16,925
Capital subsidies (Note 2.1.1)	1,911	24,319
Acquisition of Capredo Investment GmbH	3,150	3,150
Other liabilities	2,576	2,902
	7,637	47,296

Resulting from the application of IFRS 16, there is no linearisation of revenue and all subsidies received by owners have been transferred to right-of-use assets (see Note 2.1.1).

18.- PROVISIONS FOR RISKS AND CHARGES

The breakdown of "Provisions for risks and charges" at 31 December 2019 and 2018, together with the main movements recognised in those years were as follows:

	Thousands of euros				
	Balance at 31/12/2018	Additions	Applications/Reversals	Transfers and other changes	Balance at 31/12/2019
Provisions for contingencies and extraordinary costs:					
Onerous contracts (Note 2.1.1)	5,313	-	-	(5,313)	-
Provisions for pensions and similar obligations	16,740	13,589	(1,410)	-	28,919
Other claims	29,125	2,921	(16,450)	3,726	19,322
	51,178	16,510	(17,860)	(1,587)	48,241
Provisions for contingencies and current expenses:					
Onerous contracts (Note 2.1.1)	1,654	-	-	(1,654)	-
Other Provisions	1,059	4,694	(629)	(103)	5,021
	2,713	4,694	(629)	(1,757)	5,021
Total	53,891	21,204	(18,489)	(3,344)	53,262

	Thousands of euros				
	Balance at 31/12/2017	Additions	Applications/Reversals	Transfers and other changes	Balance at 31/12/2018
Provisions for contingencies and extraordinary costs:					
Onerous contracts	12,213	1,449	(6,785)	(1,564)	5,313
Provision for pensions and similar obligations	16,245	1,255	(760)	-	16,740
Other claims	21,955	9,444	(8,048)	5,774	29,125
	50,413	12,148	(15,593)	4,210	51,178
Provisions for contingencies and current expenses:					
Onerous contracts	2,513	-	(2,423)	1,564	1,654
Other Provisions	6,458	716	(341)	(5,774)	1,059
	8,971	716	(2,764)	(4,210)	2,713
Total	59,384	12,864	(18,356)	-	53,891

At 1 January 2019, due to the application of IFRS 16, the provision for onerous contracts is registered as the lower value of the right of use (See Note 2.1.1).

Provision for pensions and similar obligations

The “Provisions for pensions and similar obligations” account mainly includes the pension fund of a certain number of employees of the Netherlands business unit, and the T.F.R. “Trattamento di fine rapporto” in Italy, an amount paid to all workers in Italy at the moment they leave the company for any reason. This is another remuneration element, whose payment is deferred and annually allocated in proportion to fixed and variable remuneration both in kind and in cash, which is valued on a regular basis. The annual amount to be reserved is equivalent to the remuneration amount divided by 13.5. The annual cumulative fund is reviewed at a fixed interest rate of 1.5% plus 75% of the increase in the consumer price index (CPI).

This section also includes various retirement, performance related and/or long-stay awards considered in the Collective Bargaining Agreements that are applicable in Spain.

The allocations column includes the change in accounting criteria of 12,191 thousand euros, resulting in a net impact of taxes on equity of 9,692 thousand euros. (see Note 2.3)

At the end of 2019, the liabilities entered against this item were of 28,919 thousand euros (16,740 thousand euros at 31 December 2018).

The breakdown of the main assumptions used to calculate actuarial liabilities is as follows:

	2019		2018	
	Netherlands	Italy	Netherlands	Italy
Discount rates	1.20%	0.20%-1.46%	1.90%	0.20%-1.46%
Expected annual rate of salary rise	0.50%	1.9%	2.50%	1.70%
Expected return from assets allocated to the plan	0.23%	2.02%	0.30%	2.02%

Other claims

The "Other claims" item includes provisions for disputes and risks that the Group considers likely to occur. Among the most significant are the provisions created on the basis of the action brought in the proceedings claiming breach of contract in a property development, as well as other claims received in relation to the termination of certain leases where certain amounts are claimed. No decision on these claims is expected in the short term (see Note 23).

19.- TAX NOTE

Tax consolidation scheme

The Group operates in many countries and is therefore subject to the regulations of different tax jurisdictions regarding taxation and corporate income tax.

NH Hotel Group, S.A. and another 17 companies with tax domicile in Spain in which it held a direct or indirect stake of at least 75% during the 2019 tax period are subject to the tax consolidation scheme governed by Title VII, Chapter VI of Law 27/2014 on Corporate Income Tax.

The companies belonging to the tax group have signed an agreement to share the tax burden. Hence, the Parent Company settles any credits and debts which arise with subsidiary companies due to the negative and positive tax bases these contribute to the tax group.

The companies that make up the tax consolidation group are the following:

NH Hotel Group, S.A.	NH Europa, S.L.
Latinoamericana de Gestión Hotelera, S.L.	Atardecer Caribeño, S.L.
NH Central Reservation Office, S.L.	Hoteles Hesperia, S.A.
NH Hoteles España, S.A.	Nuevos Espacios Hoteleros, S.A.
NH Hotel Ciutat de Reus, S.A.	Coperama Holding, S.L.
Gran Círculo de Madrid, S.A.	Coperama Spain, S.L.
Cash Links, S.L.U.	NH Las Palmas, S.A.
Iberinterbrokers, S.L.	NH Lagasca, S.A.
Wilan Ander, S.L.	Wilan Huel S.L.

Corporation tax is calculated on the financial or accounting profit or loss resulting from the application of generally accepted accounting standards in each country, and does not necessarily coincide with the tax result, this being construed as the tax base.

In 2019, Spanish companies pay taxes at the general tax rate of 25% irrespective of whether they apply the consolidated or separate taxation schemes. The foreign companies are subject to the prevailing tax rate in the countries where they are domiciled. In addition, taxes are recognised in some countries at the estimated minimum profit on a complementary basis to Corporation Tax.

The prevailing corporation tax rates applicable to Group companies in the different jurisdictions where the Group has significant operations are as follows:

Country	Nominal tax rate	Country	Nominal tax rate
Argentina	30%	Italy	24%
Austria	25%	Luxembourg	17%
Belgium	30%	Mexico	30%
Brasil	34%	Netherlands	25%
Chile	27%	Poland	19%
Colombia	33%	Portugal	21%
Czech R.	19%	Romania	16%
Dominican R.	27%	South Africa	28%
Ecuador	25%	Spain	25%
France	28%	Switzerland	9%
Germany	30%	United Kingdom	19%
Hugary	9%	Uruguay	25%
Ireland	12.5%	USA	21%

Financial years subject to tax inspection

In accordance with Spanish tax legislation, the years open for review to the Consolidated Tax Group are:

Tax	Tax loss carryforwards
Corporation	2014 - 2018
VAT	2016 to 2019
IRPF (personal income tax)	2016 to 2019
Non-resident Income Tax	2016 to 2019

In Spain during 2019, a verification and investigation process partially began to reduce the Taxable Base of revenues from certain intangible assets referred to in article 23 of the TRLIS related to Corporation Tax for the years 2016 to 2018. The Company has recorded a provision of 1 million euros in 2019. In February 2020, the agreement that contained the settlement proposed by the inspection was signed, with no material differences between the proposed settlement and the contingency calculated and provided for.

In Germany, an inspection procedure has been opened which is reviewing the amount of negative tax bases still to be offset by the companies in Germany.

Another inspection procedure has been opened in Austria by the Austrian authorities who are checking the overall tax position of the subsidiary in that country.

Finally, an inspection procedure has been opened in Colombia focused on the deductions of certain Corporation Tax expenses.

The Group's Directors do not expect any significant contingencies to arise from the conclusions of the inspections.

Regarding the financial years open to inspection in the rest of the group, contingent liabilities not susceptible to objective quantification may exist, which are not significant in the opinion of the Group's Directors. Moreover, the company considers that there aren't any significant uncertain tax positions.

Balances with Public Administrations

The composition of the debit balances with Public Administrations at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Deferred tax assets		
Tax credits	83,881	92,185
Tax assets due to asset impairment	31,842	34,824
Tax withholdings of workforce	3,312	2,995
Other prepaid taxes	5,219	8,720
IFRS 16 (See Note 2.1.1)	95,786	-
	220,040	138,724

	Thousands of euros	
	2019	2018
Short-term taxes receivable		
Corporation tax	19,613	10,496
Value Added Tax	7,336	6,503
Other tax receivables	2,012	2,452
Total	28,961	19,451

The movements of the “Deferred tax assets” item in 2019 and 2018 were as follows:

	Thousands of euros	
	2019	2018
Opening balance	138,724	137,996
Asset impairment	(2,982)	2,729
Generation of assets due to tax losses	1,927	3,615
Settlements of assets due to tax losses	(10,667)	(4,509)
Activation of deductions	528	-
Settlement of deductions	(92)	(3,611)
IFRS 16 (See Note 2.1.1 and Note 9)	95,786	-
Others	(3,184)	2,504
Total	220,040	138,724

All these impacts have had an effect on the Consolidated Profit and Loss Statement except for the initial impact from the first application of IFRS 16 and other non-significant ones that have resulted in changes to the consolidated statement of changes in equity.

The increase in deferred tax assets is mainly due to IFRS 16 on leases being adopted in 2019 (See Note 2.1.1 and Note 9).

Additionally, in 2019 there were assets recognised due to the activation of tax losses in Germany and Ireland amounting to 1,857 and 70 thousand euros respectively, as a result of the positive results expected in future years.

The cancellation of assets is mainly due to the cancellation of tax losses to offset the positive tax bases generated in 2019, in Luxembourg, Belgium, Germany and Latin America, amounting to 906, 94, 2,253 and 260 thousand euros, respectively. Additionally, in Spain, at 31 December 2019, it has been updated the recovery plan for tax

credits, which back up the capitalization of such tax credits. As a consequence of the aforementioned, the Directors of the Parent Company has decided to impair tax assets for 7,153 thousand euros. However, this impact has been offset by the recovery during the year of part of the financial burden not deducted in previous years, which has led to a less current tax expense in the Group.

Tax credits in Spain for 7,153 thousand euros were also cancelled as the recovery plan for tax credits prepared by the Company did not support the asset for tax credits at that amount.

At 31 December 2019, the Group had assets resulting from tax losses and deductions amounting to 83,881 thousand euros (92,185 thousand euros in 2018). At 31 December 2019, the tax credit recovery plan that supports the recognition of these tax credits had been updated. As a result of said update, and pursuant to that previously stated, the Directors of the Parent Company decided to impair the asset by 7,153 thousand euros.

At 31 December 2019, the Group had tax loss carryforwards worth 594,222 thousand euros (593,041 thousand euros at 31 December 2018) and deductions amounting to 27,695 thousand euros (27,020 thousand euros in 2018) that had not been entered in the accompanying consolidated balance sheet because the Directors considered they did not meet accounting standard requirements. These assets are grouped as follows (base amount):

	Thousands of euros	
	2019	2018
Finance costs and negative tax bases		
Non-deductible financial expenses in Spain	191,799	256,170
Negative tax bases generated by the Spanish entities before their inclusion in the Spanish consolidation group	102,813	99,722
Spanish consolidation group tax loss carryforwards	43,351	5,112
Negative tax bases generated in Austria	33,825	33,169
Negative tax bases generated in Latin America	3,068	967
Negative tax bases generated in Luxembourg	47,682	50,546
Negative tax bases generated in Germany	123,312	127,494
Negative tax bases generated in Hungary	1,437	2,019
Negative tax bases generated in the Netherlands	-	-
Negative tax bases generated in Belgium	1,621	2,688
Negative tax bases USA	38,684	9,781
Negative tax bases France	6,630	5,176
Negative tax bases generated in South Africa	-	197
Total	594,222	593,041
Deductions		
Deductions generated in Spain	27,695	27,020
Total	27,695	27,020
Total	621,917	620,061

Finance costs, which are not considered deductible in the Spanish corporate income tax when exceeding 30% of the operating revenue of the tax group calculated in accordance with Article 16 of Law 27/2014 of 27 December, on Corporate Income Tax, amount to 191,799 thousand euros in 2019 (256,170 thousand euros in 2018). There is no deadline for offsetting non-deductible finance costs.

The variation in unrecorded credits in 2019 is mainly due to the fact that financial expenses in Spain were not deducted in previous periods by application of the aforementioned regulations. The reduction of non-deducted financial expenses is offset by the higher amount of negative tax bases not activated in Spain and the United States. Pursuant to the above, in Spain tax credits activated for 7,153 thousand euros we cancelled, which represents a 28,509 thousand euro increase in non-activated negative tax bases. To this, negative tax bases generated by the Spanish Tax Group in 2019 for 9,724 thousand euros that have not been activated are added.

The composition of the credit balances with Public Administrations at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Deferred tax liabilities		
Revaluation of assets and other valuation differences	180,082	177,478
Total	180,082	177,478

	Thousands of euros	
	2019	2018
Short-term taxes payable		
Corporation tax	10,904	19,980
Value Added Tax	1,886	689
Personal Income Tax	7,688	7,746
Tax on Income from Capital	1,308	1,190
Social Security	8,109	7,409
Others	10,980	22,439
Total	40,875	59,453

The movements in deferred tax liabilities during 2019 are as follows:

	Thousands of euros	
	2019	2018
Opening balance	177,478	167,433
IAS 29 Hyperinflationary economies (Note 2.4)	(1,177)	19,892
Others	3,781	(9,847)
Closing balance	180,082	177,478

The reduction in deferred tax liabilities is mainly due to the reversal of impairment on revalued assets. In addition, the deferred tax liability associated with the revaluation of assets in Argentina due to application of IAS 29 has decreased by 1,177 thousand euros (see Notes 2.4 and 4.23).

The detail, by country and item, of these deferred taxes is as follows:

	Thousands of euros			
	Tax credits	Prepaid Taxes	Total Assets	Liabilities
Spain	78,500	33,380	111,880	23,639
Benelux	1,887	24,480	26,367	15,851
Italy	-	23,593	23,593	96,839
Germany	1,857	41,018	42,875	3,334
Others	1,637	13,688	15,325	40,418
TOTAL	83,881	136,159	220,040	180,082

Reconciliation of the accounting result to the tax result

The reconciliation between the consolidated comprehensive profit or loss statements, the corporation tax base, current and deferred tax for the year, is as follows:

	2019														2018			
	Thousand euros														Thousand euros			
	Spain	France	Italy	USA	Germany	Netherlands (1)	Latin America (2)	Luxembourg	Romania	Switzerland	Czech R.	Poland	Portugal	Others	TOTAL	Spanish entities	Other entities	TOTAL
Consolidated comprehensive profit and loss statements before taxes	38,137	(2,387)	47,435	(5,275)	(6,392)	50,206	3,862	3,052	381	393	(2)	(4)	1,692	371	131,469	12,350	172,433	184,782
Adjustments to consolidated comprehensive profit and loss:																		
Accounting consolidation adjustments	-	-	-	-	2,721	-	-	-	-	-	-	-	-	-	2,721	2,004	5,961	7,965
Due to permanent differences	(36,050)	2,022	2,443	5,275	20,555	6,334	7,591	1,956	(100)	236	2	4	385	(371)	10,282	13,362	64,224	77,586
Due to temporary differences	(501)	366	(50)	0	(12,595)	1,877	10,096	(4,329)	(26)	(146)	-	-	-	-	(5,308)	23,877	(5,096)	18,781
Tax base (Taxable profit or loss)	1,586	-	49,829	0	4,289	58,418	21,549	679	255	482	-	-	2,078	-	139,163	51,592	262,560	314,152
Current taxes to be refunded / (to pay)	8,126	371	(1,535)	3	(879)	(1,688)	4,645	-	-	-	-	-	(160)	(173)	8,708	42	(9,525)	(9,484)
Total current tax income / (expense)	(396)	-	(11,971)	-	(1,287)	(14,697)	(6,491)	(115)	(41)	(41)	-	-	(436)	-	(35,476)	(12,914)	(61,499)	(74,413)
Total deferred tax income / (expense)	(7,163)	273	1,554	0	400	1,686	2,588	(736)	(4)	(12)	-	-	256	-	(1,157)	5,969	(4,049)	1,920
Total other income / (expense)	763	-	(2,925)	10	-	8	262	-	-	(5)	-	-	(23)	(25)	(1,935)	(4,501)	(2,670)	(7,171)
Total Corporation Tax Income / (expense)	(6,796)	273	(13,342)	10	(886)	(13,002)	(3,642)	(851)	(45)	(59)	-	-	(203)	(25)	(38,568)	(11,445)	(68,219)	(79,664)

(1) The Netherlands business area includes Belgium.

(2) The Latin America business area includes the profits and losses obtained by the Group in Argentina, Mexico, Uruguay, the Dominican Republic, Colombia, Chile, Ecuador and Brazil.

Deductions generated by the consolidated tax group of the Parent Company

At 31 December 2019, the Tax Group held the following tax credits carryforward (thousand euros):

Year of origin	Deduction pending application	Amount
2004 to 2011	Deduction to encourage certain activities	26,915
2014 - 2017	IT Deduction	780
2019	Investment deduction in the Canary Islands	528
2013 to 2014	Other	554
		28,777

20.- COMMERCIAL CREDITORS AND OTHER ACCOUNTS PAYABLE

The breakdown of this item in the consolidated balance sheet at 31 December 2019 and 2018 is as follows (thousands of euros):

	Thousands of euros	
	2019	2018
Trade and other payables	215,755	218,458
Advance payments from customers	41,744	34,246
	257,499	252,704

The heading "Commercial Creditors and Other Accounts Payable" covers the accounts payable derived from commercial activity typical of the Group.

The "Advance payments from customers" item mainly includes customer deposits arising from the Group's hotel businesses.

21.- INFORMATION ON DEFERRED PAYMENTS TO SUPPLIERS. THIRD ADDITIONAL PROVISION. "DUTY TO REPORT" OF ACT 11/2013 OF 26 JULY

Below is the information required by Additional Provision Three of Law 15/2010 of 5 July and modified according to the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, on the information to be incorporated in the record of annual financial statements relating to the average period for payment to suppliers in commercial transactions of Spanish companies.

	2019	2018
	Days	
Average period for payment to suppliers	63	62
Ratio of paid transactions	63	63
Ratio of transactions pending payment	53	52
	Amount (thousands of euros)	
Total payments made	308,812	272,055
Total payments pending	13,732	12,128

The above information on payments to suppliers of Spanish companies refer to those which by their nature are trade creditors due to debts with suppliers of goods and services. The table includes, therefore, the "Commercial Creditors and Other Accounts Payable" item in current liabilities of the attached consolidated balance sheet at 31 December 2019 and 2018.

The average period for payment to suppliers has been calculated, as stated in the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, using the weighted average of the two ratios explained below:

- Ratio of paid transactions: average payment period of transactions paid in 2019 weighted by the amount of each transaction.
- Ratio of transactions pending payment: average period between the invoice date and the end of the year weighted by the amount of each transaction.

22 - OTHER NON-CURRENT LIABILITIES

At 31 December 2019 and 2018, this item is broken down as follows:

	Thousands of euros	
	2019	2018
Outstanding remuneration	40,274	37,520
Linearisation of revenue (Note 2.1.1)	-	1,814
Other creditors	8,761	5,110
	49,035	44,444

23.- THIRD-PARTY GUARANTEES AND CLAIMS IN PROGRESS

At 31 December 2019, NH had a total of 30,371 thousand euros in economic or financial bank guarantees issued by various banks (37,353 thousand euros in 2018).

The reduction in the balance of bank guarantees at 31 December 2019 compared to that at 31 December 2018 is mainly due to the cancellation of the 6,000 thousand euro guarantee on obligations related to cash pooling contracts or centralised treasury management with one bank entity.

Of the 30,371 thousand euros in bank guarantees, 24,327 thousand euros guarantee leasing contract obligations and others related to the Group's usual operations in various countries, and 6,044 thousand euros issued in relation to public bodies.

At 31 December 2019, the Group had taken out insurance policies to cover risks arising from damage to material goods, loss of profits and third-party liability. The capital insured sufficiently covers the assets and risks mentioned above.

Commitments to third parties

- A Group company currently acts as co-guarantor for a syndicated loan granted by two banks to a company with a minority shareholding in a Grupo NH company which at 31 December 2019 had an outstanding principal of 15,742 thousand euros (equivalent to 17,685 thousand US dollars) and final maturity on 22 January 2020.
- On 10 March 2006, the partnership agreement of the company which owns a hotel in the United Kingdom was signed, of which a group's company is a shareholder, under which, if the company were to receive a purchase offer for 100% of its shares at market price, the group's company could be required to transfer the shares. However, the group's company will have preferential acquisition rights over the shares. At year-end, this group's company has granted its partner a purchase option of up to 5% of the share capital.
- Within the framework of new development projects in the normal course of business, in which Grupo NH subsidiaries act as lessees or operators, the Group's parent company gives personal guarantees in favour of third parties to secure its contractual obligations, often issue promissory notes in payment of said obligations and agrees penalty clauses in case of breach of contract.
- Likewise, within the framework of the Group's financing, personal and real guarantees have been granted to fulfil the obligations guaranteed under the financing agreements (see Note 16).

Claims in process

The Group's main contingent assets and liabilities on the date these consolidated financial statements were drawn up, are set out below:

- NH Group appeared in the insolvency proceedings of Viajes Marsans, S.A. and Tiempo Libre, S.A., from the unsettled estate of Gonzalo Pascual Arias and Gerardo Díaz Ferrán, and in the voluntary insolvency proceedings against Ms María Ángeles de la Riva Zorrilla, with the aim of reclaiming the outstanding amounts. The Group also appears in the voluntary bankruptcy proceedings of Transhotel and Orizonia as well as in other proceedings both nationally and internationally, and provisions the accounts receivable in the consolidation annual accounts for the amounts considered unrecoverable.
- The owner of four properties in the Netherlands has claimed in court the payment of compensation to a Dutch subsidiary because there was allegedly a change of the control situation in the year 2014, which supposedly entitles him to claim a fine, according to the lease. The claim filed by the owner, both in the first instance and on appeal, was dismissed in full. The same owner has instituted fresh court proceedings alleging a change of control situation in 2018, which is pending resolution.
- A claim has been filed against a Grupo NH company in Germany due to the termination of two lease agreements and claiming specific amounts, including damages.

- A claim has been filed against a Grupo NH company in Italy due to the early termination of a lease agreement; the ruling was unfavourable to the company's interests in the court of first instance and is currently being appealed, although it is in judicial review currently in progress.
- An NH Group company in Italy has been sued with damages under a service provision contract requested.
- A claim has been filed against two of the Group's companies seeking payment fees to rights management from 1 January 2008 to 31 May 2013, in addition to an unspecified amount corresponding to the period thereafter until a judgment is issued, plus interest and costs. The procedure from both first instance and appeal has been resolved by setting an amount lower than the one claimed, however, a judicial review has been filed, which is pending a hearing.
- On the occasion of the agreements reached in 2014 for the sale of the shares held by NH Hotel Group, S.A in the company Sotogrande, S.A., Grupo NH agreed to subrogate to the position of Sotogrande, S.A. for certain claims assuming all rights and obligations relating thereto, and are summarised as follows:
 - Plaintiff in the proceedings against construction agents for construction defects in twenty-five homes and contractual liability.
 - Respondent in the process of claiming amounts from a real estate development due to construction defects.
 - The company may be subject to a claim for amounts derived from an eventual administrative claim.
- It filed an arbitration claim requesting the validity of the declaration of resolution to sell practised at fifteen premises in San Roque, the decision on which was in favour of the Company's interests. To the contrary, it filed for annulment of the award, which has been dismissed. The debtor company has entered into insolvency proceedings and the company has requested the right to separate the premises from the estate, and an agreement has been reached with the insolvency administration for the delivery of the aforementioned premises, which is in the execution phase.
- A former shareholder of the NH Group has requested the annulment of certain resolutions adopted by the Board of Directors, and the proceedings are currently in progress.
- With regard to the disputed amounts linked to an eventual indemnity due to the resolution of the agreement with the previous Chief Executive Officer, amounts that have been entirely provisioned during fiscal year 2019, it has been definitely resolved for an amount below the provisioned.
- As part of the contractual liability assumed by the NH Group in the 2013 hotel purchase contract, the buyers informed the Group of the requirement to pay the Dutch Capital Transfer Tax. At 31 December 2019, the total amount of this tax, plus the corresponding default interest, was 11,900 thousand euros. The purchasers submitted an appeal to the Dutch Treasury that was rejected and an appeal has been filed with the Courts that is still pending resolution. The NH Group and the purchasers have reached an agreement whereby NH assumes control of the judicial procedure and has agreed to pay 275,000 euros in compensation to the purchasers for the tax advice expenses they incurred.

The Directors of the Parent Company consider that the hypothetical loss incurred by the Group as a result of such actions would not significantly affect the equity of the Group.

24.- LONG-TERM INCENTIVE PLAN

On 25 June 2013, the Company's General Shareholders Meeting approved a long-term share-based incentive plan ("the plan") for the NH Hotel Group SA's executives and employees, as follows:

The plan consisted of the grant of ordinary shares of NH Hotel Group, S.A. to the beneficiaries calculated as a percentage of the fixed salary, according to their level of responsibility. The number of shares to be granted was subject to the degree of fulfilment of the following objectives:

- TSR (total shareholder return) at the end of each of the plan cycles, comparing the performance of NH Hotel Group, SA shares with the following indices:
 - IBEX Medium Cap
 - Dow Jones Euro STOXX Travel & Leisure
- EBITDA, discounting the amount corresponding to rentals compared annually with the forecasts of the Company's strategic plan.

If the minimum degree of fulfilment established in the aforementioned objectives were not achieved, the plan beneficiaries would not be entitled to shares under said plan.

The plan was aimed at a maximum of 100 beneficiaries. The Board of Directors, at the proposal of the CEO, may include new members in the plan.

The plan had a total duration of five years, divided into three three-year cycles. The third and final cycle was settled in the first half of the year with the delivery of 226,067 net shares at a fair value per unit of 4.55 euros. The settlement of this plan was done net of tax.

On the other hand, the 2017 General Shareholders' Meeting approved the launch of a new Long-Term Incentive Plan. This plan has a duration of five years, divided into three three-year cycles:

	No. of Shares Assigned at the start of each cycle (Thousands)	No. of live shares at 31/12/2019 (Thousands)	Value of the allocation (Euros)
The first cycle began on 1/1/2017 (delivery in 2020 (in force))	720.87	629.84	3.80
The second cycle began on 01/01/2018 (delivery in 2021 (in force))	517.96	482.30	5.96
The third cycle began on 01/01/2019 (delivery in 2022 (in force))	879.25	872.81	3.96

The difference between the total shares assigned at the beginning of each cycle and the live shares at 31 December 2019 are beneficiaries who left between the launch the year-end 2019.

This second plan has a very similar structure to the first; delivery of ordinary shares of NH Hotel Group, S.A. to the beneficiaries calculated as a percentage of fixed salary, according to their level of responsibility.

The number of shares to be delivered shall be subject to the degree of fulfilment of the following four objectives:

- TSR (total shareholder return) at the end of each of the plan cycles, comparing the performance of NH Hotel Group, S.A. shares with the STOXX® Europe 600 Travel & Leisure share index
- Revaluation of the Share
- Recurring Net Profit

- Recurring EBITDA

The beneficiaries must remain in the Group at the end of each cycle, notwithstanding the exceptions deemed appropriate, as well as achieving the minimum thresholds for each of the objectives.

The Board of Directors will be authorised to decide, before the start of each of the cycles, the effective implementation thereof in accordance with the Group's financial position at the time. At the date of publication of this report, all the cycles had been approved by the Board of Directors.

The maximum amount approved by the General Shareholders' Meeting for the three cycles of the second Plan is 16,200,000 euros.

The effect of these items on the consolidated comprehensive profit and loss statement for 2019 was 3,569 thousand euros (3,275 thousand euros in 2018).

25.- INCOME AND EXPENSES

25.1 Income

The breakdown of these headings in the consolidated comprehensive profit and loss statements for 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Hotel occupancy	1,222,859	1,149,805
Catering	340,562	325,026
Meeting rooms and others	91,772	86,307
Rentals and other services	52,885	52,250
Revenues	1,708,078	1,613,388
Operating subsidies	36	36
Other operating income	9,316	6,096
Other operating income	9,352	6,132
Net gain (loss) on disposal of assets	(709)	85,982

“Rentals and Other Services” includes the income from fees invoiced to hotels operated on a management basis and the services provided by the NH Group to third parties.

The breakdown of net turnover by geographical markets in 2019 and 2018 was as follows:

	Thousands of euros	
	2019	2018
Spain	440,162	406,332
Germany	371,054	317,542
Benelux	305,712	360,254
Italy	323,639	290,072
Rest of Europe	121,275	111,241
Latin America	146,236	127,947
	1,708,078	1,613,388

25.2 Financial income

The breakdown of the amount of financial income is:

	Thousands of euros	
	2019	2018
Dividend income	1,635	1,214
Interest income	1,276	1,258
Other financial income	1,293	3,567
	4,204	6,039

Interest income corresponds to loans valued at amortised cost

25.3 Personnel expenses

This item in the consolidated comprehensive profit and loss statement is broken down as follows:

	Thousands of euros	
	2019	2018
Wages, salaries and similar	339,754	319,458
Social security contributions	81,500	75,141
Indemnifications	3,119	5,751
Contributions to pension plans and similar	11,134	10,118
Other social expenses	13,255	12,203
	448,762	422,671

The average number of people employed by the Parent Company and the companies consolidated through full consolidation in 2019 and 2018 broken down by professional categories was as follows:

	2019	2018
Group's general management	8	8
Managers and heads of department	1,465	1,428
Technical staff	972	928
Sales representatives	803	764
Administrative staff	182	201
Rest of workforce	8,033	7,626
	11,463	10,956

In calculating the average number of employees, the Group has not taken into account employees whose contracts have a duration of less than two days.

The breakdown of the personnel at 31 December 2019 and 2018, by gender and professional category, is as follows:

	31/12/2019		31/12/2018	
	Males	Females	Males	Females
Group's general management	6	2	6	2
Managers and heads of department	866	633	836	610
Technical staff	524	490	483	442
Sales representatives	256	601	221	548
Administrative staff	68	118	65	107
Rest of workforce	4,084	4,175	3,813	3,924
	5,804	6,019	5,424	5,633

The average number of people with disabilities equivalent to or greater than 33%, directly employed by the Parent Company and fully consolidated companies in Spain in 2019 and 2018, broken down by professional categories, is as follows:

	2019	2018
Managers and heads of department	3	4
Technical staff	11	13
Sales representatives	5	1
Administrative staff	5	4
Rest of workforce	90	82
	114	103

The average age of the Group's workforce was approximately 39 and average seniority in the Group was 9 years.

25.4 Other operating expenses

The detail of "Other Operating Expenses" of the consolidated comprehensive income for 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Leases (See Notes 2.1.1 and 9)	83,647	319,435
Outsourcing of services	125,194	118,307
Commissions and bonuses for customers	92,287	85,542
Supplies	60,607	57,793
Maintenance and cleaning	42,277	43,272
Laundry and related costs	39,110	38,034
Costs associated with information technologies	41,001	38,339
Marketing and merchandising	24,574	26,556
Taxes, insurance and levies	27,737	26,307
Advisory services	15,547	16,614
Other external services	72,194	87,067
	624,175	857,266

In 2019, the Group experienced a higher level of activity in its hotel business, which led to an increase in some operational expenses directly related to the level of activity, such as the supplies and laundry service, among others. Also, the increase recorded in revenue per available room explains the increase in associated agency commission expenses. However, savings were achieved in other items such as marketing and merchandising, among others.

The heading on leases has reduced due to the new accounting on leases from the application of IFRS 16 (See Note 2.1 and Note 9). The expense recorded for this item in 2019 corresponds to the variable income of these contracts. On the other hand, there is no significant lease expense for contracts with a duration of less than one year or that, due to a reduced value, have ceased to be considered under IFRS 16.

During 2019 and 2018, the fees for account auditing and other services provided by the auditor of the Group's consolidated annual accounts and the fees for services invoiced by the entities related to it by control, shared ownership or management, were as follows:

	Thousands of euros	
	2019	2018
Auditing services	545	944
Other verification services	138	223
Total auditing and related services	683	1,167
Tax consulting services	-	260
Other services	23	29
Total other services	23	289
Total professional services	706	1,456

Additionally, entities associated with the international network of the consolidated annual accounts auditor have invoiced the Group for the following services:

	Thousands of euros	
	2019	2018
Auditing services	1,031	1,525
Other verification services	152	28
Total auditing and related services	1,183	1,553
Tax consulting services	274	81
Other services	1	-
Total other services	275	81
Total	1,458	1,634

During 2019, other auditing firms apart from the auditor of the consolidated annual accounts or entities associated with this company by control, shared ownership or management, have provided account auditing services to the companies making up the Group, for fees totalling 50 thousand euros (66 thousand euros in 2018). The fees accrued in 2019 by these firms for tax advice services were 244 thousand euros (209 thousand euros in 2018) and for other services, 80 thousand euros (396 thousand euros in 2018).

25.5 Finance costs

The detailed balance of this chapter of the consolidated statement of comprehensive income for 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Expenses for interest	19,933	30,763
Financial expenses for means of payment	19,304	17,379
Financial effect relating to restatement of provisions and other financial liabilities	2,721	2,546
Amortisation of debt arrangement expenses	3,793	7,838
Interest on leases	89,620	-
Other financial expenses	101	1,471
Total financial expenses	135,472	59,997

The increase in interest expenses in 2019 compared to 2018 is mainly due to IFRS 16 on leases being adopted in 2019 (See Note 2.1.1 and Note 9).

The expenses for interest correspond to debts valued at amortised cost.

25.6 Results from exposure to hyperinflation

This heading includes the net effect recognised in the consolidated comprehensive profit and loss statement arising from the application of accounting standards to the financial statements of Argentine subsidiaries from the date of first application at 2019 year-end (See Note 2.4).

26.- RELATED PARTY TRANSACTIONS

In addition to its subsidiaries, associates and joint ventures, the Group's "related parties" are considered to be the "key management personnel" of the Parent Company (Board Members and Directors, along with their immediate relatives), as well as organisations over which key management personnel may exert significant influence or control.

Transactions carried out by the Group with its related parties during 2019 are stated below, distinguishing between major shareholders, members of the Board of Directors and Directors of the Parent Company and other parties that were related during the year even though there are no longer a shareholder at year-end. The conditions of the related-party transactions are equivalent to those of transactions carried out under market conditions:

Income and Expenses	Thousands of euros		
	31/12/2019		
	Major Shareholders	Associates or companies of the Group	Total
Expenses:			
Reception of services	590	-	590
Financial expenses	-	-	-
Other expenses	231	-	231
	821	-	821
Income:			
Financial income	-	324	324
Management or cooperation agreements	2,749	1,651	4,400
	2,749	1,975	4,724

Income and Expenses	Thousands of euros		
	31/12/2018		
	Major Shareholders	Associates or companies of the Group	Total
Expenses:			
Reception of services	195	-	195
Leases	1,424	-	1,424
	1,619	-	1,619
Income:			
Financial income	-	109	109
Management or cooperation agreements	8,476	1,987	10,463
Other operating expenses	978	-	978
Other income	2,607	-	2,607
	12,061	2,096	14,157

The heading "Management or cooperation agreements" referring to major shareholders includes the amounts that have accrued in the form of management fees payable to Grupo NH during 2019 by virtue of the hotel management agreement signed with Grupo Minor, (during 2018, management fees were accrued in favour of Grupo NH under the hotel management contract signed with Grupo Inversor Hesperia, S.A).

Other agreements

	Thousands of euros	
	31/12/2019	31/12/2018
Accounts receivable from related entities	2,493	-
Accounts receivable from associated companies (long term) (Note 11)	143	-
Accounts receivable from associated companies (short term)	1,180	1,766
Loans to associates - Sotocaribe, S.L.	9,503	9,020
Provision for impairment	(9,503)	-
Total Assets	3,816	10,786

	Thousands of euros	
	31/12/2019	31/12/2018
Accounts payable from related entities	(1,050)	-
Accounts payable from associated companies	(156)	-
Loans to associates Sotocaribe, S.L.	(5,588)	-
Total Liabilities	(6,794)	-

At 31 December 2019, the NH Hotel Group has a net balance pending collection of 1,443 thousand euros with the Minor Group (2,493 thousand euros recorded as an account receivable and 1,050 thousand euros as accounts payable).

Resulting from an analysis of the fair value of the investment in the company consolidated through the equity method it has been registered an impairment of the loans to associates amounting to 9,503 thousand euros and an expense of 5,588 thousand euros for the committed contribution at the end of 2019 to carry out the cancellation of the bank loan that this company has and in which NH Hotel Group acts as a guarantor of the 35.5% (See Note 29). Both impacts have been recorded under "Impairment on financial investments" of the consolidated comprehensive profit and loss statement.

27.- INFORMATION BY SEGMENTS

27.1 Information on main segments

The Group divides its activity into the real estate (see Note 11) and hotel segments. Additionally, within the hotel segment, sub-segments are identified by geographic area, which are included in the breakdowns reflected in the consolidated financial statements for information purposes.

The factors taken into account when defining the segments were as follows:

- a) They carry on business activities from which they can earn income from ordinary activities and incur expenses (including income from ordinary activities and expenses for transactions with other components of the Group).
- b) They obtain operating results that are regularly reviewed by the entity's highest decision-making authority to decide on the resources to be allocated to the segment and to evaluate its performance.

c) They have different financial information.

The Management Committee is the body responsible for making decisions on the Group's segments. Accordingly, it analyses the Group's results, distinguishing between the aforementioned sub-segments.

The breakdown of the segment information required by IFRS 8 is as follows:

	Thousand Euros													
	Hotel Business													
	31/12/2019							31/12/2018						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
OTHER INFORMATION														
Additions of fixed assets	186,185	47,492	36,153	58,740	29,398	13,827	575	150,546	40,848	47,154	25,604	25,129	10,702	1,109
Depreciation	(297,080)	(96,867)	(39,455)	(50,792)	(69,440)	(14,113)	(26,413)	(116,301)	(41,757)	(18,908)	(23,159)	(20,106)	(9,417)	(2,954)
Net profit (loss) for asset deterioration	4,889	4,161	71	5,518	(3,996)	(1,742)	877	(304)	3,295	(8,380)	4,206	191	1	383
BALANCE SHEET														
ASSETS														
Assets by segments	4,336,568	925,736	1,129,590	739,488	817,721	467,527	256,506	2,498,183	596,355	765,478	440,001	287,391	402,698	6,260
Shareholdings in associated companies	7,517	929	-	-	-	6,588	-	8,971	1,002	-	-	-	5,935	2,034
Non-current assets classified as held for sale	-	-	-	-	-	-	-	12,092	12,092	-	-	-	-	-
Total consolidated assets	4,344,085	926,665	1,129,590	739,488	817,721	474,115	256,506	2,519,246	609,449	765,478	440,001	287,391	408,633	8,294
LIABILITIES														
Liabilities and equity by segments	4,344,085	926,665	1,129,590	739,488	817,721	474,115	256,506	2,519,246	609,449	765,478	440,001	287,391	408,633	8,294
Total Consolidated Liabilities and Equity	4,344,085	926,665	1,129,590	739,488	817,721	474,115	256,506	2,519,246	609,449	765,478	440,001	287,391	408,633	8,294

	Thousand Euros													
	Real estate													
	31/12/2019							31/12/2018						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
OTHER INFORMATION														
Additions of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit (loss) for asset deterioration	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BALANCE SHEET														
ASSETS														
Assets by segments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shareholdings in associated companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as held for sale	47,811	-	-	-	-	37,264	10,547	43,882	-	-	-	-	33,322	10,560
Total consolidated assets	47,811	-	-	-	-	37,264	10,547	43,882	-	-	-	-	33,322	10,560
LIABILITIES														
Liabilities and equity by segments	47,811	-	-	-	-	37,264	10,547	43,882	-	-	-	-	33,322	10,560
Total Consolidated Liabilities and Equity	47,811	-	-	-	-	37,264	10,547	43,882	-	-	-	-	33,322	10,560

	Thousand Euros													
	Total													
	31/12/2019							31/12/2018						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
OTHER INFORMATION														
Additions of fixed assets	186,185	47,492	36,153	58,740	29,398	13,827	575	150,546	40,848	47,154	25,604	25,129	10,702	1,109
Depreciation	(297,080)	(96,867)	(39,455)	(50,792)	(69,440)	(14,113)	(26,413)	(116,301)	(41,757)	(18,908)	(23,159)	(20,106)	(9,417)	(2,954)
Net profit (loss) for asset deterioration	4,889	4,161	71	5,518	(3,996)	(1,742)	877	(304)	3,295	(8,380)	4,206	191	1	383
BALANCE SHEET														
ASSETS														
Assets by segments	4,336,568	925,736	1,129,590	739,488	817,721	467,527	256,506	2,498,183	596,355	765,478	440,001	287,391	402,698	6,260
Shareholdings in associated companies	7,517	929	-	-	-	6,588	(0)	8,971	1,002	-	-	-	5,935	2,034
Non-current assets classified as held for sale	47,811	-	-	-	-	37,264	10,547	55,974	12,092	-	-	-	33,322	10,560
Total consolidated assets	4,391,896	926,665	1,129,590	739,488	817,721	511,379	267,053	2,563,128	609,449	765,478	440,001	287,391	441,955	18,854
LIABILITIES														
Liabilities and equity by segments	4,391,896	926,665	1,129,590	739,488	817,721	511,379	267,053	2,563,128	609,449	765,478	440,001	287,391	441,955	18,854
Total Consolidated Liabilities and Equity	4,391,896	926,665	1,129,590	739,488	817,721	511,379	267,053	2,563,128	609,449	765,478	440,001	287,391	441,955	18,854

27.2 Information on secondary segments

The following table shows the breakdown of certain Group consolidated balances in accordance with the geographical distribution of the entities giving rise to them:

Significant information from the Income Statement by Geographic Area	Thousands of euros (2019)						TOTAL
	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	
Revenues	440,162	371,054	305,712	323,639	121,275	146,236	1,708,078
Depreciation	(96,867)	(39,455)	(50,792)	(69,440)	(14,113)	(26,413)	(297,080)
Net Profits/(Losses) from asset impairment	4,161	71	5,518	(3,996)	(1,742)	879	4,889
Financial income	2,388	236	26	465	1,030	59	4,204
Financial expenses	(38,266)	(19,334)	(22,654)	(32,450)	(11,090)	(11,678)	(135,472)
Results from exposure to hyperinflation (IAS 29)	-	-	-	-	(85)	-	(85)
Profit (Loss) from entities valued through the equity method	(71)	-	-	-	94	(1)	22
Variation in the provision for onerous contracts	-	-	-	-	-	-	-
Income tax	(6,796)	(13,317)	(13,319)	(757)	(3,656)	(723)	(38,568)
Profit (loss) for the year from discontinued operations net of tax	-	-	-	-	-	50	50

Significant information from the Income Statement by Geographic Area	Thousands of euros (2018)						TOTAL
	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	
Revenues	406,332	360,254	290,072	317,542	127,947	111,241	1,613,388
Depreciation	(41,757)	(18,908)	(23,159)	(20,106)	(9,417)	(2,954)	(116,301)
Net Profits/(Losses) from asset impairment	3,295	(8,380)	4,206	191	1	383	(304)
Financial income	2,244	465	42	525	2,719	44	6,039
Financial expenses	(49,061)	6,605	(3,681)	(7,104)	(5,036)	(1,720)	(59,997)
Results from exposure to hyperinflation (IAS 29)	-	-	-	-	635	-	635
Profit (Loss) from entities valued through the equity method	(363)	-	-	-	(51)	(85)	(499)
Variation in the provision for onerous contracts	1,671	-	-	303	-	2,368	4,342
Income tax	(11,347)	(42,566)	(14,886)	(2,675)	(7,527)	(663)	(79,664)
Profit (loss) for the year from discontinued operations net of tax	-	-	-	-	(523)	(45)	(568)

28. REMUNERATION AND OTHER STATEMENTS MADE BY THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The composition of the Board of Directors of the Parent Company and its Committees at 31 December 2019 is as follows:

- Board of Directors: 9 members in 2019 (10 members at 31 December 2018),
- Audit and Control Committee: 3 members in 2019 (3 members at 31 December 2018),
- Appointments and Remuneration Committee: 3 members in 2019 (2 members at 31 December 2018) (*).

(*) At 31 December 2018, the Appointments, Remuneration and Corporate Governance Committee was made up of two members, as well as its non-member Secretary. This situation arose from the compulsory share acquisition public offer made by MHG Continental Holding (Singapore) Pte. Ltd. and caused, among others, the departure of the Directors representing the shareholder Grupo Inversor Hesperia, SA, with Mr Jordi Ferrer Graupera on behalf of the Director Grupo Inversor Hesperia, S.A. tendering his resignation on 12 November 2018 as a member of the Appointments, Remuneration and Corporate Governance Committee. At its meeting on 7 February 2019 the Board of Directors approved the appointment of Mr Stephen Chojnacki as a new member of the Committee. This appointment fulfils the composition and qualification requirements established in the Capital Companies Act.

The amount accrued during 2019 and 2018 by the members of the Parent Company's Board of Directors in relation to the remuneration of the CEO, bylaw stipulated directors' fees and attendance fees and other items, is as follows:

28.1 Remuneration of the Board of Directors

Remuneration item	Thousands of euros	
	2019	2018
Fixed remuneration	1,016	500
Variable remuneration	729	335
Parent Company: allowances	11	65
Parent Company: attendance allowances	589	813
Transactions in shares and other financial instruments	491	247
Life insurance premiums	31	19
Others	20	13
Total	2,887	1,992

As of 31 December 2019, the Board of Directors had nine members, of whom one is a woman and eight are men (ten persons in 2018, one woman and nine men).

In relation to the heading, "Transactions on shares and/or other financial instruments", consideration has been given to the objective long-term remuneration accrued. This includes remuneration in kind (vehicles and medical insurance) under the heading "Others".

28.2 Remuneration of senior management

The remuneration of members of the Management Committee at 31 December 2019 and 2018, excluding those who simultaneously held office as members of the Board of Directors (whose remuneration has been set out above), is detailed below:

	Thousands of euros	
	2019	2018
Pecuniary remuneration	2,745	3,047
Remuneration in kind	86	88
Others	670	671
Total	3,501	3,806

There were six members of Senior Management at 31 December 2019 (seven members at 31 December 2018) excluding the CEO and the Chief Financial Officer due to their status as executive directors.

The concept of monetary remuneration of executives includes fixed remuneration and variable remuneration accrued in 2019 and received in 2020.

Compensation in kind includes the vehicle and the cost of insurance.

The heading "Other" takes the long-term objective remuneration accrued in 2019 into consideration.

28.3 Information on conflicts of interest on the part of Directors

During 2019, Minor International Public Company Limited ("Minor"), an indirect majority shareholder of NH (94.132%) and represented on the Board by four proprietary Directors, and NH signed a series of Related Party

Transactions, which are broken down in the Audit and Control Committee's Annual Report, as well as in Note 26 of this Report. These Related Party Transactions have always been executed in strict compliance with the rules established in the applicable regulations and the Procedure for Conflicts of Interest and Related Party Transactions with Significant Shareholders, Directors and Senior Management of NH Hotel Group, S.A. approved by the Board of Directors on 26 March 2014. All transactions signed with Minor (and/or its group of companies) have counted on a report from the Audit and Control Committee, have been signed under market conditions and with the participation of external advisors, and in compliance with the provisions in the Framework Agreement signed between the parties on 7 February 2019, which regulates, among others, the scope of action of the respective hotel groups headed by NH and Minor through the identification of preferred geographic areas or zones, the mechanisms necessary to prevent and deal with possible conflicts of interest, as well as to carry out operations with related parties and develop business opportunities. The aforementioned Framework Agreement was duly communicated to the Market via a Relevant Fact and is published in full on the Company's website.

During all Board Meetings dealing with issues related to Minor, the Proprietary Directors were absent when dealing with said matters and therefore did not participate in the adoption of the corresponding agreement.

29.- EVENTS AFTER THE REPORTING PERIOD

On 22 January 2020, the last payment of a syndicated loan granted by two banking entities was paid to a company in which an NH Group company is a minority shareholder. This company, which consolidates into the NH Group, using the equity method had an outstanding principal of 15,742 thousand euros (equivalent to 17,685 thousand dollars), thereby releasing the guarantees that had been granted for the fulfilment of payment of said loan.

In order to carry out such payment, the Group has made a contribution of 6,315 thousand euros (5,588 thousand euros at 31 December 2019 (See Note 26)) corresponding to the proportional part of NH Hotel Group as a guarantor.

At a date subsequent to the year-end, a claim against a Group company was filed; it is pending processing and in no case will have a significant adverse effect.

30.- INFORMATION ON ENVIRONMENTAL POLICY

For the NH Hotel Group, environmental sustainability drives innovation, seeking to surprise our guests as well as achieving efficiencies in the use of natural resources, particularly water and energy. In our responsible commitment to the Planet, we work to minimise our impact on Climate Change, increase the efficiency of resources and develop more sustainable services. All this minimises our environmental footprint with responsible consumption of natural resources.

Continuity was given to the environmental achievements of recent years in 2019. Thus, compared to 2007, per Average Daily Room energy consumption has been reduced by 31%, water consumption by 23% and our carbon footprint by 61%. NH Hotel Group is committed to renewable energy, which reduces its carbon footprint. This consumption of green energy, certified as renewable, is available in 99% of our consolidated hotels in Spain, Italy, the Netherlands, France and Luxembourg, covering 67% of the total electricity consumed in Europe.

NH Hotel Group works with the ISO 14.001 environmental management system and ISO 50.001 for energy efficiency in accommodation, catering, meetings and events. In total, the Company has 149 individual sustainability certifications in hotels such as BREEAM, LEED, Green Key, Hoteles+Verdes, ISO 14.001 Environmental Management System and/or ISO 50.001 Energy Management System. These environmental certifications are internationally recognised (ISO 14.001 and ISO 50.001) and those from the hotel sector itself such as Hoteles+Verdes and Green Key are recognised by the GSTC (Global Sustainable Tourism Council). The NH Hotel Group has reported its commitment to and strategy against climate change to CDP Climate Change since 2010 and received a B in its annual ranking.

It is also noteworthy that, in 2019, the NH Hotel Group became the first Spanish hotel company to establish emission reduction targets that are scientifically validated by the Science Based Targets initiative (SBTi) - a leading alliance in the promotion of the business sector against climate change in which CDP, the United Nations Global Compact, World Resources Institute and World Wide Fund for Nature are a part. With this formalisation, the NH Hotel Group is committed to reducing its carbon emissions by 20% throughout its value chain before 2030. This objective marks the Company's roadmap towards a significant reduction in its activity's carbon footprint in the coming years, aligned with the purpose set in the Paris Agreement to limit the increase in the global temperature to less than 2°C, and join the efforts that are being made globally towards the transition to a low carbon economy.

31. EXPOSURE TO RISK

The Group financial risk management is centralised at the Corporate Finance Division. This Division has put the necessary measures in place to control exposure to changes in interest and exchange rates on the basis of the Group's structure and financial position, as well as credit and liquidity risks. If necessary, hedges are made on a case-by-case basis. The main financial risks faced by the Group's policies are described below:

Credit risk

The Group main financial assets include cash and cash equivalents (see Note 13), as well as trade and other accounts receivable (see Note 14). In general terms, the Group holds its cash and cash equivalents in entities with a high credit rating and part of its trade and other accounts receivable are guaranteed by deposits, bank guarantees and advance payments by tour operators.

The Group has no significant concentration of third-party credit risk due to the diversification of its financial investments as well as to the distribution of trade risks with short collection periods among a large number of customers.

Interest rate risk

The Group's financial assets and liabilities are exposed to fluctuations in interest rates, which may have an adverse effect on its results and cash flows. In order to mitigate this risk, the Group has established policies and has refinanced its debt at fixed interest rates through the issuance of convertible bonds and guaranteed convertible senior bonds. At 31 December 2019, approximately 81.3% of the gross borrowings was tied to fixed interest rates.

In accordance with reporting requirements set forth in IFRS 7, the Group has conducted a sensitivity analysis on possible interest-rate fluctuations in the markets in which it operates, based on these requirements.

Through the sensitivity analysis, taking as a reference the outstanding amount of that financing that has variable interest, we estimated the increase in the interest that would arise in the event of a rise in the reference interest rates.

If the increase in interest rates were 25 bp, the financial expense would increase by 219 thousand euros plus interest.

If the increase in interest rates were 50 bp, the financial expense would increase by 438 thousand euros plus interest.

If the increase in interest rates were 100 bp, the financial expense would increase by 876 thousand euros plus interest.

The results in equity would be similar to those recorded in the income statement but taking into account their tax effect, if any.

Lastly, the long-term financial assets set out in Note 11 of this annual report are also subject to interest-rate risks.

Exchange rate risk

The Group is exposed to exchange-rate fluctuations that may affect its sales, results, equity and cash flows. These mainly arise from:

- Investments in foreign countries (essentially Mexico, Argentina, Colombia, Chile, Ecuador, the Dominican Republic, Brazil, Panama and the United States).
- Transactions made by Group companies operating in countries whose currency is other than the euro (essentially Mexico, Argentina, Colombia, Chile, Ecuador, the Dominican Republic, Venezuela, Brazil, the United States and the United Kingdom).

In this respect, the detail of the effect on the currency translation difference of the main currencies in 2019 was as follows:

	Thousands of euros	
	Currency translation difference	Changes with respect to 2018
US dollar	3,296	321
Mexican peso	(16,595)	1,807
Colombian peso	(24,521)	(1,688)

The changes in the currency translation difference of the above currencies was mainly due to the movements in exchange rates between 31 December 2019 and 31 December 2018:

Year-end euro reference exchange rate	31/12/2019	31/12/2018	Change
US dollar	0.890150	0.873360	1.92%
Mexican peso	0.047120	0.044460	5.98%
Colombian peso	0.000270	0.000270	-

As can be observed in the table, the movements in the exchange rate of the currencies with respect to the end of the previous year is in line with the changes in equity associated with these currencies.

Below is a detail of the movements in the average exchange rate between 2019 and 2018 of the aforementioned currencies:

Average euro reference exchange rate in the year	2019	2018	Change
US dollar	0.893180	0.846630	5.50%
Mexican peso	0.046390	0.044040	5.34%
Colombian peso	0.000270	0.000290	(6.90%)

For these currencies an analysis was carried out to determine if it would be better to apply a monthly average or cumulative average exchange rate, and no significant difference resulted from this analysis.

Liquidity risk

Exposure to adverse situations in debt or capital markets could hinder or prevent the Group from meeting the financial needs required for its operations and for implementing its Strategic Plan.

Management of this risk is focused on thoroughly monitoring the maturity schedule of the Group's financial debt, as well as on proactive management and maintaining credit lines that allow forecast cash needs to be met.

The Group's liquidity position in 2019 is based on the following points:

- The group had cash and cash equivalents amounting to 289,345 thousand euros at 31 December 2019.
- Available undrawn credit lines amounting to 303,500 thousand euros at 31 December 2019, of which 250,000 thousand euros relate to the undrawn guaranteed syndicated credit line maturing on 29 September 2021 (Note 16).

The capacity of the business units to generate positive cash flows from operations.

- The Group may increase its financial borrowing; given that it has non-collateralised assets and meet the financial ratios required by the financing agreements.

Lastly, the Group makes cash flow forecasts on a systematic basis for each business unit and geographical area in order to assess their needs. This Group liquidity policy ensures payment undertakings are fulfilled without having to request funds at onerous conditions and allows its liquidity position to be monitored on a continuous basis.

APPENDIX I: SUBSIDIARIES

The data on the Parent company's subsidiaries at 31 December 2019 are presented below:

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee	% of voting rights controlled by parent
Airport Hotel Frankfurt-Raunheim, GmbH & Co.	Munich	Real Estate	94%	94%
Artos Beteiligungs, GmbH	Munich	Holding	100%	100%
Astron Immobilien, GmbH	Munich	Holding	100%	100%
Astron Kestrell, Ltd.	Plettenberg Bay	Hotel Business	100%	100%
Atlantic Hotel Exploitatie, B.V.	Den Haag	Hotel Business	100%	100%
Blacom, S.A.	Buenos Aires	Holding	100%	100%
Chartwell de México, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Chartwell de Nuevo Laredo, S.A. de C.V.	Nuevo Laredo	Hotel Business	100%	100%
Chartwell Inmobiliaria de Coatzacoalcos, S.A. de C.V.	Coatzacoalcos	Hotel Business	100%	100%
City Hotel, S.A.	Buenos Aires	Hotel Business	50%	50%
Columbia Palace Hotel, S.A.	Montevideo	Hotel Business	100%	100%
Nhow london, Ltd.	London	Hotel Business	100%	100%
Coperama Holding, S.L.	Madrid	Procurement network	100%	100%
DAM 9 B.V.	Amsterdam	Holding	100%	100%
De Sparrenhorst, B.V.	Nunspeet	Hotel Business	100%	100%
Desarrollo Inmobiliario Santa Fe, S.A. de C.V.	México D.F.	Hotel Business	50%	50%
Edificio Metro, S.A.	Buenos Aires	Hotel Business	100%	100%
Expl. Mij. Hotel Best, B.V.	Best	Hotel Business	100%	100%
Expl. mij. Hotel Doelen, B.V.	Amsterdam	Hotel Business	100%	100%
Expl. Mij. Hotel Naarden, B.V.	Naarden	Hotel Business	100%	100%
Expl. mij. Hotel Schiller, B.V.	Amsterdam	Hotel Business	100%	100%
Exploitiemaatschappij Caransa Hotel, B.V.	Amsterdam	Inactive	100%	100%
Franquicias Lodge, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Gran Círculo de Madrid, S.A.	Madrid	Catering	99%	99%
Grupo Hotelero Monterrey, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Grupo Hotelero Queretaro, S.A. de C.V.	Queretaro	Hotel Business	69%	69%
Heiner Gossen Hotelbetrieb, GmbH	Mannheim	Hotel Business	100%	100%
The Marker Anantara Ltd.	Dublin	Holding	100%	100%
GCS Hotel Ltd.	Dublin	Hotel Business	100%	100%
NH Cash Link, S.L.	Madrid	Finance	100%	100%
HEM Atlanta Rotterdam, B.V.	Hilversum	Hotel Business	100%	100%
HEM Epen Zuid Limburg, B.V.	Wittem	Hotel Business	100%	100%
All companies end the year on 31/12/2019				

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee	% of voting rights controlled by parent
HEM Forum Maastricht, B.V.	Maastricht	Hotel Business	100%	100%
HEM Jaarbeursplein Utrecht, B.V.	Utrecht	Hotel Business	100%	100%
HEM Janskerkhof Utrecht, B.V.	Hilversum	Hotel Business	100%	100%
HEM Marquette Heemskerk, B.V.	Hilversum	Hotel Business	100%	100%
HEM Onderlangs Arnhem, B.V.	Arnhem	Hotel Business	100%	100%
HEM Spuistraat Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
HEM Stadhouderskade Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
HEM Van Alphenstraat Zandvoort, B.V.	Hilversum	Hotel Business	100%	100%
Highmark Geldrop, B.V.	Geldrop	Hotel Business	100%	100%
Highmark Hoofddorp, B.V.	Hoofddorp	Hotel Business	100%	100%
Hispana Santa Fe, S.A. de C.V.	México D.F.	Hotel Business	50%	50%
Hotel Aukamm Wiesbaden, GmbH & Co.	Munich	Real Estate	94%	94%
Hotel de Ville, B.V.	Groningen	Hotel Business	100%	100%
Hotel Expl. Mij Amsterdam Noord, B.V.	Amsterdam	Hotel Business	100%	100%
Hotel Expl. Mij Leijenberghlaan Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
Hotel expl. mij. Capelle a/d IJssel, B.V.	Capelle a/d IJssel	Hotel Business	100%	100%
Hotel expl. mij. Danny Kayelaan Zoetermeer, B.V.	Hilversum	Hotel Business	100%	100%
Hotel expl. mij. Stationsstraat Amersfoort, B.V.	Amersfoort	Hotel Business	100%	100%
Hotel Holding Onroerend Goed d'Vijff Vlieghen B.V.	Hilversum	Hotel Business	100%	100%
Hotel Houdstermaatschappij Jolly, B.V.	Amsterdam	Holding	100%	100%
Hotelera de la Parra, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Hotelera Lancaster, S.A.	Buenos Aires	Hotel Business	50%	50%
Hotelera de Chile, S.A.	Santiago de Chile	Hotel Business	100%	100%
Gestora hotelera del siglo XXI, S.A.	Barcelona	Hotel Business	100%	100%
Hotelexplotatiemaatschappij Vijzelstraat Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
Hotels Bingen & Viernheim, GmbH & Co.	Munich	Real Estate	94%	94%
Inmobiliaria y Financiera Aconcagua, S.A.	Buenos Aires	Hotel Business	100%	100%
Inmobiliaria y financiera Chile S.A.	Santiago de Chile	Real Estate	100%	100%
Jan Tabak, N.V.	Bussum	Hotel Business	82%	82%
JH Belgium, S.A.	Bruselas	Hotel Business	100%	100%
JH Deutschland, GmbH	Colonia	Hotel Business	100%	100%
JH Holland, N.V.	Amsterdam	Hotel Business	100%	100%
JH USA, Inc.	Wilginton	Hotel Business	100%	100%
Koningshof, B.V.	Veldhoven	Hotel Business	100%	100%
All companies end the year on 31/12/2019				

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee	% of voting rights controlled by parent
Krasnapolsky Belgian Shares, B.V.	Hilversum	Holding	100%	100%
COPERAMA Benelux, B.V.	Amsterdam	Procurement network	100%	100%
Krasnapolsky Hotels & Restaurants, N.V.	Amsterdam	Holding	100%	100%
Krasnapolsky Hotels, Ltd.	Somerset West	Hotel Business	100%	100%
Krasnapolsky ICT, B.V.	Hilversum	Inactive	100%	100%
Krasnapolsky International Holding, B.V.	Amsterdam	Holding	100%	100%
Latina Chile, S.A.	Santiago de Chile	Hotel Business	100%	100%
Latina de Gestión Hotelera, S.A.	Buenos Aires	Hotel Business	100%	100%
Latinoamericana de Gestion Hotelera, S.L.	Madrid	Holding	100%	100%
Leeuwenhorst Congres Center, B.V.	Noordwijkerhout	Hotel Business	100%	100%
Liberation Exploitatie, B.V.	Sprang Capelle	Hotel Business	100%	100%
Marquette Beheer, B.V.	Hilversum	Real Estate	100%	100%
Museum Quarter, B.V.	Hilversum	Hotel Business	100%	100%
Nacional Hispana de Hoteles, S.A.	México D.F.	Hotel Business	100%	100%
Aguamarina S.A.	Rep. Dominicana	B2B services	100%	100%
NH Atardecer Caribeño, S.A.	Madrid	B2B services	100%	100%
NH Belgium, cvba	Diegem	Holding	100%	100%
NH Caribbean Management, B.V.	Hilversum	Management	100%	100%
NH Central Europe Management, GmbH	Berlín	Hotel Business	100%	100%
NH Central Europe, GmbH & Co. KG	Berlín	Hotel Business	100%	100%
NH Central Reservation Office, S.A.	Madrid	Call Center	100%	100%
NH Finance, S.A.	Luxemburgo	Finance	100%	100%
NH Financing Services S.a r.l.	Luxemburgo	Finance	100%	100%
NH Hotel Ciutat de Reus, S.A.	Barcelona	Hotel Business	90%	90%
NH Europa, S.A.	Barcelona	Hotel Business	100%	100%
NH Hotelbetriebs.-u. Dienstleistungs, GmbH	Berlín	Hotel Business	100%	100%
NH Hotelbetriebs-u. Entwicklungs, GmbH	Berlín	Hotel Business	100%	100%
NH Hoteles Austria, GmbH	Viena	Hotel Business	100%	100%
NH Hoteles Deutschland, GmbH	Berlín	Hotel Business	100%	100%
NH Hoteles España, S.A.	Barcelona	Hotel Business	100%	100%
NH Hoteles France S.A.S.U.	Francia	Hotel Business	100%	100%
NH Hoteles Switzerland GmbH	Fribourg	Hotel Business	100%	100%
NH Hotels Czequia, s.r.o.	Praga	Hotel Business	100%	100%
NH Hotels Polska, Sp. Zo.o.	Polonia	Hotel Business	100%	100%
NH Hotels USA, Inc.	Houston	Hotel Business	100%	100%
NH Hungary Hotel Management, Ltd.	Budapest	Hotel Business	100%	100%

All companies end the year on 31/12/2019

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee	% of voting rights controlled by parent
NH Lagasca, S.A.	Madrid	Hotel Business	75%	75%
NH Las Palmas, S.A.	Gran Canaria	Hotel Business	75%	75%
NH Marin, S.A.	Barcelona	Hotel Business	50%	50%
NH Private Equity, B.V.	Luxemburgo	Hotel Business	100%	100%
NH Hotel Rallye Portugal, Lda.	Portugal	Hotel Business	100%	100%
NH The Netherlands, B.V. (vh GTI, B.V.)	Hilversum	Holding	100%	100%
Nhow Rotterdam, B.V.	Den Haag	Hotel Business	100%	100%
Hotel Exploitiemaatschappij Diegem N.V.	Diegem	Hotel Business	100%	100%
Hotel Exploitiemaatschappij Eindhoven B.V.	Hilversum	Hotel Business	100%	100%
Nuevos Espacios Hoteleros, S.A.	Madrid	Hotel Business	100%	100%
Objekt Leipzig Messe, GmbH & Co.	Munich	Real Estate	94%	94%
Olofskapel Monumenten, B.V.	Amsterdam	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Atlanta Rotterdam, B.V.	Rotterdam	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Bogardeind Geldrop, B.V.	Geldrop	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Capelle aan den IJssel, B.V.	Capelle a/d IJssel	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.	Zoetermeer	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij IJsselmeerweg Naarden, B.V.	Naarden	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp, B.V.	Hoofddorp	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Maas Best, B.V.	Best	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Marquette Heemskerk, B.V.	Heemskerk	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Prins Hendrikkade Amsterdam, B.V.	Amsterdam	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V.	Zandvoort	Real Estate	100%	100%
Operadora Nacional Hispana, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Palatium Amstelodamum, N.V.	Amsterdam	Hotel Business	100%	100%
Polis Corporation, S.A.	Buenos Aires	Hotel Business	100%	100%
Restaurant D'Vijff Vlieghe, B.V.	Amsterdam	Catering	100%	100%
Servicios Chartwell de Nuevo Laredo, S.A. de C.V.	Nuevo Laredo	Hotel Business	100%	100%
Servicios Corporativos Chartwell Monterrey, S.A. de C.V.	Monterrey	Hotel Business	100%	100%
Servicios Corporativos Hoteleros, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Servicios Corporativos Krystal Zona Rosa, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Nhow Amsterdam, B.V.	Utrecht	Inactive	100%	100%
Toralo, S.A.	Montevideo	Hotel Business	100%	100%
VSOP VIII, B.V.	Groningen	Hotel Business	50%	50%
NH Wilhelminakade Holding B.V.	Northern Europe	Hotel Business	100%	100%
Coperama Spain, S.L.	Madrid	Procurement network	100%	100%

All companies end the year on 31/12/2019

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee	% of voting rights controlled by parent
Hoteles Royal, S.A.	Bogota	Holding	97%	97%
Eurotels Chile S.A.	Chile	Holding	97%	97%
Hotel Andino Royal S.A.S.	Bogota	Hotel Business	97%	97%
Hotel Hacienda Royal Ltda	Bogota	Hotel Business	97%	97%
Hotel La Boheme Ltda	Bogota	Hotel Business	97%	97%
Hotel Medellin Royal Ltda	Medellin	Hotel Business	97%	97%
Hotel Pacifico Royal Ltda	Cali	Hotel Business	97%	97%
Hotel Parque Royal S.A.S.	Bogota	Hotel Business	97%	97%
Hotel Pavillon Royal Ltda.	Bogota	Hotel Business	97%	97%
Hotelera Norte Sur S.A	Chile	Real Estate	97%	97%
Hoteles Royal del Ecuador S.A. Horodelsa	Quito	Hotel Business	54%	55%
HR Quántica SAS	Bogota	Hotel Business	50%	51%
Inmobiliaria Royal S.A	Chile	Real Estate	66%	67%
Promotora Royal S.A.	Bogota	Real Estate	97%	97%
Royal Hotels Inc.	USA	Hotel Business	97%	97%
Royal Hotels International Latin América Inc	USA	Hotel Business	97%	97%
Royal Santiago Hotel S.A.	Chile	Hotel Business	66%	67%
Soc. Operadora Barranquilla Royal SAS	Barranquilla	Hotel Business	97%	97%
Soc. Operadora Cartagena Royal SAS	Cartagena	Hotel Business	97%	97%
Soc. Operadora Calle 100 Royal SAS	Bogota	Hotel Business	97%	97%
Soc. Operadora Urban Royal Calle 26 SAS	Bogota	Hotel Business	97%	97%
Soc. Operadora Urban Royal Calle 93 SAS	Bogota	Hotel Business	97%	97%
Sociedad Hotelera Calle 7A Ltda	Bogota	Hotel Business	97%	97%
Sociedad Hotelera Cien Internacional S.A.	Bogota	Hotel Business	62%	64%
Sociedad Hotelera Cotopaxi S.A.	Quito	Hotel Business	54%	54%
Sociedad Operadora Nh Royal Panama S.A.	Ciudad de Panamá	Hotel Business	97%	97%
NH Italia, S.p.A.	Milan	Hotel Business	100%	100%
Immo Hotel Bcc N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Belfort N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Brugge N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Diegem N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Gent N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Gp N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Stephanie N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Mechelen N.V.	Diegem	Real Estate	100%	100%
NH Management Black Sea Srl	Bucarest	Hotel Business	100%	100%

All companies end the year on 31/12/2019

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee	% of voting rights controlled by parent
NH Brasil ABrasil Administraçao De Hoteis E Participadas Ltda.	Villa Olímpica	Hotel Business	100%	100%
Capredo Investments, GmbH	Suiza	Holding	100%	100%
Palacio de la Merced, S.A.	Burgos	Hotel Business	88%	88%
Latinoamericana Curitiba Administracao De Hoteis Ltda	Curitiba	Hotel Business	100%	100%
NH Italia Real Estate, S.r.l.	Milano	Real Estate	100%	100%
NH Holding, S.r.l.	Milano	Holding	100%	100%
Coperama Italia S.r.l.	Milano	Procurement network	100%	100%
Coperama Central Europe GmbH	Berlin	Procurement network	100%	100%
Iberinterbrokers, S.L.	Barcelona	Service provider	75%	75%
Coperama Colombia, S.A.S	Bogotá	Procurement network	100%	100%
Coperama Mexico S.A. de C.V.	México D.F.	Procurement network	100%	100%
Wilan Ander, S.L.	Madrid	Hotel Business	100%	100%
Wilan Huel, S.L.	Madrid	Hotel Business	100%	100%
All companies end the year on 31/12/2019				

APPENDIX II: ASSOCIATED COMPANIES

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Borokay Beach, S.L.	Madrid	Hotel business	50%	50%
Consorcio Grupo Hotelero T2, S.A. de C.V.	México D.F.	Hotel business	10%	10%
Servicios Corporativos T2, S.A. DE C.V	México D.F.	Hotel business	10%	10%
Inmobiliaria 3 Poniente, S.A. de C.V.	Puebla	Hotel business	27%	27%
Gente con actitud de servicios gecase, S.A. De C.V.	Puebla	Hotel business	27%	27%
Mil Novecientos Doce, S.A. de C.V.	México	Hotel business	25%	25%
Servicios Corporativos 1912, S.A. DE C.V	México	Hotel business	25%	25%
Kensington Hotel Value Added I, Ltd	Londres	Hotel business	30%	30%
Sotocaribe, S.L.	Madrid	Holding	36%	36%
Hotelera del Mar, S.A.	Mar de Plata	Hotel business	20%	20%
All companies end the year on 31/12/2019				

CONSOLIDATED MANAGEMENT REPORT
FOR THE FINANCIAL YEAR ENDING 31
December 2019

EVOLUTION OF BUSINESS AND GROUP'S SITUATION

NH Hotel Group is an international hotel operator and one of the leading urban hotel companies worldwide in terms of number of rooms. The Group operates 368 hotels and 57,466 rooms in 30 countries, and has a significant presence in Europe.

The centralised business model allows it to offer a consistent level of service to its customers in different hotels in different regions. The corporate headquarters and regional offices offer hotels a wide range of functions such as sales, reservations, marketing and systems.

In 2019, world economic activity grew at a pace of +2.9% (Data and estimates provided by the E.C. "European Economic Forecast Autumn 2019" November 2019), lower than the previous year (+3.6%). The European Union has estimated +3.0% growth of world economic activity in 2020, slightly greater than the growth of 2019. More specifically in the Eurozone, the provisional growth rate for 2019 was 1.1% (+2.1% in 2018) and growth is expected to be +1.2% in 2020. Global growth has led to a positive cycle of trade and investment. In addition, European economies continue to grow, although with more moderate growth rates. In line with the above data, when comparing the growth rates of the four countries that bring together the largest proportion of sales and results of the Group, it is observed that in Spain (+1.9% in 2019 vs. +2.4% in 2018), Holland (+1.7% in 2019 vs. +2.6% 2018), Germany (+0.4% in 2019 vs. +1.5% in 2018), and Italy (+0.1% in 2019 vs. +0.8% in 2018) lower growth rates than the previous year were recorded. On the other hand, growth in Latin America is expected to be +1.1% in 2020 (vs. -0.1% in 2019), given that almost all economies as a whole have been revised down substantially since Spring due to both cyclical and structural factors that have affected the growth previously expected in these economies.

According to the World Tourism Organization ("UNWTO") in 2019, international tourist arrivals globally reached 1.5 billion, representing an increase of +4% over the previous year, clearly above the growth of 2.9% of the world economy. International arrivals in 2019 grew in all regions. However, the uncertainty surrounding Brexit, the collapse of Thomas Cook, geopolitical and social tensions and the slowdown of the global economy made growth slower in 2019 compared to the exceptional growth rates of 2017 and 2018. This slowdown mainly affected advanced economies, especially Europe and Asia and the Pacific. Whilst growth in Europe was lower than in previous years (+4%), it continues to lead in terms of the number of international arrivals with 743 million international tourists last year (51% of the world market). In this European context, Spain has established itself as the tourist power in the world, along with France and the United States, and managed to break its record with more than 83 million foreign tourists, an increase of 1% in the number of international arrivals. On the other hand, the Americas (+2%) offered mixed results as, although many Caribbean islands consolidated their recovery after the 2017 hurricanes, the number of arrivals to South America fell, in part due to social and political unrest.

In this context, in 2019, the Group, as a result of the favourable evolution of hotel activity throughout the year, surpassed the targets set thanks to greater positioning in the top brand segment, an improved customer experience, an increase in operating and commercial efficiency and the first milestones of integrating with Minor Hotels, among others, the access to the luxury segment with the Anantara brand.

During 2019, the value of the price strategy continued to be enhanced, greater Group growth being obtained in the top cities compared to direct competitors, where there are market measures in place. At Group level, the evolution of the RevPAR in the top destinations was superior to that of its competitors.

In 2018 new selective repositioning opportunities were identified to be executed in the period 2018-2020, having used a significant part of said investment in 2018 and 2019. In this new phase, there will also be contributions from the owners of hotels under a rental regime.

Among the main milestones reached over the last years of transformation, the appearance of NH Hotel Group value proposition stands out based on the improvement of the quality, experience and the brand architecture with the NH Collection, NH Hotel and nhow brands. In this vein, the Group improved the customer experience thanks to implementing a solid operational vision, including the new elements making up the hotels' basic product range, known as Brilliant Basics, which are already in place in all of the establishments and which are contributing to a better experience and higher average score of the customers. In this ongoing improvement of the customer experience, worthy of note was the launch of “Fastpass”, a combination of three innovative services (Check-in Online, Choose Your Room and Check-out Online), which gives the customer full control over their stay. In this respect, NH Hotel Group has become the first European chain to offer these three services simultaneously. A new service, “City Connection”, has been launched where you can enjoy the city without limits. Under the slogan “Stay in one hotel, enjoy them all”, the NH Hotel Group offered a range of services that allow customers to enjoy them in any hotel in the city they are in, regardless of the hotel they are staying in for the duration of their stay.

The NH Hotel Group continues to be at the forefront of innovation. This last year ended up being very important in the Company's digital transformation project to make processes and systems more efficient, increase the capacity to differentiate from the competition, and continue improving the Company's basic processes. One of the great achievements therefore has been to centralise all its properties and functions into a single integrated system. This allows the NH Hotel Group to have a fully-integrated digital platform: NH Digital Core Platform. A pioneering technological solution in the sector that has allowed all the Group's hotel's systems to be integrated which has become the basis for the NH Hotel Group to expand its customer knowledge, maximise its efficiency and innovate on a large scale in all its value areas.

In its use of quality indicators, the NH Hotel Group considers as a priority on measuring quality using new sources of information and surveys with a significant increase in the volume of reviews and number of assessments received. Its average score on TripAdvisor in 2019 was 8.4, the same level as in December 2018. Additionally, its average Google Reviews score was 8.6, compared with 8.5 in December 2018. These average scores demonstrate the high levels of quality perceived by customers and the positive growth trend that the NH Hotel Group has had throughout the year.

Also, the NH Rewards loyalty programme has now reached 9.5 million members (8.6 million members in 2018), 15% of whom are active, i.e. have made at least one booking in the last 12 months.

On the other hand, in 2019, the Group started operating 13 new hotels in the following destinations: Mannheim, Valencia, Mérida, Marbella, Santiago de Chile, Leipzig, La Coruña, Porto, Rome, Andorra la Vella, Amberg, Dublin and Cancún. In addition, following the agreement reached with Minor, 3 hotels have begun operations under a rental agreement, nine under management and one franchise with the brands Tivoli, Avani and Anantara in Portugal. As a whole, all the openings in the year contribute 4,038 rooms and, as a result, the Group now has 368 hotels with 57,466 rooms at 31 December 2019.

In addition to the Portuguese signings and the agreements to operate 8 hotels (formerly known as “Boscolo”) that respectively provide 2,452 and 1,115 rooms, the Group signed up 12 new hotels in 2019 with 1,262 rooms. These signings have been under rentals in La Coruña, Marbella, Rome, Verona, Hamburg, Dublin, Alicante and Cagliari and management in Aguascalientes, Andorra la Vella, Porto and Malaga. In addition, two of the signing were made under the luxury brand Anantara, 6 NH Collection and one nhow.

Revenues in 2019 totalled 1,708.1 million euros, an increase of +5.9% (+94.7 million euros). The Profit for the year attributable to the Parent was 90.0 million euros compared with 101.6 million euros in 2018. This decrease was affected by the application of IFRS 16 accounting regulations since 1 January 2019, which reduced the Profit for 2019.

In this year gross borrowing increased from 418.9 million euros in December 2018 to 455.6 million euros in December 2019. At 31 December 2019, cash and cash equivalents amounted to 289.3 million euros (265.9 million euros at 31 December 2018). Additionally, this liquidity was complemented by credit lines at the end of the year amounting to 303.5 million euros, of which 250 million euros corresponded to a long-term syndicated credit line, compared to 350.4 million euros at 31 December 2018.

The Group's operating and financial transformation has been reflected in the corporate credit outlooks assigned by the main ratings agencies. In May 2019, Moody's confirmed the rating of 'B1' reflecting some excellent results. In December 2019, Fitch lowered the corporate rating to 'B' from 'B+' in line with the application of its subsidiary connection criteria which reflects a change in the overall assessment of the strength of the connection by the agency on this point.

At the General Shareholders' Meeting in May 2019, shareholders approved the payment of an interim dividend from 2018 results amounting to approximately 59 million euros, representing fifteen cents per outstanding share (gross). Said dividend was disbursed on 14 June 2019. The Group also established a medium term shareholder remuneration policy of nearly 50% of recurring net profit.

As a result of the public offering on 31 October 2018, Minor currently owns 369,165,609 shares in NH Hotel Group, S.A. representing 94.13% of its share capital. Since then, both companies have begun to explore joint value creation opportunities for the coming years.

Minor Hotels and NH Hotel Group have integrated their brands under a single corporate umbrella present in more than 50 countries around the world. In this way, a portfolio of more than 500 hotels under eight brands is organised: NH Hotels, NH Collection, nhov, Tivoli, Anantara, Avani, Elewana and Oaks, which completes a wide and diverse spectrum of hotel proposals connected to the needs and desires of global travellers.

Both groups currently share their knowledge base and experience in the sector in order to materialise short-term opportunities, taking advantage of the complementarity of their hotel portfolios to define a global sales strategy, the implementation of economies of scale with a broader customer base, explore development pathways for all their brands in different geographical areas and access to shared talent.

As a first milestone in the integration and sampling the alignment of interests, June 2019 saw the announcement of the transfer to the NH Hotel Group of the operation of a portfolio of 13 Minor Hotels in Portugal. This agreement was reached under market conditions, following a favourable report from the Audit and Control Committee assisted by external advisors, and the approval of the NH Board of Directors, without the participation of the Proprietary Directors in both bodies on behalf of the shareholder Minor. Thus, Minor International has agreed to the sale of three hotels in Lisbon to funds managed by Invesco Real Estate, which will simultaneously be operated by the NH Hotel Group through a long-term sustainable rental contract with the new ownership. At the same time, the NH Hotel Group reached an agreement with Minor International to operate another nine hotels in Portugal under a management regime plus a franchise contract.

At 31 December 2019, the NH Hotel Group had also reached an agreement with Covivio, one of the leading European real estate investors, to operate a unique portfolio of eight high-end hotels previously belonging to the renowned Boscolo portfolio, located in privileged locations in Rome, Florence, Venice, Nice, Prague and Budapest. This portfolio will be operated by the NH Hotel Group under a sustainable variable rental contract with a guaranteed minimum that includes a loss protection mechanism and extension rights at NH's option. Most of the hotels will be converted to the Anantara and NH Collection brands after carrying out a in-depth repositioning programme in all properties promoted by Covivio over the coming months. It is estimated that the transaction will be completed by the end of the first half of 2020.

Analysis of first application of IFRS 16

From 1 January 2019, the new accounting regulation establishes the recognition of operating leases on the balance sheet through a financial liability equal to the current value of the fixed lease amounts, and an asset for the right to use the underlying asset. Therefore, the interest expense of the lease liability from the amortisation expense of the right of use is recorded separately.

The Group has adopted the amended retrospective method, calculating the asset at the start date of each contract and the liability at the changeover date using an incremental interest rate calculated for each agreement at the date of application of the regulations. The difference between both items is recorded as an adjustment to the opening balance of the consolidated reserves. The effects of initial application of the standard have been recognised on the date of initial application and, therefore, the comparative information has not been restated.

Given the nature of the leased assets, which represent 61% of the Group's rooms, and the term of these contracts, the impact on the Group's financial statements is significant.

ETHICS

Compliance System

Since 2014, NH Hotel Group has deployed a Compliance unit whose scope includes the following key areas:

- Code of Conduct.
- Criminal Risk Prevention Plan.
- Internal Rules of Conduct.
- Procedure for Conflicts of Interest.

Code of conduct

In line with its ethical commitment and the best practices of corporate governance, NH Hotel Group has carried out communication, awareness and training campaigns on Compliance since the last update to the Code of Conduct in 2015. The Group's Board of Directors is responsible for approving the Code of Conduct.

This document affects everybody working at the NH Hotel Group, applicable to employees, managers and members of the Board of Directors of both the Company and its group of companies, and also in certain cases to other stakeholders such as customers, suppliers, competitors and shareholders, and to the communities where NH operates its hotels.

The Code of Conduct summarises the professional behaviour expected of employees, senior management and Board Members of the NH Hotel Group and its group of companies, who commit to acting with integrity, honesty, respect and professionalism in the performance of their work.

The NH Group is committed to compliance with the laws and regulations of the countries and jurisdictions where it operates. This includes, amongst other things, laws and regulations on health and safety, discrimination, taxation, data privacy, competition, prevention of corruption and money laundering, and commitment to the environment.

The Code of Conduct is published in six languages on the official website of the NH Hotel Group, available to all stakeholders. Also, since 2017, NH employees can use the "My NH" app to access the code of conduct from their mobile devices. The staff at centres operating under NH Hotel Group brands also have a handbook and an FAQs document.

The head of Internal Audit manages the Confidential Channel for Complaints and Queries relating to the Code of Conduct. The procedure for managing complaints received via the complaints channel are specified in detail in the Code of Conduct. This procedure guarantees confidentiality and respect in every phase, and protects against retaliation.

Over the course of 2019, there were 45 reports of alleged breaches of the Code of Conduct, all of which were investigated, with appropriate disciplinary measures being taken in 32 cases.

Compliance Committee

In 2014 the NH Hotel Group created a Compliance Committee consisting of certain members of the Management Committee and senior directors. This body is empowered to supervise compliance with the Group's Internal Rules of Conduct, Procedure for Conflicts of Interest, Code of Conduct and Criminal Risk Prevention Plan.

The Compliance Committee supervises the management of the Compliance Office and is empowered to impose disciplinary measures on employees in matters within its scope.

In the course of 2019, there were three meetings of the Compliance Committee.

The Company has decided to roll out its crime prevention model to other countries (Germany, Holland, Belgium, United Kingdom, Colombia, Mexico and Argentina), having constituted local Compliance Committees in the Business Units covering the aforementioned countries.

Compliance Office

The Compliance Office, led by the Group's head of Compliance, is responsible for disseminating and supervising compliance with the Code of Conduct and for drafting the Criminal Risk Prevention Plan. The Compliance Office reports directly to the Compliance Committee.

Conversely, and as mentioned above, in 2019 the Compliance Office started actions aimed at rolling out its function in crime prevention to other NH Business Units.

Drafting the anti-corruption and anti-fraud policy

On 31 January 2018, NH's Board of Directors approved the Anti-Corruption Policy, in its commitment to detect and prevent the commission of corruption offences in business within the company. In order to reduce exposure to regulatory risks of a criminal nature, specifically to the risk of crimes related to corruption, bribery and fraud, in December 2018, the Compliance Committee approved an update of the Anti-Corruption and Fraud Policy, which was approved by the Board of Directors on 13 May 2019.

The general principles of the Anti-Corruption and Fraud Policy are:

- • Zero tolerance of bribery and corruption in the private and public sectors
- • Behaviour must be appropriate and legal
- • Transparency, integrity and accuracy in financial information
- Regular internal control
- • Local legislation shall take precedence if stricter

Drawing up of the anti-money laundering policy

NH's Code of Conduct reflects a commitment to respect the applicable regulations on anti-money laundering policy, with special attention to diligence and care in the processes of evaluating and selecting suppliers, and in payments and collections in cash. Therefore, the Compliance Committee meeting of 19 December 2018 approved a policy that reinforces NH Hotel Group's commitment to anti-money laundering and combating the financing of terrorism, with the aim of detecting and preventing NH Hotel Group, S.A. and its group companies from being used in money laundering or terrorist financing operations. Said Policy was approved by the Board on 13 May 2019.

The aforementioned Policies have been duly communicated to all Group employees and the corresponding online training has been made available to ensure their disclosure and understanding.

RISK MANAGEMENT

Risk management governance

The Company'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. As regulated by Section 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 internal control, internal audit and the risk management systems, including tax risks. In this regard, carried out during the various meetings held in 2019 were control and monitoring of the Company's main risks, their evolution in recent years and the main mitigation and response measures.

On the other hand, amongst other functions, the Company's Management Committee manages and controls risks based on risk tolerance, assigns ownership of the main risks, periodically monitors their evolution, identifies mitigation actions as well as defining response plans. For these purposes, the Executive Risk Committee, made up from members of the Management Committee and Senior Executives, supports the Management Committee in such oversight, as well as promoting a culture of risks in the Company. For them, the Company has an internal risk management manual that details the principles, processes and controls in place.

Risk Management, integrated into the Internal Audit department, is responsible for ensuring the risk management and control system in the Company functions properly and is linked to the strategic objectives. To ensure that there are no conflicts of independence and that the NH risk management and control system works as set out in the Corporate Risk Management Policy, an independent third party has reviewed its operation annually for the last two years.

As an additional guarantee of independence, Risk Management is independent of the Business Units and, as with Internal Audit, it maintains a functional reporting line to the Audit and Control Committee.

In line with the above, NH follows the Three Lines of Defence model ('The three lines of defence for effective risk management and control' Position Paper issued by the Institute of Internal Auditors in January 2013):

- First line of defence: carried out by each function (business and corporate units) that owns the risk and its management (Operations, Commercial, Marketing, etc.).
- Second line of defence: performed by the functions responsible for risk supervision (Risk Management, Compliance, Data Protection, Internal Control, etc.)
- Third line of defence: carried out by Internal Audit that affords independent assurance.

The NH Hotel Group's Corporate Risk Management Policy (approved by the Board of Directors in 2015), as well as the internal manual that implements it, aim to define the basic principles and the general framework of action to identify and control all types of risks that may affect the companies over which the NH Hotel Group has effective control, as well as ensuring alignment with the Company's strategy.

Risk management model

The risk management system of the NH Hotel Group, which is rolled out in both the Group's corporate head office and its Business Units, 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 risk management model is based on the integrated COSO IV ERM (Enterprise Risk Management) framework, is managed through SAP GRC and includes a set of methodologies, procedures and support tools that allow the NH Hotel Group:

1. To adopt adequate governance in relation to the Company's risk management, as well as promoting an appropriate risk management culture.
2. To ensure that the Company's defined objectives are aligned with its strategy and risk profile.
3. To identify, evaluate and prioritise the most significant risks that could affect achievement of strategic objectives To identify measures to mitigate these risks, as well as establish action plans and Key Risk Indicators based on the Company's tolerance to risk.
4. To follow-up on the action plans and the key indicators established for the main risks, within a continuous improvement model framework.
5. Periodic reporting in SAP GRC by risk managers about the status of their respective risks and, in turn, reporting to the Company's main governing bodies.

The Group's Risk Map is updated annually and approved by the Board of Directors once reviewed and validated by the Audit and Control Committee. The Company updated its Risk Map in 2019 through a process in which 37 Senior Executives identified and assessed the main risks faced by the Company. This Map was approved by the Board of Directors at its meeting on 25 July 2019.

For the main risks of the Risk Map, the Audit and Control Commission receives a report every six months detailing the operation of the risk management and control system and includes conclusions on it. The measurement of the key indicators is included for this, stating if they are kept within the set tolerance values or if they need to be adjusted. The implementation status of the previously agreed action plans is also included in the report.

Each of the main risks on the Company's Risk Map is assigned a Risk Owner who, in turn, is a member of the Management Committee. Each risk manager reports periodically to the Audit and Control Committee (according to an established schedule) to present the existing or ongoing mitigation measures for its risks, the state of implementation of action plans and the measurement of key indicators in accordance with established tolerances. During 2019, the Owners of the main risks attended the Audit and Control Committee to present their corresponding risks and made a formal validation in SAP GRC.

Each year, coinciding with the update of the Risk Map, Risk Management is responsible for reassessing the risk catalogue, both financial and non-financial. The final catalogue is validated with the Senior Executives who take part in the process, as well as with the bodies involved in its validation (Management Committee, Executive Risk Committee and Audit and Control Committee) and approval (Board of Directors). Additionally, Risk Owners can report/suggest a new risk to the Risk Office through SAP GRC during the year.

In general, the risks to which the Group is exposed can be classified into the following categories.

- a) Financial Risks: events that affect financial variables (interest rates, exchange rates, inflation, liquidity, debt, credit, etc.).
- b) Compliance Risks: arising from possible regulatory changes as well as non-compliance with internal and external regulations.
- c) Business Risks: generated by inadequate management of procedures and resources, whether human, material or technological.
- d) Risks from External Factors: arising from natural disasters, political instability or terrorist attacks.
- e) Systems Risks: events that could affect the integrity, availability or reliability of operational and financial information.
- f) Strategic Risks: produced by difficulty accessing markets and difficulties in asset disinvestment.

New data protection plan

Due to the mandatory application of the General Data Protection Regulation (GDPR) in the European Union from May 2018, NH Hotel Group has launched a plan to guarantee compliance with the regulation, included in and aligned with the Transformation Plan.

This new plan includes general privacy measures by default, so that all the company's activities, applications, processes, and projects will take privacy matters into account. The plan includes key initiatives such as the effective management of personal data infringements, the data subject's consent to the gathering and use of their data, and a policy for the destruction of physical or virtual data. The plan also provides for the creation of a Data Protection Officer within the NH Hotel Group.

NH ROOM 4 SUSTAINABLE BUSINESS PILLARS AND COMMITMENTS

The NH Hotel Group performs its hotel activity with the ambition of leading responsible behaviours, and creating shared value at an economic, social and environmental level wherever it operates. With this philosophy, the Company worked on the development of the new Strategic Plan in 2019, giving continuity to the previous one, in which one of the pillars is NH ROOM4 Sustainable Business; a key part of the Company's global strategy.

The strategic vision of NH ROOM4 Sustainable Business is, in turn, based on three fundamental management levers: NH ROOM4 People, NH ROOM4 Planet and NH ROOM4 Responsible Shared Success, all of which are framed under the same premise of sustainable and ethical principles, responsible culture and spirit of citizenship.

Convinced it is moving in the right direction to achieve the next sustainability challenges, the Company is aligned with the Sustainable Development Goals (SDGs) to which it can contribute and undertakes to continue creating long-term and global value within the framework of the 2030 Agenda.

NH ROOM4 Sustainable Business, which is deployed alongside the Group's global strategy, includes its main commitments on sustainability and the development of lines of action in the priority areas for the company: commercial, employee commitment, investment, brand purpose, corporate governance, and supplier assessment.

Since 2013, the NH Hotel Group has been listed on the FTSE4GOOD index and renews its presence year after year thanks to the responsible management of the business and the improvements implemented. The index was created by the London Stock Exchange to help investors include environmental, social and governance (ESG) factors into their decision making.

At the same time, the Company has been listed on the Ethibel Sustainability Index since 2015. Ethibel is an index that unites companies from different sectors who are leaders in Corporate Social Responsibility. The presence of the NH Hotel Group demonstrates the Company's good performance and encourages Socially Responsible Investment (SRI) among investors and funds.

Finally, the NH Hotel Group has been included on Bloomberg's gender equality index 2020 for the first time; it being the only Spanish hotel company among the index's 325 companies.

Human Resources Strategy

The average number of people employed by the Parent Company and consolidated companies in 2019 is 11,464 employees.

The corporate culture of the NH Hotel is also based on the cornerstones of diversity and equality. At 31 December 2019, women made up 50.9% of the total workforce.

Also, the average age of employees at 31 December 2019 is 38.9 years old, and their average time with the company is 8.7 years.

Over this year, as part of the company's 2017-2019 Strategic Plan, the Human Resources strategy has continued, based on three main commitments:

- Global leadership and talent management: Ensuring the company's future by involving the best employees, and identifying and developing the most talented people in the NH Hotel Group, using competitive tools and mechanisms to ensure their retention and commitment.
- Maximum performance and better workplaces: Becoming a company recognised as a Best Place to Work, based on the high level of commitment amongst employees, active contribution to this goal, rigour in differentiating and recognising high performance, and increasing its recognition as an attractive employer.
- Transformation and reinvention: Searching for, assessing and leveraging opportunities to be more efficient (outsourcing, digitisation, etc.), evolving our working environment and acquiring advanced analytical and predictive skills.

All the above must be based on and solidly backed by Operational Excellence in Human Resources and Internal Communication, with clear policies and processes, meeting commitments proactively, continuing to support, develop and implement the operational model of the NH Hotel Group, and controlling payroll costs and related budget items.

Environmental sustainability

For the NH Hotel Group, environmental sustainability drives innovation, seeking to surprise our guests as well as achieving efficiencies in the use of natural resources, particularly water and energy. In our responsible

commitment to the Planet, we work to minimise our impact on Climate Change, increase the efficiency of resources and develop more sustainable services. All this minimises our environmental footprint with responsible consumption of natural resources.

Continuity was given to the environmental achievements of recent years in 2019. Thus, compared to 2007, consumption per occupied room is reduced by: 31% for energy consumption, 23 % for water and the carbon footprint by 61%. NH Hotel Group is committed to renewable energy, which reduces its carbon footprint. This consumption of green energy, certified as renewable, is available in 99% of our consolidated hotels in Spain, Italy, the Netherlands, France and Luxembourg, covering 67% of the total electricity consumed in Europe.

NH Hotel Group works with the ISO 14.001 environmental management system and ISO 50.001 for energy efficiency in accommodation, catering, meetings and events. In total, the Company has 149 individual sustainability certifications in hotels such as BREEAM, LEED, Green Key, Hoteles+Verdes, ISO 14.001 Environmental Management System and/or ISO 50.001 Energy Management System. These environmental certifications are internationally recognised (ISO 14.001 and ISO 50.001) and those from the hotel sector itself such as Hoteles+Verdes and Green Key are recognised by the GSTC (Global Sustainable Tourism Council). The NH Hotel Group has reported its commitment to and strategy against climate change to CDP Climate Change since 2010 and received a B in its annual ranking.

It is also noteworthy that, in 2019, the NH Hotel Group became the first Spanish hotel company to establish emission reduction targets that are scientifically validated by the Science Based Targets initiative (SBTi) - a leading alliance in the promotion of the business sector against climate change in which CDP, the United Nations Global Compact, World Resources Institute and World Wide Fund for Nature are a part. With this formalisation, the NH Hotel Group is committed to reducing its carbon emissions by 20% throughout its value chain before 2030. This objective marks the Company's roadmap towards a significant reduction in its activity's carbon footprint in the coming years, aligned with the purpose set in the Paris Agreement to limit the increase in the global temperature to less than 2°C, and join the efforts that are being made globally towards the transition to a low carbon economy.

SHARES AND SHAREHOLDERS

NH Hotel Group, S.A. share capital at the end of 2019 comprised 392,180,243 fully subscribed and paid up bearer shares with a par value of €2 each. All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

According to the latest notifications received by the Company and the notices given to the National Securities Market Commission before the end of every financial year, the most significant shareholdings at 31 December 2019 and 2018 were as follows:

	2019	2018
Minor International Public Company Limited ("MINT") ⁽¹⁾	94.13%	94.13%

The aforementioned (indirect) shareholding of MINT in NH Hotel Group, S.A. is the result of the IPO made by MHG Continental Holding (Singapore) Pte Ltd. on 11 June 2018 for 100% of the shares that were part of the share capital of NH Hotel Group, S.A., the result of which was that MINT acquired, through its wholly owned subsidiary MHG Continental Holding (Singapore) Pte. Ltd, shares representing 94.13% of the share capital of NH Hotel Group, S.A.

(1) MINT is the indirect shareholder through MHG Continental Holding (Singapore) Pte Ltd.

The average share price of NH Hotel Group, S.A. in 2019 was 4.57 euros per share (6.18 euros in 2018). The lowest share price of 3.89 euros per share was recorded in January (3.82 euros in December 2018) and the highest share price of 5.28 euros per share in March (6.82 euros in July 2018). The market capitalisation of the Group at the close of 2019 stood at 1,839.33 million euros.

At 31 December 2019, the Group had 374,464 own shares (it includes 83,176 shares related to the Liquidity contract) 600,000 own shares at 31 December 2018. The reduction of treasury shares in the period is explained by the delivery of 226,067 shares to NH employees under the Long-term Incentive Plan.

Liquidity contract for treasury shares management

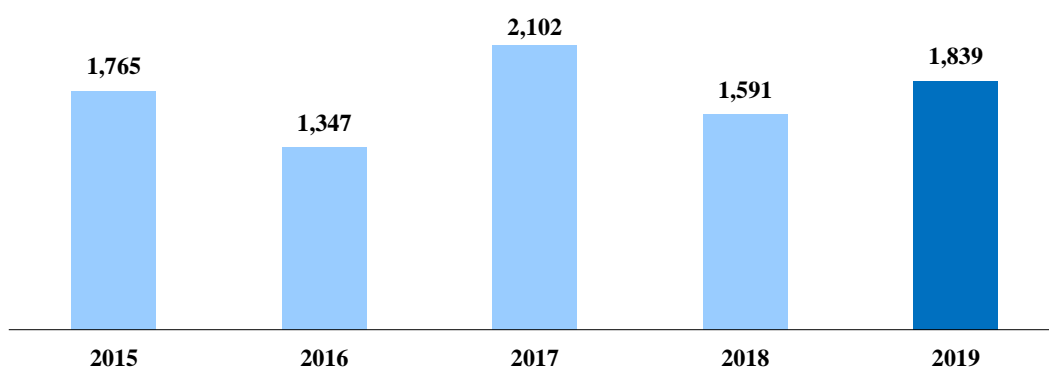
On 10 April 2019, the NH Board of Directors entered into a liquidity contract to manage its treasury shares with Banco Santander, S.A. The Contract became effective on 11 April 2019.

This contract is in accordance with the liquidity contract model in Circular 1/2017 of 26 April from the National Securities Market Commission on liquidity contracts for the purpose of its acceptance as a market practice.

The total number of shares allocated to the securities account associated with the new Liquidity Contract is 82,645 shares and the amount allocated to the cash account is 400,000 euros.

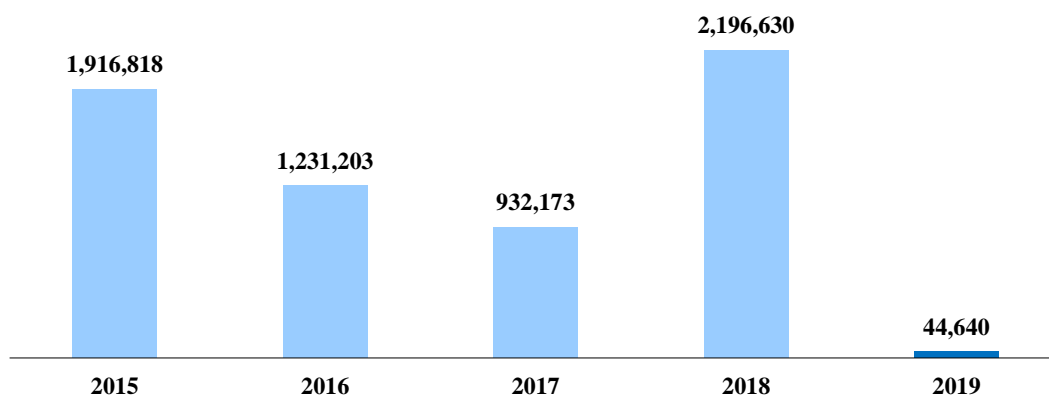
The Liquidity Contract was agreed upon by the Board of Directors at the proposal of the Proprietary Directors on behalf of the shareholder Minor as a measure to encourage and favour the liquidity of the Company's shares taking the current market conditions into account.

CAPITALISATION (at the end of each year in million euros)

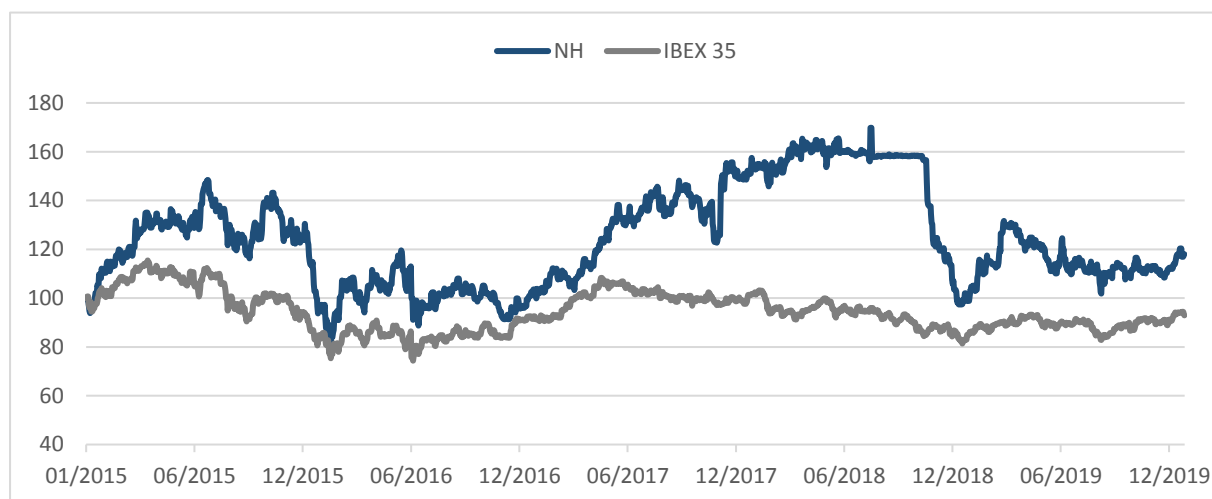


During 2019, 11,383,314 shares in NH Hotel Group, S.A. were traded on the Continuous Market (560,140,781 shares in 2018) with average daily share trading on the Continuous Market of 44,640 shares (2,196,630 shares in 2018).

AVERAGE DAILY TRADING (in shares)



**EVOLUTION NH HOTEL GROUP vs. IBEX 35
1 JANUARY 2015 - 31 DECEMBER 2019**



FUTURE OUTLOOK

The Forecasts of the European Union for November month indicate that this growth will be moderate in 2020, although at a more sustainable pace after ten years of constant expansion following the economic and financial crisis of 2009. World growth of between 3% and 4% is expected in 2020, an outlook that is reflected in the last UNWTO Confidence Index which shows prudent optimism: 47% of participants believe that Tourism will offer better results than in 2019 and 43% believe it will remain the same. It is expected that some major sporting events, including the Olympic Games in Tokyo, and other cultural events, such as the Dubai Expo 2020, will have a positive impact on the hotel sector.

On the other hand, GDP growth in the Eurozone is expected to be +1.2% in 2020 (Data and estimates provided by the E.C. “European Economic Forecast – Autumn 2019” November 2019).

It is worth mentioning regarding volatility and macroeconomic situation and social instability the evolution that currencies may have in Latin America over the coming months and their impact on the economic growth of that region.

In this economic environment, the Group expects to benefit from the increase in sales associated with GDP growth expectations in 2020, together with the positive impact of the repositioning investments made in recent years and supported by the implementation of price management tools which will allow us to continue to optimise this strategy.

Non-financial Information Statement

The 2019 consolidated Non-Financial Information Statement, issued by the Board of Directors on 25 February 2020, contains all the non-financial information required by Law 11/2018 of 28 December 2018. This document is presented as a separate report, is part of this Consolidated Management Report and is available on the corporate website of the NH Group (<https://www.nh-hoteles.es/corporate>), within the section on Annual reports included in financial information.

EVENTS AFTER THE REPORTING PERIOD

On 22 January 2020, the last payment of a syndicated loan granted by two banking entities was paid to a company in which an NH Group company is a minority shareholder. This company, which consolidates into the NH Group, using the equity method had an outstanding principal of 15,742 thousand euros (equivalent to 17,685 thousand dollars), thereby releasing the guarantees that had been granted for the fulfilment of payment of said loan.

In order to carry out such payment, the Group has made a contribution of 6,315 thousand euros (5,588 thousand euros at 31 December 2019 (See Note 26)) corresponding to the proportional part of NH Hotel Group as a guarantor.

At a date subsequent to the year-end, a claim against a Group company was filed; it is pending processing and in no case will have a significant adverse effect.



IDENTIFICATION DETAILS OF THE ISSUER

End date of 12-month period of reference: [31/12/2019]

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
 No

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

Name or company name of the 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

There were no significant movements in the shareholding structure of NH Hotel Group, S.A. in 2019.

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 <u>can be transmitted</u> through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR ALFREDO FERNÁNDEZ AGRAS	0.04	0.00	0.00	0.00	0.04	0.00	0.00
MR RAMÓN ARAGONÉS MARÍN	0.01	0.00	0.00	0.00	0.01	0.06	0.00
MS BEATRIZ PUENTE FERRERAS	0.00	0.00	0.00	0.00	0.00	0.03	0.00
% of total voting rights held by the Board of Directors						0.05	

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 <u>can be transmitted</u> through financial instruments
No data					

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	MHG CONTINENTAL HOLDING (SINGAPORE) PTE. LTD.	Minor International Public Company Ltd. is an indirect shareholder in NH Hotel Group, S.A. and, through MHG Continental Holding (Singapore) Pte Ltd, holds 94.132% in NH Hotel Group, S.A. MHG Continental Holding (Singapore) Pte Ltd, in exercising its right of proportional representation, has appointed Mr Stephen Andrew Chojnacki as a proprietary director of NH Hotel Group, S.A. Likewise, Mr Chojnacki is a director of MHG Continental Holding (Singapore) Pte Ltd.
MR STEPHEN ANDREW CHOJNACKI	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MINOR INTERNATIONAL PUBLIC COMPANY LTD	Mr Stephen Andrew Chojnacki is a Director

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
			Chief Commercial Officer and General Secretary of Minor International Public Company Ltd. Mr Chojnacki is also a director of the Minor group companies as listed in section H of this report.
MR WILLIAM ELLWOOD HEINECKE	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MHG CONTINENTAL HOLDING (SINGAPORE) PTE. LTD.	Minor International Public Company Ltd. is an indirect shareholder in NH Hotel Group, S.A. and, through MHG Continental Holding (Singapore) Pte Ltd, holds 94.132% in NH Hotel Group, S.A. MHG Continental Holding (Singapore) Pte Ltd, in exercising its right of proportional representation, has appointed Mr William Ellwood Heinecke as a proprietary director of NH Hotel Group, S.A.
MR WILLIAM ELLWOOD HEINECKE	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MINOR INTERNATIONAL PUBLIC COMPANY LTD	Mr William Ellwood Heinecke is Chairman of the Board of Directors of Minor International Public Company Ltd. as well as Chairman of the Executive Management Committee. Finally, note that Mr Heinecke holds the positions in the Minor group companies as broken down in section H of this report.
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MHG CONTINENTAL HOLDING (SINGAPORE) PTE. LTD.	Minor International Public Company Ltd. is an indirect shareholder of NH Hotel

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
			<p>Group, S.A. and, through MHG Continental Holding (Singapore) Pte Ltd, holds 94.132% in NH Hotel Group, S.A. MHG Continental Holding (Singapore) Pte Ltd, in exercising its right of proportional representation, has appointed Mr Rajakarier as a proprietary director of NH Hotel Group, S.A.</p>
<p>MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER</p>	<p>MINOR INTERNATIONAL PUBLIC COMPANY LTD</p>	<p>MINOR INTERNATIONAL PUBLIC COMPANY LTD</p>	<p>Mr Rajakarier was appointed Group Chief Executive Officer of Minor International Public Company Ltd. effective from 1 January 2020. He is also a director of the Minor group companies as broken down in section H of this report.</p>
<p>MR KOSIN CHANTIKUL</p>	<p>MINOR INTERNATIONAL PUBLIC COMPANY LTD</p>	<p>MINOR INTERNATIONAL PUBLIC COMPANY LTD</p>	<p>Minor International Public Company Ltd is the significant indirect shareholder (94.132%) in NH and has proposed the aforesaid Director. Mr Chantikul is also a director of the Minor group companies as listed in section H of this report.</p>

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

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:

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
374,464		0.10

(*) 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 year-end, NH Hotel Group, S.A. had 374,464 own shares on its balance sheet compared to 600,000 at 31 December 2018. This reduction during the period is explained by the following movements:

- Part of the long-term incentive plan was settled in the first half of 2019. The settlement was realised through the delivery of 226,067 shares.
- On 11 April 2019 the liquidity contract signed between the Company and Banco de Santander, S.A. to manage treasury stock came into force. The total number of shares allocated to the securities account associated with the liquidity contract was 82,645 and the amount allocated to the cash account was 400,000 euros. At 31 December 2019, the number of shares related to liquidity contracts amounted to 83,176; an additional 531 to those initially allocated to the securities account.

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:

- a) 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.
 - b) 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, equity will be considered the amount qualified as such pursuant to the criteria for preparing the annual accounts, reduced by the amount of the profit directly attributed to it, and increased by the amount of the uncalled subscribed share capital, as well as the amount of the nominal and the premiums for issuing the subscribed share capital that is accounted for as a liability.
 - c) 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 free float:

	%
Estimated free float	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		Total
Date of general meeting	physically present	present by proxy	Electronic voting	Others	
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
13/05/2019	94.21	0.90	0.00	0.00	95.11
Of which, free float:	0.08	0.90	0.00	0.00	0.98

- 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	9

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		Independent	CHAIRMAN	19/06/2015	13/05/2019	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
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 KOSIN CHANTIKUL		Proprietary	DIRECTOR	10/04/2019	13/05/2019	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR STEPHEN ANDREW CHOJNACKI		Proprietary	DIRECTOR	21/06/2018	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

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 FERNANDO LACADENA AZPEITIA		Independent	DIRECTOR	21/06/2016	21/06/2018	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MS BEATRIZ PUENTE FERRERAS		Executive	DIRECTOR	10/04/2019	13/05/2019	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER		Proprietary	DIRECTOR	21/06/2018	21/06/2018	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING

Total number of directors	9
---------------------------	---

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
MS MARIA GRECNA	Independent	21/06/2018	10/04/2019	Ms Maria Grecna was a member of the Audit and Control Committee.	YES
MR PAUL JOHNSON	Independent	21/06/2018	10/04/2019	Paul Johnson was a member of the Executive Committee until 7.02.2019, the date on which the Board unanimously decided to assume all the functions that were its own and having relieved the Executive Committee of	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
				its activities and terminating the positions of its members.	
MR JOSÉ MARÍA SAGARDOY LLONIS	Independent	29/06/2017	10/04/2019	Mr José María Sagardoy was a member of the Audit and Control Committee, as well as the Appointments, Remunerations and Corporate Governance Committee, acting as Chairman of the latter.	YES

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.
MS BEATRIZ PUENTE FERRERAS	CHIEF FINANCIAL OFFICER	Ms Beatriz Puente Ferreras has been Chief Financial Officer of NH Hotel Group, S.A. since 2015. Prior to joining NH, she was Finance Director of AENA (2013-2015) where she was responsible for preparing and coordinating the process to privatise the company and its IPO. She also led the negotiations to restructure its debt. Prior to that, She was Finance Director (2007-2013) and Investor Relations and Corporate Development Director (2005-2007) at Vocento, S.A. and was responsible for preparing the IPO

EXECUTIVE DIRECTORS		
Name of director	Post in organisational chart of the company	Profile
		for the company. Before Vocento, Ms Puente worked for Citigroup Global Markets (Spain) as Deputy Chairwoman of the investment bank's M&A division (2003-2004) and Investment Banking Associate for the Financial Institutions & LatAm area (2001-2003) in London and NY. In 2018 she was awarded Best CFO by Institutional Investor in the Leisure&Hotels sector and in 2012 received the Young Managers with Talent Award (Financial Management category) from Seeliger and Conde. Ms Beatriz Puente Ferreras has an MBA from JL Kellogg School of Management (Northwestern University) (1998-2000) with a Fullbright scholarship and a Degree in Business Administration from Colegio Universitario de Estudios Financieros (CUNEF) (1995).

Total number of executive directors	2
Percentage of Board	22.22

PROPRIETARY DIRECTORS		
Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
MR KOSIN CHANTIKUL	MINOR INTERNATIONAL PUBLIC COMPANY LTD	With a degree in Economics from Wesleyan University, USA (2000-2004) and having studied the Director Certification Program (DCP), he was a member of the Thai Institute of Directors (IOD) (2014). He began his career at Lehman Brothers, was an associate at Lehman Brothers Principal Transactions Group (until 2008) and subsequently at Nomura Asia Asset Finance (until 2010). In 2012 he was appointed Investments Director at Boutique Asset Management and between 2013 and 2015 he was Group Acquisitions Director for Minor International PCL. Since 2015, he has been responsible for the Minor Group's investments and acquisitions. He has led investments, strategic partnerships and mergers and acquisitions activities in the hospitality sectors on behalf of Minor International PCL and led transactions in Thailand, Indonesia, Malaysia, Vietnam, Cambodia, Australia, United Kingdom, Portugal, Spain, Brazil, Maldives, Seychelles, South Africa, Zambia, Botswana, Lesotho and Mozambique.
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

PROPRIETARY DIRECTORS		
Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
		Chief Commercial Officer and General Secretary (General Board) of Minor International PLC., Director of MHG Continental Holding (Singapore) Pte.Ltd., as well as a 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 is currently Chairman of the Board of Directors of said company. 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). Since 1.01.2020 he has been Group CEO of Minor International Public Company Limited.

Total number of proprietary directors	4
Percentage of Board	44.44

INDEPENDENT DIRECTORS	
Name of director	Profile
MR JOSÉ MARÍA CANTERO MONTES-JOVELLAR	<p>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.</p>
MR ALFREDO FERNÁNDEZ AGRAS	<p>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.</p> <p>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.</p>
MR FERNANDO LACADENA AZPEITIA	<p>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., a leading property leasing management company in the third sector, having directed the operation to float the company with Merlin Properties taking a stake in its share capital; an operation valued at approximately €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.</p>

Number of independent directors	3
Percentage of Board	33.33

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
No data			

Total number of other external directors	N.A.
Percentage of Board	N.A.

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	13/05/2019	Other External	Independent

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			
	2019	2018	2017	2016	2019	2018	2017	2016
Executive	1				50.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent		1	1	1	0.00	25.00	16.67	25.00
Other External				1	0.00	0.00	0.00	25.00
Total	1	1	1	2	11.11	10.00	10.00	18.18

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 and that allows a balance of men and women to be reached:

Explanation of the measures

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 reasons

So far, 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 meet 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 or committee	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	NH HOTELES AUSTRIA GMBH	JOINT AND SEVERAL DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELES SWITZERLAND GMBH	JOINT AND SEVERAL DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELES CZECHIA S.R.O.	JOINT AND SEVERAL DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELES DEUTSCHLAND GMBH	JOINT AND SEVERAL DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELBETRIEBS-UND ENTWICKLUNGS GMBH	JOINT AND SEVERAL DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	JOLLY HOTELS DEUTSCHLAND GMBH	JOINT AND SEVERAL DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELBETRIEBS- UND DIENSTLEISTUNGS GMBH	JOINT AND SEVERAL DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	NH CENTRAL EUROPE GMBH	JOINT AND SEVERAL DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELES POLSKA SP.Z.O.O.	JOINT AND SEVERAL DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	NH MANAGEMENT BLACK SEA SRL	JOINT AND SEVERAL DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	NH CASH LINK, S.L.	JOINT DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	NH HUNGARY SZALLODUAZEMELTETO KFT	JOINT AND SEVERAL DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	JOLLY HOTELS USA INC	CHAIRMAN OF THE BOARD	NO
MR RAMÓN ARAGONÉS MARÍN	HEINER GROSSEN HOTELBETRIEBS GMBH	JOINT AND SEVERAL DIRECTOR	NO
MS BEATRIZ PUENTE FERRERAS	COPERAMA SPAIN, S.L.U.	JOINT DIRECTOR	NO
MS BEATRIZ PUENTE FERRERAS	NH EUROPA, S.L.U.	JOINT AND SEVERAL DIRECTOR	NO
MS BEATRIZ PUENTE FERRERAS	COPERAMA HOLDING, S.L.U	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
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MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER	SERENDIB HOTEL PCL	DIRECTOR
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER	MINOR INTERNATIONAL PUBLIC COMPANY LIMITED	CHIEF EXECUTIVE OFFICER

MR WILLIAM ELLWOOD HEINECKE	MINOR INTERNATIONAL PUBLIC COMPANY LIMITED	CHAIRMAN
MR WILLIAM ELLWOOD HEINECKE	INDORAMA VENTURES PUBLIC COMPANY LIMITED	DIRECTOR
MS BEATRIZ PUENTE FERRERAS	METROVACESA, S.A.	DIRECTOR

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

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)	2.888
Amount of vested pension interests for current members (thousand euros)	
Amount of vested pension interests for former members (thousand euros)	

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 CÓRDOVA MORENO	GENERAL MANAGER, PEOPLE
MS LAIA LAHOZ MALPARTIDA	GENERAL MANAGER, ASSETS AND DEVELOPMENT
MR ISIDORO MARTINEZ DE LA ESCALERA	GENERAL MANAGER, MARKETING
MR RUFINO PÉREZ FERNANDEZ	GENERAL MANAGER, OPERATIONS
MR CARLOS ULECIA PALACIOS	GENERAL SECRETARY
MR FERNANDO VIVES SOLER	GENERAL MANAGER, SALES

Total remuneration of senior management (€ thousands)	3.501
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C.1.15 State whether there has been any change to the regulations of the Board during the year:

- Yes
 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 carried out in December 2018, an action plan was developed to improve the detected areas of opportunity.

- The period with which information was provided to the directors prior to the committees/board has improved.
- The Annual Work Plan and the structure of the Audit and Control Committee sessions have markedly improved.
- There has been a slight improvement in the frequency of Board meetings.

There remain, however, areas to improve. Some of these are repetitions of the above such as increasing the frequency of board meetings or receiving documentation prior to the meetings even sooner. Other areas, such as changing the focus of Board presentations, placing greater attention on the new and relevant and less so on what has already been sent are new aspects for improvement that arose in the December 2019 Board Evaluation.

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 NH Board of Directors is carried out annually to identify the directors' perceptions regarding the practices of the Board of Directors and its committees in aspects such as composition, operation, sessions or performance of the functions.

KPMG, an independent company specialised in this area, were employed for the evaluation process and have assisted in the collection, order and processing of the forms filled out by the directors, as well as presenting the results and plan of action.

The 2019 evaluation was answered by all board members who held their positions throughout all of 2019.

The directors responded on various issues in reference to NH's governing bodies (operations, Board functions, strategic planning, operational and financial supervision, etc.), as well as questions about the sessions of each committee (planning, presentations, communication and participation, 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.

KPMG, have not participated in any matter presented to the Appointments, Remuneration and Corporate Governance Committee for the years in which they have collaborated in the Board of Directors evaluation process.

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 cease the executive positions to which their appointment as Director was associated or when the reasons for which they were appointed disappear, it being understood that said circumstance occurs to a Proprietary Director when the Entity or Business Group they represent ceases to hold a shareholding significant in the Company's share capital or when, for an Independent Director, they are integrated into the executive line of the Company or 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	8
Number of Board meetings without the Chairman	0

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	0
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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	8
Number of meetings of the APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	5

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	4
% of attendance over total votes during the year	82.00
Number of meetings in situ or representations made with specific instructions of all directors	8
% 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 CARLOS ULECIA PALACIOS	

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

Outgoing auditor	Incoming auditor
Deloitte, S.L.	PricewaterhouseCoopers Auditores, S.L.

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)	161	275	436
Amount invoiced for non-audit services/Amount for audit work (in %)	29,54	23,25	27,66

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	1	1

	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by%)	3,13	3,13

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

Explain the rules

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.1.37 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, amongst which includes a Syndicated Credit Line for 250 million euros that matures in 2021. In addition, NH issued guaranteed senior bonds that mature in 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 result of the change of control in the Company's shareholders, a unanimous waiver by the creditors of the Syndicated Credit Line amounting to 250 million euros was obtained in September 2018, keeping the maturity until 2021. Additionally, and in line with the change of control, the Company offered the Bondholders the repurchase at 101% of the 2023 Bond for 400 million euros. The requested amount reached only 3.2 million euros of the total nominal.

Likewise, the change of control following a public takeover bid could have different effects on other leasing and hotel management agreements signed by the Company. NH has carried out a study of these clauses and estimates that the change of control will not have a significant economic impact.

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	2
Type of beneficiary	Description of agreement
Two members of Senior Management.	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. These amounts range from one year's fixed salary to two years' total salary, i.e., fixed plus variable pay received over the last two 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
MR JOSÉ MARÍA CANTERO MONTES-JOVELLAR	MEMBER	Independent
MR STEPHEN ANDREW CHOJNACKI	MEMBER	Proprietary

% of executive directors	0.00
% of proprietary directors	33.33
% of independent directors	66.67
% 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	25/07/2017

APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE		
Name	Position	Category
MR JOSÉ MARÍA CANTERO MONTES-JOVELLAR	CHAIRMAN	Independent
MR STEPHEN ANDREW CHOJNACKI	MEMBER	Proprietary
MR ALFREDO FERNÁNDEZ AGRAS	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	33.33
% of independent directors	66.67
% 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.

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							
	2019		2018		2017		2016	
	Number	%	Number	%	Number	%	Number	%
AUDIT AND CONTROL COMMITTEE	0	0.00	1	33.00	1	33.00	1	20.00
APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	0	0.00	0	0.00	0	0.00	1	16.70

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.

Finally, to comply with Recommendation 6 of the Code of Good Governance, the Annual Audit and Control Committee Report includes a sections on Related Operations that have been managed in said Committee. This Report was published on the Company's website to coincide with the Board meeting.

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 (thousands of euros)
MINOR INTERNATIONAL PUBLIC COMPANY LTD	NH RALLYE PORTUGAL LDA	CONTRACTUAL	MANAGEMENT AGREEMENT	2749
MINOR INTERNATIONAL PUBLIC COMPANY LTD	NH RALLYE PORTUGAL LDA	CONTRACTUAL	RENDERING OF SERVICES	590
MHG CONTINENTAL HOLDING	NH HOTEL GROUP, S.A.	CONTRACTUAL	LICENCE AGREEMENT	116

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 (thousands 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 (thousands of euros)
SOTOCARIBE, S.L.	Loan	9.503

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

Company name of related party	Brief description of the transaction	Amount (thousands 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:

- Not exercise their powers for purposes other than those for which they have been conceded.
- 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.
- 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.
- 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.
- 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:

- 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.
- Using the Company name or their position as director to unduly influence the completion of private transactions.
- Making use of company assets, including confidential Company information, for private purposes.
- Exploiting the Company's business opportunities.
- 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.
- 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.

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.

Finally, it should be noted that all related operations entered into between Minor International Public Company Limited (and its group of companies) and NH have been signed under market conditions and in compliance with legal, statutory and the aforementioned provisions, as well as in the Framework Agreement signed between the parties on 7 February 2019 which regulates, among others, the scope of action of the respective hotel groups headed by NH and Minor by means of preferential geographic areas or areas, the mechanisms necessary to prevent and respond to possible conflicts of interest, as well as to carry out operations with related parties and the development of business opportunities. The aforementioned Framework Agreement was duly communicated to the Market via a Relevant Fact and is published in full on the Company's website.

During all Board Meetings dealing with issues related to Minor, the Proprietary Directors were absent when dealing with said matters and therefore did not participate in the adoption of the corresponding agreement.

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

Yes

No

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1. Explain the scope of the company's Risk Management and Control System, including tax compliance risk:

The risk management system of the NH Hotel Group, which is rolled out in both the Group's corporate head office and its Business Units, 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 risk management model is based on the integrated COSO IV ERM (Enterprise Risk Management) framework, is managed through SAP GRC and includes a set of methodologies, procedures and support tools that allow the NH Hotel Group:

1. To adopt adequate governance in relation to the Company's risk management, as well as promoting an appropriate risk management culture.
2. To ensure that the Company's defined objectives are aligned with its strategy and risk profile.
3. To identify, evaluate and prioritise the most significant risks that could affect achievement of strategic objectives To identify measures to mitigate these risks, as well as establish action plans and Key Risk Indicators based on the Company's tolerance to risk.
4. To follow-up on the action plans and the key indicators established for the main risks, within a continuous improvement model framework.
5. Periodic reporting in SAP GRC by risk managers about the status of their respective risks and, in turn, reporting to the Company's main governing bodies.

Such methodologies and procedures are also used in relation to tax risk management. The NH Hotel 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.

On the other hand, NH Hotel Group's Corporate Risk Management Policy (approved by the Board of Directors in 2015), as well as the internal manual that implements it, aim to define the basic principles and the general framework of action to identify and control all types of risks that may affect the companies over which the NH Hotel Group has effective control, as well as ensuring alignment with the Company's strategy.

In addition, there are a number of specific policies that complement the Corporate Risk Management Policy and that are established in relation to certain risks:

- Purchasing policy.
- Travel policy.
- Sustainability policy.
- Information security policy.
- Corporate credit policy.
- Corporate tax policy.
- Corporate gifts policy.
- Corporate committees policy.
- Anti-fraud and corruption policy.
- Money laundering and terrorist financing prevention policy.
- Corporate responsibility policy.
- Debt financing policy.
- Code of Conduct.
- Internal Code of Conduct (ICC).

The Group's Risk Map is updated annually and approved by the Board of Directors once reviewed and validated by the Audit and Control Committee. The Company updated its Risk Map in 2019 through a process in which 37 Senior Executives identified and assessed the main risks faced by the Company. The value of each risk is obtained as a result of the product of probability and impact according to a predefined scale (4x4 matrix). This Map was approved by the Board of Directors at its meeting on 25 July 2019.

For the main risks of the Risk Map, the Audit and Control Commission receives a report every six months detailing the operation of the risk management and control system and includes conclusions on it. The measurement of the key indicators is included for this, stating if they are kept within the set tolerance values or if they need to be adjusted. The implementation status of the previously agreed action plans is also included in the report.

Each of the main risks on the Company's Risk Map is assigned a Risk Owner who, in turn, is a member of the Management Committee. Each Risk Owner periodically attends the Audit and Control Committee (in accordance

with an established calendar) to present the existing or ongoing mitigation measures for their risks, implementation status of the action plans and measurement of key indicators in accordance with established tolerances. During 2019, the Owners of the main risks attended the Audit and Control Committee to present their corresponding risks and made a formal validation in SAP GRC.

Each year, coinciding with the update of the Risk Map, Risk Management is responsible for reassessing the risk catalogue, both financial and non-financial. The final catalogue is validated with the Senior Executives who take part in the process, as well as with the bodies involved in its validation (Management Committee, Executive Risk Committee and Audit and Control Committee) and approval (Board of Directors). Additionally, Risk Owners can report/suggest a new risk to the Risk Office through SAP GRC during the year.

E.2. Identify the company bodies responsible for creating and implementing the Risk Management and Control System, including tax risks:

The Company'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.

As regulated by Section 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 internal control, internal audit and the risk management systems, including tax risks. In this regard, carried out during the various meetings held in 2019 were control and monitoring of the Company's main risks, their evolution in recent years and the main mitigation and response measures.

On the other hand, amongst other functions, the Company's Management Committee manages and controls risks based on risk tolerance, assigns ownership of the main risks, periodically monitors their evolution, identifies mitigation actions as well as defining response plans. For these purposes, the Executive Risk Committee, made up from members of the Management Committee and Senior Executives, supports the Management Committee in such oversight, as well as promoting a culture of risks in the Company. For them, the Company has an internal risk management manual that details the principles, processes and controls in place.

Risk Management, integrated into the Internal Audit department, is responsible for ensuring the risk management and control system in the Company functions properly and is linked to the strategic objectives.

To ensure that there are no conflicts of independence and that the NH risk management and control system works as set out in the Corporate Risk Management Policy, an independent third party has reviewed its operation annually for the last two years.

As an additional guarantee of independence, Risk Management is independent of the Business Units and, as with Internal Audit, it maintains a functional reporting line to the Audit and Control Committee.

In line with the above, NH follows the Three Lines of Defence model ('The three lines of defence for effective risk management and control' Position Paper issued by the Institute of Internal Auditors in January 2013).

- First line of defence: carried out by each function (business and corporate units) that owns the risk and its management (Operations, Commercial, Marketing, etc.).
 - Second line of defence: performed by the functions responsible for risk supervision (Risk Management, Compliance, Data Protection, Internal Control, etc.)
 - Third line of defence: carried out by Internal Audit or an independent third party according to the organisational model.
- In regard to tax, the Corporate Tax Department forms part of the Finance Department and is responsible for designing, implementing and monitoring the Group's Tax Risk Management.

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.

The NH Hotel Group's risk catalogue includes a total of 65 risks grouped into the following six categories:

- 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 encompasses difficulty in adapting to changes in customer demand and needs.

- d) Risks arising from External Factors, such as the consequences resulting from natural disasters, political instability or terrorist attacks.
- e) 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/or financial information.
- f) 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 Hotel Group's risk management model allows it to identify, evaluate and prioritise the most significant risks that could affect achievement of the Company's strategic objectives. Key Risk Indicators have been defined based on the Company's tolerance to risk so that they can be monitored. These indicators are measured quarterly using SAP GRC.

For the main risks on the Risk Map, the Audit and Control Committee receives a half-yearly report that includes the measurement of the key indicators. This report states if the indicators remain within the set tolerances or if they exceed the acceptable tolerance level in which case the Risk Owners are asked to define mitigation measures to bring the risk level to the desired tolerance level.

Additionally, each Risk Owner periodically attends the Audit and Control Committee to present, amongst other information, the results from the measurement of their key indicators in accordance with the set tolerances.

The results from the measurements of the key indicators for the Company's main risks are also presented at all the meetings held throughout the year by the Executive Risk Committee, formed from members of the Management Committee and Senior Executives. This meeting analyses the measurements and tolerances of the indicators in detail, especially those deviating from an acceptable level of risk.

The NH Hotel Group's Risk Management and Control System seeks to ensure that the Company's defined objectives are aligned with its strategy and risk profile. In the same vein, the corporate Risk Map is aligned with the Strategic Plan, the process of setting objectives and, finally, the budgeting process. To guarantee this alignment, the tolerances defined to monitor the main risks to which the Company is exposed are periodically analysed by the Risk Owners and adjusted if required. In this way, the periodic monitoring of the Company's main risks, as well as the Strategic Plan set the risk tolerance levels.

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.

E.5. State which risks, including tax risks, have had an impact over the year.

In relation to risks which have materialised and had a limited negative effect on the Group in 2019, it is worth noting the exposure to the exchange rate in Latin America and, especially, Argentina (depreciation of the Argentinian peso in a hyper-inflationary environment) as well as the instability in Chile in the final quarter of the year.

With the exception of that previously mentioned, no other risk materialised that had a significant negative impact on the Company's financial statements. 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 Company's priority objectives.

E.6. 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 following factors: 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 Hotel Group.

The Company 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 objectives and the 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 its meetings, the Executive Risk Committee's monitors the evolution of the key indicators, the degree of implementation of the Risk Map's action plans as well as new risks and challenges that could affect the company and the industry in the short, medium and long term.

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 2019, the Company carried out a process to define and identify emerging risks. These risks are those that are expected to have a significant impact on the operations and, therefore, the Company's financial results in the future (long term, 3-5 years or more), although it is possible that in some cases they have already begun to impact the NH Hotel Group business.

Therefore, during the periodic risk oversight and monitoring process in the Executive Risk Committee and the Audit and Control Committee, as well as during the annual risk identification and evaluation process, the Company has the appropriate mechanisms to guarantee that emerging risks and new challenges are taken into account and responded to appropriately. The final result of this analysis is reflected in the corporate Risk Map that is submitted annually to the Board of Directors for approval.

As an additional measure, SAP GRC allows the Risk Owners to report on emerging risks or new risks that are detected at any time so that the Risk Office can analyse them and give due consideration.

Below highlights the emerging risks that the Company has already detected and on which monitoring and analysis, impact assessment and mitigation work is being carried out:

- Technological risks (cyber-attacks, information security, technological innovation)
- Risks related to social behaviour patterns (collaborative economy, changing customer preferences, demographic changes)
- Risks related to climate change (natural disasters, extreme weather events)
- Regulatory risks (data privacy/GDPR, new environmental legislation)
- The dependence on intermediaries and specifically online travel agencies (OTAs) and distributors and the sophistication of technological reservation tools are also considered emerging risks.
- Some geopolitical risks that affect the tourism sector such as terrorism, the change in the economic cycle, political instability and, to a lesser extent, Brexit.
- Some risks arising from external factors such as pandemics or strikes, both internal (hotel staff) and external (e.g. air traffic controllers)

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

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. Conversely, the Group's Finance Management is responsible for the design, implementation and proper working of the ICFR. 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.

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, the app for employees, the 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 the Corporate Finance Department, Internal Control 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 body approving this, degree of dissemination and instruction, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and proposing corrective actions and sanctions.

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 has the power to approve decisions and impose, if necessary, disciplinary sanctions on employees in matters within their mandate.

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 and 2019. The percentage of those undertaking training is 75% in Spain (Central Services employees, Hotel Directors and Heads of Department) and 87% in Italy.

In 2018, the roll out of an IT tool in Spain (SAP GRC) was concluded that will help manage and audit the Criminal Risk Prevention Model. During 2019, the Crime Prevention Model was audited by the Internal Audit Department assisted by a top-tier external consultant. Additionally, during 2019, the implementation of the Model to seven other countries begun with the aim of providing 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 2019, use of the Code of Conduct through the online course is at 73%.

In regard to financial information and recording operations, a transparent information behaviour is adopted in the Group's Code of Conduct construed as the undertaking to release reliable information to the markets, both financial and of any other nature. 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.

- It is additionally specified in the section on "Obligations regarding fraudulent or unethical practices" that the NH Group adopts a transparent information behaviour, understood as the undertaking to release reliable information to the markets, both financial and of any other nature. 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 with the falsification, manipulation or deliberate use of false information being considered fraud.

- Individuals (amongst whom include, employees, directors, members of the Board of Directors) must transmit information in a manner that is truthful, complete and understandable. Under no circumstances may they knowingly provide incorrect, inexact or inaccurate information and must 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.

- Whistleblower 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 possible 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 reported periodically to the Compliance Committee and the Audit and Control Committee, upholding the principles of confidentiality non-retaliation 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.

During 2019, staff from the Corporate Financial Department involved in the preparation and review of the financial information attended training programmes and knowledge update sessions on subjects such as economic forecasts and accounting and tax developments, as well as such as training courses in international taxation.

Similarly, seven members of the Corporate Administration Department and two from Internal Control obtained the "Lean Six Sigma Black Belt for the Services Industry" certification after attending eight training days; a total of 64 hours.

Finally, the Corporate Internal Audit Department, being responsible for reviewing the ICFR model, has a specific training plan that, during 2019, involved a total of 740 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. Also during this year, four members of the department obtained the "Certified Internal Auditor Certification", the only certificate recognized worldwide among internal audits. The other members of the internal audit are in the process of obtaining it.

On the other hand, the Corporate Financial Department, through its Internal Control Area, gave training sessions to users of the first line of defence business units, especially in Latin America within the consolidation and development process of the ICFR report.

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 current risks relevant to the preparation and reporting of financial information.

NH Hotel Group has:

- A Corporate Risk Management Policy approved by the Board of Directors in November 2015. This Policy is publicly available on the corporate website.
- A Corporate Risk Management Manual, approved by the Executive Risk Committee in March 2018, that develops the aforementioned policy.
- An operating procedure for the Risk Committee approved by the Executive Risk Committee in July 2017. The procedure is published in the NH intranet and accessible to all the company's employees.
- A Corporate Tax Policy approved by the Board of Directors in July 2015. This Policy is publicly available on the corporate website.
- A drafting process of the Risk Map.

The Risk Map is updated annually and Senior Executives from finance are involved during the process to identify and assess risks.

There is a formally documented matrix that includes the most important controls and risks of the Internal Control over Financial Reporting System (ICFR). This matrix is reviewed annually by Internal Audit and the external auditor who issues an opinion on the ICFR. The matrix is updated periodically through the identification of key financial risks to ensure the reasonable integrity and exactness of the financial information of the group.

- 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 reporting 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.

Throughout 2019, Internal Control has continued to update the control activities in the risk matrix and ICFR controls. To do this, it has taken into account the changes that have occurred in the Group's processes and the search to better cover the associated risks, as well as the uniformity of the control activities carried out in the different business units. In this regard, a redesign of controls in human resources and tax areas has been carried out.

- 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 reporting the consolidated income statement and balance sheet reported by each of the Administration Departments of the business units to the Corporate Finance Department.

Each year, the Administration Departments of the business units confirm to the Consolidation area, within the Corporate Financial Department, the companies that are part of their corresponding consolidation perimeters.

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. To carry out the aforementioned supervision duties, the Board of Directors turns to the Audit and Control Committee, which performs this duty through Internal Audit or the external auditor depending on the nature of the risk.

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 ICFR, 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 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.

In addition the external auditor of NH realizes limited revisions of the intermediate summarized consolidated financial statements of the Group according to NIC 34, "Intermediate Financial Information" and the audit of the consolidated annual accounts of the group according to IFRS regulation. Additionally the external auditor realized limited revisions of the consolidated financial information of the group in compliance with the International Rules of audit services 2410, "Revision of intermediate financial information realized by independent auditor of the company".

- Reporting of information to stock markets:

The consolidated accounts and the quarterly 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, with the support of the Finance Department, which is published on the corporate intranet. This process includes the ICFR 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 ICFR controls.
- The second line of defence is Internal Control, within the Corporate Finance Department, which is responsible for managing and updating the ICFR 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 audit of the ICFR 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.

As a result of the maturity of the system of internal control of the financial information (SCIIF), fiscal year 2019 has realized the internal certification of the financial controls involving directors of the Business Units, corporate directors and members of the Management Committee of the Group.

The Group's ICFR 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 companies
- 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: documentation prepared by the control's owner when executing the control in the first line of defence and that is reported to the following lines of defence to determine the control's effectiveness in mitigating the associated risks.
- Classification of the controls: preventive or detective, 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.
- Managers of the controls: within the first line of defence are the owners of the sub-processes who are responsible for overseeing the correct execution and reporting of the control activities.
- Frequency: makes reference to how often the controls are executed and reported.

To manage the internal financial information controls model, which is embodied in the update to the risk matrix and ICFR controls, the Corporate Internal Control Department carries out a series of activities, the following of which are of note:

- Planning the evaluation reporting activities for the controls by the first line of defence users.
- Evaluation of the controls' effectiveness in covering the main financial information risks.
- Communication with the first line of defence on incidents detected in relation to the lack of effectiveness of controls resulting from their reviews, and monitoring of compliance with the implemented action plans.
- Communication of incidents and monitoring compliance with the implemented action plans resulting from the annual audits carried out by the Corporate Internal Audit Department.
- Update of the ICFR risks and controls matrix based on: analysis carried out by Internal Control on the scope of the matrix in accordance with quantitative criteria such as balances of the consolidated financial statements, and qualitative criteria such as the complexity of the balances calculation and degree of automation in generating and recording economic transactions, in the main; reporting of proposals to change the design of controls by first line of defence users; communications made by the Corporate Organisation Department on modifications made to those processes that directly or indirectly have an impact on generating and/or reporting financial information.

Within the risks identified in the business cycles defined in the ICFR 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.

- 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.

Information Security (InfoSec) within Information Systems (IT & Systems) of the NH Hotel Group has a set of security policies and procedures aimed at ensuring the integrity, availability and confidentiality of the company's operational and financial information.

NH Hotel Group has formally defined procedures that regulate changes, maintenance and developments on the systems that hold financial information. Controls are defined in these procedures to ensure that an appropriate system development methodology is followed, assessing the risks and impacts associated with the changes, as well as involving key business users and conducting sufficient and adequate testing before being placed into production.

There is a model implemented that guarantees the appropriate operation of the company's information systems. This model includes event monitoring processes, incident management procedures, guidelines regarding operational continuity (backups, disaster recovery plan, business continuity plan, etc.), as well as user management policies

Finally, this year internal audit has optimized the general IT controls to reduce them to 35 controls that hold the company's financial information.

- 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 NH Hotel Group has outsourced accounting management to a company with a Shared Services Centre.

The NH Hotel Group's ICFR model includes control activities related to the year-end process and that affect those companies included within the scope of the outsourcing company and which in turn belong to the Group's consolidation perimeter.

Said control activities 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.

During 2019, the Administration function of the corporate structure of Tivoli was outsourced, and the ICFR model was extended to all outsourced financial reporting and reporting processes affecting these companies.

Additionally, NH Hotel Group's ICFR 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.

The NH Hotel Group has also obtained the ISAE 3402 "International Standard on Assurance Engagements" report from an independent third party as a guarantee that the control activities that support the service provider's control objectives operated properly during 2019.

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. 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. It is the responsibility of all departments within the company to periodically review their defined processes, policies and procedures so that may be audited by Internal Audit following the annual audit plan approved by the Audit and Control Committee.

- 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 International Financial Reporting Standards (IFRS). In this sense, the information reported from the Group's business units follows these 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 area responsible for managing the ICFR model pursues the homogenisation of the processes in all the Group's business units so that the risk and control matrix is the same. Additionally, the self-assessment report and assessment of the controls' design through SAP GRC allows a single reporting model for all business units. Likewise, this method allows reporting evidence of the control activities according to the latest version of the controls recorded in the system.

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 ICFR. 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 ICFR model, the weaknesses detected during internal audits, and the plans or actions already in place to remedy any detected weaknesses.

The Audit and Control Committee supports and supervises the work of the Internal Audit department in its assessment of the ICFR. 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 annual 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 ICFR is presented to the Audit and Control Committee or its Chairman for approval before it is put into practice, in order to include all the opportune considerations.

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

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 guarantee the independence of the internal audit function 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 ICFR, 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.
- Helping to identify weaknesses in controls and reviewing action plans to correct inadequate controls.
- Carry out follow-up work to see if the action plans to mitigate weaknesses in controls have been properly implemented.
- Coordinating between the Board and the external auditor when clarification is needed on scope and testing plans. Scope of ICFR 2019

The NH Hotel Group's ICFR is implemented and consolidated in all its business units. In 2019, the model was extended to companies in the Tivoli hotel portfolio, reporting within the Southern Europe business unit. Therefore, when there is any change in the Group's portfolio, it is integrated into the model's organisational structure.

This implies the scope of all NH turnover, with a portfolio of 307 hotels and 13 business cycles with great significance in the submission of financial reports.

During fiscal year 2019 the number of control activities has been optimized to a total of 290, divided between financial report and IT systems as a consequence of eliminating non key controls and optimizations automatic controls GIRC. For each of them control responsibilities have been defined at corporate level, Business Unit and Shared Service Centre.

- 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 at least quarterly to review the periodic 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 ICFR 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, including without the presence of the Company's Management. 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 ICFR 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 scope of the auditor's review procedures have been carried out in accordance with Circular E14/2013 of 19 July 2013 from the Spanish Institute of Chartered Accountants, whereby the published Guidelines for Action and auditor's report model referred to the information related to the internal control system of the financial information of the listed companies which 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 [X] 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 [X] 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 [X] 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 [X] 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 [X]

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 [X]

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 [] [X] 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 [X] 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 [X] 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 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 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 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 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 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 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 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 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 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 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 [X]

Explain []

Not applicable []

The Company's executive short-term variable remuneration has ten per cent linked to the professional performance of both Executive Directors, i.e. their 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. Any of the Executive Directors 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 [X]

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

The "Performance Shares Plan 2017-2022" establishes the obligation to retain the shares delivered to the Executive Directors for at least one year. In addition, the Executive Directors 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 the Executive Director appointed in 2017, Ramón Aragonés Marín, and the Executive Director appointed in 2019, Beatriz Puente Ferreras, be entitled to receive any compensation derived from the termination of their position and ending of such commercial relationship. However, the possible indemnities derived from an ending of the employment relationship will continue in effect during their terms as Executive Directors, 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 amounts linked to the leave of the previous Chief Executive Officer in 2016 and having provisioned its maximum amounts, during fiscal year 2019 the dispute has been resolved definitively by an amount below the provisioned amount.

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.:

The following is a breakdown of the number of shares directly held by each Board member listed in the reference section:

Mr Alfredo Fernández Agras holds 150,000 shares

Mr Ramón Aragonés Marín directly holds 46,156 shares. Additionally, Mr Aragonés holds a total of 227,714 Performance Shares that may be executed as long as the stated objectives are met.

Ms Beatriz Puente Ferreras holds a total of 28,835 direct shares. She additionally holds a total of 110,849 Performance Shares that may be executed as long as the stated objectives are met.

SECTION A.5.:

In regard to the commercial or contractual relations between Minor IPC and the Company and/or its group, refer to section D, Related Transactions.

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.
Anantara (Shanghai) Tourism Consulting Co, Ltd.
Avadina Hills Co., Ltd.
Avani Lesotho (Pty) Ltd
Baan Boran Chiangrai Limited Barbaron
Beach Hotel MHG Limited Chicken Time
Company Ltd.
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 Australia Investment PYT 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 Corporation Pcl. Minor
 Development Limited
 Minor DKL Food Group Pty Ltd
 Minor DKL Management Pty Ltd
 Minor Food Group (Singapore) Pte. Ltd.
 Minor Food Holding Co., 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 Hotel Portugal
 Minor Lifestyle Limited
 Mspa International Cairo Mspa
 International 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
 Seredib Hotel Pcl Sizzler
 China Limited
 Tanzania Tourism & Hospitality Investments Limited
 TCC Operations Pty Ltd
 The Coffee Club Franchising Company Pty Ltd
 The Good Life Global Ltd.
 The Minor Good Group Pcl 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)

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.
 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 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 Australia Investments Pty Ltd
 Verita MHG Company Ltd
 Anantara /Shangai) Tourism Consulting Co, Ltd
 GHA Holding Ltd
 Minor Hotels Portugal, S.A. MINT
 Residential (VIC) Pty Ltd.
 Chicken Time Co, Ltd.

Mr Kosin Chantikul is a Director of the following companies belonging to the group Minor IPC Ltd:

MHG (India) Private Ltd Bodhi
 Hotel&Resort Put Ltd
 MHG Desaru Hotel Sdn Bhd
 MHG Desaru Villas Sdn Bhd
 Avadina Hills Co, Ltd
 Corbin & King Ltd
 M&S REalty Co Ltd.

Lastly, on 17 January 2020, Mr Aragonés and Ms Puente were appointed members of the Minor IPC Strategic Committee. This appointment falls within the purpose of both Companies to apply unit management criteria in accordance with the provisions of the Framework Agreement signed between NH Hotel Group and Minor IPC on 7 February 2019 and whose full text is available on the Company's website.

SECTION C.1.11.

Other than the positions stated in the reference section, Mr Heinecke also holds the following:

- Executive Management Committee Chairman of Minor International Public Company Limited
- Chairman of the Appointments, Remuneration and Corporate Governance Committee of Indorama Ventures Public Company Limited.

SECTION D.2.

The related transactions described have been signed due to the transaction signed between a Minor's subsidiary and NH Rallye Portugal (100% belonging to NH Hotel Group, S.A.) in order to manage 9 hotels in Portugal and advise the operation of 2 hotels in Brasil. The transaction has been duly informed to the Market on 1st July 2019.

The first of the mentioned transaction makes reference to the management fees obtained by NH Hotel Rallye Portugal during fiscal year 2019.

The second transaction refers to the Transitional Service Agreement, by virtue of which NH Hotel Rallye pays certain amounts to Minor's subsidiary in order to guarantee an orderly transition of the management of the aforementioned hotels.

Finally the last described transaction (under D2) refers to the Brand fee paid due to the Brand Licence agreement by means of which each party licenses to the other party the use of its corresponding commercial brands in the geographical areas where the other party operates. The licence agreement has been duly informed to the Market on 7th February 2019.

According to what has been described under sections D1 and D& all related party transactions have been done in compliance with applicable laws and internal regulations, guarantying full transparency and avoiding any conflict of interest.

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.

[25/02/2020]

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

[] Yes
[✓] No



NH Hotel Group, S.A.

Auditor's report on "information regarding the
Internal Control System over Financial Reporting (ICSFR)"
for the 2019 financial year



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Auditor's report on "information regarding the Internal Control System over Financial Reporting (ICSFR)" of NH Hotel Group, S.A. for the 2019 financial year

To the Board of Directors of NH Hotel Group, S.A.

In accordance with the request of the Board of Directors of NH Hotel Group, S.A. ("The Entity") and our engagement letter dated November 30, 2019, we have applied certain procedures in respect of the attached "Information regarding the Internal Control System over Financial Reporting" ("ICSFR"), included in section "F" of the Annual Corporate Governance Report (hereinafter, IAGC) of NH Hotel Group, S.A. for the 2019 financial year, which includes a summary of the Entity's internal control procedures relating to its annual financial information.

The Board of Directors is responsible for adopting the necessary measures to reasonably ensure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to that system and preparing and establishing the content of the accompanying Information regarding the ICSFR.

In this regard, it should be borne in mind that, regardless of the quality of the design and operating efficiency of the internal control system used by the Entity in relation to its annual financial information, only a reasonable, but not absolute, degree of assurance may be obtained in relation to the objectives it seeks to achieve, due to the limitations inherent in any internal control system.

In the course of our audit work on the consolidated annual accounts and in accordance with Spanish Auditing Standards, the sole purpose of our evaluation of the Entity's internal control system is to enable us to establish the scope, nature and timing of our audit procedures in respect of the Entity's annual accounts. Accordingly, our internal control evaluation, performed for the purposes of our audit, is not sufficient in scope to enable us to issue a specific opinion on the effectiveness of such internal control over the regulated annual financial information.

For the purposes of the present report, we have exclusively applied the specific procedures described below, as indicated in the "Guidelines concerning the auditor's Report on the Information regarding the Internal Control System over Financial Reporting for listed entities" published by the National Securities Market Commission on its web site, which sets out the work to be performed, the scope of such work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or review of the internal control system, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Entity's annual financial information for the 2019 financial year described in the accompanying Information regarding the ICSFR. Had we applied additional procedures to those determined by the aforementioned Guidelines, or had we performed an audit or review of the internal control system in relation to the regulated annual financial information, other matters could have come to light in respect of which you would have been informed.

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1



In addition, as this special engagement is not an audit of financial statements and is not subject to the revised Auditing Act approved by Royal Decree Law 1/2011, of July 1, we do not express an audit opinion under the terms of the aforementioned legislation.

The procedures applied were as follows:

1. Reading and understanding the information prepared by the Entity in relation to the ICSFR – as disclosed in the Directors' Report – and the evaluation of whether such information includes all the information required as per the minimum content set out in Section F regarding the description of the ICSFR, in the model of the Annual Corporate Governance Report, as established in Circular nº 7/2015 of the National Securities Market Commission dated December 22, 2015.
2. Making enquiries of personnel in charge of preparing the information mentioned in point 1 above in order to: (i) obtain an understanding of the preparation process; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described have been implemented and are functioning in the Entity.
3. Review of supporting documentation explaining the information described in point 1 above and which mainly comprises the information made directly available to the persons responsible for preparing the information on the ICSFR. Such documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in support of the functions of the audit committee.
4. Comparison of the information described in point 1 above with our knowledge of the Entity's ICSFR, obtained by means of the application of the procedures performed within the framework of the audit engagement on the consolidated annual accounts.
5. Reading the minutes of meetings of the board of directors, audit committee and other committees of the Entity, for the purposes of evaluating the consistency between the matters dealt with therein in relation to the ICSFR and the information described in point 1 above.
6. Obtaining a representation letter concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in point 1 above.

As a result of the procedures applied in relation to the Information regarding the ICSFR, no inconsistencies or incidents have been identified which could affect such information.

This report has been prepared exclusively within the framework of the requirements of article 540 of the revised Spanish Companies Act and Circular nº 5/2013 of the National Securities Market Commission, dated June 12, 2013, as modified by Circular nº 7/2015 of the National Securities Market Commission, dated December 22, 2015, for the purposes of describing the ICSFR in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Mariano Cortés Redín

February 25, 2020

NH Hotel Group, S.A.

Audit Report,
Annual Accounts and Management Report
at 31 December 2019



Free translation of the independent auditor's report on the stand-alone annual accounts originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Audit report on the financial statements issued by an independent auditor

To the shareholders of NH Hotel Group, S.A.:

Report on the annual accounts

Opinion

We have audited the accompanying annual accounts of NH Hotel Group, S.A. (the Company), consisting of the balance sheet at 31 December 2019, income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the Company's equity and financial position at 31 December 2019 and its results and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in Note 2 of the notes to the accounts) and, in particular, with the accounting principles and criteria contained in that framework.

Basis for opinion

We have performed our audit in accordance with audit regulations in force in Spain. Our responsibilities under said regulations are described below under *Responsibilities of the auditor in relation to the audit of the annual accounts*.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, applicable to our audit of the annual accounts in Spain, as required by auditing regulations. In this respect, we have not provided any services other than audit services, nor have any situations or circumstances arisen that, in accordance with those regulations, might have undermined said independence.

We consider that the audit evidence obtained provides a sufficient and appropriate basis for our opinion.

Key audit matters

Key audit matters are those that, based on our professional judgement, have been of the most significance in the audit of the annual accounts for the current period. These matters have been addressed in the context of our audit of the annual accounts as a whole and in the preparation of our opinion thereon, and we do not express a separate opinion on these matters.

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Key audit matters	How the matter was addressed in the audit
<p data-bbox="277 465 735 521">Recoverability of equity investments in Group companies and associates</p> <p data-bbox="277 555 810 768">As indicated in Note 8.2 of the accompanying notes to the annual accounts, the Company records in the item “Non current investments in Group companies and associates” the amount of €1,897 million relating to investments in equity instruments, representing 63.5% of the total assets.</p> <p data-bbox="277 801 810 1037">The Company analyses these assets each year to identify impairment and, where there are signs of impairment, determines the recoverable amount of the assets’ carrying amount using the present value of the future cash flows to be generated by the assets according to the business plans approved by management.</p> <p data-bbox="277 1070 810 1305">The recoverable amounts and any value adjustments that may be applicable therefore require the application of significant judgements and estimates when determining future cash flows and related assumptions, such as the application of discount rates and expected growth rates, among others.</p> <p data-bbox="277 1339 810 1462">The above-mentioned aspects lead us to regard the recoverability of equity investments in Group companies and associates as a key audit matter.</p>	<p data-bbox="837 584 1430 618">Our audit procedures have included the following:</p> <p data-bbox="837 645 1453 734">Understanding of the methodology employed and evaluation of the controls in place in the Company's asset recovery analysis processes.</p> <p data-bbox="837 768 1453 891">Obtainment from management of the cash flow projections used to value the investments, on which we have carried out the following procedures, assisted by our internal experts:</p> <ul data-bbox="837 925 1453 1787" style="list-style-type: none"><li data-bbox="837 925 1453 1014">• Verification of the reasonableness of the procedures and methods used to perform the impairment test.<li data-bbox="837 1048 1453 1283">• Assessment of the reasonableness of the key assumptions and estimates included in the model in relation both to future cash flow forecasts and the key aspects included in the calculation of the cash flows, such as the method applied by management to calculate the discount rates and the resulting value within a range we deem to be acceptable.<li data-bbox="837 1317 1453 1417">• Analysis of departures between the cash flow projections prepared by management in the past and actual data.<li data-bbox="837 1451 1453 1686">• Arithmetic verification of the calculations taken into consideration in the impairment test and assessment of the sensitivity analyses performed by management, including the ranges within which the key model assumptions should fluctuate in order to give rise to the impairment of investments or the reversal of existing provisions.<li data-bbox="837 1720 1453 1787">• Evaluation of the sufficiency of the related information disclosed in the annual accounts. <p data-bbox="837 1821 1453 1906">The findings of the procedures carried out have allowed us to achieve the audit objectives for which the procedures were designed.</p>



Key audit matters

Recoverability of assets associated with the hotel business.

The Company is engaged mainly in operating the hotels establishments that it owns. The assets associated with the hotel business include property, plant and equipment and intangible assets, the carrying amounts of which amount to €112 million and €40 million, respectively, at 31 December 2019, representing 5.1% of all assets.

The Company assesses the assets for signs of impairment each year to determine whether there are any impairment losses that may entail the write-down of the carrying amounts of the assets.

As a general rule, management estimates the recoverable amount of each cash-generating unit (CGU) on the basis of value in use, calculated using cash flows estimated by applying discount rates and expected growth rates, in accordance with the business plans approved by management.

In view of the significance of the judgements made by the Company and the significant estimates made to perform the said calculations, and considering the quantitative relevance of the assets, we believe the assessment of the recoverability of the assets associated with the hotel business to be a key audit matter.

How the matter was addressed in the audit

Our audit procedures have included, among others:

Understanding of the methodology employed and evaluation of the controls in place in the Company's asset recovery analysis processes.

Obtainment from management of the impairment test carried out, to which we have applied the following substantive procedures, assisted by our internal experts:

- Verification of the reasonableness of the procedures and methods used to perform the impairment test.
- Assessment of the reasonableness of the key assumptions and estimates included in the model in relation both to future cash flow forecasts and the key aspects included in the estimation of the cash flows, such as the method applied by management to estimate the discount rates within an acceptable range.
- Analysis of departures between the cash flow projections prepared by management in the past and actual data.
- Arithmetic verification of the calculations taken into consideration in the impairment test and assessment of the sensitivity analyses, including the ranges within which the key model assumptions should fluctuate in order to give rise to the impairment of assets or the reversal of existing provisions.
- Evaluation of the sufficiency of the related information disclosed in the annual accounts.

The findings of the procedures carried out have allowed us to achieve the audit objectives for which the procedures were designed.



Other matters

The annual accounts of NH Hotel Group, S.A. for the year ended 31 December 2018 were audited by a different auditor, which issued a favourable opinion on the annual accounts on 25 February 2019.

Other information: Management report

The other information only relates to the management report for 2019, the preparation of which is the responsibility of the Company's directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility for the information contained in the management report is defined in auditing legislation, which establishes two distinct levels:

- a) A specific level applicable to the status of non-financial information and to certain information included in the Annual Corporate Governance Report (ACGR), as defined in Article 35.2. b) of Audit Law 22/2015, which consists of merely verifying that the said information has been furnished in the management report or, if applicable, that the report includes the relevant reference to the separate report on non-financial information in the manner stipulated in legislation. Otherwise, we are required to report on this matter.
- b) A general level applicable to the other information included in the management report, which consists of assessing and reporting on the consistency of the said information with the annual accounts, based on our knowledge of the Company obtained during the audit of the accounts, without including information other than the audit evidence obtained, as well as evaluating and reporting on whether the content and presentation of this part of the management report are in line with applicable legislation. If we conclude that there are material misstatements on the basis of our work, we are required to report them.

On the basis of the work performed, as described above, we have verified that the management report includes a reference to the fact that the non-financial information mentioned in paragraph a) above is presented in the separate report, "Non-Financial Information Consolidated Statement 2019", which is referred to in the consolidated management report of NH Hotel Group, S.A., of which the Company is the parent, that the said ACGR information is included in the management report and that the other information contained in the management report is consistent with that of the annual accounts for 2019 and its content and presentation comply with application legislation.

Responsibility of the directors and the Audit and Control Committee in relation to the annual accounts

The directors are responsible for the preparation of the accompanying annual accounts such that they present fairly the Company's equity, financial position and results in accordance with the financial reporting framework applicable to the entity in Spain, and the internal control considered necessary to permit the preparation of annual accounts which are free from material misstatement, due to fraud or error.

In the preparation of the annual accounts, the directors are responsible for assessing the Company's capacity to continue as a going concern, disclosing, as appropriate, any going concern-related issues and applying the going-concern accounting principle, unless the directors intend to wind up the Company or discontinue its operations, or unless no other realistic alternative exists.



The Audit and Control Committee is responsible for overseeing the preparation and presentation of the annual accounts.

Auditors' responsibilities in relation to the audit of the annual accounts

Our objectives are to obtain reasonable assurance that the annual accounts as a whole are free from material misstatement due to fraud or error, and to issue an audit report containing our opinion.

Reasonable assurance is a high degree of assurance but does not guarantee that an audit conducted in accordance with current Spanish auditing regulations will always detect a material misstatement when such exists. Misstatements may be due to fraud or error and are regarded as material if, individually or in aggregate, it may reasonably be foreseen that they will influence the business decisions taken by users on the basis of the financial statements.

As part of an audit conducted in accordance with prevailing Spanish audit regulations, we apply our professional judgement and maintain an attitude of professional scepticism throughout the audit. In addition:

- We identify and assess the risks of material misstatement in the annual accounts due to fraud or error; we design and apply audit procedures to respond to those risks and obtain sufficient and adequate audit evidence to provide a basis for our opinion. The risk of not detecting material misstatement due to fraud is higher than in the case of a material misstatement due to error, as fraud may involve collusion, falsification, deliberate omissions, intentionally erroneous statements or the circumvention of internal control.
- We obtain knowledge of internal control mechanisms relevant for the audit in order to design the audit procedures which are appropriate depending on the circumstances, and not with the intention of expressing an opinion on the efficiency of the Company's internal control system.
- We assess whether the accounting policies applied are adequate and the reasonableness of the accounting estimates and the relevant information disclosed by the directors.
- We conclude as to whether the utilisation by the directors of the going concern principle is appropriate and, basing ourselves on the audit evidence obtained, we conclude as to whether there is or not any material uncertainty in relation to the events or conditions that could generate significant doubts as to the Company's capacity to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to the corresponding information disclosed in the annual accounts or, if those disclosures are unsuitable, to express a modified opinion. Our conclusions are based on audit evidence obtained up to the date of our audit report. However, future events or conditions could cause the Company to cease to be a going concern.
- We evaluate the overall presentation, structure and content of the annual accounts, including the disclosed information, and whether the annual accounts represent the underlying transactions and events in a manner that succeeds in expressing a true and fair view.

We liaise with the Company's Audit and Control Committee in relation to, among other matters, the planned scope and timing of the audit and the significant audit findings, as well as any major internal control weakness that we identify in the course of our audit.

We also provide the Company's Audit and Control Committee with a statement to the effect that we have complied with applicable ethical requirements, including those of independence, and we have notified the Audit Committee of any issues that could reasonably pose a threat to our independence and, if appropriate, the relevant safeguards.



Among the significant risks notified to the Company's Audit and Control Committee, we determine those that have been of the greatest significance in the audit of the annual accounts for the current period and which therefore are key audit matters.

We describe these matters in our audit report unless legal or regulatory provisions prohibit the public disclosure of the matter concerned.

Report on other legal and regulatory requirements

Additional report to the Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report for the Company's Audit and Control Committee dated 25 February 2020.

Term of engagement

We were appointed auditors by the General Shareholders' Meeting held on 13 May 2019 for a three-year period commencing as from the year ended 31 December 2019.

Services rendered

The non-audit services provided to the audited company and to its subsidiaries are disclosed in Note 18.d to the annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Mariano Cortés Redín (21829)

25 February 2020

NH HOTEL GROUP, S.A.

Annual accounts and Management Report FY 2019

Contents

BALANCE SHEET	4
INCOME STATEMENT	5
STATEMENT OF CHANGES IN EQUITY	6
CASH FLOW STATEMENT	8
REPORT OF THE ANNUAL FINANCIAL STATEMENTS	9
1.- COMPANY PURPOSE	9
2.- BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS	10
3.- PROPOSED DISTRIBUTION OF PROFITS	11
4.- ACCOUNTING POLICIES	11
5.- INTANGIBLE ASSETS	21
6.- PROPERTY, PLANT & EQUIPMENT	22
7.- OPERATING LEASES	25
8.- FINANCIAL INVESTMENTS	25
9.- NON-CURRENT ASSETS HELD FOR SALE, LIABILITIES LINKED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	28
10.- CASH AND CASH EQUIVALENTS	29
11.- EQUITY	29
12.- PROVISION FOR CONTINGENCIES AND CHARGES	31
13. CURRENT AND NON-CURRENT PAYABLES	31
14.- PUBLIC AUTHORITIES AND TAX MATTERS	36
15.- INFORMATION ON AVERAGE PERIOD FOR PAYMENT TO SUPPLIERS	42
16.- THIRD-PARTY GUARANTEES AND CLAIMS IN PROCESS	43
17.- BALANCES AND TRANSACTIONS WITH RELATED PARTIES	44
18.- INCOME AND EXPENSES	47
19. REMUNERATION AND OTHER STATEMENTS MADE BY THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT	51
<i>19.1 Remuneration of the Board of Directors</i>	<i>52</i>
<i>19.2 Remuneration of senior management</i>	<i>52</i>
20.- INFORMATION ON THE ENVIRONMENT	53
21.- FOREIGN CURRENCY	54
22.- EVENTS AFTER THE REPORTING PERIOD	55
EVOLUTION OF BUSINESS AND GROUP'S SITUATION	56

NH HOTEL GROUP. S.A.

Annual accounts and Management Report FY 2019

Translation of Financial Statements and Management Report originally issued in Spanish in the event of a discrepancy, the Spanish-language version prevails.

NH Hotel Group, S.A.
BALANCE SHEET AT 31 DECEMBER 2019 AND 2018
(Thousands of euros)

ASSETS	Note	31/12/2019	31/12/2018	LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31/12/2019	31/12/2018
NON-CURRENT ASSETS:		2,475,229	2,203,969	EQUITY:	Note 11	2,131,492	2,030,813
Intangible assets	Note 5	40,139	41,966	<i>SHAREHOLDERS' EQUITY</i>			
Property, plant and equipment	Note 6	111,968	111,666	Capital		784,361	784,361
Investment property		2,963	-	Share premium		828,932	828,932
Non-current investments in Group companies and associates		2,283,579	1,950,804	Reserves		360,906	515,727
Equity instruments	Note 8.2	1,896,561	1,894,892	Legal and statutory reserves		74,855	58,836
Loans to companies	Note 17.1	387,018	55,912	Other reserves		286,051	456,891
Non-current financial assets	Note 8.1	1,296	4,367	Prior years' losses		-	(255,869)
Deferred tax assets	Note 14	35,284	95,166	Treasury shares		(1,647)	(2,530)
				Profit (Loss) for the year		158,940	160,192
				NON-CURRENT LIABILITIES		687,029	587,245
				Long-term provisions	Note 12	4,472	14,182
				Other provisions		4,472	14,182
				Non-current payables		392,580	389,582
				Debt instruments and other marketable securities	Note 13.1	350,238	348,051
				Bank borrowings	Note 13.1	38,950	38,165
				Other financial liabilities	Note 13.2	3,392	3,366
				Long-term debts with group and associate companies	Note 17.1	284,900	177,576
				Deferred tax liabilities	Note 14	5,077	5,905
						168,268	139,287
CURRENT ASSETS:		511,560	553,376	CURRENT LIABILITIES:			
Non-current assets classified as held for sale	Note 9	49,122	63,031	Short-term provisions	Note 12	4,180	-
Inventories		214	111	Current payables		453	568
Trade and other receivables		12,715	8,033	Debt instruments and other marketable securities	Note 13.1	1,142	1,188
Trade accounts receivable for sales and services		1,318	6,720	Bank borrowings	Note 13.1	(689)	(620)
Sundry debtors		663	13	Short-term debts with group and associate companies	Note 17.1	104,945	78,029
Current tax assets	Note 14	8,141	-	Trade creditors and other accounts payable		58,690	60,690
Other tax receivables	Note 14	2,593	1,300	Suppliers		31,634	41,915
Current investments in Group companies and associates	Note 17.1	442,604	480,003	Other creditors		19,611	9,846
Short-term financial investments		26	26	Personnel		6,166	6,013
Short-term accruals		2,159	2,050	Other taxes payable	Note 14	1,279	2,916
Cash and cash equivalents	Note 10	4,720	122			2,986,789	2,757,345
TOTAL ASSETS		2,986,789	2,757,345	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,986,789	2,757,345

The accompanying Notes 1 to 22 are an integral part of the balance sheet at 31 December 2019.
The balance sheet at 31 December 2018 is presented for comparison purposes only.

NH Hotel Group, S.A.

INCOME STATEMENT FOR 2019

(Thousands of euros)

	Note	31/12/2019	31/12/2018
Revenues	Note 18	218,792	195,912
Sales		46,526	31,077
Other Income	Note 17.2	172,266	164,835
Procurements		216	1,156
Work carried out by the company for its assets		2,916	2,461
Other operating income	Note 17.2	87,645	87,525
Non-core and other current operating income		87,645	87,525
Staff costs	Note 18.b	(41,832)	(36,920)
Wages, salaries and similar		(33,977)	(30,701)
Social security contributions		(7,855)	(6,219)
Other operating expenses		(56,092)	(58,021)
External services	Note 18.c	(28,816)	(22,554)
Taxes		(2,249)	(1,968)
Losses on, impairment of and changes in allowances for trade receivables		(2)	(101)
Other current operating expenses		(25,025)	(33,398)
Depreciation and amortisation charge	Notes 5 & 6	(21,897)	(21,062)
Impairment and gains or losses on disposals of non-current assets		3,847	20,590
Impairments and other losses	Notes 5 & 6	139	(40)
Income from disposals and other	Note 6, 18.e & 9	3,708	20,630
PROFIT/LOSS FROM OPERATIONS		193,595	191,641
Financial income		876	1,029
From securities held for trading and other financial instruments			
- Third parties		876	1,029
Financial expenses		(25,955)	(42,229)
On debts to Group companies and associates	Note 17.2	(6,504)	(7,368)
On debts to third parties		(19,451)	(34,861)
Exchange rate differences		(212)	(251)
Impairment and gains or losses on disposals of financial instruments	Note 8.2, 9 & 17.1	(17,664)	7,432
FINANCIAL PROFIT/LOSS		(42,955)	(34,019)
PROFIT/LOSS BEFORE TAX		150,640	157,622
Income tax	Note 14	8,300	2,570
PROFIT/LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		158,940	160,192

The accompanying Notes 1 to 22 are an integral part of the income statement for 2019.

The income statement for 2018 is presented for comparison purposes only.

NH Hotel Group, S.A.
STATEMENT OF CHANGES IN EQUITY FOR 2019
A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE

	Thousands of euros	
	2019	2018
PROFIT/LOSS AS PER INCOME STATEMENT (I)	158,940	160,192
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II)	-	-
TOTAL TRANSFERS TO PROFIT OR LOSS (III)	-	-
TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III)	158,940	160,192

The accompanying Notes 1 to 22 are an integral part of the statement of recognised income and expense for 2019.
The statement of recognised income and expense for the year ended 31 December 2018 is presented for comparison purposes only.

NH HOTEL GROUP, S.A.

STATEMENT OF CHANGES IN EQUITY FOR 2019

B) STATEMENTS OF CHANGES IN TOTAL EQUITY

(Thousands of euros)

	Own Funds							Total Shareholders' Equity
	Share capital	Share premium	Reserves	Treasury shares	Prior years' profits (losses)	Profit (Loss) for the Year	Valuation adjustments	
Balances at 31 December 2017	700,544	706,601	491,835	(39,250)	(255,869)	28,172	27,230	1,659,263
<i>I. Total recognised income / (expense)</i>	-	-	-	-	-	160,192	-	160,192
<i>II. Transactions with shareholders or owners</i>	-	-	(13,803)	-	-	(25,355)	-	(39,158)
1. Distribution of dividends	-	-	(13,803)	-	-	(25,355)	-	(39,158)
<i>III. Other changes in equity</i>	83,817	122,331	37,695	36,720	-	(2,817)	(27,230)	250,516
1. Transfers between equity items	-	-	2,817	-	-	(2,817)	-	-
2. Convertible bonds	83,817	122,331	33,691	35,691	-	-	(27,230)	248,300
3. Remuneration scheme in shares	-	-	1,187	1,029	-	-	-	2,216
Balances at 31 December 2018	784,361	828,932	515,727	(2,530)	(255,869)	160,192	-	2,030,813
Other movements	-	-	(1,041)	-	-	-	-	(1,041)
Balance at 01 January 2019	784,361	828,932	514,686	(2,530)	(255,869)	160,192	-	2,029,772
<i>I. Total recognised income / (expense)</i>	-	-	-	-	-	158,940	-	158,940
<i>II. Transactions with shareholders or owners</i>	-	-	(58,771)	-	-	-	-	(58,771)
1. Distribution of dividends	-	-	(58,771)	-	-	-	-	(58,771)
<i>III. Other changes in equity</i>	-	-	(95,009)	883	255,869	(160,192)	-	1,551
1. Transfers between equity items	-	-	(95,677)	-	255,869	(160,192)	-	-
2. Remuneration scheme in shares	-	-	(998)	970	-	-	-	(28)
3. Other movements	-	-	1,666	(87)	-	-	-	1,579
Balances at 31 December 2019	784,361	828,932	360,906	(1,647)	-	158,940	-	2,131,492

The accompanying Notes 1 to 22 are an integral part of the statement of changes in total equity for the year 2019.

The statement of changes in equity for the year 2018 is presented for comparison only.

NH Hotel Group, S.A.

CASH FLOW STATEMENT FOR 2019

(Thousands of euros)

	Notes to the report	2019	2018
A) CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit (loss) before tax		150,640	157,622
2. Adjustments for:		(107,314)	(119,172)
Income from holding activity (-)	Note 18.a	(172,266)	(164,835)
b) Depreciation and amortisation charge (+)	Notes 5 & 6	21,715	21,062
c) Impairment losses (+/-)	Notes 5 & 6	(139)	40
d) Changes in provisions (+/-)		(1,516)	7,082
e) Gains/Losses on derecognition and disposal of non-current assets (+/-)	Note 18.e	(3,708)	(20,630)
f) Gains/Losses on derecognition and disposal of financial instruments (+/-)	Note 8.2	17,664	(7,432)
g) Finance income (-)		(876)	(1,029)
h) Finance costs (+)		25,955	42,229
i) Exchange rate differences (+/-)		212	251
j) Changes in the fair value of financial instruments (+/-)		-	-
k) Other income and expenses (-/+)		5,645	4,090
3. Changes in working capital		(11,602)	2,356
a) Inventories (+/-)		(103)	(2)
b) Trade and other receivables(+/-)		3,459	(3,709)
c) Other current assets (+/-)		(109)	(1,020)
d) Trade and other payables (+/-)		(2,720)	6,457
e) Other current liabilities (+/-)		-	-
f) Other non-current assets and liabilities (+/-)		(12,129)	630
4. Other cash flows from operating activities:		(22,777)	(24,468)
a) Interest paid (-)		(15,919)	(25,984)
b) Interest received (+)		552	23
c) Income tax refunded (paid) (+/-)		(7,410)	1,493
5. Cash flows from investment activities (+/--1+/- 2+/-3+/-4)		8,947	16,338
B) CASH FLOWS FROM INVESTMENT ACTIVITIES			
6. Payments due to investment		(19,114)	(23,380)
a) Group companies and associates		(1,296)	(1,533)
b) Tangible and intangible fixed assets		(17,818)	(21,847)
7. Proceeds from disposal (+):		74,225	90,975
a) Group companies and associates		58,488	74,697
b) Tangible fixed assets		15,737	16,278
c) Other financial assets		-	-
8. Cash flows from investment activities (7-6)		55,111	67,595
C) CASH FLOWS FROM FINANCING ACTIVITIES			
9. Equity instruments receivables and (payables):		-	-
a) Purchase of treasury shares (-)		-	-
10. Proceeds and payments relating to financial liability instruments:		(1,582)	(45,211)
a) Issue of		-	-
1. Borrowings from Group companies and associates		-	-
b) Redemption of		-	-
1. Debt instruments and other marketable securities (-)	Note 13.1	-	(43,204)
2. Bank borrowings (-)	Note 13.1	(582)	(2,007)
11. Dividends payable and remuneration on other equity instruments		(58,771)	(39,158)
a) Dividends (-)	Note 11	(58,771)	(39,158)
12. Cash flows from financing activities (+/-9+/-10+/-11)		(59,353)	(84,369)
D) EFFECT OF EXCHANGE RATE VARIATIONS			
		(107)	65
E) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (+/-5+/-8+/-12+/-D)			
		4,598	(371)
Cash and cash equivalents at the start of the financial year		122	493
Cash and cash equivalents at end of year		4,720	122

The accompanying Notes 1 to 22 are an integral part of the cash flow statement for the year 2019.

The cash flow statement for 2018 is presented for comparison only.

REPORT ON THE ANNUAL ACCOUNTS OF NH HOTEL GROUP S.A. FOR THE YEAR ENDING 31 DECEMBER 2019

1.- COMPANY PURPOSE

NH HOTEL GROUP, S.A. (hereinafter the Company) was incorporated as a public limited company in Spain on 23 December 1981 under the trade name “Material para Ferrocarriles y Construcciones, S.A.”, which was subsequently changed to “Material y Construcciones, S.A.” (MACOSA) and later to “Corporación Arco, S.A.”

In 1992, Corporación Arco, S.A. took over Corporación Financiera Reunida, S.A. (COFIR), while at the same time adopting the trade name of the company taken over and amending its corporate purpose to the new activity of the Company, which focused on the management of its shareholding portfolio.

During the 1998 financial year, (COFIR) merged with Grupo Catalán, S.L. and its subsidiaries and Gestión NH, S.A. through the absorption of these companies by the former. Subsequently, Corporación Financiera Reunida, S.A. (COFIR) took over NH Hoteles, S.A., adopted its trade name and broadened its corporate purpose to allow for the direct performance of hotel activities, activities in which it had already been engaged indirectly through its subsidiaries.

Information on these mergers can be found in the financial statements of the years in which said transactions took place.

The General Shareholders' Meeting of 21 June 2014 agreed to change the company's name from “NH Hoteles, S.A.” to “NH Hotel Group, S.A.”

The Company is the head of a group of subsidiaries engaging in the same activities and that constitute, together with NH Hotel Group, S.A., the NH Hotel Group.

At the end of 2019, the Group was operating hotels in 30 countries, with 368 hotels and 57,466 rooms, of which around 70% are located in Spain, Germany, Italy and the Benelux countries.

NH Hotel Group, S.A. has its registered address in Madrid.

The consolidated financial statements for 2019 were drawn up by the directors of NH Hotel Group, S.A. at the Board meeting held on 25 February 2020, in accordance with the regulatory reporting framework applicable to the Group, as established in the Code of Commerce and all other Spanish corporate law, and in the International Financial Reporting Standards (“IFRS”) adopted by the European Union in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and in Law 62/2003, of 30 December, the Tax, Administrative, Labour and Social Security Measures Act, and as such give a true and fair presentation the Group’s equity and financial position at 31 December 2019 and of the results of its operations, changes in equity and consolidated cash flows for the year then ended.

The consolidated financial statements for 2019 of the Group and the entities that it comprises have not yet been approved by the shareholders at the respective Annual General Meetings or by the respective shareholders or sole shareholders. Nonetheless, the directors of the Parent Company believe that said financial statements will be approved without any significant changes. The consolidated financial statements for 2018 were approved by the shareholders at the Annual General Meeting held on 13 May 2019 and filed with the Companies Registry of Madrid.

Based on the contents of said consolidated financial statements, the total volume of equity, period profit, assets and consolidated sales amounted to 1,275 million euros, 92.9 million euros, 4,392 million euros and 1,708 million euros, respectively.

2.- BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

a) Regulatory financial reporting framework applicable to the Company

These financial statements were prepared by the directors in accordance with the regulatory financial reporting framework applicable to the Company, which consists of:

- a) Spanish Commercial Code and all other Spanish corporate law.
- b) The General Accounting Plan approved by Royal Decree 1514/2007, which was amended by Royal Decree 602/2016, and its sector adaptations.
- c) The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish Generally Accepted Accounting Principles and the relevant secondary legislation.
- d) The standards and circulars of the National Securities Commission.
- e) All other applicable Spanish accounting legislation.

b) True and fair presentation

These financial statements, which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable thereto and, in particular, with the accounting principles and rules contained therein and, accordingly, provide a true and fair presentation of the Company's equity, financial position, results of operations and cash flows for 2019.

c) Non-obligatory accounting principles

No non-obligatory accounting principles were applied. Furthermore, the Company's directors formally prepared these financial statements by taking into account all the obligatory accounting principles and standards with a significant effect hereon. All obligatory accounting principles were applied.

d) Key issues in relation to the measurement and estimation of uncertainty

In the preparation of these financial statements, estimates were made by the Company's directors in order to quantify certain assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment of possible impairment losses on certain assets.
- The hypotheses used in the actuarial calculation of liabilities for pensions and other undertakings made to the workforce;
- The useful life of the tangible and intangible assets.
- The market value of specific assets.
- The calculation of provisions.
- Recoverability of tax assets.

Although these estimates were made on the basis of the best information available at year-end 2019, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

e) Comparative information

The information relating to 2018 contained in these notes to the financial statements is presented for the purposes of comparison with the information for 2019.

f) Grouping of items

Certain items in the balance sheet, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement are grouped together to make them easier to understand; however, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

g) Changing in accounting policies

In 2019 there were no significant changes in accounting policies with respect to those applied in 2018.

h) Correction of errors

In preparing the accompanying financial statements for 2019, no material errors were detected that would have made it necessary to restate the amounts included in the financial statements for 2018.

3.- PROPOSED DISTRIBUTION OF PROFITS

The proposed distribution of profits for the year prepared by the Company's Directors and that will be submitted for approval by the Shareholders at the General Shareholders' Meeting is as follows (in thousands of euros):

	2019
To legal reserve	15,894
To distribution of dividends	58,771
To voluntary reserves	84,275
Total	158,940

4.- ACCOUNTING POLICIES

The main accounting policies used by the Company in preparing the financial statements for 2019, in accordance with the Spanish Generally Accepted Accounting Principles, were as follows:

a) Intangible assets

Intangible assets are considered to be any specifically identifiable non-monetary assets which have been acquired from third parties or developed by the Company. Only those whose cost can be estimated in an objective way and from which future economic profits are expected are recognised.

Any assets deemed to contribute indefinitely to the generation of profits are considered to have an indefinite useful life. The remaining intangible assets are considered to have a "finite useful life". All the Company's intangible assets are considered to have a "finite useful life".

Intangible assets with a finite useful life are amortised according to the straight-line method, applying annual amortisation percentages calculated according to the estimated years of useful life of the asset in question.

As a general rule, intangible assets are recognised initially at acquisition or production cost. They are subsequently measured at cost less the related accumulated amortisation and any impairment losses.

"Intangible Assets" in the accompanying balance sheet includes, essentially, the following:

- i) **Usufruct Rights:** this item reflects the right to operate Hotel NH Plaza de Armas in Seville, acquired in 1994, whose amortisation is recognised in the income statement over the 30-year term of the agreement at a rate which increases by 4% each year.

- ii) “Computer applications” include the costs incurred by the Company in the acquisition and development of various computer software programmes acquired by the different consolidated companies. The amortisation of software applications is performed using the straight-line method at a rate of 20-25% per year.

b) Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition cost and are subsequently reduced by the related accumulated depreciation and by any impairment losses recognised, as indicated in Note 4-c.

Property, plant and equipment upkeep and maintenance expenses are recognised on the income statement for the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

For non-current assets that necessarily take a period of more than twelve months to get ready for their intended use, the capitalised costs include such borrowing costs as might have been incurred before the assets are ready for their intended use and which have been charged by the supplier or relate to loans or other funds borrowed specifically or generally directly attributable to the acquisition or production of the assets.

Withdrawn assets and items, whether arising as a result of a modernisation process or due to any other cause, are accounted for by derecognising the balances presented in the corresponding cost and accumulated depreciation accounts.

The Company depreciates its property, plant and equipment using the straight-line method, distributing the cost of the assets over the following years of estimated useful life, as follows:

	<u>Estimated years of useful life</u>
Buildings	50
Plant and machinery	10 - 12
Other plant, fixtures and furniture	4 - 10
Other Fixed assets	4 - 5

These items are depreciated based on their estimated useful life or the remaining term of the lease, if this is less than the useful life.

The profit or loss resulting from the disposal or retirement of an asset is calculated as the difference between the profit on the sale and the book value of the asset, and is recognised in the income statement.

c) Impairment of intangible assets and property, plant and equipment

Each year the Company assesses the possible existence of losses in value requiring it to reduce the book value of its property, plant and equipment and intangible assets. Loss of value is deemed to exist when the recoverable value is below the asset book value.

The recoverable amount is determined as the value in use. Value in use is calculated based on estimated future cash flows, discounted at a discount rate after tax which reflects the current market value, in relation to the value of money and the specific risks associated with the asset over a five-year period, and a perpetual value, except in the case of leased hotels corresponding with the leasing period, for which a perpetual value is not considered.

As a general rule, the Company has defined each of the hotels it operates as cash-generating units, according to the real management of their operations.

The operating result for each CGU is obtained at the end of the year without taking non-recurring results (if any) or financial results into account.

Once the operating result is obtained for each CGU, the impairment test is performed for those in which there are indications of impairment. The Company considers a CGU to show signs of impairment if it meets the following conditions, among others: it has negative operating results and its business is stable (i.e., this does not apply to recently opened hotels until, usually, 3 years after they open).

Additionally, all the CGUs that have shown an impairment in previous years will be analysed individually and subjected to an impairment test.

Future cash flows are estimated based on the result for the year approved by the Company's directors, and the records of at least five previous years. The first projected year corresponds to the budget approved by the Board of Directors for the year following the impairment test. The projections for the following years are consistent with macroeconomic information from external sources of information, and the business knowledge of the Company's Operations Management.

A series of factors are considered by the Company's directors when drafting their projections:

- Estimate of GDP (Gross Domestic Product) growth issued by the International Monetary Fund (IMF) in its report published in October of each year for the next five years.
- Local management's knowledge of the local business/assets/situation of each CGU.
- Historical results obtained by the CGUs.
- Investments in repositioning the CGUs.

These factors are reflected in the cash flows through the following working hypotheses used to obtain the projections:

- Income from accommodation is projected as the product of the occupancy percentage, the average daily rate (ADR) per room, and the total available rooms per year.
- The other revenues are projected based on the average of the relationship between the revenue from accommodation and those revenues.
- Staff costs are calculated based on the average staff costs with a growth in the inflation index (CPI).
- Tax costs are calculated based on the applicable tax rates.
- Direct expenses are directly associated with each of the revenues and are projected on the basis of an average ratio, while undistributed expenses are projected based on the average ratio between these and direct expenses.

For the calculation of the discount rate the Weighted Average Cost of Capital (WACC) methodology has been applied: Weighted Average Cost of Capital (WACC), as follows:

$$WACC=K_e * E / (E+D) + K_d * (1-T) * D / (E+D)$$

Where:

K_e : Cost of Equity
 K_d : Cost of Financial Debt
E: Own Funds
D: Financial Debt
T: Tax Rate

The Capital Asset Pricing Model (CAPM) is used to estimate the cost of equity (k_e).

The main variables used to calculate the discount rate are as follows:

- Risk-free rate: using the average long-term interest rates of a 10-year bond over the last 12 months for each country, in the local currency.
- Market risk premium: defined as 6.8% (6.6% in 2018), based on market reports.

- Beta or systematic risk: Used as outside sources of information, this information is gathered from independent databases and concerns the ratio between the risk of companies and overall market risk. The re-leveraged beta coefficient has been estimated on the basis of 72% de-leveraged betas (83% in 2018), the debt structure of comparable companies (Debt / (Debt + Equity) of 35% (26% in 2018) and the corresponding tax rate.
- Market value of debt, amounting to 4.58% (4.11% in 2018).
- Premium by size: based on recent expert reports.

The discount rate after tax applied by the Company for this purpose is 6.88%. In this regard, the cash flows resulting from the impairment tests were also calculated after tax. In addition, the book value to which the value-in-use is compared does not include any deferred tax liabilities which could be associated with the assets.

The average discount rate before tax applied by the Company for this purpose is 9.62% (10.24% in 2018).

Using a post-tax discount rate and post-tax cash flows is consistent with the standards, as the estimated future cash flows will reflect assumptions that are consistent with the manner of determining the discount rate. In addition, the result of the post-tax flows updated at a post-tax discount rate would obtain the same result with respect to the impairment test if a pre-tax rate were used and, therefore, the impairment and reversion accounting records would be the same.

If the recoverable value of an asset is estimated to be less than its book value, the asset's book value is reduced to its recoverable amount, and the related write-down is recognised in the income statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the limit of the original value at which such asset was recognised before the loss of value was recognised.

Information on impairment losses detected in the financial year appears in Notes 5 and 6 of this Annual Report.

d) Leases

Leases are classified as financial leases whenever the terms of the lease substantially transfer all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

The Company generally classifies all leases as operating leases. Whether a lease is financial or operating depends on the economic background and nature of the transaction, rather than the mere form of the lease agreement.

The arguments used to classify the leases as operative are as follows:

- The ownership of the asset is transferred to the lessor at the end of the lease;
- There is no option to acquire the asset at the end of the lease;
- The term of the lease does not exceed the economic life of the asset
- The present value of the minimum lease payments does not substantially cover the market value of the underlying asset;
- The duration of leases is always much shorter than the economic useful life of the underlying asset;
- In the event that it is decided to extend the duration of the lease, the terms of the new lease should be renegotiated;
- The group can unilaterally terminate the lease without a penalty being imposed as a consequence;
- The increases or decreases in the residual value of the underlying asset are not borne by the Company, but by the lessor.

Expenses resulting from operating leases are charged to income in the year in which they are incurred.

When the Company acts as the lessor, it recognises the income from operating leases using the straight-line method according to the terms of the agreements signed. These assets are recorded at the acquisition cost of the leased assets under "Property, plant and equipment" and are depreciated in accordance with the policies adopted for similar own-use tangible assets. When the Company is the lessee, the cost of leasing is charged to the income statement on a straight-line basis, with the resulting asset or liability recorded in the corresponding sections of the balance sheet.

e) Financial instruments

1) Financial assets

The financial assets held by the Company are classified into the following categories:

- Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in a two-way market.
- Investments in the equity of the Company's group companies, associates and jointly controlled entities: group companies are deemed to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant influence. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other partners.
- Financial assets held for sale These include debt securities and equity instruments of other companies that are not classified in any of the previous categories.
- Financial assets held for trading: those acquired with a view to disposing of them in the short term or those that are part of a portfolio where evidence exists of recent actions with this goal. This category also includes financial derivatives that are not finance guarantees (e.g. sureties) or those designated as hedging instruments.

Initial measurement –

Financial assets are initially recognised at the fair value of the consideration given, plus any directly eligible transaction costs.

Subsequent measurement –

Loans and receivables are measured at amortised cost.

Investments in the Company's group companies, associates and interests in jointly controlled entities are measured at cost, net of any accumulated impairment losses, where appropriate. These losses are calculated as the difference between the carrying value of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill).

Financial assets held for sale are measured at fair value and the gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or it is determined that it has become permanently impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net profit or loss for the year.

Lastly, financial assets held for trading are valued at their fair value, registering the result of changes in fair value in the income statement.

At least at each reporting date, the Company tests financial assets not measured at fair value through profit or loss for impairment. Objective evidence of impairment is deemed to exist when the recoverable amount of the financial asset is lower than its carrying value. When this occurs, the impairment loss is recognised on the income statement.

In particular, in relation to valuation adjustments relating to trade and other receivables, the Company calculates the corresponding impairment losses, if any, by analysing these on a case-by-case basis and provisioning balances past due by more than 180 days.

The Company deregisters financial assets when they mature, or when the rights to the financial asset's cash flows have been transferred, along with the inherent risks and benefits of ownership.

Conversely, the Company does not derecognise financial assets and recognises a financial liability for an amount equal to the consideration received in the transfers of financial assets in which the risks and rewards inherent in its ownership are substantially all retained.

2) Equity instruments

An equity instrument represents a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments issued by the Company are recognised in equity as the proceeds received, net of issue costs.

Treasury shares acquired by the Company during the year are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in profit or loss.

3) Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance, cannot be classed as derivative financial instruments.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

Debt issues are initially recognised at the fair value of the consideration received, less the costs directly attributable to the transaction. They are subsequently valued at their amortised cost using the effective interest rate method. Bonds with a maturity date greater than twelve months are classified under non-current liabilities, while those with a maturity date of less than twelve months are included in current liabilities.

Convertible bond issues are recognised at the time of their issue, distributing the fair value of the consideration received between their equity and liability components, assigning the residual value obtained after deducting the amount established separately for the liability component, from the fair value of these instruments as a whole, to the equity instrument. The value of any derivative embedded in the compound financial instrument other than the equity component will be included in the liability component.

Loans received from banking institutions are recognised at the amount received, net of costs incurred in the transaction. They are subsequently valued at amortised cost. These transaction costs and financial expenses are recognised on an accrual basis in the income statement using the effective interest rate method, and their amount is added to liabilities to the extent to which they are not settled in the period they were produced.

Valuation techniques and assumptions applying to the measurement of fair value

The fair values of financial assets and liabilities are determined as follows:

- The fair value of financial assets and liabilities under standard terms and conditions which are traded in active liquid markets are based on market prices.
- The fair value of other financial assets and liabilities (excluding derivatives) is determined in accordance with generally accepted valuation models on the basis of cash flow discounting using the price of observable market transactions and contributor listings of similar instruments.
- In order to determine the fair value of interest rate derivatives, cash flow discounting is used based on the implicit flow determined by the interest rate curve according to market conditions. In order to determine the fair value of options, the Company uses the Black-Scholes valuation model and its variants, using for this purpose market volatilities for the strike and maturity prices of said options.

Any financial instruments valued after their initial recognition at fair value are classified as level 1 to 3 based on the extent to which fair value can be observed:

- Level 1: includes any instruments indexed to listed prices (without adjustment) of identical assets or liabilities in active markets.
- Level 2: includes any instruments indexed to other observable inputs (which are not the listed prices included under Level 1) for assets or liabilities, be it directly (i.e., prices) or indirectly (i.e., derived from prices).
- Level 3: includes any instruments indexed to valuation techniques, which include inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

f) Inventories

Inventories for restoration are valued at the lowest value of their acquisition cost or realisable amount.

g) Foreign currency transactions

The Company's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be "foreign currency transactions" and are recognised by applying the exchange rates prevailing on the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. Any resulting gains or losses are recognised directly in the income statement in the year in which they arise.

h) Income tax

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and interim payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured as the amount expected to be payable or recoverable on differences between the carrying values of assets and liabilities and their tax bases,

and tax loss and tax credit carryforwards. Said amounts are recognised by applying to the relevant temporary difference or credit the tax rate at which they are expected to be recovered or settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss).

Deferred tax assets are recognised to the extent that it is considered likely that the Group will have taxable profits in the future against which the deferred tax assets can be utilised.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made, according to the extent of doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become likely that they will be recovered through future taxable profits.

i) Income and expenses

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Revenue from sales and services rendered is also recognised by reference to the stage of completion of the transaction at the reporting date, provided the outcome of the transaction can be reliably estimated.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment has been established. In any case, interest from financial assets accrued after the date of acquisition is recognised as income in the income statement.

j) Provisions and contingencies

The financial statements include all the provisions with respect to which it is considered likely that the obligation will have to be settled. Contingent liabilities are not recognised in the financial statements but rather are disclosed, unless the possibility of an outflow in settlement is considered to be remote.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognised as interest cost on an accrual basis.

The compensation to be received from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Company is not liable; in this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognised.

k) Termination benefits

Under current legislation and certain employment contracts, the Company is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken.

At 31 December 2019 the Company recognised 391 thousand euros for this item (527 thousand euros for the previous year) (see Note 18-b).

l) Environmental assets and liabilities

Environmental assets are deemed to be assets used on a lasting basis in the Company's operations whose main purpose is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of future pollution.

Because of their nature, the Company's business activities do not have a significant environmental impact.

m) Obligations to employees

The Company has not established any supplementary pension plan to the social security system

Collective agreements in the hotel industry, applicable to the Company in Spain, require a specific number of monthly salary payments to those employees who leave the company due to retirement, permanent disability or upon reaching a certain age and having a certain number of years of service and fulfilling certain pre-established requirements.

In this regard and in compliance with Royal Decree-Law 16/2005, the Company has outsourced its obligations concerning its employees' pension plans.

n) Share-based remuneration schemes

These schemes, which may be paid in shares, are valued at the time of granting, using a financial method based on a binomial model which takes into consideration the strike price, volatility, the exercise period, the expected dividends, the risk-free interest rate and the assumptions made concerning the financial year.

The allocation of the aforementioned valuation to profit or loss is carried out under personnel expenses on a straight line basis over the period of time the employee is employed as a requirement for its exercise, and a balancing entry on the Balance Sheet under Reserves.

On each subsequent closing date, the Company reviews the estimates regarding the number of options expected to be exercisable, adjusting the figure on the net equity if necessary.

ñ) Transactions with related parties

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

o) Current/Non-current classification

Current assets are assets associated with the normal operating cycle, which in general is considered to be one year; other assets which are expected to mature, be disposed of or be realised within twelve months from the end of the reporting period; financial assets held for trading, except for financial derivatives that will be settled in a period exceeding one year; and cash and cash equivalents. Assets that do not meet these requirements are classified as non-current assets.

Similarly, current liabilities are liabilities associated with the normal operating cycle, financial liabilities held for trading, except for financial derivatives that will be settled in a period exceeding one year; and, in general, all obligations that will mature or be extinguished in the short term. All other liabilities are classified as non-current liabilities.

p) Onerous contracts

The Company considers onerous contracts to be those in which the inevitable costs of fulfilling the obligations they entail exceed the economic benefits expected from them.

The Company follows the principle of recording a provision at the present value of the aforementioned difference between the costs and benefits of the contract, or the compensation foreseen for abandonment of the contract, if such is decided.

The methodology, assumptions and discount rates used to calculate any necessary provisions are applied in accordance with the criteria described in Note 4.c.

q) Non-current assets classified as held for sale

Under the heading "Non-current assets classified as held for sale" the Company includes those assets whose book value is to be recovered through their sale and not through their continued use. This condition is considered to be met only when the sale is highly probable and the asset is available for immediate sale in its current state, and that the sale will be within one year from the date of classification.

Non-current assets classified as held for sale are valued at their historical cost, which in all cases is less than their fair value less selling expenses. For the measurement of fair value, the investment book value plus the amount of the existing unrealised gains of the assets owned by these companies, supported by valuations carried out by independent experts, have been taken into account.

r) Cash flow statements

The following terms with their corresponding explanation are used in the cash flow statements prepared using the indirect method:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: the principal revenue-producing activities of the Company, and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

5.- INTANGIBLE ASSETS

The detail of the different items included in "Intangible Assets" and of the changes therein in 2019 and 2018 are as follows (in thousands of euros):

	Balance at 31/12/2018	Inclusions	Retirements	Assignments (Note 6)	Balance at 31/12/2019
COST					
Rights of use	32,376	102	-	-	32,478
Concessions, patents and trademarks	1,012	341	-	-	1,353
Software applications	75,586	13,387	-	(74)	88,899
	108,974	13,830	-	(74)	122,730
CUMULATIVE AMORTISATION					
Rights of use	(23,930)	(1,617)	-	(6)	(25,553)
Concessions, patents and trademarks	(265)	(174)	-	6	(433)
Software applications	(42,813)	(13,798)	-	6	(56,605)
	(67,008)	(15,589)	-	6	(82,591)
Impairment	-	-	-	-	-
NET BOOK VALUE	41,966				40,139

	Balance at 31/12/2017	Inclusions	Retirements	Assignments (Note 6)	Balance at 31.12.18
COST					
Rights of use	32,275	101	-	-	32,376
Concessions, patents and trademarks	858	147	-	7	1,012
Software applications	63,948	12,009	(370)	(1)	75,586
	97,081	12,257	(370)	6	108,974
ACCUMULATED AMORTISATION					
Rights of use	(22,151)	(1,776)	-	(6)	(23,930)
Concessions, patents and trademarks	(142)	(129)	-	6	(265)
Software applications	(29,580)	(13,533)	281	19	(42,813)
	(51,873)	(15,438)	281	19	(67,008)
Impairment	-	-	-	-	-
NET BOOK VALUE	45,208				41,966

The most significant additions in 2019 were those arising from investments made to develop the Company's computer applications.

The section "Usufruct Rights" recognises the total amount agreed by way of payment for the usufruct rights over the Hotel NH Plaza de Armas.

Derecognitions in 2018 are mainly represented by withdrawals of software applications which were fully amortised at year-end.

At the end of 2019 and 2018, the Company had fully amortised intangible assets still in use, itemised as follows (in thousands of euros):

	Thousands of euros	
	2019	2018
Usage rights, concessions, patents and brands	2,061	1,912
Software applications	22,198	3,837
Total	24,259	5,749

6.- PROPERTY, PLANT & EQUIPMENT

The detail of the different items of "Intangible Assets" and of the changes therein in 2019 and 2018 are as follows (in thousands of euros):

	Balance at 31/12/2018	Inclusions	Retirements	Transfers	Balance at 31/12/2019
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COST

Land and buildings	90,950	-	-	-	90,950
Plant and machinery	63,570	4,591	(490)	329	68,000
Other plant, fixtures and furniture	10,327	1,685	(703)	103	11,412
Other fixed assets and assets under construction	354	322	(200)	(354)	122
	165,200	6,598	(1,393)	78	170,484
CUMULATIVE DEPRECIATION					
Buildings	(13,931)	(1,811)	-	-	(15,742)
Plant and machinery	(33,126)	(3,441)	439	-	(36,128)
Other fixtures, tools Furniture and other fixed assets	(6,338)	(981)	683	(10)	(6,646)
	(53,395)	(6,233)	1,122	(10)	(58,516)
Impairment	(139)	-	139	-	-
NET BOOK VALUE	111,666				111,968

	Balance at 31/12/2017	Inclusions	Retirements	Assignments (Note 5 and 9)	Balance at 31/12/2018
COST					
Land and buildings	92,193	515	-	(1,758)	90,950
Plant and machinery	62,456	2,006	(910)	18	63,570
Other plant, fixtures and furniture	9,760	940	(385)	12	10,327
Other fixed assets and assets under construction	2,362	7,833	-	(9,842)	353
	166,771	11,294	(1,295)	(11,570)	165,200
ACCUMULATED AMORTISATION					
Buildings	(12,116)	(1,794)	-	(21)	(13,931)
Plant and machinery	(30,976)	(3,013)	863	-	(33,126)
Other fixtures, tools, furniture and other fixed assets	(5,870)	(817)	349	-	(6,338)
	(48,962)	(5,624)	1,212	(21)	(53,395)
Impairment	(99)	(76)	36	-	(139)
NET BOOK VALUE	117,710				111,666

The year's most significant additions relate to the renovation of certain Hotels, notably the NH Malaga and the NH Plaza de Armas.

Transfers to other items recorded in 2018 relate mainly to the second building of the NH Malaga classified as a non-current asset held for sale in 2018 amounting to 11,566 thousand euros (see Note 9).

At the end of 2019 and 2018, the Company had fully depreciated items of property, plant and equipment still in use, itemised as follows:

	Thousands of euros	
	2019	2018
Plant and machinery	17,307	16,900
Other fixtures, tools, furniture and others	3,225	3,688
Total	20,532	20,588

The heading related to Land and Buildings is broken down into Land at 50,659 thousand euros and Buildings at 40,295 thousand euros.

The Company has taken out insurance policies to cover the possible risks to which the different elements of its property, plant and equipment are subject and the claims that may be filed against it for conducting its business activities. It is understood that such policies sufficiently cover the risks to which the Company is exposed.

At 31 December 2018, there is 841 thousand euros in commitments for the purchase of fixed assets.

7.- OPERATING LEASES

At 31 December 2019 and 2018, the Company had contracted with lessors for the following minimum lease payments, based on the leases currently in force, without taking into account the charging of common expenses, future increases in the CPI or future contractual lease payment reviews:

Thousands of euros	Actual value	
	2019	2018
Less than one year	6,435	6,135
Between two and five years	15,895	17,478
More than five years	6,091	5,996
Total	28,421	29,609

The current value of the rental payments has been calculated by applying a discount rate in keeping with the Company's weighted average cost of capital and includes the commitments which the Company estimates will have to be met in the future to guarantee a minimum return from hotels operated under a management agreement.

The operating lease payments recognised as an expense in the years ended 2019 and 2018 came to 9,205 thousand euros and 4,670 thousand euros respectively, almost entirely consisting of the hotel lease payments (see Note 18-c).

The term of the operating leases arranged by the Company ranges from 5 to 18 years. Also, the rental income from said leases consists of a fixed amount tied to the CPI index which is reviewed annually.

8.- FINANCIAL INVESTMENTS

8.1- Non-current financial assets

The breakdown of this item at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Other collection rights	-	3,039
Guarantees	1,278	1,310
Others	18	18
Total	1,296	4,367

During 2018, the "Other collection rights" line item reflected the claim filed against the insurance company that underwrote the ten-year construction insurance. The amount claimed corresponds to the repairs made and pending in the Los Cortijos de Sotogrande housing development. At the end of 2018, the amount of this claim was collected without any economic losses by the Company.

8.2- Group companies, jointly-controlled entities and associates

The most significant information in relation to Group companies, jointly controlled entities and associates at year-end 2019 and 2018 is as follows:

Company/ Registered address /Activity	Direct shareholding	2019 - Thousands of euros					
		Capital	Profit (Loss)	Other equity items	Total Shareholders' Equity	Cost	Provision
NH Italia, S.p.A./Valdagno/Hoteleria	51%	233,847	33,535	147,677	415,059	300,245	-
NH Europa, S.A./Madrid/Holding	100%	100,743	84,916	587,061	772,720	973,359	-
Latinoamericana De Gestion Hotelera, S.A./Madrid/Holding	100%	104,036	(13,203)	95,256	186,089	179,217	-
NH Hoteles España, S.A./Madrid/Hoteleria	100%	177,059	26,936	(81,034)	122,961	351,759	-
NH Central Reservation Office, S.L./Madrid/Call Center	100%	7,700	894	2,005	10,599	31,665	(24,010)
NH Cash Link, S.L.U./Madrid/Financiera	100%	3	-	82,121	85,124	82,121	-
Others						2,205	-
Total						1,920,571	(24,010)

Company/ Registered address /Activity	Direct shareholding	2018 - Thousands of euros					
		Capital	Profit (Loss)	Other equity items	Total Shareholders' Equity	Cost	Provision
NH Italia, S.p.A./Valdagno/Hoteleria	51%	233,847	139,195	184,895	557,937	300,249	-
NH Europa, S.A./Madrid/Holding	100%	100,743	73,492	584,571	758,806	973,359	-
Latinoamericana De Gestion Hotelera, S.A./Madrid/Holding	100%	104,036	82,494	14,744	201,274	179,217	-
NH Hoteles España, S.A./Madrid/Hoteleria	100%	177,059	8,988	(17,050)	168,997	351,383	-
NH Central Reservation Office, S.L./Madrid/Call Center	100%	7,700	1,332	658	9,690	31,663	(24,918)
NH Finance, S.A./Luxemburg/Financing	99%	12,032	9,173	79,955	101,160	80,508	-
Beijing NH Grand China Hotel Management Co, Ltd/China/Hoteleria	50%	8,950	(171)	(4,627)	4,152	4,421	(2,518)
Others						1,528	-
Total						1,922,328	(27,436)

The changes in "Investments in Group Companies" in 2019 are as follows (in thousand euros):

Company/ Registered address /Activity	Cost				Provision				Net
	Balance at 31/12/2018	Additions	Retirements	Balance at 31/12/2019	Balance at 31/12/2018	Additions	Reversals	Balance at 31/12/2019	Balance at 31/12/2019
NH Italia, S.p.A./Valdagno/Hotelera	300,250	-	(5)	300,245	-	-	-	-	300,245
NH Finance, S.A./Luxemburg/Financing	80,508	31	(80,539)	-	-	-	-	-	-
NH Cash Link, S.L.U./Madrid/Financiera	-	82,121	-	82,121	-	-	-	-	82,121
NH Europa, S.A./Madrid/Holding	973,359	-	-	973,359	-	-	-	-	973,359
Latinoamericana De Gestion Hotelera, S.A./Madrid/Holding	179,217	-	-	179,217	-	-	-	-	179,217
NH Hoteles España, S.L/Madrid/Hotelera	351,382	377	-	351,759	-	-	-	-	351,759
NH Central Reservation Office, S.L/Madrid/Call Center	31,663	2	-	31,665	(24,918)	-	908	(24,010)	7,655
Beijing NH Grand China Hotel Management Co, Ltd/China/Hotelera	4,421	-	(4,421)	-	(2,518)	-	2,518	-	-
Others	1,528	677	-	2,205	-	-	-	-	2,205
Total	1,922,328	83,208	(84,965)	1,920,571	(27,436)	-	3,426	(24,010)	1,896,561

The changes in "Investments in Group Companies" in 2018 are as follows (in thousand euros):

Company/ Registered address /Activity	Cost				Provision				Net
	Balance at 31/12/2017	Additions	Retirements	Balance at 31/12/2018	Balance at 31/12/2017	Additions	Reversals	Balance at 31/12/2018	Balance at 31/12/2018
NH Italia, S.p.A./Valdagno/Hotelera	300,209	41	-	300,250	-	-	-	-	300,250
NH Finance, S.A./Luxemburg/Financing	80,508	-	-	80,508	-	-	-	-	80,508
NH Europa, S.A./Madrid/Holding	973,359	-	-	973,359	-	-	-	-	973,359
Latinoamericana De Gestion Hotelera, S.A./Madrid/Holding	179,217	-	-	179,217	(8,664)	-	8,664	-	179,217
NH Hoteles España, S.L/Madrid/Hotelera	351,086	296	-	351,382	-	-	-	-	351,382
NH Central Reservation Office, S.L/Madrid/Call Center	31,675	1	(13)	31,663	(26,249)	-	1,331	(24,918)	6,745
Beijing NH Grand China Hotel Management Co, Ltd/China/Hotelera	4,421	-	-	4,421	-	(2,518)	-	(2,518)	1,903
Others	955	575	(2)	1,528	-	-	-	-	1,528
Total	1,921,430	913	(15)	1,922,328	(34,913)	(2,518)	9,995	(27,436)	1,894,892

In 2019, 100% of the shareholding in “NH Finance, S.A.” was transferred to “NH Cash Link, S.LU” for an amount of 82,121 thousand euros.

During the first six months of 2018, the Company liquidated the company Hotel & Congress Technology, S.L. in which it had a 50% shareholding. The net result of this liquidation was a loss of 45 thousand euros recorded against “Impairment and gains or losses on disposals of financial instruments” of the profit and loss account for 2018.

9.- NON-CURRENT ASSETS HELD FOR SALE, LIABILITIES LINKED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In accordance with IFRS 5, Non-current assets classified as held for sale and discontinued operations (see Note 4.q), the group has classified non-strategic assets under this heading which, pursuant to the Strategic Plan, are undergoing divestment with committed sales plans.

The assets classified as held for sale, after deducting their liabilities, were measured at the lower of their carrying amount and the expected sales price minus costs.

Specifically, the shareholdings in Sotocaribe, S.L and Capredo Investments GmbH are classified as discontinued operations; these companies represented the entirety of the Group’s property activity. Sotocaribe, S.L. was consolidated by the equity method, while Capredo Investments, GmbH was consolidated by the global method.

Additionally, in 2018, the land and property in which the NH Málaga II hotel is located, the sale of which was formalised in February this year, was recognised as available for sale. This transaction represented an asset derecognition of 11,762 thousand euros and a positive pre-tax result of 3,870 thousand euros recorded under "Gain/(loss) on disposals and others".

The significant data in relation to these assets at 31 December 2019 is as follows:

Company	Direct shareholding	Thousands of euros					
		Capital	Profit (Loss)	Other equity items	Total Shareholders' Equity	Cost	Provision
Sotocaribe, S.L.	35.5%	61,082	74	96,465	157,621	43,537	(3,481)
Capredo Investments GmbH	100%	40	35	16,874	16,949	9,066	-
Total						52,603	(3,481)

As a result from the analysis of fair value of the investment on Sotocaribe, S.L. it has been registered an impairment amounting to 3,481 thousand euros under the line “Impairment and gains or losses on disposals of financial instruments” of the income statement.

As a consequence of this, account receivables with this company has been impaired at the end of the year (See Note 27).

The significant data in relation to these assets at 31 December 2018 is as follows:

Company	Direct shareholding	Thousands of euros				
		Capital	Profit (Loss)	Other equity items	Total Shareholders' Equity	Cost
Sotocaribe, S.L.	35.5%	61,082	1,748	100,672	160,006	42,399
Capredo Investments GmbH	100%	40	30	13,560	13,630	9,066
NH Málaga (Note 6)	-	-	-	-	-	11,566
Total						63,031

10.- CASH AND CASH EQUIVALENTS

"Cash and Cash Equivalents" largely includes the Company's cash position and bank deposits maturing in three months or less. These assets are recognised at their fair value. There are no restrictions on how cash may be used.

As at 31 December 2019, there were no restrictions on the receipt of dividends distributed by the companies in which the Parent Company holds a direct or indirect minority shareholding other than the legally established regulations on the distribution of dividends.

As a result of the enactment of Royal Decree 1558/2012 of 15 November, of Article 42 bis of Royal Decree 1065/2007 of 27 July, approving the General Regulations on tax management, inspection and procedures, and implementing the common rules of the procedures for applying taxes, which establishes certain reporting obligations with regard to overseas assets and rights, among others, it is disclosed that some members of the NH Hotel Group S.A. Board of Directors have the right, as representatives or authorised officials, to dispose of bank accounts located abroad, which are in the name of Group companies. The reason certain Board members have the right to dispose of overseas bank accounts is that they are directors or board members of said subsidiaries.

NH Hotel Group S.A. holds other accounting documents, namely the consolidated annual accounts, from which sufficient data can be extracted in relation to the aforementioned accounts.

11.- EQUITY

a) Registered share capital

NH Hotel Group, S.A. share capital at 31 December 2019 comprised 392,180,243 fully subscribed and paid up bearer shares with a par value of 2 euros each. All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

According to the latest notifications received by the Parent Company and the notices given to the National Securities Market Commission before the end of every financial year, the most significant shareholdings at 31 December 2019 and 31 December 2018 were as follows:

	31/12/2019	31/12/2018
Minor International Public Company Limited ("MINT") ⁽¹⁾	94.13%	94.13%

The aforementioned (indirect) shareholding of MINT in NH Hotel Group, S.A. is the result of the IPO made by MHG Continental Holding (Singapore) Pte Ltd. on 11 June 2018 for 100% of the shares that were part of the share capital of NH Hotel Group, S.A., the result of which was that MINT acquired, through its wholly owned subsidiary MHG Continental Holding (Singapore) Pte. Ltd, shares representing 94.13% of the share capital of NH Hotel Group, S.A.

(1) MINT is the indirect shareholder through MHG Continental Holding (Singapore) Pte Ltd.

b) Dividends

The General Shareholders' Meeting on 13 May 2019 approved, among other items, the proposed distribution of dividends. It therefore decided to draw from the profits of the year ended 31 December 2018 and distribute a dividend of 15 euro cents gross per share in the parent company NH Hotel Group, S.A. with the right to receive it, outstanding on the date of the payment; all according to the following schedule:

- Last date of trading with dividend: 11 June 2019
- Ex-dividend date: 12 June 2019
- Registration date: 13 June 2019
- Payment date: 14 June 2019 for 53 million euros and 3 July for 5.2 million euros.

This dividend was distributed through the companies with shares in "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal" (IBERCLEAR), with powers granted for this purpose to the Board of Directors, with express powers of substitution, so that after checking for compliance with obligations under the finance contracts of NH HOTEL GROUP, S.A., the Board will designate an entity to act as paying agent and will perform the other necessary or advisable actions for a satisfactory distribution. The total amount distributed as dividends was 58.771 million euros.

c) Share premium

The balance of the "Share Premium" account arose as a result of the capital increases carried out by the Company.

The Consolidated Text of the Spanish Corporations Law expressly allows the balance of this reserve to be used to increase the capital and imposes no restrictions on the availability of said balance.

d) Legal reserve

In accordance with the Consolidated Text of the Spanish Corporations Law, 10% of the net profit for each year must be allocated to the legal reserve until it reaches at least 20% of share capital. The legal reserve may be used to increase capital provided the remaining balance does not fall below 10% of the increased capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At 31 December 2019 and 2018, the Company's legal reserve was not fully constituted.

e) Restricted reserve

Reserves totalling 1,647 thousand euros at 31 December 2019 (2,530 thousand euros at 31 December 2018) could not be distributed, as this figure corresponds to own shares.

f) Treasury Shares

At 31 December 2019, the Group had 374,464 own shares, compared to 600,000 own shares at 31 December 2018. The evolution in treasury shares over the period can be explained by the following movement:

- In the first half of 2019, the third cycle of the long-term incentive plan was settled (see Note 18). This second cycle was settled by the delivery of 226,067 shares valued at 1,670 thousand euros.
- On 10 April 2019, the Group signed a liquidity contract to manage its treasury shares with Banco Santander, which entered into force on 11 April 2019. The total number of shares allocated to the securities account associated with the new Liquidity Contract is 82,645 shares and the amount allocated to the cash account is 400,000 euros. At 31 December 2019, the number of shares assigned to the liquidity contract was 83,176 shares. The negative effect recorded in reserves for operations carried out in the first half of the year was 87 thousand euros.

12.- PROVISION FOR CONTINGENCIES AND CHARGES

The detail of “Provisions for Contingencies and Charges” as at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Provisions for contingencies and extraordinary costs:		
Provision for pensions and similar obligations	427	340
Provision for liabilities	4,045	13,842
	4,472	14,182
Provisions for contingencies and current expenses:		
Provision for other liabilities	4,180	-
	4,180	-

Provision for liabilities

In 2019, the long-term "Provision for liabilities" account includes provisions for litigation and risks which the Company considers probable and derecognising during the year those that have been resolved in the year. No decision on these claims is expected in the short term (see Note 16).

13. CURRENT AND NON-CURRENT PAYABLES

13.1 Debt instruments and Debts with credit institutions

The balances of the “Bonds and other negotiable securities” and “Debts with credit institutions” items at 31 December 2019 and 2018 were as follows:

	Thousands of euros			
	2019		2018	
	Long-term	Short-term	Long-term	Short-term
Guaranteed senior bonds maturing in 2023	356,850	-	356,850	-
Arrangement expenses	(6,612)	(2,166)	(8,799)	(2,120)
Borrowing costs	-	3,308	-	3,308
Debt instruments and other marketable securities	350,238	1,142	348,051	1,188
Subordinated loans	40,000	-	40,000	-
Credit lines	-	-	-	8
Arrangement expenses	(1,050)	(785)	(1,835)	(770)
Borrowing costs	-	96	-	142
Bank borrowings	38,950	(689)	38,165	(620)
Total	389,188	453	386,216	568

Secured senior bonds maturing in 2023

On 23 September 2016 the Parent Company placed guaranteed senior bonds, which mature in 2023, at the nominal value of 285 million euros. The nominal yearly interest rate for said issuance of notes is 3.75%. On 4 April 2017, the parent company issued an extension of guaranteed senior bonds maturing in 2023 for a nominal amount of 115 million euros with an implicit cost until maturity of 3.17%. The outstanding nominal amount at 31 December 2018 is 356,850 thousand euros (see the heading "Depreciation and Amortisation 2018").

Depreciation and Amortisation 2018

As a result of the change of control and as established in the voluntary repurchase and early redemption offer of its 400,000,000-euro senior secured bond issue maturing in 2023 and traded on the Euro MTF market of the Luxembourg Stock Exchange (the "Bonds") due to the change of control, requests were received for the repurchase and redemption of bonds for a nominal amount of EUR 3,150 thousand euros.

The bond repurchase offer was settled on 12 November 2018, the date on which the Company paid an aggregate amount of 3,195 thousand euros to the bondholders, who accepted the offer as a whole:

- Nominal paid in advance: 3.15 million euros
- Unpaid accrued interest: 13.5 thousand euros
- Amount of the repurchase premium: 31.5 thousand euros

On 14 December 2018, the Company carried out the partial voluntary early redemption, for a nominal amount of 40,000 thousand euros (representing 10% of its original total amount), of its senior secured bond issue amounting to 400,000 thousand euros maturing in 2023 and traded on the Euro MTF market of the Luxembourg Stock Exchange (the "Bonds"), by means of a linear pro rata reduction of the nominal value of all the bonds in circulation. The Bonds were redeemed through the payment of approximately 103.760% of the nominal value of the Bonds being redeemed, including:

- Nominal paid in advance: 40 million euros
- Unpaid accrued interest: 304.2 thousand euros
- Amount of the repurchase premium: 1.20 million euros

The Company paid the partial redemptions from available cash.

Secured credit line

On 22 September 2016, the Parent Company and NH Finance, S.A. entered into a revolving business credit with credit institutions amounting to 250,000 thousand euros ("syndicated credit line") with a maturity of three years, extendable to five years at the time of the refinancing of the guaranteed senior notes maturing in 2019. As a consequence of the refinancing and early payments of the guaranteed senior notes maturing in 2019 which took place in 2017, the maturity date of said financing was extended to 29 September 2021. At 31 December 2019, this financing was not available in full.

Obligations required in the guaranteed senior note indentures maturing in 2023 and in the syndicated credit line

The senior notes maturing in 2023 and the syndicated credit line require the fulfilment of a series of obligations and limitations of essentially homogeneous content as regards the assumption of additional borrowing or provision of guarantees in favour of third parties, the granting of real guarantees on assets, the sale of assets, investments that are permitted, restricted payments (including the distribution of dividends to shareholders), transactions between related parties, corporate transactions and disclosure obligations. These obligations are detailed in the issue prospectus for the aforementioned notes, as well as in the credit agreement of the syndicated credit line.

In addition, the syndicated credit line requires compliance with financial ratios; in particular (i) an interest coverage ratio of $\geq 2.00x$, (ii) a debt coverage ratio of $\leq 5.50x$, and (iii) a Loan to Value ("LTV") ratio which, as a result of the refinancing of the 2019 senior secured obligations due in 2017, depends on the level of NH Group's indebtedness at any given time as indicated below:

- Debt-to-income ratio $> 4.00x$: LTV ratio = 70%
- Debt-to-income ratio $\leq 4.00x$: LTV ratio = 85%
- Debt-to-income ratio $\leq 3.50x$: LTV ratio = 100%

As a result of the early redemption of the convertible bonds and of the Group's reduced debt ratio, the maximum LTV permitted at 31 December 2019 is 100%.

At 31 December 2019 these ratios were completely adhered to.

Package of guaranteed senior notes maturing in 2023 and syndicated credit line

The guaranteed senior notes maturing in 2023 and syndicated credit line (undrawn at 31 December 2019) share the following guarantees: (i) pledge of shares: 100% of the share capital of (A) Diegem, (B) Immo Hotel Brugge NV, (C) Immo Hotel Diegem NV, (D) Immo Hotel GP NV, (E) Immo Hotel Mechelen NV, (F) Immo Hotel Stephanie NV, (G) Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V. and (H) NH Italia, S.p.A. (ii) first-tier mortgage guarantee on the following hotels located in the Netherlands: NH Conference Centre Koningshof, owned by Koningshof, B.V.; NH Conference Centre LeeuwenHorst, owned by LeeuwenHorst Congres Center, B.V.; NH Schiphol Airport, owned by Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp, B.V.; NH Zoetermeer, owned by Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.; NH Conference Centre SparreNHorst, owned by SparreNHorst, B.V.; NH Capelle, owned by Onroerend Goed Beheer Maatschappij Capelle aan den IJssel, B.V.; and NH Naarden, owned by Onroerend Goed Beheer Maatschappij IJsselmeerweg Naarden, B.V. and the joint guarantee on first demand of the main operating companies in the group wholly owned by the Parent Company.

Limitation on the distribution of Dividends

The guaranteed senior notes maturing in 2023 and the syndicated credit line described above contain clauses limiting the distribution of dividends.

In the case of the senior notes maturing in 2023, the distribution of dividends is generally permitted provided that (a) the interest coverage ratio is $> 2.0x$ and (b) the sum of restricted payments (including dividends and repayment of subordinated debt) made since 8 November 2013 is less than the sum of, amongst other items, (I) 50% of NH's consolidated net income (even though in the calculation of net income, 100% of consolidated net losses must be deducted) from 1 July 2013 to the date of the last quarterly accounts available (this is what is known as the CNI Builder) and, (ii) 100% of the net contributions to NH's capital from 8 November 2013.

Additionally, as an alternative and without having to be in compliance with the previous condition: (i) in the case of bonds maturing in 2023, NH may distribute dividends provided that the leverage ratio (gross debt/EBITDA) does not exceed $4.5x$.

Finally, and also alternatively and without having to be concurrent with the previous ones, the notes maturing in 2023 establish a franchise to be able to make restricted payments (including dividends) without needing to comply with any specific requirement, for a total aggregate amount of 25,000,000 euros as of November 2013.

In the case of the syndicated credit line, the distribution of a percentage of the NH Group's consolidated net profit from the previous year is allowed, provided that there has been no breach of the financing agreement and the Group's Net Financial Debt (through the Dividend payment) / EBITDA Ratio is less than $4.0x$.

The maximum percentage of the consolidated net profit to be distributed will depend on the Group's Net Financial Debt Ratio (through the payment of the Dividend) / EBITDA according to the following breakdown:

- Net Financial Debt / EBITDA $\leq 4.0x$: Percentage of consolidated net profit: 75%
- Net Financial Debt / EBITDA $\leq 3.5x$: Percentage of consolidated net profit: 100%
- Net Financial Debt / EBITDA $\leq 3.0x$: Percentage of consolidated net profit: unlimited

At 31 December 2019 all legal requirements for the distribution of dividends are met according to the propose of distribution of this annual report (See Note 3). This being said, it will be verified again at the date of the distribution.

Credit lines

At 31 December 2019, the balances under this item include the amount drawn down from credit facilities. The joint limit of these loan agreements and credit facilities at 31 December 2019 amounted to 41,500 thousand euros, that had not been drawn down at that date. Additionally, at 31 December 2019, the Parent Company had a guaranteed syndicated credit line amounting to 250,000 thousand euros, maturing on 29 September 2021.

Subordinated loan

A loan amounting to 40,000 thousand euros fully drawn at 31 December 2019 and with a single maturity and repayment in 2037, are included in this item. The interest rate of these loans is the 3-month Euribor plus a spread.

Detail of current and non-current payables

The detail, by maturity, of the items included under "Non-Current and Current Payables" is as follows (in thousands of euros):

Instrument	Limit	Available	Draw down	Maturity								
				2019	2020	2021	2022	2023	2024	2025	Resto	
Subordinated loans	40,000	-	40,000	-	-	-	-	-	-	-	-	40,000
Variable interest	40,000	-	40,000	-	-	-	-	-	-	-	-	40,000
"Senior" secured notes maturing 2023	356,850	-	356,850	-	-	-	-	356,850	-	-	-	-
Fixed interest	356,850	-	356,850	-	-	-	-	356,850	-	-	-	-
Secured credit line	250,000	250,000	-	-	-	-	-	-	-	-	-	-
Variable interest	250,000	250,000	-	-	-	-	-	-	-	-	-	-
Credit line	41,500	41,500	-	-	-	-	-	-	-	-	-	-
Variable interest	41,500	41,500	-	-	-	-	-	-	-	-	-	-
SUBTOTAL	688,350	291,500	396,850	-	-	-	-	356,850	-	-	-	40,000
Arrangement expenses	(10,613)		(10,613)	-	(2,950)	(2,891)	(2,444)	(1,941)	(30)	(30)	(30)	(327)
Borrowing costs	3,404		3,404	-	3,404	-	-	-	-	-	-	-
Indebtedness at 31/12/2019	681,141	291,500	389,641	-	454	(2,891)	(2,444)	354,909	(30)	(30)	(30)	39,673
Indebtedness at 31/12/2018	680,953	294,169	386,784	569	(2,941)	(2,890)	(2,454)	354,893	(30)	(30)	(30)	39,667

13.2 Other non-current financial liabilities

The balance of "Other Non-Current Financial Liabilities" at the end of 2019 and 2018 is as follows (in thousands of euros):

	2019	2018
Acquisition of Capredo Investment GmbH (Note 9)	3,150	3,150
Others	242	216
Total	3,392	3,366

13.3. Information on the nature of financial instruments and their level of risk

The Group financial risk management is centralised at the Corporate Finance Division. This Division has put the necessary measures in place to control exposure to changes in interest and exchange rates on the basis of the Group's structure and financial position, as well as credit and liquidity risks. If necessary, hedges are made on a case-by-case basis. The main financial risks faced by the Group's policies are described below:

Credit risk

The Company's main financial assets include cash and cash equivalents (Note 10) and trade and other receivables. In general, the Company holds its cash and cash equivalents in institutions with a high level of creditworthiness and part of its trade and other receivables are endorsed by guarantees, guarantors and advance payments by tour operators.

The Company does not have a significant concentration of credit risk exposure to third parties, both due to the diversification of its financial investments and to the distribution of trade risks with short collection periods among a large number of customers.

Interest rate risk

The Company's financial assets and liabilities are exposed to fluctuations in interest rates, and this may have an adverse effect on its results and cash flow. In order to mitigate this risk, the Company has established policies and has refinanced its debt at fixed interest rates through the issuance of convertible bonds and guaranteed convertible senior bonds. At 31 December 2019, approximately 89.9% of the gross borrowings was tied to fixed interest rates.

Aside from the impact any changes in interest rates could have on financial assets and liabilities which comprise the net cash position, changes could arise in the valuation of the financial instruments arranged

by the Company. The effects of changes in the interest rates on efficient derivatives are booked against equity, while the effects on inefficient derivatives are booked in the income statement. The Company has chosen to exclude the temporary value of designating hedges in order to improve their efficiency.

Liquidity risk

Exposure to adverse situations in debt or capital markets could hinder or prevent the Group from meeting the financial needs required for its operations.

Management of this risk is focused on thoroughly monitoring the maturity schedule of the Group's financial debt, as well as on proactive management and maintaining credit lines that allow forecast cash needs to be met.

The Company's liquidity position in 2019 is based on the following points:

- The Company had cash and cash equivalents amounting to 4,720 thousand euros at 31 December 2019 (see Note 10).
- Available undrawn credit facilities amounting to 41,500 thousand euros at 31 December 2019. Plus the syndicated credit line for 250,000 thousand euros, maturing on 29 September 2021, which was undrawn at 31 December 2019.
- The company's capacity to increase its financial borrowing; given that it has non-collateralised assets in the companies it majority owns and meets the financial ratios required by the financing agreements.

Lastly, the Company makes cash position forecasts on a systematic basis for each business unit and geographical area in order to assess their needs. This liquidity policy followed by the Company ensures that payment undertakings are fulfilled without having to request funds under onerous conditions and allows its liquidity position to be monitored on a continuous basis.

Exchange rate risk

The Company is exposed to exchange rate fluctuations that may affect its sales, results, equity and cash flows, arising largely from:

- Investments in foreign countries (essentially Mexico, Argentina, Colombia, Chile, Ecuador, the Dominican Republic, Panama and the United States).
- Transactions made by Group companies operating in countries whose currency is other than the euro (essentially Mexico, Argentina, Colombia, Chile, Ecuador, the Dominican Republic, Venezuela and the United States).

The NH Group endeavours to align its borrowings with the cash flows in the different currencies.

14.- PUBLIC AUTHORITIES AND TAX MATTERS

NH Hotel Group, S.A. and the companies with tax domicile in Spain in which it held a direct or indirect stake of at least 75% during the 2019 tax period pay Corporation Tax subject to the tax consolidation scheme governed by Title VII, Chapter VI of Law 27/2014 of 27 November on Corporation Tax ("Corporation Tax Law").

The NH Hotel Group, S.A. tax group (hereinafter, "Tax Group") comprised the following companies in 2019:

NH Hotel Group, S.A.	NH Europa, S.L.
Latinoamericana de Gestión Hotelera, S.L.	Atardecer Caribeño, S.L.

NH Central Reservation Office, S.L.
 NH Hoteles España, S.A.
 NH Hotel Ciutat de Reus, S.A.
 Gran Círculo de Madrid, S.A.
 Iberinterbrokers, S.L.
 Wilan Ander, S.L.
 Palacio de la Merced, S.A.
 NH Cash Link, S.L.U.

Hoteles Hesperia, S.A.
 Nuevos Espacios Hoteleros, S.A.
 Coperama Holding, S.L.
 Coperama Spain, S.L.
 NH Las Palmas, S.A.
 NH Lagasca, S.A.
 Wilan Huel S.L.

The companies belonging to the Tax Group have signed an agreement to share the tax burden. Hence, the Parent Company settles any credits and debts which arise with subsidiary companies due to the negative and positive tax bases these contribute to the Tax Group.

In 2019, the company contributed all of the shareholding it held in the Luxembourg company NH Finance SA to NH Cash Link, S.L.U., which represents 100% of its share capital. The transaction has availed itself of the tax neutrality regime.

In compliance with the provisions of article 86.2 of the Corporation Tax Law, the following information table is included (in thousands of euros):

Tax and book value of the items delivered	Value at which the received values have been accounted for.
80,539	82,121

In previous years, the Tax Group carried out restructuring operations in which it opted for the special scheme for business reorganisation provided in the Corporation Tax Law. The legally established items are included in the annual report of the corresponding year.

Balances with Public Authorities

The detail of "Balances with Public Authorities" is as follows:

Tax receivables

	Thousands of euros	
	2019	2018
Non-current receivables		
Deferred tax assets	35,284	95,166
Total	35,284	95,166
Current receivables		
VAT refundable	2,566	1,277
Corporate income tax refundable	8,141	-
Others	27	23
Total	10,734	1,300

Tax payables

	Thousands of euros	
	2019	2018
Non-current payables		
Deferred tax liabilities	5,077	5,905
Total	5,077	5,905
Current payables		
Corporation tax payable by IS	-	1,787
Tax withholdings payable	654	627
Social Security payable	574	494
Others	51	8
Total	1,279	2,916

Reconciliation of the accounting profit to the taxable income

Corporation Tax is calculated on the basis of accounting profit or loss determined by application of the generally accepted accounting principles, and applying the relevant adjustments in accordance with the rules set out in the Corporation Tax Law. Therefore, the accounting profit may not necessarily coincide with the taxable income for Corporation Tax purposes.

The reconciliation of the accounting profit to the Corporate Income Tax to pay or refund corresponding to tax group for the years 2019 and 2018 is as follows (in thousands of euros):

	Thousands of euros	
	2019	2018
Accounting profit before tax	150,640	157,622
<u>Adjustments to accounting profit (loss):</u>		
Due to permanent differences	(196,542)	(175,775)
Due to temporary differences	534	4,321
Individual taxable base	(45,368)	(13,832)
Bases provided by the tax consolidated companies	35,645	73,960
Previous tax base of the Tax Group	(9,723)	60,128
Carryforwards for negative tax bases before consolidation	-	(6,412)
Set-off for negative tax bases	-	(8,619)
Tax base of the Tax Group	(9,723)	45,096
Settled rate (25%)	-	(11,274)
Double taxation relief	-	4,009
Non-activated deductions used in the year	-	1,816
Withholdings and payment by instalments	8,141	3,661
Current taxes to be refunded / (to pay)	8,141	(1,787)
Previous years' taxes to be refunded	-	-
Total taxes to be refunded/(paid)	8,141	(1,787)

The permanent differences relate mainly to the removal of provisions in the accounting portfolio, exemption on dividends, recovery of non-deductible financial expenses in previous years calculated in accordance with article 16 of the Corporation Tax Law and reversal of impairments of shares which were tax-deductible in tax periods before 2013 and which, as from 1 January 2016, must be reversed at a minimum annual amount on a straight-line basis over five years. Regarding the reversal of valuation impairments, in 2019 the Tax Group added to the tax base approximately 31 million euros as the minimum annual reversion amount, of which 3.6 million euros relates to the Company.

The temporary differences relate mainly to provisions for accounting purposes and impairment losses not considered a tax expense and with the recovery of 30% of the amortisation that was not deductible in 2013

and 2014 calculated in accordance with Article 7 of Law 16/2014, introducing various tax and administrative measures aimed at consolidating public finances and driving economic activity.

Reconciliation of accounting profit and Corporate Income Tax (expense)/income

The reconciliation of accounting profit and Corporate Income Tax (expense)/income is as follows:

	2019	2018
Accounting profit before tax	150,640	157,622
Permanent differences	(196,542)	(175,775)
Temporary differences	534	4,321
Adjusted tax base	(45,369)	(13,832)
Share of the tax group attributed to the company	9,201	3,458
De-recognition of assets and liabilities	133	(1,080)
Assets and liabilities cancellation	87	(1,960)
Taxes paid overseas	(121)	-
Others	(1,000)	(8)
Total tax (expense)/income recognised in the income statement	8,300	2,570

Current tax attributable to the Company results once considered the entire tax bases contributed by the companies of the tax consolidation group.

Deferred tax assets

The changes in "Total Current Tax Expense (Tax Income)" in 2019 are as follows:

<i>Deferred tax assets</i>	Thousands of euros	
	2019	2018
Balance at beginning of year	95,166	99,966
Tax credit offsets	(27)	(2,102)
Application of capitalised deductions	(92)	(4,009)
Temporary differences	48	927
Tax credit impairment	(5,587)	-
Other movements	(54,224)	384
Balance at end of year:	35,284	95,166

<i>Detail of the balance on deferred tax assets</i>	Thousands of euros	
	2019	2018
Negative tax bases	24,450	84,571
Deductions	554	647
Others	10,280	9,948
Balance at end of year:	35,284	95,166

The offset of credits and application of deductions accounted for during the year corresponds to the regularisation of the tax expense estimate recorded at the end of the previous year, once the final tax declaration has been submitted.

In accordance with the provisions of the ICAC Resolution of 9 February 2016, the asset has been distributed for tax losses generated by the tax consolidation group among the companies that make up the group and that gave rise to the right of tax credits offsets. For the NH Hotel Group, this has involved a cancellation of tax credits of 54.507 million euros and a registration for the same concept and amount in the companies of the tax group that contributed to said credits.

The balance of deferred tax assets relates mainly to tax credit carryforwards on losses in previous years, temporary differences generated by the amortisation deductible limit and various provisions.

At 31 December 2019, the Company had assets resulting from tax losses and deductions amounting to 25,004 thousand euros (85,218 thousand euros in 2018). At 31 December 2019, the tax credit recovery plan that supports the recognition of these tax credits had been updated. As a result of aforementioned update, the Directors of the Parent Company have decided to impair the asset by 5,587 thousand euros. However, this impact has been offset by the recovery during the year of part of the financial burden not deducted in previous years, which has led to a less current tax expense in the Company.

At 31 December 2019, the Tax Group had the following negative tax bases pending offsetting:

Financial year	Amount
2009	59,712
2010	18,313
2011	25,909
2012	131,570
2013	12,763
2014	80,125
2015	14,905
2019	9,723
Total	353,020

Of the previous total, 43,351 thousand euros corresponds to tax losses not recorded on the balance sheet.

At 31 December 2019 the Tax Group had tax credits worth 112.186 million euros (117.271 million euros at 31 December 2018) that had not been entered in the accompanying balance sheet because the Directors considered they did not to meet accounting standard requirements. These assets are grouped as follows:

	Thousands of euros	
	2019	2018
Finance costs and negative tax bases		
Non-deductible finance costs by the Tax Group	191,799	256,170
Negative tax bases generated by the Tax Group	43,351	5,112
Negative tax bases generated by the Spanish entities before inclusion in the Tax Group	102,813	99,722
Total base	337,963	361,004
Total rate	84,491	90,251
Tax Group deductions	27,695	27,020
Total non-activated tax credits	112,186	117,271

The Company did not capitalise the non-deductible finance costs for Spanish corporation tax purposes because they exceed 30% of the profit from the Tax Group's operations calculated in accordance with Article 16 of Law 27/2014 of 27 November on Corporation Tax, due to not having the required degree of certainty that sufficient profit will be generated from operations over the next ten years to offset said result

pursuant to the aforementioned article. However, due to the dividends received in the year, the adjustment to the Company's individual tax base was negative to the tune of 49,565 thousand euros in 2019 (4,405 thousand euros in 2018). There is no deadline for offsetting non-deductible finance costs.

Deferred tax liabilities

The movements in deferred tax liabilities during 2019 are as follows:

<i>Deferred tax liabilities</i>	Thousands of euros	
	2019	2018
Balance at beginning of year:	5,905	6,076
Deferral on reinvestment	(171)	(171)
Regularisation of balances	(657)	-
Balance at end of year:	5,077	5,905

Years open for review and tax audits

The years open for review for the Tax Group are as follows:

<u>Tax</u>	<u>Tax loss carryforwards</u>
Corporation	2014 - 2018
VAT	2016 to 2019
IRPF (personal income tax)	2016 to 2019
Non-resident Income Tax	2016 to 2019

In Spain during 2019, the Tax Administration began a partial verification process to reduce the taxable base of revenues from certain intangible assets referred to in article 23 of the Corporation Tax Law for the years 2016 to 2018. The company has recorded a provision for 1,000 thousand euros in the 2019 financial year. In February 2020, the agreement that contained the settlement proposed by the inspection was signed, with no material differences between the proposed settlement and the contingency calculated and provided for.

In relation to the years open to audit by the Tax Agency, contingent liabilities not susceptible to objective quantification may exist but, in the opinion of the Directors, they are not material.

Deductions applicable by the Tax Group

At 31 December 2019, the Tax Group held the following tax credits carryforward (thousand euros):

Year of origin	Deduction pending application	Amount
2004 to 2011	Deduction to encourage certain activities	26,914
2014 - 2018	IT Deduction	780
2019	Deduction for investments in the Canary Islands	528
2013 to 2014	Other	554
		28,776

Similarly, the Tax Group availed itself in prior years of the “Deferral for reinvestment of extraordinary profit.” The essential characteristics of this reinvestment are as follows (in thousands of euros):

Year of origin	Revenue subject to deferral	Amount offset			
		Prior years	Year 2019	Amount pending	Last year of deferral
1999	75,145	54,167	682	20,296	2049

This income was reinvested in the acquisition of buildings.

15.- INFORMATION ON AVERAGE PERIOD FOR PAYMENT TO SUPPLIERS

Below is the information required by Additional Provision Three of Law 15/2010 of 5 July (modified through Provision two of Law 31/2014 of 3 December) according to the ICAC Resolution of 29 January 2016 on the information to be incorporated in the record of annual financial statements relating to the average period for payment to suppliers in commercial transactions.

	2019	2018
	Days	
Average period for payment to suppliers	60	64
Ratio of paid transactions	61	65
Ratio of transactions pending payment	36	34
	Thousands of euros	
Total payments made	102,170	79,963
Total payments pending	4,249	3,119

In accordance with the ICAC Resolution, for the calculation of the average period for payment to suppliers, the commercial transactions corresponding to the delivery of goods or provision or services rendered from the date of the entry into force of Law 31/2014, of 3 December have been taken into account,

Suppliers, for the exclusive purpose of giving the information prior to this Resolution, are considered as trade creditors for debts with suppliers of goods or services, included in the items “Suppliers” and “Sundry Creditors” in current liabilities on the attached financial balance sheet at 31 December 2019.

The average period for payment to suppliers has been calculated, as stated in the Resolution of 29 January 2017, of the Institute of Accounting and Auditing, using the weighted average of the two ratios explained below:

- Ratio of paid transactions: average payment period of transactions paid in 2019 weighted by the amount of each transaction.
- Ratio of transactions pending payment: average period between the invoice date and the end of the year weighted by the amount of each transaction.

16.- THIRD-PARTY GUARANTEES AND CLAIMS IN PROCESS

At 31 December 2019, the Company had a total of 14,442 thousand euros in economic or financial bank guarantees issued by various banks to guarantee leasing contract obligations and others related to the usual operations of NH in various countries. Therefore, their execution would be linked to a failure by NH to comply with those contractual obligations.

At 31 December 2019, the Company had taken out insurance policies to cover risks arising from damage to material goods, loss of profits and third-party liability. The capital insured sufficiently covers the assets and risks mentioned above.

Commitments to third parties

- A Group company currently acts as co-guarantor for a syndicated loan granted by two banks to a company with a minority shareholding in a Grupo NH company which at 31 December 2019 had an outstanding principal of 15,742 thousand euros (equivalent to 17,685 thousand US dollars) and final maturity on 22 January 2020. At said date, the loan was cancelled in full.
- Within the framework of the sale of a hotel, NH as a seller agreed to undertake the extension of the aforementioned hotel, and agreed with the buyer a put option in favour of the buyer, NH being obliged to accept the exercise of that option provided that certain conditions are met and for a price agreed between both parties. Having fulfilled these conditions, the sale was formalised for the agreed price.
- Within the framework of new development projects in the normal course of business, in which Grupo NH subsidiaries act as lessees or operators, the Group's parent company gives personal guarantees in favour of third parties to secure its contractual obligations, often issue promissory notes in payment of said obligations and agrees penalty clauses in case of breach of contract.
- Likewise, within the framework of the Group's financing, personal and real guarantees have been granted to fulfil the obligations guaranteed under the financing agreements (see Note 13).

Claims in process

The Company's main contingent assets and liabilities at the date of drafting these consolidated financial statements were as follows:

- The Company appeared in the insolvency proceedings of Viajes Marsans, S.A. and Tiempo Libre, S.A., from the unsettled estate of Gonzalo Pascual Arias and Gerardo Díaz Ferrán, and in the voluntary insolvency proceedings against Ms María Ángeles de la Riva Zorrilla, with the aim of reclaiming the outstanding amounts. The Company also appears in the voluntary bankruptcy proceedings of Transhotel and Orizonia as well as in other proceedings both nationally and internationally, and provisions the credit balances in the consolidation annual accounts for the amounts considered unrecoverable.

- On the occasion of the agreements reached in 2014 for the sale of the shares held by NH Hotel Group, S.A in the company Sotogrande, S.A., the Company agreed to subrogate itself in the position of Sotogrande, S.A. for certain claims assuming all rights and obligations relating thereto, and are summarised as follows:
 - Plaintiff in the proceedings against construction agents for construction defects in twenty-five homes and contractual liability.
 - Respondent in the process of claiming amounts from a real estate development due to construction defects.
 - The company may be subject to a claim for amounts derived from an eventual administrative claim.
 - It filed an arbitration claim requesting the validity of the declaration of resolution to sell practised at fifteen premises in San Roque, the decision on which was in favour of the Company's interests. To the contrary, it filed for annulment of the award, which has been dismissed. The debtor company has entered into insolvency proceedings and the company has requested the right to separate the premises from the estate, and an agreement has been reached with the insolvency administration for the delivery of the aforementioned premises, which has been executed during the course of the year.
- A former shareholder of the Company has requested the annulment of certain resolutions adopted by the Board of Directors, and the proceedings are currently in progress.
- Regarding the amounts linked to eventual compensation for the termination of a specific service contract with the previous Chief Executive Officer, which was under discussion and whose maximum amounts were fully provided for during 2019, this dispute has had a resolution at a lower amount than that provided for.

The Company's directors consider that the hypothetical loss of the Company incurred as a result of such actions would not have a material effect on its equity.

17.- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

17.1.- Balances with related parties

The detail of "Balances With Related Parties" in 2019 and 2018 is as follows (in thousands of euros):

2019

	Other Group companies	Other related parties
Long-term investments:	387,018	
Loans to companies	387,018	
Short-term investments:	442,604	-
Loans to companies	442,604	9,503
Provision for impairment		(9,503)
Non-current payables	(284,900)	
Current payables	(104,495)	
Other current liabilities		(5,588)

Resulting from an analysis of the fair value of the investment in the company registered as held for sale it has been registered an impairment of the loans to associates amounting to 9,503 thousand euros and an expense of 5,588 thousand euros for the committed contribution at the end of 2019 to carry out the cancellation of the bank loan that this company has and in which NH Hotel Group acts as a guarantor of the 35.5% (See Note 22). Both impacts have been recorded under " Impairment and gains or losses on disposals of financial instruments " of the income statement.

2018

	Other Group companies	Other related parties
Long-term investments:	55,912	
Loans to companies	55,912	
Short-term investments:	470,983	9,020
Loans to companies	470,983	9,020
Non-current payables	(177,576)	
Current payables	(78,029)	

Long-term investments

"Loans to Companies" includes the following loans granted to the following Group companies:

	Thousands of euros	
	2019	2018
Participating loans	-	55,912
NH Hoteles España, S.A.	-	52,969
NH Central Reservation Office, S.L.	-	2,943
Loans	387,018	-
NH Europa, S.L.	214,208	-
Latinoamericana de Gestión Hotelera, S.L.	113,288	-
NH Hoteles España, S.A.	54,518	-
Others	5,004	-
Total	387,018	55,912

At the beginning of 2019, the participating loans that the company had with NH Hoteles España and NH Central Reservation Office, S.L. became part of the intercompany financing contract detailed below.

The increase in loans in 2019 mainly corresponds to the intercompany financing agreement that matures in 2021. The remuneration of said loan is a variable quarterly interest rate linked to the Euribor plus a spread.

Short-term investments:

“Loans to Companies” includes the following balances with Group companies:

	Thousands of euros	
	2019	2018
NH FINANCE, S.A.	158,027	19,457
NH Hoteles España, S.A.	111,944	38,760
NH Europa, S.L.	-	144,447
Latinoamericana de Gestión Hotelera, S.L.	-	87,316
Current payables to Group companies	172,633	181,003
Total	442,604	470,983

The change in short-term investments in 2019 mainly corresponds to the intercompany financing agreement that matures in 2021. The remuneration of said loan is a variable quarterly interest rate linked to the Euribor plus a spread.

The balances that comprise the current accounts payable to Group companies are made up mainly of the balances relating to the financing structure of the consolidated NH Hotel Group of which the Company is the Parent. The accounts receivable or accounts payable accrue interest at a floating rate pegged to the 3-month Euribor plus a spread. In this way, NH Hotel Group, S.A. centralises the Group's cash through a bank and in a single account.

Non-current payables

The "Long-term Debts" heading mainly consists of the loan with the Group company NH Finance, S.A. with maturity in 2021.

Current payables

“Current Payables” includes the following loans from Group companies:

	Thousands of euros	
	2019	2018
Current account with NH Hoteles España, S.A.	1,216	15
Current payables to Group companies	103,729	78,014
Total	104,945	78,029

The change in short-term debts in 2019 mainly corresponds to the intercompany financing agreement that matures in 2021. The remuneration of said loan is a variable quarterly interest rate linked to the Euribor plus a spread.

17.2.- Transactions with related parties

The transactions performed with related parties in 2018 and 2019 are as follows:

Income

	Thousands of euros	
	2018	2018
Dividends	160,417	163,140
Group holding activity (Note 18.a)	160,417	163,140
Lease income	11,442	8,922
Group (Note 18.a)	11,442	8,922
Other operating expenses (income)	12	563
Group	12	563
Non-controlling	12,173	1,804
Group holding activity (Note 18.a)	11,849	1,695
Associates	324	109
Fees (Accessory Income)	87,645	87,525
Group	87,645	87,525

Expenses

	Thousands of euros	
	2019	2018
Non-controlling	6,504	7,368
Group	6,504	7,368

18.- INCOME AND EXPENSES

a) Revenues

The revenue itemised by activity is as follows (in thousands of euros):

	Thousands of euros	
	2019	2018
Hotel activity:		
Accommodation in rooms	24,486	16,681
Leasing (Note 17.2)	11,442	8,922
Catering	6,822	4,366
Rooms	1,311	830
Others	2,465	278
	46,526	31,077
Holding activity:		
Income from dividends (Note 17.2)	160,417	163,140
Income from lending activity (Note 17.2)	11,849	1,695
	172,266	164,835
Revenues	218,792	195,912

Similarly, revenue corresponding to 2019 and 2018 was distributed by geographic market as follows (in thousands of euros):

	2019	2018
National market	218,792	195,912
	218,792	195,912

b) Staff costs

The breakdown of "Transactions With Related Parties" on the balance sheet for 2019 and 2018 is as follows (in thousands of euros):

	2019	2018
Wages, salaries and similar	33,586	30,174
Social security contributions	7,855	6,219
Termination benefits (Note 4.k)	391	527
	41,832	36,920

The average number of employees at the Company in 2019 and 2018, by professional category, was as follows:

	2019	2018
Group's general management	8	8
Managers and heads of department	99	83
Technical staff	161	132
Sales representatives	36	34
Administrative staff	41	42
Rest of workforce	201	153
Average number of employees	546	452

In calculating the average number of employees, the Group has not taken into account employees whose contracts have a duration of less than two days.

The workforce at 31 December 2019 and 2018, by professional category and gender, was as follows:

	31/12/2019		31/12/2018	
	Males	Females	Males	Females
Group's general management	6	2	6	2
Managers and heads of department	55	49	43	39
Technical staff	81	88	65	77
Sales representatives	7	30	5	29
Administrative staff	12	28	16	27
Rest of workforce	106	111	66	96
Average number of employees	267	308	201	270

The average number of employees at the Company with a disability equal to or greater than 33% in 2019 and 2018, by professional category, was as follows:

	2019	2018
Managers and heads of department	1	-
Sales representatives	-	1
Administrative staff	-	-
Rest of workforce	-	-
Average number of employees	1	1

The average age of the Company's workforce was approximately 35 years and average length of service in the Group came to 6.8 years.

Long-term Share-based Incentive Plan

On 25 June 2013, the Company's General Shareholders Meeting approved a long-term share-based incentive plan ("the plan") for the NH Hotel Group SA's executives and employees, as follows:

The plan consisted of the grant of ordinary shares of NH Hotel Group, S.A. to the beneficiaries calculated as a percentage of the fixed salary, according to their level of responsibility. The number of shares to be granted shall be subject to the degree of fulfilment of the following objectives:

- TSR (total shareholder return) at the end of each of the plan cycles, comparing the performance of NH Hotel Group, SA shares with the following indices:
 - IBEX Medium Cap
 - Dow Jones Euro STOXX Travel & Leisure
- EBITDA, discounting the amount corresponding to rentals compared annually with the forecasts of the Company's strategic plan.

If the minimum degree of fulfilment established in the aforementioned objectives were not achieved, the plan beneficiaries would not be entitled to shares under said plan.

The plan was aimed at a maximum of 100 beneficiaries. The Board of Directors, at the proposal of the CEO, may include new members in the plan.

The plan had a total duration of five years, divided into three three-year cycles. The third and final cycle was settled in the first half of the year with the delivery of 226,067 net shares at a fair value per unit of 4.55 euros.

On the other hand, the 2017 General Shareholders' Meeting approved the launch of a new Long-Term Incentive Plan. This plan has a duration of five years, divided into three three-year cycles:

	No. of Shares Assigned at the start of each cycle (Thousands)	No. of live shares at 31/12/2019 (Thousands)	Value of the allocation (Euros)
The first cycle began on 1/1/2017 (delivery in 2020 (in force))	720.87	629.84	3.80
The second cycle began on 01/01/2018 (delivery in 2021 (in force))	517.96	482.30	5.96
The third cycle began on 01/01/2019 (delivery in 2022 (in force))	879.25	872.81	3.96

The difference between the total shares assigned at the beginning of each cycle and the live shares at 31 December 2019 are beneficiaries who left between the launch the year-end 2019.

This second plan has a very similar structure to the first; delivery of ordinary shares of NH Hotel Group, S.A. to the beneficiaries calculated as a percentage of fixed salary, according to their level of responsibility.

The number of shares to be delivered shall be subject to the degree of fulfilment of the following four objectives:

- TSR (total shareholder return) at the end of each of the plan cycles, comparing the performance of NH Hotel Group, S.A. shares with the STOXX® Europe 600 Travel & Leisure share index
- Revaluation of the Share
- Recurring Net Profit
- Recurring EBITDA

The beneficiaries must remain in the Group at the end of each cycle, notwithstanding the exceptions deemed appropriate, as well as achieving the minimum thresholds for each of the objectives.

The Board of Directors will be authorised to decide, before the start of each of the cycles, the effective implementation thereof in accordance with the Group's financial position at the time. At the date of publication of this report, all the cycles had been approved by the Board of Directors.

The maximum amount approved by the General Shareholders' Meeting for the three cycles of the second Plan is 16,200,000 euros.

The effect of this item on the statement of changes in equity for 2019 was (998) thousand euros (1,187 thousand euros in 2018).

c) External services

Shown below is a breakdown of the items included in "External services":

	Thousands of euros	
	2019	2018
Leasing (Note 7)	9,205	4,670
Outsourcing of services	1,620	780
Supplies	823	582
Maintenance and cleaning	1,096	966
Laundry and related costs	723	496
Costs associated with information technologies	14,752	14,506
Marketing and merchandising	139	119
Other external services	458	435
	28,816	22,554

d) Other operating expenses

During 2019 and 2018, the fees for account auditing and other services provided by the auditor of the Group's consolidated annual accounts and the fees for services invoiced by the entities related to it by control, shared ownership or management, were as follows:

	Thousands of euros	
	2019	2018
Auditing services	545	944
Other verification services	138	223
Total auditing and related services	638	1,167
Tax consulting services	-	260
Other services	23	29
Total other services	23	289
Total professional services	706	1,456

Additionally, entities associated with the international network of the consolidated annual accounts auditor have invoiced the Group for the following services:

	Thousands of euros	
	2019	2018
Auditing services	1,031	1,525
Other verification services	152	28
Total auditing and related services	1,183	1,553
Tax consulting services	274	81
Other services	1	-
Total other services	275	81
Total	1,458	1,634

During 2019, other auditing firms apart from the auditor of the consolidated annual accounts or entities associated with this company by control, shared ownership or management, have provided account auditing services to the companies making up the Group, for fees totalling 50 thousand euros (66 thousand euros in 2018). The fees accrued in 2019 by these firms for tax advice services were 244 thousand euros (209 thousand euros in 2018) and for other services, 80 thousand euros (396 thousand euros in 2018).

e) Gains or losses on disposals of fixed assets

Tangible and intangible assets, and non-current assets classified as held for sale, have been disposed of during the year with a net capital gain of 3,708 thousand euros having been recorded (20,630 thousand euros in 2018).

19. REMUNERATION AND OTHER STATEMENTS MADE BY THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The composition of the Board of Directors of the Parent Company and its Committees at 31 December 2019 is as follows:

- Board of Directors: 9 members in 2019 (10 members at 31 December 2018),

- Audit and Control Committee: 3 members in 2019 (3 members at 31 December 2018),
- Appointments and Remuneration Committee: 3 members in 2019 (2 members at 31 December 2018) (*).

(*) At 31 December 2018, the Appointments, Remuneration and Corporate Governance Committee was made up of two members, as well as its non-member Secretary. This situation arose from the compulsory share acquisition public offer made by MHG Continental Holding (Singapore) Pte. Ltd. and caused, among others, the departure of the Directors representing the shareholder Grupo Inversor Hesperia, SA, with Mr Jordi Ferrer Graupera on behalf of the Director Grupo Inversor Hesperia, S.A. tendering his resignation on 12 November 2018 as a member of the Appointments, Remuneration and Corporate Governance Committee. At its meeting on 7 February 2019 the Board of Directors approved the appointment of Mr Stephen Chojnacki as a new member of the Committee. This appointment fulfils the composition and qualification requirements established in the Capital Companies Act.

The amount accrued during 2019 and 2018 by the members of the Parent Company's Board of Directors in relation to the remuneration of the CEO, bylaw stipulated directors' fees and attendance fees and other items, is as follows:

19.1 Remuneration of the Board of Directors

Remuneration item	Thousands of euros	
	2019	2018
Fixed remuneration	1,016	500
Variable remuneration	729	335
Parent Company: allowances	11	65
Parent Company: attendance allowances	589	813
Transactions in shares and other financial instruments	491	247
Life insurance premiums	31	19
Others	20	13
Total	2,887	1,992

As of 31 December 2019, the Board of Directors had nine members, of whom one is a woman and eight are men (ten persons in 2018, one woman and nine men).

In relation to the heading, "Transactions on shares and/or other financial instruments", consideration has been given to the objective long-term remuneration accrued. Remuneration in kind (vehicles and insurance) is included under "Others".

19.2 Remuneration of senior management

The remuneration of members of the Management Committee at 31 December 2019 and 2018, excluding those who simultaneously held office as members of the Board of Directors (whose remuneration has been set out above), is detailed below:

	Thousands of euros	
	2019	2018
Pecuniary remuneration	2,745	3,047
Remuneration in kind	86	88
Others	670	671
Total	3,501	3,806

There were six members of Senior Management at 31 December 2019 (seven members at 31 December 2018) excluding the CEO and the Chief Financial Officer due to their status as executive directors.

The concept of monetary remuneration of executives includes fixed remuneration and variable remuneration accrued in 2019 and received in 2020.

Remuneration in kind includes the vehicle and the cost of insurance.

The heading "Other" takes the long-term objective remuneration accrued in 2019 into consideration.

19.3 Information on conflicts of interest on the part of Directors

During 2019, Minor International Public Company Limited ("Minor"), an indirect majority shareholder of NH (94.132%) and represented on the Board by four proprietary Directors, and NH signed a series of Related Party Transactions, which are broken down in the Audit and Control Committee's Annual Report. These Related Party Transactions have always been executed in strict compliance with the rules established in the applicable regulations and the Procedure for Conflicts of Interest and Related Party Transactions with Significant Shareholders, Directors and Senior Management of NH Hotel Group, S.A. approved by the Board of Directors on 26 March 2014. All transactions signed with Minor (and/or its group of companies) have counted on a report from the Audit and Control Committee, have been signed under market conditions and with the participation of external advisors, and in compliance with the provisions in the Framework Agreement signed between the parties on 7 February 2019, which regulates, among others, the scope of action of the respective hotel groups headed by NH and Minor through the identification of preferred geographic areas or zones, the mechanisms necessary to prevent and deal with possible conflicts of interest, as well as to carry out operations with related parties and develop business opportunities. The aforementioned Framework Agreement was duly communicated to the Market via a Relevant Fact and is published in full on the Company's website.

During all Board Meetings dealing with issues related to Minor, the Proprietary Directors were absent when dealing with said matters and therefore did not participate in the adoption of the corresponding agreement.

20.- INFORMATION ON THE ENVIRONMENT

For the NH Hotel Group, environmental sustainability drives innovation, seeking to surprise our guests as well as achieving efficiencies in the use of natural resources, particularly water and energy. In our responsible commitment to the Planet, we work to minimise our impact on Climate Change, increase the efficiency of resources and develop more sustainable services. All this minimises our environmental footprint with responsible consumption of natural resources.

Continuity was given to the environmental achievements of recent years in 2019. Thus, compared to 2007, per Average Daily Room energy consumption has been reduced by 31%, water consumption by 23% and our carbon footprint by 61%. NH Hotel Group is committed to renewable energy, which reduces its carbon footprint. This consumption of green energy, certified as renewable, is available in 99% of our hotels that are consolidated in Spain, Italy, the Netherlands, France and Luxembourg, covering 67% of the total electricity consumed in Europe.

NH Hotel Group works with the ISO 14.001 environmental management system and ISO 50.001 for energy efficiency in accommodation, catering, meetings and events. In total, the Company has 149 individual sustainability certifications in hotels such as BREEAM, LEED, Green Key, Hoteles+Verdes, ISO 14.001 Environmental Management System and/or ISO 50.001 Energy Management System. These environmental certifications are internationally recognised (ISO 14.001 and ISO 50.001) and those from the hotel sector itself such as Hoteles+Verdes and Green Key are recognised by the GSTC (Global Sustainable Tourism Council). The NH Hotel Group has reported its commitment to and strategy against climate change to CDP Climate Change since 2010 and received a B in its annual ranking.

It is also noteworthy that, in 2019, the NH Hotel Group became the first Spanish hotel company to establish emission reduction targets that are scientifically validated by the Science Based Targets initiative (SBTi) -

a leading alliance in the promotion of the business sector against climate change in which CDP, the United Nations Global Compact, World Resources Institute and World Wide Fund for Nature are a part. With this formalisation, the NH Hotel Group is committed to reducing its carbon emissions by 20% throughout its value chain before 2030. This objective marks the Company's roadmap towards a significant reduction in its activity's carbon footprint in the coming years, aligned with the purpose set in the Paris Agreement to limit the increase in the global temperature to less than 2°C, and join the efforts that are being made globally towards the transition to a low carbon economy.

21.- FOREIGN CURRENCY

The most significant balances in foreign currency in 2019, valued at the year-end exchange rate, is broken down as follows

	Currency	Thousands of euros
Current investments in Group companies and associates	ARS	3,123
Current investments in Group companies and associates	BRL	117
Current investments in Group companies and associates	CLP	1,900
Current investments in Group companies and associates	COP	5,381
Current investments in Group companies and associates	CZK	1
Current investments in Group companies and associates	CHF	1,677
Current investments in Group companies and associates	DOP	159
Current investments in Group companies and associates	GBP	44
Current investments in Group companies and associates	HUF	17
Current investments in Group companies and associates	MXN	9,142
Current investments in Group companies and associates	PLN	2
Current investments in Group companies and associates	RON	8
Current investments in Group companies and associates	USD	235
Current investments in Group companies and associates	UYU	673
Current investments in Group companies and associates	ZAR	3
Short-term debts with group and associate companies	ARS	(29)
Short-term debts with group and associate companies	COP	(148)
Short-term debts with group and associate companies	DOP	(612)
Short-term debts with group and associate companies	GBP	(302)
Short-term debts with group and associate companies	MXN	(86)
Short-term debts with group and associate companies	USD	(262)
Cash and cash equivalents	USD	4,200

The most significant balances in foreign currency in 2018, valued at the year-end exchange rate, is broken down as follows

	Currency	Thousands of euros
Current investments in Group companies and associates	ARS	3,122
Current investments in Group companies and associates	BRL	105
Current investments in Group companies and associates	CLP	1,200
Current investments in Group companies and associates	COP	5,428
Current investments in Group companies and associates	CHF	76
Current investments in Group companies and associates	DOP	78
Current investments in Group companies and associates	GBP	26
Current investments in Group companies and associates	HUF	10
Current investments in Group companies and associates	MXN	1,215
Current investments in Group companies and associates	USD	165
Current investments in Group companies and associates	UYU	516
Current investments in Group companies and associates	ZAR	47
Short-term debts with group and associate companies	DOP	(629)
Cash and cash equivalents	USD	91

Foreign currency transactions in 2019 and 2018 are not significant.

22.- EVENTS AFTER THE REPORTING PERIOD

On 22 January 2020, the last payment of a syndicated loan granted by two banking entities was paid to a company in which an NH Group company is a minority shareholder. This company, at year-end, had an outstanding principal of 15,742 thousand euros (equivalent to 17,685 thousand dollars), thereby releasing the guarantees that had been granted for the fulfilment of payment of said loan.

In order to carry out such payment, the Group has made a contribution of 6,315 thousand euros (5,588 thousand euros at 31 December 2019 (See Note 26)) corresponding to the proportional part of NH Hotel Group as a guarantor.

At a date subsequent to the year-end, a claim against a Group company was filed; it is pending processing and in no case will have a significant adverse effect.

MANAGEMENT REPORT FOR THE YEAR ENDED 31 December 2019

EVOLUTION OF BUSINESS AND GROUP'S SITUATION

NH Hotel Group is an international hotel operator and one of the leading urban hotel companies worldwide in terms of number of rooms. The Group operates 368 hotels and 57,466 rooms in 30 countries, and has a significant presence in Europe.

The centralised business model allows it to offer a consistent level of service to its customers in different hotels in different regions. The corporate headquarters and regional offices offer hotels a wide range of functions such as sales, reservations, marketing and systems.

In 2019, world economic activity grew at a pace of +2.9% (Data and estimates provided by the E.C. "European Economic Forecast Autumn 2019" November 2019), lower than the previous year (+3.6%). The European Union has estimated +3.0% growth of world economic activity in 2020, slightly greater than the growth of 2019. More specifically in the Eurozone, the provisional growth rate for 2019 was 1.1% (+2.1% in 2018) and growth is expected to be +1.2% in 2020. Global growth has led to a positive cycle of trade and investment. In addition, European economies continue to grow, although with more moderate growth rates. In line with the above data, when comparing the growth rates of the four countries that bring together the largest proportion of sales and results of the Group, it is observed that in Spain (+1.9% in 2019 vs. +2.4% in 2018), Holland (+1.7% in 2019 vs. +2.6% 2018), Germany (+0.4% in 2019 vs. +1.5% in 2018), and Italy (+0.1% in 2019 vs. +0.8% in 2018) lower growth rates than the previous year were recorded. On the other hand, growth in Latin America is expected to be +1.1% in 2020 (vs. -0.1% in 2019), given that almost all economies as a whole have been revised down substantially since Spring due to both cyclical and structural factors that have affected the growth previously expected in these economies.

According to the World Tourism Organization ("UNWTO") in 2019, international tourist arrivals globally reached 1.5 billion, representing an increase of +4% over the previous year, clearly above the growth of 2.9% of the world economy. International arrivals in 2019 grew in all regions. However, the uncertainty surrounding Brexit, the collapse of Thomas Cook, geopolitical and social tensions and the slowdown of the global economy made growth slower in 2019 compared to the exceptional growth rates of 2017 and 2018. This slowdown mainly affected advanced economies, especially Europe and Asia and the Pacific. Whilst growth in Europe was lower than in previous years (+4%), it continues to lead in terms of the number of international arrivals with 743 million international tourists last year (51% of the world market). In this European context, Spain has established itself as the tourist power in the world, along with France and the United States, and managed to break its record with more than 83 million foreign tourists, an increase of 1% in the number of international arrivals. On the other hand, the Americas (+2%) offered mixed results as, although many Caribbean islands consolidated their recovery after the 2017 hurricanes, the number of arrivals to South America fell, in part due to social and political unrest.

In this context, in 2019, the Group, as a result of the favourable evolution of hotel activity throughout the year, surpassed the targets set thanks to greater positioning in the top brand segment, an improved customer experience, an increase in operating and commercial efficiency and the first milestones of integrating with Minor Hotels the access to the luxury segment with the Anantara brand among them.

During 2019, the value of the price strategy continued to be enhanced, greater Group growth being obtained in the top cities compared to direct competitors, where there are market measures in place. At Group's level the evolution of RevPAR in the top destinations was superior to that of its competitors.

In 2018 new selective repositioning opportunities were identified to be executed in the period 2018-2020, having used a significant part of said investment in 2018 and 2019. In this new phase, there will also be contributions from the owners of hotels under a rental regime.

Among the main milestones reached over the last years of transformation, the appearance of a NH Hotel Group value proposition stands out based on the improvement of the quality, experience and the brand architecture with the NH Collection, NH Hotel and nhov brands. In this vein, the Group improved the customer experience thanks to implementing a solid operational vision, including the new elements making up the hotels' basic product range, known as Brilliant Basics, which are already in place in all of the establishments and which are contributing to a better experience and higher average score of the customers.

In this ongoing improvement of the customer experience, worthy of note was the launch of “Fastpass”, a combination of three innovative services (Check-in Online, Choose Your Room and Check-out Online), which gives the customer full control over their stay. In this respect, NH Hotel Group has become the first European chain to offer these three services simultaneously. A new service, “City Connection”, has been launched where you can enjoy the city without limits. Under the slogan “Stay in one hotel, enjoy them all”, the NH Hotel Group offered a range of services that allow customers to enjoy them in any hotel in the city they are in, regardless of the hotel they are staying in for the duration of their stay.

The NHA Hotel Group continues to be at the forefront of innovation. This last year ended up being very important in the Company’s digital transformation project to make processes and systems more efficient, increase the capacity to differentiate from the competition, and continue improving the Company’s basic processes. One of great achievements therefore has been to centralise all its properties and functions into a single integrated system. This allows the NH Hotel Group to have a fully-integrated digital platform: NH Digital Core Platform. A pioneering technological solution in the sector that has allowed all the Group’s hotel’s systems to be integrated which has become the basis for the NH Hotel Group to expand its customer knowledge, maximise its efficiency and innovate on a large scale in all its value areas.

In its use of quality indicators, NH Hotel Group considers a priority on measuring quality using new sources of information and surveys with a significant increase in the volume of reviews and number of assessments received. Its average score on TripAdvisor in 2019 was 8.4, the same level as in December 2018. Additionally, its average Google Reviews score was 8.6, compared with 8.5 in December 2018. These average scores demonstrate the high levels of quality perceived by customers and the positive growth trend that the NH Hotel Group has had throughout the year.

Also, the NH Rewards loyalty programme has now reached 9.5 million members (8.6 million members in 2018), 15% of whom are active, i.e. have made at least one booking in the last 12 months.

On the other hand, in 2019, the Group started operating 13 new hotels in the following destinations: Mannheim, Valencia, Mérida, Marbella, Santiago de Chile, Leipzig, La Coruña, Porto, Rome, Andorra la Vella, Amberes, Dublin and Cancún. In addition, following the agreement reached with Minor, 3 hotels have begun operations under a rental agreement, nine under management and one franchise with the brands Tivoli, Avani and Anantara in Portugal. As a whole, all the openings in the year contribute 4,038 rooms and, as a result, the Group now has 368 hotels with 57,466 rooms at 31 December 2019.

In addition to the Portuguese signings and the agreements to operate 8 hotels (formely known as “Boscolo”) that respectively provide 2,452 and 1,115 rooms, the Group signed up 12 new hotels in 2019 with 1,262 rooms. These signings have been under rentals in La Coruña, Marbella, Rome, Verona, Hamburg, Dublin, Alicante and Cagliari and management in Aguascalientes, Andorra la Vella, Porto and Malaga. In addition, two of the signing were made under the luxury brand Anantara, 6 NH Collection and one nhow.

Revenues in 2019 totalled 218.8 million euros, an increase of +11.7% (+22.9 million euros). The Profit for the year stood at 158.9 million euros compared with 160.2 million euros in 2018.

In this year gross borrowing increased from 386.8 million euros in December 2018 to 389.6 million euros in December 2019. At 31 December 2019, cash and cash equivalents amounted to 4.7 million euros (0.12 million euros at 31 December 2018). Additionally, this liquidity was complemented by credit lines at the end of the year amounting to 291.5 million euros, of which 250 million euros corresponded to a long-term syndicated credit line, compared to 294.2 million euros at 31 December 2018.

The Group's operating and financial transformation has been reflected in the corporate credit outlooks assigned by the main ratings agencies. In May 2019, Moody’s confirmed the rating of ‘B1’ reflecting some excellent results. In December 2019, Fitch lowered the corporate rating to ‘B’ from ‘B+’ in line with the application of its subsidiary connection criteria which reflects a change in the overall assessment of the strength of the connection by the agency on this point.

At the General Shareholders' Meeting in May 2019, shareholders approved the payment of an interim dividend from 2018 results amounting to approximately 59 million euros, representing fifteen cents per outstanding share (gross). Said dividend was disbursed on 14 June 2019. The Group also established a medium term shareholder remuneration policy of nearly 50% of recurring net profit.

As a result of the public offering on 31 October 2018, Minor currently owns 369,165,609 shares in NH Hotel Group, S.A. representing 94.13% of its share capital. Since then, both companies have begun to explore joint value creation opportunities for the coming years.

Minor Hotels and NH Hotel Group have integrated their brands under a single corporate umbrella present in more than 50 countries around the world. In this way, a portfolio of more than 500 hotels under eight brands is organised: NH Hotels, NH Collection, nhow, Tivoli, Anantara, Avani, Elewana and Oaks, which completes a wide and diverse spectrum of hotel proposals connected to the needs and desires of global travellers.

Both groups currently share their knowledge base and experience in the sector in order to materialise short-term opportunities, taking advantage of the complementarity of their hotel portfolios to define a global sales strategy, the implementation of economies of scale with a broader customer base, explore development pathways for all their brands in different geographical areas and access to shared talent.

As a first milestone in the integration and sampling the alignment of interests, June 2019 saw the announcement of the transfer to the NH Hotel Group of the operation of a portfolio of 13 Minor Hotels in Portugal. This agreement was reached under market conditions, following a favourable report from the Audit and Control Committee assisted by external advisors, and the approval of the NH Board of Directors, without the participation of the Proprietary Directors in both bodies on behalf of the shareholder Minor. Thus, Minor International has agreed to the sale of three hotels in Lisbon to funds managed by Invesco Real Estate, which will simultaneously be operated by the NH Hotel Group through a long-term sustainable rental contract with the new ownership. At the same time, the NH Hotel Group reached an agreement with Minor International to operate another nine hotels in Portugal under a management regime plus a franchise contract.

At 31 December 2019, the NH Hotel Group had also reached an agreement with Covivio, one of the leading European real estate investors, to operate a unique portfolio of eight high-end hotels previously belonging to the renowned Boscolo portfolio, located in privileged locations in Rome, Florence, Venice, Nice, Prague and Budapest. This portfolio will be operated by the NH Hotel Group under a sustainable variable rental contract with a guaranteed minimum that includes a loss protection mechanism and extension rights at NH's option. Most of the hotels will be converted to the Anantara and NH Collection brands after carrying out an in-depth repositioning programme in all properties promoted by Covivio over the coming months. It is estimated that the transaction will be completed by the end of the first half of 2020.

Analysis of first application of IFRS 16

From 1 January 2019, the new accounting regulation establishes the recognition of operating leases on the balance sheet through a financial liability equal to the current value of the fixed lease amounts, and an asset for the right to use the underlying asset. Therefore, the interest expense of the lease liability from the amortisation expense of the right of use is recorded separately.

The Group has adopted the amended retrospective method, calculating the asset at the start date of each contract and the liability at the changeover date using an incremental interest rate calculated for each agreement at the date of application of the regulations. The difference between both items is recorded as an adjustment to the opening balance of the consolidated reserves. The effects of initial application of the standard have been recognised on the date of initial application and, therefore, the comparative information has not been restated.

Given the nature of the leased assets, which represent 61% of the Group's rooms, and the term of these contracts, the impact on the Group's financial statements is significant.

ETHICS

Compliance System

Since 2014, NH Hotel Group has deployed a Compliance unit whose scope includes the following key areas:

- Code of Conduct.
- Criminal Risk Prevention Plan.
- Internal Rules of Conduct.
- Procedure for Conflicts of Interest.

Code of conduct

In line with its ethical commitment and the best practices of corporate governance, NH Hotel Group has carried out communication, awareness and training campaigns on Compliance since the last update to the Code of Conduct in 2015. The Group's Board of Directors is responsible for approving the Code of Conduct.

This document affects everybody working at the NH Hotel Group, applicable to employees, managers and members of the Board of Directors of both the Company and its group of companies, and also in certain cases to other stakeholders such as customers, suppliers, competitors and shareholders, and to the communities where NH operates its hotels.

The Code of Conduct summarises the professional behaviour expected of employees, senior management and Board Members of the NH Hotel Group and its group of companies, who commit to acting with integrity, honesty, respect and professionalism in the performance of their work.

The NH Group is committed to compliance with the laws and regulations of the countries and jurisdictions where it operates. This includes, amongst other things, laws and regulations on health and safety, discrimination, taxation, data privacy, competition, prevention of corruption and money laundering, and commitment to the environment.

The Code of Conduct is published in six languages on the official website of the NH Hotel Group, available to all stakeholders. Also, since 2017, NH employees can use the "My NH" app to access the code of conduct from their mobile devices. The staff at centres operating under NH Hotel Group brands also have a handbook and an FAQs document.

The head of Internal Audit manages the Confidential Channel for Complaints and Queries relating to the Code of Conduct. The procedure for managing complaints received via the complaints channel are specified in detail in the Code of Conduct. This procedure guarantees confidentiality and respect in every phase, and protects against retaliation.

Over the course of 2019, there were 45 reports of alleged breaches of the Code of Conduct, all of which were investigated, with appropriate disciplinary measures being taken in 32 cases.

Compliance Committee

In 2014 the NH Hotel Group created a Compliance Committee consisting of certain members of the Management Committee and senior directors. This body is empowered to supervise compliance with the Group's Internal Rules of Conduct, Procedure for Conflicts of Interest, Code of Conduct and Criminal Risk Prevention Plan.

The Compliance Committee supervises the management of the Compliance Office and is empowered to impose disciplinary measures on employees in matters within its scope.

In the course of 2019, there were three meetings of the Compliance Committee.

The Company has decided to roll out its crime prevention model to other countries (Germany, Holland, Belgium, United Kingdom, Colombia, Mexico and Argentina), having constituted local Compliance Committees in the Business Units covering the aforementioned countries.

Compliance Office

The Compliance Office, led by the Group's head of Compliance, is responsible for disseminating and supervising compliance with the Code of Conduct and for drafting the Criminal Risk Prevention Plan. The Compliance Office reports directly to the Compliance Committee.

Conversely, and as mentioned above, in 2019 the Compliance Office started actions aimed at rolling out its function in crime prevention to other NH Business Units.

Drafting the anti-corruption and anti-fraud policy

On 31 January 2018, NH's Board of Directors approved the Anti-Corruption Policy, in its commitment to detect and prevent the commission of corruption offences in business within the company. In order to reduce exposure to regulatory risks of a criminal nature, specifically to the risk of crimes related to corruption, bribery and fraud, in December 2018, the Compliance Committee approved an update of the Anti-Corruption and Fraud Policy, which was approved by the Board of Directors on 13 May 2019.

The general principles of the Anti-Corruption and Fraud Policy are:

- • Zero tolerance of bribery and corruption in the private and public sectors
- • Behaviour must be appropriate and legal
- • Transparency, integrity and accuracy in financial information
- Regular internal control
- • Local legislation shall take precedence if stricter

Drawing up of the anti-money laundering policy

NH's Code of Conduct reflects a commitment to respect the applicable regulations on anti-money laundering policy, with special attention to diligence and care in the processes of evaluating and selecting suppliers, and in payments and collections in cash. Therefore, the Compliance Committee meeting of 19 December 2018 approved a policy that reinforces NH Hotel Group's commitment to anti-money laundering and combating the financing of terrorism, with the aim of detecting and preventing NH Hotel Group, S.A. and its group companies from being used in money laundering or terrorist financing operations. Said Policy was approved by the Board on 13 May 2019.

The aforementioned Policies have been duly communicated to all Group employees and the corresponding online training has been made available to ensure their disclosure and understanding.

RISK MANAGEMENT

Risk management governance

The Company'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. As regulated by Section 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 internal control, internal audit and the risk management systems, including tax risks. In this regard, carried out during the various meetings held in 2019 were control and monitoring of the Company's main risks, their evolution in recent years and the main mitigation and response measures.

On the other hand, amongst other functions, the Company's Management Committee manages and controls risks based on risk tolerance, assigns ownership of the main risks, periodically monitors their evolution, identifies mitigation actions as well as defining response plans. For these purposes, the Executive Risk Committee, made up from members of the Management Committee and Senior Executives, supports the Management Committee in such oversight, as well as promoting a culture of risks in the Company. For them, the Company has an internal risk management manual that details the principles, processes and controls in place.

Risk Management, integrated into the Internal Audit department, is responsible for ensuring the risk management and control system in the Company functions properly and is linked to the strategic objectives. To ensure that there are no conflicts of independence and that the NH risk management and control system works as set out in the Corporate Risk Management Policy, an independent third party has reviewed its operation annually for the last two years.

As an additional guarantee of independence, Risk Management is independent of the Business Units and, as with Internal Audit, it maintains a functional reporting line to the Audit and Control Committee.

In line with the above, NH follows the Three Lines of Defence model ('The three lines of defence for effective risk management and control' Position Paper issued by the Institute of Internal Auditors in January 2013):

- First line of defence: carried out by each function (business and corporate units) that owns the risk and its management (Operations, Commercial, Marketing, etc.).
- Second line of defence: performed by the functions responsible for risk supervision (Risk Management, Compliance, Data Protection, Internal Control, etc.)
- Third line of defence: carried out by Internal Audit that affords independent assurance.

The NH Hotel Group's Corporate Risk Management Policy (approved by the Board of Directors in 2015), as well as the internal manual that implements it, aim to define the basic principles and the general framework of action to identify and control all types of risks that may affect the companies over which the NH Hotel Group has effective control, as well as ensuring alignment with the Company's strategy.

Risk management model

The risk management system of the NH Hotel Group, which is rolled out in both the Group's corporate head office and its Business Units, 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 risk management model is based on the integrated COSO IV ERM (Enterprise Risk Management) framework, is managed through SAP GRC and includes a set of methodologies, procedures and support tools that allow the NH Hotel Group:

1. To adopt adequate governance in relation to the Company's risk management, as well as promoting an appropriate risk management culture.
2. To ensure that the Company's defined objectives are aligned with its strategy and risk profile.
3. To identify, evaluate and prioritise the most significant risks that could affect achievement of strategic objectives To identify measures to mitigate these risks, as well as establish action plans and Key Risk Indicators based on the Company's tolerance to risk.
4. To follow-up on the action plans and the key indicators established for the main risks, within a continuous improvement model framework.
5. Periodic reporting in SAP GRC by risk managers about the status of their respective risks and, in turn, reporting to the Company's main governing bodies.

The Group's Risk Map is updated annually and approved by the Board of Directors once reviewed and validated by the Audit and Control Committee. The Company updated its Risk Map in 2019 through a process in which 37 Senior Executives identified and assessed the main risks faced by the Company. This Map was approved by the Board of Directors at its meeting on 25 July 2019.

For the main risks of the Risk Map, the Audit and Control Commission receives a report every six months detailing the operation of the risk management and control system and includes conclusions on it. The measurement of the key indicators is included for this, stating if they are kept within the set tolerance values or if they need to be adjusted. The implementation status of the previously agreed action plans is also included in the report.

Each of the main risks on the Company's Risk Map is assigned a Risk Owner who, in turn, is a member of the Management Committee. Each risk manager reports periodically to the Audit and Control Committee (according to an established schedule) to present the existing or ongoing mitigation measures for its risks, the state of implementation of action plans and the measurement of key indicators in accordance with established tolerances. During 2019, the Owners of the main risks attended the Audit and Control Committee to present their corresponding risks and made a formal validation in SAP GRC.

Each year, coinciding with the update of the Risk Map, Risk Management is responsible for reassessing the risk catalogue, both financial and non-financial. The final catalogue is validated with the Senior Executives who take part in the process, as well as with the bodies involved in its validation (Management Committee, Executive Risk Committee and Audit and Control Committee) and approval (Board of Directors). Additionally, Risk Owners can report/suggest a new risk to the Risk Office through SAP GRC during the year.

In general, the risks to which the Group is exposed can be classified into the following categories.

- a) Financial Risks: events that affect financial variables (interest rates, exchange rates, inflation, liquidity, debt, credit, etc.).
- b) Compliance Risks: arising from possible regulatory changes as well as non-compliance with internal and external regulations.
- c) Business Risks: generated by inadequate management of procedures and resources, whether human, material or technological.
- d) Risks from External Factors: arising from natural disasters, political instability or terrorist attacks.
- e) Systems Risks: events that could affect the integrity, availability or reliability of operational and financial information.
- f) Strategic Risks: produced by difficulty accessing markets and difficulties in asset disinvestment.

New data protection plan

Due to the mandatory application of the General Data Protection Regulation (GDPR) in the European Union from May 2018, NH Hotel Group has launched a plan to guarantee compliance with the regulation, included in and aligned with the Transformation Plan.

This new plan includes general privacy measures by default, so that all the company's activities, applications, processes, and projects will take privacy matters into account. The plan includes key initiatives such as the effective management of personal data infringements, the data subject's consent to the gathering and use of their data, and a policy for the destruction of physical or virtual data. The plan also provides for the creation of a Data Protection Officer within the NH Hotel Group.

NH ROOM 4 SUSTAINABLE BUSINESS PILLARS AND COMMITMENTS

The NH Hotel Group performs its hotel activity with the ambition of leading responsible behaviours, and creating shared value at an economic, social and environmental level wherever it operates. With this philosophy, the Company worked on the development of the new Strategic Plan in 2019, giving continuity to the previous one, in which one of the pillars is NH ROOM4 Sustainable Business; a key part of the Company's global strategy.

The strategic vision of NH ROOM4 Sustainable Business is, in turn, based on three fundamental management levers: NH ROOM4 People, NH ROOM4 Planet and NH ROOM4 Responsible Shared Success, all of which are framed under the same premise of sustainable and ethical principles, responsible culture and spirit of citizenship.

Convinced it is moving in the right direction to achieve the next sustainability challenges, the Company is aligned with the Sustainable Development Goals (SDGs) to which it can contribute and undertakes to continue creating long-term and global value within the framework of the 2030 Agenda.

NH ROOM4 Sustainable Business, which is deployed alongside the Group's global strategy, includes its main commitments on sustainability and the development of lines of action in the priority areas for the company: commercial, employee commitment, investment, brand purpose, corporate governance, and supplier assessment.

Since 2013, the NH Hotel Group has been listed on the FTSE4GOOD index and renews its presence year after year thanks to the responsible management of the business and the improvements implemented. The index was created by the London Stock Exchange to help investors include environmental, social and governance (ESG) factors into their decision making.

At the same time, the Company has been listed on the Ethibel Sustainability Index since 2015. Ethibel is an index that unites companies from different sectors who are leaders in Corporate Social Responsibility. The presence of the NH Hotel Group demonstrates the Company's good performance and encourages Socially Responsible Investment (SRI) among investors and funds.

Finally, the NH Hotel Group has been included on Bloomberg's gender equality index 2020 for the first time; it being the only Spanish hotel company among the index's 325 companies.

Human Resources Strategy

The average number of people employed by the Parent Company and consolidated companies in 2019 is 11,464 employees.

The corporate culture of the NH Hotel is also based on the cornerstones of diversity and equality. At 31 December 2019, women made up 50.9% of the total workforce.

Also, the average age of employees at 31 December 2019 is 38.9 years old, and their average time with the company is 8.7 years.

Over this year, as part of the company's 2017-2019 Strategic Plan, the Human Resources strategy has continued, based on three main commitments:

- **Global leadership and talent management:** Ensuring the company's future by involving the best employees, and identifying and developing the most talented people in the NH Hotel Group, using competitive tools and mechanisms to ensure their retention and commitment.
- **Maximum performance and better workplaces:** Becoming a company recognised as a Best Place to Work, based on the high level of commitment amongst employees, active contribution to this goal, rigour in differentiating and recognising high performance, and increasing its recognition as an attractive employer.
- **Transformation and reinvention:** Searching for, assessing and leveraging opportunities to be more efficient (outsourcing, digitisation, etc.), evolving our working environment and acquiring advanced analytical and predictive skills.

All the above must be based on and solidly backed by Operational Excellence in Human Resources and Internal Communication, with clear policies and processes, meeting commitments proactively, continuing to support, develop and implement the operational model of the NH Hotel Group, and controlling payroll costs and related budget items.

Environmental sustainability

For the NH Hotel Group, environmental sustainability drives innovation, seeking to surprise our guests as well as achieving efficiencies in the use of natural resources, particularly water and energy. In our responsible commitment to the Planet, we work to minimise our impact on Climate Change, increase the

efficiency of resources and develop more sustainable services. All this minimises our environmental footprint with responsible consumption of natural resources.

Continuity was given to the environmental achievements of recent years in 2019. Thus, compared to 2007, per Average Daily Room energy consumption has been reduced by 31%, water consumption by 23% and our carbon footprint by 61%. NH Hotel Group is committed to renewable energy, which reduces its carbon footprint. This consumption of green energy, certified as renewable, is available in 99% of our hotels that are consolidated in Spain, Italy, the Netherlands, France and Luxembourg, covering 67% of the total electricity consumed in Europe.

NH Hotel Group works with the ISO 14.001 environmental management system and ISO 50.001 for energy efficiency in accommodation, catering, meetings and events. In total, the Company has 149 individual sustainability certifications in hotels such as BREEAM, LEED, Green Key, Hoteles+Verdes, ISO 14.001 Environmental Management System and/or ISO 50.001 Energy Management System. These environmental certifications are internationally recognised (ISO 14.001 and ISO 50.001) and those from the hotel sector itself such as Hoteles+Verdes and Green Key are recognised by the GSTC (Global Sustainable Tourism Council). The NH Hotel Group has reported its commitment to and strategy against climate change to CDP Climate Change since 2010 and received a B in its annual ranking.

It is also noteworthy that, in 2019, the NH Hotel Group became the first Spanish hotel company to establish emission reduction targets that are scientifically validated by the Science Based Targets initiative (SBTi) - a leading alliance in the promotion of the business sector against climate change in which CDP, the United Nations Global Compact, World Resources Institute and World Wide Fund for Nature are a part. With this formalisation, the NH Hotel Group is committed to reducing its carbon emissions by 20% throughout its value chain before 2030. This objective marks the Company's roadmap towards a significant reduction in its activity's carbon footprint in the coming years, aligned with the purpose set in the Paris Agreement to limit the increase in the global temperature to less than 2°C, and join the efforts that are being made globally towards the transition to a low carbon economy.

SHARES AND SHAREHOLDERS

NH Hotel Group, S.A. share capital at the end of 2019 comprised 392,180,243 fully subscribed and paid up bearer shares with a par value of €2 each. All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

According to the latest notifications received by the Company and the notices given to the National Securities Market Commission before the end of every financial year, the most significant shareholdings at 31 December 2019 and 2018 were as follows:

	2019	2018
Minor International Public Company Limited ("MINT") ⁽¹⁾	94.13%	94.13%

The aforementioned (indirect) shareholding of MINT in NH Hotel Group, S.A. is the result of the IPO made by MHG Continental Holding (Singapore) Pte Ltd. on 11 June 2018 for 100% of the shares that were part of the share capital of NH Hotel Group, S.A., the result of which was that MINT acquired, through its wholly owned subsidiary MHG Continental Holding (Singapore) Pte. Ltd, shares representing 94.13% of the share capital of NH Hotel Group, S.A.

(1) MINT is the indirect shareholder through MHG Continental Holding (Singapore) Pte Ltd.

The average share price of NH Hotel Group, S.A. in 2019 was 4.57 euros per share (6.18 euros in 2018). The lowest share price of 3.89 euros per share was recorded in January (3.82 euros in December 2018) and the highest share price of 5.28 euros per share in March (6.82 euros in July 2018). The market capitalisation of the Group at the close of 2019 stood at 1,839.33 million euros.

At 31 December 2019, the Group had 374,464 own shares (it includes 83,176 shares related to the Liquidity contract) 600,000 own shares at 31 December 2018. The reduction of treasury shares in the period is explained by the delivery of 226,067 shares to NH employees under the Long-term Incentive Plan.

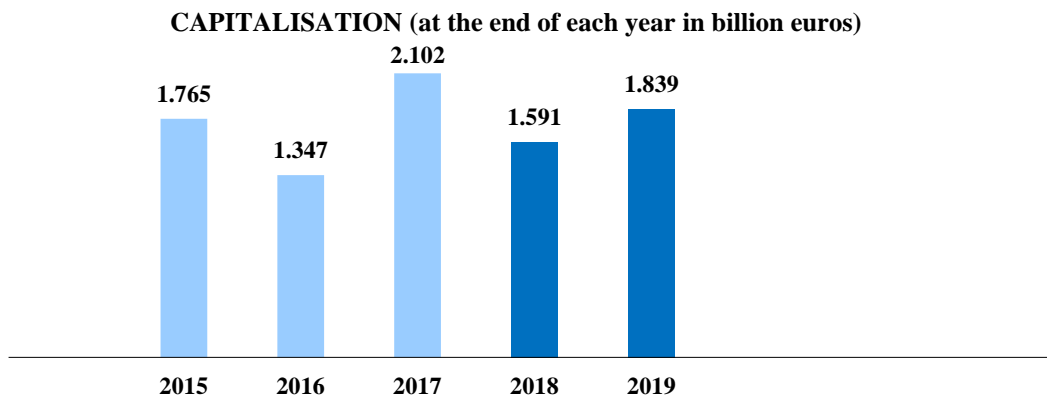
Liquidity contract for treasury shares management

On 10 April 2019, the NH Board of Directors entered into a liquidity contract to manage its treasury shares with Banco Santander, S.A. The Contract became effective on 11 April 2019.

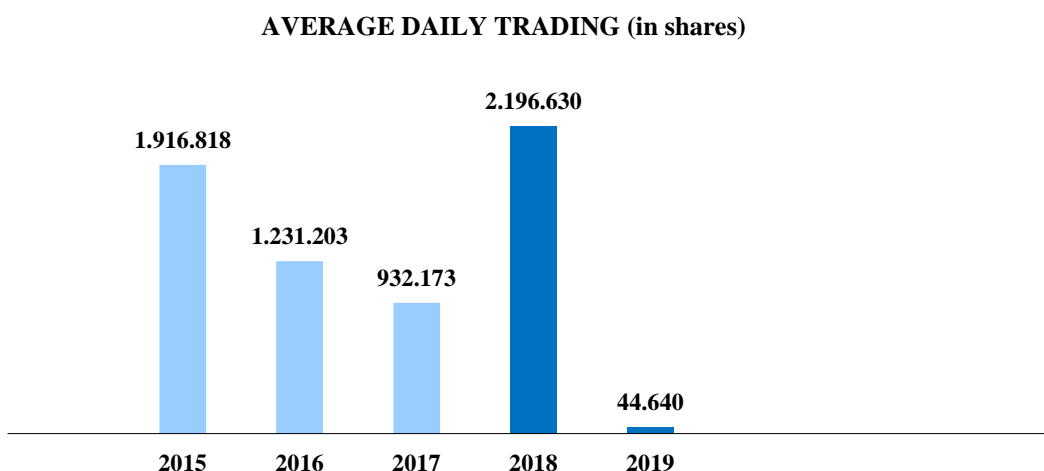
This contract is in accordance with the liquidity contract model in Circular 1/2017 of 26 April from the National Securities Market Commission on liquidity contracts for the purpose of its acceptance as a market practice.

The total number of shares allocated to the securities account associated with the new Liquidity Contract is 82,645 shares and the amount allocated to the cash account is 400,000 euros.

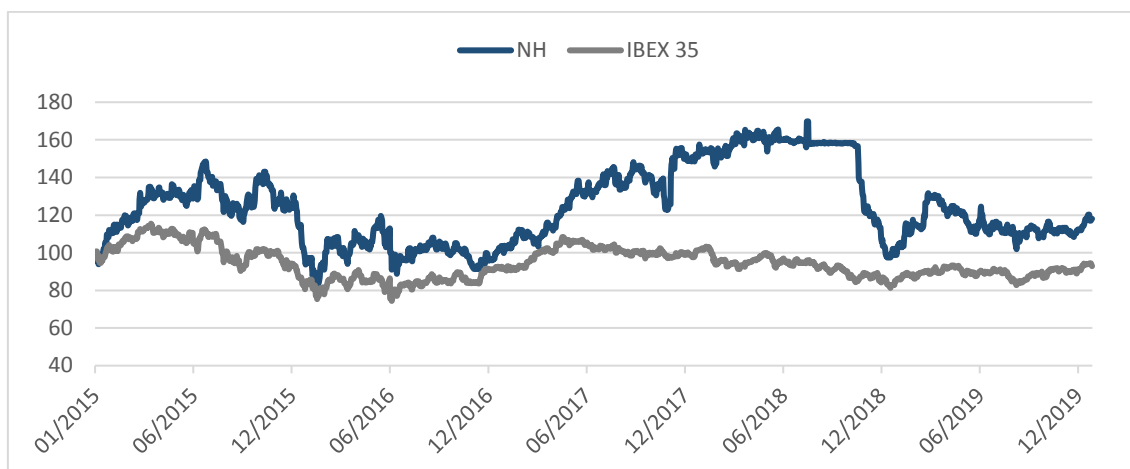
The Liquidity Contract was agreed upon by the Board of Directors at the proposal of the Proprietary Directors on behalf of the shareholder Minor as a measure to encourage and favour the liquidity of the Company's shares taking the current market conditions into account.



During 2019, 11,383,314 shares in NH Hotel Group, S.A. were traded on the Continuous Market (560,140,781 shares in 2018) with average daily share trading on the Continuous Market of 44,640 shares (2,196,630 shares in 2018).



**EVOLUTION NH HOTEL GROUP vs. IBEX 35
1 JANUARY 2015 - 31 DECEMBER 2019**



FUTURE OUTLOOK

The Forecasts of the European Union for November month indicate that this growth will be moderate in 2020, although at a more sustainable pace after ten years of constant expansion following the economic and financial crisis of 2009. World growth of between 3% and 4% is expected in 2020, an outlook that is reflected in the last UNWTO Confidence Index which shows prudent optimism: 47% of participants believe that Tourism will offer better results than in 2019 and 43% believe it will remain the same. It is expected that some major sporting events, including the Olympic Games in Tokyo, and other cultural events, such as the Dubai Expo 2020, will have a positive impact on the hotel sector.

On the other hand, GDP growth in the Eurozone is expected to be +1.2% in 2020 (Data and estimates provided by the E.C. “European Economic Forecast – Autumn 2019” November 2019).

It is worth mentioning the evolution that currencies may have in Latin America over the coming months and their impact on the economic growth of that region.

In this economic environment, the Group expects to benefit from the increase in sales associated with GDP growth expectations in 2020, together with the positive impact of the repositioning investments made in recent years and supported by the implementation of price management tools which will allow us to continue to optimise this strategy.

Non-financial Information Statement

The 2019 consolidated Non-Financial Information Statement, issued by the Board of Directors on 25 February 2020, contains all the non-financial information required by Law 11/2018 of 28 December 2018. This document is presented as a separate report, is part of Consolidated Management Report and is available on the corporate website of the NH Group (<https://www.nh-hoteles.es/corporate>), within the section on Annual reports included in financial information.

EVENTS AFTER THE REPORTING PERIOD

On 22 January 2020, the last payment of a syndicated loan granted by two banking entities was paid to a company in which an NH Group company is a minority shareholder. This company, at year-end, had an outstanding principal of 15,742 thousand euros (equivalent to 17,685 thousand dollars), thereby releasing the guarantees that had been granted for the fulfilment of payment of said loan.

In order to carry out such payment, the Group has made a contribution of 6,315 thousand euros (5,588 thousand euros at 31 December 2019 (See Note 26)) corresponding to the proportional part of NH Hotel Group as a guarantor.

At a date subsequent to the year-end, a claim against a Group company was filed; it is pending processing and in no case will have a significant adverse effect.



IDENTIFICATION DETAILS OF THE ISSUER

End date of 12-month period of reference: [31/12/2019]

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
 No

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

Name or company name of the 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

There were no significant movements in the shareholding structure of NH Hotel Group, S.A. in 2019.

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 <u>can be transmitted</u> through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR ALFREDO FERNÁNDEZ AGRAS	0.04	0.00	0.00	0.00	0.04	0.00	0.00
MR RAMÓN ARAGONÉS MARÍN	0.01	0.00	0.00	0.00	0.01	0.06	0.00
MS BEATRIZ PUENTE FERRERAS	0.00	0.00	0.00	0.00	0.00	0.03	0.00
% of total voting rights held by the Board of Directors						0.05	

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 <u>can be transmitted</u> through financial instruments
No data					

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	MHG CONTINENTAL HOLDING (SINGAPORE) PTE. LTD.	Minor International Public Company Ltd. is an indirect shareholder in NH Hotel Group, S.A. and, through MHG Continental Holding (Singapore) Pte Ltd, holds 94.132% in NH Hotel Group, S.A. MHG Continental Holding (Singapore) Pte Ltd, in exercising its right of proportional representation, has appointed Mr Stephen Andrew Chojnacki as a proprietary director of NH Hotel Group, S.A. Likewise, Mr Chojnacki is a director of MHG Continental Holding (Singapore) Pte Ltd.
MR STEPHEN ANDREW CHOJNACKI	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MINOR INTERNATIONAL PUBLIC COMPANY LTD	Mr Stephen Andrew Chojnacki is a Director

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
			Chief Commercial Officer and General Secretary of Minor International Public Company Ltd. Mr Chojnacki is also a director of the Minor group companies as listed in section H of this report.
MR WILLIAM ELLWOOD HEINECKE	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MHG CONTINENTAL HOLDING (SINGAPORE) PTE. LTD.	Minor International Public Company Ltd. is an indirect shareholder in NH Hotel Group, S.A. and, through MHG Continental Holding (Singapore) Pte Ltd, holds 94.132% in NH Hotel Group, S.A. MHG Continental Holding (Singapore) Pte Ltd, in exercising its right of proportional representation, has appointed Mr William Ellwood Heinecke as a proprietary director of NH Hotel Group, S.A.
MR WILLIAM ELLWOOD HEINECKE	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MINOR INTERNATIONAL PUBLIC COMPANY LTD	Mr William Ellwood Heinecke is Chairman of the Board of Directors of Minor International Public Company Ltd. as well as Chairman of the Executive Management Committee. Finally, note that Mr Heinecke holds the positions in the Minor group companies as broken down in section H of this report.
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MHG CONTINENTAL HOLDING (SINGAPORE) PTE. LTD.	Minor International Public Company Ltd. is an indirect shareholder of NH Hotel

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
			<p>Group, S.A. and, through MHG Continental Holding (Singapore) Pte Ltd, holds 94.132% in NH Hotel Group, S.A. MHG Continental Holding (Singapore) Pte Ltd, in exercising its right of proportional representation, has appointed Mr Rajakarier as a proprietary director of NH Hotel Group, S.A.</p>
<p>MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER</p>	<p>MINOR INTERNATIONAL PUBLIC COMPANY LTD</p>	<p>MINOR INTERNATIONAL PUBLIC COMPANY LTD</p>	<p>Mr Rajakarier was appointed Group Chief Executive Officer of Minor International Public Company Ltd. effective from 1 January 2020. He is also a director of the Minor group companies as broken down in section H of this report.</p>
<p>MR KOSIN CHANTIKUL</p>	<p>MINOR INTERNATIONAL PUBLIC COMPANY LTD</p>	<p>MINOR INTERNATIONAL PUBLIC COMPANY LTD</p>	<p>Minor International Public Company Ltd is the significant indirect shareholder (94.132%) in NH and has proposed the aforesaid Director. Mr Chantikul is also a director of the Minor group companies as listed in section H of this report.</p>

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

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:

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
374,464		0.10

(*) 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 year-end, NH Hotel Group, S.A. had 374,464 own shares on its balance sheet compared to 600,000 at 31 December 2018. This reduction during the period is explained by the following movements:

- Part of the long-term incentive plan was settled in the first half of 2019. The settlement was realised through the delivery of 226,067 shares.
- On 11 April 2019 the liquidity contract signed between the Company and Banco de Santander, S.A. to manage treasury stock came into force. The total number of shares allocated to the securities account associated with the liquidity contract was 82,645 and the amount allocated to the cash account was 400,000 euros. At 31 December 2019, the number of shares related to liquidity contracts amounted to 83,176; an additional 531 to those initially allocated to the securities account.

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:

- a) 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.
 - b) 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, equity will be considered the amount qualified as such pursuant to the criteria for preparing the annual accounts, reduced by the amount of the profit directly attributed to it, and increased by the amount of the uncalled subscribed share capital, as well as the amount of the nominal and the premiums for issuing the subscribed share capital that is accounted for as a liability.
 - c) 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 free float:

	%
Estimated free float	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:

Date of general meeting	Attendance data				Total
	% physically present	% present by proxy	% distance voting		
			Electronic voting	Others	
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
13/05/2019	94.21	0.90	0.00	0.00	95.11
Of which, free float:	0.08	0.90	0.00	0.00	0.98

- 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	9

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		Independent	CHAIRMAN	19/06/2015	13/05/2019	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
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 KOSIN CHANTIKUL		Proprietary	DIRECTOR	10/04/2019	13/05/2019	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR STEPHEN ANDREW CHOJNACKI		Proprietary	DIRECTOR	21/06/2018	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

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 FERNANDO LACADENA AZPEITIA		Independent	DIRECTOR	21/06/2016	21/06/2018	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MS BEATRIZ PUENTE FERRERAS		Executive	DIRECTOR	10/04/2019	13/05/2019	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER		Proprietary	DIRECTOR	21/06/2018	21/06/2018	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING

Total number of directors	9
---------------------------	---

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
MS MARIA GRECNA	Independent	21/06/2018	10/04/2019	Ms Maria Grecna was a member of the Audit and Control Committee.	YES
MR PAUL JOHNSON	Independent	21/06/2018	10/04/2019	Paul Johnson was a member of the Executive Committee until 7.02.2019, the date on which the Board unanimously decided to assume all the functions that were its own and having relieved the Executive Committee of	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
				its activities and terminating the positions of its members.	
MR JOSÉ MARÍA SAGARDOY LLONIS	Independent	29/06/2017	10/04/2019	Mr José María Sagardoy was a member of the Audit and Control Committee, as well as the Appointments, Remunerations and Corporate Governance Committee, acting as Chairman of the latter.	YES

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.
MS BEATRIZ PUENTE FERRERAS	CHIEF FINANCIAL OFFICER	Ms Beatriz Puente Ferreras has been Chief Financial Officer of NH Hotel Group, S.A. since 2015. Prior to joining NH, she was Finance Director of AENA (2013-2015) where she was responsible for preparing and coordinating the process to privatise the company and its IPO. She also led the negotiations to restructure its debt. Prior to that, She was Finance Director (2007-2013) and Investor Relations and Corporate Development Director (2005-2007) at Vocento, S.A. and was responsible for preparing the IPO

EXECUTIVE DIRECTORS		
Name of director	Post in organisational chart of the company	Profile
		for the company. Before Vocento, Ms Puente worked for Citigroup Global Markets (Spain) as Deputy Chairwoman of the investment bank's M&A division (2003-2004) and Investment Banking Associate for the Financial Institutions & LatAm area (2001-2003) in London and NY. In 2018 she was awarded Best CFO by Institutional Investor in the Leisure&Hotels sector and in 2012 received the Young Managers with Talent Award (Financial Management category) from Seeliger and Conde. Ms Beatriz Puente Ferreras has an MBA from JL Kellogg School of Management (Northwestern University) (1998-2000) with a Fullbright scholarship and a Degree in Business Administration from Colegio Universitario de Estudios Financieros (CUNEF) (1995).

Total number of executive directors	2
Percentage of Board	22.22

PROPRIETARY DIRECTORS		
Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
MR KOSIN CHANTIKUL	MINOR INTERNATIONAL PUBLIC COMPANY LTD	With a degree in Economics from Wesleyan University, USA (2000-2004) and having studied the Director Certification Program (DCP), he was a member of the Thai Institute of Directors (IOD) (2014). He began his career at Lehman Brothers, was an associate at Lehman Brothers Principal Transactions Group (until 2008) and subsequently at Nomura Asia Asset Finance (until 2010). In 2012 he was appointed Investments Director at Boutique Asset Management and between 2013 and 2015 he was Group Acquisitions Director for Minor International PCL. Since 2015, he has been responsible for the Minor Group's investments and acquisitions. He has led investments, strategic partnerships and mergers and acquisitions activities in the hospitality sectors on behalf of Minor International PCL and led transactions in Thailand, Indonesia, Malaysia, Vietnam, Cambodia, Australia, United Kingdom, Portugal, Spain, Brazil, Maldives, Seychelles, South Africa, Zambia, Botswana, Lesotho and Mozambique.
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

PROPRIETARY DIRECTORS		
Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
		Chief Commercial Officer and General Secretary (General Board) of Minor International PLC., Director of MHG Continental Holding (Singapore) Pte.Ltd., as well as a 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 is currently Chairman of the Board of Directors of said company. 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). Since 1.01.2020 he has been Group CEO of Minor International Public Company Limited.

Total number of proprietary directors	4
Percentage of Board	44.44

INDEPENDENT DIRECTORS	
Name of director	Profile
MR JOSÉ MARÍA CANTERO MONTES-JOVELLAR	<p>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.</p>
MR ALFREDO FERNÁNDEZ AGRAS	<p>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.</p> <p>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.</p>
MR FERNANDO LACADENA AZPEITIA	<p>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., a leading property leasing management company in the third sector, having directed the operation to float the company with Merlin Properties taking a stake in its share capital; an operation valued at approximately €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.</p>

Number of independent directors	3
Percentage of Board	33.33

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
No data			

Total number of other external directors	N.A.
Percentage of Board	N.A.

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	13/05/2019	Other External	Independent

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			
	2019	2018	2017	2016	2019	2018	2017	2016
Executive	1				50.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent		1	1	1	0.00	25.00	16.67	25.00
Other External				1	0.00	0.00	0.00	25.00
Total	1	1	1	2	11.11	10.00	10.00	18.18

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 and that allows a balance of men and women to be reached:

Explanation of the measures

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 reasons

So far, 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 meet 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 or committee	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	NH HOTELES AUSTRIA GMBH	JOINT AND SEVERAL DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELES SWITZERLAND GMBH	JOINT AND SEVERAL DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELES CZECHIA S.R.O.	JOINT AND SEVERAL DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELES DEUTSCHLAND GMBH	JOINT AND SEVERAL DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELBETRIEBS-UND ENTWICKLUNGS GMBH	JOINT AND SEVERAL DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	JOLLY HOTELS DEUTSCHLAND GMBH	JOINT AND SEVERAL DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELBETRIEBS- UND DIENSTLEISTUNGS GMBH	JOINT AND SEVERAL DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	NH CENTRAL EUROPE GMBH	JOINT AND SEVERAL DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELES POLSKA SP.Z.O.O.	JOINT AND SEVERAL DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	NH MANAGEMENT BLACK SEA SRL	JOINT AND SEVERAL DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	NH CASH LINK, S.L.	JOINT DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	NH HUNGARY SZALLODUAZEMELTETO KFT	JOINT AND SEVERAL DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	JOLLY HOTELS USA INC	CHAIRMAN OF THE BOARD	NO
MR RAMÓN ARAGONÉS MARÍN	HEINER GROSSEN HOTELBETRIEBS GMBH	JOINT AND SEVERAL DIRECTOR	NO
MS BEATRIZ PUENTE FERRERAS	COPERAMA SPAIN, S.L.U.	JOINT DIRECTOR	NO
MS BEATRIZ PUENTE FERRERAS	NH EUROPA, S.L.U.	JOINT AND SEVERAL DIRECTOR	NO
MS BEATRIZ PUENTE FERRERAS	COPERAMA HOLDING, S.L.U	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
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MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER	SERENDIB HOTEL PCL	DIRECTOR
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER	MINOR INTERNATIONAL PUBLIC COMPANY LIMITED	CHIEF EXECUTIVE OFFICER

MR WILLIAM ELLWOOD HEINECKE	MINOR INTERNATIONAL PUBLIC COMPANY LIMITED	CHAIRMAN
MR WILLIAM ELLWOOD HEINECKE	INDORAMA VENTURES PUBLIC COMPANY LIMITED	DIRECTOR
MS BEATRIZ PUENTE FERRERAS	METROVACESA, S.A.	DIRECTOR

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

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)	2.888
Amount of vested pension interests for current members (thousand euros)	
Amount of vested pension interests for former members (thousand euros)	

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 CÓRDOVA MORENO	GENERAL MANAGER, PEOPLE
MS LAIA LAHOZ MALPARTIDA	GENERAL MANAGER, ASSETS AND DEVELOPMENT
MR ISIDORO MARTINEZ DE LA ESCALERA	GENERAL MANAGER, MARKETING
MR RUFINO PÉREZ FERNANDEZ	GENERAL MANAGER, OPERATIONS
MR CARLOS ULECIA PALACIOS	GENERAL SECRETARY
MR FERNANDO VIVES SOLER	GENERAL MANAGER, SALES

Total remuneration of senior management (€ thousands)	3.501
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C.1.15 State whether there has been any change to the regulations of the Board during the year:

- Yes
 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 carried out in December 2018, an action plan was developed to improve the detected areas of opportunity.

- The period with which information was provided to the directors prior to the committees/board has improved.
- The Annual Work Plan and the structure of the Audit and Control Committee sessions have markedly improved.
- There has been a slight improvement in the frequency of Board meetings.

There remain, however, areas to improve. Some of these are repetitions of the above such as increasing the frequency of board meetings or receiving documentation prior to the meetings even sooner. Other areas, such as changing the focus of Board presentations, placing greater attention on the new and relevant and less so on what has already been sent are new aspects for improvement that arose in the December 2019 Board Evaluation.

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 NH Board of Directors is carried out annually to identify the directors' perceptions regarding the practices of the Board of Directors and its committees in aspects such as composition, operation, sessions or performance of the functions.

KPMG, an independent company specialised in this area, were employed for the evaluation process and have assisted in the collection, order and processing of the forms filled out by the directors, as well as presenting the results and plan of action.

The 2019 evaluation was answered by all board members who held their positions throughout all of 2019.

The directors responded on various issues in reference to NH's governing bodies (operations, Board functions, strategic planning, operational and financial supervision, etc.), as well as questions about the sessions of each committee (planning, presentations, communication and participation, 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.

KPMG, have not participated in any matter presented to the Appointments, Remuneration and Corporate Governance Committee for the years in which they have collaborated in the Board of Directors evaluation process.

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 cease the executive positions to which their appointment as Director was associated or when the reasons for which they were appointed disappear, it being understood that said circumstance occurs to a Proprietary Director when the Entity or Business Group they represent ceases to hold a shareholding significant in the Company's share capital or when, for an Independent Director, they are integrated into the executive line of the Company or 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	8
Number of Board meetings without the Chairman	0

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	0
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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	8
Number of meetings of the APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	5

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	4
% of attendance over total votes during the year	82.00
Number of meetings in situ or representations made with specific instructions of all directors	8
% 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 CARLOS ULECIA PALACIOS	

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

Outgoing auditor	Incoming auditor
Deloitte, S.L.	PricewaterhouseCoopers Auditores, S.L.

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)	161	275	436
Amount invoiced for non-audit services/Amount for audit work (in %)	29,54	23,25	27,66

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	1	1

	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by%)	3,13	3,13

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

Explain the rules

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.1.37 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, amongst which includes a Syndicated Credit Line for 250 million euros that matures in 2021. In addition, NH issued guaranteed senior bonds that mature in 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 result of the change of control in the Company's shareholders, a unanimous waiver by the creditors of the Syndicated Credit Line amounting to 250 million euros was obtained in September 2018, keeping the maturity until 2021. Additionally, and in line with the change of control, the Company offered the Bondholders the repurchase at 101% of the 2023 Bond for 400 million euros. The requested amount reached only 3.2 million euros of the total nominal.

Likewise, the change of control following a public takeover bid could have different effects on other leasing and hotel management agreements signed by the Company. NH has carried out a study of these clauses and estimates that the change of control will not have a significant economic impact.

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	2
Type of beneficiary	Description of agreement
Two members of Senior Management.	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. These amounts range from one year's fixed salary to two years' total salary, i.e., fixed plus variable pay received over the last two 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
MR JOSÉ MARÍA CANTERO MONTES-JOVELLAR	MEMBER	Independent
MR STEPHEN ANDREW CHOJNACKI	MEMBER	Proprietary

% of executive directors	0.00
% of proprietary directors	33.33
% of independent directors	66.67
% 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	25/07/2017

APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE		
Name	Position	Category
MR JOSÉ MARÍA CANTERO MONTES-JOVELLAR	CHAIRMAN	Independent
MR STEPHEN ANDREW CHOJNACKI	MEMBER	Proprietary
MR ALFREDO FERNÁNDEZ AGRAS	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	33.33
% of independent directors	66.67
% 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.

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							
	2019		2018		2017		2016	
	Number	%	Number	%	Number	%	Number	%
AUDIT AND CONTROL COMMITTEE	0	0.00	1	33.00	1	33.00	1	20.00
APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	0	0.00	0	0.00	0	0.00	1	16.70

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.

Finally, to comply with Recommendation 6 of the Code of Good Governance, the Annual Audit and Control Committee Report includes a sections on Related Operations that have been managed in said Committee. This Report was published on the Company's website to coincide with the Board meeting.

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 (thousands of euros)
MINOR INTERNATIONAL PUBLIC COMPANY LTD	NH RALLYE PORTUGAL LDA	CONTRACTUAL	MANAGEMENT AGREEMENT	2749
MINOR INTERNATIONAL PUBLIC COMPANY LTD	NH RALLYE PORTUGAL LDA	CONTRACTUAL	RENDERING OF SERVICES	590
MHG CONTINENTAL HOLDING	NH HOTEL GROUP, S.A.	CONTRACTUAL	LICENCE AGREEMENT	116

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 (thousands 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 (thousands of euros)
SOTOCARIBE, S.L.	Loan	9.503

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

Company name of related party	Brief description of the transaction	Amount (thousands 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:

- Not exercise their powers for purposes other than those for which they have been conceded.
- 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.
- 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.
- 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.
- 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:

- 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.
- Using the Company name or their position as director to unduly influence the completion of private transactions.
- Making use of company assets, including confidential Company information, for private purposes.
- Exploiting the Company's business opportunities.
- 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.
- 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.

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.

Finally, it should be noted that all related operations entered into between Minor International Public Company Limited (and its group of companies) and NH have been signed under market conditions and in compliance with legal, statutory and the aforementioned provisions, as well as in the Framework Agreement signed between the parties on 7 February 2019 which regulates, among others, the scope of action of the respective hotel groups headed by NH and Minor by means of preferential geographic areas or areas, the mechanisms necessary to prevent and respond to possible conflicts of interest, as well as to carry out operations with related parties and the development of business opportunities. The aforementioned Framework Agreement was duly communicated to the Market via a Relevant Fact and is published in full on the Company's website.

During all Board Meetings dealing with issues related to Minor, the Proprietary Directors were absent when dealing with said matters and therefore did not participate in the adoption of the corresponding agreement.

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

- Yes
 No

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1. Explain the scope of the company's Risk Management and Control System, including tax compliance risk:

The risk management system of the NH Hotel Group, which is rolled out in both the Group's corporate head office and its Business Units, 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 risk management model is based on the integrated COSO IV ERM (Enterprise Risk Management) framework, is managed through SAP GRC and includes a set of methodologies, procedures and support tools that allow the NH Hotel Group:

1. To adopt adequate governance in relation to the Company's risk management, as well as promoting an appropriate risk management culture.
2. To ensure that the Company's defined objectives are aligned with its strategy and risk profile.
3. To identify, evaluate and prioritise the most significant risks that could affect achievement of strategic objectives To identify measures to mitigate these risks, as well as establish action plans and Key Risk Indicators based on the Company's tolerance to risk.
4. To follow-up on the action plans and the key indicators established for the main risks, within a continuous improvement model framework.
5. Periodic reporting in SAP GRC by risk managers about the status of their respective risks and, in turn, reporting to the Company's main governing bodies.

Such methodologies and procedures are also used in relation to tax risk management. The NH Hotel 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.

On the other hand, NH Hotel Group's Corporate Risk Management Policy (approved by the Board of Directors in 2015), as well as the internal manual that implements it, aim to define the basic principles and the general framework of action to identify and control all types of risks that may affect the companies over which the NH Hotel Group has effective control, as well as ensuring alignment with the Company's strategy.

In addition, there are a number of specific policies that complement the Corporate Risk Management Policy and that are established in relation to certain risks:

- Purchasing policy.
- Travel policy.
- Sustainability policy.
- Information security policy.
- Corporate credit policy.
- Corporate tax policy.
- Corporate gifts policy.
- Corporate committees policy.
- Anti-fraud and corruption policy.
- Money laundering and terrorist financing prevention policy.
- Corporate responsibility policy.
- Debt financing policy.
- Code of Conduct.
- Internal Code of Conduct (ICC).

The Group's Risk Map is updated annually and approved by the Board of Directors once reviewed and validated by the Audit and Control Committee. The Company updated its Risk Map in 2019 through a process in which 37 Senior Executives identified and assessed the main risks faced by the Company. The value of each risk is obtained as a result of the product of probability and impact according to a predefined scale (4x4 matrix). This Map was approved by the Board of Directors at its meeting on 25 July 2019.

For the main risks of the Risk Map, the Audit and Control Commission receives a report every six months detailing the operation of the risk management and control system and includes conclusions on it. The measurement of the key indicators is included for this, stating if they are kept within the set tolerance values or if they need to be adjusted. The implementation status of the previously agreed action plans is also included in the report.

Each of the main risks on the Company's Risk Map is assigned a Risk Owner who, in turn, is a member of the Management Committee. Each Risk Owner periodically attends the Audit and Control Committee (in accordance

with an established calendar) to present the existing or ongoing mitigation measures for their risks, implementation status of the action plans and measurement of key indicators in accordance with established tolerances. During 2019, the Owners of the main risks attended the Audit and Control Committee to present their corresponding risks and made a formal validation in SAP GRC.

Each year, coinciding with the update of the Risk Map, Risk Management is responsible for reassessing the risk catalogue, both financial and non-financial. The final catalogue is validated with the Senior Executives who take part in the process, as well as with the bodies involved in its validation (Management Committee, Executive Risk Committee and Audit and Control Committee) and approval (Board of Directors). Additionally, Risk Owners can report/suggest a new risk to the Risk Office through SAP GRC during the year.

E.2. Identify the company bodies responsible for creating and implementing the Risk Management and Control System, including tax risks:

The Company'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.

As regulated by Section 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 internal control, internal audit and the risk management systems, including tax risks. In this regard, carried out during the various meetings held in 2019 were control and monitoring of the Company's main risks, their evolution in recent years and the main mitigation and response measures.

On the other hand, amongst other functions, the Company's Management Committee manages and controls risks based on risk tolerance, assigns ownership of the main risks, periodically monitors their evolution, identifies mitigation actions as well as defining response plans. For these purposes, the Executive Risk Committee, made up from members of the Management Committee and Senior Executives, supports the Management Committee in such oversight, as well as promoting a culture of risks in the Company. For them, the Company has an internal risk management manual that details the principles, processes and controls in place.

Risk Management, integrated into the Internal Audit department, is responsible for ensuring the risk management and control system in the Company functions properly and is linked to the strategic objectives.

To ensure that there are no conflicts of independence and that the NH risk management and control system works as set out in the Corporate Risk Management Policy, an independent third party has reviewed its operation annually for the last two years.

As an additional guarantee of independence, Risk Management is independent of the Business Units and, as with Internal Audit, it maintains a functional reporting line to the Audit and Control Committee.

In line with the above, NH follows the Three Lines of Defence model ('The three lines of defence for effective risk management and control' Position Paper issued by the Institute of Internal Auditors in January 2013).

- First line of defence: carried out by each function (business and corporate units) that owns the risk and its management (Operations, Commercial, Marketing, etc.).
 - Second line of defence: performed by the functions responsible for risk supervision (Risk Management, Compliance, Data Protection, Internal Control, etc.)
 - Third line of defence: carried out by Internal Audit or an independent third party according to the organisational model.
- In regard to tax, the Corporate Tax Department forms part of the Finance Department and is responsible for designing, implementing and monitoring the Group's Tax Risk Management.

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.

The NH Hotel Group's risk catalogue includes a total of 65 risks grouped into the following six categories:

- 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 encompasses difficulty in adapting to changes in customer demand and needs.

- d) Risks arising from External Factors, such as the consequences resulting from natural disasters, political instability or terrorist attacks.
- e) 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/or financial information.
- f) 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 Hotel Group's risk management model allows it to identify, evaluate and prioritise the most significant risks that could affect achievement of the Company's strategic objectives. Key Risk Indicators have been defined based on the Company's tolerance to risk so that they can be monitored. These indicators are measured quarterly using SAP GRC.

For the main risks on the Risk Map, the Audit and Control Committee receives a half-yearly report that includes the measurement of the key indicators. This report states if the indicators remain within the set tolerances or if they exceed the acceptable tolerance level in which case the Risk Owners are asked to define mitigation measures to bring the risk level to the desired tolerance level.

Additionally, each Risk Owner periodically attends the Audit and Control Committee to present, amongst other information, the results from the measurement of their key indicators in accordance with the set tolerances.

The results from the measurements of the key indicators for the Company's main risks are also presented at all the meetings held throughout the year by the Executive Risk Committee, formed from members of the Management Committee and Senior Executives. This meeting analyses the measurements and tolerances of the indicators in detail, especially those deviating from an acceptable level of risk.

The NH Hotel Group's Risk Management and Control System seeks to ensure that the Company's defined objectives are aligned with its strategy and risk profile. In the same vein, the corporate Risk Map is aligned with the Strategic Plan, the process of setting objectives and, finally, the budgeting process. To guarantee this alignment, the tolerances defined to monitor the main risks to which the Company is exposed are periodically analysed by the Risk Owners and adjusted if required. In this way, the periodic monitoring of the Company's main risks, as well as the Strategic Plan set the risk tolerance levels.

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.

E.5. State which risks, including tax risks, have had an impact over the year.

In relation to risks which have materialised and had a limited negative effect on the Group in 2019, it is worth noting the exposure to the exchange rate in Latin America and, especially, Argentina (depreciation of the Argentinian peso in a hyper-inflationary environment) as well as the instability in Chile in the final quarter of the year.

With the exception of that previously mentioned, no other risk materialised that had a significant negative impact on the Company's financial statements. 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 Company's priority objectives.

E.6. 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 following factors: 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 Hotel Group.

The Company 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 objectives and the 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 its meetings, the Executive Risk Committee's monitors the evolution of the key indicators, the degree of implementation of the Risk Map's action plans as well as new risks and challenges that could affect the company and the industry in the short, medium and long term.

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 2019, the Company carried out a process to define and identify emerging risks. These risks are those that are expected to have a significant impact on the operations and, therefore, the Company's financial results in the future (long term, 3-5 years or more), although it is possible that in some cases they have already begun to impact the NH Hotel Group business.

Therefore, during the periodic risk oversight and monitoring process in the Executive Risk Committee and the Audit and Control Committee, as well as during the annual risk identification and evaluation process, the Company has the appropriate mechanisms to guarantee that emerging risks and new challenges are taken into account and responded to appropriately. The final result of this analysis is reflected in the corporate Risk Map that is submitted annually to the Board of Directors for approval.

As an additional measure, SAP GRC allows the Risk Owners to report on emerging risks or new risks that are detected at any time so that the Risk Office can analyse them and give due consideration.

Below highlights the emerging risks that the Company has already detected and on which monitoring and analysis, impact assessment and mitigation work is being carried out:

- Technological risks (cyber-attacks, information security, technological innovation)
- Risks related to social behaviour patterns (collaborative economy, changing customer preferences, demographic changes)
- Risks related to climate change (natural disasters, extreme weather events)
- Regulatory risks (data privacy/GDPR, new environmental legislation)
- The dependence on intermediaries and specifically online travel agencies (OTAs) and distributors and the sophistication of technological reservation tools are also considered emerging risks.
- Some geopolitical risks that affect the tourism sector such as terrorism, the change in the economic cycle, political instability and, to a lesser extent, Brexit.
- Some risks arising from external factors such as pandemics or strikes, both internal (hotel staff) and external (e.g. air traffic controllers)

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

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. Conversely, the Group's Finance Management is responsible for the design, implementation and proper working of the ICFR. 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.

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, the app for employees, the 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 the Corporate Finance Department, Internal Control 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 body approving this, degree of dissemination and instruction, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and proposing corrective actions and sanctions.

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 has the power to approve decisions and impose, if necessary, disciplinary sanctions on employees in matters within their mandate.

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 and 2019. The percentage of those undertaking training is 75% in Spain (Central Services employees, Hotel Directors and Heads of Department) and 87% in Italy.

In 2018, the roll out of an IT tool in Spain (SAP GRC) was concluded that will help manage and audit the Criminal Risk Prevention Model. During 2019, the Crime Prevention Model was audited by the Internal Audit Department assisted by a top-tier external consultant. Additionally, during 2019, the implementation of the Model to seven other countries begun with the aim of providing 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 2019, use of the Code of Conduct through the online course is at 73%.

In regard to financial information and recording operations, a transparent information behaviour is adopted in the Group's Code of Conduct construed as the undertaking to release reliable information to the markets, both financial and of any other nature. 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.

- It is additionally specified in the section on "Obligations regarding fraudulent or unethical practices" that the NH Group adopts a transparent information behaviour, understood as the undertaking to release reliable information to the markets, both financial and of any other nature. 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 with the falsification, manipulation or deliberate use of false information being considered fraud.

- Individuals (amongst whom include, employees, directors, members of the Board of Directors) must transmit information in a manner that is truthful, complete and understandable. Under no circumstances may they knowingly provide incorrect, inexact or inaccurate information and must 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.

- Whistleblower 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 possible 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 reported periodically to the Compliance Committee and the Audit and Control Committee, upholding the principles of confidentiality non-retaliation 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.

During 2019, staff from the Corporate Financial Department involved in the preparation and review of the financial information attended training programmes and knowledge update sessions on subjects such as economic forecasts and accounting and tax developments, as well as such as training courses in international taxation.

Similarly, seven members of the Corporate Administration Department and two from Internal Control obtained the "Lean Six Sigma Black Belt for the Services Industry" certification after attending eight training days; a total of 64 hours.

Finally, the Corporate Internal Audit Department, being responsible for reviewing the ICFR model, has a specific training plan that, during 2019, involved a total of 740 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. Also during this year, four members of the department obtained the "Certified Internal Auditor Certification", the only certificate recognized worldwide among internal audits. The other members of the internal audit are in the process of obtaining it.

On the other hand, the Corporate Financial Department, through its Internal Control Area, gave training sessions to users of the first line of defence business units, especially in Latin America within the consolidation and development process of the ICFR report.

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 current risks relevant to the preparation and reporting of financial information.

NH Hotel Group has:

- A Corporate Risk Management Policy approved by the Board of Directors in November 2015. This Policy is publicly available on the corporate website.
- A Corporate Risk Management Manual, approved by the Executive Risk Committee in March 2018, that develops the aforementioned policy.
- An operating procedure for the Risk Committee approved by the Executive Risk Committee in July 2017. The procedure is published in the NH intranet and accessible to all the company's employees.
- A Corporate Tax Policy approved by the Board of Directors in July 2015. This Policy is publicly available on the corporate website.
- A drafting process of the Risk Map.

The Risk Map is updated annually and Senior Executives from finance are involved during the process to identify and assess risks.

There is a formally documented matrix that includes the most important controls and risks of the Internal Control over Financial Reporting System (ICFR). This matrix is reviewed annually by Internal Audit and the external auditor who issues an opinion on the ICFR. The matrix is updated periodically through the identification of key financial risks to ensure the reasonable integrity and exactness of the financial information of the group.

- 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 reporting 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.

Throughout 2019, Internal Control has continued to update the control activities in the risk matrix and ICFR controls. To do this, it has taken into account the changes that have occurred in the Group's processes and the search to better cover the associated risks, as well as the uniformity of the control activities carried out in the different business units. In this regard, a redesign of controls in human resources and tax areas has been carried out.

- 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 reporting the consolidated income statement and balance sheet reported by each of the Administration Departments of the business units to the Corporate Finance Department.

Each year, the Administration Departments of the business units confirm to the Consolidation area, within the Corporate Financial Department, the companies that are part of their corresponding consolidation perimeters.

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. To carry out the aforementioned supervision duties, the Board of Directors turns to the Audit and Control Committee, which performs this duty through Internal Audit or the external auditor depending on the nature of the risk.

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 ICFR, 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 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.

In addition the external auditor of NH realizes limited revisions of the intermediate summarized consolidated financial statements of the Group according to NIC 34, "Intermediate Financial Information" and the audit of the consolidated annual accounts of the group according to IFRS regulation. Additionally the external auditor realized limited revisions of the consolidated financial information of the group in compliance with the International Rules of audit services 2410, "Revision of intermediate financial information realized by independent auditor of the company".

- Reporting of information to stock markets:

The consolidated accounts and the quarterly 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, with the support of the Finance Department, which is published on the corporate intranet. This process includes the ICFR 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 ICFR controls.
- The second line of defence is Internal Control, within the Corporate Finance Department, which is responsible for managing and updating the ICFR 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 audit of the ICFR 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.

As a result of the maturity of the system of internal control of the financial information (SCIIF), fiscal year 2019 has realized the internal certification of the financial controls involving directors of the Business Units, corporate directors and members of the Management Committee of the Group.

The Group's ICFR 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 companies
- 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: documentation prepared by the control's owner when executing the control in the first line of defence and that is reported to the following lines of defence to determine the control's effectiveness in mitigating the associated risks.
- Classification of the controls: preventive or detective, 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.
- Managers of the controls: within the first line of defence are the owners of the sub-processes who are responsible for overseeing the correct execution and reporting of the control activities.
- Frequency: makes reference to how often the controls are executed and reported.

To manage the internal financial information controls model, which is embodied in the update to the risk matrix and ICFR controls, the Corporate Internal Control Department carries out a series of activities, the following of which are of note:

- Planning the evaluation reporting activities for the controls by the first line of defence users.
- Evaluation of the controls' effectiveness in covering the main financial information risks.
- Communication with the first line of defence on incidents detected in relation to the lack of effectiveness of controls resulting from their reviews, and monitoring of compliance with the implemented action plans.
- Communication of incidents and monitoring compliance with the implemented action plans resulting from the annual audits carried out by the Corporate Internal Audit Department.
- Update of the ICFR risks and controls matrix based on: analysis carried out by Internal Control on the scope of the matrix in accordance with quantitative criteria such as balances of the consolidated financial statements, and qualitative criteria such as the complexity of the balances calculation and degree of automation in generating and recording economic transactions, in the main; reporting of proposals to change the design of controls by first line of defence users; communications made by the Corporate Organisation Department on modifications made to those processes that directly or indirectly have an impact on generating and/or reporting financial information.

Within the risks identified in the business cycles defined in the ICFR 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.

- 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.

Information Security (InfoSec) within Information Systems (IT & Systems) of the NH Hotel Group has a set of security policies and procedures aimed at ensuring the integrity, availability and confidentiality of the company's operational and financial information.

NH Hotel Group has formally defined procedures that regulate changes, maintenance and developments on the systems that hold financial information. Controls are defined in these procedures to ensure that an appropriate system development methodology is followed, assessing the risks and impacts associated with the changes, as well as involving key business users and conducting sufficient and adequate testing before being placed into production.

There is a model implemented that guarantees the appropriate operation of the company's information systems. This model includes event monitoring processes, incident management procedures, guidelines regarding operational continuity (backups, disaster recovery plan, business continuity plan, etc.), as well as user management policies

Finally, this year internal audit has optimized the general IT controls to reduce them to 35 controls that hold the company's financial information.

- 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 NH Hotel Group has outsourced accounting management to a company with a Shared Services Centre.

The NH Hotel Group's ICFR model includes control activities related to the year-end process and that affect those companies included within the scope of the outsourcing company and which in turn belong to the Group's consolidation perimeter.

Said control activities 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.

During 2019, the Administration function of the corporate structure of Tivoli was outsourced, and the ICFR model was extended to all outsourced financial reporting and reporting processes affecting these companies.

Additionally, NH Hotel Group's ICFR 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.

The NH Hotel Group has also obtained the ISAE 3402 "International Standard on Assurance Engagements" report from an independent third party as a guarantee that the control activities that support the service provider's control objectives operated properly during 2019.

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. 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. It is the responsibility of all departments within the company to periodically review their defined processes, policies and procedures so that may be audited by Internal Audit following the annual audit plan approved by the Audit and Control Committee.

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 International Financial Reporting Standards (IFRS). In this sense, the information reported from the Group's business units follows these 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 area responsible for managing the ICFR model pursues the homogenisation of the processes in all the Group's business units so that the risk and control matrix is the same. Additionally, the self-assessment report and assessment of the controls' design through SAP GRC allows a single reporting model for all business units. Likewise, this method allows reporting evidence of the control activities according to the latest version of the controls recorded in the system.

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 ICFR. 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 ICFR model, the weaknesses detected during internal audits, and the plans or actions already in place to remedy any detected weaknesses.

The Audit and Control Committee supports and supervises the work of the Internal Audit department in its assessment of the ICFR. 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 annual 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 ICFR is presented to the Audit and Control Committee or its Chairman for approval before it is put into practice, in order to include all the opportune considerations.

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

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 guarantee the independence of the internal audit function 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 ICFR, 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.
- Helping to identify weaknesses in controls and reviewing action plans to correct inadequate controls.
- Carry out follow-up work to see if the action plans to mitigate weaknesses in controls have been properly implemented.
- Coordinating between the Board and the external auditor when clarification is needed on scope and testing plans. Scope of ICFR 2019

The NH Hotel Group's ICFR is implemented and consolidated in all its business units. In 2019, the model was extended to companies in the Tivoli hotel portfolio, reporting within the Southern Europe business unit. Therefore, when there is any change in the Group's portfolio, it is integrated into the model's organisational structure.

This implies the scope of all NH turnover, with a portfolio of 307 hotels and 13 business cycles with great significance in the submission of financial reports.

During fiscal year 2019 the number of control activities has been optimized to a total of 290, divided between financial report and IT systems as a consequence of eliminating non key controls and optimizations automatic controls GIRC. For each of them control responsables have been defined at corporate level, Business Unit and Shared Service Centre.

- 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 at least quarterly to review the periodic 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 ICFR 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, including without the presence of the Company's Management. 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 ICFR 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 scope of the auditor's review procedures have been carried out in accordance with Circular E14/2013 of 19 July 2013 from the Spanish Institute of Chartered Accountants, whereby the published Guidelines for Action and auditor's report model referred to the information related to the internal control system of the financial information of the listed companies which 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 [X] 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 [X] 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 [X] 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 [X] 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 [X]

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 [X]

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 [X] 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 [X] 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 [X] 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 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 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 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 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 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 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 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 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 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 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 [X]

Explain []

Not applicable []

The Company's executive short-term variable remuneration has ten per cent linked to the professional performance of both Executive Directors, i.e. their 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. Any of the Executive Directors 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 [X]

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

The "Performance Shares Plan 2017-2022" establishes the obligation to retain the shares delivered to the Executive Directors for at least one year. In addition, the Executive Directors 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 the Executive Director appointed in 2017, Ramón Aragonés Marín, and the Executive Director appointed in 2019, Beatriz Puente Ferreras, be entitled to receive any compensation derived from the termination of their position and ending of such commercial relationship. However, the possible indemnities derived from an ending of the employment relationship will continue in effect during their terms as Executive Directors, 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 amounts linked to the leave of the previous Chief Executive Officer in 2016 and having provisioned its maximum amounts, during fiscal year 2019 the dispute has been resolved definitively by an amount below the provisioned amount.

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.:

The following is a breakdown of the number of shares directly held by each Board member listed in the reference section:

Mr Alfredo Fernández Agras holds 150,000 shares

Mr Ramón Aragonés Marín directly holds 46,156 shares. Additionally, Mr Aragonés holds a total of 227,714 Performance Shares that may be executed as long as the stated objectives are met.

Ms Beatriz Puente Ferreras holds a total of 28,835 direct shares. She additionally holds a total of 110,849 Performance Shares that may be executed as long as the stated objectives are met.

SECTION A.5.:

In regard to the commercial or contractual relations between Minor IPC and the Company and/or its group, refer to section D, Related Transactions.

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.
Anantara (Shanghai) Tourism Consulting Co, Ltd.
Avadina Hills Co., Ltd.
Avani Lesotho (Pty) Ltd
Baan Boran Chiangrai Limited Barbaron
Beach Hotel MHG Limited Chicken Time
Company Ltd.
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 Australia Investment PYT 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 Corporation Pcl. Minor
 Development Limited
 Minor DKL Food Group Pty Ltd
 Minor DKL Management Pty Ltd
 Minor Food Group (Singapore) Pte. Ltd.
 Minor Food Holding Co., 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 Hotel Portugal
 Minor Lifestyle Limited
 Mspa International Cairo Mspa
 International 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
 Seredib Hotel Pcl Sizzler
 China Limited
 Tanzania Tourism & Hospitality Investments Limited
 TCC Operations Pty Ltd
 The Coffee Club Franchising Company Pty Ltd
 The Good Life Global Ltd.
 The Minor Good Group Pcl 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)

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.
 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 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 Australia Investments Pty Ltd
 Verita MHG Company Ltd
 Anantara /Shangai) Tourism Consulting Co, Ltd
 GHA Holding Ltd
 Minor Hotels Portugal, S.A. MINT
 Residential (VIC) Pty Ltd.
 Chicken Time Co, Ltd.

Mr Kosin Chantikul is a Director of the following companies belonging to the group Minor IPC Ltd:

MHG (India) Private Ltd Bodhi
 Hotel&Resort Put Ltd
 MHG Desaru Hotel Sdn Bhd
 MHG Desaru Villas Sdn Bhd
 Avadina Hills Co, Ltd
 Corbin & King Ltd
 M&S REalty Co Ltd.

Lastly, on 17 January 2020, Mr Aragonés and Ms Puente were appointed members of the Minor IPC Strategic Committee. This appointment falls within the purpose of both Companies to apply unit management criteria in accordance with the provisions of the Framework Agreement signed between NH Hotel Group and Minor IPC on 7 February 2019 and whose full text is available on the Company's website.

SECTION C.1.11.

Other than the positions stated in the reference section, Mr Heinecke also holds the following:

- Executive Management Committee Chairman of Minor International Public Company Limited
- Chairman of the Appointments, Remuneration and Corporate Governance Committee of Indorama Ventures Public Company Limited.

SECTION D.2.

The related transactions described have been signed due to the transaction signed between a Minor's subsidiary and NH Rallye Portugal (100% belonging to NH Hotel Group, S.A.) in order to manage 9 hotels in Portugal and advise the operation of 2 hotels in Brasil. The transaction has been duly informed to the Market on 1st July 2019.

The first of the mentioned transaction makes reference to the management fees obtained by NH Hotel Rallye Portugal during fiscal year 2019.

The second transaction refers to the Transitional Service Agreement, by virtue of which NH Hotel Rallye pays certain amounts to Minor's subsidiary in order to guarantee an orderly transition of the management of the aforementioned hotels.

Finally the last described transaction (under D2) refers to the Brand fee paid due to the Brand Licence agreement by means of which each party licenses to the other party the use of its corresponding commercial brands in the geographical areas where the other party operates. The licence agreement has been duly informed to the Market on 7th February 2019.

According to what has been described under sections D1 and D& all related party transactions have been done in compliance with applicable laws and internal regulations, guarantying full transparency and avoiding any conflict of interest.

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.

[25/02/2020]

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

[] Yes
[✓] No



NH Hotel Group, S.A.

Auditor's report on "information regarding the
Internal Control System over Financial Reporting (ICSFR)"
for the 2019 financial year



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Auditor's report on "information regarding the Internal Control System over Financial Reporting (ICSFR)" of NH Hotel Group, S.A. for the 2019 financial year

To the Board of Directors of NH Hotel Group, S.A.

In accordance with the request of the Board of Directors of NH Hotel Group, S.A. ("The Entity") and our engagement letter dated November 30, 2019, we have applied certain procedures in respect of the attached "Information regarding the Internal Control System over Financial Reporting" ("ICSFR"), included in section "F" of the Annual Corporate Governance Report (hereinafter, IAGC) of NH Hotel Group, S.A. for the 2019 financial year, which includes a summary of the Entity's internal control procedures relating to its annual financial information.

The Board of Directors is responsible for adopting the necessary measures to reasonably ensure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to that system and preparing and establishing the content of the accompanying Information regarding the ICSFR.

In this regard, it should be borne in mind that, regardless of the quality of the design and operating efficiency of the internal control system used by the Entity in relation to its annual financial information, only a reasonable, but not absolute, degree of assurance may be obtained in relation to the objectives it seeks to achieve, due to the limitations inherent in any internal control system.

In the course of our audit work on the consolidated annual accounts and in accordance with Spanish Auditing Standards, the sole purpose of our evaluation of the Entity's internal control system is to enable us to establish the scope, nature and timing of our audit procedures in respect of the Entity's annual accounts. Accordingly, our internal control evaluation, performed for the purposes of our audit, is not sufficient in scope to enable us to issue a specific opinion on the effectiveness of such internal control over the regulated annual financial information.

For the purposes of the present report, we have exclusively applied the specific procedures described below, as indicated in the "Guidelines concerning the auditor's Report on the Information regarding the Internal Control System over Financial Reporting for listed entities" published by the National Securities Market Commission on its web site, which sets out the work to be performed, the scope of such work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or review of the internal control system, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Entity's annual financial information for the 2019 financial year described in the accompanying Information regarding the ICSFR. Had we applied additional procedures to those determined by the aforementioned Guidelines, or had we performed an audit or review of the internal control system in relation to the regulated annual financial information, other matters could have come to light in respect of which you would have been informed.

*PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es*

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In addition, as this special engagement is not an audit of financial statements and is not subject to the revised Auditing Act approved by Royal Decree Law 1/2011, of July 1, we do not express an audit opinion under the terms of the aforementioned legislation.

The procedures applied were as follows:

1. Reading and understanding the information prepared by the Entity in relation to the ICSFR – as disclosed in the Directors' Report – and the evaluation of whether such information includes all the information required as per the minimum content set out in Section F regarding the description of the ICSFR, in the model of the Annual Corporate Governance Report, as established in Circular nº 7/2015 of the National Securities Market Commission dated December 22, 2015.
2. Making enquiries of personnel in charge of preparing the information mentioned in point 1 above in order to: (i) obtain an understanding of the preparation process; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described have been implemented and are functioning in the Entity.
3. Review of supporting documentation explaining the information described in point 1 above and which mainly comprises the information made directly available to the persons responsible for preparing the information on the ICSFR. Such documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in support of the functions of the audit committee.
4. Comparison of the information described in point 1 above with our knowledge of the Entity's ICSFR, obtained by means of the application of the procedures performed within the framework of the audit engagement on the consolidated annual accounts.
5. Reading the minutes of meetings of the board of directors, audit committee and other committees of the Entity, for the purposes of evaluating the consistency between the matters dealt with therein in relation to the ICSFR and the information described in point 1 above.
6. Obtaining a representation letter concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in point 1 above.

As a result of the procedures applied in relation to the Information regarding the ICSFR, no inconsistencies or incidents have been identified which could affect such information.

This report has been prepared exclusively within the framework of the requirements of article 540 of the revised Spanish Companies Act and Circular nº 5/2013 of the National Securities Market Commission, dated June 12, 2013, as modified by Circular nº 7/2015 of the National Securities Market Commission, dated December 22, 2015, for the purposes of describing the ICSFR in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Mariano Cortés Redín

February 25, 2020

nh | HOTEL GROUP
PART OF MINOR
HOTELS

**CONSOLIDATED NON-FINANCIAL
INFORMATION STATEMENT 2019**
Sustainable Business Report

nh ROOM 4
Sustainable Business



Room 4 a better world

OUR PRESENCE IN THE WORLD 2019	3
ABOUT THE NON-FINANCIAL INFORMATION STATEMENT	4
CONTENTS	4
SCOPE	5
CHAIRMAN AND CEO’S MESSAGE	6
CHAIRMAN’S MESSAGE	6
CEO’S MESSAGE	8
NH HOTEL GROUP BUSINESS MODEL	10
CORPORATE GOVERNANCE AND ETHICAL COMMITMENT	27
SHAREHOLDER STRUCTURE	27
CORPORATE GOVERNANCE	28
COMPLIANCE SYSTEM	33
ETHICS AND CONDUCT	35
RISK MANAGEMENT	40
NH ROOM4 SUSTAINABLE BUSINESS	47
NH ROOM4 SHARED SUCCESS: CUSTOMERS	55
NH ROOM4 SHARED SUCCESS: RESPONSIBLE VALUE CHAIN	66
NH ROOM4 SHARED SUCCESS: SUSTAINABLE ALLIANCES	72
NH ROOM4 PEOPLE: EMPLOYEES	75
NH ROOM4 PEOPLE: COMMUNITY	104
NH ROOM4 PLANET	108
AWARDS TO NH HOTEL GROUP IN 2019	124
PRINCIPLES GOVERNING THE PREPARATION OF THE NON-FINANCIAL INFORMATION STATEMENT	128
Appendix I: Table of Indicators	129
Appendix II: Table showing relationship between contents under Act 11/2018 on non-financial and diversity	131
Appendix III: Index of GRI standard contents	140
Appendix IV: Independent Assurance Report	150

OUR PRESENCE IN THE WORLD 2019



368 HOTELS **30** COUNTRIES **57,466** ROOMS **13,105*** EMPLOYEES **31*** MILLION GUESTS

Andorra • Austria • Argentina • Belgium • Brazil • Chile • Cuba • Colombia
 Czech Republic • Dominican Republic • Ecuador • France • Germany • Haiti
 Hungary • Italy • Ireland • Luxemburg • Mexico • Poland • Portugal
 • Rumania • Slovakia • Spain • South Africa • Switzerland
 • The Netherlands • United Kingdom • Uruguay • USA

Figures as of 12.31.2019

Including hotels operated under management agreements, leased and owned hotels

*Franchised not included.

AMERICAS	NEBU	SEBU
63 hotels	127 hotels	178 hotels
10,162 ROOMS	23,007 ROOMS	24,297 ROOMS
10 COUNTRIES	14 COUNTRIES	6 COUNTRIES

*Argentina, Brazil, Chile, Colombia, Cuba, Dominican Republic, Ecuador, Haiti, Mexico and Uruguay.

**Austria, Belgium, Czech Republic, Germany, Hungary, Ireland, Luxembourg, Poland, Romania, Slovakia, South Africa, Switzerland, The Netherlands and United Kingdom.

***Andorra, France, Italy, Portugal, Spain and USA.

ABOUT THE NON-FINANCIAL INFORMATION STATEMENT

This Consolidated Non-Financial Information Statement (hereinafter NFIS or “the Report”) is presented as a separate report and forms part of the Consolidated Directors’ Report 2019 of NH Hotel Group. It deals extensively with the Company’s Responsible Business Strategy, NH ROOM4 Sustainable Business and, for the first time, concentrates in a single document:

- The Company’s response to the legal requirements of Act 11/2018, of December 28th, 2018, concerning non-financial and diversity reporting, as well as EU directive 2017/C215/01 for reporting its performance in relation to non-financial information.
- The Sustainable Business Report, which follows the standards of the Global Reporting Initiative (GRI).

The NFIS has been drawn up by the Board of Directors of NH Hotel Group, on February 25, 2020, having been signed by all its members, with the specifications resulting from the Declaration of Responsibility of the Directors for the purposes of Article 118.2 Royal Legislative Decree 4/2015 of October 23, approving the revised text of the Securities Market Law, which states the delegation by some Directors of their respective signatures to other Directors).

This Report and the previous CSR Reports are published in digital format and are available at www.nhhotelgroup.com

CONTENTS

The definition of the contents of the Report is based on matters that are relevant for the activity of NH Hotel Group and its main stakeholders, based on the Materiality Analysis which is updated each year. The Group has different systems for dialogue with its stakeholders, which are a source of analysis in defining the relevant content to be included in the report. The results of this communication allow mechanisms to be kept active in order to identify needs, as well as aspects of major relevance to include in the Report, and the monitoring of the commitments and success in dealing with the challenges presented in the previous year.

To carry out the Materiality Analysis, the Company’s strategy and objectives, the NH ROOM4 strategy, consultations with stakeholders and material issues at sector level defined by the International Tourism Partnership (ITP) are taken into account, as well as the main social and sustainability trends and the requirements of different reporting and sustainability frameworks, such as the Global Reporting Initiative (GRI) and Act 11/2018 on Non-Financial and Diversity Reporting, which responds to Directive 2014/95/EU of the European Parliament¹. The complete Materiality Analysis can be consulted in the corresponding section of this Report.

¹ European Union. Directive 2014/95/EU of the European Parliament and of the Council, of October 22nd, 2014, amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.

SCOPE

This Report sets out the fourteenth edition of the Annual Sustainable Business Report of NH Hotel Group. It includes the Group’s activity and main results in 2019, including its performance in the economic, environmental and social sphere.

The Report shows NH Hotel Group’s management of the impacts that the Company generates, both positive and negative. Therefore its scope contemplates two perimeters: consolidated scope (owned and leased hotels) and corporate scope (hotels under ownership, management and lease). Hence, it includes information on all the hotels operated by the Company, in other words, hotels operated under lease, ownership and management. Where the scope of the information varies, this is indicated in a footnote.

Geographic presence of NH Hotel Group in 2019*		
	Consolidated perimeter (owned and leased hotels)	Corporate perimeter (hotels under ownership, lease and management)
Number of hotels in the world	306	360
Number of countries in which NH Hotel Group has activity	23	29
Number of rooms	47,174	56,803
Employees	11,464	13,105**

***Franchised not included.**

****Figures showing FTE (Full Time Equivalents) for all types of employees (except Outside Labour, Extra Labour and Trainees) considering hotels under ownership, lease, management, including in NH Hotel Group’s ERP SAP HCM management system.**

CHAIRMAN AND CEO'S MESSAGE

CHAIRMAN'S MESSAGE

Dear stakeholders,

I am pleased to introduce our 2019 Annual Report. Our goal is to provide an account of our extraordinary performance and responsible management in what was a landmark year for NH Hotel Group.

First of all, we met all of the guidance set at the start of 2019, posting a record year in the main profit headings while keeping our capital structure strong and healthy.

In parallel, we embarked on a stimulating and open exchange with our shareholder of reference, Minor International, which has already materialised in multiple business opportunities for the Group, marking the start of a period of transformation in which we are building the most ambitious and unique proposition in the sector.

Towards the beginning of the year, we approved an agreement with Minor International with the goal of establishing a transparent regime for governing relations between the two entities, framed by the best corporate governance practices. That agreement addresses communication and the exchange of information between NH Hotel Group and Minor International; delimits the respective preferential geographic regions and market segments for the two companies with the aim of avoiding overlap and fostering business opportunities; and establishes a protocol for approving mutual business transactions. Underpinned by those strong foundations, the two groups have been working together on a host of initiatives designed to unlock sales and operating synergies, including the integration into our operations of Minor Hotels' properties in Portugal, most of them belonging to the Tivoli brand, or the opportunity for NH Hotel Group to gain entry into the luxury hotel segment in Europe by operating certain hotels under the Minor's Anantara Hotels, Resorts & Spas brand. That opportunity will further consolidate in 2020, thanks to the agreement entered into by NH Hotel Group with Covivio, a leading investor in European real estate, for the operation of a unique portfolio of eight high-end hotels at the end of 2019.

Throughout the year, the Board of Directors and executive team focused all of their efforts on matters related with the creation of sustainable value at the Group, specifically including the commitment to remunerating the Company's shareholders. That promise translated into the distribution of a dividend of €0.15 per share, following approval at the Annual General Meeting in May. The Board of Directors is committed to maintaining a dividend equivalent to approximately 50% of consolidated recurring net profit going forward.

The healthy business and earnings momentum was accompanied by constant attention to corporate governance principles. The Board's Committees – both the Audit and Control Committee and the Nominations, Remuneration and Corporate Governance Committee – continued to do their work with the utmost consistency and rigour. In February 2019, the Board of Directors took over the duties of the Delegated Commission. As recommended in Spain's Code of Good Governance, proprietary, independent and executive directors were represented proportionately in the boardroom all year long.

Which brings me to our unwavering commitment to ethics, as evident in the approval of a new anti-money laundering and counter-terrorist financing policy and the updating of the existing anti-corruption policy last year.

Indeed, our firm commitment to best practices resulted in our being the only hotel group of Spanish origin to be included among the 325 firms listed in the Bloomberg Gender-Equality Index (GEI), the international benchmark index for leadership in inclusion and equality matters. More than 6,000 companies were eligible for inclusion in this index, which tracks listed companies' commitments to supporting gender equality through policy development, representation, and transparency.

Elsewhere, on the sustainability front, we were the first Spanish hotel chain to set an emission reduction target validated by the Science-Based Targets initiative (SBTi). Specifically, we have publicly committed to reducing our emissions across our entire value chain by 20% by 2030. Delivery of that pledge will prevent the emission of over 70,000 tonnes of carbon dioxide.

We are also proud to inform you that in 2019 we were evaluated for the first time by SAM, the sustainability investing rating specialist which analyses the entities comprising the Dow Jones Sustainability Index, ranking fourth in our category, thus cementing our position as one of the most sustainable hotel operators. That position is all the more noteworthy considering the fact that it is the result of an evaluation of the 20 key sustainability criteria. We earned the highest score on tax strategy and environmental reporting, as well as commendable scores on aspects related with people management, including talent attraction and retention, human capital development and labour practices.

These sustainability principles have been integrated into NH Hotel Group's responsible business strategy and its three articulating lines of initiative: NH ROOM4 People, NH ROOM4 Planet and NH ROOM4 Responsible Shared Success. Thanks to those initiatives, we are having an impact on 11 of the 17 Sustainable Development Goals selected by United Nations. We are focused on supporting sustainable communities; responsible production and consumption; the elimination of inequalities; gender equality; and climate action, among others.

In short, we look back on a very positive year. A year in which we pursued select brand development and market positioning. A year in which we established a very close relationship with Minor Hotels, so that our integration is greater and more promising than the mere sum of our corporations and professionals. We are increasingly global and more profitable while at the same time more committed and responsible with our teams, with the universe of communities in which we do business, with equality and with the environment.

In sum, a number of very positive developments which constitute a solid basis for continuing to grow sustainably in the medium and long term. Excellent developments which I once again have the tremendous satisfaction of being able to share with all of you, who continue to trust in us.

On behalf of the Board of Directors of NH Hotel Group, many thanks.

Alfredo Fernández Agras
Chairman NH Hotel Group

CEO'S MESSAGE

Dear stakeholders,

I am very proud to share NH Hotel Group's excellent performance in 2019 with you. It has been a year in which we have exceeded the previous year's historic results and consolidated our position of international leadership in the sector together with Minor Hotels.

The solid bases on which we have built NH Hotel Group in recent years have allowed us to grow yet another year, bring value for an increasingly unpredictable future and ensure that we have the best teams and structure to compete globally with greater guarantees of success.

We have an efficient and solvent operational and financial model which, in 2019, has permitted an increase in revenues of 5.9%, up to 1.7 billion euros and net income of 90 million euros, attributable to the Parent Company, while at the same time maintaining a stable debt level and ample liquidity.

Furthermore, alignment with Minor Hotels has been maximal, providing major strategic and business advantages throughout the year. The integration has positioned us as an even more global operator, doubling the number of brands we operate; successfully entering the luxury segment in Europe; integrating the hotels operated by Minor in Portugal into our operations; and adding new projects and destinations to our portfolio. In short, we have become stronger and more agile through a hotel platform comprising more than 500 hotels in more than 50 countries.

For next year, together with Minor Hotels we have set ourselves the goal of expanding our brands' offer in the different areas of influence of both groups, optimising the potential of our combined customer portfolio, taking advantage of our combined negotiating capacity, and getting the most out of shared talent, among other initiatives.

In addition to the organic growth of our NH Hotels, NH Collection and nhow brands, which have contributed more than 1,586 new rooms to the Group in 2019, we have started to operate with the Anantara Hotels, Resorts & Spas, Tivoli Hotels and Avani brands.

In April we announced an agreement to operate the Villa Padierna Palace hotel located in Marbella, in the south of Spain. The property was relaunched last summer under Minor Hotels' luxury Anantara brand, representing the first example of integration between the two companies. This was followed by an agreement to operate the Company's first hotel in Ireland, The Marker, which will also be reconverted to the Anantara brand in 2020.

In June we announced a series of transactions alongside Minor International for NH Hotel Group to manage the establishments of Minor Hotels in Portugal. The integration of the operations of both groups' hotels in this market has enabled us to achieve a position of leadership in the country where we now run 17 hotels and almost 3,000 rooms. Also, this agreement has allowed us to take advantage of operational and commercial efficiencies through NH's platform in Southern Europe and reinforce our growth strategy under management and sustainable lease formulas. In sum, we now operate 10 hotels of the Tivoli brand, one Anantara hotel located in the Algarve and one Avani hotel in Lisbon, which are added to the hotels we already operate in Portugal under the NH Collection and NH Hotels brands.

Furthermore, the end of the year saw a hugely important milestone in our joint ambition to continue introducing the Anantara Hotels, Resorts & Spas luxury brand into Europe, as well as significant progress in the strategy to create added value to the NH Collection customer base with new hotels and destinations. On December 31st, we reached an agreement with Covivio, one of the leading real estate operators in Europe which will allow us to consolidate our efforts in the

high-end segment, while reinforcing our position of leadership in Italy and increasing our presence in competitive destinations in France and Eastern Europe. With this agreement, we will start to operate a unique portfolio of 8 hotels, formerly part of the Boscolo portfolio, located in privileged locations in Rome, Florence, Venice, Nice, Prague and Budapest.

Alongside the hotel development, we have advanced in our efforts to improve our customers' perception of our hotels. I would like to highlight the efforts that the Company has been making for yet another year to reposition our hotels. In 2019 we have carried out partial or total refurbishment projects in 28 assets, notably NH Collection München Bavaria in Germany, NH Collection Amsterdam Flower Market in the Netherlands or NH Málaga in Spain. The latter has doubled its capacity to become the hotel offering most beds in the city centre.

I would also like to draw attention to another one of the initiatives that we have implemented to improve the customer experience, namely the launch of Lobbies Alive, which turns the hotels into spaces that are open to the city, with creative proposals aimed at inspiring and connecting guests and local visitors. With pilot programmes already in operation in Spain and Italy, we expect to expand this concept to hotels in Germany, Belgium and Argentina in the coming months.

In 2020 we will continue to surprise our customers with differential proposals and with an increasingly wider and more iconic range of hotels. In this regard, I must mention the important role of the nhow brand which, as I write these lines, has just opened its doors in London and Amsterdam with two exceptional properties. NH Collection will also make its mark this year with an emblematic opening in the centre of Manhattan, in New York.

The continuous transformation of our business is part of the Company's DNA. This is a quest to which the thousands of people who are part of the Group are committed to and who, with their talent and service, are contributing to NH Hotel Group's excellence year after year. We have received many awards this year, more than fifty national and international recognitions, but the biggest prize of all is still the continued commitment of a multinational team that is a leader in the industry. I take this opportunity to congratulate all of them and to thank them for their dedication.

The results in all areas are an endorsement of the work we have done; work that is allowing us to grow, and to do so sustainably. A cross-cutting value driver, sustainability, that we share with Minor International and that marks the management of our daily activity. We strive to ensure that our business promotes the professional development of the people who work with us, gets involved in social projects in the communities where we operate, minimises our impact on the environment and serves as a channel for the transmission of and compliance with human rights throughout the entire value chain.

With all this in mind, we are ready to face 2020 with great enthusiasm and with the desire to contribute to the generation of value for all those who have placed their trust in our management. I am convinced that together we are taking the right steps to be one of the leading companies in the industry worldwide.

Thank you very much.

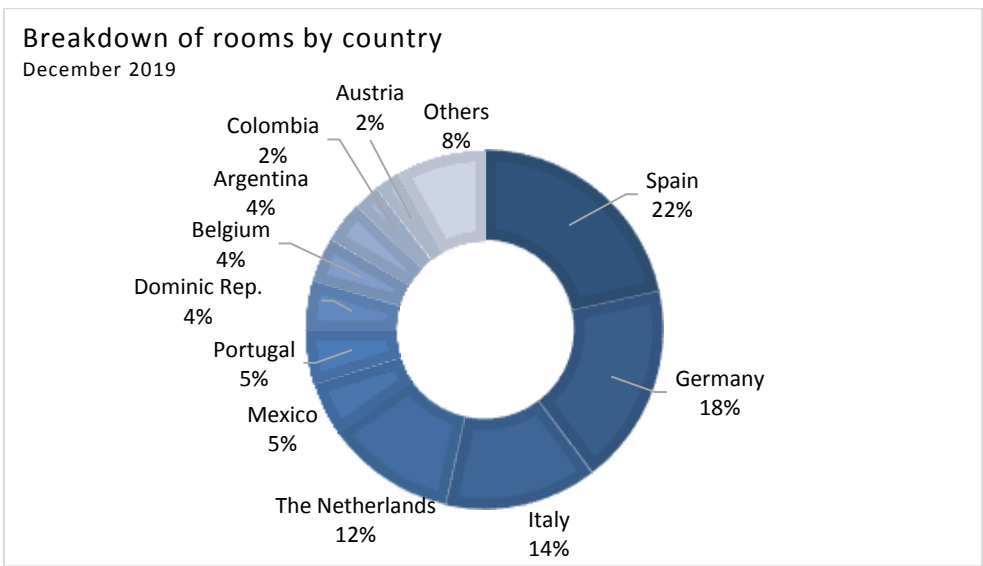
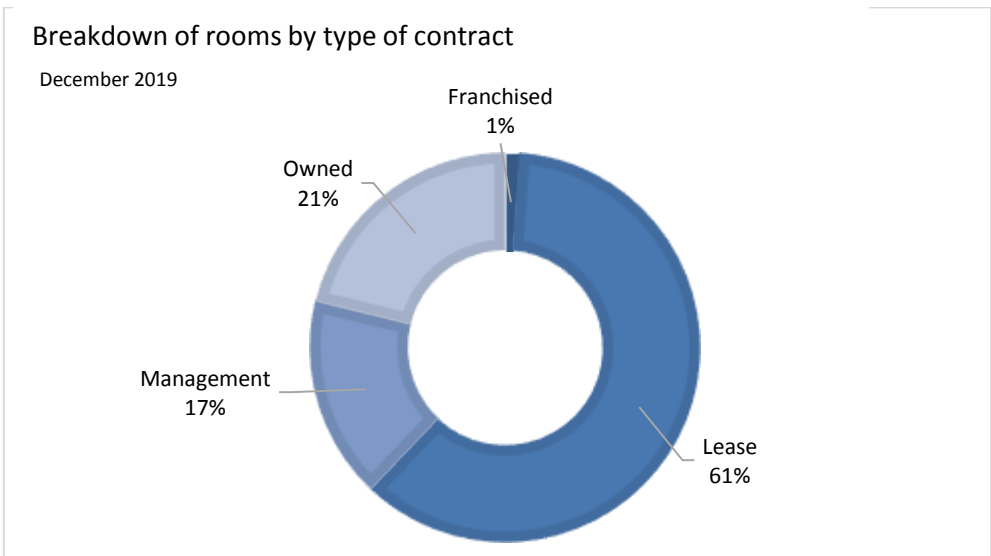
Ramón Aragonés, CEO NH Hotel Group

NH HOTEL GROUP BUSINESS MODEL

NH Hotel Group is a consolidated multinational operator and one of the leading urban hotels chains in the world. At the end of 2019, the Group was present in 30 countries, operating 368 hotels and 57,466 rooms in three continents (Europa, the Americas and Africa).

The centralized business model allows NH Hotel Group to offer its guests an excellent service in the various hotels in the different regions and geographical areas where it does business. The corporate head office and regional offices offer the hotels a wide range of functions such as sales, booking, marketing, human resources, financial management and systems development.

This is a very exciting time for the business, incorporating sustainability into the Company's strategy and creating a business model that offers numerous value creation opportunities to all stakeholders.



BREAKDOWN OF THE PORTFOLIO

TOTAL NH HOTEL GROUP	TOTAL		LEASED		OWNED		MANAGED		FRANCHISE	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
	368	57,466	230	35,006	76	12,168	54	9,629	8	663
EUROPE	TOTAL		LEASED		OWNED		MANAGED		FRANCHISE	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Spain	102	12,381	72	8,873	13	1,977	12	1,139	5	392
Germany	56	10,425	51	9,425	5	1				
Italy	52	7,934	36	5,573	13	1,872	3	489		
The Netherlands	35	6,782	20	3,362	14	2,969	1	451		
Portugal	17	2,809	5	854			11	1,899	1	56
Belgium	14	2,314	6	1,197	8	1,117				
Austria	7	1,34	7	1,34						
France	5	871	4	721			1	150		
Czech Republic	3	581					3	581		
Switzerland	3	382	2	260					1	122
Ireland	1	187	1	187						
Hungary	1	160	1	160						
Rumania	2	159	1	83			1	76		
Luxemburg	1	148			1	148				
United Kingdom	1	121	1	121						
Slovakia	1	117					1	117		
Poland	1	93							1	93
Andorra	1	60					1	60		
TOTAL EUROPA	303	46,864	207	32,156	54	9,083	34	4,962	8	663
AMERICA	TOTAL		LEASED		OWNED		MANAGED		FRANCHISE	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Mexico	18	2,814	7	993	4	685	7	1,136		
Argentina	15	2,144			12	1,524	3	620		
Dominican Republic	6	2,503					6	2,503		
Colombia	13	1,355	13	1,355						
Chile	5	583			4	498	1	85		
United States	1	242			1	242				
Cuba	2	251					2	251		
Brasil	1	180	1	180						
Uruguay	1	136			1	136				
Ecuador	1	124	1	124						
Haiti	1	72					1	72		
TOTAL AMERICA	64	10,404	22	2,652	22	3,085	20	4,667	0	0
AFRICA	TOTAL		LEASED		OWNED		MANAGED		FRANCHISE	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Sudafrica	1	198	1	198						
TOTAL AFRICA	1	198	1	198	0	0	0	0	0	0

*Corporate scope. Figures as of December 31st, 2019.

KEY FIGURES

Global economic and touristic context

During 2019 worldwide economic activity has maintained a growth rate of +2.9%, which is slightly below the growth for the previous year (+3.6%).

The European Union's estimate for growth in worldwide economic activity in 2020 is +3%, slightly higher than growth in 2019. More specifically, in the Eurozone the estimated growth rate for 2019 was 1.1% (+1.2% in 2020). Global growth has led to a positive trade and investment cycle. Furthermore, European economies are continuing to grow, although at more moderate rates. In line with the above data, when the growth rates of the four countries that make up the bulk of the Group's sales and results are compared, it can be seen that Spain (+1.9% in 2019 vs. +2.4% in 2018), The Netherlands (+1.7% 2019 vs. +2.6% 2018), Germany (+0.4% in 2019 vs. +1.5% in 2018) and Italy (+0.1% 2019 vs. +0.8% 2018) show lower growth rates than the previous

year. On the other hand, growth in Latin America is expected to be +1.1% in 2020 (vs. -0.1% in 2019), as almost all the economies in the region have substantially downgraded their growth rates since spring, due to both cyclical and structural factors that have affected the growth that had been anticipated for these economies.

According to the World Tourism Organization (“UNWTO”), in 2019 international tourist arrivals globally reached 1.5 billion, representing an increase of +4% over the previous year, well above the growth rate of 2.9% in the world economy. In 2019 international arrivals grew in all regions. However, the uncertainty surrounding Brexit, the collapse of Thomas Cook, geopolitical and social tensions and the slowdown in the global economy have made growth slower in 2019 compared to the exceptional rates seen in 2017 and 2018. This slowdown particularly affected advanced economies, especially the regions of Europe and Asia Pacific. Europe, where growth was lower than in previous years (+4%), still leads the way in terms of the number of international arrivals, with 743 million international tourists last year (51% of the world market). In this context, Spain has consolidated its position as a world power in tourism together with France and the USA, managing to beat its own record with more than 83 million foreign tourists in 2019, a 1% increase in the number of international arrivals. South America (+2%) on the other hand showed mixed results, as although the Caribbean islands consolidated their recovery following the hurricanes of 2017, the number of arrivals to South America fell, due in part to social and political unrest.

Forecasts show that global growth will be maintained in 2020, although at a more sustainable rate after ten years of constant expansion, following the economic and financial crisis of 2009. For 2020, growth of between 3% and 4% is forecast, a prospect which is reflected in the latest UNWTO Confidence Index, which shows cautious optimism: 47% of participants believe that tourism will have better results than in 2019 and 43% believe that it will stay at the same level. It is expected that major sporting events, including the Tokyo Olympics, and other cultural events such as Expo 2020 in Dubai, will have a positive impact on the sector.

Meanwhile growth in GDP in Europe is expected to be +1.2% in 2020.

Evolution of results

With respect to the figure of income in the financial year 2019, it reached 1,708.1 million euros, showing a growth of +5.9% (+94.7 million euros). The Profit for the year attributable to the Parent reached € 90,0 million compared with € 101.6 million in 2018. This decrease is explained by the application of IFRS 16 since 1 January 2019, which reduces the profit for 2019 and the lower contribution from asset turnover compared to 2018.

With respect to the gross debt situation in this year, it increased from € 418.9 million in December 2018 to € 455.6 million in December 2019. With regard to the cash and cash equivalents situation, it amounted to € 289.3 million at 31 December 2019 (€ 265.9 million at 31 December 2018). In addition, this liquidity is complemented by year-end credit lines amounting to € 303.5 million, of which € 250 million correspond to a long-term syndicated credit line, compared to € 350.4 million at 31 December 2018.

Tax Information

NH Hotel Group income and income tax paid (thousand euros), per country				
Tax jurisdiction	2018*		2019	
	Income / (losses) before Corporate Income Tax	Corporate Income Tax (cash basis)	Income / (losses) before Corporate Income Tax	Corporate Income Tax (cash basis)
Austria	674	2	860	2
Argentina	35,088	1,327	4,689	3,469
Belgium	7,090	2,540	10,935	2,598
Brazil	-461	6	(744)	2
Chile	2,700	864	(2,035)	1,382
Colombia	-2,243	2,108	(2,975)	1,917
Czech Republic	27	-	(2)	7
Dominican Republic	-147	-	372	-
Ecuador	-8	193	84	194
France	-1,061	-	(2,387)	-
Germany	2,824	1,845	(8,077)	428
Hungary	642	35	825	91
Italy	40,032	3,062	47,047	24,146
Ireland	-	-	1.165	-
Luxemburg	7,910	-	3,466	-
Mexico	4,580	2,045	6,089	2,412
Poland	-6	-1	(4)	-
Portugal	1,272	374	1,692	394
Rumania	76	12	381	40
Spain	11,899	3,015	38,136	8,337
South Africa	427	-	1,335	25
Suitzerland	-5,836	-	393	4
The Netherlands	119,233	44,140	36,823	10,427
United Kngdom	-449	-	(78)	-
Uruguay	-270	-	(629)	-
USA	-14,089	31	(5,891)	83
TOTAL COUNTRIES	209,821	61,598	131,469	55,959

Income or losses before taxes and the taxes paid per country described above are affected, in some cases, by circumstances such as the sale of assets, the exit of hotels, early depreciation of assets due to repositioning or a situation of hyperinflation, as is the case of Argentina. It should also be noted that the corporate income tax shown in the above table is as calculated on a settlement basis.

*Figures broken down in the Consolidated EINF 2018. It should be clarified that during the first quarter of 2019 a circumstance was detected in the Consolidated Financial Statements at 31 December 2018 in relation to the accounting application of hyperinflation in the Parent Company's Argentine subsidiaries in accordance with IAS 29 (see note 2.2. to the 2019 Consolidated Financial Statements). The updated aggregate figure for income before tax for 2018 is 185,350 thousand euros, while the updated aggregate figure for income tax for 2018 is 61,561 thousand euros.

MILESTONES 2019

FEBRUARY

- **AGREEMENT WITH MINOR**

The Board of Directors of NH Hotel Group approved the formalization of a framework agreement with Minor International to establish relations between the two Groups, as well as a reciprocal trademark license agreement in the geographical areas in which the other group operates.

APRIL

- **CHANGES IN THE BOARD**

The Board of Directors of NH Hotel Group resolved to appoint as new members, by co-optation, Beatriz Puente, Executive Managing Director of Finance & Administration of NH, with the category of Executive Director; and Kosin Chantikul, Senior Vice-President of Investment & Acquisitions of Minor Hotels, with the category of Proprietary Director. The two new Directors filled the vacancies left following the resignation of the three directors: María Greca, Paul Johnson and José María Sagardoy. With the new composition, the Board of Directors was made up of nine members: four proprietary directors, three independent directors and two executive directors. Following the changes, NH continues to comply with the premises of the Good Governance Code for listed companies, especially with the recommendation for a balanced composition, with an ample majority of non-executive directors and an adequate proportion between proprietary and independent directors.

- **ENTRY INTO THE LUXURY SEGMENT**

Signing of the contract for the Villa Padierna Palace hotel, to be managed by NH Hotel Group under a variable lease agreement and converted to the Anantara brand.

MAY

- **PAYMENT OF DIVIDEND**

Following the approval by the General Shareholders' Meeting held on May 13th, 2019, a gross dividend of €0.15 per share was paid out (approx. €59 million).

JUNE

- **TIVOLI INTEGRATION**

NH Hotel Group formalizes the integration into its operation of 13 hotels in Portugal, three through a long-term sustainable rental contract and the rest of the portfolio are operated under a management contract with Minor International. The transfer of the operations of these hotels from the Tivoli portfolio to NH Hotel Group demonstrates the alignment of interests and represents the first milestone in the integration of the two companies.

- With the motto **“Together with Love”**, NH Hotel Group held a worldwide corporate volunteering week for the first time. This global initiative is focused on sustainability and the strengthening of relations with local communities where the Group is present. All of the Company's teams were invited to participate and for one week, close to one thousand employees took part as volunteers in a number of initiatives chosen and lead by themselves.

In this way, NH Hotel Group joined the annual volunteering initiative implemented by Minor International, with which it shares a firm commitment to the development of its Corporate Social Responsibility strategy.

SEPTEMBER

- **SAM ASSESSMENT**

NH Hotel Group has been assessed for the first time by the sustainable investment agency SAM, placing the Company in fourth position among all the companies assessed to make up the 2019 index. NH Hotel Group has thus consolidated its position as one of the world leaders in terms of sustainability in the industry.

Each year SAM assesses businesses that develop the best corporate practice in relation to sustainability, focusing on three dimensions: economic, social and environmental. These areas in turn are divided into 20 criteria, and NH Hotel Group has obtained the top score (100th percentile) in two of them: Tax Strategy and Environmental Reporting. It has also achieved great recognition in all criteria related to people management, such as talent attraction and retention, human capital development or working practice indicators.

- **Establishment of 20% carbon emission reduction targets by 2030**

The Company was the first Spanish hotel chain to establish emission reduction targets scientifically validated by the Science Based Targets initiative (SBTi).

In this quest, the Group has committed to reducing its carbon emissions throughout its entire value chain by 20% by 2030. The establishment of this target sets out NH Hotel Group's road map towards a significant reduction in the carbon footprint of its activity in the coming years, aligned with the goal established in the Paris Agreement to limit the increase in global temperature to less than 2°C, and join worldwide efforts towards the transition to a low-carbon economy.

NOVEMBER:

- **City Connection, a new service providing unlimited enjoyment of the city**

With the tagline “*Stay in one hotel, enjoy them all*”, NH Hotel Group presented City Connection, a selection of services that allows guests to enjoy them at any NH Hotels, NH Collection, nhow, Tivoli or Avani hotel in the city where they are staying, regardless of the hotel they are staying in and for the duration of their stay.

DECEMBER:

- **STRENGTHENING OF THE LUXURY SEGMENT**

NH Hotel Group consolidates its strategic commitment to the luxury segment through an agreement to operate eight high-end hotels, notable properties that come from the Boscolo portfolio; located in privileged locations in Rome, Florence, Venice, Nice, Prague and Budapest.

OUR VISION AND CULTURE

Our vision

One day, whenever anyone contemplates a trip to a city for an overnight stay of a meeting, for business or pleasure, they will always ask themselves: “is there an NH hotel at my destination?”.

NH Hotel Group focuses on customers; they are at the centre of all decisions. This approach allows it to evolve towards a vision focused on the service culture, taking care of the details at all times and corporate values that foster sustainability, innovation and responsibility, based on people.

NH Hotel Group wants to be consumers’ chosen destination, offering them memorable experiences that exceed their expectations and making them feel special. This vision, which is shared by all the people who are part of the Company, serves as a performance and commitment guide, while at the same time seeking to make NH Hotel Group the best option for investors and owners who wish to grow together with the Group, with a global and flexible proposal, with highly-motivated and proud teams, efficient management tools and unique solutions.

To maximize the return for shareholders who have placed their trust in NH Hotel Group, the Company offers its investors the best management opportunities as a leading operator in both the urban and business segment.

Our culture

The NH Hotel Group culture, inspired on its vision and on a clear commitment to customer service, is what has set the Company apart since it started operating in the industry.

The alignment of the Company’s culture with its strategy is key for sustainable growth. This culture has allowed NH to evolve from a management model to a leadership model that incorporates the principles that guide the day-to-day activities of its employees, and which can be summarized in eight beliefs:

- 1. We are obsessed with delivering memorable experiences**
- 2. We are proud to serve**
- 3. We strive to be the best, even if we are not the biggest**
- 4. We are responsible for our results**
- 5. We care for our people, our people care for our guests**
- 6. We are active in the communities where we live**
- 7. We are young-minded**
- 8. We enjoy what we do ... and we do everything with a smile**

NH Hotel Group, a family rather than a workplace

Salvador Férrez, or Salva as he is known at the NH Campo de Cartagena hotel where he works, was one of the hundreds of people affected by floods in the region of Murcia (Spain) in 2019. He and his family live in Los Alcázares, one of the towns that was most seriously affected.



After losing his house, and until a temporary home was assigned to him, he and his family found a new home at this workplace, NH Campo de Cartagena.

The Férrez family stayed at the hotel for 10 days, during which the entire team rallied around to do whatever they could to help. As the Hotel's General Manager said, this experience really brought all the employees together.

Salvador's daughter Paula decided to thank the whole team at the hotel for their hospitality with this great drawing.

Moony, back home thanks to the team at NH Orio Al Serio



In April we received the following tweet: *Ciao! On March 29th we stayed at the NH Orio Al Serio and our son left his blue and white Manchester City teddy in the bed of room 311. We hope your team has found it! He has had it for 7 years and it is very special to him. Thank you for any help you can give us in finding for it!*

The whole team of the NH Orio al Serio hotel immediately set to work looking for Moony and finally found it. The hotel staff created a story and published this photo of Moony in the bed, saying that he was fine and was resting ahead of his journey back home. The journey took place, of course, and ended with James, the toy's owner, hugging Moony once again.

Santa's Room – NH Collection Abascal



Last December, a very special guest stayed at the NH Collection Abascal hotel in Madrid. It was none other than Santa Claus himself! For a few weeks all guests, adults and children alike, could visit this room that the hotel team had prepared with great love. Visitors could find the clothes that Santa Claus

left behind when he had had to rush out the window, a fireplace, a snowman made with coffee capsules, cardboard reindeer and personalized letters from everyone who visited the room. Without question, a great idea providing magic and joy to both employees and guests at this special time of year.



Music On, World off at nhow Berlin



A guest staying at the nhow Berlin explained on arrival that he was a lover of music, art, architecture and culture, which are precisely the features that define the hotel. Accordingly, the team at the nhow Berlin did not hesitate to make his dream come true and allowed him to practice his DJ skills at the hotel bar. This was not the first time he had stayed at the hotel: he had spent his birthday there and, on that occasion, the hotel staff prepared a delicious dessert for him. He loved it and told us so on



social media, where he also praised the kindness and professionalism of all the employees. He has decided to return in a few months, and we hope it will not be the last time.

NH HOTEL GROUP STRATEGY

The Company's excellent performance in recent years has been the result of a complete transformation of the Group.

In the first phase of this transformation, which began in 2014, the strategic plan focused on brand segmentation, portfolio optimization, strong investments in repositioning and systems and the pricing strategy. This brought NH Hotel Group to a second phase, which started in 2017, based on the Company's strengths and boosting the key levers in value creation for the business. The priorities set out by this Plan were to boost the Company's revenues, increase its efficiency while taking advantage of its strengths for new repositioning opportunities and organic expansion as an additional route to growth.

With the entrance of Minor International as shareholder, a new phase full of opportunities has opened up, mainly thanks to now being a global hotel platform with presence in five continents.

It should be noted that, in February 2019, the Board of Directors of NH Hotel Group approved a framework governance agreement to establish relations between the two Groups, as well as a reciprocal trademark license agreement through which each group permits the use of its commercial brands in the geographical areas where the other group operates. These geographical areas have been defined as preferential and define the scope of action of each Group.

Thus, the framework agreement establishes mechanisms to prevent and resolve conflicts of interests, related-party operations and the exchange of information.

In this way, a new era has begun, in which new opportunities arise such as:

- The possibility of increasing the customer base.
- The possibility of improving pricing arrangements with commercial partners, such as travel agencies and suppliers, through economies of scale.
- The capacity to use a broader umbrella brand in new geographies.
- Access to the luxury segment through rebranding opportunities and opening and formalization of contracts for new hotels in this segment.

All this through opportunities driven by the exchange of talent within our businesses.

Furthermore, work has also been done this year on defining the new Strategic Plan 2020-2024, subject to approval by the Company's Board of Directors to commence implementation from 2020 onwards.

KEY STRATEGIC INITIATIVES IN 2019

1. INTEGRATION WITH MINOR HOTELS

Following the acquisition of 94.1% of the share capital of NH Hotel Group by Minor International in the last quarter of 2018, both Companies started in 2019 to explore joint value creation opportunities for the coming years.

The first initiative involved the integration of all their hotel brands under the same corporate umbrella with presence in more than 50 countries around the world. In this way, a portfolio of more than 500 hotels is organized under eight brands: NH Hotels, NH Collection, nhow, Tivoli, Anantara, Avani, Elewana and Oaks, comprising a wide and diverse spectrum of hotel options connected to the needs and wishes of present-day global travellers.

The complementary nature of the two hotel portfolios and the benchmark position of their different brands will allow NH Hotel Group to grow and compete with better guarantees of success and to create added value to its customer base around the world.

The teams of both groups have worked together on different lines of action throughout the year. Taking advantage of the broad umbrella of brands of the two Companies, an analysis was carried out on a hotel-by-hotel basis of the potential repositioning to the most premium brands of certain assets located in Europe with the capacity to boost their profitability under different brands to those they operate under at present. Furthermore, the two Companies have made progress in the development of initiatives to take advantage of economies of scale with commercial channels and suppliers.

At the same time, both groups worked on instrumentalizing the use and operating arrangements for the brands of the two Companies in markets other than their natural markets, which will speed up their expansion throughout the world.

On February 7th, 2019, the Board of Directors of NH Hotel Group approved the formalization of a framework agreement with Minor International, with the aim of establishing a transparent framework for relations between the two groups in line with best corporate governance practices. In particular, the agreement established communication and information exchange between NH Hotel Group and Minor International; the definition of the preferential respective geographical areas and market segments for the two Companies, with a view to avoiding overlaps and promoting business opportunities; the establishment of a protocol for the approval of their mutual business operations and of operations with related parties; and the creation of a framework to prevent possible conflicts of interests between the two parties.

In June 2019 NH Hotel Group formalized an agreement with Minor International to operate 13 hotels in Tivoli's portfolio in Portugal, consolidating an offer positioned in the high-end segment. On January 6th, 2020, NH Hotel Group consolidated its strategic commitment to the luxury segment through an agreement to operate eight notable properties of the Boscolo portfolio. The Company has strengthened its relationship with Covivio, one of the leading European real estate investors, to operate these eight high-end hotels, situated in privileged locations in Rome, Florence, Venice, Nice, Prague and Budapest with the incorporation of more than 1,000 rooms. Most of the hotels will be relaunched under the Anantara Hotels, Resorts & Spas and NH Collection brands, after carrying out an in-depth repositioning programme in all properties, driven by Covivio throughout 2020.

2. WE EXPAND OUR BRANDS

The complementary nature of the portfolios of Minor and NH Hotel Group, as well as the benchmark position of their different brands, allows NH Hotel Group to grow and compete with greater guarantees of success and create added value for its customer base throughout the world. Both groups are aligned in order to be able to capitalize the best opportunities for the expansion of their brands in their different preferential territories.

With the entry of Minor as a shareholder, a new era has commenced with value creation opportunities through a global hotel platform with presence in five continents, which lets more customers be reached with a broader umbrella brand and new locations.

Debut of the Anantara Hotels, Resorts & Spas luxury brand in Spain and Ireland



In 2019, as part of the integration of brands under a single umbrella, an agreement was signed through which NH Hotel Group would start to manage the Villa Padierna Palace hotel under a variable lease agreement. The property was rebranded as an Anantara hotel under the supervision of Minor Hotels, becoming thus the first milestone in the materialization of this joint strategy combining the leadership and experiences of both Companies.

Located in the Valle del Golf of the Costa del Sol, the property was relaunched under the name Anantara Villa Padierna Palace Benahavís Marbella Resort, becoming the first Anantara in Spain and the second in Europe (after the Anantara Vilamoura Algarve Resort in Portugal, launched two years ago).

Anantara Hotels, Resorts & Spas will also have its debut in the forthcoming months in Ireland with the rebranding of the “The Marker” hotel in Dublin, in one of the most contemporary buildings in the city. This incorporation will become the first city hotel of the Anantara brand in Europe and will represent the arrival of this luxurious brand to the North-West of the continent. This new Anantara, which from now on will be operated by NH Hotel Group, is another result of the joint strategy with Minor Hotels, the owner of this brand.

Furthermore, in December 2019 Minor Hotels announced the signing of a deal for a new property that will operate under the NH Collection brand in Qatar. The NH Collection hotel in Doha will be the first of the brand in the Middle East and the first outside this brand’s natural markets, Europe and South America, and will be operated by Minor Hotels.



Integration of the Minor hotels in Portugal into the operations of NH Hotel Group



In January 2019, it was agreed that Minor’s hotels in Portugal would be managed by NH Hotel Group. Following the operation, the combined portfolio of Minor International and NH Hotel Group in Portugal totalled 17 hotels in operation with 4 or 5 stars, making it the leader in the sector in the country as the main operator, and consolidating an extensive offer positioned in the high-end segment, operated under the Tivoli and Anantara Hotels, Resorts & Spas brands in Portugal, located in Vilamoura, Carvoeiro, Sintra, Coimbra, Lagos and Portimão.

**This figure includes the Tivoli Évora Ecoresort hotel which is operated under a franchise agreement.*

Increasing the portfolio of NH COLLECTION and NHOW

In 2019 the Company has continued to invest in the repositioning and improvement of its portfolio in each of the Business Units.

In Southern Europe, the opening of the NH Collection Fori Imperiali, in Rome, is noteworthy, consolidating the great growth of the NH Collection brand in Italy, where the Company has opened 12 hotels in the last 4 years under this brand. With the opening of this hotel, NH Hotel Group has reinforced its positioning in the upper-upscale segment in the city of Rome.

Furthermore, the NH Collection Valencia Colón has also been opened, the first of this brand in the city.

In the Northern Europe Business Unit, attention should be drawn to the NH Carlton Amsterdam which, after a six-month-long extensive refurbishment process, closes a chapter of its history and reopens its doors under the name of NH Collection Amsterdam Flower Market. Two other properties have been inaugurated in The Netherlands: the NH Collection München Bavaria - the eighth premium brand property in Germany – and the NH Collection Antwerp Centre, the Group's first hotel in this city and the third NH Collection hotel in Belgium.



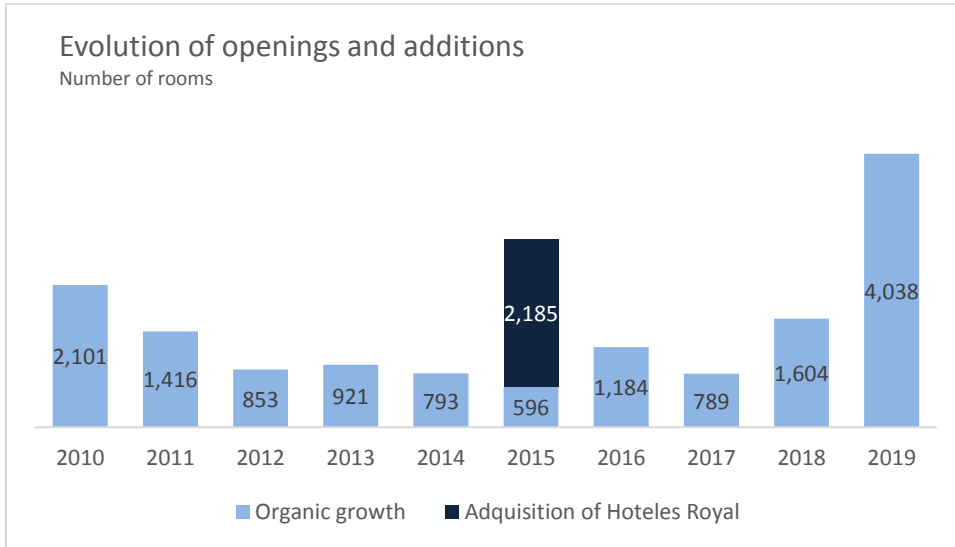
The Company maintains its interest in increasing its presence under the nhow brand in the coming years. At the end of 2019, this avant-garde brand operated four hotels located in Berlin, Milan, Marseille and Rotterdam, and had six projects in its portfolio, in Europe and Latin America, slated to open between 2020 and 2022. Of the latter the nhow London and the nhow Amsterdam RAI, will open in January 2020. The first, located in the Shoreditch district of London, is part of an architectonic complex designed by the prestigious architecture studio of Sir Norman Foster. In the interior design, the Company combines traditional British icons and unconventional contemporary elements, with the hope of making the hotel a benchmark for creativity and dynamism in the city. In turn, the opening of nhow Amsterdam RAI represents the arrival in the Dutch city of the largest newly built hotel in Benelux. Its 650 rooms are located inside unique 25-floor building made up of three superimposed triangular prisms that symbolize the diversity that characterizes the past, present and future of the city of Amsterdam, in which the interior design has sought to reflect the multicultural spirit of the Dutch city.

3. EXPANSION AND PORTFOLIO OPTIMIZATION PLAN

In 2019 the Group has continued with the significant improvement in the quality of the assets and destinations to be added to the portfolio, with the opening of 26 new hotels and 4,038 rooms during the year. These new hotels include, among others, the Anantara Villa Padierna Palace (Marbella, Spain), NH Collection Roma Fori Imperiali (Rome, Italy), The Marker (Dublin, Ireland), Anantara Vilamoura Algarve Resort (Portugal) and NH Collection Antwerp Centre (Antwerp, Belgium).

In 2020 the Company will continue its expansion plan with the opening of 14 new hotels, of a total of 34 projects in the pipeline in Europe and Latin America until 2023, and further commits to the luxury brand. Specifically, of the 34 hotels planned for the three-year period, 70% of rooms are in the high-end range.

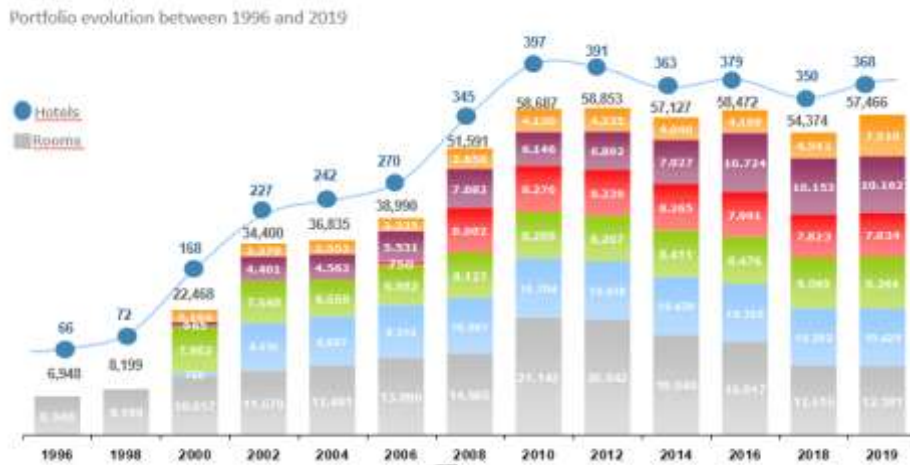
Evolution of the number of openings and incorporations



Continuous growth

In number of rooms and hotels between 1996 and 2019

Compound average annual growth: **9.6 %**



Hotels opened

In 2019 the Group has started to operate 26 new hotels, located in nine countries with a total of 4,038 rooms.

New rooms openings from January 1 st to December 31 st 2019			
Hotels	City	Country	Rooms
NH Collection Santiago Casacostanera	Santiago de Chile	Chile	85
NH Leipzig Zentrum	Leipzig	Germany	197
NH Mannheim	Mannheim	Germany	225
NH Collection Merida Paseo Montejo	Merida (MX)	Mexico	120
Anantara Vilamoura Algarve Resort	Vilamoura	Portugal	280
AVANI Avenida Liberdade Lisbon	Lisbon	Portugal	119
Tivoli Avenida Liberdade Lisboa	Lisbon	Portugal	285
Tivoli Carvoeiro Algarve Resort	Carvoeiro	Portugal	248
Tivoli Coimbra	Coimbra	Portugal	100
Tivoli Évora Ecoresort	Evora	Portugal	56
Tivoli Lagos Algarve Resort	Lagos	Portugal	296
Tivoli Marina Portimão Algarve Resort	Portimao	Portugal	196
Tivoli Marina Vilamoura Algarve Resort	Vilamoura	Portugal	383
Tivoli Oriente Lisboa	Lisbon	Portugal	279
Tivoli Palacio de Seteais	Sintra	Portugal	30
Tivoli Sintra	Sintra	Portugal	77
The Residences at Victoria Algarve	Vilamoura	Portugal	103
Anantara Villa Padierna Palace Benahavís Marbella	Marbella	Spain	132
NH Collection A Coruña Finisterre	A Coruna	Spain	92
NH Collection Valencia Colón	Valencia	Spain	47
NH Porto Jardim	Porto	Portugal	79
NH Collection Roma Fori Imperiali	Rome	Italy	42
NH Andorra la Vella	Andorra la Vella	Andorra	60
NH Collection Antwerp Centre	Antwerp	Belgium	180
Anantara The Marker Dublin	Dublin	Ireland	187
NH Cancun Airport	Cancun	Mexico	140
Total rooms			4,038

Hotels planned

NH Hotel Group signed agreements for 34 hotels in 2019 with 4,829 rooms. All the agreements were under lease and management arrangements.

Signed rooms from January 1 st to December 31 st 2019			
City	Country	Rooms	Expected opening
Marbella	Spain	132	Opening in 2019
A Coruna	Spain	92	Opening in 2019
Rome	Italy	42	Opening in 2019
Andorra la Vella	Andorra	60	Opening in 2019
Dublin	Ireland	187	Opening in 2019
Vilamoura	Portugal	280	Opening en 2019
Lisboa	Portugal	119	Opening en 2019
Lisboa	Portugal	285	Opening en 2019
Carvoeiro	Portugal	248	Opening en 2019
Coimbra	Portugal	100	Opening en 2019
Evora	Portugal	56	Opening en 2019
Lagos	Portugal	296	Opening en 2019
Portimao	Portugal	196	Opening en 2019
Vilamoura	Portugal	383	Opening en 2019
Lisboa	Portugal	279	Opening en 2019
Sintra	Portugal	30	Opening en 2019
Sintra	Portugal	77	Opening en 2019
Vilamoura	Portugal	103	Opening en 2019
Malaga	Spain	43	2020
Verona	Italy	70	2020
Aguascalientes	Mexico	105	2021
Hamburg	Germany	136	2021
Alicante	Spain	63	2021
Roma (Extension NH Collection Vittorio Veneto)	Italy	82	2021
Cagliari	Italy	100	2022
Porto	Portugal	150	2022
Rome	Italy	238	2020
Venice	Italy	64	2020
Venice	Italy	100	2020
Florence	Italy	86	2020
Budapest	Hungary	185	2020
Budapest	Hungary	138	2020
Prague	Czech Republic	152	2020
Nice	France	152	2020
Total rooms		4,829	

4. COMMERCIAL EVOLUTION MODEL: BOOSTING BUSINESS ∞

The new commercial strategy, based on the *Customer Centric* approach, is built on experience, specialization and the close relationship that has been generated with customers over the years, to offer a service of the highest quality. Through it, the Company will manage to improve the capacity to evaluate the actual opportunity cost at each time, impacting the Company's global strategy and the acceleration of its growth.

Since 2018, projects have been led to boost the Company's commercial optimization and development through the digitalization of processes and new business approaches such as the acquisition and loyalty of customers, which have represented an important new demand channel. In line with this, NH Hotel Group continues with its digital transformation project in the B2B area, with the aim of improving profitability and generating additional demand.

Boosting Business is an opportunity to accelerate the Company's business capacity which will guide the evolution for adaptation towards both future and present customers. It is focused on creating new digital tools, boosting growth and strengthening the connection with customers. Adapting the service to the digital era to create new processes, ways of working and identifying development opportunities, will make it possible to improve efficiency and offer a much more personalized and quality experience in line with the new needs of customers.

For NH Hotel Group, being in the right place at the right time is key.

The creation of an optimal model that will allow the development of transversal action plans, adapted to each market, drives the growth of NH Hotel Group in both new (thanks to Minor Hotel Group commercial synergies) and traditional markets, increasing demand and reducing seasonality.

Thus, the cohesion between the service culture that characterizes NH Hotel Group and the step towards digitalization, increases the capacity to identify new opportunities and drives growth as professionals, as leaders and as an organization.

5. TRANSFORMATION PLAN

NH Hotel Group continues to be at the head of innovation and 2019 has ended up being a very important year in the Company's Digital Transformation Project, one of the most important initiatives of the Strategic Plan. This project aims to bring efficiency to processes and systems, increase the capacity of differentiation compared to competitors and continue improving the Company's basic processes.

Thus, one of the Company's great achievements has been to centralize all its properties and functions in a single integrated system. This allows NH Hotel Group to have a 100% integrated digital platform: NH Digital Core Platform. A pioneering technological solution in the sector that has made it possible to integrate the systems of all the Group's hotels and which has become the foundation on which NH Hotel Group can extend its knowledge of customers, maximize its efficiency and innovate on a large scale in all its areas of value.

Among the main benefits, attention should be drawn to the improvement in the customer experience in a global setting such as the present, the optimization and reduction in operating costs, the in-depth analysis of data – which has allowed the Company to generate new sources of revenues –, greater agility in responding to market changes and, especially, the important boost given to the innovation culture within the organization.

At NH Hotel Group we consider digitalization to be a key tool in order to offer an extraordinary experience, but always as an accompaniment to the work of our employees who, proud to serve, are those who really make a difference. They are the soul of NH Hotel Group and digitalization is a facilitator; and the fact that they go hand in hand is what guarantees the success of our business model.

Significant projects in 2019

1. Financial and Operational Dashboards

An operating project for General Managers and Regional Managers, aimed at achieving an easier, faster and more relevant report generation process, that has been carried out thanks to the great performance of a multidisciplinary team. It guarantees the visibility of the key KPIs and the Company's status immediately, permitting a rapid and efficient analysis of the data in order to make reliable decisions. The reports are sent by email, allowing for much more efficient and rapid management.

2. Artificial Intelligence

This project, developed at the NH Hotel Group Central Reservations Office, uses Artificial Intelligence and the interpretation of customers' natural language to handle efficiently the emails received for the management of reservations and quotes.

Each agent immediately receives the precise information, distributed according to language and customer type, to permit individualized and more correct handling of each booking.

3. Housekeeping Mobility

NH Hotel Group has created an application for Housekeeping that optimizes the check-in process. As soon as a room is clean and ready, the hotel's housekeeping staff can confirm this in real time using the app. This represents an optimization of the check-in process, as the guest has access to the room earlier, and an improvement in guest perception.

In 2019, the housekeeping teams of NH Schiphol, NH Collection Paseo del Prado, NH Nacional and NH Podium started to work with this app, and they all agree: it makes their work much easier!



4. Robotics

NH Hotel Group applies robotic technology in different areas of the Company, to automate processes with low added value (reservation management and validations, quotes, etc.), enabling it to improve productivity and response times to our customers.

This technology is also being applied to optimize basic processes in reception, automating repetitive tasks so that more time can be dedicated to guests and improving their experience.

5. Registration Form

Digitalization of processes is a priority for NH Hotel Group. In 2019 a digitalization project has been implemented for guest registrations forms that simplifies the process. Instead of three documents (Welcome Card, signed registration Form and NH Rewards leaflet), there is now just one registration document that complies with the legal requisites of all countries and presents a new and attractive design that can be personalized for each brand.

This is a simple way to speed up and automate the registration process, so that employees can offer better attention and experiences to our guests.

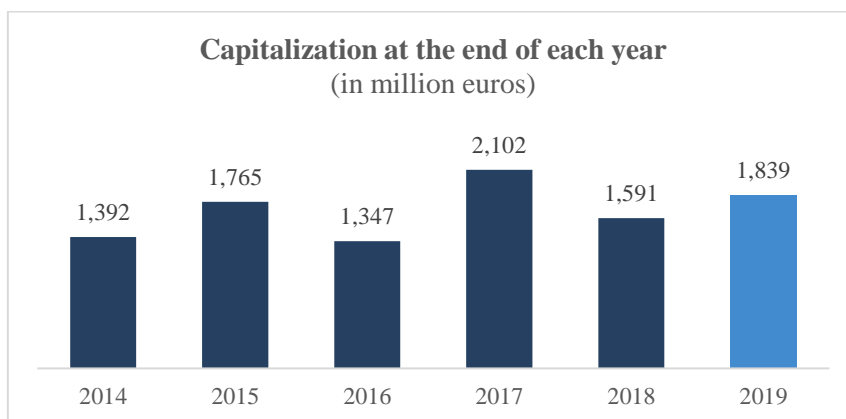
CORPORATE GOVERNANCE AND ETHICAL COMMITMENT

SHAREHOLDER STRUCTURE

At the end of 2019, the share capital of NH Hotel Group, S.A. totalled € 784,360,486 and was represented by 392,180,243 bearer shares with a par value of 2€ each, fully subscribed and paid in.

According to the latest notifications received by the Company and the communications sent to the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores – CNMV*) before the year end, the most significant shareholders at the end of the year were as follows:

	2018	2019
Minor International Public Company Limited (“MINT”) ²	94.13%	94.13%



Relations with shareholders and investors

Throughout 2019 NH Hotel Group has been in permanent contact with the Company’s analysts and investors in order to satisfy their needs concerning the Group’s general evolution. This contact with the market takes place through individual meetings, attendance to investors’ conferences organized by various financial institutions and individual call requests.

Key indicators on relations with shareholders and investors in 2019	
Entities that performed analyses of NH in 2019	13
Queries from shareholders and investors handled	20
Individual meetings with shareholders and investors	40
Analyst follow-up reports	55

² MINT es el accionista indirecto a través de MHG Continental Holding (Singapore) Pte Ltd.

The Company produces consistent and transparent financial information on a regular basis, with the aim of permitting monitoring for the analysis and valuation of the Group.

As a listed company, NH Hotel Group publishes quarterly results for the market. At the time of these quarterly publications, a call / conference with the market is also carried out, attended on average by 25 participants between investors and analysts.

The quarterly results published detail the following:

- KPIs and drivers of results.
- Evolution by geographical areas.
- Evolution of costs.
- Breakdown of cashflow and financial debt position.

In addition, the Investor Relations department is in permanent contact with the market through calls, trips, investors' conferences ... in order to inform the investment community of the Company's evolution.

CORPORATE GOVERNANCE

The Corporate Governance system of NH Hotel Group is made up of the Bylaws, the Board of Directors' Regulations, the General Shareholders' Meeting Regulations and the Internal Regulations for Conduct on Securities Markets, as well as the other rules, codes, internal procedures and corporate policies approved by the competent bodies of the Company.

This System has been formalized in line with the highest standards of compliance with good practice in corporate governance, as defined by, among others, the Good Governance Code for listed companies (the "Good Governance Code"), approved by a Resolution of the Board of the CNMV on February 18th, 2015, and which is aligned with the recommendations on good governance of international markets.

Board of Directors of NH Hotel Group

The Board of Directors is the Company's senior management and representation body. It is empowered, within the scope of the corporate object defined in the Bylaws, to carry out any acts of administration or disposal, under any legal title, except those reserved by law or by the Company's Bylaws to the exclusive competence of the General Shareholders' Meeting.

Consequently, the Board of Directors is conceived basically as a supervisory and control body, while the ordinary management of the Company's business is entrusted to the executive bodies and the management team. The functions of the Board of Directors and its Committees (Audit and Control Committee and Nominations, Remuneration and Corporate Governance Committee) are expressly reflected in articles 33 and 47 of the Bylaws and articles 5 and 25 of the Board Regulations. The Board of Directors will carry out its duties in line with the corporate interest, which is understood to be the Company's interest; and in this regard, it will act to safeguard the Company's long-term viability and to maximize its value, also weighing the many legitimate public or private interests involved in relation to any business activity.

Changes in the internal Board regulations

In 2019, the General Shareholders' Meeting of NH Hotel Group, S.A held on May 13th, 2019 approved an amendment to its Bylaws affecting the list of functions of the Board of Directors, adding a new subparagraph v) to article 33.2. of the Bylaws, in order to reflect faithfully the list of faculties of the Board of Directors established in articles 249 bis and 529 ter of the Spanish Companies Act (*Ley Sociedades de Capital - "LSC"*), following its amendment by Law 11/2018 of 28 December amending the Commercial Code, the revised text of the Companies Law approved by Royal Legislative Decree 1/2010 of 2 July and Law 22/2015 of 20 July on the auditing of accounts in the area of non-financial information and diversity".

Board control committees

During 2019, as in the previous year, the Board of Directors of NH Hotel Group had the following control commissions and committees:

- **Audit and Control Committee.** Focused mainly, among other matters, on supervising the effectiveness of the Company's internal control and the process of drawing up and presenting statutory financial information, ensuring the independence and effectiveness of the internal audit function and of the external auditor.
- **Nominations, Remuneration and Corporate Governance Committee.** Focused mainly on proposing the appointment of Independent Directors or reporting on the suitability of other directors to be appointed, as well as analysing and evaluating everything related to remuneration, of both Board members and Senior Management, drawing up the corresponding policies. It is also responsible for supervising and controlling compliance with Corporate Governance rules and the Corporate Social Responsibility Plan, proposing the necessary Reports to the Board.

As far as the Delegated Commission is concerned, on February 7th, 2019 the Board resolved to take over all the functions of that Commission, which was therefore disbanded.

Composition of the Board of Directors As of December 31 st , 2019		
Name	Position on the Board	Category
Mr. Alfredo Fernández Agras	• Chairman	• Independent
Mr. Ramón Aragonés Marín	• CEO	• Executive
Mr. William Ellwood Heinecke	• Director	• Proprietary
Mr. Emmanuel Jude Dillipraj Rajakarier	• Director	• Proprietary
Mr. Stephen Andrew Chojnacki	• Director	• Proprietary
Mr. Kosin Chantikul	• Director	• Proprietary
Mr. Fernando Lacadena Azpeitia	• Director	• Independent
Mr. José María Cantero de Montes-Jovellar	• Director	• Independent
Ms. Beatriz Puente Ferreras	• Director	• Executive
Mr. Carlos Ulecia Palacios	• Non-Director	• Secretary

Certain changes in the composition of the Board occurred in 2019. The current composition is the result of both resignations for professional reasons by the Independent Directors Ms. María Grecna, Mr. José María Sagardoy and Mr. Paul Johnson, tendered on April 10th, 2019, and the appointments of Mr. Kosin Chantikul as a Proprietary Director and Ms. Beatriz Puente Ferreras as an Executive Director,

following a favourable report by the Nominations and Remunerations Committee, both of whom were appointed by co-optation by the Board on April 10th, 2019 and subsequently ratified by the General Meeting held on May 13th, 2019.

Between December 31st, 2019 and the date of this Report there have been no changes in the composition of the Board.

Composition of the Audit and Control Committee <i>As of December 31st, 2019</i>		
Name	Position	Category
Mr. Fernando Lacadena Azpeitia	• Chairman	• Independent
Mr. José María Cantero de Montes-Jovellar	• Member	• Independent
Mr. Stephen Andrew Chojnacki	• Member	• Proprietary
Mr. Carlos Ulecia Palacios	• Non-member	• Secretary

Certain changes in the composition of the Audit and Control Committee occurred in 2019, with the appointments of Mr. Stephen Andrew Chojnacki (on 7 February 2019), to replace Mr. José María Sagardoy and Mr. José María Cantero (on 10 April 2019), to replace Ms. María Greca.,

Composition of the Nominations, Remuneration and Corporate Governance Committee <i>As of December 31st, 2019</i>		
Name	Position	Category
Mr. José María Cantero de Montes-Jovellar	• Chairman	• Independent
Mr. Stephen Andrew Chojnacki	• Member	• Proprietary
Mr. Alfredo Fernández Agras	• Member	• Independent
Mr. Carlos Ulecia Palacios	• Non-member	• Secretary

Several changes in the composition of the Nominations, Remuneration and Corporate Governance Committee took place in 2019. On 7 February 2019, Mr. Stephen Chojnacki was appointed member of the Committee and, on 10 April 2019, Mr. José María Cantero was appointed Chairman of the Committee, replacing Mr. José María Sagardoy, and also Mr. Alfredo Fernández Agras was appointed member.

The complete profile of all members of the Board of NH Hotel Group and its committees is public and can be consulted at the [Corporate Governance section](#) of the Company's corporate website.

Selection Policy for Director Candidates

- Candidate Selection Objectives and Process

On February 25th, 2016 following a favourable report issued by the Nominations, Remuneration and Corporate Governance Committee, the Board of Directors approved a Director Selection Policy which ensures that proposed appointments of directors of the Company are based on a prior analysis of the Board's needs. To evaluate the candidates who participate in the selection process, the procedure takes into account the skills, experience, professionalism, suitability, gender, independence, knowledge, qualities, capacities and availability of members of the Board of Directors from time to time. The Nominations, Remuneration and Corporate Governance Committee plays a relevant role in this process.

This Policy seeks to avoid discrimination and ensure that merit is the governing selection principle in finding the best candidates for the Company.

- Conditions that candidates must fulfill

Candidates for the post of Director of the Company must meet requisites of qualification and professional and personal honourability. In particular, they must be suitable and prestigious individuals, of recognized professional capability, competence and experience, with enough qualifications, training and availability for the position. Candidates must show a commitment to their role, with a personal and professional history of respect for the law and commercial good practice, and they must comply with the obligations established by law at all times in order to be part of the Board of Directors. Furthermore, they must be professionals of integrity, whose conduct and career are aligned with the ethical principles and duties established in the Company's internal regulations, and they must share the Group's vision and values.

- Promotion of Diversity

NH Hotel Group is convinced that diversity in all its facets, at all levels of its professional team, is an essential factor to ensure that Company's competitiveness and a key element of its corporate governance strategy. In the candidate selection process, discrimination is avoided, and merit is the principal selection criterion, in the corporate interest, with the process designed to seek the most qualified candidates.

However, and notwithstanding the above, every time a vacancy arises on the Board of Directors, and the corresponding selection process starts, at least one woman must participate as a candidate, until the target of 30% in 2020 is achieved.

To reach this target, the Nominations, Remuneration and Corporate Governance Committee will ensure that the selection process does not suffer from any implicit bias that impedes the selection of female Directors and that the potential candidates include women who match the required professional profile.

Management Committee



The NH Hotel Group Management Committee is conceived as a body that guarantees the viability of the business, seeking growth and establishing the Company's strategic framework, developing talent and leadership.

The Management Committee meets on a weekly basis and is made up of the Chief Executive Officers of the different areas:

Composition of the Management Committee <i>As of December 31st, 2019</i>	
Name	Position
Mr. Ramón Aragonés	• Chief Executive Officer
Ms. Beatriz Puente	• Executive Managing Director of Finance & Administration
Mr. Fernando Cordova	• Chief People Officer
Ms. Laia Lahoz	• Chief Assets & Development Officer
Mr. Isidoro Martínez de la Escalera	• Chief Marketing Officer
Mr. Rufino Pérez	• Chief Operations Officer & Global Transformation Leader
Mr. Carlos Ulecia	• General Counsel
Mr. Fernando Vives	• Chief Commercial Officer

Board and Senior Management Remuneration

Average remuneration of the Board of Directors and Management Committee of NH Hotel Group		
	2019	2018
Remuneration of the Member Directors*	Women: € 53,000 Men: € 50,500	Women: € 64,000 Men: € 67.996
Average remuneration of the Management Committee**	Women: € 604,198 Men: € 569,837	Women: € 488,811 Men: € 504,253

*Included: Expenses, fixed remuneration accrued and a extraordinary bonus expected to be approved by the Board on February 25 with accrual 2019 (gross amounts). It should be noted that the two Chairs of the Committees and the Chairman of the Board are held by male Directors. These are positions that charge receive remuneration of 200,000 euros in the case of the Board Chairman and 90,000 euros in the case of Committee Chairs. If this comparison was made ("Remuneration of female member director" with respect to "male director-chairman"), the ratio would be "Women: 64,000 | Men: 101,747 |" for the year 2018, and "Women: 53,000 | Men: 128,844 |" for the year 2019.

**Included: Fixed salary, bonus received, long-term incentive, vehicle, medical insurance, life insurance and accident insurance. All amounts accrued in 2019 (gross amounts).

The remuneration of Executive Directors is included in the figures for the Management Committee as their functions as Board members are not remunerated. The change in the average remuneration of the Management Committee compared to 2018 is explained by the higher increase in the annual remuneration of women compared to the men who are members of the Committee.

Further information on the remunerations policies for the Board of Directors is available in the Annual Corporate Governance Report 2019.

COMPLIANCE SYSTEM

NH Hotel Group continues to promote the compliance functions, focusing on the following key areas:

<p>Code of Conduct</p>	<p>Its purpose is to determine the principles, values and rules that are to govern the conduct and behaviour of each of the professionals and executives of the Group, as well as members of the governing bodies of Group companies and stakeholders working with NH Hotel Group. More information on the Code of Conduct can be found in the “Ethics and Conduct” section of this Report.</p>
<p>Criminal Risk Prevention Model</p>	<p>It describes the principles applicable to the management and prevention of crimes within NH Hotel Group and defines the structure and operation of the control and oversight bodies established within the Company, systematizing existing controls for the purpose of preventing and mitigating the risk of crime in the different areas of the Company.</p>
<p>Internal Rules of Conduct</p>	<p>These rules establish the minimum standards that apply to the purchase and sale of securities, as well as to privileged and confidential information, and how such information must be handled.</p>
<p>Procedure for Conflicts of Interest</p>	<p>It establishes the rules to be followed in situations in which the interest of the Company or any of the Group companies comes into conflict with the direct or indirect personal interest of the directors or of persons subject to rules governing conflicts of interest.</p>

Compliance Committee

Established in 2014, the Compliance Committee is made up of members of the Management Committee and Senior Management. It is responsible for overseeing compliance with the key areas of the Compliance System: the Internal Rules of Conduct, the Procedure for Conflicts of Interest, the Code of Conduct and the Criminal Risk Prevention Model.

The Compliance Committee oversees the activity carried out by the Compliance Office and submits detailed reports on its activities to the Audit and Control Committee. It can take disciplinary measures against employees in relation to matters falling within its scope of competence.

Three meetings of the Compliance Committee were held in 2019.

Compliance Office

The Compliance Office, under the leadership of the Compliance Officer, reports directly to the Compliance Committee and is responsible for spreading awareness of and monitoring compliance with the Code of Conduct and for preparing the Criminal Risk Prevention Model, as well as handling queries regarding the Code of Conduct.

In turn, the Head of Internal Audit is responsible for managing the confidential Whistleblowing Channel, which guarantees confidentiality and respect throughout all the phases of the procedure, as well as the absence of reprisals. The procedure is specified in detail in the Code of Conduct. In 2019, a total of 45 alleged breaches of the Code of Conduct were reported, a decrease of 17% from 2018, and the pertinent disciplinary measures were applied, and a response was given to all 32 queries.

New policies approved in 2019

In 2019, following a favourable report from the Audit and Control Committee, the Board of Directors of NH Hotel Group approved a number of new policies: an Antifraud and Corruption Policy, as well as a Policy for the Prevention of Money Laundering and Terrorist Financing, applicable to all employees, executives and members of the Board of Directors, both of NH Hotel Group and all the other companies in the group.

The approval of these Policies has been duly communicated to all employees, and the corresponding online training has been launched to ensure they are understood and observed.

Antifraud and corruption policy

Approved in 2019, it updates the anticorruption policy of 2018 to include specifically the principles of the fight against fraud. Based on NH Hotel Group's zero tolerance of fraud and corruption, it establishes the main guidelines for the detection and prevention of fraudulent behaviour, with special focus on the prohibition of any kind of bribery. The policy can be consulted in the "Corporate Governance" section of the NH Hotel Group website.

Policy for the prevention of money laundering and terrorist financing

Approved in May 2019, this policy reflects NH Hotel Group's commitment to the prevention of money laundering and terrorist financing, with the aim of detecting and preventing NH Hotel Group, S.A. and the companies in its group from being used in money-laundering operations or to finance terrorism. Its main objective is to establish general guidelines that will aid the prevention and early detection of situations that could involve a risk for NH Hotel Group and the companies in its group in relation to these matters. The policy can be consulted in the de "Corporate Governance" section of the NH Hotel Group website.

Gift policy

In order to prevent and detect situations that could give rise to breaches of law or have a negative reputational impact for the Company, NH Hotel Group has a Policy concerning corporate gifts, which was approved in 2018. Its objective is to regulate gifts received and given by employees when acting on the Company's behalf.

ETHICS AND CONDUCT

The framework for ethics in NH Hotel Group is based on its Code of Conduct. Responsibility for approving the Code of Conduct lies with the Board of Directors. The most recent update of the Code was in 2015.

The Code affects all the people who work at NH Hotel Group, and is applicable not only to employees, executives and members of the Board of Directors, but also to other stakeholders such as customers, suppliers, competitors or shareholders, as well to the communities where NH Hotel Group operates its hotels.

The Code of Conduct summarizes the professional conduct that is expected of NH Hotel Group employees, who are committed to acting with integrity, honesty, respect and professionalism in carrying out their activities.

The NH Group is committed to complying with laws and regulations in the countries and jurisdictions where it does business. This includes, among other matters, laws and regulations on health and safety, discrimination, tax, data privacy, competition, anti-corruption, prevention of money laundering and an environmental commitment. The key areas covered by the Code include:

- Commitment to people.
- Commitment to customers.
- Commitment by suppliers.
- Commitment to competitors.
- Commitment to shareholders.
- Commitment to communities and society.
- Commitment to the group's assets, knowledge and resources.
- Obligations in relation to fraudulent or unethical practices.
- Commitment in relation to the securities market.

The Code of Conduct is published in 6 different languages on the official website of NH Hotel Group and is available to all stakeholders. Furthermore, with effect from 2017, NH employees can access the code of conduct from their mobile devices using the “My NH” app. Employees at workplaces operating under NH Hotel Group brands have also been provided with a practical Guide and a FAQ document.

NH Hotel Group has set up a whistleblowing channel that allows employees, executives, members of the management bodies, suppliers, customers or any stakeholder to report confidentially and without fear of reprisals any breach of the Code of Conduct. The email address of the whistleblowing channel is available on the NH Hotel Group website and on the intranet and is managed by the Senior Vice President of Internal Audit.

Awareness of and training on ethics and conduct

The Company has an online training tool for all NH Hotel Group employees with personalized mail through which they are provided with online courses on different matters, including the following courses relating to ethics and conduct:

- Code of Conduct.
- Crime Prevention.
- General Data Protection Regulation.
- Prevention of money laundering and terrorist financing.
- Antifraud and corruption.

All courses on the above matters include an exam that measures employees' level of comprehension. NH Hotel Group also has a system that comprises certain controls the Company has that mitigate risks, both in relation to crime and financial reporting. This system is audited regularly.

3

- **4,411 hours** of training in **Code of Conduct**
- **103 hours** of training in **Criminal Risk Prevention Model**
- **6,374 hours** of training in **Prevention of Money Laundering and Terrorist Financing**
- **5,478 hours** of training **Anti-fraud**

Protection of Human Rights

The principle of respect for and protection of Human Rights is integrated into the culture of NH Hotel Group and is applied to the activities carried on through the professionals, independently of the country or region where the activity is carried out.

The Company is committed to complying with Human Rights and works to prevent and manage the risks associated to the breach of such rights. This is reflected in the Company's Corporate Responsibility Policy and Code of Conduct, which state its goal to lead the sector's commitment to ethics, the protection of Human Rights and the fight against the abuse and human trafficking. The NH Hotel Group Code of Conduct is the document that acts as the framework for the Company's commitment to respect Human Rights.

Relations with all stakeholders the Code applies to should always be based on respect for human dignity and non-discrimination. The Company rejects all conduct, behaviour or action likely to foster, promote or incite, directly or indirectly, hatred, hostility, discrimination or violence against a group for racist reasons or other reasons referring to the ideology, religion or beliefs, family situation, membership of an ethnicity, race or nation, national origin, gender, sexual orientation or identity, or due to illness or disability.

NH Hotel Group emphatically prohibits any kind of hostile or humiliating actions against people, the abuse of authority and any type of harassment, whether physical or psychological, as well as any other conduct that could generate an intimidating, offensive or hostile working environment. Furthermore, no child labour or forced labour is tolerated.

³ It is not applicable to give the evolution of these training hours with respect to 2018, since they are reported in the chapter of NH ROOM4 People: Employees, in the section corresponding to "Training" as a requirement of Act 11/2018.

The Company also recognizes that the principle of equality of treatment and opportunities for addressees of the Code of Conduct is a principle that inspires its Human Resources policies and is applicable both to the hiring of employees and to training, career opportunities or salary levels, as well as all other aspects of labour relations with employees.

The Code of Conduct also prohibits the imposition on employees of health and safety conditions at work that damage, suppress or restrict their rights as recognized by legal provisions, collective agreements or individual contracts. No form of illegal traffic of labour or fraudulent emigration is permitted, and applicable legislation will be respected at all times with regard to the entry and transit of foreign nationals.

The Code also explicitly states that the exercise of the rights of protest, association, organization and collective bargaining in the framework of the rules regulating each of these fundamental rights will not be unduly limited, and in accordance with international laws and practices, particularly, the United Nations Universal Declaration of Human Rights and the principles stated by the International Labour Organization.

Compliance in relation to Human Rights

As described above, in order to guarantee compliance with the Code of Conduct, the Internal Audit department undertakes to supervise the principles and rules reflected in the Code and, therefore, is responsible for analysing any irregularity related to it. For this purpose, the Company has a whistleblowing channel, in order to make it easy to report any possible irregularity, breach or behaviour contrary to ethics, law and the rules that govern NH HOTEL GROUP.

Possible breaches of Human Rights are handled through the Internal Audit department, which is responsible for managing the Group's Whistleblowing Channel (codeofconduct@nh-hotels.com).

The Company has also put in place a specific external communication channel to report, process and manage incidents reported by suppliers (codeofconduct@coperama.com).

The procedure for reporting and dealing with possible breaches of the Code of Conduct will be managed by the Group's Senior Vice President of Internal Audit.

In 2019, like in 2018, there were no reports relating to a possible breach of Human Rights.

Initiatives for the Protection of Human Rights

NH Hotel Group carries out its activity in a framework of commitment to the society and environment where it operates, and therefore accepts the contents of national and international agreements and treaties, undertaking to promote and comply with them. These commitments will avoid or, as the case may be, mitigate any negative consequences that its activities might cause to Human Rights.

The commitments acquired on subscribing to these international agreements guide the conduct of all the employees in the Company.

Notable among these codes voluntarily accepted by the Company are the UN Global Compact, support and contribution to the Sustainable Development Goals (SDG) and the Global Code of

Ethics for Tourism, approved in 1999 by the Assembly of the UN World Tourism Organization (UNWTO). This code comprises 10 principles designed to guide key players in tourist development, aspiring to help to maximize the sector's benefits while minimizing its impact on the environment, cultural heritage and local communities.

The Group is also 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 organization establishes four main goals which include the protection and promotion of Human Rights, a goal that NH Hotel Group subscribes to and supports.

The Company rejects any tourist activity that might constitute an attack on human rights or human dignity, placing special attention to children. Accordingly, in September 2012 NH HOTEL GROUP joined ECPAT (End Child Prostitution, Child Pornography and Trafficking of Children for Sexual Purposes) for the protection of boys, girls and adolescents against sexual exploitation in tourism, also promoted by UNWTO and UNICEF.

New developments for the protection of Human Rights

In 2020, NH Hotel Group will reinforce its commitment to respect Human Rights by drawing up a corporate Policy, which will be approved in the middle of 2020 and will be integrated into the business model. Through this Policy, the Company will commit to playing an active role in the promotion of Human Rights and to working proactively to this end. The Policy will reflect the commitments already undertaken in this regard and will guarantee respect for the labour rights of all employees and contractors, in all the countries where the Company is present, in accordance with ruling law in each country.

Once the Policy has been defined, NH Hotel Group will work on the Group's due diligence process to identify potential impacts on Human Rights in the value chain. As a result of this commitment, Human Rights risks will be identified on the Company's risk map in order to traction the pertinent mitigation or resolution processes. With this initiative, situations and activities with the highest (direct or indirect) risk of having a negative impact on these rights will be identified.

Data Protection

In line with the implementation that commenced in the previous year on the entry into force of the new data protection regulations, NH Hotel Group has continued to adapt its personal data management and control systems to EU Regulation 679/2018 (GDPR) and Spanish Act 3/2018 (LOPDGDD). NH Hotel Group's intention is to process the personal data of its customers, employees and suppliers with the utmost guarantees of respect for their privacy and complying at all times with the applicable legal obligations.

Accordingly, the different privacy policies have been updated, together with the data protection sections of legal disclaimers, both on websites and on documents provided to customers. The Company has also implemented a series of measures to make these privacy policies and legal disclaimers accessible to customers at all times.

In the framework of this adaptation, the Company has implemented an additional information system that is available to end customers, so that they can discover each of the types of processing carried out by NH Hotel Group.

The position of Data Protection Officer has also been created, not just to comply with the requirements of the new regulations, but also to ensure, among other functions, that customers' rights in relation to data protection are always handled by the organization in accordance with the principles established in the new regulations.

Finally, NH Hotel Group has continued in 2019 with the improvement project in relation to the quality of data within the organization.

4

- **4,053 hours of training on Privacy and Data Protection**

Relations with Governments and Policy Influence

The Company manages its business in accordance with its corporate values and its ethical and conduct framework. It also ensures strict compliance with ruling legislation in each country.

In relation to local governments, the Company always acts independently of any political power, maintaining transparency in its dealings with public and administrative institutions. In 2019 the Company has received a total of € 3,031,741 in public grants, of which 5% correspond to grants received for employee training.

NH Hotel Group is characterized by absolute political neutrality. The Company does not make economic or other contributions to political parties or candidates in elections.

NH Hotel Group does however form part of sectorial organizations or foundations linked to its activity or to the geographical area where it operates. Through its presence in these organizations, the Company aspires to contribute to the progress and development of the places where it is present. More information is available in section 4 of this Report.

⁴ It is not applicable to give the evolution of these training hours with respect to 2018, since they are reported in the chapter of NH ROOM4 People: Employees, in the section corresponding to "Training" as a requirement of Act 11/2018.

RISK MANAGEMENT

Risk management is part of the culture of NH Hotel Group and is integrated across all of the Company's operations.

Responsibility for Risk Management

The Company's Board of Directors is responsible for supervision of the risk management system, in accordance with the provisions of article 5 of the Board Regulations. As regulated in article 25 b) paragraph 3 of these Regulations, the Audit and Control Committee provides support to the Board of Directors in the supervision of the effectiveness of internal control, internal audit and risk management systems, including tax risks management.

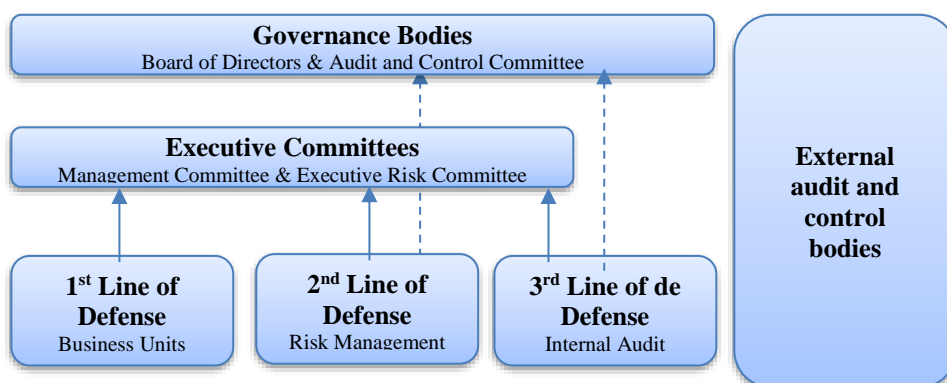
During the different meetings held in 2019, the principal risks to which the Company is exposed have been controlled and monitored, together with the evolution of these risks in recent years and the main mitigation and response measures.

Furthermore, the duties of the Company's Management Committee include risks management and control based on tolerance to risk, assigning responsibility for the main risks, periodic monitoring of their evolution, identification of mitigating actions and the definition of response plans. For these purposes, the Executive Risk Committee, made up of members of the Management Committee and Senior Executives, provides support to the Management Committee in this supervision, as well as promoting a risk culture in the Company. To this end the Company has an internal risk management manual that details the principles, processes and controls currently in place.

The Risk Management function, integrated in the Internal Audit department, is responsible for ensuring that the Company's risk management and control system operates correctly and is linked to the strategic goals. To ensure that there are no conflicts of independence and that the risk management and control system of NH Hotel Group works as planned in the Corporate Risk Management Policy, an independent third party has reviewed its operation annually in the last two years.

To ensure independence, the Risk Management functions is independent of the Business Units and, like the Internal Audit department, is functionally dependent on the Audit and Control Committee.

In line with the above, NH Hotel Group follows the Three Lines of Défense model.



Adapted from the Guide issued by ECIIA/FERMA on the 8th EU Company Law Directive, article 41

- First line of defence: provided by the functions or Business Units and Corporate Units that own the risks and their management (Operations, Sales, Marketing, etc.).
- Second line of defence: provided by the functions in charge of oversight of the risks (Risk Management, Compliance, Data Protection, Internal Control, etc.)
- Third line of defence: provided by the Internal Audit function which provides independent assurance.

The object of the Corporate Risk Management Policy of NH Hotel Group (approved in 2015 by the Board of Directors), and the internal manual developing it, is to define the basic principles and the general framework of action for the identification and control of all kind of risks that could affect the companies over which NH Hotel Group has effective control, and to assure alignment with the Company’s strategy.

There is also a range of specific policies that complement the Corporate Risk Management Policy, and which are established in relation to certain specific risks:

Procurement policy	Corporate committee policy
Travel policy	Antifraud and corruption policy
Environmental sustainability policy	Policy for the prevention of money laundering and terrorist financing
Information security policy	Corporate Responsibility Policy
Corporate credit policy	Financial debt policy
Corporate tax policy	Code of Conduct
Corporate gifts policy	Internal Rules of Conduct (IRC)

Risk management model

The NH Hotel Group risk management model has been rolled out both at Group corporate headquarters and in the Business Units. Its object is to identify events that could have a negative impact on the attainment of goals of the Company’s Strategic Plan, with the aim of obtaining the highest possible assurance for shareholders and stakeholders, while protecting the Company’s interests.

The model established for risk management is based on the COSO IV ERM integrated framework of Enterprise Risk Management, is managed through an internal tool and encompasses a range of methodologies, procedures and support tools, as shown below:



Risk categories and identification, supervision and monitoring process

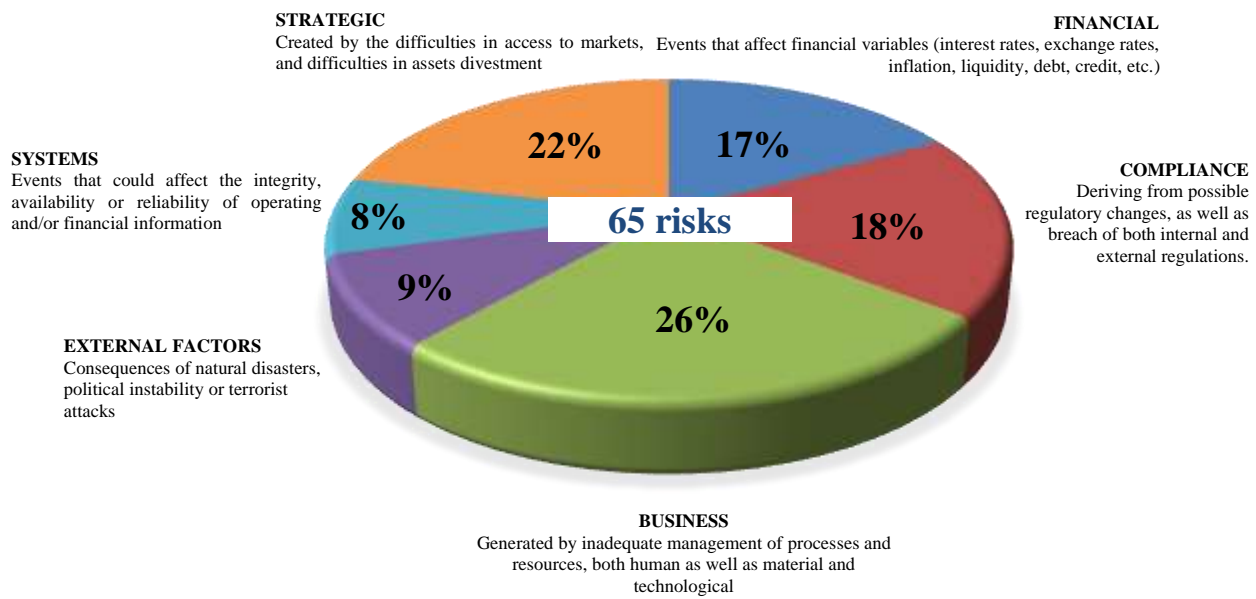
The Group’s Risk Map is updated every year and approved by the Board of Directors, after being reviewed and validated by the Audit and Control Committee. In 2019 the Company has updated its Risk Map through a process in which 37 Senior Executives identified and assessed the main risks faced by the Company. The updated map was approved in July 2019.

For the main risks in the Risk Map, the Audit and Control Committee receives a half-yearly report that details the operation of the risk management and control system and presents conclusions in this regard. To this end, the measurement of key indicators is included, with information as to whether they are within the established tolerance values or whether an adjustment is necessary. The report also includes the implementation status of the previously agreed action plans.

In addition, each of the main risks in the Risk Map is assigned a risk owner, who is a member of the Management Committee. Each risk owner attends the Audit and Control Committee meetings on a regular basis to present the existing or ongoing mitigation measures for their risks, the implementation status of action plans and measurement of key indicators according to the established tolerances.

Every year, when the Risk Map is updated, the Risk Management function undertakes a reassessment of the catalogue of risks, both financial and non-financial. The definitive catalogue is validated with the Senior Executives who participate in the process, as well as the bodies involved in its validation (Management Committee, Executive Risk Committee and Audit and Control Committee) and approval (Board of Directors).

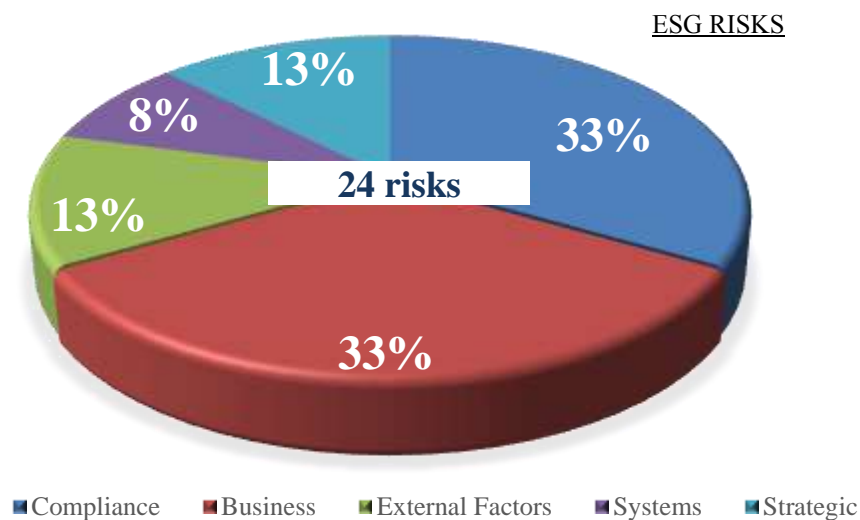
The six categories into which the risks NH Hotel Group is exposed to are classified are shown below:



ESG risks


A specific analysis was performed in 2019 to identify the risks (out of the total of 65 risks identified in the Company’s Risk Map) related to ESG (Environmental, Social and Governance) criteria.


As a result, it was determined that 24 out of the 65 risks, 36.9% of the total, are concerned with Environmental, Social and Governance matters. Most of them come under the categories of “Business” and “Strategic” risks.










Risk factors and management and control measures

Risk trend (RT)

 Increase

 Estable

 Decrease

Category	Risk event	Description of the risk	RT	Control and management measures
Business	Labour legislation/collective agreements	New labour legislation or changes in conditions in collective agreements, as well as different interpretations of legislation could have a significant impact and affect financial conditions and business results.		Presence in associations in the tourist sector. Presence on committees of sector experts. Institutional relations with various bodies. Presence of specialized HR personnel at the negotiation of collective agreements. Collaboration with HR consultants.
Strategic	Distribution channels (internal and external) and maximization of ADR (average daily rate)	Online travel agencies (OTAs) and distributors continue to increase their market share and NH must put measures in place to counter this by increasing sales through direct channels (Hotel, Website, Central Reservation System) or by renegotiating commissions. The loss of control over the price in direct channels compared to other distribution channels should also be considered, in light of the liberalization of scraping/crawling tools and technologies in distribution and price. Finally, it is necessary to ensure that pricing projects are not delayed so that NH can maximize the net ADR. The capacity to negotiate commercial conditions should also be considered.		Existence of a Revenue Management Committee. Periodic analysis of results compared to budget and definition of action plans. Control process over intermediary commissions. Corporate commission policy. Definition of a Strategic Plan aimed at boosting sales through direct channels (Hotel, Website, Central Reservation System). NH Rewards loyalty program. Analysis of price competitiveness (price parity compared to OTAs and distributors). Technological tools to improve pricing and revenue management. Optimized calculation of net ADR using Business Intelligence techniques. OTA diversification strategy and renegotiation of intermediation costs.
	Dependence on city and business segment	Any change in patterns in this segment will affect the Company with a limited possibility of mitigating the effect through other segments.		Existence of an Expansion Committee. Implementation of the Office for Integration with Minor International (principal shareholder). Periodic attendance at hotel sector investment conferences. Organization of regular meetings with possible investors to develop hotel projects.
	Inability to find additional growth	Inability to find additional ways of growing that permit sustainable and resilient growth that will safeguard the Company's future. NH should be capable of developing and executing a suitable Expansion/Growth Plan to counter the reaction of its competitors and assured continuous growth.		Existence of a documented expansion process (lease and management agreements). Definition of a Strategic Plan aimed at boosting the Company's growth by geographical area, type of contract, brands, segments, etc. Implementation of the Office for Integration with Minor International (principal shareholder).
Compliance	Data privacy (GDPR)	Possible breaches of the General Data Protection (GDPR), together with the uncertainty regarding the behaviour and attitude of the regulator in the event of potential privacy breaches, could compromise the Company's objectives. Furthermore, the costs and risks deriving from inadequate data protection and management increase as the Companies face more and more advanced security breaches.		Periodic review and update of the data processing activity matrix for each company in the NH Group "Privacy by Design" procedures. Creation of the Data Protection Office supported by specialist advisors. Online GDPR training for all employees. Existence of a computer tool for reporting possible security breaches related to data protection. Existence of a Disaster Recovery Plan.
Financial	Change in accounting standards	New accounting standards and regulations (e.g. IFRS16, IAS29), as well as varying interpretations of accounting standards currently in force could have a significant impact on the Company's financial statements.		Implementation of a contract management computer tool that covers IFRS16. Specialist advising on new regulations. Periodic attendance at conferences on changes in accounting standards given by specialized advisors (external audit firms). Internal assessment of possible impacts of new accounting standards. Training courses on new accounting standards for the corresponding internal personnel.

Category	Risk event	Description of the risk	RT	Control and management measures
	Adverse effects of the exchange rate	NH operates in countries subject to fluctuations in exchange rates (Mexico, Colombia or Argentina) and therefore the financial results could be affected.	⬇️	Periodic monitoring of the impact of the exchange rate of the main local currencies. Specific cash repatriation plans from local currency to strong currency (e.g. USD). Specific strategies to manage the exchange rate effect by country (e.g. dollarization of revenues).
	Adverse effects of the inflation rate	NH operates in countries such as Mexico, Colombia or Argentina in which results may be affected by fluctuations in the rate of inflation.	⬆️	Periodic monitoring of collective agreement negotiation. Analysis and review of the main sources of operating costs (housekeeping, food and beverages, energy, water, etc.)... Monitoring of the correct application of IAS29 due to hyperinflation in Argentina.
External factors	Change in economic cycle	The contraction of the global economy could have a negative effect on NH's revenues and profitability and slow the Company's future growth.	↔️	Definition of a Commercial Strategic Plan aimed at diversification and strengthening of segments. Operational optimization and efficiency projects Asset Repositioning Strategy.
	Geopolitical risks (terrorism and political instability)	NH operates in countries where there is a risk of suffering terrorist attacks. This could cause a reduction in sales due to the "panic effect" on tourism. It could impact travel/tourism patterns in the affected areas and lead to an increase in insurance premiums and in security. NH also operates in certain countries subject to political instability or uncertainty that could affect business decisions or financial results.	⬇️	Business interruption insurance policy in respect of terrorist attacks in Europe. Existence of a communication protocol in the event of a crisis. Existence of a Business Continuity Plan and a Disaster Recovery Plan. Quarterly analysis of the economic and geopolitical situation in regions where NH operates and assessment of the impact on the Company's operations. Existence of an Executive Risk Committee. Policy covering short term after a terrorist attack. Document Risk and Insurance Management process.
	New competitors in the tourist sector	The use and popularity of collaborative economic service providers, such as Airbnb. These companies compete against traditional suppliers of accommodation such as hotels or hostels and could impact demand for such traditional types of accommodation or even force traditional accommodation models to modify their business model in order to compete effectively. Uncertainty regarding the regulator's behaviour and attitude to these new accommodation models. NH is subject to intense competition from other hotel chains, and by specialist or independent hotel operators. Large market concentrations due to mergers and acquisition could threaten NH's market share.		Presence in local and/or national associations in the tourist sector. Presence on committees of sector experts. Institutional relations with various bodies. Pilot projects with technological tools to monitor results of collaborative economy service providers in the main city locations where the Company is present. Operational initiatives aimed at attracting families to NH accommodation.
Systems	Cyberattacks	The number of cyberattacks continues to increase significantly as the attacks become more sophisticated and the methods of attack diversify. The damage deriving from such incidents may lead to financial losses or the loss of intellectual property, which makes it necessary to reinforce the current strategies for the mitigation of cyber risks. Cyberattacks could cause a loss of sensitive information of the business or customers (including credit card data), business interruptions, lawsuits deriving from system interruption, and other costs and liabilities.	⬇️	Insurance policy relating to cybersecurity. Existence of a corporate Security Policy. Periodic intrusion testing to detect vulnerabilities in systems and communications. Perimeter security measures. Periodic analysis of, viruses, etc. Cybersecurity awareness campaigns. Online training in cybersecurity for all employees. Information Security Management System based on international standards. Annual audit by an external firm of compliance with PCI-DSS regulations.
	Inability to keep up with technology	NH's current operations and its technological infrastructure may not be capable of meeting performance expectations in relation to quality, business operations, cost and innovation as well as our competitors, especially competitors that were "born in the digital age" and have a low-cost structure for their operations, or even competitors with a long history and larger operations.	⬆️	Existence of periodic controls to monitor the performance of NH's technological platforms. Recurring analysis to ensure that versions of the systems are kept up-to-date. Performance analysis of the customer booking process on the NH website and using the mobile app. Recurring review of the NH web download time on mobile and desktop devices.

Category	Risk event	Description of the risk	RT	Control and management measures
		Accordingly, NH needs to keep up-to-date in relation to the technological developments necessary to support its operations and its business adequately and compete effectively.		FastPass initiative, combination of three innovative services: Online Check-in, Choose Your Room and Online Check-out. Existence of a Digital Evolution Plan (DER).
	SAP/website crashes	NH is currently operating with SAP systems both in back-office and front-office. If there is a crash in SAP, NH might not be able to bill its customers or might have to stop the activity of the administration department. Furthermore, NH's revenues depend on the success and availability of the website.	⬆	Existence of a document process that details the tasks and actions to be carried out at operational level in the event of system crashes (whether planned or unplanned) to mitigate the impact on the operation. The measures detailed above for the risk of cyberattacks (intrusion testing, perimeter security, analysis of malware and viruses, etc.).

Emerging risks and new challenges

Emerging risks are risks that are expected to have a significant impact on the Company's operations and, therefore, on its financial results in the future in the long term, -3 to 5 or more years- although in some cases they may have already started to impact NH Hotel Group's business now.

Accordingly, during the periodic process for the identification, supervision and monitoring of risks, the Company has adequate mechanisms to ensure that emerging risks and new challenges are taken into consideration. Additionally, the internal tool allows risk owners to report at any time any emerging risks or new risks detected, so that the Risk Office can proceed to analyse and consider them.

Emerging risks detected in 2019

Technologic risks | Cyberattacks, information security, technological innovation

Risks related to social behaviour patterns | Collaborative economic, changing customer preferences, demographic changes

Risks related to climate change | Natural disasters, extreme weather phenomena

Regulatory risks | New General Data Protection Regulation (GDPR), new environmental legislation

Dependence on intermediaries | Especially online travel agencies (OTA) and distributors, and the sophistication of technological booking tools

Certain geopolitical risks | Terrorism, change in economic cycle, political instability and, to a lesser extent, Brexit

Risks deriving from external factors | Pandemics, strikes, both internal (hotel employees) and external (e.g. air traffic controllers)

NH ROOM4 SUSTAINABLE BUSINESS

NH Hotel Group carries out its hotel activity with the ambition of spearheading responsible behaviour, creating shared value at the economic, social and environmental level wherever it is present. With this philosophy, in 2019 the Company has worked on drawing up the new Strategic Plan, thus giving continuance to the former plan, in which one of the pillars is **NH ROOM4 Sustainable Business**, which is a key part of the Company’s global strategy.

The strategic vision of **NH ROOM4 Sustainable Business** is in turn based on three fundamental management levers: **NH ROOM4 People**, **NH ROOM4 Planet** and **NH ROOM4 Responsible Shared Success**, all in the framework of the same premise of **sustainable and ethical principles**, **culture of responsibility** and **citizenship spirit**.

Convinced that it is going in the right direction to achieve its next goals regarding sustainability, the Company is aligned with the Sustainable Development Goals (SDG) to which it can contribute and is therefore committed to continue creating long-term value globally, in the context of the 2030 Agenda.

MODELO NH ROOM4 Sustainable Business

For NH Hotel Group, the strategy is based on “ROOM4 a better tomorrow”. In line with this strategy, management of the Company’s corporate responsibility, **NH ROOM4 Sustainable Business**, is articulated around three lines of action: **NH ROOM4 People**, **NH ROOM4 Planet** and **NH ROOM4 Responsible Shared Success**:



NH Hotel Group promotes internal professional development and creates social projects in the communities where it is present.



NH Hotel Group is committed to the environment and shows it through sustainable products, reduction in consumption and the fight against climate change.



NH Hotel Group conveys human rights, ethical and business principles in the way it works throughout its value chain -customers, owners and suppliers - by promoting responsible alliances.

Corporate Governance	Citizenship Mindset
<p>Management of the Sustainable Strategy Organization structure focused on Sustainable Business, to ensure implementation of the strategy.</p> <p>Accountability Reporting on sustainability and sustainable business as an opportunity for continuous improvement and monitoring, as well as the demand for transparency.</p> <p>Corporate Governance & Compliance With the aim of conveying the ethical and responsible business principles and the commitment to Human Rights that guide the way NH Hotel Group works.</p>	<p>In their everyday activity, each employee can do things in the most sustainable way with a citizenship mindset.</p> <p>Activation of a fluid communication style and the recognition of the responsible and sustainable commitment of employees.</p> <p>Volunteering is the key to the rollout of the sustainable business commitment with employees. Without their participation, no initiative would have the desired impact. NH Hotel Group is made up of people who are passionate about service, and that is its strength.</p>

NH ROOM4 RESPONSIBLE SHARED SUCCESS	NH ROOM4 PEOPLE	NH ROOM4 PLANET
 <p>Customers</p> <ul style="list-style-type: none"> Providing a unique experience and innovative range of services and involving customers in NH Hotel Group’s sustainable and responsible projects. <p>Suppliers</p> <ul style="list-style-type: none"> Establishing effective dialogue with suppliers to develop innovative and sustainable solutions. Continuing to increase social and environmental criteria in partner selection. <p>Alliances Promoting long-term alliances with all kind of organizations: other companies, public administrations, non-profit organizations, multilateral bodies...</p>	 <p>Employees</p> <ul style="list-style-type: none"> Promotion of equality of opportunities to be recognized a leading company in diversity. <p>Community</p> <ul style="list-style-type: none"> Youth employment – Investment in training and career support for young people, especially those who are in an underprivileged situation. Hotels with a Heart – Continuing to use the potential of NH Hotel Group as a hotel chain to provide accommodation for hospitalized children and their families. 	 <p>Climate Change</p> <ul style="list-style-type: none"> The fight against climate change as core of strategic planning at business level and for NH Hotel Group’s risk management. <p>Energy and Water</p> <ul style="list-style-type: none"> Increasing and improving production of green energy with onsite facilities, renewable energy sources and water optimization. <p>Waste and Circular Economy</p> <ul style="list-style-type: none"> Working with suppliers to create opportunities and synergies in circular economy.

NH Hotel Group, recognized as one of the most sustainable companies in the sector in the world

In 2019, NH Hotel Group participated for the first time voluntarily in the Corporate Sustainability Assessment (CSA) 2019 carried out by the sustainable investment agency SAM. The assessment generates a world ranking in sustainable performance by Companies in different sectors.

The Company achieved a fourth place in the ranking, standing out as one of the most sustainable leaders in the sector compared to the companies included in the Dow Jones Sustainability Index. This result consolidates NH Hotel Group as one of the benchmark companies for sustainability in the industry worldwide and confirms NH Hotel Group’s strong position in social, environmental and economic performance, highlighting two criteria in which it is in the 100 percentile: tax strategy and environmental reporting.

Driven by this assessment, NH Hotel Group is carrying out an Action Plan 2020 in which areas for improvement and opportunities have been identified to reinforce the Company’s commitment, so that all our actions have a positive impact, economically, socially and environmentally.

Presence of NH Hotel Group in Sustainability Indices



Since 2013, NH Hotel Group has been included in the FTSE4GOOD index, renewing its presence year after year thanks to the responsible management of the business and the improvements made. The index was created by the London Stock Exchange to help investors integrate environmental, social and corporate governance (ESG) factors in decision making.



NH Hotel Group has been a member of the Ethibel Sustainability Index since 2015. Ethibel is an index that brings together companies from different sectors that are leaders in Corporate Social Responsibility. The presence of NH Hotel Group shows the Company’s good performance, above the average for the sector, and acts as an incentive to Socially Responsible Investment (SRI) among investors and funds.



NH Hotel Group has been included for the first time in the Bloomberg gender-equality index and is the only Spanish hotel company among the 325 companies included in the index. The Company has obtained its best results in salary equality and parity, thanks to its compensation policies based on general equality and on its fight against the pay gap. This has confirmed aspects that were already known, such as the positive presence of women at all levels of responsibility in the Company.



Carbon Disclosure Project recognizes the efforts made by leading global companies in the battle against climate change. In the last report dated January 2020, the Company obtained a rating of B in the annual ranking. With this rating, NH Hotel Group once again sees recognition of its pioneering vision to place sustainability as a strategic value that has acted as lever for value across the Group for more than a decade.

Materiality Analysis

The materiality analysis is key in NH Hotel Group’s Corporate Responsibility management process, both for reporting purposes and in defining the strategy, initiatives and the establishment of dialogue with stakeholders.

In 2019, NH Hotel Group has updated this analysis in order to define the contents of this Report and prioritize the relevant matters, based on the Materiality Study for 2018. This process has been carried out over three phases:

Identification

Material matters have been identified based on an analysis of internal and external sources that have made it possible to determine a preliminary list of relevant matters for NH Hotel Group and for its stakeholders.

Strategy and priorities for NH Hotel Group	<ul style="list-style-type: none"> • Strategic Plan 2017-2019 • Sustainable Business Strategy • Annual Report and materiality of NH Hotel Group 2018 • Non-Financial Information Statement 2018
Sustainable Development Goals – SDGs	SDGs in which NH Hotel Group has a direct and indirect impact and its specific goals.
Prescribers and trends in the sector	<ul style="list-style-type: none"> • Key sustainability goals defined by the International Tourism Partnership (ITP) • SASB Materiality Map ® • Sustainability Yearbook 2019 of SAM: key issues for the hotel sector • Carbon Disclosure Project (CDP) ranking – Climate Change
Social and sustainability trends	Social and CSR trends at global level, identified through the RADAR CANVAS, a methodology that identifies trends in reputation, sustainability, ethics and transparency, with emphasis on the tourism and hotel sector.

Subsequently, a semantic review of the matters has been carried out with the aim of linking similar concepts or areas and integrating them in the terms of NH Hotel Group and the hotel sector’s business approach. The matters have been grouped according to the different pillars of the Sustainable Business Strategy.

SUSTAINABLE BUSINESS PILLARS	NH HOTEL GROUP RELEVANT MATTERS 2019	
Governance	1	Sustainable financial growth
	2	Good practice in Corporate Governance
	3	Ethical commitment and transparency
	4	Protection of Human Rights
	5	Management of financial, non-financial and emerging risks
	6	Innovation and technology
	7	Dialogue with stakeholders
NH ROOM4 People	8	Talent, training and professional development
	9	Culture of equality, diversity and inclusion

	10	Employee engagement
	11	Health and wellbeing at work
	12	Corporate volunteering
	13	Positive impact on the local community and culture
	14	Promotion of youth employment
NH ROOM4 Responsible Shared Success	15	Sustainable alliances
	16	Responsible and local value chain
	17	Unique experiences for customers
	18	Service quality and satisfaction
	19	Fostering sustainability among customers
NH ROOM4 Planet	20	Green energy and energy efficiency
	21	Responsible water management
	22	Fight against Climate Change
	23	Sustainable hotel services
	24	Waste management and circular economy

Prioritisation

The material matters are prioritized on the basis of two variables:

- **Impact on the business.** Importance of each matter in NH Hotel Group’s business activity, considering the strategy, trends in the sector, sectorial and sustainability prescribers, and the evaluation of the different areas of the Company that have relations with stakeholders, such as Communication and CSR, Human Resources, Environment or Procurement.
- **Impact on stakeholders.** Importance of each matter among the different stakeholders based on the available information of NH Hotel Group, trends and social concerns, the UN Sustainable Development Goals –SDGs–, and the conversation in the media on these matters.

Validation and Materiality Matrix







The prioritization is validated internally by the Corporation Responsibility area of NH Hotel Group, with the aim of comparing the relevance of the material matters and their importance in relation to the business goals.






This prioritization is used to draw up the Materiality Matrix for the Sustainable Business Report 2019, in line with the two axis of relevance: for NH Hotel Group’s activity and for its stakeholders. All the material matters identified have a relevance of more than 40%.



NH Hotel Group and the 2030 Agenda

For the purpose of focusing the business model on a hotel model that is committed to sustainable development, through the Sustainable Business Strategy, NH Hotel Group generates value for the different stakeholders in the places where it is present. In this context, the Company has impact and capacity of influence in a total of 11 Sustainable Development Goals.

Sustainable Business Strategy Pillar	Related SDG	Key indicators in 2019
<p>NH ROOM4 People</p>		<ul style="list-style-type: none"> • € 1.3M investment in training • 652 courses available • 134,651 employee training hours • 7 hours of training per employee
		<ul style="list-style-type: none"> • Presence in the Bloomberg Gender-Equality Index • #48 in the Equileap top 100 • 51% of the total workforce are women • 43% women in management posts
		<ul style="list-style-type: none"> • € 650.49 M total payments to suppliers • Leases: 83.6 M€ • € 56 M taxes paid: • Wages and salaries: 339.8 M€ • Social security: 81.5 M€ • € 133M Investment in the community
		<ul style="list-style-type: none"> • 344 hotels with accessibility modifications • 193 young people benefitting from employability programmes
<p>NH ROOM4 Responsible Shared Success</p>		<ul style="list-style-type: none"> • Membership of UN Global Compact • Presence in the Ethibel Responsible Investment Register • Presence in the FTSE4Good index
		<ul style="list-style-type: none"> • 157 agreements with institutions and NGOs. • More than 1,523 hours in social volunteering • 331 social projects. • Number of beneficiaries: 55,410 • Number of volunteers: 19,916

<p>NH ROOM4 Planet</p>	<p>6 AGUA LIMPIA Y SANEAMIENTO</p> 	<ul style="list-style-type: none"> • 23,1% reduction on water consumption*
	<p>7 ENERGÍA ASEQUIBLE Y NO CONTAMINANTE</p> 	<ul style="list-style-type: none"> • 62% of the energy consumed annually is obtained from renewable energy sources
	<p>11 CIUDADES Y COMUNIDADES SOSTENIBLES</p> 	<ul style="list-style-type: none"> • 149 certified hotels • 46 hotels with charging points installed for electric cars • 75 hotels with bicycle hire service
	<p>12 PRODUCCION Y CONSUMO RESPONSABLES</p> 	<ul style="list-style-type: none"> • Responsible Procurement Policy • 1,872 suppliers have signed up to the Code of Conduct. • 95% purchases from local suppliers • 93,6% approved purchases
	<p>13 ACCION POR EL CLIMA</p> 	<ul style="list-style-type: none"> • Inclusion in SBTi (Science Based Targets) • Elimination of single-use plastics • 60,87% reduction in carbon footprint* • 30,9% reduction in energy consumption* • € 6,3 M invested in energy efficiency projects

*Reduction compared to 2007.

NH ROOM4 SHARED SUCCESS: CUSTOMERS

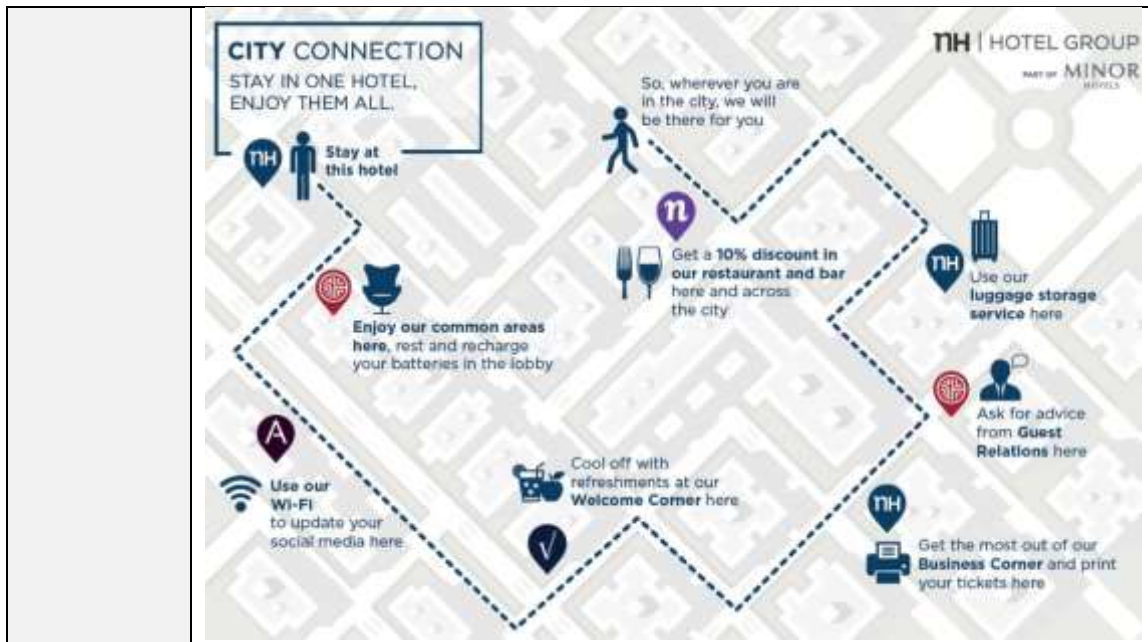


NH Hotel Group provides an excellent service along with an innovative offer, and invites its customers to participate and get involved in ethical, social and environmental commitments. In its commitment to sustainability, NH Hotel Group seeks to include and involve customers in its Sustainable Business initiatives, whether by generating opportunities for social contribution or by promoting environmentally responsible behaviour.

NH Experience

In the 2017-2019 Strategy, NH Hotel Group has identified the need to bet on the intrinsic value of each of its brands. It therefore seeks to pursue maximum efficiency in media investments and an improvement in the customer experience with the development of Guest Intelligence analysis tools, identifying the “moments of truth” and providing support to an experience undergoing continuous redesign and implementation, as well as monitoring its acceptance. In recent years, as a result of the Company’s new business strategy, the quality bases that characterize NH Hotel Group have been laid down.

Principal initiatives in 2019	
Mood Room	<p>Following its presentation in Spain in the NH Collection Madrid Eurobuilding, Germany took over with new rooms under the Mood Room™ concept.</p> <p>In April 2019 the Company presented the Mood Rooms™ at the NH Collection Berlin Mitte (Germany). This concept has been designed around three main parameters: personalizing the guest’s experiences, connected technology and sustainability. Using a tablet, guests can regulate the lighting, music and temperature of the room and adapt them to their personal wishes. Specifically, guests can choose from six main ambiances and 19 moods, to enjoy an unparalleled technological experience.</p>
City Connection	<p>City Connection is a new service that allows guests to enjoy the city without limits. Under the claim “Stay in one hotel, enjoy them all”, NH Hotel Group presented City Connection in November 2019, a selection of services that guests can enjoy in any NH Hotels, NH Collection, nhow, Tivoli or Avani property in the city they are visiting, regardless of the hotel they are staying in and throughout the duration of their stay.</p> <p>City Connection, available in a total of 129 hotels in cities in Europe and Latin America, is a pioneering service that offers an extra to guests, who can now take a break or use other NH hotels and their services and take advantage of their excellent locations across the city. In this way, when guests check in, they receive a passport that explains which Company hotels have this service, where they are and until when they can use the service.</p> <p>Notable services included in the City Connection initiative are the use of public areas such as lobbies, leaving luggage at the hotel that is most convenient for them, using the Business Corner or enjoying a 10% discount in any bar or restaurant of the Group.</p>



Other notable experiences:

- **FASTPASS:** the main purpose of this initiative is to offer guests the possibility of quick and convenient services such as Online Check-in and Online Check-out. The added value has been the inclusion of the "Choose your Room" option within the Online Check-in, which gives guests the option of choosing their room, exploring the hotel's architectonic plan.
- **User generated content in Digital Signage:** an innovative project that seeks to enhance Digital Signage in the Group's hotels with content generated by guests. This initiative is based on the images that guests share on Instagram, so our customers will feel more closely identified with the content we show, as they are non-professional photos taken by other users. This project will also provide dynamic and interactive content for the hotels' screens, continuously updated and highlighted by each brand territory.
- **Lobbies Alive:** The way that new generations travel and their needs have changed. The current trend is to create socializing, dynamic and multifunctional spaces that offer visitors an added experiential value. Accordingly, NH Hotel Group has started to implement its Lobbies Alive concept, a coherent and harmonious proposal that transforms the lobby from a place you pass through to the place to be, with different areas: a quiet area with a fireplace in which to read, a leisure area, a work area equipped with a business corner, a computer and a printer; and an F&B area which opens onto the entire lobby so that you can enjoy a refreshment in any area and at any time.

In 2019 the project was implemented in the NH Collection Milano Touring (Italy) and throughout 2020 it will gradually be introduced in other hotels such as the NH Dusseldorf City (Germany) and NH Buenos Aires 9 de Julio (Argentina), with the intention of making the lobbies of these hotels locations of reference in their cities.

- **Gastronomic innovation:** NH Hotel Group is committed to offering high quality gastronomy and the latest trends in the sector, and therefore the Company is constantly in the process of innovating and developing exclusive gastronomic concepts and standards. Furthermore, processes that combine local and global values are implemented with the aim of enhancing the services

offered to customers. Some of these processes, which have been consolidated throughout the Company in 2019, are:

- M&E Tempting breaks, including the Healthy Corner and Sweets Corner
- Minibar, with new contents to raise quality.
- Breakfast Juice Corner, with healthy shakes and freshly squeezed juice upon request.
- Memorable Element, which offers a surprise smoothie every day.
- Regional Corner in breakfasts, which offers special local products.
- Welcome Corner, offering a fresh and healthy welcome to guests arriving at the hotel.

In 2019 NH Hotel Group has continued to renew the breakfast service, the Company's best-known service, enhancing its values of a warm welcome and the use of local products. Breakfasts include a great variety of products and a wide assortment that combines local and global values, offering more than 110 different products every day. Aware of the importance of healthy and sustainable food, the Company includes gluten-free, organic, low-sugar, low saturated and trans-fat products.

NH Hotel Group has an exceptional cuisine offered by chefs recognized with a total of **9 Michelin stars**:

- Dabiz Muñoz, 3 Michelin stars with DiverXO at NH Collection Eurobuilding
- Paco Roncero, 2 Michelin stars with La Terraza del Casino
- Chris Naylor, 1 Michelin star with Vermeer at NH Collection Barbizon Palace
- Randy Karman, 1 Michelin star, with White Room at NH Collection Grand Hotel Krasnapolsky
- Miguel Barrera, (1 Michelin star) consulting chef at Re Levante, NH Mindoro
- Marcos Morán (1 Michelin star) consulting chef at Hispania Brussels, NH Collection Grand Sablon

Furthermore, the Company has also designed and implemented its own gastronomical projects during 2019, such as: Tablafina at NH Malaga (which, like the restaurant housed at the NH Nacional in Madrid, bases its cuisine on high quality "appellation of origin" products combined with the classics of Spanish cuisine); Bar Colón at the NH Collection Madrid Colón; Sonata 32 (a fresh and Mediterranean locale created by Lorenzo Castillo, headed by chef Carlos Monsonís, offering amazing local cuisine using fresh produce all year round) and Caracara by Diego Cabrera (a selection of drinks and cocktails designed by the renowned mixologist) at the NH Collection Valencia Colón.

Quality Management System

With the implementation of different projects in 2019 and thanks to the Company's Integral Quality Management system, perceived quality ratings among NH Hotel Group customers have increased slightly, maintaining a positive trend year after year. The number of evaluations recorded has also increased.

In addition, in 2019 NH Hotel Group has continued to rely on the role of "Quality Influencers", to boost our network as quality ambassadors for NH Hotel Group, who provide support to the

Quality Directors in the different Business Units, with the aim of improving the quality of service and satisfying customers' expectations.

Evolution of Quality measurement tools in 2019

An essential part of the customer experience continuous improvement process is monitoring perceived quality and the action plans that have been put in place. A significant example of a measurement tool is the Quality Focus Online that makes it possible to monitor customer reviews through internal and online channels.

Notable among the main improvements in the tool in 2019 is the creation of a new automatic response alert module, focused on negative opinions, which gives the hotel manager more ease and flexibility to respond to such comments, therefore increasing the service perceived by customers. The tool has also been translated into Portuguese due to the Company's expansion in Portugal, in addition to a number of technical improvements and new features that improve the end user's experience.

To maintain the Company's high standards in relation to quality and customer satisfaction, the heads of quality of each Business Unit visit practically all the hotels, focusing first on those where areas for improvement have been identified in order to implement the necessary corrective actions. The main tool for carrying out quality control in the hotels is a smartphone app called Iristrate.

Furthermore, and with the aim of understanding its guests better every day, the Company has continued to use the services of Trust You, a semantic analysis tool that makes it possible to have greater visibility of what customers are saying about NH Hotel Group and which has helped to identify the main areas for improvement both in terms of service and product.

Key Quality Indicators	2018	2019	Diff.
NH survey rating (scale of 1 to 10)			
General	8.5	8.6	+0.1pp
Service	9	9.1	+0.1pp
Number of NH survey ratings*	114,753	134,489	19,736
Online survey rating (scale of 1 to 10)			
General	8.4	8.5	+0.1pp
Service	8.6	8.8	+0.2pp
Number of online survey ratings	499,110	551,227	52,117

Single Customer Service Centre Tools

The Single Customer Service Centre provides support to hotels and to customers. It combines the areas of Customer Care, NH Rewards and the VIP Desk and has continued to consolidate its service in 2019, extending its capacity for response and improving the level of service.

Single Customer Service Centre Tools	
SAP module: TMS4 Customer Care	Quality Focus
<p>This is a module that lets any interaction with customers be recorded from the time the complaint is received. Customers can manage their complaints through multiple channels: e-mail, telephone, website, hotels, social media ...</p> <p>The types of contact can be divided into comments or suggestions, complaints, congratulations, requests, claims or technical incidents.</p>	<p>Every week data is drawn from the satisfaction surveys received, identifying which will be managed by Customer Care.</p> <p>Depending on the type of comment received, the type of response varies from direct interaction with the customer -by e-mail or telephone -, to a standard e-mail response for neutral comments.</p>

In 2019 the Customer Care area has handled a total of 13,440 contacts coming from the **Single Customer Service Centre** (including congratulations, requests, suggestions, complaints...). This number represents an increase of approximately 12% in contacts handled by this area compared to 2018. It should be noted that the number of direct complaints in 2019 decreased by 24% , despite the increase in the total number of communications and the increase in requests for contact through the surveys. Complaints are handled by sending a letter of apology, response by the hotel or another department (for example, Legal); and, sometimes, compensation in the form of a discount voucher, free NH Rewards points, free room upgrade, etc.

The Customer Care area has also managed to reduce response time from 72 to 48 hours in 93% of the communications received in 2019. The target set and towards which the team's work every day is for response time to be a maximum of 24 hours. This reduction, together with direct interaction by hotels, Managers, Guest Relations personnel and Heads of Reception through Quality Focus, has contributed to faster and more effective solutions. The Company continues in this way to focus on customers and their satisfaction.

In addition to the tools referred to above, the Company also has official complaints forms in accordance with ruling legislation in each country.

Contacts received by Customer Care*				
	2018		2019	
Direct contacts (SAP)	Number	% of total	Number	% of total
Comments/Suggestions	104	1.86%	438	6.5%
Complaints	3,401	60.95%	2610	38.5%
Congratulations	72	1.29%	64	0.9%
Requests	1,706	30.57%	2985	44.0%
Claims	180	3.23%	670	9.9%
Technical incidents	117	2.10%	10	0.1%
Total	5,580		6,777	
	2018		2019	
Customer survey contacts (Quality Focus)	Number	% of total	Number	% of total
Comments/Suggestions	412	7,3%	809	12%
Complaints	1,348	24%	1,275	19%
Congratulations	19	0,3%	15	0.2%
Requests	51	0,9%	151	2.3%
Claims	32	0,6%	48	0.7%
Technical incidents	5	0,1%	1	0.02%
Mailing – automatic reply	3,744	67%	4,364	65%
Total customer survey contacts	5,611		6,663	
GMs contacted (QF)	22,821		24,907	
TOTAL CUSTOMER CARE CONTACTS	11,191		13,440	
Total complaints	4,749		3,885	

*The scope of these figures includes hotels under management as well as the consolidated perimeter, as many of the complaints received cannot be assigned to a hotel.

Complaints received by solution provided by NH HOTEL GROUP		
Solution	2018	2019
Letter of apology	2,752	2,774
Free breakfast	9	5
Free night	13	5
NH Rewards points	97	248
Refund	133	159
Free upgrade	25	15
Discount voucher	536	478
Response from legal department	7	4
Response from hotel	754	722
Thank you letter	64	28
Reply to suggestion/request/comments	2,736	4,567
Other	100	44
None*	128	18
Error**	55	35

*Technical incidents – solution provided by IT

**Duplications

Solution provided by type of hotel management				
Solution	2018		2019	
	Consolidated perimeter	Corporate perimeter ***	Consolidated perimeter	Corporate perimeter ***
Letter of apology	2.752	3.583	2,458	2,774
Free breakfast	9	9	5	5
Thank you letter	64	68	20	28
NH Rewards points	97	97	210	248
Refund	133	133	142	159
Free upgrade	25	25	14	15
Discount voucher	536	580	395	478
Response from legal department	7	7	1	4
Response from hotel	754	754	637	722
Reply to suggestion/request/comments	2.736	2.736	3,142	4,567
Other	100	128	36	44
None*	128	130	13	18
Error**	55	36	21	35
Free night	13	13	4	5

*Technical incidents – solution provided by IT

**Duplications

***Includes comments on internal policies, reservations and other services that depend on HQ and not on any hotel.

Impacts on visibility and perception of Quality

The overall perception of the Company’s quality has increased by 0.1 pp compared to last year, with an overall score of 8.5 at the end of 2019 (overall score from online reviews). These results have driven the Company’s visibility forward, especially on Google, where the Company’s overall score has increased from 8.5 in 2018 to 8.7 in 2019.



As far as the NH brands are concerned, NH Collection continues to consolidate its success in terms of customer rating, quality perception and visibility. The hotels of this brand have also increased their score by one tenth, with a total score of 8.9* (average of internal NH questionnaires and online ratings).

Communication with Customers

Direct contact with customers is key in order to offer them personalized services and make their experience in NH better and better. In 2019, more than 120 million e-mails were sent to customers.

NH Rewards programme

NH Rewards has more than 9.5 million members and is one of the most complete loyalty programmes worldwide.

Through its four categories (Blue, Silver, Gold and Platinum), the Company's programme recognizes and rewards the loyalty of recurring customers on each stay with benefits that range from earning points -equivalent to euros- that can be redeemed for free nights or extra services in the hotel with no date restrictions. NH Rewards also offers flexibility by allowing payment using points and cash, special price conditions, exclusive privileges when reserving on the website as well as a range of differential services that enhance the experience in hotels of all NH Hotel Group's brands.

NH Rewards is an important commercial tool, as its members contribute to more than a third of the Company's total nights. The incentive of obtaining extra points stimulates booking through direct channels, to the extent that more than 70 % of reservations on the NH website are made by NH Rewards members, whose spending and frequency of stays are also higher than guests who are not members of the loyalty programme.

The transparency, flexibility and generosity that define the NH Rewards value proposition led to it being the winner in 2019 of a Freddie Award, one of the most prestigious recognitions for loyalty programmes in the industry worldwide in which awardees are selected by a demanding community of frequent travellers.

Responsible guests

NH Hotel Group seeks to include and engage its customers in its Corporate Social Responsibility initiatives, whether by generating opportunities to contribute socially or by promoting environmentally responsible behaviour.

An example of these inclusive actions is the NH Rewards programme's UNICEF donation project, in which members donate their NH Rewards points to UNICEF.

In 2019 donations for UNICEF made through the NH Rewards programme reached 2,262 euros.

Agreement to donate stays to families of patients suffering from rare diseases

The Group agreed on the donation of hotel nights through its NH Rewards loyalty programme to families of patients with rare diseases when they are in hospital or receiving medical treatment in cities away from their home.

The initiative has been extended to various hotels of the Group in eleven Spanish cities, thanks to the initial collaboration agreement reached between NH Hotel Group and the Spanish Federation of Rare Diseases (FEDER).

NH Hotel Group agreed to donate 7,500 points (approximately 100 stays) of its NH Rewards loyalty programme to FEDER. These nights could be redeemed by those members designated by the Federation

UN Climate Summit held in Madrid

In December 2019 the Climate Summit was held in Madrid, an indispensable event that is seen as the great annual opportunity to take effective measures against climate change.

NH Hotel Group is committed to the fight against climate change and during the days of the Summit, the Group conveyed to its customers in Madrid both environmental information and the actions carried out by the Company through a corporate video. The video was shown in all the hotels, communicating the Company's commitment to this critical task, the importance of having a low-carbon economy and in achieving more energy-efficient models.

Special measures were also taken during the COP25 celebration to reduce the environmental impact. These measures included shared vehicle services, decorations using recycled materials, the promotion of local products and the encouragement of adequate waste separation, as well as the elimination of all plastics from the office.

Improvement in direct sales channels

The growth in business generated through the NH Hotel Group website since its relaunch continues. In 2019, looking at any region, channel, segment, brand or domain, none of them has shown growth of less than 20%, backed by the contribution in 2018 of the nhow brand (+30%) and the Latin America region (20%). Growth in the business to business segment is also notable, which has grown by 40%.

This growth has meant that, for yet another year, a record has been broken in terms of the website channel's contribution to the revenues of NH Hotel Group, and there has even been an improvement in revenue per room.

Marketing of services in other channels

NH has helped to market its products through 20 sites and microsites, using more than 15 languages or language localizations.

This personalization, combined with the systematic application of techniques to improve conversion, with more than 350 experiments in 12 months, have enabled us to obtain double-figure improvements in web conversion.

NH Hotel Group app

The NH Hotel Group app and its approach go beyond being a basic service tool for customers.

In line with the Company's innovative spirit, the mobile app is used as a key differential tool and as a laboratory, to then launch new concepts massively on multiple devices, such as the launch of the **FASTPASS** service described above.

Customer health and safety

NH Hotel Group maintains its commitment to guarantee food health and safety at global level, in each of its hotels and restaurants. Thus, the Company ensures that all food preparation and service procedures comply with international regulations on hazard analysis and critical control points (HACCP) for food and beverages.

For this purpose, the Company has an international agreement with an external company specializing in food health and safety (Diversey), which audits, verifies and guarantees compliance with such regulations, as well as the mandatory legal registrations, laboratory analysis of food, continuous training of personnel in relation to food health and safety, and specific hygiene manuals for each establishment. These processes are audited continuously in all NH Hotel Group restaurants and kitchens. Thus, all hotels undergo periodic food health controls conducted by Diversey and any failure by a supplier means, without going into criminal consequences, that the supplier in question must correct it or face automatic cancellation of the contract with NH Hotel Group.

In addition, the following measures are in place in other areas of the hotels to guarantee customer health and safety:

Customer health and safety measures	
Initiative	
Prevention of legionnaires' disease	In accordance with local legislation, cleaning, tests, analyses, etc. are performed.
Analysis of safety of domestic water supply for human consumption	Annual testing at different consumption and accumulation points of the hotel.
Indoor Air Quality (IAQ) Testing	Indoor Air Quality tests are carried out in some hotels.
Maintenance of elevators	All elevators undergo monthly maintenance and every two years they are subject to legal inspections by an authorized entity.
Maintenance of fire protection installations	Fire protection installations undergo quarterly maintenance, in addition to the periodic legal inspections carried out by an authorized entity.
Maintenance of boiler rooms and heating and air-conditioning installations	Boiler rooms and heating and air-conditioning installations undergo monthly maintenance.
Maintenance of low voltage installations	These installations undergo annual maintenance, in addition to legal inspections that are carried out every five years by an authorized entity.
Maintenance of high voltage installations	These installations undergo annual maintenance, in addition to the corresponding legal inspections carried out every three years by an authorized entity.
Cleaning of kitchen hoods, ducts and extractor fan	Every year, all kitchen hoods, extractor ducts and fans are cleaned to prevent possible fires in the hotel kitchens.
Automatic fire extinguishing systems in kitchen	Automatic extinguishing systems have been installed in the hotel kitchens.
Contracts for disinfection, fumigation and pest and rodent control	Disinfection, fumigation and pest and rodent control procedures are carried out to avoid and prevent possible infections or infestations in the hotels.

Maintenance of automatic doors	The maintenance of automatic doors ensures that they will work in the event of evacuation to prevent injury and accidental entrapment.
Light curtains in elevator doors	Incorporation of light curtains in elevator doors to prevent knocks when entering elevators.

Hotels that are more and more accessible

As a result of NH Hotel Group’s commitment to diversity, inclusion and accessibility for its guests, there are 344 hotels distributed over all the Business Units that have elements adapted to special needs. NH Hotel Group continues to work towards making all the Company’s hotels accessible.

NH Hotel Group is also committed to the full integration of people with disabilities into the work market through responsible purchases from Special Employment Centres as suppliers of laundry services. The share that purchases from Special Employment Centres represented in 2019 was 9.68%*.

*Estimated with respect to the workforce in Spain, together with the Special Employment Centre employees comparable to NH Hotel Group purchases.

More accessible hotels	Consolidated perimeter		Diff. consolidated perimeter	Corporate perimeter		Diff. corporate perimeter
	2018	2019		2018	2019	
Number of hotels with elements adapted to special needs	289	301	+4%	291	344	+18%
Number of hotels with disabled access elevators	250	266	+6%	288	307	+7%
Number of hotels with disabled parking	207	211	+2%	242	244	+1%
Number of hotels with public areas adapted for people with a physical disability	269	277	+3%	311	317	+2%
Number of rooms adapted for people with a physical disability	1,011	828	-18%	1,104	920	-17%

NH ROOM4 SHARED SUCCESS: RESPONSIBLE VALUE CHAIN



NH Hotel Group's relations with its suppliers are based on communication and transparency in order to promote the development of innovative and sustainable solutions. These collaborations also build the way to comply with the Sustainable Development Goals set by the Group for the creation of decent work and economic growth (SDG 8) and for responsible consumption and production (SDG 12).

Since 2010, the different procurement departments of NH Hotel Group are part of Coperama (a company wholly owned by NH Hotel Group). Its tasks are the search, qualification and approval of suppliers, as well as the negotiation and tendering of the goods and services required for the proper functioning of hotel management. Each local Coperama provides service to the Regions of the NH Hotel Group Business Units assigned to it. Coperama Holding provides service at a corporate level to the Group in all its locations.



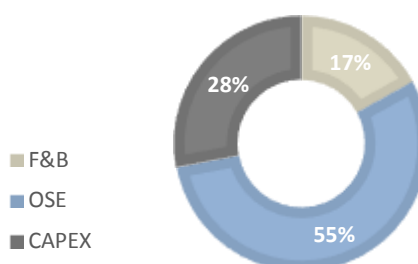
Purchase volume per business unit	2018	2019	Difference
Southern Europe Business Unit	€ 297.6 M	€ 348.4 M	+17%
Northern Europe Business Unit	€ 245.4 M	€ 261.1 M	+6%
Americas Business Unit	€ 35.3 M	€ 41 M	+16%
TOTAL	€ 578.3 M	€ 650.5 M	+12%

*The increase is due to the refurbishment of the New York hotel, assigned to the Southern Europe Business Unit

Purchase volume by type of service on the electronic platform	2018	2019	Difference
Food & Beverage	€ 115.4 M	€ 113.9 M	-1%
OSE (Operating expenses)	€ 360.7 M	€ 356.6 M	-1%
CAPEX (Refurbishment)*	€ 102.2 M	€ 180.1 M	+76%

* The increase is due to the refurbishment of the New York hotel with CAPEX allocation

% of purchase volume by type of service in 2019:



⁵ Expenditure and investment, respectively

Purchasing Policy

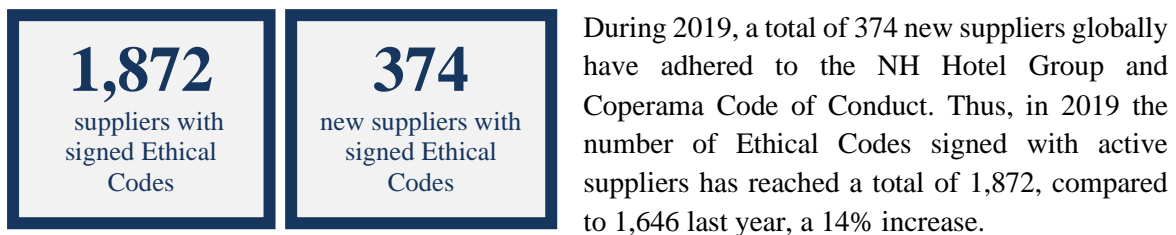
NH Hotel Group has a formal and mandatory Purchasing Policy, which sets out the guidelines to be followed by the various departments, whether Corporate or Business Unit, in situations that affect or may affect the Company's outsourcing.

The Purchasing Policy helps strengthen:

- The commitment to guarantee transparency, honesty and ethics in the purchasing function.
- The need to carry out professional contracting processes to optimize results.
- The need for alignment with internal control guidelines, as well as timely updating and communication to all company employees.

Like the Coperama Supplier Code of Conduct, the NH Hotel Group Code of Conduct has been part of the Purchasing department's nominated contract since 2012.

The non-acceptance of these ethical codes, in the phase of selection of suppliers eligible to participate in the following phases of the tender, is a criterion for exclusion.



Selection of Suppliers

To ensure responsible procurement, the Company has developed a series of procedures that reinforce the commitment to the supply chain. These are the supplier management procedures, the supplier approval questionnaire (RFI), the Coperama Supplier Code of Conduct and the NH Hotel Group Code of Conduct, both of which must be accepted by all approved suppliers.

The Purchasing department includes in the supplier selection process an extensive approval questionnaire that is automatically evaluated according to the commitment of the suppliers and their policies. As a relevant milestone in 2019, and in order to ensure a responsible operation and achieve long-term relationships with suppliers, the Company has extended the ESG criteria in its responsible purchasing process, increasing the weight of the score in the questions referring to Sustainability in the approval questionnaire and prioritizing suppliers with sustainable criteria. This questionnaire is part of the overall assessment for the validation process. Although NH Hotel Group does not currently conduct social and environmental audits of its suppliers, NH Hotel Group works continuously to align ESG criteria with sustainable supply chain management.

As stated in the NH Hotel Group's Purchasing Policy, all services or products included in categories that can be tendered by Coperama are part of the Purchasing Perimeter. Within the total purchase volume of OPEX, the Purchasing Perimeter reaches 86% of the hotels in the consolidated perimeter of the NH Hotel Group.

The Purchasing Perimeter is periodically reviewed by NH Hotel Group and Coperama so that it is adapted to the Company's needs at all times.

In OPEX area:

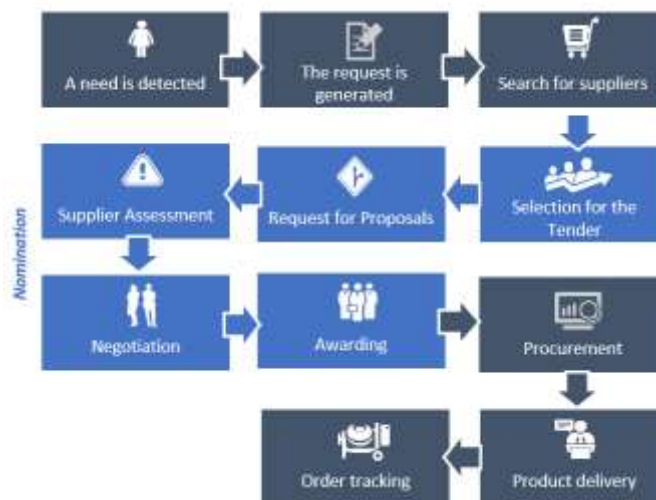


- Information related to hotels that consolidate in OPEX area:



Supplier Approval Process Life Cycle in NH Hotel Group

Supplier selection, as well as the working relationship with them, is based on transparency, honesty and ethics with the clear objective of being able to guarantee an excellent, efficient and quality service. The management of suppliers begins when a need is detected until the service is finally provided:



1,872
APPROVED SUPPLIERS

Before the procurement process starts, a certification procedure takes place which allows for an approved supplier database to be generated. All of the suppliers included in this database will have been previously assessed and have been found to meet the requisites of NH Hotel Group in both economic and ESG matters.

There are certain criteria which, if not accepted or implemented by suppliers, result in their automatic expulsion from the tender process. One of these criteria is the requirement to sign both the Group’s Code of Conduct and the Coperama Code of Conduct, which set out the environmental and labour commitments that govern NH Hotel Group.

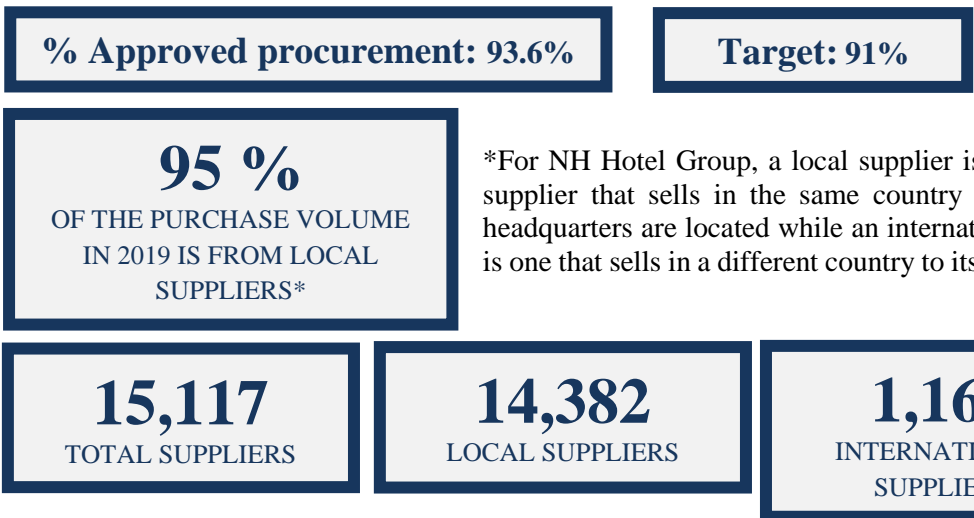
Supplier Management

NH Hotel Group is focusing its efforts on achieving sustainable management throughout the entire supply chain. The supplier management model aims to have the best suppliers available through business procedures that guarantee transparency and equality of conditions for the different bidders. The Company offers a win-win model for all parties with a commitment to a long-term relationship.

The supplier’s rating is the necessary requirement for participating in procurement processes and is obtained as a result of the certification process.

Accordingly, NH Hotel Group encourages certified procurement in most of its hotels, with the need for the required products being identified by each hotel. Coperama’s task is therefore to approve, certify and authorize potential suppliers. In conjunction with our responsible supply goals, we will continue to identify high-quality products that are environmentally acceptable and socially responsible. These efforts will contribute to the development of responsible products in all geographical areas where we are present and in the future.

The hotels that consolidate have different monitoring indicators to control purchases from approved suppliers within the Purchasing Perimeter. During 2019, the objectives have been met in all Business Units:



** The addition of the number of suppliers differs from the number of total suppliers, as the same supplier can serve more than one Business Unit.

Number of suppliers per Business Unit*	2018	2019	Difference
Southern Europe Business Unit	6,066	6,670	+10%
Norther Europe Business Unit	6,071	6,428	+6%
Americas Business Unit	3,200	3,365	+5%
Total	15,337	16,463	+7%

*The sum of the number of suppliers differs from the total number of suppliers as the same supplier may serve more than one Business Unit.

Other relevant figures of the responsible value chain	2019
Total OPEX approved purchases globally*	€ 338 M
Total CAPEX approved purchases globally	€ 99 M
% volume concentrated in the European Business Units in 2019	93.7%

*Includes nominations outside the purchasing perimeter.

Risk Management in the Supply Chain: Critical Suppliers



The supply chain management process is based on an evaluation of the intrinsic risk factors of outsourcing a service or the supply of a product.

In 2020, a risk assessment will be carried out in the supply chain to determine the risk level of the main suppliers in relation to environmental, social and governance criteria. The aspects that will be analysed will be those related to human rights, health and safety, emissions and corruption, among others.

For contract bidding management, NH Hotel Group uses its Electronic Negotiation Platform. This tool makes it possible, through the RFI (Request for Information) phase, to assess and analyse the legal, financial, environmental, operational, social and labour situation of suppliers who submit bids for contracts. This reduces the possible risks that suppliers could generate in future operations with the Company.

For this initial assessment, specific documentation has to be submitted, providing evidence of the veracity of the information provided. This preliminary assessment is complemented with a subsequent screening that is intrinsic to the contract award process, based on compliance with the technical requests shown in the RFP (Request for Proposal).

In this part of the process, suppliers have to accept both the Group’s Code of Conduct and the Coperama’s Code of Conduct– NH Hotel Group’s central procurement service for hotels – which includes environmental and labour commitments. Subsequently, as part of the Nomination Contract, the SLA (Service Level Agreement) is applied, determining the service

level parameters and penalising any deviation in the service offered by the supplier. Suppliers' services are controlled by the hotels or departments that are the end users of such services. In the event of a complaint, Coperama is notified and, depending on the severity of the error, it demands immediate correction or directly rescinds the contract with the supplier. In 2019 no such case has arisen in any of the Business Units.

To carry out its management, NH Hotel Group has identified its critical suppliers as those that could affect the Company due to significant volume of billing or having products that have been specifically designed for the Company or a reputational impact level.

Throughout 2020, Self-Assessment Questionnaires will be sent for the most important and critical suppliers.

NH ROOM4 SHARED SUCCESS: SUSTAINABLE ALLIANCES



NH Hotel Group promotes strategic alliances and collaboration in sustainability. The Company is aware of the importance of collaboration between institutions in order to comply with the sustainable development agenda. Accordingly, the Company establishes alliances based on common principles, values and goals with different organizations, whether in the public or private sector, at world, regional, national and local level.

Dialogue with stakeholders

The Company considers stakeholders to be the individuals or social groups affected by the Company’s present or future actions.

This definition includes both stakeholders that are part of the Company’s value chain: shareholders, employees, investors, customers and suppliers, who are considered to be partners in the business; and external parties: administrations, governments, the media, business sector, trade unions and society as a whole, starting with the local communities where the Company carries out its business.

The opinion and needs of stakeholders are of great relevance for NH Hotel Group as they combine efforts to achieve common goals. In this regard, clear and continuous two-way communication with all of them is key.

NH Hotel Group holds a constant and fluid dialogue with its stakeholders, through multiple channels and formats, with the aim of keeping the Company up-to-date about new demands and needs, as well as of responding better to stakeholders’ concerns and opinions.

Stakeholder	Mechanisms of dialogue and participation
Customers	<ul style="list-style-type: none"> • Satisfaction surveys • Social media • NH Rewards loyalty program • Campaigns or corporate videos • Advertising actions • Mail for claims, complaints and suggestions
Employees	<ul style="list-style-type: none"> • Intranet • Satisfaction surveys • Intranet • Internal communication: Newsletters, Town Hall talks • Employee App • Non-Financial Information Statement
Community and non-profit entities	<ul style="list-style-type: none"> • Organization of and participation in different forums, meetings, conferences, events, etc. • Advertising and media • Periodic meetings and directly communication with different social organizations • Internal communication platform • Volunteering actions • Non-Financial Information Statement

Suppliers	<ul style="list-style-type: none"> • Direct communication and face-to-face meetings • Advertising and media • Supplier approval platform with CSR criteria • Non-Financial Information Statement
Shareholders and investors	<ul style="list-style-type: none"> • General Shareholders' Meeting • Newsletters • Proxy Advisors • Roadshows • Website • Non-Financial Information Statement
Public Administration	<ul style="list-style-type: none"> • Institutional relations • Sector associations • Agreements and bidding processes

Relations with associations

As well as the positive impact of its activity as such, by providing a service to cities and their tourists, NH Hotel Group contributes to the community by forming part of associations, chambers of commerce or foundations that promote the concerns and encourage projects to attain shared goals.

The Company is a member of key organizations with which it collaborates actively by drawing up reports and to which resources are assigned that permit continuous improvement, by sharing experiences and knowledge and by boosting the Company's influence. For their relevance, this notably includes NH Hotel Group's participation in the UN Global Compact and the International Tourism Partnership (ITP).

UN Global Compact

Since 2006, NH Hotel Group has been a member of the United Nations Global Compact and regards its 10 principles and the Sustainable Development Goals as the framework of reference to design the strategy and management of the Company's Corporate Responsibility.

International Tourism Partnership (ITP)

International Tourism Partnership (ITP) is a world platform that brings together leading international players from the hotel sector with the aim of sharing and implementing practices that will ensure sustainable behaviour in tourism management. The agreement in these areas aims to complement the companies' individual goals, believing that the most significant impact in these matters of responsibility, which are the most urgent issues facing the industry at present, can only be achieved through collaboration and by working together.

Significant contributions to associations in 2019

The Company is part of these different associations so that it can be well-informed and in order to achieve the goals it has set.

As a relevant contribution in 2019 for NH Hotel Group, payment to associations involved with the environment has been differentiated in the table, in line with the Company’s strategy of continuing to advance in its efforts to combat climate change and towards a low-carbon economy. The contribution to ITP has also been published, as an association pertaining to our sector, as well as contributions to non-profit foundations and association with which NH Hotel Group has collaborated.

Organization	Contribution in 2019 (€)
Sectoral associations	€ 582,384
Foundations or Non-profit associations	€ 20,655
Chambers of Commerce	€ 38,448
Cultural associations	€ 31,762
Associations involved with environment	€ 72,405
Total	€ 745,653

In 2019 NH Hotel Group made a total contribution of **€ 745,653**, distributed among more than 200 sectorial, cultural, social, and environment-related associations and chambers of commerce.

NH ROOM4 PEOPLE: EMPLOYEES



NH Hotel Group cares for its employees and seeks their commitment to and involvement with the Company's Corporate Responsibility, so that it is integrated in their daily activities. All this through fluid communication and recognizing their responsible commitment.

In NH Hotel Group's business strategy, the corporate culture is key. The Company considers its human capital, its people, to be the motor of the Company and it is therefore understood that in order to build a corporate culture of leadership, it is essential to manage effectively the attraction, development and retention of talent.

NH Hotel Group is committed to the training and development of employees so that it always has the best professionals and customers can continue to trust in the quality service offered in the Group's hotels. Each employee's professional development is carried out through continuous multidisciplinary training as well as performance and talent management programmes.

Under the premise "our shared beliefs and, consequently, our behaviour, define what we are", NH Hotel Group has laid the foundations of its internal culture for the purpose of helping to attain the goals of the Strategic Plan, promoting a shift towards a leadership model.

This culture provides the foundations and the backing to adapt to current market needs, which demands that importance be given to the customer and technological transformation aligned with the Corporation Responsibility bases in order to ensure the sustainability of the business over time.

Furthermore, the capacity to generate and encourage local employment has enabled us to become a Company that contributes to sustainable development in the communities where we carry out our activity.

"Our employees: ambassadors of our values, make the Company's achievements possible"

People strategy

The key policies and projects of the strategy have been consolidated in 2019, with the completion of the implementation of the Company's HR Strategic Plan and the establishment of the basis for the launch of the strategic initiatives grouped around the 3 main pillars: Global Leadership and Talent Management, Top Performance, and Best Place to Work. Much of this is driven by technological measures, to take advantage of the opportunities to be more efficient and to help the evolution towards a more agile and connected working environment. This evolution will take place in line with the pillars of the People strategy in the coming years.

Global Leadership and Talent Management	Top Performance	Best Place to Work
Continuing to drive and convey leadership within NH Hotel Group, focusing efforts and investment on internal talent that has the potential to make a difference in the Company's strategy and become role models of our culture.	Being recognised as a model high-performance team in which all employees are encouraged to progress and do their best and in which high performance is differentiated, recognised and rewarded.	Making our employees the best brand ambassadors, based on their high level of commitment, and increasing the recognition of NH Hotel Group as one of the best companies to work for.

Transformation and new technologies

Seeking, assessing and taking advantage of opportunities to evolve and develop our working environment to make it more agile, connected and productive and in order to acquire advanced predictive analytical skills. All of this through clear policies and processes, keeping promises proactively, supporting, developing and implementing the NH Hotel Group operational model, and controlling staff costs and related budgetary items.

Along these lines, the Human Resources team has continued to consolidate the strategic lines of work set out in the Strategic Plan and to prepare the launch of new initiatives:

Strategic lines of work for Human Resources in 2019
Guiding the evolution of the top management team as a united and integrated decision-making model and towards a more agile and more connected way of working.
Consolidating talent management with particular attention to achieving Development and Succession Plans for key positions.
Continuing the improvement and standardisation of programmes to prepare future leaders.
Providing support to the improvement and optimisation of managers' role in team management.
Designing recognition programmes and compensation policies for employees with the highest performance in hotels and Central Services.
Reinforcing internal commitment with campaigns for the communication and implementation of the New Way of Working at local and global level, as well as campaigns to accompany integration and change management.
Continuing work to reinforce the level of commitment in the organization by following up the shaping and implementation of plans based on results of the global commitment survey.
Continuing to develop and drive our Employer Branding strategy for local customisation.
Being a partner that offers service and advising in the processes identified in relation to the integration with Minor.

Furthermore, in 2019, Human Resources has led or co-led strategic projects with the Operations and Finances Departments to guarantee the quality of HR data, the finalization of the operational model and the professionalization of budget processes. The Company continues along the lines marked out by the former Plan, reinforcing the three pillars of action where efforts merge to improve the competitiveness, evolution and performance of the organization.

NH Hotel Group employees by Business Unit are detailed below:

NH Hotel Group FTE by Business Unit*			
	2018	2019	Dif (%)
Central Offices and CRO	475	508	+7.0
Northern Europe Business Unit SNorte	5,088	5,141	+1.0
Southern Europe Business Unit	5,635	5,199	-7.7
Americas Business Unit	2,304	2,257	-2.0
Total	13,502	13,105	-2.9

*Figures showing FTE (Full Time Equivalents) for all types of employees (except Outside Labour, Extra Labour and Trainees) considering hotels under ownership, lease, management and franchise, including in NH Hotel Group's ERP SAP HCM management system.

Compared to the previous year, there has been a slight decrease in the workforce in the Americas Business Unit, and a more significant one in the Southern Europe Business Unit, caused in part by the Hesperia hotels leaving the perimeter at the end of 2018. The growth in employees has occurred mainly in the Corporate Offices, and to a slight extent in the Northern Europe Business Unit.

Our human capital

At the end of 2019, NH Hotel Group had 11,464 employees in 20 countries, of whom 51% are women and 49% are men.

- **Breakdown of employees by country:**

Employees by country*	Consolidated perimeter		Diff.	Consolidated perimeter		Dif
	2018	2019		2018	2019	
Argentina	353	361	2%	436	444	2%
Austria	272	284	4%	272	284	4%
Belgium	596	614	3%	595	614	3%
Chile	182	172	-5%	184	194	5%
Colombia	665	523	-21%	665	523	-22%
Switzerland	91	66	-27%	118	87	-27%
Czech Republic	-	-	-	201	195	-3%
Germany	1,991	2,027	2%	1,990	2,027	2%
Ecuador	63	60	-5%	62	60	-5%
Spain	3,252	3,462	6%	4,752	3,596	-24%
France	111	132	19%	111	132	19%
Hungary	33	34	3%	33	34	3%
Italy	1,193	1,232	3%	1,195	1,233	3%
Luxemburg	47	45	-4%	46	45	-2%
Mexico	510	588	15%	917	1,005	9%
The Netherlands	1,450	1,449	0%	1,690	1,692	0%
Portugal	39	311	697%	39	738	1792%
Rumania	32	35	9%	59	67	12%
Slovakia	-	-	-	51	62	20%
Great Britain	28	30	7%	28	34	18%
USA	12	8	-33%	12	8	-33%

Uruguay	36	31	-14%	36	31	-14%
Total	10,956	11,464	5%	13,502	13,105	-3%

*Information corresponding to data held in NH Hotel Group's ERP SAP HCM management system.

**The increase Portugal employees is should be the integration to Minor management of Portugal in NH Hotel Group.

*** The decrease in the number of employees in the USA is due to the temporary closure of the hotel for renovation work.

- **Breakdown of employees by gender*:**

N° of employees by gender	Consolidated perimeter		Corporate perimeter		Dif	
	2018	2019	2018	2019	Consolidated perimeter	Corporate perimeter
Women	5,573	5,852	6,898	6,676	5%	-5%
Men	5,383	5,612	6,605	6,429	4%	-3%
Total	10,956	11,464	13,502	13,105	5%	-4%

* Information corresponding to data held in NH Hotel Group's ERP SAP HCM management.

- **Breakdown of employees by age*:**

Breakdown by age **	Consolidated perimeter		Corporate perimeter		Dif	
	2018	2019	2018	2019	Consolidated perimeter	Corporate perimeter
Under 25	1,218	1,249	1,461	1,471	3%	1%
Between 25 and 40	5013	5,152	6,125	5,932	3%	-3%
Over 40	4,699	5,023	5,881	5,655	7%	-4%
Total**	10,930	11,424	13,467	13,058	5%	-3%

* Information corresponding to data held in NH Hotel Group's ERP SAP HCM management system for workplaces in the consolidated perimeter (hotels under ownership and lease)

**No information on age available for less than 1%

- **Breakdown of employees by professional category:**

The categories by which all the information is broken down are as follows:

- **Top Management:**
 - CCSS/Corporate Offices: Chief Officer, Senior Vicepresident, Vicepresident, Senior Director and Regional Director.
 - Hotel: Director and Deputy.
- **Middle Management:**
 - CCSS/ Corporate Offices: Director and Manager.
 - Hotel: Chiefs of department.
- **Staff:**
 - CCSS/ Corporate Offices: Executive, Staff and Assistant.
 - Hotel: Other hotel positions.

Employees by professional category*

Consolidated perimeter	2018			2019			Dif
	Hotel	Central Services	Total	Hotel	Central Services	Total	
Top Management	297	90	386	296	93	389	1%
Middle Management	1,374	398	1,772	1,429	440	1,869	5%
Staff	7,719	1,079	8,798	8,114	1,092	9,206	5%
Total	9,389	1,567	10,956	9,839	1,625	11,464	5%

* Information corresponding to data held in NH Hotel Group's ERP SAP HCM management system

Employees by professional category*							
Corporate perimeter	2018			2019			Dif
	Hotel	Central Services	Total	Hotel	Central Services	Total	
Top Management	350	90	440	327	93	420	13%
Middle Management	1,650	397	2,047	1,596	440	2,036	27%
Staff	9,936	1,079	11,015	9,557	1,092	10,650	67%
Total	11,936	1,566	13,502	11,480	1,625	13,105	57%

* Information corresponding to data held in NH Hotel Group's ERP SAP HCM management system

Quality job creation and talent retention

NH Hotel Group's commitment to job stability can be clearly seen in the high percentage of employees with indefinite contracts. The Company fosters job stability, especially for women and those under 40 years old. Accordingly, in 2019, 79% of the contracts of women for workplaces in the consolidated perimeter are indefinite. Furthermore, 79% of employees between 25 and 40 years old have indefinite contracts.

Annual average of contract types*			
Consolidated perimeter	2018	2019	Difference
Temporary contracts	3,199	2,476	-23%
Indefinite contracts	9,855	9,532	-3%
TOTAL	13,054	12,008	-8%
Part-time contracts	1,361	1,291	-5%
• Indefinite part-time contracts	903	890	-1%
• Temporary party-time contracts	458	401	-12%

* Information corresponding to data held in NH Hotel Group's ERP SAP HCM management system for workplaces in the consolidated perimeter (hotels under ownership and lease)

Annual average of number of contract modalities by gender *

Consolidated perimeter	2018		2019		Difference	
	Women	Men	Women	Men	Women	Men
Annual average number of temporary	1,650	1,549	1,297	1,179	-21%	-24%
Annual average number of indefinite	5,079	4,776	4,961	4,570	-2%	-4%
Total	6,729	6,325	6,258	5,749	-7%	-9%
Annual average number of part-time contracts	960	401	912	378	-5%	-6%

* Information corresponding to data held in NH Hotel Group's ERP SAP HCM management system for workplaces in the consolidated perimeter (hotels under ownership and lease)

Annual average of number of contract modalities by age**						
Consolidated perimeter*	2018			2019		
	Under 25	Between 25 and	Over 40	Under 25	Between 25 and 40	Over 40
Annual average number of temporary contracts	1,100	1,470	618	850	1,087	533
Annual average number of indefinite contracts	521	4,476	4,814	493	4,183	4,810
Total	1,621	5,946	5,432	1,343	5,270	5,343
Annual average number of part-time contracts	184	510	656	146	421	706

* Information corresponding to data held in NH Hotel Group's ERP SAP HCM management system for workplaces in the consolidated perimeter (hotels under ownership and lease).

Part-time contracts are a type of contract for both temporary and indefinite contracts.

Part-time retired employees are considered to be a type of temporary contract.

**No information on age available for less than 1%.

Annual average of number of contract modalities by category*						
Consolidated perimeter	2018			2019		
	Top Management	Middle Management	Staff	Top Management	Middle Management	Staff
Annual average number of temporary contracts *	19	135	3,045	5	107	2,364
Annual average number of indefinite contracts	460	1,768	7,627	380	1,773	7,379
Total*	479	1,903	10,672	385	1,880	9,743
Annual average number of part-time contracts	9	75	1,277	10	66	1,215

* Information corresponding to data held in NH Hotel Group's ERP SAP HCM management system for workplaces in the consolidated perimeter (hotels under ownership and lease).

Part-time contracts are a type of contract for both temporary and indefinite contracts.

Part-time retired employees are considered to be a type of temporary contract.

- Number of contracts and breakdown by type of workday

N° of contracts								
Consolidated perimeter *	2018			2019			Difference	
	Part-time	Full time	Total	Part-time	Full time	Total	Part-time	Full time
Indefinite contracts	606	8,115	8,721	663	8,682	9,345	9%	7%
Temporary contracts	138	2,098	2,236	171	1,755	1,926	24%	-16%

* Information corresponding to data held in NH Hotel Group's ERP SAP HCM management system for workplaces in the consolidated perimeter (hotels under ownership and lease). No information on 2% employee contracts. Part-time contracts are a type of contract for both temporary and indefinite contracts. Part-time retired employees are considered to be a type of temporary contract.

N° of contracts								
Corporate perimeter *	2018			2019			Difference	
	Part-time	Full time	Total	Part-time	Full time	Total	Part-time	Full time
Indefinite contracts	670	9,932	10,602	714	9,850	10,564	9%	-1%
Temporary contracts	210	2,690	2,900	226	2,102	2,328	8%	-22%

* Information corresponding to data held in NH Hotel Group's ERP SAP HCM management system for workplaces in the consolidated perimeter (hotels under ownership and lease). No information on 2% employee contracts. Part-time contracts are a type of contract for both temporary and indefinite contracts. Part-time retired employees are considered to be a type of temporary contract.

Culture of diversity, equality and inclusion

NH Hotel Group sees diversity as a key factor in building up a network of diverse talent, capable of understanding customers' needs, innovating and reflecting society in the business world in this 3.0 era. For all these reasons, a fundamental pillar of NH Hotel Group's corporate culture is also based on diversity, equality and inclusion.

Thus, the Company's 11,464 employees in 2019 are of 139 different nationalities and 18% of them work in countries that are different to their country of origin. Furthermore, 51% of the total workforce are women, who hold 43% of the total management posts.

139
DIFFERENT
NATIONALITIES

18% WORK IN DIFFERENT COUNTRIES
TO THEIR COUNTRY OF ORIGIN

51%
OF WORKFORCE
ARE WOMEN

43% MANAGEMENT
POSTS HELD BY WOMEN

As far as age is concerned, in 2019 the percentage of employees between 25 and 40 years old was 45 %, while those under 25 represented 11 %, and those over 40 years old represented 44 %.

In 2019 the workforce also included 114 disabled employees, who represent 1% of the global workforce. Additionally, NH Hotel Group is committed to the integration into work of disabled persons through responsible purchases from Special Employment Centres as providers of laundry services. Purchases from Special Employment Centres in 2019 represented 9.68% of the total*.

**Estimate referring to the workforce in Spain, together with the Special Employment Centre employees associated to NH Hotel Group's purchases.*

Equality and diversity in NH Hotel Group *	2018	2019**
Average number of employees	13,502	13,105
Indefinite contracts	78.5%	79%
Average turnover	29.5%	23%
Immigrants	16.4%	18%
Women on the workforce	51.1%	51%
Women in management	42.5%	43.2%
Age under 25***	10.8%	11.3%
Age between 25 and 40***	45.5%	45.4%
Age over 40 ***	43.7%	43.3%

**The figures published differ from those published in 2018 due to a change in the calculation criteria. They have been recalculated to provide comparability between the two years.*

***Corporate perimeter (hotels under ownership, lease, management and franchise).*

***No information on age available for less than 1%.*

Through its Code of Conduct, NH Hotel Group formalises its commitment to promote non-discrimination on account of race, colour, nationality, social origin, age, gender, marital status, sexual orientation, ideology, political opinions, religion or any other personal, physical or social condition of its professionals, as well as to equality of opportunities among them.

Consolidated perimeter *	2018	2019*
Nationalities	131	139
Percentage of immigrant employees	17%	18%
Number of disabled employees	52	114

** Information corresponding to data held in NH Hotel Group's ERP SAP HCM management system for workplaces in the consolidated perimeter (hotels under ownership and lease). No information on 2% employee contracts.*

The policies and actions relating to selection, hiring, training and internal promotion of employees are based on criteria of capacity, competence and professional merits.

NH Hotel Group, recognized for promoting equality and diversity

In 2019 NH Hotel Group was publicly recognized in two rankings as one of the most egalitarian companies in the world.

Equileap gender-equality ranking



The international organization Equileap, created to speed up progress towards gender equality at work, published its first multisectoral classification in October 2019 which shows the behaviour of the world's biggest companies in relation to gender equality. NH Hotel Group obtained the 48th position, making it the best-placed Spanish company, out of more than 3,000 companies from around the world, based on 19 gender-equality criteria.

Bloomberg Gender & Equality



In January 2020 NH Hotel Group was included for the first time in the Bloomberg Gender Equality Index 2020. The Company is the only hotel company out of the 15 Spanish companies that appear in the index.

This international index, which includes almost 6,000 companies in 84 countries, measures the commitment and contribution in terms of transparency of gender information and promotion of equality. NH Hotel Group sees this inclusion as an opportunity to continue working globally towards diversity and inclusion.

Equality Plan

In July 2010, NH Hotel Group signed its Equality Plan with representatives of the workers. To draw up this plan, the Company: carried out an exhaustive diagnosis of the situation and position of men and women, which confirmed that NH Hotel Group in Spain had a high presence of women and a high number of female executives present in the organization.

After this positive first assessment, work was done on an action plan with specific measures in different areas of access to the company, hiring, promotion, training, remuneration, work-life balance, occupational health, communication and awareness-raising that would make it possible to eliminate or correct inequalities in these areas.

The document also included a series of measures to ensure the protection of women victims of gender violence: giving them priority in hiring, monitoring any cases of gender violence that arise, as well as the measures taken and informing the workforce of the rights of women in this situation.

In order to guarantee compliance with the objectives set out and the execution of the actions established in the Plan, a Monitoring and Evaluation Committee was also created, made up, on a parity basis, of representatives of the company and of the signatory trade union organizations.

This Plan has enabled the Company to develop mechanisms that will facilitate greater female representation throughout the organization's hierarchical structure.

This was the starting point for the development of the guidelines that define the Company in terms of its commitment to equality, focused not just on gender difference, but on different nationalities, age, sexual orientation, ethnicity, beliefs, religion, disabilities... This is also recognized in the NH Hotel Group Code of Conduct.

The work carried out made it possible to replicate the diversity and equality diagnostic and assessment process in other countries, creating action plans on this matter in all Business Units.

Since July 2019 NH Hotel Group has been in negotiations with the most representative trade unions for the renewal of this Plan. A new Plan is expected to be presented by the end of 2020, maintaining and/or extending actions to guarantee gender equality.

Protocol against sexual harassment

As a complement to the Plan, and to facilitate its implementation and raise awareness among employees, it includes a Protocol for the prevention and treatment of situations of sexual harassment and harassment on account of gender in the workplace, as well as a manual for non-sexist use of language.

A team with the same opportunities

The salary of women in NH Hotel Group in 2019 represented 89% of the gross hourly salary for men; the average gross wage per hour was 15.40 euros for men and 13.70 euros for women. The pay gap has been calculated by comparing remuneration between equivalent professional categories. In other words, categories that carry out the same function or have the same position. In performing the calculation, 99.1% of the workforce has been taken into consideration.

The overall figure for the pay gap is obtained by weighing the gaps obtained in the comparison between average remuneration (considering fixed and variable remuneration paid) received by the professionals in each category by the number of professionals in that category.

Ratio of women's salary compared to men by professional category (%)*		
	2018	2019
Top Management	26%	27%
Middle Management	5%	1%
Staff	-2%	0%
Total	10%	11%

**Analysis performed on 99.1% of the workforce for workplaces included in the consolidated perimeter (hotels under ownership and lease)*

Despite having 51% of women in the workforce, this analysis of the pay gap has served to identify that the gap increases in Top Management, especially due to the lower presence of women in this category.

This situation offers a great opportunity to carry out an analysis in more depth of the different groups, not just women, and establish as a priority the continuation of a long-term project of real management of employee diversity in all respects and support their professional development within the Company. NH Hotel Group will continue working to adopt the most suitable measures to eliminate this gap.

Average remuneration*

Average remuneration by gender	2018	2019	Diff
Women	€ 24,520	€ 24,662	1%
Men	€ 27,174	€ 27,693	2%

Average remuneration by age**	2018	2019	Diff
Under 25	€ 17,617	€ 18,423	5%
Between 25 and 40	€ 24,697	€ 24,751	0%
Over 40	€ 30,634	€ 30,825	1%

** No information on age available for less than 1%

Average remuneration by professional category and gender						
	2018		2019		Dif	
	Women	Men	Women	Men	Women	Men
Top Management	71,394	96,213	75,645	103,456	6%	8%
Middle Management	37,097	39,068	38,391	38,880	3%	0%
Staff	21,867	21,516	21,826	21,858	0%	2%

*Gross annual fixed salary plus variable. Analysis performed on 99.1% of the workforce for workplaces included in the consolidated perimeter (hotels under ownership and lease)

The NH Hotel Group remuneration model

The remuneration policy applied by NH Hotel Group has no gender bias. The annual fixed cash remuneration and variable remuneration, the two fundamental components of the Company's remuneration structure, are established objectively. Fixed remuneration mainly reflects the professional's experience and responsibility in the Company, while variable remuneration rewards attainment of annual targets, which are fundamentally quantitative, and are shared by professionals who perform their activities in the same functional areas.

NH Hotel Group's success depends, to a great extent, on the attainment of individual targets by the professionals who are part of the Company. To promote attainment of these targets and, therefore, those of each Business Unit and those of the Company, a variable remuneration system is in place. The model is based on recognizing the professionals who make a bigger contribution to the attainment of the Company's goals.

In Spain, the Company offers a flexible remuneration plan that allows all professionals to assign part of their remuneration to transport tickets, childcare vouchers, collective life and savings insurance, the purchase of vacation days, restaurant card, medical insurance or external training, among others. In this way they benefit from special prices and tax advantages.

Employee engagement

In 2019 NH Hotel Group has continued to work in the framework of its Engagement Commitment, implementing actions based on the results of the 2018 Engagement Survey.

The teams responsible for working on engagement at each workplace carried out action plans with the aim of improving the working environment in line with the results in their hotels. In 2019, an external tool provided help for this task, which enabled each team to explore best market practices, share their own practices and conduct a follow-up of these plans.

The action plans implemented vary considerably according to the results of each workplace.

Significant engagement actions in hotels in 2019	
Communication	Weekly committee meetings continue to be held, at which the hotel General Manager shares information with Heads of Department: on vision, strategy, main challenges, prioritization of tasks, available resources, context and decisions made at organizational level to be implemented in the hotel. In addition, time is set aside for the Heads of Department to raise their main concerns, lessons learned, suggestions and proposals with the General Manager.
Career Development and Training	In 2019 efforts have been made to ensure that every employee gets to be a "Quality Inspector", spending a day as a "customer / boss", checking the entire hotel.
Internal Relations	With the initiative entitled "A day in the life of...", employees of different departments have the opportunity to experience the everyday activity of another area of the hotel, learn the standards of other departments, and gain awareness of others' work, developing their empathy.

Engagement Pulse Survey 2019
In 2019, one year after launching the biennial working environment climate survey in 2018, an Engagement Pulse Survey was launched to all employees. The aim of this survey was to measure the progress made in the engagement initiatives implemented following the results of the Employee Engagement Survey 2018. A participation index of 63% was achieved, with a favourable response rate of 68%. There was also an open comments field that allowed for new information be obtained to review the actions plans implemented, with the aim of boosting their effectiveness in increasing employee engagement at each workplace.

Internal communication


For NH Hotel Group, internal communication is a key factor in generating and maintaining employees' engagement with the Company.

The first year of the new Internal Communication Plan 2019-2023 came to an end in 2019 with great success. This plan provides for the evolution towards an employee-centric philosophy. In

this new phase, personalization and segmentation of communication are key, handling personalized information scenarios in which the stories and the opinion of employees will feature more and more prominently.

In this ambitious path towards personalisation of information, included in the new Internal Communication Plan, both the MyNH app and the other channels will evolve technically in order to adapt to the new model. This will involve the implementation of a new analytical dashboard that includes the new local and global KPI.

Main Internal Communication projects in 2019	
<p>MyNH App</p>	<p>The Company has worked on a general analysis of traffic KPI relating to its app for employees during 2019. The results continue to show that this tool is key to meeting the ambitious challenge to connect with 100% of employees.</p> <p>MyNH lets employees consult the latest news, campaigns projects or internal vacancies in the Group on their mobile devices. Through it they can also make bookings with the special employee rate and access the intranet or the internal chat for their hotels. Furthermore, with effect from 2019, employees of the Sales Team have their own section that gives them access to all the relevant information for their daily work.</p> <p>Since its launch the app has been downloaded by employees more than 5,000 times and it has had more than 3,500 active users in 2019.</p>
<p>‘Tell the World’ Internal communication channel</p>	<p>The new Internal Communication Plan continues to favour the digital strategy applied to all its environments and channels. The consolidation of ‘Tell the World 3.0’ as the major internal communication channel in the group has encouraged the Company to explore new environments and formats for communicating news and relevant contents for employees.</p> <p>In 2019 continuity was given to the pilot project for the internal TV channel in Central Offices, Central Reservations and Central Services in Madrid and Barcelona. ‘Tell the World – Latest news’ continues to evolve, and the goal is to implement it in all the Company’s hotels through TV screens located in canteens and communal areas.</p> <p>In 2019 a total of 132 editions of the Tell the World news bulletin were published in up to seven languages, and more than 48,518 visits were recorded.</p>

<p>Town Halls</p> 	<p>These innovative conferences, which seek to share the most relevant milestones and initiatives with all employees, reaffirm the commitment of Senior Management and the main leaders of the different Business Units to the Company’s communication. At the end of 2018, the Internal Communication team organized a massive Town Hall, with the presence of the Chairman and CEO of Minor International, as well as the CEO of NH Hotel Group, and which served to make the integration of the two companies official.</p> <p>In 2019, the CEO of NH Hotel Group, Ramón Aragonés, led a total of four conferences of this type, in conjunction with the Management Committee. These conferences could also be followed by live streaming.</p>
<p>Change Management Projects</p>	<p>Without a doubt the great milestone this year has been the integration of NH Hotel Group and Minor International, and once again Internal Communication has consolidated its status as an indispensable tool in change management. To accompany this process and inform employees of the progress and strategy of this integration, a new Internal Communication channel was created, called ‘Moving Forward’, accessible to all employees by mail and the MyNH app. Furthermore, to facilitate the integration process for Minor hotels in Portugal, a specific version in Portuguese was created for all employees.</p> <p>A new channel called ‘Quest for Excellence’ was also created in 2019. With this channel, the Company takes another step in its strategy towards excellence and its ambition to lead the sector in technological innovation. Audiovisual content prevails in this new newsletter, which describes the major achievements of this multidisciplinary project and gives visibility to the protagonists behind each success story.</p> <p>In its first months, the new ‘Quest for Excellence’ newsletter has already launched 4 editions, with a total of 9 videos.</p>

Employer Branding – Further Together

NH Hotel Group is proud that its employees are the key to the success of the business. Therefore, in 2019 the Company has sought to consolidate the NH Hotel Group employer brand throughout the world, to attract and motivate the best talent among employees and external candidates.

The long-term goal of the Employer Branding (EB) plan is to establish a unique culture around our values as an employer brand, through uniform and consistent communication of the Company’s identity and essence. To do so, work has continued on the “Further Together” campaign, featuring employees from all Business Units who talk first-hand about what they like most about working in the Company, thus becoming Ambassadors of NH Hotel Group.

With this campaign, which includes several initiatives, particular emphasis has been placed on social media and digital actions since the end of 2017, with more than 200 posts published, over 1,300,000 people impacted and more than 18,600 interactions in 2019 alone. All of this has been possible thanks to the stories told by the Ambassadors and also thanks to all the employees and members of the public who follow NH Hotel Group on Instagram, LinkedIn and Twitter.

Memorable Dates

In 2019 the Memorable Dates programme has carried on with the tradition of celebrating the most important anniversaries (5, 10, 15, 20 and 25 years), as well as the retirement of hotel and central office employees in all Business Units. Events have been held in all countries and workplaces where the sole stars were the employees whose anniversaries were being recognized.

Performance management

At NH Hotel Group the performance management process is a key and consolidated element of our leadership culture, carried out through the *Time for You* programme.

The evaluation of the performance and skills of the NH Hotel Group professionals allows us to know our internal talent in order to guide their training and professional development more effectively. The evaluation serves to identify the strengths and development areas of professionals in the performance of their work, based on which the different development plans are defined. The results of these evaluations are linked to their professional development and the increase in their variable remuneration.

Time for You

The NH Hotel Group performance management process, called ‘Time for You’, is designed to support the performance evaluation -which takes place every six months – and development planning throughout the year. It is aimed at all permanent employees who have at least 3 months’ service in the Company. The performance evaluation measures WHAT employees do and HOW they do it.

Skills-based performance



NH Hotel Group has a skills-based performance management system in which a maximum of 8 skills are identified that employees must show. Depending on each employee’s job, between 5 – 8 of these skills are assessed. These skills can be divided into three groups: Technical, Core and Managerial. The skills are evaluated during the Annual TFY Review. To help understand and measure them better, a definition and certain key words have been added.

In addition, certain benchmarks behaviours are included for each organizational level, to provide more information on how to evaluate the skills. Managers also have the

possibility of asking any other employee with a corporate email, and through the same tool for additional feedback on the employee they are evaluating in order to enhance the observations given to the employee, and helping him or her to improve his or her self-knowledge.

The participation rate among target employees in 2019 has increased compared to 2018 85% completed in the Mid-year Review, which is more than two points higher than the results in 2018 (82.6%).

360° Evaluation Process

The 360° evaluation process is associated to the strategic pillars of “Global Leadership and Talent Management” and it applies to all hotel General Managers and Deputy General Managers at global level. At the end of 2019, the 3rd edition of the process was launched, which seeks to measure the progress in skill development by these key leaders in NH Hotel Group, as well as the effectiveness of the action plans they defined in the last evaluation. In 2019, 329 General Managers and deputy managers took part.

Additionally, this totally anonymous process aims to improve participants’ self-knowledge through the information they receive from all the people invited to respond: peers, team, management and self-evaluation.

During 2020, participants will receive a personalized report, designed as a workbook that includes questions to reflect on, and which will be returned to each participant at an individual feedback session, to help both in understanding their results and in designing their new development plan.

Talent management

NH Hotel Group is currently developing a process to help identify and develop talent by looking not just at sustained performance over time but also the potential and ambition of the people who have key positions in the Company. In this way, NH Hotel Group assures that key roles for the future are adequately channelled. The overall objective is to create a mindset of talent in leaders at all levels, starting with the top 100 executives in the Company and going on to our Hotel General Managers and Heads of Department.

Training: NH University

€ 1.3 Total investment in training in 2019	126,779 hours of face-to-face and online training online	13,286 participants received training in 651 face-to-face programs
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**Information referring to the consolidated perimeter (hotels under ownership and lease)*

134,651 hours of face-to-face and online training	13,667 participants received training in 652 face-to-face programs
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**Information referring to the corporate perimeter (hotels under ownership, lease and management)*

NH Hotel Group is committed to the professional development and training of all its employees as a way to put into practice the philosophy that inspires its customer service vocations. All the face-to-face and online training projects are managed through the corporate university, NH University. Every year the training curriculum is adapted so that the people who work at NH Hotel Group can continue to refresh both their technical knowledge and their skills.

The total number of hours of training, both face-to-face and online, in 2019 was 134,651. NH University has trained 6,547 employees in 1,197 face-to-face training sessions, which represents 50% of the total workforce.

In line with the Company's training strategy and following the trend of previous years, this year saw a high ratio of participation in online training. A total of 12,546 employees received some online training during the year, which represents 95% of the total workforce.

In addition, the Company received a total of €155,208 in public grants for training. Once again, the Company has continued to show its commitment to internal talent in 2019, using 313 internal trainers in its face-to-face classes.

	Consolidated perimeter	Corporate perimeter
Hours per employee trained (face-to-face)	12.35	12.41
Hours per employee trained (e-learning)	4.29	4.25
Total hours per FTE	10.27	11.06
Total hours per employee trained	7.05	7.17

Employee training hours by BU						
Face-to-face training	2018		2019		Difference	
	Consolidated perimeter	Corporate perimeter	Consolidated perimeter	Corporate perimeter	Consolidated perimeter	Corporate perimeter
Americas BU	14,297	14,927	13,562	14,321	-5%	-4%
Northern Europe BU	25,062	27,343	30,783	31,964	23%	17%
Southern Europe BU	18,794	22,743	28,321	28,766	51%	26%
Corporate	2,733	2,733	5,779	5,779	111%	111%
Total Face to Face	60,886	67,746	78,445	80,830	29%	19%

Online training	Consolidated perimeter	Corporate perimeter	Consolidated perimeter	Corporate perimeter	Consolidated perimeter	Corporate perimeter
Americas BU	3,662	4,605	5,315	6,403	45%	39%
Northern Europe BU	9,096	9,810	27,250	30,762	200%	214%
Southern Europe BU	10,126	13,955	14,625	15,511	44%	11%
Corporate	1,880	1,893	1,144	1,144	-39%	-40%
Total Online Training	24,764	30,263	48,334	53,820	95%	78%

Total Training Hours	85,649	98,012	126,779	134,650	48%	37%
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Employee training hours per professional category	2018				2019			
	Consolidated perimeter		Corporate perimeter		Corporate perimeter		Consolidated perimeter	
	Face-to-face	Online	Face-to-face	Online	Face-to-face	Online	Face-to-face	Online
Top Management	8,006	621	8,911	753	7,825	3,036	7,528	2,828
Middle Management	12,888	3,555	13,735	4,056	24,843	7,050	24,050	6,446
Staff	39,992	20,587	45,103	25,454	48,162	43,735	46,867	39,060
TOTAL	60,886	24,763	67,749	30,263	80,830	53,820	78,445	48,334

	Face-to-face training hours				Difference	
	2018		2019			
	Consolidated perimeter	Corporate perimeter	Consolidated perimeter	Corporate perimeter	Consolidated perimeter	Corporate perimeter
Admin	697	776	680	720	-2%	-7%
Food and Beverages	16,637	19,041	24,011	24,680	44%	30%
Reception	12,601	14,075	17,854	18,561	42%	32%
Housekeeping	4,279	5,314	4,417	4,643	3%	-13%
Maintenance	2,430	2,814	2,713	2,821	12%	0%
Management	8,123	9,143	8,360	8,680	3%	-5%
Others	112	305	77	82	-31%	-73%
Reservations	4,996	5,023	7,911	7,911	58%	57%
Revenue Management	787	787	1,749	1,754	122%	123%
Sales	4,334	4,573	4,608	4,914	6%	7%
Central Services	5,890	5,898	6,063	6,063	3%	3%
TOTAL	60,886	67,749	78,445	80,830	29%	19%

SHOWTIME: Experiencing the hotel business

All new employees who join NH Hotel Group at Central Services receive training in one of the Group's hotels.

The object of this training is for these new employees to get to know our business and experience the passion we feel for what we do, promoting integration, empathy, and a holistic vision of the Company.

ShowTime consists of a full 2-day stay in one of the Company's hotels, where the new employee becomes another member of the team at the hotel in question and has the chance to gain more in-depth knowledge of the different departments. Through 3 different methodologies: direct contact with guests, participating in the daily activities of the departments, or learning by observation of colleagues, the new employees of Central Services get close to the heart of the Company: the hotels and their teams.

Key corporate training projects in 2019

To respond to strategic training needs, throughout 2019 NH University has carried out, among others, 3 training programmes for groups from all its business units.

<p>“Build the Experience” NH Hotels Brand Game</p>	<p>NH University has launched a new training action to convey the essence of the NH Hotels brand and its key elements, common to all the hotels of this brand. The main goal is to raise awareness in the teams of the important role they have in conveying the brand values to customers.</p> <p>Through a gamified training and over a period of 5 weeks all the teams from NH Hotels participate in groups to overcome challenges related to each of the brand elements, while at the same time building the best experiences for our customers.</p> <p>It is planned to carry out this training at every new hotel opening.</p>
<p>GSO Group Sales Commercial Process</p>	<p>This blended (online + face-to-face) training was designed for teams at the Company’s Global Sales Offices (GSO) with the purpose of reflecting on the 5 key moments in the group sales process so that all GSO specialists receive the same information and have a uniform knowledge level.</p> <p>The programme consists of two parts: an online escape room called ‘The Lost Client’ and, subsequently, a face-to-face class called ‘The 5 moments of truth’ where the knowledge acquired in the previous e-learning is put into practice. The programme was completed by 145 employees.</p>
<p>Revenuers Club</p>	<p>Based on the theme of a rugby league, NH University designed this training pathway for 527 employees comprising hotel General Managers, Deputy General Managers and the revenue teams, of whom 466 completed the programme, more than 88% of the participants.</p> <p>The pathway consists of 5 e-learning modules, all of them related to Revenue Management, which the employees complete through the NH Talent training platform and 4 “Coach Sessions” in webinar format, led by experts on the subject.</p> <p>The training seeks to strengthen knowledge of revenue and reinforce collaboration, as well as share best practices on this area among the teams.</p>

Key projects by Business Unit in 2019	
Southern Europe Business Unit	
<p>TOP HOTELS Project 2018 – 19</p>	<p>A project that analysed and classified more than 1,700 qualitative comments included in the “<i>Areas of Improvement</i>” section of the Individual Development Plan in the evaluation of more than 900 people of the 19 hotels representing 80% of EBITDA in Spain and Portugal. Once the comments had been categorized, the training needs were identified by different areas of knowledge: Quality and Innovation (related to improving customer service and innovation); Company (related to business and financial aspects and the definition of indicators); Leadership and Management (team management and development, communication); Professional Efficiency and Professional Development (skills to improve work performance) and Computer Tools.</p> <p>RESULT: Based on these areas of knowledge, a fully tailored training plan for each hotel was developed with the aim of covering the needs for improvement proposed by each supervisor for his or her team.</p>
<p>F&B Academy 2019</p>	<p>The F&B Academy training programme, which started in September 2019, is aimed at the entire Italian F&B department. It consists of eight different modules to reinforce the skills of our F&B specialists. The principal subjects covered deal with economy, hospitality, cooking techniques, the world of coffee and wine. In order to identify the main needs for the purpose of planning the training, we have created a survey which was shared with all Italian General Managers, Chefs and Maîtres.</p> <p>RESULT: We involved different trainers from Italy and other parts of Europe, and this was a great opportunity for our F&B personnel to grow and to share experiences.</p>
<p>Raising your leadership 2019</p>	<p>How to lead and direct people is one of the key points to be dealt with in modern organizations. NH Hotel Group has thought about how to train and develop its Hotel and Central Services managers. Two different training courses were planned, one for all hotel General Managers and the other for Central Services Heads of Department. The common theme for both was concerned with raising leadership by gaining deeper knowledge of subjects such as communication, the feedback process, role play, motivation and performance management.</p> <p>The trainers involved were two experts in leadership and coaching with strong cultural and professional backgrounds. Around 60 people received training with a total of 96 hours.</p>
<p>Presentation skills</p>	<p>A number of training sessions were organization on how to implement and develop presentation skills, both communicative and creative.</p> <p>RESULT: Professional growth and being able to present results, projects and initiatives in a creative and impactful way. The participants were very pleased with the skills acquired.</p>

Northern Europe Business Unit	
PDI + Onboarding projects 2019	<p>The PDI class of 2018/2019 graduated in February with the presentation of the special projects that they had been working on for 6 months. The winning team presented the Onboarding project, which was then implemented in NH Talent.</p> <p>The programme for new employees was launched for all employees in every country of the Northern Europe Business Unit. The programme was presented to all Heads of Departments, Deputies and General Managers of hotels.</p> <p>All new employees had one month to complete it and it comprises information on: the Company, the business unit, compulsory online training courses, checklists and the <i>Welcome to the Job</i> programme that allows all new employees to experience the service from the guests' point of view by spending one night at the hotel, including F&B services.</p> <p>RESULT: An inspiring induction process for each new employee.</p>
JUMP	<p>All participants in JUMP have the opportunity to gain experience alongside someone who inspires them and they would like to learn from, choosing to join inspiring F&B Managers, hotel General Managers or even members of the Business Unit Executive team.</p>
'Start up new trainings'	<p>In 2019, NH Hotel Group started to create content for new training courses called 'Discover Your Talents' and 'Boost Your Energy'.</p> <p>The first pilot sessions of 'Discover Your Talents' were successful, so the training will be offered in the Training Plan for 2020 in the Northern Europe Business Unit. 'Discover your talents' is about discovering participants' key personal qualities and how to use them effectively in their work. This training is focused on each person's talents and how to get the most out of them.</p> <p>In turn, 'Boost your energy' is a two-day training course focused on the importance of feeling fit and full of energy, both physically and mentally. Taking care of yourself is the first step to feeling good and therefore the first session deals with nutrition, exercise, sleep and relaxation. In the second session, matters related to effective stress management are discussed, with several practical tools being presented for this purpose.</p> <p>RESULT: Taking the lead in personal vitality using specific advice and tips.</p>
Americas Business Unit: Colombia	
NH Style	<p>The object of this training was to improve the service offered in hotels, with the purpose of generating memorable experiences for both internal and external customers.</p>
NH induction	<p>'NH Induction' seeks to help new employees get to know the Company, its history, beliefs, structure, brands, etc., as well as important employment-related matters (payroll, health and safety at work, document management, among others). It is an event at which the Director of the region welcomes new employees and invites them to give the best of themselves and grow in NH Hotel Group.</p>

Hotel English Classes	Training given to 10 Heads of Operations, Managers and Regional Directors. The training in English has helped to improve participants' performance and give them greater security with the language to strengthen their professional relations.
Americas Business Unit: Argentina	
NH Service Standards	<p>Continuing with the initiative that started in 2018, training in NH hotel service standards was completed in 2019, for both Housekeeping and Front Office.</p> <p>In 2019, a booster to the Housekeeping Standards course was developed for Buenos Aires, comprising 6 four-hour sessions. Training in Personal Image & Make Up was also included to add value to the training and surprise the participants.</p> <p>As far as F&B is concerned, with the incorporation of a new F&B Manager, all the hotels in the region have personnel trained in F&B Service.</p>
Pastry workshop	Pastry chefs in Argentina and Uruguay were invited to a two-day training course that covered breakfasts, shared good practices, defined standards for the area and at which they received a motivational talk given by a renowned pastry chef in the region.
Front Office Manager Training	<p>In 2019, NH Hotel Group had the opportunity to bring together all the Front Office Managers from Argentina, Uruguay and Chile. The training agenda was distributed over three days and, beyond the training goals themselves, it provided a great opportunity for networking.</p> <p>The main subjects covered were Front Office Standards, Quality, Commercial and Revenue, Data Protection, NH Rewards, Administration, Taxes, TraNHsformation Plan and Public Speaking.</p>
Special training for the opening of NH Collection Casa Costanera	An ad hoc nine-day training course for all hotel personnel was designed for the opening of this new hotel, dealing with the main areas of the hotel and its particular operating arrangements.
Ambassador Training	A two-day training course was carried out with all the Ambassadors in the Southern Cone, the purpose of which was to provide knowledge and a space in which to develop the skills that would allow each participant and the entire team to know their strengths and their areas of improvement, in five essential areas: Self-leadership, Communication, Teamwork, 360 Leadership and Motivation.
Launch of Cross Training	<p>The key aim of this training is to provide the employee with training in a specific area which is not the area in which he or she works. The programme can be carried out in a week on a full-time basis or in 15 days on a part-time basis.</p> <p>RESULT: The participant will have contact with another area of the hotel in which he or she will learn the main functions. This gives participants a broader vision of the business.</p>

Flexibility and work-life balance: 'New Way of Working'

For NH Hotel Group the work-life balance is about finding a balance between the needs and interests of its employees and those of the Company.

The NH Hotel Group culture is evolving towards a more flexible model, in which individuals can enjoy greater facilities in terms of time management and in doing their jobs in environments that

are adapted to their activities and with the necessary tools. The project, called “**New Way of Working**”, is structured around three lines of action:

- Redefinition and adjustment of physical office spaces according to employees’ needs
- New technological equipment and systems that facilitate flexibility
- New flexible working culture in terms of both schedules and workplace

Accordingly, at the corporate offices of NH Hotel Group *Mayors* have been defined for the purposes of facilitating change management, communication, employee engagement and answering questions. These 7 Mayors represent each of the districts or areas of the offices (Commercial, Marketing, Resources, Operations, Finances and Communications) and have the following functions:

- Representing their area at the weekly meetings of the Engagement Team, which is responsible for the Engagement Commitment in the corporate offices.
- Channelling possible requests, suggestions or proposals for improvement that have been generated in their respective areas and convey them to the Human Resources Business Partner (HRBP).
- Proposing new action plans, with both local and transversal measures, based on the results of the Engagement Climate Survey.
- Reaching a consensus on the proposed measures with two sponsors -Executives of special relevance in the Company- to obtain their feedback and seek their support in presenting the Action Plan.
- Presenting the Action Plan to the CEO and the Management Committee.
- Following up on the implementation of the different measures in their districts and proposing corrective measures, if necessary.
- Checking the working environment on a weekly basis and sounding out how the different measures launched by Human Resources are perceived by their co-workers.

Principal work-life balance and flexibility measures and other employee benefits in NH Hotel Group	
Exams during working hours	Giving a 48 hours advance notice and providing evidence of attendance at the exam.
Fulfillment of an unavoidable public and personal duty	The Company grants the time required to fulfil this duty.
Assisted reproduction techniques	Any employee undergoing assisted reproduction techniques is entitled to be absent from work, subject to prior justification.
Birth or adoption	<p>The Company offers:</p> <ul style="list-style-type: none"> • A financial bonus on birth or adoption of a child. • Guaranteed remunerated leave of absence for the formalities prior to international adoptions. • Possibility of a sabbatical of 4 to 6 months for employees in international adoption processes, keeping their job. • Possibility of joining paternity leave to annual vacation leave in order to facilitate travel of the other parent when the child was born outside Spain.

Fostering the hiring of women who have been victims of gender violence	Priority in hiring women who provide evidence that they are victims of gender violence, other conditions being equal.
Geographical mobility	Preference in geographical mobility to care for dependents (children and family members).
Promoting new technologies	Use and encouragement of new information technologies (videoconferences, etc.) whenever possible, to avoid constant travelling or commuting.
Flexible hours and shorter workday	Flexibility in start and finish times. Shorter workday in summer and on Fridays all year round.
Workplace flexibility (teleworking)*	For all job positions outside collective agreements that are compatible with this system. At present, there are no specific work disconnection measures.
Nutrition	Free food for all employees of Central Services offices. Daily fruit baskets at Central Services offices.
Discount program	Access to a programme of online discounts and exclusive prices for a wide range of products, services and leisure activities.

Health and wellbeing at work


NH Hotel Group understands that offering people a safe and healthy working environment is an absolutely necessary requisite. In Spain, NH Hotel Group has an Occupational Risk Prevention Plan which is the master document that governs the Occupational Health and Safety actions to be carried out at the Company's workplaces in Spain. This Plan includes, among others, essential procedures such as:

- Risk Assessment
- Health and Safety Training and Information
- Health Monitoring
- Health Damage Management
- Emergency Management
- Maternity Protection
- Personal Protective Equipment
- Business Activity Coordination

The Plan is based on the integration of these processes throughout the Company's hierarchical structure. Both Central Services department managers and hotel personnel (from General Managers to staff) have been assigned functions and responsibilities in this area. Furthermore, in Spain there is a Joint Prevention Service which provides services to the NH Hotel Group hotels and workplaces in Spain.

In other countries, this Plan is not applicable and therefore technical advising on Occupational Risk Prevention is outsourced with external service providers. In some countries, NH Hotel Group employees are designated as responsible for coordinating the actions of these service providers and for implementing the established corrective measures and prevention procedures.

NH Hotel Group strives to promote a culture of occupational health as part of its commitment to health and safety. The integration of occupational health into the Company's activities is reflected in the programmes and action plans in hotels and offices in different countries.

Health initiatives in NH Hotel Group in 2019	
Fruit for employees of Corporate Central Services	With the aim of actively taking care of employees and encouraging healthy habits in the Company, NH Hotel Group offers fresh fruit in its offices every day for consumption by employees.
"Take care of yourself, Take care of me" project	<p>The aim of this project is to boost Occupational Risk Prevention in the NH Collection Eurobuilding hotel, and to improve working conditions, increase employee's participation, facilitate preventive management and make it more effective, adapt the NH Hotel Group Prevention Plan to the characteristics of the NH Collection Eurobuilding and comply with legislation on Occupational Risk Prevention.</p> <p>The project consists of the frequent presence in the hotel of the NH Hotel Group Prevention Service, as well as training actions, Health and Safety campaigns (Healthy Habits, Emotional Management, Smoking Prevention) and technical actions (update of the Risk Assessment, emergency drills...).</p>
"Take a break" campaign	<p>An action to help employees of Central Services in Madrid learn to manage the inevitable stress of their daily work.</p> <p>A face-to-face session was given, in collaboration with The Holistic Concept, at which the most common situations of stress were detected and practical and simple ways to deal with them were provided.</p> <p>All employees were also provided with the "The Holistic Concept" app, free of charge, to help to improve the health of our employees.</p>
Annual Business Race in Madrid 	<p>On December 15th, the NH Runners teams participated once again in the Business Race that is held each year in Madrid.</p> <p>This sporting event, in both the 6km and 10km race, is made up of teams of two, three and four runners from the same company.</p> <p>This year, 67 NH employees took part and after the race they had the opportunity to enjoy breakfast in the employee canteen of the NH Zurbano.</p>

Number of accidents in NH Hotel Group in 2019						
	Consolidated perimeter			Corporate perimeter		
	Women	Men	Total	Women	Men	Total
Num. of accidents with work leave	161	128	289	175	141	316
Num. of accidents without work leave	90	85	175	101	95	196
Total number of accidents	251	213	464	276	236	512

* The countries that have reported information on accidents that have occurred are Argentina, Chile, Colombia, France, Germany, Italy, Mexico, Portugal and Spain.

In 2019, NH Hotel Group recorded 19 cases of occupational illness, affecting 14 women and 5 men.

Accident Rates*	2018		2019	
	Consolidated perimeter		Corporate perimeter	
	Women	Men	Women	Men
Frequency Rate (FR)** workplace accidents	19.12	14.00	21.81	19.18
Frequency Rate occupational illness	0.00	0.16	1.21	0.45
Severity Rate (SR)** workplace accidents	0.62	0.35	0.3	0.24
Severity Rate occupational illness	0.00	0.01	0.02	0.003

*Accident rates have been calculated on a representative sample of the data.

**FR = number of workplace accidents or occupational illnesses / hours worked *1,000,000

*** SR= days lost by workplace accidents or occupational illness / hours worked *1,000

Turnover and absenteeism

Turnover in 2019

Employee turnover 2019 (%)							
Business Units	Non-voluntary			Voluntary			Total
	Women	Men	Total	Women	Men	Total	
Central offices and CRO	3.29%	2.58%	5.87%	3.58%	1.72%	5.29%	11.16%
Northern Europe Business Unit	4.02%	3.73%	7.76%	8.36%	6.58%	14.95%	22.70%
Southern Europe Business Unit	9.82%	7.48%	17.30%	2.40%	2.82%	5.22%	22.52%
Americas Business Unit	2.52%	2.93%	5.46%	11.30%	12.37%	23.67%	29.13%
TOTAL	6.10%	5.08%	11.19%	6.28%	5.88%	12.17%	23.35%

*Annual Turnover considering hotels under ownership, lease and management for all kind of employment contracts (except Outside Labour, Extra Labour and Trainees) as reflected in the NH Hotel Group ERP SAP HCM management system.

Due to the characteristics of the hotel business, NH Hotel Group considers it relevant to know and manage the specific turnover of employees with indefinite employment contracts. The table set out below shows the results obtained with regard to permanent employees.

Turnover of employees with indefinite contracts 2019 (%)							
Business Units	Non-voluntary			Voluntary			Total
	Women	Men	Total	Women	Men	Total	
Central offices and CRO	0.96%	0.96%	1.92%	3.08%	0.77%	3.85%	5.77%
Northern Europe Business Unit	2.40%	1.96%	4.36%	6.57%	4.76%	11.33%	15.69%
Southern Europe Business Unit	2.07%	2.48%	4.55%	1.80%	2.18%	3.98%	8.53%
Americas Business Unit	2.48%	2.95%	5.43%	11.44%	12.30%	23.73%	29.16%
TOTAL	2.25%	2.36%	4.60%	5.92%	5.54%	11.46%	16.06%

* Annual Turnover for employees under indefinite contracts, considering hotels under ownership, lease, management and franchise as reflected in the NH Hotel Group ERP SAP HCM management system.

Absenteeism in 2019

Absenteeism rate in NH Hotel Group				
	2018		2019	
	Corporate perimeter	Consolidated perimeter	Corporate perimeter	Consolidated perimeter
Accident	74,092.03	45,580.94	71,913.5	60,175.5
Illness	1,165,389.92	730,766.03	1,131,123.9	964,749.9
TOTAL	1,239,481.95	766,346.98	1,203,037.4	1,024,925.4

*Information based on data recorded in NH Hotel Group's ERP SAP HCM management system for the corporate/consolidated perimeter.

Employment terminations in 2019**

Number of terminations by gender	2018	2019	Dif
Women	214	228	7%
Men	314	277	-12%
Total	528	505	-4%

Number of terminations by age *	2018	2019	Dif
Under 25	113	88	-22%
Between 25 and 40	235	238	1%
Over 40	179	175	-2%

* No information on age available for less than 1%.

Number of terminations by professional category*	2018	2019	Dif
Top Management	15	17	13%
Middle Management	69	74	7%
Staff	444	414	-7%
Total	528	505	-4%

**Information based on data recorded in NH Hotel Group's ERP SAP HCM management system for the consolidated perimeter (hotels under ownership and lease).

Social dialogue with employees

NH Hotel Group seeks to maintain a model of responsible and positive labour relations based on principles of dialogue, consultation with and participation of workers.

Accordingly, in October 2015 the European Works Council (EWC) of NH Hotel Group was set up as an initiative of the European Federation of Trade Unions in the Food, Agriculture and Tourism sectors (EFFAT) and at the request of affiliates from Italy, Belgium and Spain.

This EWC affects all the Company’s workplaces in the European Economic Area and operates under directive 2009/38/EC, as well as its transposition into Spanish legislation. Its principal function is to achieve a level of communication and social dialogue that, in a climate of confidence, makes mutual understanding possible on cross-border matters that affect its employees.

Coverage of NH Hotel Group employees by Collective Agreements, which generally include aspects related to employees’ health and safety, varies according to the different Business Units.

	% of employees covered			
	Consolidated perimeter		Corporate perimeter	
	2018	2019	2018	2019
Southern Europe BU (France, Italy, Portugal and Spain)	100%	100%	100%	100%
Northern Europe BU (Austria, Belgium, Czech Rep., Germany, Hungary, Luxemburg, Rumania, Switzerland, Slovakia, The Netherlands and UK)	97%	95%	94%	96%
Americas BU (Argentina, Chile, Colombia, Ecuador; Mexico and Uruguay)*	63%	36%	63%	32%

**The decrease in the percentage of coverage of the Americas Business Unit in 2019 is due to the difference in criteria from one year to the next; considering in 2018 only salary aspects, to determine whether the employees conformed to an agreement or not; while in 2019 the application of all the aspects regulated in the regulations.*

NH ROOM4 PEOPLE: COMMUNITY



NH Hotel Group seeks to create a positive impact on the communities where it is present through key responsible alliances, solidarity projects and patronage.

One of the main goals of NH Hotel Group’s sustainable business strategy is to maintain active relations with the communities where it operates, contributing to local development and attending to the needs of each destination where it is present through the business itself.

Local impact is achieved thanks to the creation of responsible alliances with foundations and NGOs, the collaboration of employee volunteers in projects and the promotion of culture.

NH Hotel Group is committed to building responsible and successful alliances with supportive partners, with the aim of developing stable and replicable projects in all Business Units. To this end, the Company has defined three lines of global action: Together with Love, Hotels with a Heart and Employability Programmes.

NH Hotel Group’s contribution to society		
	2018	2019
Total social projects	128	331
Number of NH volunteers	250	1,164
Contribution of NGO Rate* (thousand €)	181	244
Contribution of Friend Rate + Employee Rate ** (thousand €)	183	162
Investment in social action (thousand €)	181	133

*NGO Rate – Application of a 30% discount on the best available rate for entities that have been previously assessed and approved by the Corporate Responsibility department.

** Friend Rate and Employee Rate – – collecting 2€ and 1€ respectively of the costs of bookings made with the special rate for employees, family and friends and then using these funds in accommodation and restaurant services, special rates and scholarships in the Social Action programs of the different Business Units.

Corporate Volunteering: Together with Love

In 2019, under the motto “Together with Love”, NH Hotel Group held a corporate volunteering week at world level for the first time. This is a global initiative focused on sustainability and on strengthening relations with the local communities where the Group is present, and to which all the Company’s teams were invited to take part. In this way, NH Hotel Group has joined the volunteering initiative carried out annually by Minor International, with which it shares a firm commitment to the development of its Corporate Social Responsibility strategy.

For a week, around one thousand employees participated as volunteers in several initiatives, chosen and led by themselves. Thus, for example, Central Services in Spain collaborated with various *soup kitchens* in Madrid, carried out a river study and conservation activity, accompanied disabled people in leisure activities and participated in blood donation campaigns. For its part, in

the Northern Europe Business Units multiple hotel employees participated in a clean-up activity in canals and parks in cities like Amsterdam or Berlin; and in the Southern Europe Business Unit employees participated in food collections and welcomed visits from school pupils to the hotels where the employees told them about their work. Finally, in the Americas Business Unit, employees raised funds and food for several local NGOs and created an organic fruit and vegetable garden, the produce of which will be donated to the Amiguitos de Royal Foundation, among other initiatives.



The programme, in which both the Management Team and the employees of hotels and central offices have participated, is part of NH Hotel Group’s Corporate Social Responsibility Strategic Plan, which not only establishes the Company’s global CSR commitments and actions, but also provides for specific local implementation to enhance all initiatives with the special cultural and social touch of each of the places where we operate.

**Note: It has been accounted for that each charity canteen serves 230 daily menus.*

Actions at HQ:

The real Three Wise Men:

In December, as part of the Together with Love corporate volunteering initiative, the Central Services Offices organized a real special action for Christmas: the employees of NH Hotel Group helped the *Three Wise Men* in their task of bringing gifts to all children on the night of January 6th.

In collaboration with the “*Real Three Wise Men*” project, 57 employees made the Christmas dreams for 57 children from low income families come true by buying the gifts they had asked for in their letters to the *Three Wise Men* and which otherwise they would not have received.

Hotels with a Heart - HwH

Hotels with a Heart is an initiative that aims to ensure that children and young people who suffer from a serious illness and have to go to a hospital far from their home can be accompanied by their closest family at this difficult time.

To do this, NH Hotel Group provides the families with rooms at hotels close to the hospital free of charge. With this goal, and in close collaboration with local NGOs and foundations, the Company provides free accommodation close to hospitals in several cities at national and international level to families with limited resources, so that they can accompany their loved ones.

Several employees of NH Hotel Group also participate voluntarily in this initiative, acting as the true hosts of these families and “Ambassadors” of the programme in each of the hotels. The NH Madrid Sur is the flagship hotel of the “Hotels with a Heart” programme, as its agreement with the Menudos Corazones Foundation, which started in 2004, is still in place.

Each establishment has a person who takes care of the families, sharing their experiences and helping to make their stay at the hotel as comfortable as possible. Since the programme started, more than 2,000 employees each year have become real hosts to these families, helping to make the hotel a second home for them.

#HotelswithaHeart	2018	2019	Dif
Agreements with NGOs	51	71	39%
Nights donated	1,107	1,059	-4%
Hotels involved	59	49	-17%

Promotion of youth employment: employability programs

Throughout 2019, NH Hotel Group has continued to develop international training and work experience programmes for young people at risk of exclusion and for disabled individuals at hotels in all its Business Units. In this way, the projects, which are part of the Community strategy, are also aligned with the Company’s commitment to SDG 8, “Decent work and economic growth”.

Youth unemployment in Spain, which is more significant in groups at risk of social exclusion, requires programmes focused on boosting the employability and social integration of young people. Accordingly, 34 NH hotels in Spain have been involved in different programmes, with the help of almost 170 employees who have volunteered more than 7,200 hours to train 188 young people and pass on their enthusiasm and their experience in the hotel sector.

Coach Project: The Coach Project is a corporate volunteering initiative that aims to improve the employability of young people at risk of social and employment exclusion through coaching and mentoring. In 2019, NH Hotel Group participated once again in a new edition of the Exit Foundation’s Coach Project, in which employees of the Southern Europe Business Unit participated as volunteers. The programme took place in Madrid and Barcelona, culminating in success as some young people are currently performing work practices in our hotels and will continue studying afterwards.

Youth Career Initiative

In 2019, NH Hotel Group and several other hotel companies collaborated with the association ITP to create a goal in the hotel industry to impact collectively on young people at risk of exclusion through employment programmes.

Youth Career Initiative (YCI) is a high-impact international initiative to fight youth unemployment, consisting of an employment programme lasting from three to six months, to help young people professionally with the skills and the experience they need to take the first step in their career.

With the alliance developed with YCI in the Americas Business Unit, NH Hotel Group is the only Spanish multinational company committed to this innovative project,

together with other leading hospitality companies, such as Intercontinental, Marriott and Starwood.

During 2019, it has celebrated its eleventh edition, the eighth in which NH Hotel Group participates. In it, 5 young people have received classes for 6 months given by the heads of different areas of the hotel, as well as training in the different departments.

Key indicators of NH Hotel Groups employability programs *	2018	2019	Dif
Students trained	113	193	71%
Agreements with NGOs and institutions	35	35	0%

Donation of furniture from refurbished hotels

As part of the repositioning plan and the refurbishment projects for the Company's hotels, a coordination protocol is followed for donating withdrawn furniture, fixtures and household items to foundations and NGOs, social organizations and low-income families.

Accordingly, in 2019, each Business Unit has donated mattresses, duvets, blankets, toys, cleaning articles, sheets, towels, pillows and bedsteads, among other products.

Alliances with Foundations and NGOs

To develop social projects that can be replicated in all Business Units, NH Hotel Group believes in building responsible and successful alliances with solidarity partners. To that end, in each country where we are present, we have continued to work with different Foundations and NGOs, such as the Make-A-Wish Foundation. The collaboration between the two entities began in 2005 in Spain, The Netherlands and Italy, offering every facility so that children from all over the world who suffer from serious illnesses can have their wish come true.

In Benelux and Germany, the Company collaborates with hospitals and foundations such as the Ronald McDonald Foundation, with which it also participates in programmes centred on the wellbeing of families with sick children, providing them with a home when the foundation's houses are full.

NH ROOM4 PLANET



In its commitment to the Planet, NH Hotel Group works to minimize its impact on climate change, increase the efficiency of resources and develop more sustainable services, reducing thus the Company's environmental footprint with a responsible consumption of natural resources.

NH Hotel Group is a company committed to the wellbeing of its guests and efficient management of the available resources in the environment where the Group's hotels are located. The Company is aware of the effects of its activity on the environment, and works to prevent and anticipate possible environmental contingencies, as well as to integrate sustainability in all its processes, striving to reduce its impacts.

The Company's environmental management is based on the identification and annual review of the main environmental impacts it could cause through the environmental risk map. In 2019 the risks that have been identified as the most significant are those deriving from climate change, water shortage and the consequences of new European legislation on single-use plastics. Atmospheric pollution, including noise and light pollution, the consumption of raw materials and the protection of biodiversity did not result as significant after this analysis.

The Company's main commitments to the environment are set out in the Corporate Responsibility Plan 2017-2019, specifically in the NH ROOM4 PLANET pillar, which highlights two major projects focused on the prevention and reduction of carbon emissions and in promoting sustainability among customers.

To comply with the Company's commitment to the environment, the Sustainability Policy establishes the principles of action for the entire organization in relation to this matter.

NH Hotel Group Environmental Sustainability Policy

- We apply criteria of efficiency and sustainability in all processes and decisions with an impact on the environment, using innovation, ecoefficiency and renewable energies, including the prevention of pollution, consuming resources efficiently and reducing the volume of waste we generate.
- We ensure compliance with legal and other requisites that affect the organization, making a commitment to continuous improvement in the environmental aspects identified for our activity.
- We promote sustainable and environmentally friendly practices among our customers and suppliers, developing actions that contribute to improving the environments of the destinations where we operate.
- We collaborate with the Administration and with other entities in the sector in the development and promotion of sustainable tourism, contributing to research and raising awareness about the environment and energy efficiency.

During 2020, we will work on updating the Environmental Sustainability Policy to make sure that it sets out the new commitments acquired by the Group.

Environmental risk prevention and the precautionary principle

Environmental risks are identified on the Company's risk map and contemplated in the NH ROOM4 Planet pillar.

For the management of the environmental strategy, NH Hotel Group has a Corporate Environment Department which reports to the Vice President of Engineering, Maintenance and the Environment. Furthermore, with the aim of preventing and reducing environmental risks and impacts, teams from different areas, both at corporate and business unit and hotel level, work in coordination on three main areas:

- 1. Energy efficiency:** Improvement in the use of energetic resources through changes in equipment and adjustments of systems in buildings. In 2019, a total of € 6.3 M has been invested in improving the Company's energy efficiency.
- 2. Environmental certification:** Implementation of relevant and recognized environmental certifications in the NH Hotel Group portfolio.
- 3. Control of consumption rates:** Exhaustive and rigorous supervision of the measures implemented in relation to energy consumption, carbon footprint and water consumption.

NH Hotel Group makes investments in environmental activities that are stated at cost and capitalized as a higher cost of fixed assets or inventories in the year in which they are incurred.

Expenses derived from the protection and improvement of the environment are recorded in the income statement in the year in which they incur, independently of when the associated monetary or financial flow takes place.

Provisions relating to likely or certain liabilities, ongoing litigation and ongoing damage compensation or obligations relating to the environment, the amount of which has not been determined, not covered by the Company's insurance policies, are set up at the start of the liability or obligation that determines a possible compensation or payment.

Key environmental indicators

The Sustainability Plan defines six key goals, based on which the Company makes decisions affecting all areas to achieve these goals.

Key environmental indicators						
	Baseline 2013	Actual 2017****	Actual 2018****	Actual 2019	Improvement 18 vs 19	Target 2019
Energy savings (M euros)	0	3 ⁽²⁾	4 ⁽²⁾	1 ⁽²⁾	-3 ⁽²⁾	11.55****
Hotels with environmental certification	75	132	141	149	+8	150
Energy ratio (kWh/RN) ⁽¹⁾	53.2	49.34	48.48	48.37	-0.2%	49
Water ratio (m3/RN)*	0.31	0.318	0.314	0.332	5.7%	0.298
Carbon footprint (Kg CO ₂ /RN) ⁽¹⁾	15	6.91	7.05	8.42	19.4%	8
Average satisfaction with the hotel in terms of sustainability (out of 10) ⁽¹⁾	8	8.15	8.28	8.25	-0.03	8.3

* The figures analysed follow the Company's consolidation criteria.

** Energy savings compared to 2013.

*** Cumulative energy savings since 2013.

**** Energy, water and emissions ratios may undergo variations in future reports according to the definition of the scope.

The two specific projects designed to meet NH Hotel Group's environmental targets are the Green Savings Project and the Green Hotel Project.

GREEN SAVINGS PROJECT



Focused on obtaining savings in the Company's operating costs, as well as in energy efficiency, to ensure savings in resources: water, energy and other expenses.

To keep exhaustive and rigorous control of the energy consumption, carbon footprint and water consumption measures, NH Hotel Group uses the *Sustain Focus* platform, from which the sustainability strategy indicators are monitored. This is an online system to which almost all the Company's hotels have access that

permits reporting, control, monitoring and traceability of the indicators and of water and energy consumption and costs.

Commitment to the fight against Climate Change

Since 2010 NH Hotel Group has participated in the CDP global climate change sustainability index. This independent non-profit organization analyses the environmental performance of companies.

NH Hotel Group will reduce its carbon emissions by 20% by 2030

NH Hotel Group has become the first Spanish hotel company to establish emission reduction targets that have been scientifically validated by the Science Based Targets initiative (SBTi) – the leading alliance and driving force in the business sector against climate change with the participation of CDP, the UN Global Compact, World Resources Institute and World Wide Fund for Nature.

The Company has made the commitment to reduce its carbon emission through its value chain by 20% by 2030, thus avoiding the emission of more than 70,000 metric tons of CO₂ into the atmosphere. Setting this target marks out NH Hotel Group's roadmap towards a significant reduction in the carbon footprint of its activity in the coming years, aligned with the goal set out in the Paris Agreement to limit the increase in global temperature to less than 2°C, and join the efforts being made globally towards the transition to a low-carbon economy.

Achieving these goals involves, among many other measures:

- An exhaustive analysis of the opportunities to continue working with suppliers and reduce the carbon footprint together.
- Continuing to contract green energy and reinforcing energy efficiency in the hotels.

As the goal for the first year, new indirect emission sources in the Company's value chain will start to be measured. In 2019, the suppliers with the largest carbon footprint have been identified and work will be done with them to improve reporting channels and to seek alignment in order to reduce emissions in the value chain.



NH Hotel Group's global sustainability strategy was recognized by CDP Climate Change in 2019, which gave the Group a rating of B in its annual ranking. With this score, NH Hotel Group once again sees acknowledgement of its vision to place sustainability as a strategic value of the Company, which has acted as a lever of value across the entire Group for more than a decade.

Mitigation measures for Climate Change

From 2019, NH Hotel Group began managing the risks derived from Climate Change as part of the risk management model, after Climate Change was identified as one of the emerging risks for the Company.

NH Hotel Group aims to become more resource efficient and reduce its carbon footprint. To this end, the Annual Investment Plan, approved by the Management Committee, and the commitment to green energy promote improvements in adaptation to climate change.

NH Hotel Group is actively involved in several initiatives that contribute to reducing the emissions generated by the hotels and the activities that take place in them. Thus, every hotel in the portfolio has carbon footprint reduction targets and has a record of historic data to provide evidence of the reduction.

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

Initiatives for the fight against climate change in 2019	
Participation in Work Groups	
Spanish Green Growth Group	<p>NH Hotel Group has been part of the Spanish Green Growth Group since its creation in 2016. It is a public-private collaboration platform for joint progress in the fight against climate change and towards a low-carbon economy.</p> <p>Along with 30 other Spanish multinationals, and medium-sized companies, NH Hotel Group has signed a proposal to demand a Climate Change and Energy Transition Law "ambitious as a source of opportunities", in a pioneering initiative in Spain, coordinated by the Spanish Group for Green Growth (GECV). The group is present at many events promoting an urgent ecological transition.</p>
International Tourism Partnership's (ITP) Water and Carbon Footprint Work Group	<p>In 2019, ITP and its members have continued to work on their four common objectives; two of them being carbon emissions and water scarcity.</p> <p>NH Hotel Group has participated in the working groups with the objective of complementing the individual targets of each company in the sector by collaboration and joint work to multiply the impact of the actions. One of the key topics addressed is the fight against single-use plastics.</p>
Global initiatives to raise awareness about the reduction of carbon emissions	
World Wildlife Fund (WWF) Earth Hour 2019	<p>For the eleventh consecutive year, NH Hotel Group took part in this global initiative to raise awareness about Climate Change. The Group's hotels participated by switching off the lighting of their façades for one hour, and organized numerous activities to involve customers, such as acoustic concerts, candlelight dinners, menus prepared under a low energy consumption approach, etc. In 2019 more emphasis has been placed on this initiative, about which the hotels have given much more information.</p>
ROOM4 Planet COP25 week	<p>Coinciding with the COP25 in Madrid, NH Hotel Group has carried out awareness-raising actions about climate change in both hotels and offices. For example, the canteen in Madrid's corporate office eliminated meat from the menu once a week and intends to maintain this initiative throughout the entire year.</p>

Recognition for the reduction in emissions	
NH Hotel Group initiative selected as one of the 101 actions for the climate	NH Hotel Group presented its initiative to reduce its emission by 20%, backed by the Science Based Target Initiative, to the “Community for Climate” platform. This initiative has been selected as one of the 101 most inspiring and most impactful business initiatives of the year.

Energy efficiency plan

This plan groups together “energy efficiency” projects, considering all those that can improve energy consumption ratios in the hotels, as well as the associated costs:

6.3 M€
IN PROJECTS TO IMPROVE
ENERGY EFFICIENCY IN
2019

- Changes in equipment, where the replacement involves greater efficiency: water pumps, minibars, washing equipment, heating and air-conditioning, boilers, coolers...
- Investments related to control of installations: building energy management systems, update of meters, improvements in lighting...
- Actions on building façades that represent improvements in the enclosure and insulation.
- Additionally, in 2019 the Company has created a new CAPEX line designed for projects where not only economic returns are sought but also environmental returns. Some of these projects are elimination of fossil fuels and increase of renewable energy.

With all the above, in the course of 2019 projects that improve energy efficient valued at 6.3 million euros have been carried out.

The Energy Efficiency Manual was also created and distributed in 2019. This is a key tool setting out the best available practice in terms of improving efficiency for all key elements in the hotels.

Environmental certification programme

NH Hotel Group has individual certifications for 40.2% of the hotels in its portfolio.

These certifications are recognized globally. Some of them are specific for the tourism sector, and approved by the Global Sustainable Tourism Council, the leading body.

149 certified
hotels*

** NOTE: Some NH Hotel Group hotels hold several certifications and therefore the final numbers correspond only to the number of hotels. The scope encompasses all the hotels in the portfolio.*

Environmental certificate at the end of 2019			
Geographical area	Certification	Consolidated perimeter	Corporate perimeter
Northern Europe	ISO 14001	25	25
	ISO 50001	1	1
	BREEAM	1	1
	GREEN KEY	42	43
Southern Europe	ISO 14001	65	67
	ISO 50001	24	24
	BREEAM	3	3
	GREEN KEY	1	1
Americas	HOTELES +VERDES	5	6
	LEED	1	1
	GREEN KEY	5	6
Total number of certified hotels		173	178

NH Hotel Group also has hotels certified under the ISO 14001 environmental management system and the ISO 50001 energy efficiency system for accommodation, restaurant services, meetings and events.

92 hotels with ISO 14001 certification

25 hotels with ISO 50001 certification

At the end of 2019, 42% of the hotels in Germany, Spain and Italy hold ISO 14001 -a total of 92 hotels- or ISO 50001 -25 hotels-.

In 2019, 8 hotels obtained a sustainability recognition for the first time, bringing a total of 149 certified hotels out of the 361 hotels in the portfolio. It should be noted that 4 hotels in Colombia achieved Green Key certification in 2019.

Furthermore, 172 NH Hotel Group hotels obtained the Green Leaders badge from TripAdvisor, with a total of 46% of the Company’s hotels holding this recognition.

Some of these globally recognized certifications and endorsements are: BREEAM, LEED, Green Key, Hoteles+Verdes, ISO 14001 or ISO 50001.

New hotels added to the certification program in 2019*		
Hotel	Country	Type of certification
NH Collection Royal Hacienda	Colombia	GreenKey
NH Collection Royal Teleport	Colombia	GreenKey
NH Collection Royal WTC	Colombia	GreenKey
NH Collection Royal Andino	Colombia	GreenKey
NH Rio Novo	Italy	ISO 14001 and 50001
Tivoli Oriente	Portugal	ISO 14001
Tivoli Carvoeiro	Portugal	ISO 14001
NH Panorama	Argentina	Hoteles+Verdes

*All new certified hotels belong to the consolidation perimeter (hotels under ownership or lease)

Waste management and circular economy

NH Hotel Group has implemented a system of waste separation at the point of origin in all its hotels to permit recycling. The types of waste separated are paper and cardboard, glass, used oil, packaging (plastic, cartons, tins, etc.) and organic. This system, on which employees receive training on how to use it properly, permits the recovery of materials for recycling and subsequent valuation. Hazardous waste is separated according to the legal requisites of each region. Withdrawn furniture and fittings that are in good condition during refurbishment processes may be given away to employees or donated to local organizations.

CORK2CORK

In 2019, with the aim of promoting the circular economy and encouraging recycling, reuse and other forms of recovery, NH Hotel Group has relaunched its CORK2CORK project. This project is a pioneering sustainable initiative in the European hotel sector, which NH Hotel Group has developed together with the leading company in cork coverings and stoppers, Amorim.

The aim of the initiative is to recover and recycle used cork stoppers from bottles in its hotels to give them a new use by turning them into material for covering or insulation that can be used in the group's rooms. This insulating material reduces noise pollution and the needs for artificial heating in the rooms, thus improving their energy efficiency. In Spain and Italy, 55 hotels participate in this initiative and collect cork stoppers.

Thanks to this initiative, the Company received the “2019 Touristic Excellences Award”.

Fight against food waste

NH Hotel Group is aware that due to food wastage, it is not only these resources that are wasted but also others associated to food production or transport. The origin of food wastage is generated in the process of preparing each of the F&B services.

To minimize the impact of wastage, the hotels apply processes, technical data sheets and preparation standards in the production chain. These are applied based on a forecast of needs (orders), preparation, conservation and turnover of all products, also guaranteeing the best quality.

In 2019 pilot projects have been carried out with companies such as Winnow, which combines the waste generated in kitchens with artificial intelligence, identifying the type of waste being thrown out, at what time, what quantity, and providing useful information to reduce food wastage.

GREEN HOTEL PROJECT

This project seeks to offer value to customers through sustainable actions, focusing on the innovative attributes that improve brand perception.

Green energy

NH Hotel Group is a Company that is committed to reducing its carbon footprint and therefore believes in renewable energy.



The consumption of renewable or green energy was available in 2019 in 96% of the hotels in Spain, Italy, The Netherlands, Belgium and Luxemburg, covering 62% of the total electricity consumed by the Group's hotels in Europe.

Customers are also involved and made aware of this with specific services to reduce emissions.

NH Hotel Group services to reduce emissions

Eco-friendly meetings and events: The Group's hotels strive to involve customers during their events, offering the "Eco-friendly Meetings & Events" service and the carbon footprint calculation service for the events and meetings held. An emission offset service is also offered.

Sustainable mobility: During customers' stays and sightseeing trips, the Company offers mobility services such as carsharing or bicycle hire. Currently there are more than 75 hotels that offer bicycle hire services, as well as charging points for electric cars installed in 46 hotels.

In 2019, the initiative to offer electric mobility charging services continued, increasing the number of hotels that offer this service. In January 2020, a new charging point for electric cars was installed in the Head Office in Madrid (January 2020). NH Hotel Group has had a global sustainable mobility standard since 2014.

Hotel recharging points are currently being upgraded with improved technology to achieve faster recharging adapted to new vehicles.

Commitment to reduce single-use plastics

Although the consumption of raw materials is not an aspect that has been significant for NH Hotel Group in its analysis of environmental risks, European legislation on single-use plastic does have a relevant impact.

Accordingly, the Company has established a plan to eliminate disposable single-use plastic articles from its standards for all brands in the portfolio. Thus, the new standards envisage an

annual reduction of more than 31 million single-use plastic articles in the Group’s hotels. As a first step, NH Hotel Group has signed up to the commitment to eliminate plastic drinking straws in all its hotels. This initiative means that 1.1 million plastic straws per year will cease to be used in the Group’s bars and restaurants.

Starting from 2020, articles such as plastic cups in rooms, laundry bags, slipper packaging, sweet wrappers, among others, will disappear and will be replaced with more sustainable alternatives.

Customer satisfaction with sustainability

NH Hotel Group measures customer satisfaction with regard to sustainability.

The 10 hotels in NH Hotel Group most highly rated by customers for sustainability		
Business Unit	HOTELS	Score out of 10 in 2019
Americas Business Unit	NH Puebla Finsa	9.52
	NH Collection Royal Terra 100	9.36
	NH Collection Guadalajara Providencia	9.34
	NH Collection Royal Hacienda	9.19
	NH Collection Mexico City Centro Histórico	9.12
Northern Europe Business Unit	NH Collection Fori Imperiali	9.24
	NH Collection Porta Rossa	9.18
Southern Europe Business Unit	NH Collection Doelen	9.15
	NH Collection Taormina	9.14
	NH Collection Palacio de Tepa	9.11

Key environmental initiatives by Business Unit in 2019	
Southern Europe Business Unit	
“No me tapones” campaign	<p>The NH Ciudad de Zaragoza and the NH Sport collaborate in the “NO ME TAPONES” campaign, promoted by NK cultural management, a project that collects plastic bottle caps to finance the design, creation and/or purchase of musical instruments adapted for disabled individuals.</p> <p>This multidisciplinary project combines music therapy, composition, programming, electronic engineering, physiotherapy... in order to develop adapted musical instruments that manage to boost the skills of individuals with functional diversity.</p>
NH Collection Gran Hotel Calderón: environmental leader	<p>The NH Collection Gran Hotel Calderón, an environmental leader, has created a committee called NHope to organise actions and events aimed at becoming a more sustainable hotel. It has also volunteered itself as pilot hotel for the Southern Europe Business Unit for environmental projects.</p> <ul style="list-style-type: none"> • To prevent, reduce or repair carbon emissions, the hotels has installed charging points for electric vehicles in the car park. • To reduce the use of plastic, reusable bottles were given to all employees in 2019, and water coolers were installed in several places so that they could be refilled. Plastic straws were also removed from the bar, plastic bottles in the gym have been replaced by a drinking fountain, single-use plastic cups have been replaced by reusable plastic cups and the NH Collection sticker on newspapers has been replaced with a stamp. • To encourage correct separation of waste, recycling bins have been installed in the offices. • To combat food wastage, containers have been implemented so that customers who do not finish their meals in the restaurant can take away the leftovers. <p>Campaigns are also carried out to raise awareness among employees about water and energy efficiency and recycling, and the hotel collaborates with associations and NGOs to clean up the oceans or eliminate cigarette butts from the ground.</p>
Americas Business Unit: Argentina	
“Earth Menu”	<p>During the week before Earth Hour, the NH Collection Buenos Aires Lancaster hotel offered the “Earth Menu”, a menu featuring dishes that did not use electricity or gas in their preparation, and which was very well received by customers. The menu was promoted with a message intended to raise awareness about the need to reduce emissions.</p>
Study of food wastage	<p>The hotels in Buenos Aires are taking part in a study being conducted by the Faculty of Agronomy of the University of Buenos Aires, which consists of measuring and sampling kitchen waste in order to identify opportunities for improvement in the separation and the reduction of food wastage.</p>
Annual tree planting	<p>In May the hotels in Buenos Aires carried out the annual tree planting in the Costanera Sur Ecological Reserve.</p>
Northern Europe Business Unit	
Free-range eggs	<p>NH Hotel Group is analysing animal welfare requisites by promoting the use of eggs laid by free range hens. This initiative was</p>

implemented in hotels in northern Europe, which currently use free-range eggs in their preparations.

Other notable initiatives

The Company continues to work on its new Strategic Plan that will start to be implemented during 2020. This Plan maintains the principal lines of the previous plan, with the fundamental pillar “NH ROOM4 Planet” to highlight relevant issues such as: climate change, energy efficiency, the purchase of green energy and value chain management.

Along these lines, the Environment Department will work with the Procurement team and will be responsible for combining efforts and achieving synergies in order to meet the targets approved by the Science Based Target initiative, aligned with the Paris Agreement.

The Group has not set noise reduction targets, but it is concerned with carrying out proper noise management to ensure the rest and wellbeing of guests, and to collaborate in favour of peaceful co-existence with the neighbours where the hotels are located.

NH Hotel Group does not carry on its activity in protected natural areas. However, the Company has a range of measures and initiatives in place to preserve and restore biodiversity in the areas in which it does operate.

Sustainable fishing

The Company’s hotels promote sustainable fishing through legal compliance with the consumption of species and responsible procurement of these products.

Urban vegetable gardens

Urban vegetable gardens, grown in areas adjoining some of the Company’s hotels, enhance the landscape and gastronomic value of dishes while reducing the environmental impact by reducing the need to transport these products.

The NH Collection Royal Medellín (Colombia) takes care of an ecological vegetable garden where aromatic herbs such as parsley, thyme, mint, rosemary, peppermint, basil, oregano, etc. are grown. These herbs, which are free from pesticides and have a high nutritional value, are used in the hotel kitchen. This hotel cares for the green area around its property, favouring the habitat of numerous animal species and maintaining the connection passageway between natural areas. This green area is open for guests to enjoy, as well as favouring the reduction in noise and pollutants. The NH Collection Royal Hacienda in Bogotá (Colombia), also has a small vegetable garden in its garden area where aromatic plants are grown that are also used in the hotel’s kitchen.

In Italy, the NH Collection Piazza Carlina), NH Milano Congress Centre and NH Torino Centro also have vegetable gardens with aromatic plants; and the NH Orio al Serio has another garden where lettuces and tomatoes are grown.

In turn, the NH Collection Grand Hotel Convento di Amalfi (Italy), on the Amalfi coast, has a garden in which aromatic herbs, vegetables and citrus fruits are grown to be used in the kitchen and in the cosmetics for the hotel’s spa (aloe vera and lavender). Customers can experience this garden through a trail, such as the meditation trail, which consists of visiting the five terraces it currently features: vegetable garden, rose terrace, monks’ walk, botanic terrace and relaxation terrace.

Hotels for bees

Conscious of the limited space in cities for biodiversity and aware of the critical situation of bees in Europe, five of the Group’s hotels continue to provide a home for bees on their roofs in a way that is safe for customers. These hotels are: NH Wien City (Austria), NH Berlin Alexanderplatz (Germany), NH Potsdam (Germany), NH Köln Altstadt (Germany) and NH Collection Barbizon Palace (the Netherlands).

SUSTAINABLE STAFF CANTEENS:

The team at the NH Collection Madrid Abascal has created the first pilot ecological canteen for employees at the hotel. This project consisted of renovating the staff canteen to create a completely sustainable space, including criteria for the election of sustainable material. This space has been used to create awareness about climate change and sustainability among the hotel’s employees.

Some of the improvements that have been included are the recovery of materials to create shelves, giving priority to FSC certified wooden materials, replacing the lighting with LED technology, recovery of elements from other areas of the hotel in perfect condition for use in this space and the use of ecological paint for the walls.

This initiative is also reflected in an operating instruction in the corporate management systems, so that his project will keep growing in other regions. In 2019, 3 sustainable canteens have been created, and the aim is that this project be extended to a total of 6 hotels in a first phase in 2020.

Sustainable uses of resources

Energy consumption (kWh/RN)

Energy consumption*						
	Energy consumption 2018 (kWh)	Energy consumption 2019 (kWh)	Diff. 2018 vs 2019 (%)	Energy ratio 2018 (kWh/RN)	Energy ratio 2019 (kWh/RN)	Diff. 2018 vs 2019 (%)
Americas Business Unit	57,563,926	54,090,594	-6.0%	50.15	49.06	-2.2%
Northern Europe Business Unit	274,515,769	275,339,422	0.3%	49.53	49.37	-0.3%
Southern Europe Business Unit	231,777,218	252,022,163	8.7%	46.92	47.20	0.6%
TOTAL	563,856,914	581,452,180	3.1%	48.48	48.37	0.2%

*Information referring to NH Hotel Group figures for the consolidated perimeter.

Water consumption (m3/RN)

Since the creation of the first Sustainability Plan with 2007 as base year, measures have been implemented to save water consumption, such as the implementation of aerators and devices to reduce consumption in cisterns; the installation of innovative systems to recover and reuse water, the efficient purchase of devices such as washing lines in kitchens, as well as the training and awareness of employees and the redesign of operational guidelines and actions in kitchens and floors. In addition, from 2014 the progressive implementation of water efficient showers has begun, these achieve a 40% reduction in the volume of water due to their saving technology.

During 2019, work is underway to create an environmental awareness course that will reinforce these guidelines and actions. It will be available to all company employees in 2020.

Water consumption*						
	Water consumption 2018 (m3)	Water consumption 2019 (m3)	Diff. 2018 vs 2019 (%)	Water ratio 2018 (m3/RN)	Water ratio 2019 (m3/RN)	Diff. 2018 vs 2019 (%)
Americas Business Unit	470,590	445,469	-5.3%	0.410	0.404	-1.5%
Northern Europe Business Unit	1,509,841	1,506,862	-0.2%	0.272	0.270	-0.7%
Southern Europe Business Unit	1.672.000	2,037,211	21.8%	0.331	0.382	15.4%
TOTAL	3,652,431	3,989,542	9.2%	0.314	0.332	5.1%

*Information referring to NH Hotel Group figures for the consolidated perimeter.

Carbon footprint

SCOPE 1*	Total emissions 2018 (Tn eq CO ₂)	Total emissions 2019 (Tn eq CO ₂)	Diff. 2018 vs 2019 (%)	Carbon footprint ratio 2018 (kg eq CO ₂ /RN)	Carbon footprint ratio 2019 (kg eq CO ₂ /RN)	Diff. 2018 vs 2019 (%)
Americas Business Unit	4,595	4,311	-6.2%	4.22	3.91	-7.4%
Northern Europe Business Unit	32,363	32,182	-0.6%	5.90	5.77	-2.3%
Southern Europe Business Unit	21,243	22,940	8.0%	4.28	4.29	0.4%
TOTAL	58,200	59,433	2.1	5.04	4.94	-2.0

*Information referring to NH Hotel Group figures for the consolidated perimeter.

SCOPE 2*	Total emissions 2018 (Tn eq CO ₂)	Total emissions 2019 (Tn eq CO ₂)	Diff. 2018 vs 2019 (%)	Carbon footprint ratio 2018 (kg eq CO ₂ /RN)	Carbon footprint ratio 2019 (kg eq CO ₂ /RN)	Diff. 2018 vs 2019 (%)
Americas Business Unit	12,303	11,294	-8.2%	11.31	10.24	-9.4%
Northern Europe Business Unit	8,105	27,434	238.5%	1.48	4.92	232.7%
Southern Europe Business Unit	2,701	3,080	14.0%	0.54	0.57	6.0%
TOTAL	23,109	41,808	80.9%	2.0	3.48	73.6%

*Information referring to NH Hotel Group figures for the consolidated perimeter.

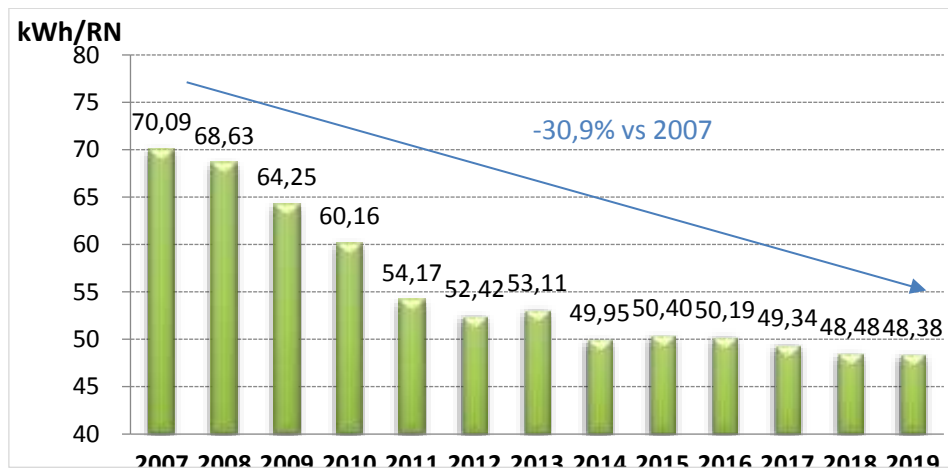
SCOPE 1+2*	Total emissions 2018 (Tn eq CO ₂)	Total emissions 2019 (Tn eq CO ₂)	Diff. 2018 vs 2019 (%)	Carbon footprint 2018 (kg eq CO ₂ /RN)	Carbon footprint 2019 (kg eq CO ₂ /RN)	Diff. 2018 vs 2019 (%)
Americas Business Unit	17,552	15,605	-11.1%	15.29	14.15	-7.5%
Northern Europe Business Unit	41,182	59,616	44.8%	7.43	10.69	43.9%
Southern Europe Business Unit	23,303	26,020	11.7%	4.72	4.87	3.2%
TOTAL	82,037	101,241	23.4%	7.05	8.42	19.4
Scope 1	59,304	59,433	0.2%	5.10	4.94	-3.1%
Scope 2	22,732	41,808	83.9%	1.95	3.48	78.5%

* Information referring to NH Hotel Group figures for the consolidated perimeter.

Following the approval of the emissions reduction targets validated by SBTs, NH Hotel Group has estimated, following this methodology, a total of 389,862 Tn eq CO₂⁶ emissions in 2019.

Results for 2019 and interannual reduction

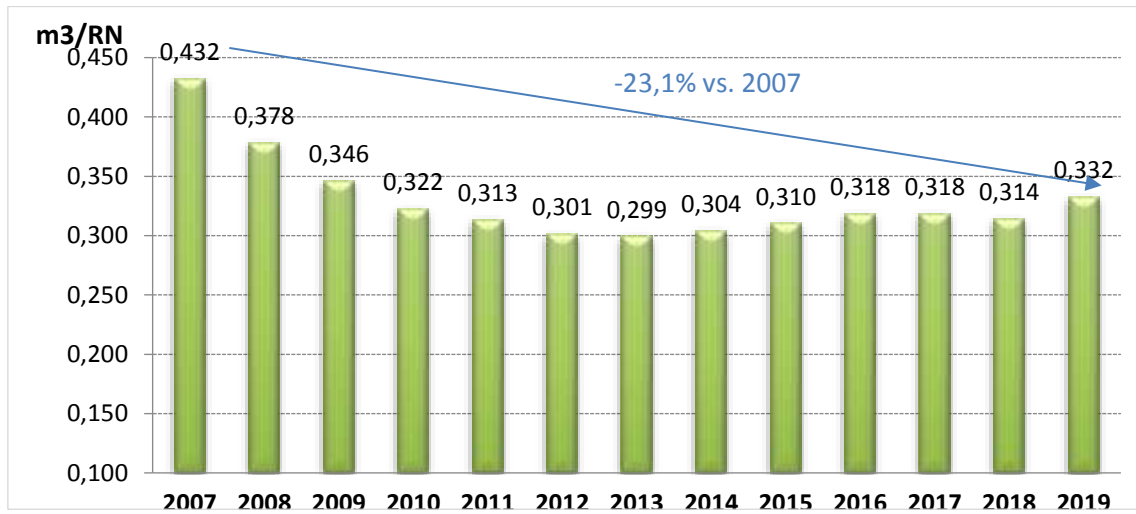
Energy consumption (kWh/RN)



Information referring to NH Hotel Group figures for the consolidated perimeter.

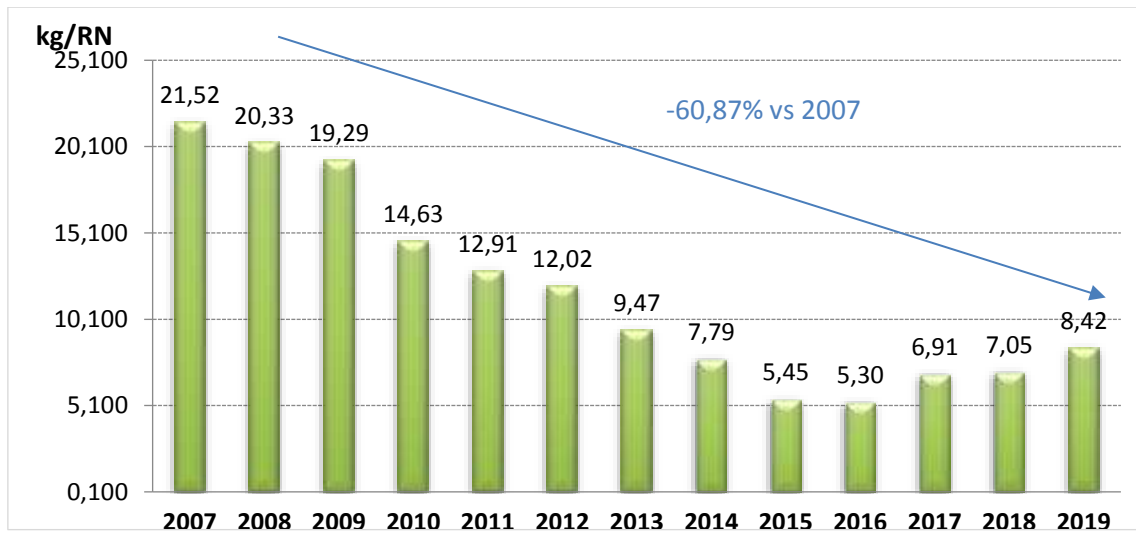
⁶ Scope 3 emissions published are not within the scope of the audit.

Water consumption (m³/RN)



Information referring to NH Hotel Group figures for the consolidated perimeter.

Carbon Footprint Scope 1+ Scope 2 (kg CO₂/RN)



Information referring to NH Hotel Group figures for the consolidated perimeter.

AWARDS TO NH HOTEL GROUP IN 2019

CORPORATE AWARDS

BUSINESS TRAVELER AWARDS (GERMANY)

- Best Hotel Chain in the world for business travellers
- Best Hotel Chain for travellers in Germany (3rd place)

BUSINESS TRAVELER & MICE AWARDS (NETHERLANDS)

- Best Hotel Chain in the meetings and events segment

CITY OF MALAGA TOURISM AWARDS (SPAIN)

- Award to NH HOTEL GROUP for its commitment and investment in offering tourist facilities in the region

AGENT TRAVEL MAGAZINE (SPAIN)

- Best Hotel Chain for Spain and abroad

TRAVEL RANKING AWARDS (SPAIN)

- Most recommended hotel chain for business and city tourism

SELLING TRAVEL AGENTS' CHOICE AWARDS (UK)

- Best hotel chain in Europe

ECCELLENZA AWARD (ITALY)

- Excellent Company in the hotel sector

ALEXANDER HAMILTON (GLOBAL)

- Honourable mention in Cash

BRAND FINANCE (SPAIN)

- Second strongest hotel brand in Spain

TEAM MAGAZINE TOP 500

- Best Employer

AWARDS AND RECOGNITIONS TO HOTELS

DUTCH NATIONAL MEETING AWARDS (THE NETHERLANDS)

- NH Amsterdam Schiphol Airport: Best venue for meetings and events in the Netherlands

ITALIAN MISSION AWARDS (ITALY)

- nhow Milano: Best venue for meetings and events in the north of Italy

LA RAZÓN TOURISM AWARDS (SPAIN)

- Anantara Villa Padierna Palace: Best luxury golf and beach resort in Spain

CONDE NAST TRAVELLER SPAIN GOLD LIST (SPAIN)

- NH Collection Madrid Suecia: Top 10 city hotels in Spain (finalist)

CONDE NAST TRAVELER READERS' CHOICE (USA)

- NH Collection Firenze Porta Rossa (nominated)
- NH Collection Madrid Palacio de Tepa (nominated)
- NH Collection Genova Marina (nominated)
- NH Collection Gran Hotel de Zaragoza (nominated)
- nhow Berlin (nominated)
- nhow Milano (nominated)
- nhow Rotterdam (nominated)

HISTORIC HOTELS WORLDWIDE (USA)

- NH Collection Grand Convento di Amalfi: Top 10 magnificent gardens

FORBES (USA)

- NH Collection Amsterdam Doelen: among the 8 best hotels in Amsterdam

THE INDEPENDENT (UK)

- NH Collection Lisboa Liberdade: among the 10 best hotels in Lisbon

THE LONDON ECONOMIC (UK)

- NH Collection Barcelona Gran Hotel Calderon: among the 8 most luxurious hotels in Barcelona

THE TELEGRAPH (UK)

- NH Collection Madrid Suecia: among the 50 Best Hotels in Spain for summer

LOVED BY GUESTS – HOTELES.COM /EXPEDIA (SPAIN)

- NH Collection Pódium: Family

BRABANT HOSPITALITY AWARD (GERMANY)

- NH Collection Eindhoven Centre: Most hospitable venue in the province of Brabant

ENTREE AWARD (THE NETHERLANDS)

- NH Collection Amsterdam Flower Market: best refurbishment in the Netherlands

SUSTAINABILITY AWARDS

RETHINK HOTEL AWARDS (SPAIN)

- NH Hotel Group: one of the ten best sustainability and hotel energy rehabilitation projects

AUSBILDERHERZ 2019 (GERMANY)

- NH Düsseldorf City Nord: for its support to youth employment among young people at risk of exclusion

EQUILEAP RANKING 2019 (WORLDWIDE)

- NH Hotel Group: Leading company in Spain defending gender equality and in the Top 100 worldwide (48th place)

AWARDS FOR INNOVATION AND EXPERIENCE

100 BEST IDEAS OF THE YEAR (SPAIN)

- FASTPASS

SKIFT DESIGN AWARDS (USA)

- FASTPASS: Best Experience for business travellers

NATIONAL MARKETING AWARDS (SPAIN)

- FASTPASS: Best Innovation

FREDDIE AWARDS (USA)

- NH Rewards: 210 Award to the Best emerging loyalty program in Europe

AWARDS FOR MARKETING

PREMIOS FITUR (SAPIN)

- NH Hotel Group: Best corporate stand of the fair

ITB INTERNATIONAL TOURISM FILM AND MULTIMEDIA AWARD (GERMANY)

- nhov London Reloaded video: best video in the tourist sector

GASTRONOMIC AWARDS AND RECOGNITIONS

IAT (ITALY)

- NH Hotel Group: best commitment to high quality gastronomy

WINE SPECTATOR (USA)

- The White Room (NH Collection Grand Hotel Krasnapolsky): award for excellence

DUTCH WORLD CLASS BARTENDER FINALS (THE NETHERLANDS)

- The Tailor Bar (NH Collection Grand Hotel Krasnapolsky)

DELTA RESTAURANT GUIDE (NETHERLANDS)

- Hispania Brussels (NH Collection Grand Sablon): restaurant of the Year

THE LUXURY EDITOR (UK)

- Vermeer (NH Collection Amsterdam Barbizon Palace): selected among the Best Restaurants in Amsterdam
- The White Room (NH Collection Grand Hotel Krasnapolsky): selected among the Best Restaurants in Amsterdam

LA RAZÓN GASTRO & CÍA AWARDS (SPAIN)

- Sonata 32, restaurant at NH Collection Valencia Colón: Best Hotel Restaurant

BEST CHEESE TABLE IN MADRID, INALC (SPAIN)

- Tablafina Madrid, restaurant at NH Madrid Nacional: Best Cheese Table

PRINCIPLES GOVERNING THE PREPARATION OF THE NON-FINANCIAL INFORMATION STATEMENT

Reporting frameworks

To prepare the Non-Financial Information Statement, the following global and national principles and standards have been considered:

- Act 11/2018 on Non-Financial and Diversity Reporting, published in Official State Gazette number 314, of December 29th, 2018
- Consolidated Standards for the preparation of Sustainability Reports of the Global Reporting Initiative (GRI), core option; following the 2016 edition of the guide.
- Commitment to the Ten Principles of the UN Global Compact and the Sustainable Development Goals (SDG).

Balance and comparability

The purpose of the Report is to publish a balanced, accurate and coherent report of the Group's performance, linked to the issues relevant to its strategy and to its stakeholders. In this regard, the comparability of data and information regarding previous years is key as a tool for traceability and evolution of such information. This Report, as in previous editions, has been drawn up with the involvement and participation of the heads of business areas and dialogue with each stakeholder group, making it possible to align the reported information with the relevant aspects for the stakeholders and to respond to their expectations. This has involved an internal process of gathering and checking information against indicators and quantitative and qualitative measurement data of the sustainable management of NH Hotel Group.

Verification of the Non-Financial Information Statement

The Consolidated Non-Financial Information Statement has been verified externally by PricewaterhouseCoopers. The independent review report can be seen in APPENDIX III to this document.

Appendix I: Table of Indicators

Indicator	2018	2019
Profile		
Portfolio of hotels	350	368
Number of rooms	54,374	57,466
Number of customers	16 Million	31 Million
Subsidies*	€ 132,088	€ 3,031,741
Net income**	€ 101.6 M	€ 90 M
Total revenues	€ 1,613.4 M	€ 1,708.1 M
NH ROOM4 Responsible Shared Success		
Customers		
Customer ratings –NH survey	8.5	8.6
Customer ratings – online surveys	8.4	8.5
Communications handled by Customer Care	11,191	13,440
Points donated through NH Rewards solidarity donation program	€ 2,655	€ 2,262
Number of hotels with elements adapted to special needs	291	344
Suppliers		
Volume of suppliers managed	15,141	15,117
Suppliers signing Code of Conduct	1,646	1,872
Percentage expense with local suppliers	89.9%	95%
Annual purchase volume (expense + investment)	€ 578.3 M	€ 650.5 M
Total purchase volume negotiated by Coperama at global level	€ 407.2 M	€ 437.3 M
Number of Ethical Codes signed with active suppliers	1,646	1,872
Alliances		
Contribution to associations	478,802 €	€ 745,653
Contribution to sectorial associations	365,468 €	€ 582,384
Contribution to non-profit associations	18,723 €	€ 20,654
NH ROOM4 People		
Employees		
Average number of employees	10,956	11,464
Indefinite contracts	75%	79%
Average turnover	29.5%	23.35%
Employees in country other than origin	13.4%	17.6%
Women in the workforce	51%	50.90%
Women in management	42%	43.30%
Employees under 25 years old	11%	11%
Employees between 25 and 40 years old	46%	45%
Employees over 40 years old	43%	44%
Number of nationalities	131	139

Employees with disabilities	52	114
Training		
Training hours provided through NH University	98,012	134,651
Total investment in training	€ 1.7 M	€ 1.3 M
Subsidy in training	€ 117,558	€ 155,208
Community		
Total social projects	128	331
Number of NH volunteers	250	1,164
Investment in social action	€ 181 m	€ 133 m
NGO Rate contribution	€ 181 m	€ 244 m
Friend Rate and Employee Rate contribution	€ 183 m	€ 162 m
Hotels with a Heart program: agreements with NGO	51	71
Hotels with a Heart program: hotel nights donated	1,107	1,059
Hotels with a Heart program: hotels involved	59	49
NH ROOM4 Planet		
Energy Efficiency Investment	€ 6.9 M	€ 6.3 M
% of electrical energy consumed by NH Hotel Group in Europe	81%	62%
Energy consumption (kWh)	563,856,914	581,452,180
Energy ratio (kWh/RN) (consumption per room/night)	48.48	48.38
Water consumption (m3)	3,652,431	3,989,542
Water ratio (m3/RN) (consumption per room/night)	0.314	0.332
Carbon footprint - CO2 emissions (Tn CO2)	82,037	101,241
Carbon footprint – Ratio of CO2 emissions (kg CO2/RN) (consumption per room /night)	7.05	8.42
Total number of certified hotels	141	149

**The increase in subsidy in 2019 corresponds to a subsidy requested 10 years ago for construction work received this year.*

*** Attributable to the Parent Company.*

Appendix II: Table showing relationship between contents under Act 11/2018 on non-financial and diversity

The key indicators of non-financial results required by Act 11/2018 of December 28th, on non-financial and diversity reporting and their relationship to the indicators of the Global Reporting Initiative (GRI) are described below.

Areas Act 11/2018 of December 28th	Contents	Related GRI standards	GRI description	Page number in the Report
Business Model	Brief description of the Group’s business model, which will include: 1. Business environment 2. Organization and structure 3. Markets where it operates 4. Objectives and strategies 5. Main factors and trends that could affect its future evolution.	102-2	Activities, brands, products and services	Our presence in the world 2019. NH Hotel Group Business Model (Sections “NH Hotel Group Strategy” and “Key Strategic Initiatives in 2019”)
		102-6	Markets served	Our presence in the world 2019
Policies	A description of the policies the group applies in relation to these matters, including: 1. Due diligence procedures applied for the identification, assessment, prevention and mitigation of significant risks and impacts 2. Verification and control procedures, including what measures have been adopted.	103	Management approach	Risk Management (Sections “Responsibility Risk Management” and “Risk Management Model”)
Results of policies Key Indicators	The results of these policies, including key indicators of pertinent non-financial results that: 1. Permit monitoring and evaluation of progress and 2. Favour comparability between companies with the national, European or international reference frameworks used for each matter.	103	Management approach	Appendix I: Table of Indicators
Risks	The main risks related to these matters associated to the Group’s activities, including, when pertinent and proportionate, commercial relations, products or services that may have negative effects in these areas and	102-15	Key impacts, risks and opportunities	Risk Management (Section “Risk categories and identification, supervision and monitoring process”)

Environmental Matters	How the group manages there their risks, explaining the procedures used to detect and assess them according to the national, European or international reference frameworks for each matter. Information should be included on any impacts detected, offering a breakdown of them, in particular with regard to the main risks in the short, medium and long term.	413-1	Operations with local community engagement, impact assessments and development programs Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Risk Management (Section “Risk factors and management and control measures”)
	Environment			
	1. Detailed information on actual and foreseeable effects of the company’s activities on the environment and, as the case may be, health and safety, environmental assessment or certification procedures;	103	Management approach	NH ROOM4 Planet (Section “Key environmental indicators”)
	2. The resources dedicated to the prevention of environmental risks;	102-11	Precautionary principle or approach	NH ROOM4 Planet (Section “Environmental risk prevention and the precautionary principle”)
	3. The application of the precautionary principle, the quantity of provisions and guarantees for environmental risks.			
	Pollution			
	1. Measures to prevent, reduce or repair carbon emissions that seriously affect the environment;	103	Management approach for Emissions	NH ROOM4 Planet (Section “Commitment to the fight against Climate Change” and “Mitigation measures for Climate Change”)
	2. Considering any form of specific atmospheric pollution by an activity, including noise and light pollution.	305-5	Reduction of GHG emissions	NH ROOM4 Planet (Introduction)
	Circular economy and waste prevention and management			
	Waste: Measure for prevention, recycling, reuse, other forms of waste recovery and elimination;	103	Management approach for Effluents and waste	NH ROOM4 Planet (Section “Waste management and circular economy”)
	Actions to combat food wastage.	103	Management approach for Effluents and waste	NH ROOM4 Planet Section (Fight against food waste“)
	Sustainable use of resources			
Water consumption and water supply according to local limitations;	303-1	Water withdrawal by source	NH ROOM4 Planet (Section “Sustainable uses of resources“)	

Consumption of raw materials and measures taken to improve efficiency in their use;	103	Management Approach for Materials	NH ROOM4 Planet (Introduction and section Commitment to reduce single-use plastics “)
Direct and indirect consumption of energy, measures taken to improve energy efficiency and the use of renewable energy.	103	Management Approach for Energy	NH ROOM4 Planet (Sections “Key environmental indicators”, “Energy efficiency plan” and “Results for 2019 and interannual reduction”)
	302-1	Energy consumption within the organization	NH ROOM4 Planet (Section “Sustainable uses of resources“)
	302-4	Reduction of energy consumption	NH ROOM4 Planet (Sections “Sustainable uses of resources“ and “Results for 2019 and interannual reduction”))
Climate Change”			
Important elements of greenhouse gas emissions generated as a result of the company’s activities, including the use of the goods and services it produces; Measures taken to adapt to the consequences of climate change;	103	Management approach for Emissions	NH ROOM4 Planet (Section “Carbon footprint”)
	103	Management approach for Emissions	NH ROOM4 Planet (Section “Commitment to the fight against Climate Change” and “Mitigation measures for Climate Change”)
	305-1	Direct GHG emissions (scope 1)	NH ROOM4 Planet (Section “Carbon footprint”)
	305-2	Indirect GHG emissions from power generation (Scope 2)	NH ROOM4 Planet (Section “Carbon footprint”)
	103	Management approach for Emissions	NH ROOM4 Planet (Section “Commitment to the fight against Climate Change”)
Reduction goals established voluntarily in the medium and long term to reduce greenhouse gas emissions and the means implemented to that end.			
Protection of biodiversity			
Measures taken to preserve or restore biodiversity;	103	Management approach for Biodiversity	NH ROOM4 Planet (Introduction and section “Other notable initiatives”)
Impacts caused by the activities or operations on protected areas.	103	Management approach for Biodiversity	NH ROOM4 Planet (Introduction and section “Other notable initiatives”)
Employment			

Social and employee-related matters	Total number and distribution of employees by sex, age, country and professional classification;	103	Management approach for Employment	NH ROOM4 People (Section “People Strategy”)
		102-8	Information on employees and other workers	NH ROOM4 People (Section “Our human capital”)
		405-1	Diversity of governance bodies and employees	
	Total number and distribution of types of employment contract	102-8	Information on employees and other workers	NH ROOM4 People (Section “Quality job creation and talent retention”)
	Annual average indefinite contracts, temporary contracts and part-time contracts by sex, age and professional classification;	102-8	Information on employees and other workers	NH ROOM4 People (Section “Quality job creation and talent retention”)
		405-1	Diversity of governance bodies and employees	
	Number of contract terminations by sex, age and professional classification;	401-1	New employee hires and employee turnover	NH ROOM4 People (Section “Turnover and absenteeism”)
	Average remuneration and evolution broken down by sex, age and professional classification or equal value;	405-2	Ratio of basic salary and remuneration of women to men	NH ROOM4 People (Section “A team with the same opportunities”)
	Wage gap, remuneration of same jobs or average for the company	103	Management approach	NH ROOM4 People (Section “A team with the same opportunities”)
		405-2	Ratio of basic salary and remuneration of women to men	
	Average remuneration of directors and executives, including variable remuneration, expenses, compensation, payment to long-term savings plans and any other benefit, broken down by sex	102-35	Governance: Remuneration policies	Corporate Governance (Section “Board and Senior Management Remuneration”)
		405-2	Ratio of basic salary and remuneration of women to men	NH ROOM4 People (Section “A team with the same opportunities”)
	Implementation of work-life balance policies	103	Management approach for Employment	NH ROOM4 People (Section “Flexibility and work-life balance: ‘New Way of Working’”)
	Disabled employees	405-1	Diversity of governance bodies and employees	NH ROOM4 People (Section “Culture of diversity, equality and inclusion”)
	Work organization			
Organization of work time	103	Management approach for Employment	NH ROOM4 People (Section “Flexibility and work-life balance: ‘New Way of Working’”)	

Number of hours of absenteeism	403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	NH ROOM4 People (Section “Turnover and absenteeism”)
Measures aimed at facilitating work-life balance and promoting shared exercise of rights and responsibility by both parents	103	Management approach for Employment	NH ROOM4 People (Section “Flexibility and work-life balance: ‘New Way of Working’”)
Health and Safety			
Health and safety at work conditions;	103	Management approach for Health and Safety at work	NH ROOM4 People (Section “Health and wellbeing at work”)
Occupational injuries, in particular their frequency and severity	403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	NH ROOM4 People (Section “Health and wellbeing at work”)
Occupational diseases; broken down by sex.	403-3	Workers with high incidence or high risks of diseases related to their occupation	
Labour relations			
Organization of labour dialogue, including procedures to inform and consult with employees and workers and negotiate with them;	103	Management approach for Employer-worker relations	NH ROOM4 People (Section “Social dialogue with employees”)
Percentage of employees covered by collective agreement by country;	102-41	Collective bargaining agreements	NH ROOM4 People (Section “Social dialogue with employees”)
Balance of collective agreements, particularly with regard to occupational health and safety	103	Workers representation in formal joint management –worker health and safety committees	
Training			
Policies implemented in training;	103	Management Approach for Training and Education	NH ROOM4 People (Section “Training: NH University”)
Total number of training hours by professional category.	404-1	Average hours of training per year per employee	NH ROOM4 People (Section “Training: NH University”)

		404-2	Employee skill enhancement and transition assistance programs	NH ROOM4 People (Section “Training: NH University”)
		404-3	Percentage of employees receiving regular performance and career development reviews	NH ROOM4 People (Section “Talent management”)
	Universal accessibility for disabled persons	103	Management approach	NH ROOM4 People (Section “Hotels that are more and more accessible”)
Equality				
	Measures taken to promote equality of treatment and opportunity between men and women;	103	Management approach for Diversity and Equality of opportunities + Non discrimination	NH ROOM4 People (Sections “Culture of diversity, equality and inclusion”, “A team with the same opportunities“ and “Culture of diversity, equality and inclusion”)
	Equality plans (Chapter III of Act 3/2007, of 22 March, for effective equality of men and women), measures taken to promote employment, protocols against sexual harassment and on account of sex, integration and universal accessibility of disabled persons;			NH ROOM4 People (Section “Equality Plan”)
	The policy against all kind of discrimination and, as the case may be, diversity management.			NH ROOM4 People (Section “Culture of diversity, equality and inclusion”)
Human Rights	Application of due diligence procedures in relation to Human Rights;	103	Management approach for assessment of human rights + Freedom of association and collective bargaining + Child labour + Forced or compulsory labour	Ethics and Conduct. (Sections “Protection of Human Rights”, “Compliance in relation to Human Rights”, “Initiatives for the Protection of Human Rights” and “New developments for the protection of Human Rights”)
	Prevention of risks of breach of human rights and, as the case may be, measures to mitigate, manage and repair possible abuse committed;			Ethics and Conduct. (Sections “Protection of Human Rights”, “Compliance in relation to Human Rights”, “Initiatives for the Protection of Human Rights” and “New developments for the

			protection of Human Rights”)	
	Reported cases of breach of human rights;	406-1	Ethics and Conduct. (Section “Compliance in relation to Human Rights”)	
	Promotion of and compliance with the provisions of the fundamental treaties of the World Labour Organization related to respect for freedom of association and the right to collective bargaining;		Incidents of discrimination and corrective actions taken	Ethics and Conduct. (Section “Initiatives for the Protection of Human Rights”)
	Elimination of discrimination in employment and occupation;			
	Elimination of forced or compulsory labour;	103	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Ethics and Conduct. Section “Protection of Human Rights”)
Effective abolition of child labour.	103	Operations and suppliers at significant risk for incidents of child labour		
Corruption and Bribery	Measures taken to prevent corruption and bribery;	103	Management approach Anti-corruption	Compliance System (Introduction and section “New policies approved in 2019”)
		205-2	Communication and training about anti-corruption policies and procedures	Ethics and Conduct (Section “Awareness of and training on ethics and conduct”)
	Measures to fight money laundering.	205-2	Communication and training about anti-corruption policies and procedures	Ethics and Conduct (Section “Awareness of and training on ethics and conduct”)
	Contributions to not-for-profit foundations and entities.	413-1	Operations with local community engagement, impact assessments and development programs	NH ROOM4 Shared Success: Sustainable Alliances (Section “Significant contributions to associations in 2019”)
Society	Company’s commitments to sustainable development			
	Impact of the company’s activity on local employment and development;	103	Management approach for local communities	NH ROOM4 People: Community (Section “Promotion of youth employment: employability programs”)
413-1		Operations with local community engagement, impact assessments and development programs		

Impact of the company’s activity on local populations and on the territory;	413-1	Operations with local community engagement, impact assessments and development programs	NH ROOM4 People: Community
Relations with players in the local communities and types of dialogue with them;	102-43	Approach to stakeholder engagement	NH ROOM4 Shared Success: Sustainable Alliances (Section “Dialogue with stakeholders”)
	413-1	Operations with local community engagement, impact assessments and development programs	
Associative or sponsorship actions.	102-12	External initiatives	NH ROOM4 Shared Success: Sustainable Alliances (Section “Relations with Associations”)
	102-13	Membership of association	
Subcontracting and suppliers			
Inclusion of social, gender equality and environmental matters in the procurement policy; Consideration of social and environmental responsibility in relations with suppliers and subcontractors;	102-9	Supply chain	NH ROOM4 Shared Success: Responsible Shared Success
	103	Management approach for Suppliers	
	204-1	Proportion of spending on local suppliers	
	308-1	Supplier environmental assessment	
	414-1	Supplier social assessment	
Supervision and audit systems and their results.	103	Enfoque de Gestión de Políticas de Compras	NH ROOM4 Shared Success: Responsible Shared Success (Section “Selection of suppliers”)
Consumers			
Measures for health and safety of consumers;	103	Management approach for Customer health and safety	NH ROOM4 Shared Success: Customers (Section “Health and safety”)
Claim systems, complaints received and their resolution.	103	Enfoque de Gestión de Seguridad y Salud en clientes	NH ROOM4 Shared Success: Customers (Section “Single Customer Service Centre Tools”)
Tax information			
Profits obtained country by country	103	Country by Country Benefit Management Approach	NH Hotel Group Business Model (Section “Tax Informacion)

	Income taxes paid	103	Taxation of paid profits management approach		
	Public grants received	201-4	Subsidies received from the government	Ethics and conduct (Section “Relation with the government and Policy influence”)	
	Otros indicadores relevantes				
	Governance	102-18		Governance structure	Corporate Governance
		102-19		Delegation of authority	
		102-22		Composition of the supreme governing body and its committees	
		102-23		President of the supreme governing body	
102-24			Nomination and selection of the highest governing body		
	102-25		Conflicts of interest		

Note: In addition to the indicators included in the table, additional financial information can be found in the following indicators: 102-1, 102-3, 102-4, 102-5, 102-7, 102-10, 102-14, 102-16, 102-40, 102-44, 102-45, 102-46, 102-47, 102-48, 102-49, 102-50, 102-51, 102-52, 102-53, 102-54, 102-55, 102-56.

Appendix III: Index of GRI standard contents

This report has been drawn up in accordance with GRI standards: Core option

GRI Standard	Diclosure	Page number or direct response
<i>GRI 101: Foundation</i>		
<i>General Disclosures</i>		
<i>Organizational profile</i>		
GRI 102: General Disclosures	102-1 Name of the organization	NH Hotel Group Business Model
	102-2 Activities, brands, products and services	Our presence in the world 2019
	102-3 Location of headquarters	Back cover
	102-4 Location of operations	Our presence in the world 2019 NH Hotel Group Business Model
	102-5 Ownership and legal form	Corporate governance and ethical commitment (Section “Shareholder structure”)
	102-6 Markets served	Our presence in the world 2019
	102-7 Scale of the organization	Our presence in the world 2019 NH Hotel Group Business Model
	102-8 Information on employees and other workers	NH ROOM4 People (Section “Our human capital”)
	102-9 Supply chain	NH ROOM4 Shared Success:Responsible Supply Chain
	102-10 Significant changes to the organization and its supply chain	Milestone 2019, NH Hotel Group Business Model NH ROOM4 Shared Success:Responsible Supply Chain
	102-11 Precautionary Principle or approach	NH ROOM4 Planet (Section “Environmental risk prevention and the precautionary principle”)
	102-12 External initiatives	NH Hotel ROOM4 Shared Success: Sustainable Alliances (Section “Relations with associations”) NH ROOM4 Planet (Section “Mitigation measures for Climate Change”)

	102-13 Membership in associations	NH Hotel ROOM4 Shared Success: Sustainable Alliances (Section “Relations with associations)
Strategy		
GRI 102: General Disclosures	102-14 Statement from senior decision-maker	Chairman and CEO’S message
	102-15 Key impacts, risks, and opportunities	Management risks
Ethics and integrity		
GRI 102: General Disclosures	102-16 Values, principles, standards, and norms of behavior	Our visión, our culture Compliance system Ethics and conduct
	102-17 Mechanisms for advice and concerns about ethics	Compliance system
Governance		
GRI 102: General Disclosures	102-18 Governance structure	Corporate governance
	102-19 Delegating authority	Corporate governance
	102-22 Composition of the highest governance body and its committees	Corporate governance
	102-23 Chair of the highest governance body	Corporate governance
	102-24 Nominating and selecting the highest governance body	Corporate governance
	102-25 Conflicts of interest	Compliance system
	102-35 Remuneration policies	Compliance system
Stakeholder engagement		
GRI 102: General Disclosures	102-40 List of stakeholders	NH ROOM4 People: Sustainable Alliance (Section “Dialogue with Stakeholders”)
	102-41 Collective bargaining agreements	
	102-42 Identifying and selecting stakeholders	NH ROOM4 Sustainable Business Model NH ROOM4 People: Sustainable Alliances (Section “Dialogue with stakeholders”)
	102-43 Approach to stakeholder engagement	NH ROOM4 Sustainable Business Model (Introduction and section “Materiality analisis”) NH ROOM4 People: Sustainable Alliances (Section “Dialogue with stakeholders”)
	102-44 Key topics and concerns raised	NH ROOM4 Sustainable Business Model

		(Section “Materiality analysis”)
Reporting practice		
GRI 102: General Disclosures	102-45 Entities included in the consolidated financial statements	About the Non Financial information Statement (Section “Scope”)
	102-46 Defining report content and topic boundaries	Our presence in the world 2019 About the Non Financial information Statement (Section “Scope”) NH ROOM4 Sustainable Business Model (Section “Materiality analysis”)
	102-47 List of material topics	NH ROOM4 Sustainable Business Model (Section “Materiality analysis”)
	102-48 Restatements of information	There are no restatements of information regarding previous years
	102-49 Changes in reporting	2019 is the first report which merged in one document Non-Financial Statement and Sustainable Business Report
	102-50 Reporting period	2019
	102-51 Date of most recent report	Last report published refers to previous tax year, 2018
	102-52 Reporting cycle	About the Non Financial information Statement
	102-53 Contact point for questions regarding the report	Back cover
	102-54 Claims of reporting in accordance with the GRI Standards	Principles governing the preparation of the non-financial information statement
	102-55 GRI content index	Appendix III: Index of GRI standards contents
	102-56 External assurance	Appendix IV: Independent Assurance Report
Material topics		
GRI Standard	Disclosure	Page number or direct response
Sustainable financial growth		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	

	103-2 The management approach and its components	NH Hotel Group Business Model (Section “Key Figures”)
	103-3 Evaluation of the management approach	
Good governance		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Corporate Governance
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
GRI 201: Economic performance		
GRI 201: Economic performance	201-4 Financial assistance received from government	Ethics and Conduct (Section “Relations with the governments and policy influence”)
GRI 205: Anticorruption		
GRI 205: Anticorruption	205-2 Communication and training about anti-corruption policies and procedures	Compliance System. Ethics and Conduct.
Ethical commitment and transparency		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Compliance System. Ethics and Conduct (Introduction and Section “Awareness of and training on ethics and conduct”)
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
Protection of Human Rights		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Ethics and Conduct (Sections “Protection of Human Rights”, “Compliance in relation to Human Rights” and “Initiatives for the Protection of Human Rights”)
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
	406-1 Cases of discrimination and corrective actions taken	Ethics and Conduct (Section “Compliance in relation to Human Rights”)
Financial, non-financial and emerging risk management		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Risk Management
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
Innovation and technology		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Principal strategic initiatives (Section “5. Transformation Plan”)
	103-2 The management approach and its components	

	103-3 Evaluation of the management approach	
Dialogue with stakeholders		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NH Hotel ROMM4 Shared Success: Sustainable Alliances (Section “Dialogue with stakeholders”)
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
Talent, training and professional development		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NH ROMM4 People: Employees (Introduction and sections “People Strategy”, “Talent Management”, “Performance Management” and “Training: NH University”)
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
GRI 401: Employment		
GRI 401: Employment	401-1: New employee hires and employee turnover	NH ROOM4 People: Employees (Section “Turnover and absenteeism”)
GRI 404: Training and education		
GRI 404: Training and education	404-1: Average hours of training per year per employee	NH ROOM4 People: Employees (Section “Training: NH University”)
	404-2: Programs for upgrading employee skills and transition assistance programs	NH ROOM4 People: Employees (Section “Training: NH University”)
	404-3: Percentage of employees receiving regular performance and career development reviews	NH ROOM4 People: Employees (Section “Performance Management”)
Equality, diversity and inclusion culture		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NH ROOM4 People: Employees (Sections “Culture of diversity, equality and inclusion”, “Equality Plan” and “A team with the same opportunities”)
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
GRI 405: Diversity and equal opportunities		
GRI 404: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	Corporate Governance (Section “Selection Policy for Director Candidates”) NH ROOM4 People: Employees (Sections “Quality job creation and

		talent retention” and “Culture of diversity, equality and inclusion”)
	405-2 Ratio of basic salary and remuneration of women to men	Corporate Governance (Section “Board and Senior Management Remuneration”) NH ROOM4 People: Employees (Section “A team with the same opportunities”)
Employee commitment and involvement		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NH ROOM4 People (Sections “Employee engagement” and “Internal communication”)
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
Health and wellbeing		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NH ROOM4 People (Section “Health and wellbeing at work”)
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
GRI 403: Health and safety		
GRI 403: Health and safety	403-2 Types of accidents and, frequency rates of accidents, occupational diseases, lost days, absenteeism and number of fatalities due to occupational accident or illness	NH ROOM4 People (Sections “Health and wellbeing at work” and “Turnover and absenteeism”)
	403-3 Employees with high incidence or high risk of illness related to their activity	NH ROOM4 People (Sections “Health and wellbeing at work”)
Corporate volunteering		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NH ROOM4 People: Community (Introduction and sections “Corporate Volunteering: Together with Love”, “Hotels with a Heart – HwH”, “Promotion of youth employment: employability programs”, “Donation of furniture from refurbished hotels” and “Alliances with Foundations and NGOs”)
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
Positive impact in the community		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NH ROOM4 People: Community (Introduction

	103-2 The management approach and its components	and sections “Corporate Volunteering: Together with Love”, “Hotels with a Heart – HwH”, “Promotion of youth employment: employability programs”, “Donation of furniture from refurbished hotels” and “Alliances with Foundations and NGOs”)
	103-3 Evaluation of the management approach	

GRI 413: Local communities

GRI 413: Local communities	413-1 Operations with local community engagement, impact assessments, and development programs	NH ROOM4 Shared Success: Sustainable Alliances (Sections “Dialogue with stakeholders”, “Relations with associations” and “Significant contributions to associations in 2019”) NH ROOM4 People: Community (Introduction and sections “Corporate Volunteering: Together with Love”, “Hotels with a Heart – HwH”, “Promotion of youth employment: employability programs”, “Donation of furniture from refurbished hotels” and “Alliances with Foundations and NGOs”)
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Promoting young employment

GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NH ROOM4 People: Community (Section “Promotion of youth employment: employability programs”)
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	

Sustainable Alliances

GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NH ROOM4 Shared Success: Sustainable Alliances
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	

Responsible and local supply chain

GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NH ROOM4 Shared Success: Responsible Value Chain (Section “Supplier Management”)
	103-2 The management approach and its components	

	103-3 Evaluation of the management approach	
GRI 204: Procurement Practices		
GRI 204: Procurement Practices	204-1 Proportion of spending on local suppliers	NH ROOM4 Shared Success: Responsible Value Chain
GRI 308: Supplier Environmental Assessment		
GRI 308: Supplier Environmental Assessment	308-1 New suppliers that were screened using environmental criteria	NH ROOM4 Shared Success: Responsible Value Chain (Sections “Purchasing Policy”, “Selection of Suppliers”, “Supplier Approval Process Life Cycle in NH Hotel Group”, “Supplier Management” and “Risk Management in the Supply Chain: Critical Suppliers”)
GRI 414: Supplier Social Assessment		
GRI 414: Supplier Social Assessment	414-1 New suppliers that were screened using social criteria	NH ROOM4 Shared Success: Responsible Value Chain (Sections “Purchasing Policy”, “Selection of Suppliers”, “Supplier Approval Process Life Cycle in NH Hotel Group”, “Supplier Management” and “Risk Management in the Supply Chain: Critical Suppliers”)
Customer unique experience		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NH ROOM4 Shared Success: Customers (Sections “NH Experience”, “Quality Management System” and “Evolution of Quality measurement tools in 2019”)
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
Satisfaction and quality service		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NH ROOM4 Shared Success: Customers (Sections “Quality Management System”, “Single Customer Service Centre Tools”, “Impacts on visibility and perception of Quality” and “Communication with Customers”)
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
Sustainability awareness-raising in customers		

GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NH ROOM4 Shared Success: Customers (Section “Responsible Guest”) NH ROOM4 Planet (Section “Green Hotel Project”)
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
GRI 302: Energy		
Green energy and energy efficiency		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NH ROOM4 Planet (Introduction and section “NH Hotel Group Environmental Sustainability Policy”, “Energy efficiency plan” and Environmental certification programme”)
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
GRI 302: Energy	302-1 Energy consumption within the organization	NH ROOM4 Planet (Section “Sustainable uses of resources”)
	302-4 Reduction of energy consumption	NH ROOM4 Planet (Sections “Sustainable uses of resources” and “Results for 2019 and interannual reduction”)
GRI 303: Water		
Responsible water management		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NH ROOM4 Planet (Introduction and section “NH Hotel Group Environmental Sustainability Policy”)
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
GRI 303: Water	303-1 Water withdrawal by source	NH ROOM4 Planet (Sections “Sustainable uses of resources” and “Results for 2019 and interannual reduction”)
Fight against climate change		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NH ROOM4 Planet (Section “Mitigation measures for Climate Change”)
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
GRI 305: Emissions		
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	NH ROOM 4 Planet (Sections “Carbon footprint” and “Results for 2019 and interannual reduction”)
	305-2 Energy indirect (Scope 2) GHG emissions	
	305-5 Reduction of GHG emissions	

Sustainable hospitality services		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NH ROOM4 Planet (Sections “Green Hotel Project”, “Customer satisfaction with sustainability” and “Other notable initiatives”)
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
Waste management and circular economy		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NH ROOM4 Planet (Section “Waste management and circular economy”)
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	

Appendix IV: Independent Assurance Report



NH Hotel Group, S.A. and subsidiaries

Independent Verification Report
31 December 2019



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent Verification Report

To the shareholders NH Hotel Group, S.A.:

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, the accompanying CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT 2019 (“CNFIS”) for the year ended 31 December 2019 of NH Hotel Group, S.A. (the Parent company) and subsidiaries (“NH Hotel Group”) which forms part of NH Hotel Group’s 2019 Consolidated Management’s Report (“CMR”) for the fiscal year 2019.

The content of the CNFIS includes additional information to that required by current commercial legislation on non-financial reporting which has not been covered by our verification work. In this respect, our work has been restricted solely to verifying the information identified in the Annex II “Table showing relationship between contents under Act 11/2018 on non-financial and diversity” and in the Annex III “Index of GRI standard contents” in the accompanying CNFIS.

Responsibility of the directors of the Parent Company

The preparation of the CNFIS included in NH Hotel Group’s CMR and the content thereof are responsibility of the Board of Directors of NH Hotel Group, S.A. The CNFIS has been drawn up in accordance with the provisions of current commercial legislation and with the *Sustainability Reporting Standards of the Global Reporting Initiative* (“GRI Standards”) in accordance with the Core option, in line with the details provided for each matter in the Annex II “Table showing relationship between contents under Act 11/2018 on non-financial and diversity” and in the Annex III “Index of GRI standard contents” included in the CNFIS.

This responsibility also includes the design, implementation and maintenance of the internal control that is considered necessary to ensure that the CNFIS is free from material misstatement, due to fraud or error.

The directors of NH Hotel Group, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the CNFIS is obtained.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (“IESBA”) which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.



Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system in place which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialized in non-financial information reviews and specifically in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance verification report based on the work carried out in relation solely to fiscal year 2019. The data relating to previous years was verified by another professional. Our work has been aligned with the requirements set by the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on non-financial statements issued by the Spanish Institute of Auditors (“Instituto de Censores Jurados de Cuentas de España”).

In a limited assurance engagement, the procedures performed vary in terms of their nature and timing of execution and are more restricted than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted in posing questions to Management and several NH Hotel Group, S.A. units that were involved in the preparation of the CNFIS, in the review of the processes for compiling and validating the information presented in the CNFIS, and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with NH Hotel Group, S.A. personnel to ascertain the business model, policies and management approaches applied and the main risks related to these matters, and to obtain the information required for the external review.
- Analysis of the scope, relevance and integrity of the contents included in the CNFIS for 2019, based on the materiality analysis carried by NH Hotel Group and described in NH's ROOM 4 SUSTAINABLE BUSINESS “Materiality analysis” of the CNFIS, and considering the content required under current commercial legislation.
- Analysis of the procedures used to compile and validate the information presented in the CNFIS for 2019.
- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the CNFIS for 2019.
- Verification, through sample testing, of the information relating to the content of the CNFIS for 2019 and its adequate compilation using data supplied by the sources of information.
- Obtainment of a management representation letter from the directors and the management of the Parent company.



Conclusions

Based on the procedures performed and the evidence we have obtained, no matters have come to our attention which may lead us to believe that the CNFIS of NH Hotel Group, S.A. and its subsidiaries for the year ended 31 December 2019 has not been prepared, in all of their significant matters, in accordance with the provisions of current commercial legislation and with the GRI Standards in accordance with the Core option, in line with the details provided for each matter in the Annex II “Table showing relationship between contents under Act 11/2018 on non-financial and diversity” and in the Annex III “Index of GRI standard contents ” in the accompanying CNFIS.

Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish commercial legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Ramon Abella

25 February 2020

(BACK COVER)

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