

ANNUAL REPORT 2009

CORPORATE RESPONSIBILITY



Wake Up
To a Better
World

NH
HOTELES

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This is the fourth Corporate Responsibility Report issued by NH Hoteles, and refers to the financial year 2009. The Report is structured according to the performance indicators on which the management of our Corporate Responsibility is based: **economic, social and environmental**. During its preparation the recommendations laid out in the "Sustainability Reporting Guidelines" (Version 3) were followed.

This document was published on paper, and is also available in electronic format on our web page www.nh-hotels.com where you will find detailed information about the different sections of the Report.

 www.nh-hotels.com



Also included is the table of performance indicators aligned with the GRI Guidelines with respect to compliance, allowing us to declare an application level A.

We invite you to share your opinion about our Corporate Responsibility performance. To do so, email us at: responsabilidad@nh-hotels.com

2009 in figures: 401 hotels
 24 countries in Europe, America and Africa
 17,000 employees
 16 million customers

19

20

18

21

27

26

23

17

16

22

13

4

7

11

25

1

3

6

10

15

8

12

5

2

9

14

28

24

■ Openings

■ Next openings

Our presence in the world

- | | | |
|--------------------|--------------------|------------------------|
| 1. Germany | 11. Poland | 21. Dominican Republic |
| 2. Andorra | 12. Portugal | 22. Uruguay |
| 3. Austria | 13. United Kingdom | 23. Venezuela |
| 4. Belgium | 14. Romania | 24. South Africa |
| 5. Spain | 15. Switzerland | 25. Czech Republic |
| 6. France | 16. Argentina | 26. Colombia |
| 7. The Netherlands | 17. Chile | 27. Panama |
| 8. Hungary | 18. Cuba | 28. Senegal |
| 9. Italy | 19. United States | |
| 10. Luxembourg | 20. Mexico | |

nh
HOTELER

Hesperia
A PART OF **nh**
HOTELER

nh LUXURY RESORT

nhow

nhube
by Ferran Adrià

**fast
Good**

CASINO DE MADRID

**estado
puro**
La Topografía Pura Reserva

&LYSIUM
SPA & WELLNESS CENTRES

Agua de la Tierra



GABRIELE BURGIO President of NH Hoteles

Letter from the Chairman of NH Hoteles

"I take this opportunity to thank all of our employees for their support and involvement in achieving our sustainable objectives and for their constant vocation to offer a quality service".

"I am pleased to present the fourth NH Hoteles Corporate Responsibility (CR) Report, in which we detail the milestones of our sustainable management in 2009, and the progress made in respect of the commitments we have assumed as a responsible company in the tourist industry.

We feel proud to be able to communicate the progress that we have made in integrating sustainable development principles into our management, as well as reinforcing our efforts to lead environmental innovation in the sector and look for sustainable alternatives.

This is proven by the fact that Environmental Responsibility, one of NH Hoteles, corporate values, has been strengthened throughout the company thanks to the commitment of our employees, to working together with our suppliers and to the increased awareness of our customers. Consequently, we have achieved positive results in relation to all of our environmental objectives.

Furthermore, this year, we have reinforced our strategy to lead the European market in the urban segment, by acquiring the management corporation of Hesperia Group with the resulting integration of its more than fifty hotels into our portfolio. These achievements are even more important in an environment of economic uncertainty and given the weakness of some of the markets in which we operate.

I take this opportunity to thank all of our employees for their support and involvement in achieving our sustainable objectives and for their constant vocation to offer a quality service."

Gabriele Burgio
Chairman and CEO of NH Hoteles





Interview with the Corporate Responsibility Director

Ms. Nuria Iturriagagoitia Ripoll

B.Sc. in Economic and Business Science from Deusto Business University; European Community Economics; International Marketing, Accounts and Finance, Business Policy, Human Resources Management from Buckingham College of Higher Education (England); General Management Programme of the IESE.

Appointed Independent Director of the Board of NH Hoteles on 16.06.2009. Director of Corporate Responsibility.

She has been Regional Minister of Industry, Trade, Tourism and Labour of the Navarre Regional Government (1999-2003), and Spokesperson of the Navarre Regional Government (2001-2003). Chairwoman of EHN (1999-2004). Currently she specialises in climate change issues and is also a Board Member of Acciona Solar Power USA.

"From my point of view, CR implies incorporating the concepts of sustainability, participation and transparent management. It is fundamental to respect ethical criteria, social requirements such as equality and justice, as well as the natural limits of the environment in which we live.

One of the challenges facing the hotel sector is to minimise the consumption of resources and materials, as well as maximising their reuse wherever possible, or otherwise to look for substitutes for these materials in order to minimise waste generation.

Likewise, the sector has the opportunity to export the knowledge that it generates to the developing countries in which we operate and not only contribute towards generating employment and wealth in each country, but also to developing a low-carbon economy. Furthermore, it is important to continue making progress in the development of environmental awareness amongst key stakeholders and the understanding of sustainability as part of business, as this means efficiency, savings and multiple benefits."





Corporate Responsibility in NH Hoteles

At NH Hoteles we are committed to offering sustainable, consistent and efficient hotel services for our customers, shareholders, partners, employees and for society in general. We aspire to lead the tourism sector in sustainable development and to inspire others.

Our vision is to **“enhance the time that our guests spend with us by heightening their experience and contributing to a more sustainable world”**.

We assume this commitment with the values that guide our work:

- People Focus
- Innovation
- Environmentally Friendly
- Business Sense

Our sustainable management

In the context of the 2007-2009 Corporate Responsibility (CR) Guiding Plan, the 2009 Annual CR Plan sets out objectives and actions for both internal management and relations with the different stakeholders.

Corporate Responsibility Departmental Organisation Chart, 31.12.2009

- **Chairman:** Gabriele Burgio
- **Board of Directors:** Nuria Iturriagaitia
- **Corporate Responsibility Director:** Juan M^a de Mora
- **Corporate Responsibility Supervisor:** Marta Martín
- **Environment Committee:** Luis Ortega and areas involved
- **Corporate Responsibility Committee:** Project Management, Suppliers, Engineering and Environment, Human Resources, Marketing, Sales, Innovation and Quality, Investor Relations, Communication and Corporate Responsibility
- **CR Coordinators in each Business Unit**

The review of the fulfilment of the 2009 Plan reveals progress in the planned actions and an increasing integration of sustainable development principles in the business model, as a result of the level of exigency and involvement of senior management and of all of the departments involved in achieving the established objectives.

Outstanding progress in 2009:

- Strengthening of the company's financial situation through successful actions such as the increase of capital by €221 M and the reduction of operating costs by €112.7 M which has enabled the absorption of 44% of the drop in revenue.
- Achievement of the reduction objectives set out in the **2008-2012 Environmental Strategy Plan** which has led to company savings of over €9.3 million in two years.
- Commitment to sustainable innovation and the development of new concepts like **Ecomeeting**.
- Redesign and launch of the NH Hoteles **new web**.
- Consolidation of the **Sustainable Suppliers Club** which has enabled us to reduce our energy consumption by over 5%, save over 670 million litres of water and increase the use of renewable energy sources.
- Success of the **“We are all sales” Programme** as a positive mobilisation of the entire staff in the face of the economic downturn, achieving a revenue of €25 million.
- Integration of **Hesperia** in the NH Hoteles Group, with its incorporation into the Board of Directors, increase of capital and updated articles of association with greater shareholder protection.
- Definition and implementation of the **Sustainable NH Communication Plan**.
- Progress in the implementation of corporate processes as part of **Project One** in the Human Resources, Purchasing and Reservation departments.



The Global Compact

The Global Compact has been the framework of reference for the development of the Corporate Responsibility strategy at NH Hoteles, and the commitment to 10 Principles represents its gradual incorporation into our operations and businesses. In 2009, we presented our third Progress Report which describes the relevant reference actions in the field of boosting Human Rights and the Environment in the Company.

Participation in Forums and specialised organizations



- World Travel & Tourism Council: It is the forum for business leaders in the Travel & Tourism industry. With Chief Executives of some

one hundred of the world's leading Travel & Tourism companies as its Members, WTTTC has a unique mandate an overview on all matters related to Travel & Tourism. NH Hoteles became a member of these forum 3 years ago.



INTERNATIONAL
TOURISM
PARTNERSHIP

-International Tourism Partnership (ITP): In 2009, NH Hoteles became a member of this worldwide platform which brings together the leading players of the tourism sector, as well as governments and institutions, to share and implement practices which guarantee sustainable conduct in tourism management, to which admittance is granted by the association's express invitation. NH Hoteles is the

only Spanish hotel company to belong to this important international forum, backed by Prince Charles of England. The objective is to work with the member companies to promote eco-design, innovation and staff training in key areas for sustainable tourism.

- Club de Excelencia en Sostenibilidad: Spanish association which seeks to promote sustainable development through the Spanish business sector, sharing responsible practices in order to contribute towards company excellence and progress in society, with the aim of becoming the leading Business Forum in Sustainable Development. NH Hoteles actively takes part in the Environment working group and the Sustainability and Information and Communication Technologies (ICT) Commission.



Awards and Acknowledgements

Suppliers

- **Procurecon Awards 2009** for the creation of the NH Sustainable Suppliers Club. This annual international award recognises the best practices in leadership and innovation.

Environment

- **Enable The EcoEnterprise:** this award recognises leading companies that have stood out due to their application of Oracle technology in effective environmental practices, collaborating in the reduction of costs and the improvement of business efficiency. Oracle thereby recognises those of its collaborators which stand out for their sustainable policies.
- **European Hotel Design Awards 2009** in the category of best standard room. These prizes recognise the best architectural solutions, interior decoration and room design.
- **Oracle's 'Enable the Eco-Enterprise' 2009** which recognises those collaborators which stand out for their sustainable policies in favour of environmental protection.
- **European Solar Prize 2009** awarded by the European Association for Renewable Energy Sources, in the "Companies which use renewable energy sources" category, for the "Hotels with solar energy" project.
- **Hotel NH Columbia**, finalist for the 2009 National Prize for Energy Efficiency in the Commerce and Services sector in Uruguay.
- **2009 Environment Award** awarded to the Hesperia Hermosilla hotel by the Madrid Regional Ministry of the Environment (Spain), the Chamber of Commerce and the CEiM (Madrid Business Confederation).
- **European Commission GreenBuilding certification** to Spain's NH Príncipe de la Paz (Madrid), NH Podium (Barcelona) and NH Central Convenciones (Seville) Hotels, for guaranteeing both energy efficiency and the respectful use of natural resources.

Society

- **2009 FUNDAMIND Maternity Award** which recognises the solidarity and continued commitment of NH Hoteles to the NGO FUNDAMIND in Argentina, an organisation which supports and educates children and young people at risk of exclusion.
- **2009 EUSA BUSINESS Award** recognising the "Social Commitment" of NH Hoteles in Andalusia, awarded by the EUSA University Campus in Seville (Spain).

Employees

- **Top Company to work at in 2009 in Italy and Belgium** in addition to those already obtained in Spain, Holland, Germany, Switzerland and Mexico.
- **MercoPersonas 2009.** NH Hoteles continues to top the list as the best Spanish company to work for in the tourism sector.

Clients

- **Madrid Excelente award for customer confidence** represents the recognition of NH Hoteles' customer-oriented management, obtaining customers' full trust and satisfaction.
- **NH Hoteles, second-ranked company in generating the greatest trust amongst its customers** according to the Spanish Company Trust Scale produced by FutureBrand in 2009.

Shareholders

- **HVS European Corporate Governance** NH Hoteles obtained sixth position amongst the most prestigious international hotel chains in the European Study of Corporate Governance published by HVS in 2009. This study evaluates corporate practices affecting variables such as the configuration of the Board and Committee Structure.

Reputation

- For the fourth consecutive year, NH Hoteles has been recognised as the Spanish company with the **Best Corporate Reputation in the Tourism Sector by merco2009** (Business Monitor of Corporate Reputation).

- NH Hoteles will be one of the most successful hotel companies in the coming years, according to the **Key Audience Research (KAR) 2009** drawn up by Ipsos in Spain. It has been classified as the hotel chain which maintains the best media relationships.
- **The Terraza del Casino** (Madrid, Spain), managed by NH Hoteles, obtained its **Second Michelin Star**.

"NH Hoteles demonstrates a clear commitment to tackling the vexed issue of sustainable development. This commitment starts at the top and extends to a wide range of practical social and environmental management programmes. Their willingness to publish a credible CSR report, produced in accordance with GRI's G3 guidelines, is to be applauded. In my view sustainability is about continual improvement rather than a fixed state and, as members of the International Tourism Partnership, they are part of a collaborative endeavour with other industry leaders to develop practical solutions to sustainability."

Stephen Farrant
Director of International Tourism Partnership (ITP)





Economic Performance

I. Who we are

NH Hoteles is a hotel company with a notable national and international presence. In 2009, the company operates **401 hotels and with 61,317 rooms in 24 countries** including Europe, America and Africa. We have a broad urban and vacation presence in America and are urban leaders in Europe with a vacation presence in Spain and Italy. The integration process with Hesperia, which began in 2009, will enable us to become the leader hotel chain in Spain.

We are characterised by a vocation for service based on the NH culture of our staff, which works to offer top-quality services to our customers, paying the utmost attention to detail and implementing innovative, efficient and sustainable solutions.

Consider that efficiency in the financial management of the Company and transparency in rendering accounts are essential to reach our business goals, to meet our shareholders' economic interests, and to ensure the creation of wealth on which we can build shared values.

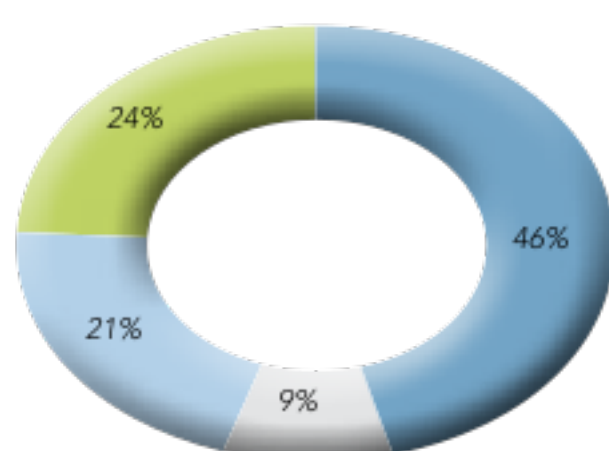
Breakdown of NH Hoteles Portfolio 31.12.2009

	TOTAL		LEASED		OWNED		MANAGED	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
TOTAL NH HOTELS	401	61,317	222	32,096	83	13,845	96	15,376
EUROPE	TOTAL	TOTAL	LEASED	LEASED	OWNED	OWNED	MANAGED	MANAGED
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Spain	176	21,016	91	10,365	15	2,219	70	8,432
Germany	58	10,148	58	10,148	0	0	0	0
Italy	53	8,166	32	5,277	16	2,449	5	440
The Netherlands	35	6,484	16	2,421	18	3,983	1	80
Belgium	11	1,632	2	434	9	1,198	0	0
Austria	7	1,220	7	1,220	0	0	0	0
Switzerland	5	632	3	400	2	232	0	0
United Kingdom	4	808	1	121	1	275	2	412
France	3	559	2	397	1	162	0	0
Portugal	2	165	2	165	0	0	0	0
Romania	2	161	1	83	0	0	1	78
Hungary	1	160	1	160	0	0	0	0
Luxembourg	1	148	1	148	0	0	0	0
Poland	1	93	0	0	0	0	1	93
Andorra	1	60	0	0	0	0	1	60
TOTAL EUROPE	360	51,452	217	31,339	62	10,518	81	9,595
LATIN AMERICA AND CARIBBEAN	TOTAL	TOTAL	LEASED	LEASED	OWNED	OWNED	MANAGED	MANAGED
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Mexico	18	4,428	4	559	6	1,261	8	2,608
Argentina	12	1,822	0	0	11	1,524	1	298
Dominican Republic	2	1,015	0	0	0	0	2	1,015
Cuba	2	968	0	0	0	0	2	968
Venezuela	2	892	0	0	0	0	2	892
Uruguay	1	136	0	0	1	136	0	0
Chile	1	122	0	0	1	122	0	0
TOTAL LATIN AMERICA AND CARIBBEAN	38	9,383	4	559	19	3,043	14	5,781
AFRICA	TOTAL	TOTAL	LEASED	LEASED	OWNED	OWNED	MANAGED	MANAGED
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
South Africa	2	240	1	198	1	42	0	0
TOTAL AFRICA	2	240	1	198	1	42	0	0
UNITED STATES	TOTAL	TOTAL	LEASED	LEASED	OWNED	OWNED	MANAGED	MANAGED
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
UNITED STATES	1	242	0	0	1	242	0	0
TOTAL UNITED STATES	1	242	0	0	1	242	0	0

Breakdown by rooms

(December 31st 2009)

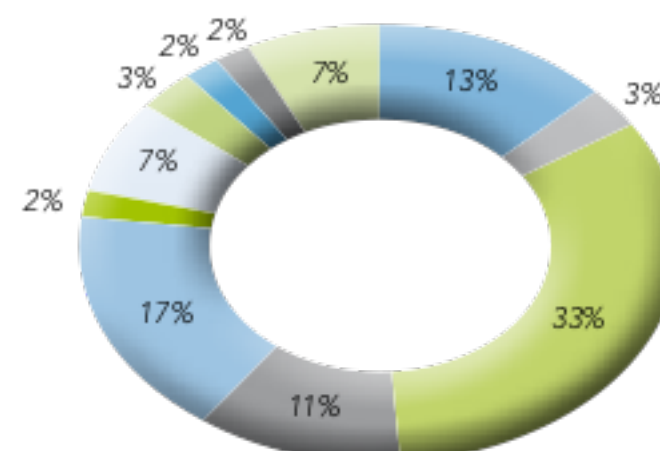
- 46% Leased
- 24% Managed
- 21% Owned
- 9% Leased with Call Option



Breakdown of rooms by country

(December 31st 2009)

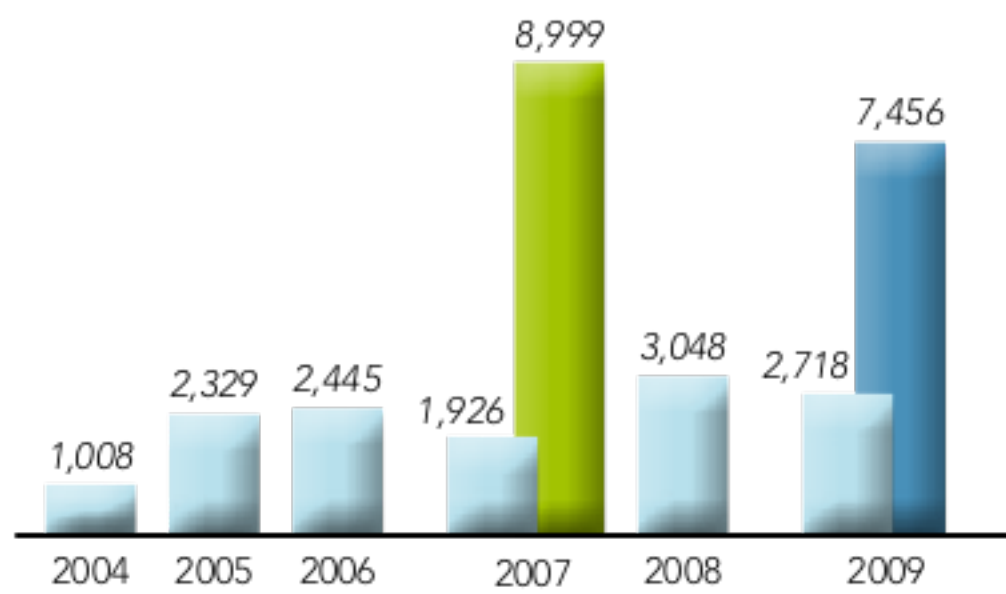
- 33% Spain
- 17% Germany
- 13% Italy
- 11% The Netherlands
- 7% Mexico
- 3% Argentina
- 3% Belgium
- 2% Austria
- 2% Cuba
- 2% Dominican Republic
- 7% Others



Performance of openings and incorporations

By number of rooms

- Organic growth
- Acquisitions
- Hesperia incorporation

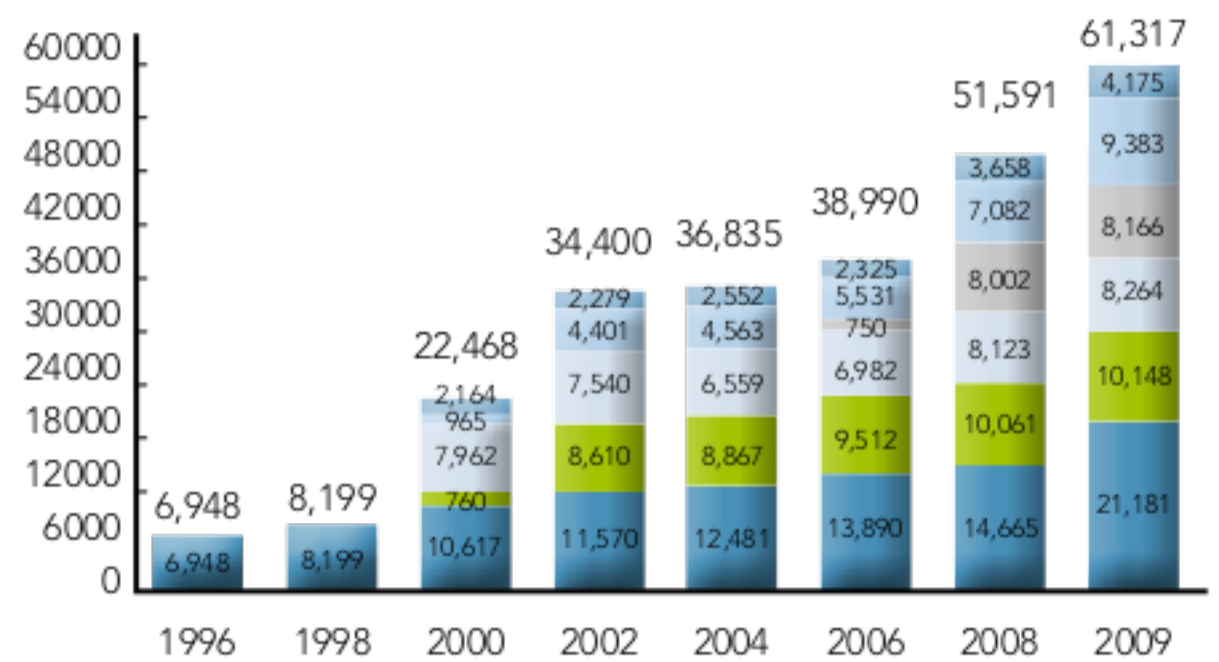


Number of rooms 1996-2009

Continuous growth

Number of rooms
1996-2009: 18% yearly

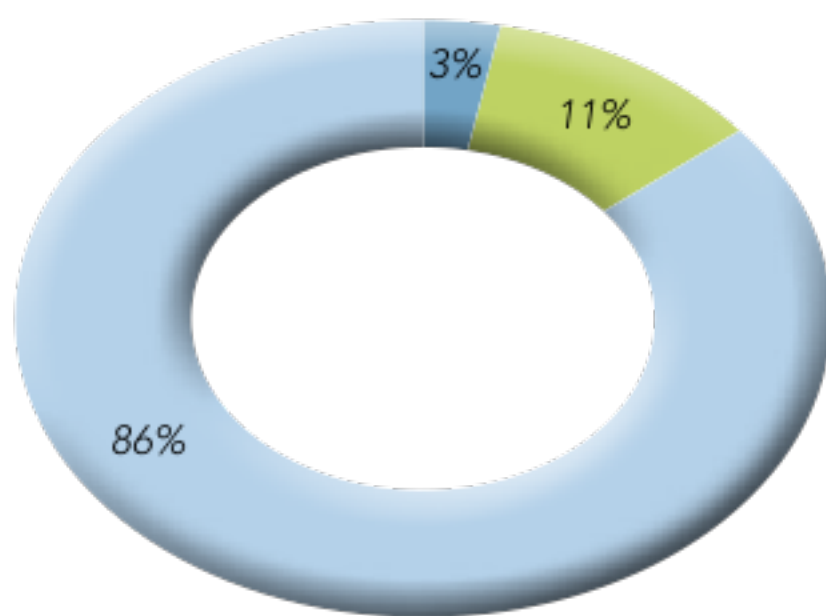
- Spain and Portugal
- Germany
- Benelux
- Italy
- Latin America
- Rest of the world



Rooms opened in 2009

Rooms opened in 2009 by type of contract

- 86% Managed
- 11% Leased
- 3% Owned



II. Results

Widespread economic crisis, uncertainty and the weakness in some of the markets in which the group operates continued in 2009. For this reason a cost reduction plan was implemented, bringing expenditure down offsetting revenue losses by 44%. This plan includes energy efficiency measures, the optimisation of operating expenses, staff flexibility (30% of part-time contracts or extras), sale of non-strategic assets, exit of non-profitable hotels or employee awareness initiatives such as the "We are all sales" programme.

NH Porta Rossa
Florence - Italy



Accumulated Management Account to 31. 12. 2009

	12M 2009	12M 2008*	2009/2008
	M Eur.	M. Eur	Var. %
Room Revenues	1,188.0	1,422.8	(16.5%)
Real estate sales and other	22.1	50.1	(55.9%)
TOTAL REVENUES	1,210.0	1,472.9	(17.8%)
Real estate cost of sales	(8.0)	(23.0)	(65.5%)
Staff Cost	(458.9)	(490.5)	(6.5%)
Operating expenses	(389.1)	(462.7)	(15.9%)
GROSS OPERATING PROFIT	354.1	496.6	(28.7%)
Lease payments and property taxes	(272.2)	(265.9)	2.4%
EBITDA (recurring)	81.9	230.7	(64.5%)
Non recurring EBITDA	(11.9)	46.2	(125.6%)
Impairment	(37.1)	(32.5)	14.4%
Depreciation	(124.8)	(124.0)	0.6%
EBIT	(91.9)	120.5	-
Market value derivatives	13.0	(43.8)	-
Interest income (expense)	(49.9)	(69.2)	(27.9%)
Income from minority equity interests	(6.6)	(2.3)	187.3%
EBT	(135.4)	5.2	-
Corporate income tax	20.3	(3.7)	-
NET INCOME before minorities	(115.1)	1.4	-
Minority interests	18.0	21.7	(17.2%)
NET INCOME	(97.1)	23.2	-

(*) Restatement CINIIF 13 (Loyalty program for customers)

* The Net Profit for 2008 reported here differs from the figure reported in the previous annual report as a consequence of an adjustment due to changes in the regulations, namely in how customer loyalty programs are to be stated in the company accounts. In order to ensure the comparability between 2008 and 2009 figures we had to adjust the figures for 2008.

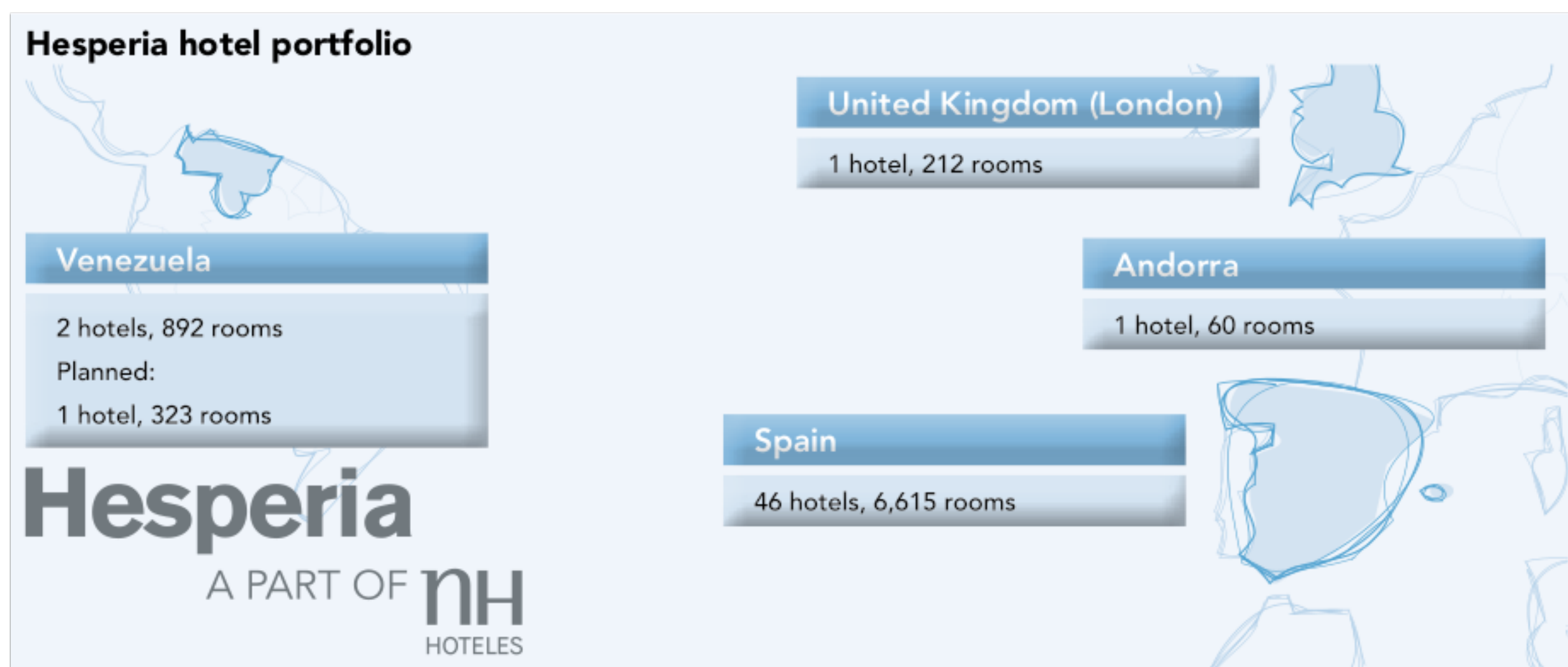
1. Relevant corporate operations

a) Integration with Hesperia

In October 2009, NH Hoteles and Hesperia signed an agreement for the integration of their respective hotel management business. Following this deal, NH Hoteles now manages 51 hotels that are owned or were being run

by Hesperia, raising the multinational's total number of operating hotels to 400 and the number of rooms to more than 61,000.

The operation has allowed NH Hoteles to reinforce its domestic and international presence without resorting to a capital increase or increasing its debt. The operation also means that Hesperia enters the Board of Directors of NH Hoteles.



b) Capital increase

In July 2009 NH Hoteles successfully completed the capital increase resolved by the Board of Directors of the Company. The total issue amount, considering a price of 2.25 euros per share, amounted to **€221 million**. The 98.6 million new shares were listed on 30th July 2009

2. Sotogrande, S.A.

With the purpose of absorbing the real estate development investments of Grupo NH Hoteles in the Caribbean, via Latinoamericana de Gestión Hotelera, S.A., during the year there was a capital increase in Sotogrande, S.A., after which the new share capital amounts to €26,947,552.8, divided into 44,912,588 shares, each with a par value of 0.60 euros.

Real estate sales by Sotogrande, S.A. declined by around 50% compared to 2008 due to the economic situation and also to the fact that the delivery of most of the committed homes in the Ribera del Marlin development took place in the fourth quarter of 2008, and to date this is Sotogrande's most important development in terms of number of homes and also in terms of revenues.

In order to offset this circumstance, in 2009 the Company embarked on an ambitious cost-cutting plan, managing to mitigate the impact of lower sales on the operating result.

Sotogrande international projects

- **Sotogrande at Cap Cana (Dominican Republic):** Sotogrande is responsible for the most important development in Cap Cana. Its importance is underscored by the fact that the "placement of the first stone" was attended by the President of the Dominican Republic and it is also shown by the sales following the launch. At the closing date of this report 65 large apartments in the first stage (the only one on sale) had been sold, with a net sales volume of USD 81 million. During 2009 the construction of the first stage, consisting of 118 apartments, continued at a good pace and delivery is estimated to take place in the second half of 2010.
- **Isla Blanca and Isla Poniente (Riviera Maya, Mexico):** The islands feature over 45 kilometres of coastline washed by the Caribbean Sea and over 15 kilometres of beaches, covering an area of more than 625 hectares. The project includes an ambitious development and urbanisation plan, with an important natural area (more than 100 hectares) that will be adequately protected.
- **Sotogrande Donnafugata (Sicily, Italy):** This project will comprise a new 5-star hotel with 170 rooms, 20 junior-suites and 10 senior-suites. Donnafugata will also have two 18-hole golf courses and a spa with all the services characteristic of Elysium. Opening planned July 2010.

Almenara Golf and Las Cimas de Almenara development - Sotogrande San Roque - Cadiz - Spain



3. Board of Directors, Committees and Management Committee

Board of Directors

Chairman and CEO: **Mr. Gabriele Burgio**

Members: **Mr. Iñaki Arratibel Olaziregi**

Mrs. Rosalba Casiraghi

Mr. Ángel Córdoba Díaz (*representing Sociedad de Promoción y Participación Empresarial Caja Madrid, S.A.*)

Mr. José de Nadal Capará

Mr. Julio C. Díaz-Freijo Cerecedo

Mr. Ignacio Ezquiaga Domínguez (*representing Hoteles Participados, S.L.*)

Mr. Francisco Javier Illa Ruiz

Ms. Nuria Iturriagoitia Ripoll

Mr. Aurelio Izquierdo Gómez (*representing Caja de Ahorros de Valencia, Castellón y Alicante -Bancaja*)

Mr. Miguel Rodríguez Domínguez

Mr. Juan Antonio Samaranch Salisachs

Mr. Antonio Viana-Baptista

Secretary / Non-Director: **Mr. José María Mas Millet**

Vice-Secretary / Non-Director: **Mr. Leopoldo González-Echenique Castellanos de Ubaó**

Audit and Control Committee

Chairman: **Mr. Antonio Viana-Baptista**

Members: **Mr. Iñaki Arratibel Olaziregi**

Mr. Ángel Córdoba Díaz
(*representing Sociedad de Promoción y Participación Empresarial Caja Madrid, S.A.*)

Mr. Ignacio Ezquiaga Domínguez
(*representing Hoteles Participados, S.L.*)

Secretary: **Mr. Roberto Chollet Ibarra**

Appointments and Compensations Committee

Chairman: **Mr. José de Nadal Capará**

Members: **Mr. Javier Illa Ruiz**

Ms. Nuria Iturriagoitia Ripoll

Secretary: **Mr. José María Mas Millet**

Executive Committee

Chairman: **Mr. Gabriele Burgio**

Members: **Mr. Ángel Córdoba Díaz** (*representing Sociedad de Promoción y Participación Empresarial Caja Madrid, S.A.*)

Mr. Julio C. Díaz-Freijo Cerecedo

Mr. Aurelio Izquierdo Gómez (*representing Caja de Ahorros de Valencia, Castellón y Alicante-Bancaja*)

Secretary: **Mr. José María Mas Millet**

Corporate Responsibility Committee

Chairman: **Mr. Gabriele Burgio**

Board of Directors: **Ms. Nuria Iturriagoitia Ripoll**

Corporate Manager for Human Resources and Corporate Responsibility: **Mr. Juan M^a de Mora Narváez**

Management Committee



Gabriele Burgio
Chairman and CEO



Ignacio Aranguren
Chief Strategy and Investments Officer



Roberto Chollet
Chief Financial Officer



Leopoldo González-Echenique
General Counsel



Juan M^a de Mora
Corporate Officer Human Resources and Corporate Responsibility

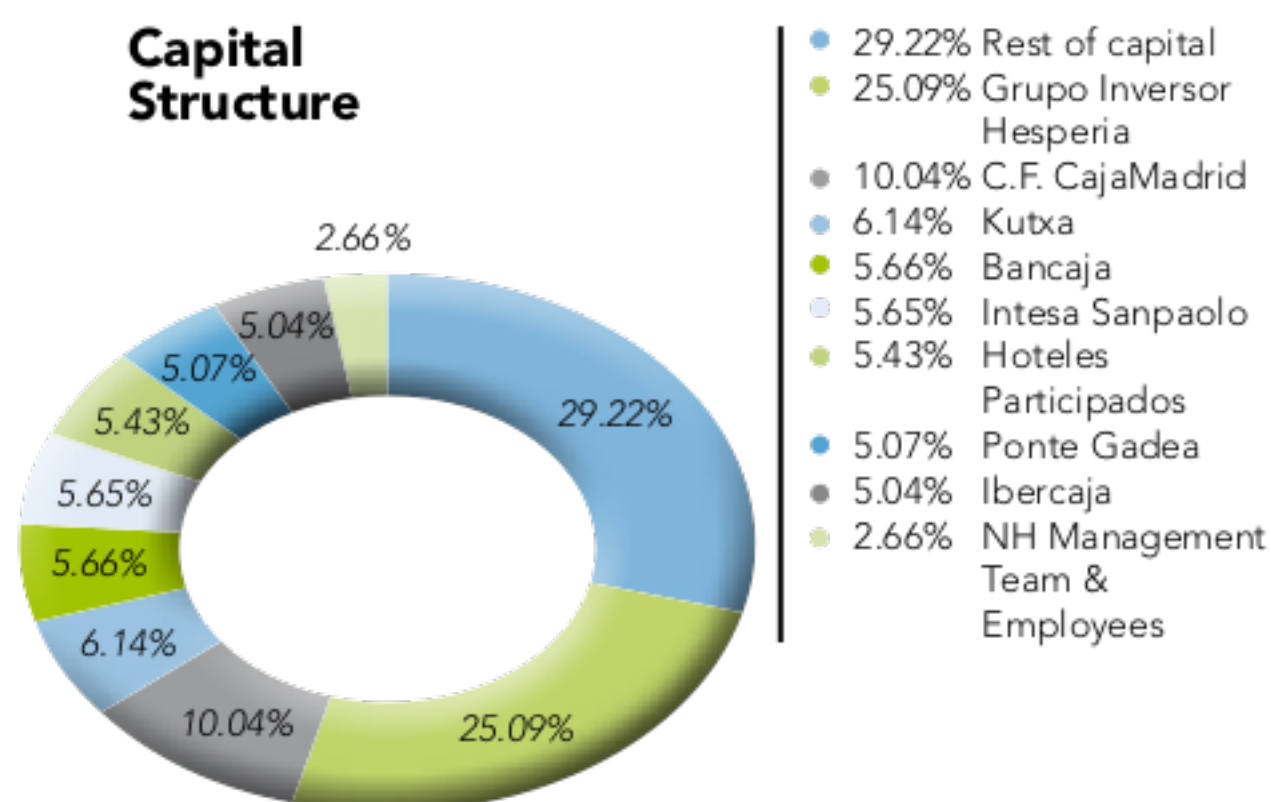


Francisco Zinser
Chief Operating Officer



III. Shareholders

In 2009 there were relevant changes in the shareholder structure of NH Hoteles as a result of the capital increase approved in June by the Annual Shareholders' Meeting, the integration agreement with Hesperia (the major shareholder), and the shareholders' agreements of several shareholders represented on the Board.



1. Amendment of Articles

As a result of the negotiations with the investment group Hesperia S.A. in autumn 2009, NH Hoteles Group acquired 99.99% of the share capital of Hoteles Hesperia S.A., subsequently integrating the hotels managed by the latter. As a consequence of this, on 3rd December 2009 an Extraordinary General Meeting of Shareholders was held at which, among other resolutions, **it was decided to amend article 15 of the Articles of Association.**

The amendment consisted in raising the maximum number of votes that can be cast by a single shareholder on the **Board from 10 to 20%**, as well as lowering from **75 to 51% the minimum percentage** of 'votes for' required to amend this criterion in the Articles.

2. Board of Directors

The Board's remit includes, among other powers, approving the Company's Strategic Plan, the annual budgets and its management objectives; the investment and financing policy; the Corporate Governance, Corporate Responsibility and Sustainability policy; the risk monitoring and management policy, and certain decisions and transactions that are material on account of their amount or strategic value.

In 2009, following the **integration of Hesperia**, the General Meeting of Shareholders resolved to make changes on the Board of Directors, establishing the number of directors as 13 and including two women among the Board members.

In order to ensure a greater efficacy and transparency in the performance of functions, the Board of Directors has established committees with executive and consultation functions:

- Executive Committee
- Audit and Control Committee
- Appointments and Compensations Committee
- Independent Director of Corporate Responsibility

3. Shareholders' Meetings 2009

NH Hoteles held its Annual Shareholders' Meeting (ASM) on 17th June 2009, where a capital increase was approved and two new shares were issued per every three old shares. Following the integration agreement with the hotel chain Hesperia, an Extraordinary Meeting of Shareholders was held on 3rd December 2009.

4. Capital increase

As a result of the capital increase approved at the ASM in June 2009, the Company raised €221 million via the issuance and circulation of two new shares per three old shares, equal to 98,646,972 new ordinary shares.





5. Shareholders' Agreements

NH Hoteles is aware of there being two **Shareholder Syndicates in 2009**. Three savings banks that are shareholders of NH Hoteles, Bancaja, Caja Madrid and Ibercaja, entered into an agreement whereby they syndicated their holding of **20.74%** of the share capital in the Company. And there is a second agreement grouping together the shares of Hoteles Participados and Kutxa, another saving bank, representing **11.57%** of the share capital of NH Hoteles.

6. Shareholder services

NH Hoteles has an Investor Relations department that forms part of the Corporate Investments Department. Its duties are internal and external relations, analytical functions, representation and presentation duties, and archiving and database tasks. The values which guide our relationship with shareholders are credibility, investor value and market orientation.

7. NH World exclusive benefits

- Accumulation of at least 6% in credits for all billed items. This measure represents an improvement of approximately 20% on the standard incentives in the NH World Programme.
- Shareholders' Reservation Line as an exclusive service.
- Exclusive promotions for shareholders.
- Express check-in, NH World on-line, free cloakroom, amongst other benefits.

8. Communication and transparency

- **Shareholders' Corner:** This aims to offer a service to investors and shareholders that gives them direct contact. In 2009, 913 enquiries were received.
- **Department of Investor Relations:** sends relevant communications, quarterly results and other interesting information to all analysts and institutional and private investors who wish to receive them. In 2009, and in the context of the capital increase, it organised a roadshow in order to present the company in London, Paris, Frankfurt and Madrid, where one-to-one meetings were held with the main European investors.
- **Siri Company and Eiris Reports:** With the purpose of promoting communication and transparency regarding our sustainable management among shareholders and investors, we have reported to Siri Company (Sustainable Investment Research International) and Eiris, reference companies in the evaluation of socially responsible investments that analyse the environmental, social, ethical and corporate governance related performance of companies.
- **Carbon Disclosure Project:** This year we also started to report to the Carbon Disclosure Project, an independent organisation which has the world's largest database on corporate information related to climate change and is made up by over 475 investors who manage assets worth €36 billion overall.

CARBON DISCLOSURE PROJECT



IV. Customers

In line with our mission to offer a top-quality, sustainable and efficient hotel service, we are working to maximise efficiency using our Comprehensive Quality of Service Management system called Quality Focus (QF).



In 2009, corporate Quality Focus procedures were produced in training modules called "QF in 5 minutes" which enable employees to learn the procedures in a dynamic manner, and allow the company to implement and update its procedures more quickly.

1. The evolution of quality

Tools which monitor the evolution of quality at all NH Hoteles, identifying areas for improvement and good practices:

Customer surveys

We monitor the satisfaction of each customer on a weekly basis. In 2009, we received **42,018 surveys** containing over 15,000 customer comments. The customer satisfaction rate has gone up from 8.03 in 2008 to 8.38 in 2009. The results indicate that **over 95% of our customers feel satisfied** or very satisfied with the quality received at our hotels.

External websites

Monitoring websites which offer customer comments provides us with valuable information for continuous improvement, and the positioning of each hotel on these external websites is treated as a quality measurement tool. Furthermore, we are working to define online reputation monitoring tools.

Customer Service Department

We are in the process of updating the management tools which will enable us to interact with our customers and manage their comments more efficiently. In 2009, over 2,800 interactions were handled.

Mystery Guest

These **audits carried out by an external company specialising in this subject, evaluate over 400 previously defined quality standards** and measure the implementation of corporate procedures and action plans. Due to resource cutbacks in 2009, this information collection channel was forced to reduce the level of visits to 156. The average score was slightly better than in 2008, at 7.05 out of 10.

2. Internal synergies

To ensure results are communicated, NH Hoteles has set up an internal system for publishing reports on a periodic basis:

- **Quality Report:** scorecard that details the results by hotel and Business Unit and reflects the level of implementation of procedures and customer satisfaction.
- **CS Quick Report:** weekly report which monitors the results obtained in customer surveys at corporate and Business Unit level.
- **Monthly communication:** with managers of each Business Unit in order to share the results obtained.

3. Special actions

- **Food Safety Policy:** European policy as a framework agreement that details the plans and general guidelines that NH Hoteles must comply with in relation to Food Safety and Hygiene. Each hotel adapts and customises the policy using a "Self-management Manual" depending on its requirements and subject to external verification.
- **Swine Flu Protocol:** In 2009, we established a Swine Flu Prevention and Emergency Protocol in line with the Department of Health and World Health Organisation's (WHO) recommendations, based on taking extra care to follow hygiene and disinfection procedures, as well as guaranteeing information for staff and customers.
- **Accessible hotels:** We are including accessibility criteria in general design guides, supervising all projects with the aim of guaranteeing the fulfilment of these regulations at each new hotel.



4. New Website

Designed with highly innovative search and reservation solutions. The new page improves the contents and simplifies the steps necessary to make a booking at the best guaranteed price.

Improvements obtained with the new website

Search facility
Simplification of
booking process

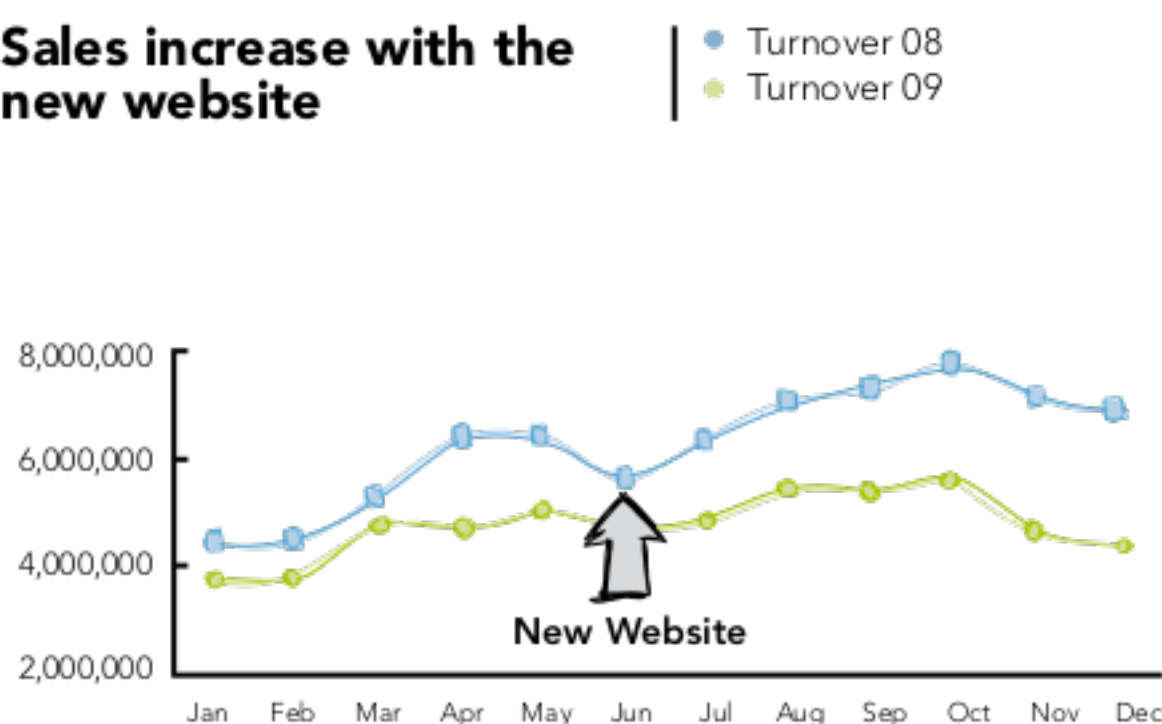
Up-selling &
Cross-selling
functionalities

Greater visibility of
offers and promotions

Maps and
multimedia elements
(videos, panoramics)

As a result of, we have registered an 18% increase in the conversion ratio and a 36% rise in sales via the new website between June and December.

Sales increase with the new website



5. New on-line tools

- **NH Customer Pages:** Any group can benefit from the better rates negotiated as well as additional personalisation services and maximum flexibility in reservations and cancellations.
- **NH Event Tools:** Focused on the MICE sector (meetings, incentives, conventions and exhibitions) it enables the management of multi-hotel transactions and pre-reservation of rooms.

- **NH Trade Pages, flexibility and immediacy for agencies and tour operators:** It enables the flexible and efficient management of intermediation business, with direct access and in real time, without the need to develop the costly and complex integration of systems, interfaces, etc.
- **Dialogue with customers, blogs, Twitter and Facebook:** Our objective is to bring value to users of social networks by communicating news that may be of interest to them.
- **Web Questionnaire:** Using our website, customers can get in touch with the company via the "Contact us" function, sending us their suggestions, questions and comments.
- **CRS Meeting:** Corporate function room and group reservation tool. Its advantages include a centralised database with a unique hotel function room inventory which will enable cross-selling between different Business Units and facilitate the implementation of a common operational procedure throughout the organisation.



6. Centralisation of European Reservations

In 2009, we have focused upon the centralisation of European reservations with the creation of a single reservations desk in Madrid which manages the 146 hotels throughout Spain, Germany, Holland, Italy and Eastern countries. Advantages:

- It shortens waiting times for customers and enables product cross-selling.
- It improves coordination with the sales department and facilitates transactions.
- It increases information and customer satisfaction.
- It provides a more powerful technology platform.
- It optimises resources, improving revenue levels and reducing costs, generating synergies and greater coverage.

7. Customer loyalty

In 2009, we rebranded the image of the **NH World** loyalty programme using the concept of "**NH World Citizen**" with the aim of reinforcing the chain's strong emotional bond with its most loyal customers.

8. Campaigns and Promotions 2009

The Organizers: The campaign offers discounts of up to 50% on the best available rate at over 300 NH Hoteles, rewarding the advance booking of customers who make and pre-pay their reservation at least seven days in advance.

Weekend Extender: This offers customers benefits with added value on all weekend reservations at all hotels in Spain and Latin America, from only €129. As such, customers can check out of the hotel on a Sunday at 5pm instead of at midday. Meanwhile, the Weekend Extender rate includes the use of the room's minibar at no extra cost on all reservations made via the Internet.

For Your Eyes Only: Rate for NH Hotel staff, only accessible via Internet. Employees receive an e-mail containing this offer, which enables them to book online or forward the e-mail to friends or relatives so that they can make a reservation.

Programmes and offers for different groups: Since 2005, we have launched programmes aimed at different groups based on their differing needs, ages and circumstances: Club +60, for people above the age of 60. "Sleep and Go" for young people below the age of 30...

NH Express: New hotel alternative aimed at a market segment looking for functional establishments at a cheaper price. The rate always includes breakfast and a free Internet connection. Implementation has started at seven hotels in Spain and one in Germany.

New oxobiodegradables amenities





9. Environmental awareness-raising

- The company is condensing all of its sustainable initiatives for 2010 under the slogan **"Wake Up To a Better World"**, with the aim of transmitting a concern for the environment to all of its external and internal audiences.

**Wake Up
To a Better
World** **NH
HOTELES**

- We are launching the new **oxo biodegradable Agua de la Tierra amenities**.
- We are starting to implement complimentary fast-charging points at some hotels, for **electric vehicles**.
- Amongst the new initiatives, the **"CO₂ Emissions Calculator"** stands out, which will reside on the chain's corporate website so that each hotel guest can find out and, if they so wish, offset the environmental impact of their stay.
- We encourage our customers to **collaborate during their stay** through small gestures such as not wasting water and choosing whether or not they want their towels changed on a daily basis.
- Ecomeeting:** This new form of organizing events, congresses and conventions is defined according to sustainability criteria and represents eco-friendly use of energy resources, as well as the use of low environmental impact products and fair trade elements. Furthermore, customers have the option to request a CO₂ emission offset certificate which is issued externally by Carbon Clear.

eco+MEETING

WHEN YOU MEET IN AN NH HOTEL,
YOU ARE INTRODUCED TO
A BETTER WORLD



In an Ecomeeting we commit to:



Energy and water efficiency

Low impact materials



Fairtrade products

Optional emissions compensation



Wake Up
To a Better
World **NH
HOTELES**



V. Suppliers

NH Hoteles has been working since the end of 2008 on applying a strict and detailed procedure concerning the evaluation and selection of new suppliers based on social, ethical and environmental criteria. As such, we can be sure of gaining a deep knowledge of our suppliers' behaviour and practices, only selecting those which, in addition to offering the best negotiation conditions, share our principles and commitments.

Our **Corporate Purchasing Policy** is a tool and a source of competitive advantages for exceeding market standards and outlining the best procedures to ensure that the company has a supply chain with added value.

Our effort has been recognised with one of the most prestigious awards, the **International Procurecon Award**, for our new sustainable purchasing management methods in line with the company's Environmental Plan strategy, and particularly, the creation of the Sustainable Suppliers Club.

1. Supplier Management

The recent merger with Hesperia represents the management of the purchase of over 400 hotels in line with the framework of the Corporate Purchasing Policy and the principles which govern NH Hoteles transactions.

During 2009, we have worked with a total of 27,492 suppliers and annual purchases amounted to €478,180,775.42. **The degree of internationalisation is high** since only 24% of the suppliers are Spanish companies, a 2% rise in supplier internationalisation compared to the previous year.

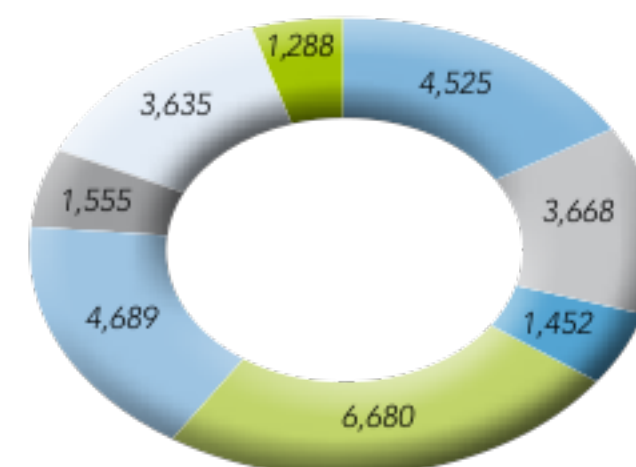
Following the principles of our Corporate Purchasing Policy, we are making an effort to **offer equal opportunities and promote local purchases** in the areas where we have a presence, achieving a total of **95% in terms of local purchases in 2009**.

The majority of our suppliers and annual turnover are concentrated in "Operational costs and service", which include all of the housekeeping and cleaning products, amenities, and other services (e.g. laundry).

At the end of 2009, NH Hoteles signed an agreement with **Husa** to create a cooperation platform **in the area of purchasing, with the aim of providing a service to other hotel and restaurant chains, contributing towards improving their competitiveness**. The new company will be the largest in the Spanish hotel sector and will incorporate the purchases of NH Hoteles and Husa, with around 350 hotels in Spain, plus the Husa restaurant division.

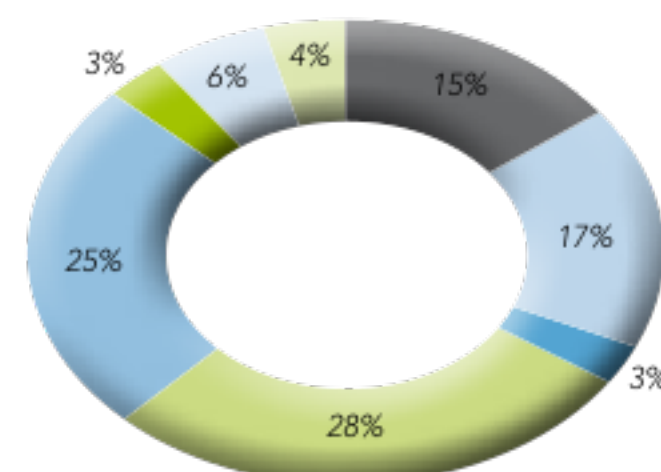
Suppliers by Country

- 4,525 Germany
- 3,668 Benelux
- 1,452 Central Europe
- 6,680 Spain
- 4,689 Italy
- 1,555 Mercosur
- 3,635 Mexico
- 1,288 Others



Turnover by Country

- 15% Germany
- 17% Benelux
- 3% Central Europe
- 28% Spain
- 25% Italy
- 3% Mercosur
- 6% Mexico
- 4% Others



2. Responsibility in the value chain

In 2009, the purchasing department has worked on implementing a system to assess suppliers' commitment and environmental friendliness. Some of the criteria considered are: compliance with environmental legislation, environmental policy, environmental training of staff, waste minimisation, etc. Likewise, we are promoting the signing of our **Suppliers Ethical Code** as proof of sustainable commitment.

During 2009, we have completed negotiations with 44 new suppliers who have signed our Code of Conduct, reaching a total of 693 signed documents, equivalent to a turnover of €191,109,395.03.

3. The suppliers portal

The priority in 2009 was to work on developing and implementing the Suppliers Portal so as to boost **transparent and efficient communication** by automating the provisioning and invoicing cycle. The year ended with a total of 32 suppliers who have generated 2,929 electronic invoices for a total of 58 hotels that are working with this new system. The objective for 2010 is to finish integrating the 180 Spanish hotels and start rolling out the system to other Business Units.

4. Satisfying our partners

In November we conducted our second international internal customer satisfaction survey. For the second year running, the purchasing team's courteous attention was the highest scoring attribute, followed by the desire to resolve issues and the quality of service, beating the 2008 results.



5. Sustainable Suppliers Club

Through this project and teamwork with suppliers, NH Hoteles has not only committed itself to complying with the reduction in CO₂ emissions in accordance with the European Union's objectives, but also to do so 8 years before the date of the European objective, in line with our Environmental Plan 2008-2012.

"The NH Sustainable Club is a dynamic forum where a variety of companies, all suppliers to the hospitality industry, share their commitment to sustainable business practices by discussing their sustainability challenges and success stories, inspiring and learning from one another. Standard Textile is proud to be part of this select group and we look forward to future NH Sustainable Club events."

Gary Heiman
CEO - Standard Textile

The NH Sustainable Club currently has 29 member companies:

Proveedor	Actividad
Amenities Pack	Amenities
Indel B.S.P.A.	Minibars
Standard Textile	Liner goods
Pedersoli	Laundry Italy
Carlo Lamperti	Textile
Cafés Castell	Coffee
Tipografía Danzo S.N.C.	Printing
Philips	Televisions
Bunzi	Logistics Platform North Europe
Blycolin	Laundry North Europe
Telefónica	Telecoms
Johnson Diversey	Cleaning chemicals
Saloni	Ceramics
Permaflex	Mattresses Italy
Deli XL	F&B Logistics Platform
Marr	Logistics Platform Italy
Heineken	Beer
Flex	Mattresses
Flisa (Grupo Fundosa)	Laundry Spain
Mahou - San Miguel	Beer
Villeroy & Boch	Equipement
SCA	Cellulose
Schneider Electric España, S.A.	Plugs
Styb	NH Pens
TCH	Coutines
Amorim (Wicanders)	Coatings
COMO	F&B Platform Germany
Berlys	F&B
Loyzarzu	Cleaning

A few results:

- **Lighting:** Philips energy saving lamps, which save 50% of energy.

- **Electronic applications:** Energy-efficient TVs from the supplier Philips.
- **Minibars:** supplied by Indel B, with efficient energy consumption that provides a 15% energy saving.
- **Chemical products:** We have agreed with the supplier Johnson Diversey to use new cleaning products which enable: 22% saving in waste, 20% saving in cleaning time and 85% reduction in CO₂ emissions.
- **Amenities:** We now use biodegradable laundry bags supplied by Amenities Packs, and the supplier STYB will be producing 5 million biodegradable pens for us.
- **Laundry:** The supplier ATLANTIS offers us laundry technology with electronically-activated water to modify pH levels, replace chemicals and reduce energy and water consumption. With CENTIUM we have agreed the use of eco-friendly and absorbent textiles which produce energy savings in the laundry process.
- **Exterior signs:** Use of LED technology with the supplier INUSUAL, enabling energy savings of 70%.
- **Telecommunications:** Virtual meeting rooms" have been set up through the Telefónica Telepresence project, enabling us to reduce carbon emissions and improve our people's work-life balance.
- **e-procurement platform:** e-invoicing has been implemented.

First "NH Sustainable Club" Conference

This event aimed to promote an exchange of opinions and experiences between suppliers concerned with sustainability, and promote innovative, sustainable and eco-efficient projects and products.





Wake Up To a Better World



Environmental Performance

2009 has been crucial for the environmental performance of NH Hoteles. Numerous initiatives designed in the context of the **2008-2012 Sustainability and Energy Efficiency Strategy Plan** have been launched and have enabled us to make progress with positive results. Aware of the challenge that this represents, we have consolidated periodic planning and results monitoring, as well as active internal and external communication.

To manage environmental strategy, the company has a **Corporate Environment Department** of which the objectives are: to establish corporate-level objectives and

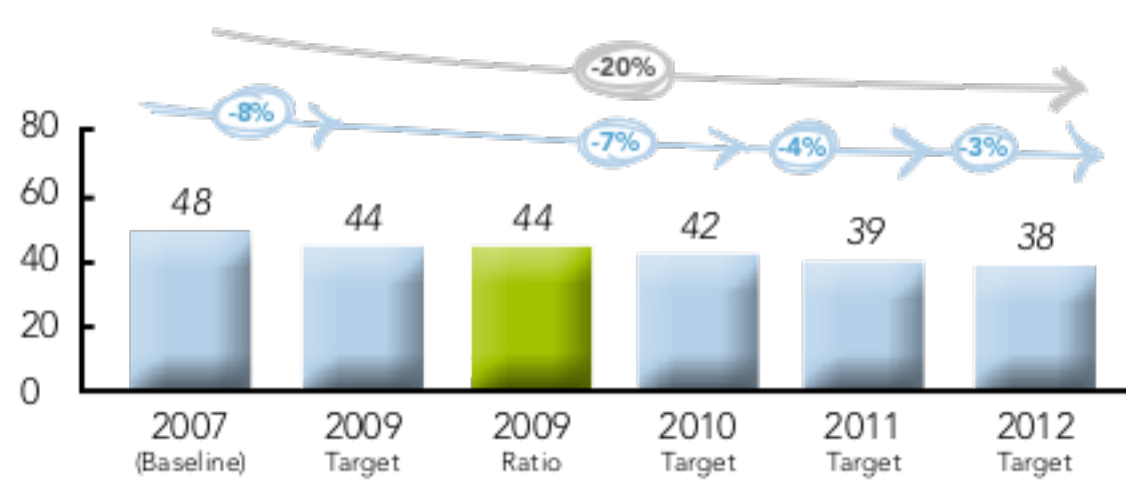
monitor them in each Business Unit, develop eco-efficiency and eco-innovation and share best practices between the hotels.

As a fundamental part of the measuring strategy and comparable reports, we have defined a standard measure for the whole chain: **consumption ratios**. This measure enables us to monitor the evolution of reductions and increases based on what each guest consumes or generates, comparing figures with other companies in the sector and taking systematic measurements of the evolution of improvements.

1. Progress in the Strategic Plan

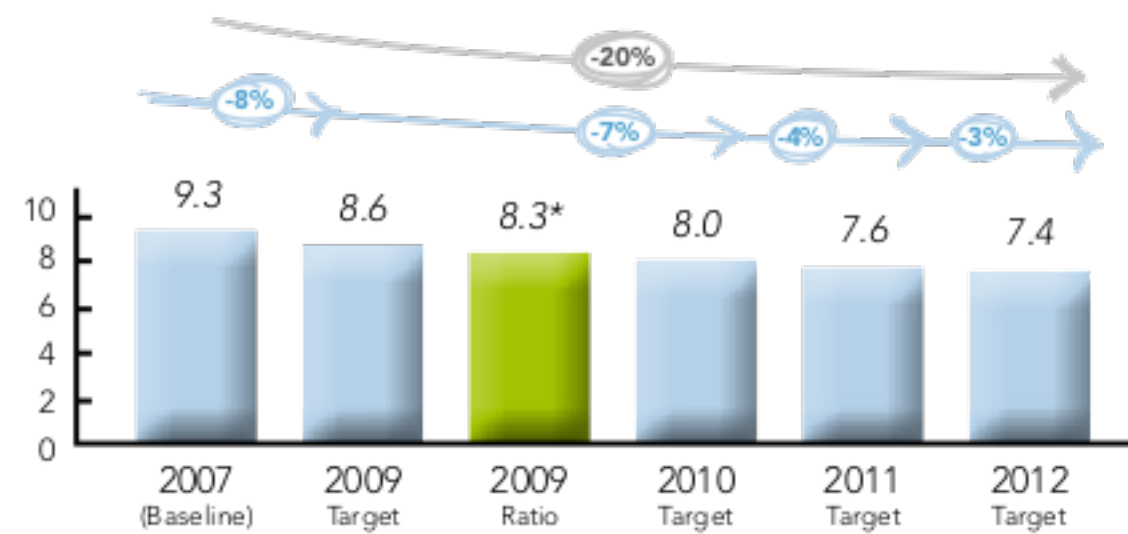
Energy consumption reduction: as forecast

Energy consumption per Guest Night (kWh)



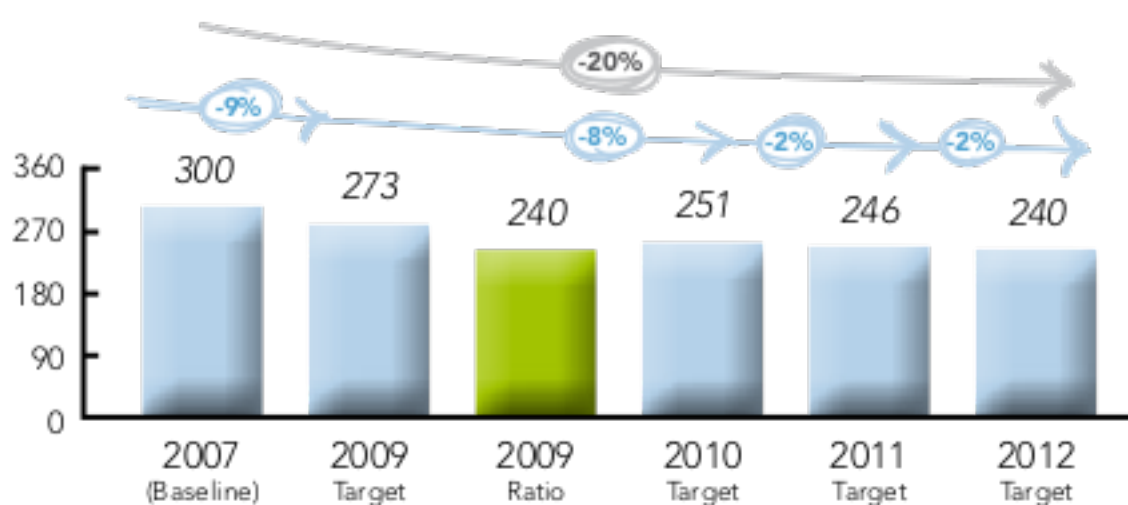
Reduction in CO₂ emissions: 3.49% higher than forecast

CO₂ emissions per Guest Night (kg.)



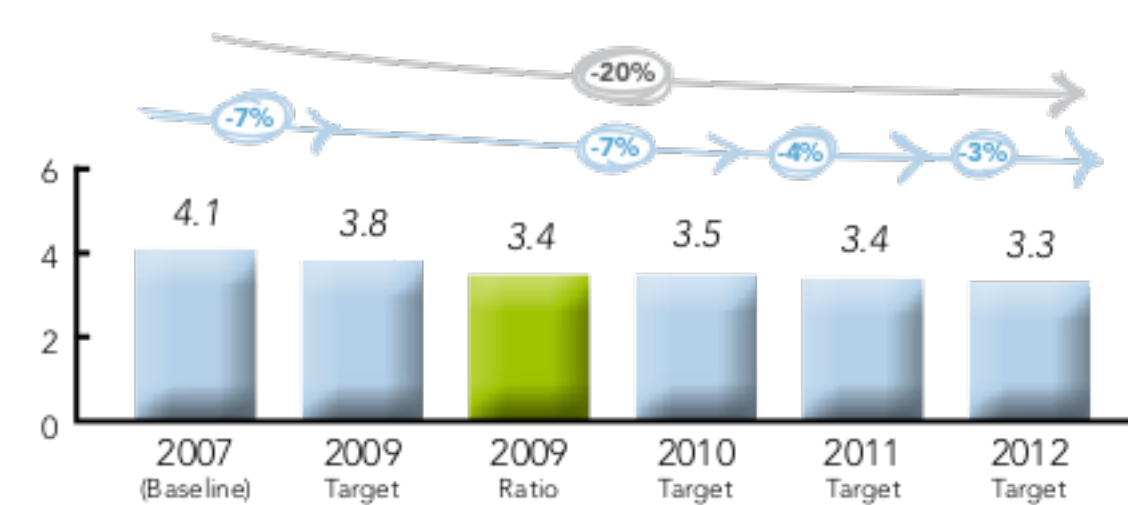
Water consumption reduction: 12% higher than forecast

Water consumption per Guest Night (l.)



Waste generation reduction: 10% higher than forecast

Waste generation per Guest Night (kg.)



2. Reduction Scheme Results

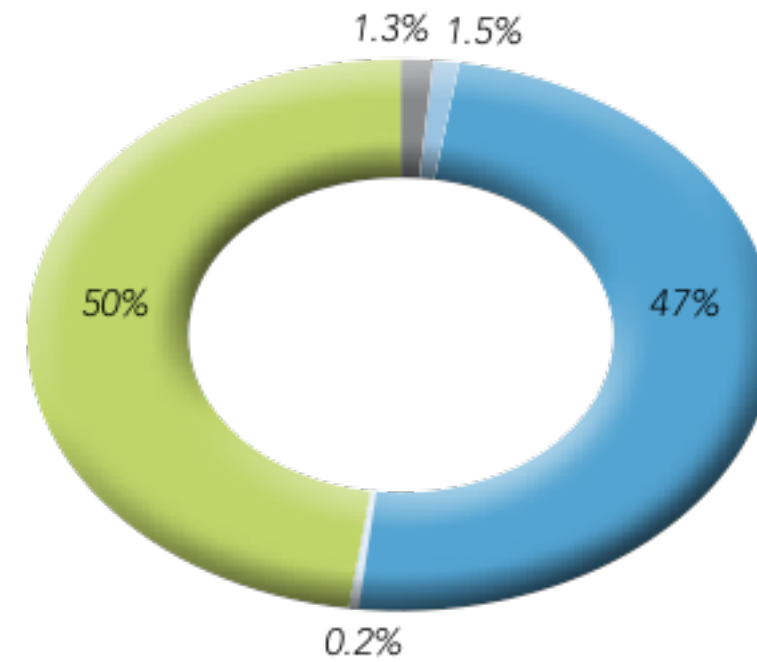
As part of our strategy of carrying out analyses and comparable reports, in 2009 we continued using consumption ratios to monitor the evolution of increases and decreases throughout our whole chain of hotels. The use of ratios affords benefits such as data consistency and comparability. Thus NH Hoteles shares its results so that they can easily be interpreted, applying a very rigorous methodology.

Energy

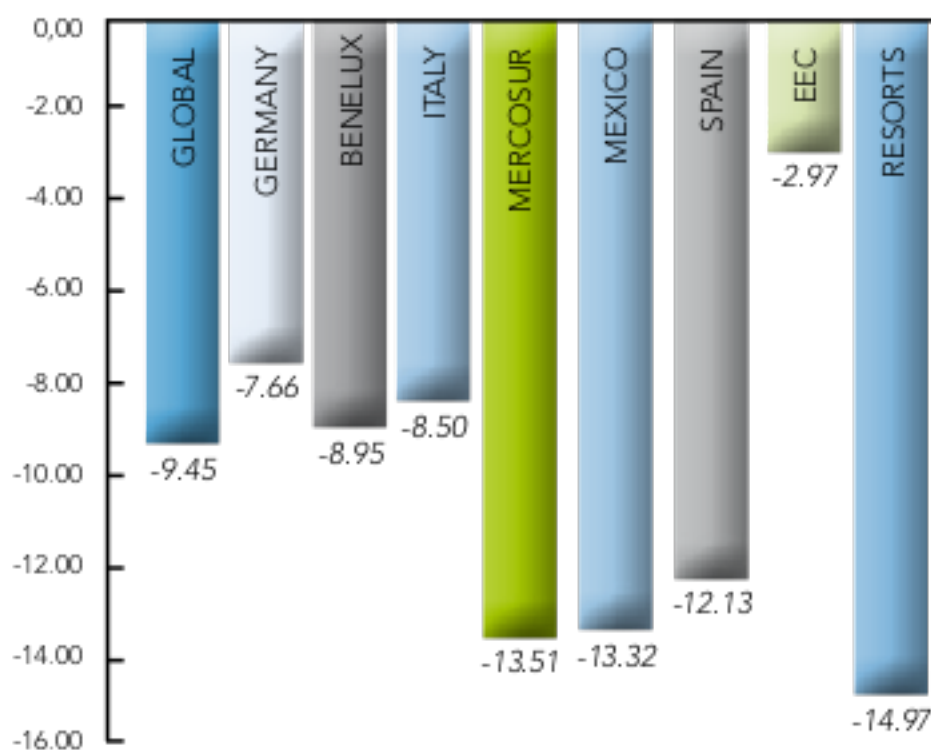
The application of these energy consumption reduction measures in 2009 resulted in a global **decrease by 9.45% in absolute values (kWh)**. By entering the occupation variable, which faithfully shows the level of improvement of global values even in a year of lower occupancy rates, the consumption per client per night improved by over 4.5%.

Distribution of energy consumption

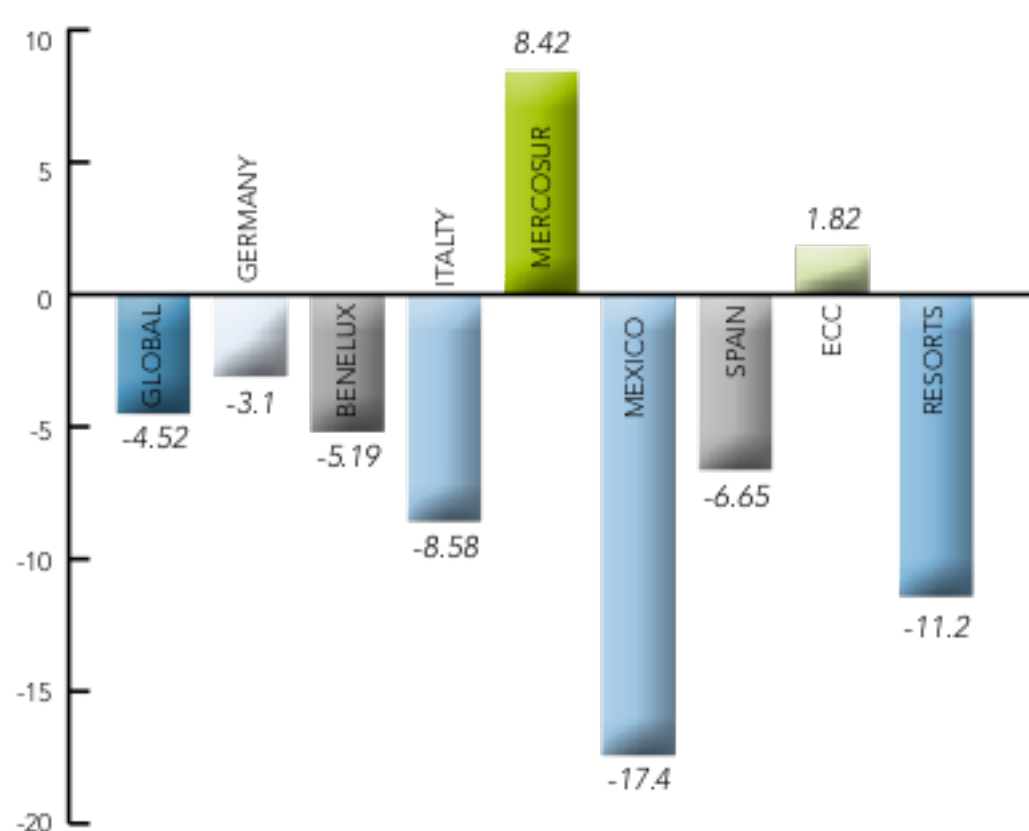
- 47% Electricity
- 0.2% Propane
- 50% Gas
- 1.3% Gasoil
- 1.5% BTZ



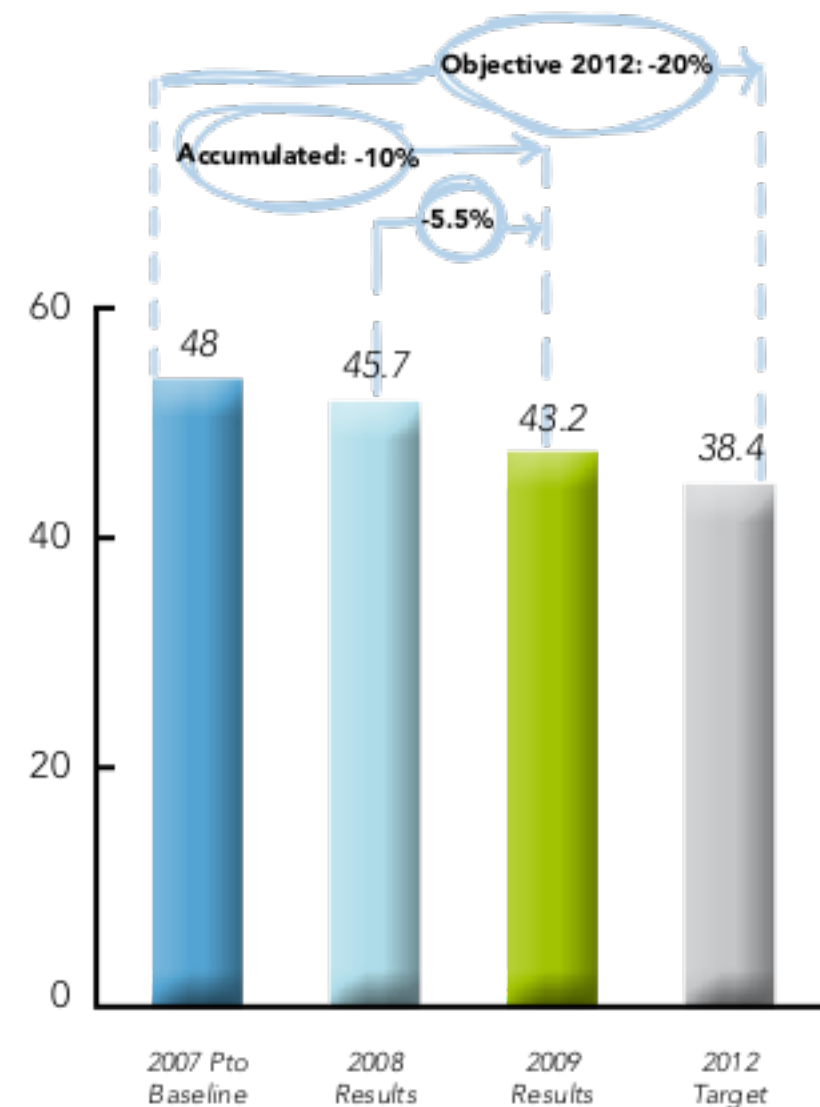
Energy Consumption (kWh)



Energy Consumption (kWh / Guest Night)



The kWh consumption figure is the sum of the electricity, gas, gasoil and propane items.



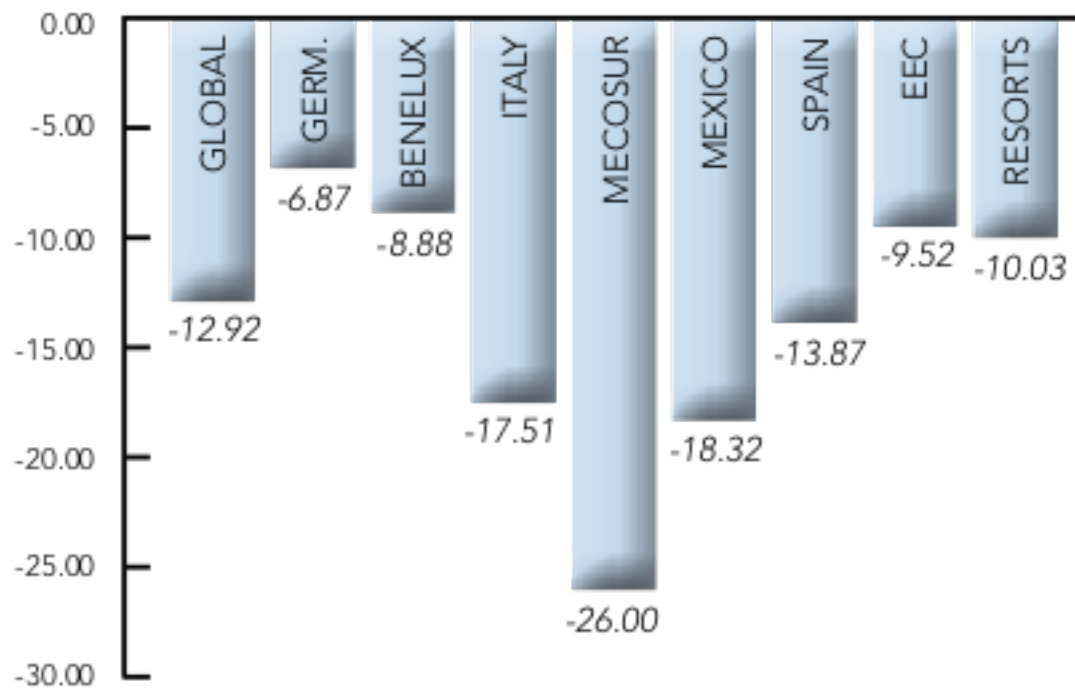
These improvements in the attainment of the objectives established in the Environmental Plan accounted for **savings of around €7.9 million from 2008 to 2009**.



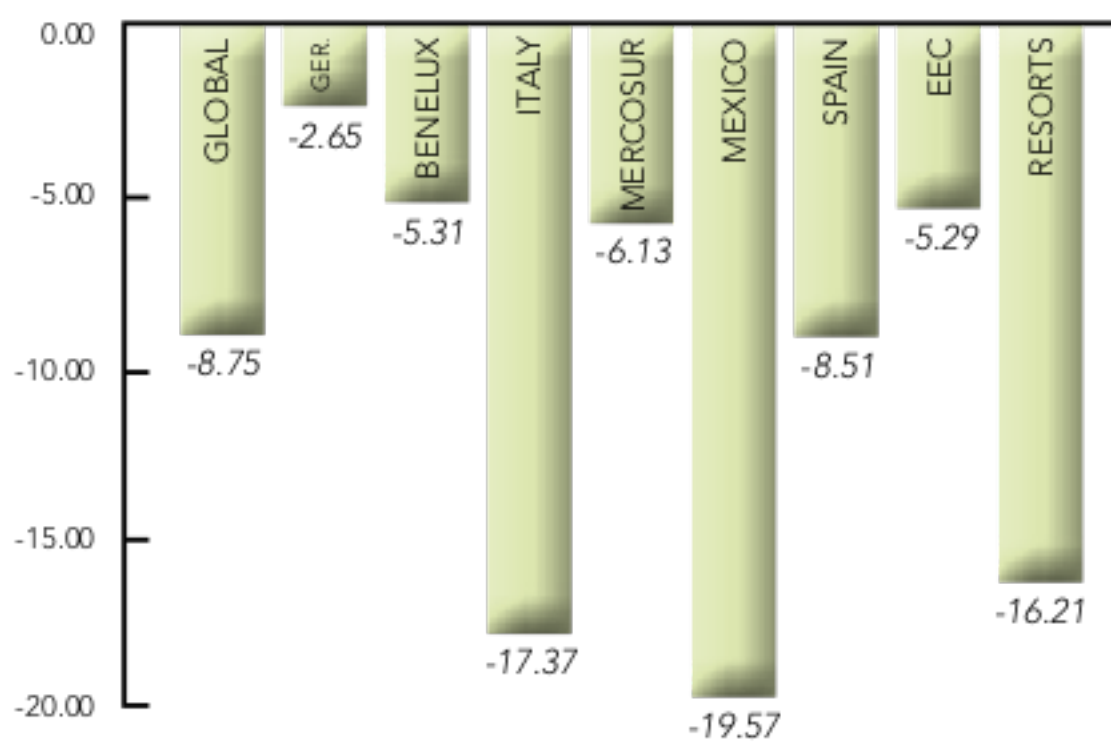
Water

Water consumption at NH Hoteles in 2009 recorded a **decrease in the overall consumption** of comparable hotels, declining by nearly **13% in absolute values**, equal to 443,380 m³.

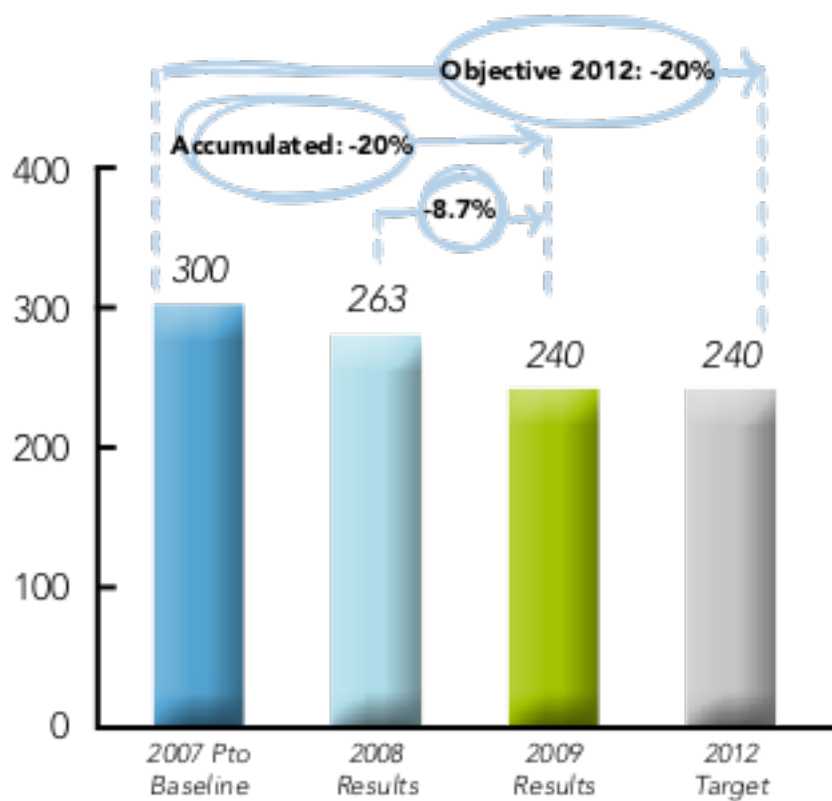
Water consumption (m³)



Water consumption (l. / Guest Night)



Water consumption per Guest Night



Consumption in 2009 was 240 litres per client per night, representing a **12% improvement compared to 2008**. The incorporation of water saving devices and surveillance of heavy consumption equipment in kitchen areas and facilities such as swimming pools and spas made this result possible.

This reduction also provided economic **savings**, amounting to nearly **€1.5 million in these two years**.

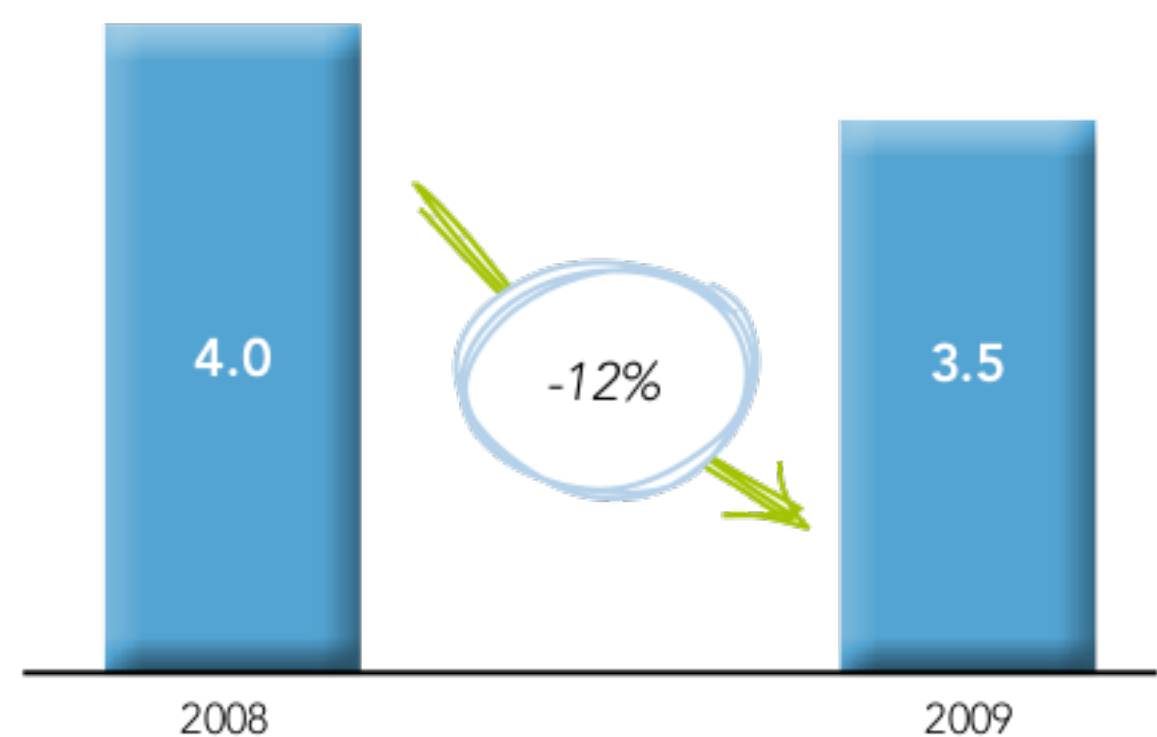
Success of the efficiency programmes

Water consumption per guest has fallen 20% since the start of the Environmental Plan, which means 2012 targets have been met already.

Waste

NH Hoteles has achieved a **14% reduction in overall waste production** and a reduction per guest of more than 12%.

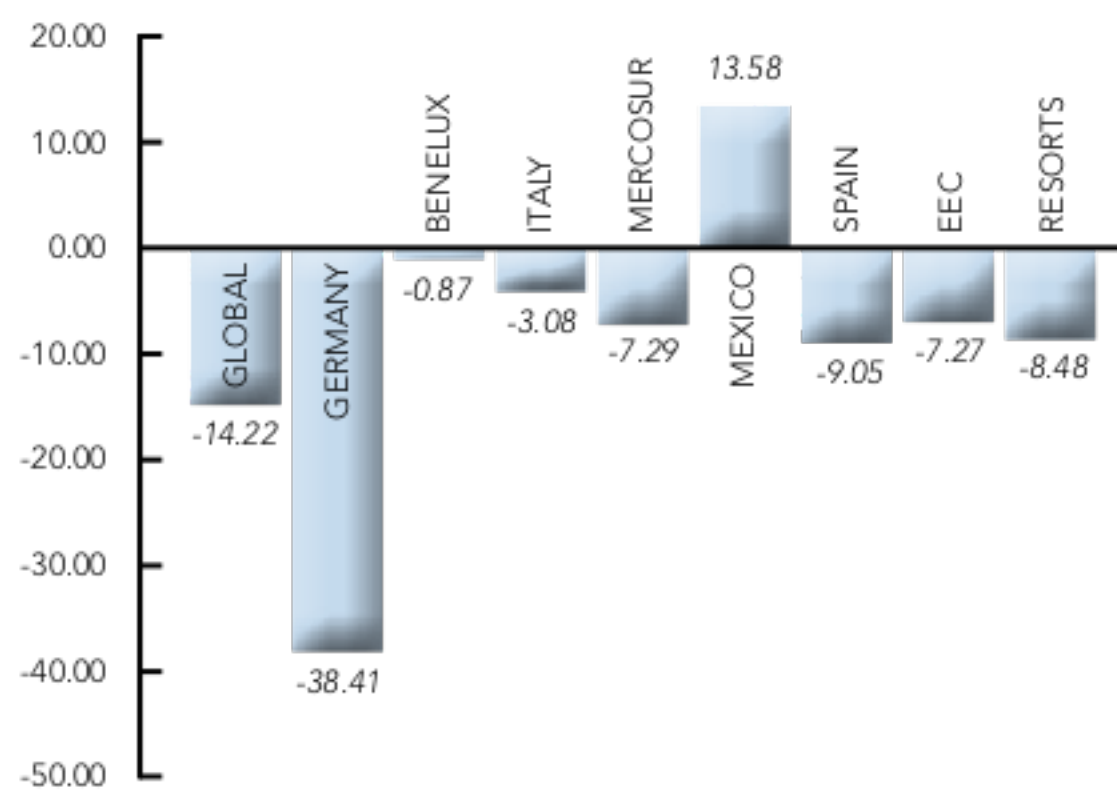
Waste generation reduction (kg. / Guest Night)



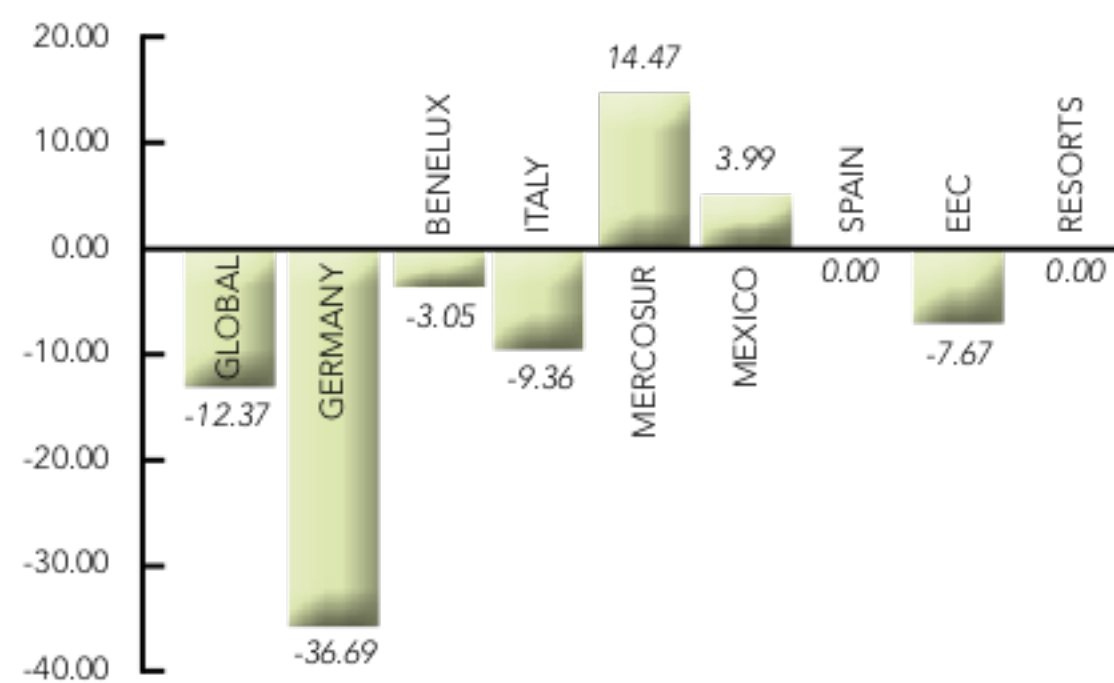
Urban hotels

There has also been a general fall in waste generation and in the guest/night waste production ratio, 12.37% less in 2009 compared to the previous year.

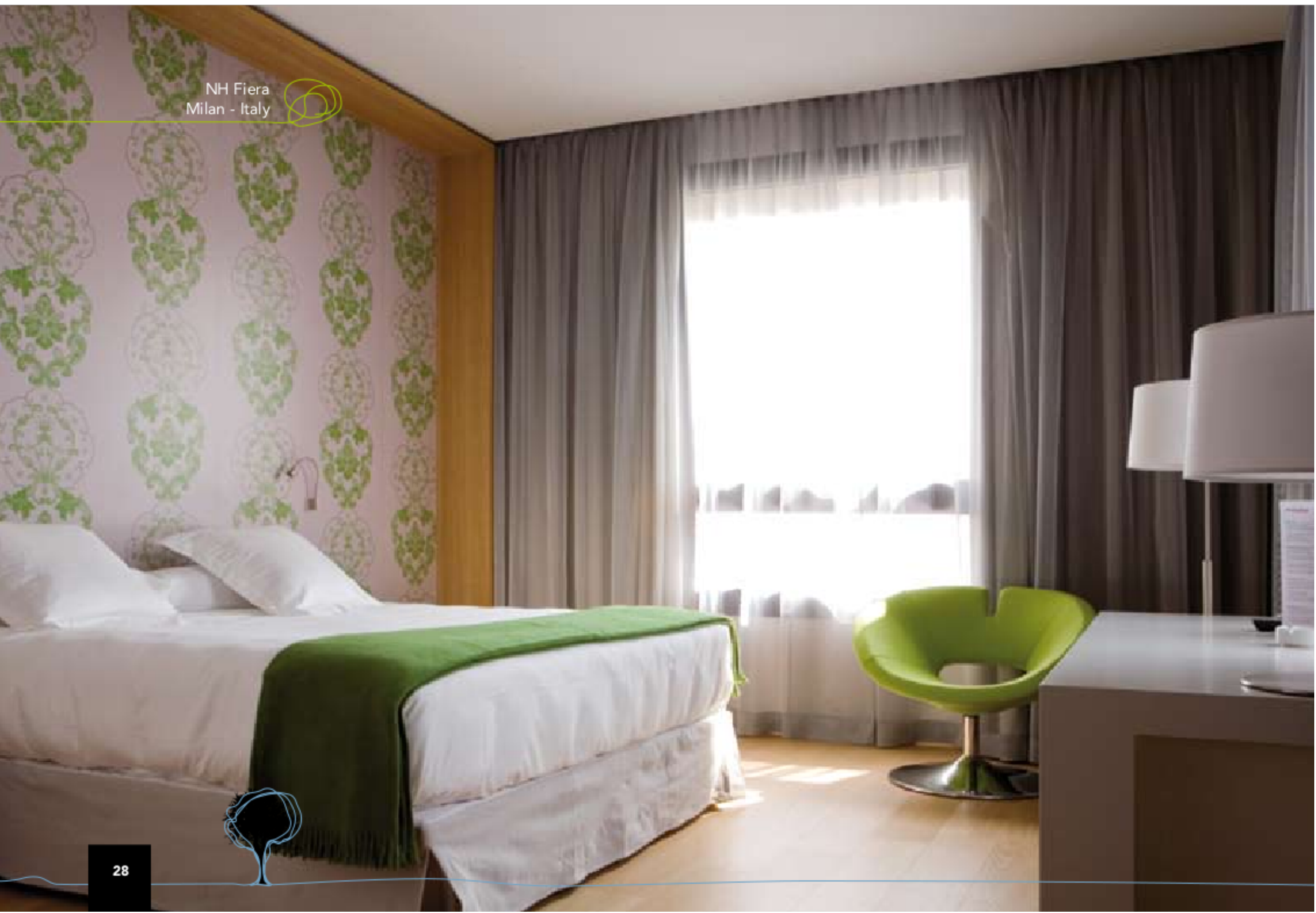
Waste Generation (kg.)



Waste Generation (kg. / Guest Night)



*The increased savings obtained in the Mercosur countries and in Mexico were a result of the dramatic reduction of occupancy in the period as well as of the development of the swine flu epidemic in these countries.



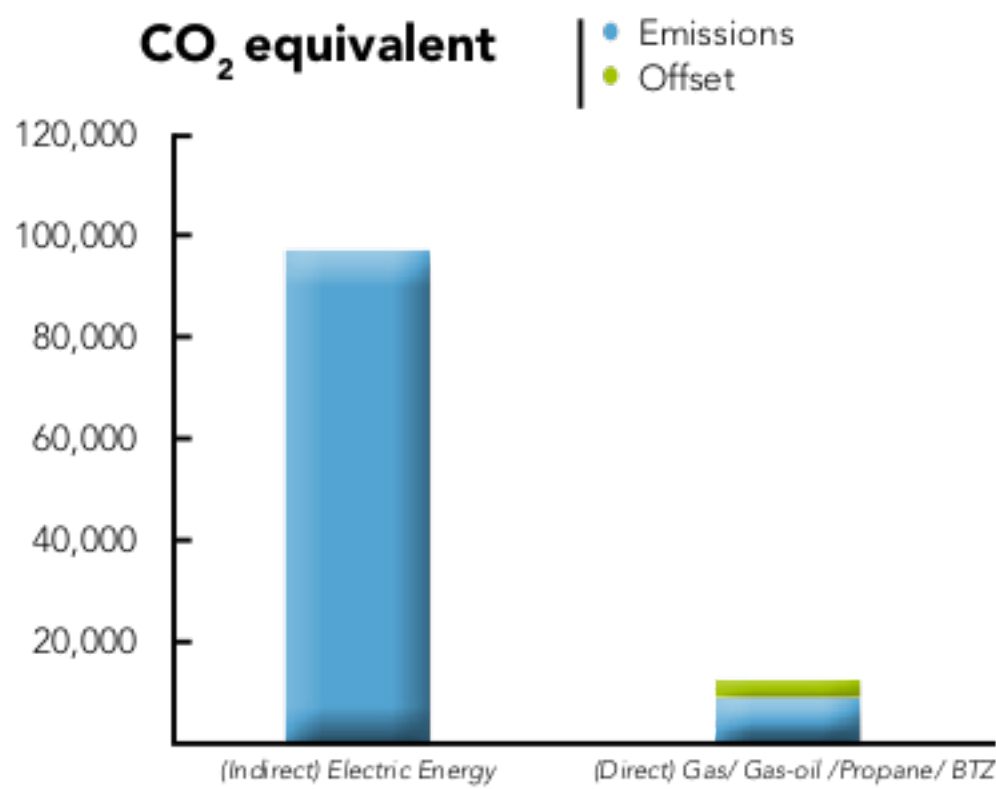
NH Fiera
Milan - Italy

Paper

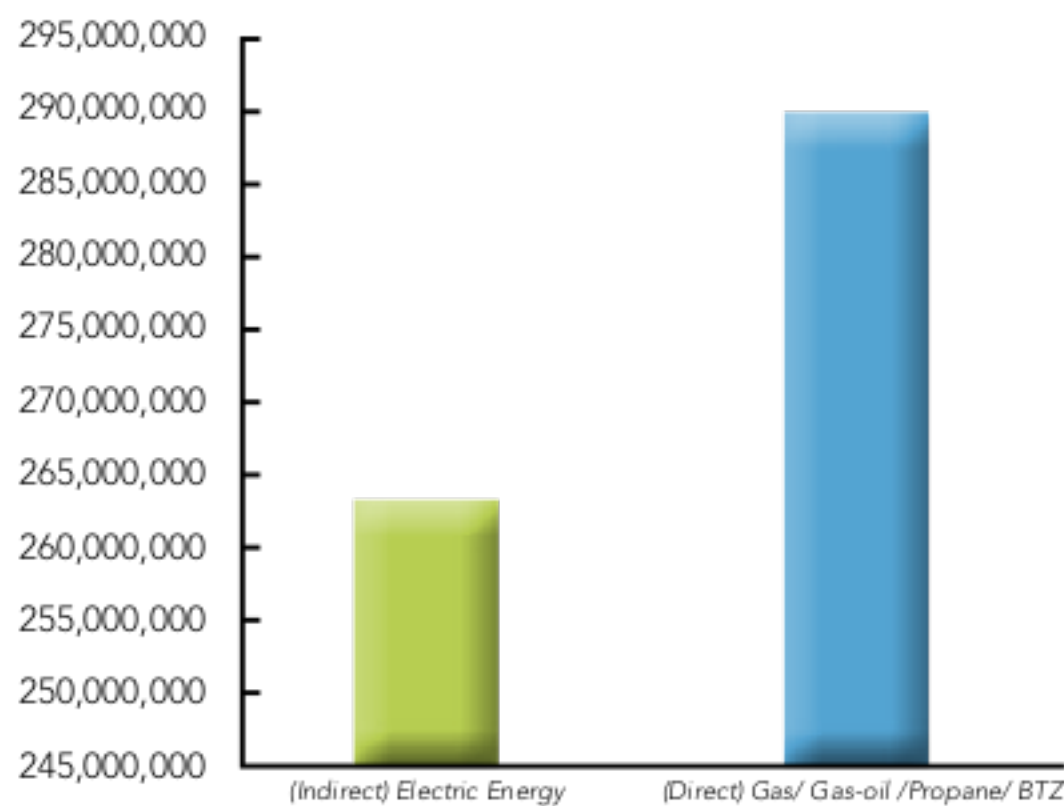
Starting 1st July 2008, NH Hoteles implemented electronic billing at its hotels. Another factor contributing to lower paper consumption is the enhanced control over printing processes. In 2009 the use of "pay per print" systems was implemented at the headquarters and at the hotels.

CO₂ emissions

In order to reach our commitment of reducing carbon dioxide emissions by 20% in the 2008-2012 period, we have developed an internal method for **calculating the carbon footprint** of NH Hoteles, enabling us to measure our emissions and to establish guidelines to reduce the generation of those emissions.



Energy consumption (kWh) by source



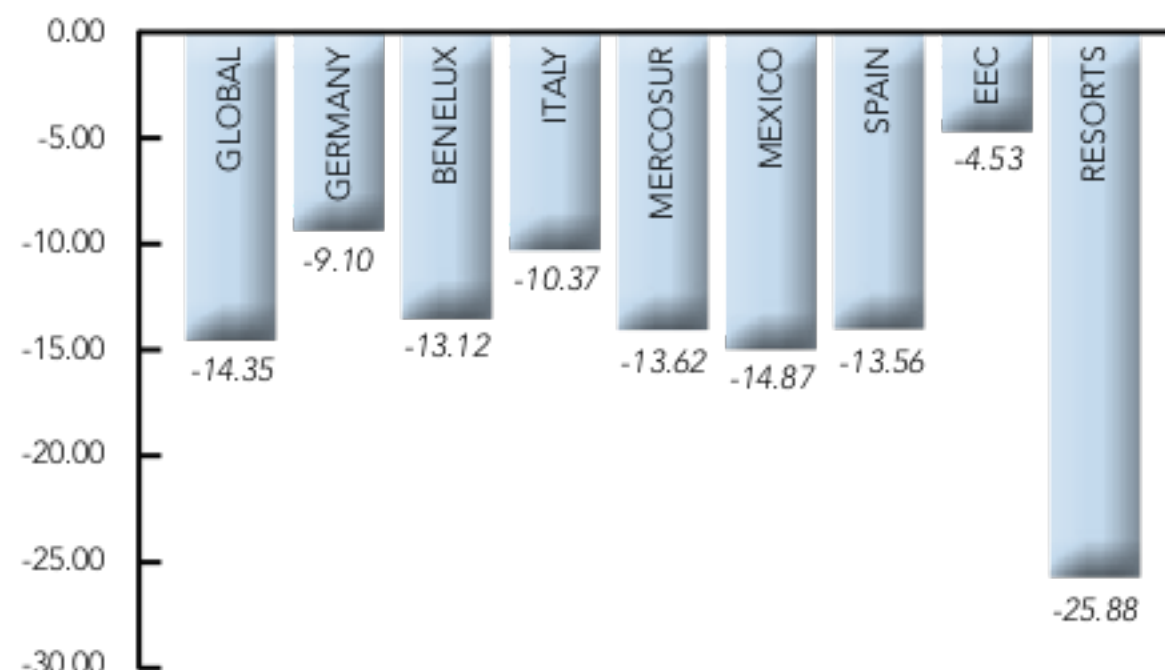
According to this initiative, NH Hoteles quantifies the volume of direct emissions of Greenhouse Gases, measured in equivalent emissions of carbon dioxide, which are released into the atmosphere as a result of the development of our activities. This analysis comprises the following emissions:

- **Indirect emissions** associated with electricity consumption.
- **Direct emissions associated with mobile combustion:** company cars.
- **Direct emissions associated with fixed combustion**
- **Direct emissions associated with consumption of gas, gas oil, propane, BTZ.**

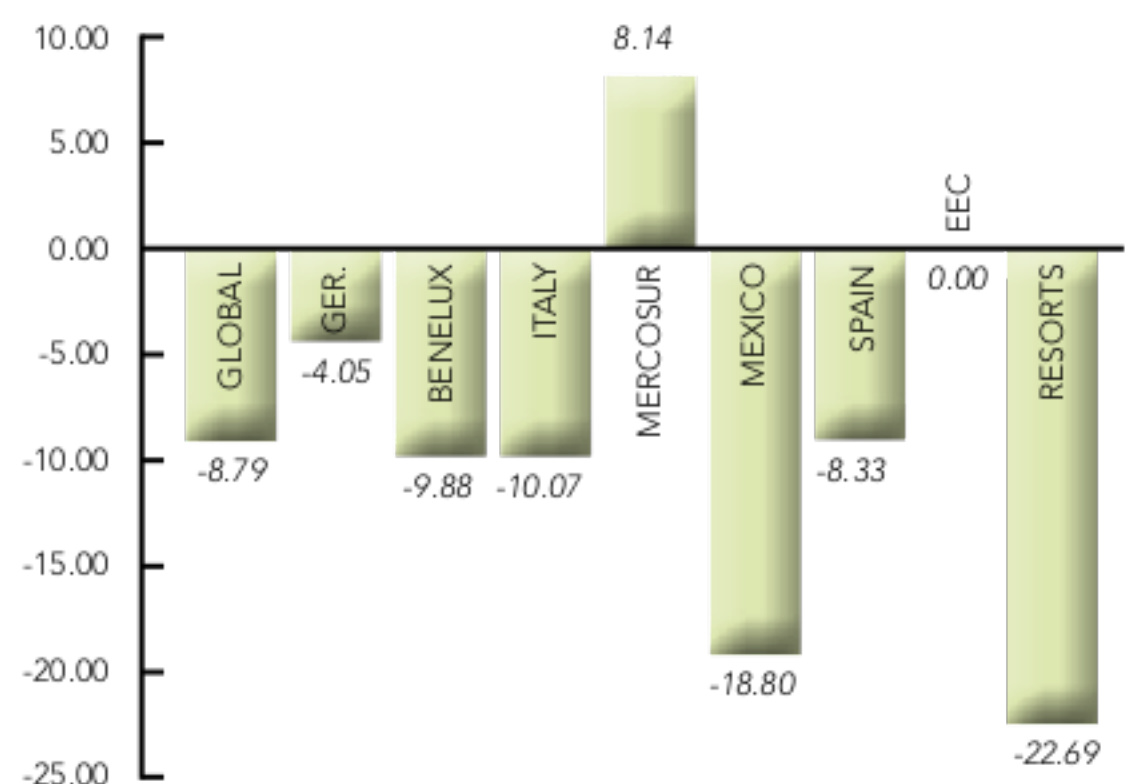
Once the activity data are reported, we apply our internal method, based on the IPCC Guidelines for National Greenhouse Gas Inventories and the GHG Protocol Corporate Accounting and Reporting Standard of the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI), which are global benchmarks for the performance of greenhouse gas inventories.

In 2009 there was a general decrease in the emissions of carbon dioxide there was a **14% general reduction** and the ratio per guest was 8.79% lower than the year before.

CO₂ Emissions (ton.)



CO₂ Emissions (ton. / Guest Night)



Renewable Energies

NH Hoteles **favours the use of alternative energies**, both at its supply base and in self-generation. In 2009, the competitive tender for the supply of electric power to our hotels in Spain included environmental care among the supplier selection criteria.

100% of the electric supply for our hotels in Spain, following the new contract that was enforced on 1st July 2009, incorporate the "guaranteed source" seal, which certifies that the power that is supplied comes from renewable energy sources. Specifically, 59,911,931 kWh consumed in 2009 bear the "green energy" mark duly recorded with the National Energy Commission (NEC).

With the projects carried out in 2009, **17.6% of NH Hoteles in Europe include renewable energy.**

Hotels in Europe that use renewable energies

	%
NH Europe	17.6
Germany	41.4
Benelux	21.4
Italy	14.6
Spain	8.6
Central and Eastern Europe	20

Solar power

We currently have a **total of 2,056 m² of solar panels** which account for 2,138,685 kWh/year of **power generated in 26 hotels in Spain and Italy.**

During 2009, we were able to **increase the total surface area of panels by 15.18% and increase power generated with clean energy by 21.66%.** This resulted in a reduction of 778 tonnes of CO₂ emitted into the atmosphere. In the short term we will install a further 356 m² of panels throughout Spain, amounting to a total of 1,684 m², and an overall power generated of 2,027,585 kWh per year.

The traditional type of NH Hoteles, with urban, centrally located hotels in renovated historic buildings and limited flat roof area, poses a challenge for installing solar technology. Nevertheless, we have known how to exploit and optimise the use of these systems to ensure that 15.4% of our national establishments have this technology.

3. Key initiatives

- **Ecobola:** Ecological, effective and cheaper alternative to traditional detergents for washing laundry. What's more, it contains no chemicals, which eliminates discharge into the sewage system.
- **Promotion of electric vehicles:** In line with the Movele Plan Policy, managed and coordinated by Spain's Institute for Energy Diversification and Savings, NH Hoteles has been quick to install recharging points in the car parks of its most emblematic hotels.
- **More sustainable fleet:** We are replacing the fleet's vehicles with more sustainable and environmentally friendly alternatives, in line with maximum CO₂ emission values.



Earth Hour
A WWF initiative which involved governments, citizens and companies in a joint action to highlight the effects of global warming. More than 750 cities from 75 countries turned out the lights of their most emblematic buildings and NH Hoteles joined the campaign too by switching off the lights on the fronts of 251 of their hotels around the world for one hour.

- **NH Sustainable Club:** Created in 2008, this club aims to promote dialogue and the participation of suppliers committed to developing sustainable products and services.



- **Improvements in kitchens:** We continue to apply specific measures for the exhaustive control and reduction of consumption in kitchens, an area which represents approximately 25% of total energy consumption and 18% of water consumption in a hotel.
- **Intelligent room:** This room is able to monitor the water, light and energy consumption of guests in real time.

“The NH Sustainable Club demonstrates NH’s unique global leadership, educating and showing the way to a profitable yet sustainable lodging business model. At Diversey, our commitment to sustainability is part of our genetic code and we are proud to share with NH the same vision and values. The alliance between NH Hoteles and Diversey through the NH Sustainable Club allows us to develop innovative, sustainable and profitable solutions in a much more efficient manner.”

Pedro Chidichimo
Diversey President EMA



4. Reduction in impact of consumption elements

- **Minibar** units in need of replacement: replaced with more energy-efficient units (**class A**).
- **Traditional taps replaced with alternative taps that optimise water flow:** aerators on the taps of 64% of hotels and 78% of showers.
- **Dual flush devices for cisterns** in 73% of its hotels.
- **Rooms redesigned** to make better use of useful m².
- **Traditional lighting elements replaced with more efficient alternatives** (longer-lasting and lower energy consumption). Energy-saving light bulbs currently installed in 84% of hotels, both in rooms and communal areas.
- **Management and control systems** that detect the presence of an occupant and deactivate energy consumption elements in their absence.
- **Introduction of oxo-biodegradable individual amenities**, replacing traditional plastic packaging, in those hotels where there are no automatic dispensers.

Solar panels at NH Parco degli Aragonesi
Catania - Italy



- Check out with **bill sent by e-mail** replacing printed bill, with adoption of this in 137 Spanish hotels and 1 Dutch hotel, issuing more than 150,000 bills in digital format.

Specific training for employees

In 2009, training was given which included five training modules in the chain's Environment and Corporate Responsibility policies and specific training for maintenance, floor and kitchen personnel. This training is provided through the e-learning platform and is compulsory for all employees.



5. Climate Change

The goals specified in our Environmental Plan and our voluntary emission compensation scheme testify to NH Hoteles' implication and commitment in the fight against climate change.

a) Carbon footprinting guide

During 2009, NH Hoteles implemented the Carbon Footprinting Guide, which lays down how to measure the variables that influence the Company's impact and represents a firm commitment to conducting reliable and contrastable studies in the future.

b) Carbon Disclosure Project (CDP)

During 2009, NH Hoteles began reporting for the United Nations Carbon Disclosure Project. This report distinguishes a selection of world organizations for their efforts in fighting climate change.

c) Carbon offsetting

In 2009, we went one step further in our environmental commitment through voluntary emission offsetting by investing in a hydroelectric power generation project in the state of R ndonia, Brazil.

6. New sustainable products

• Ecomeeting

This new form of organizing events, congresses and conventions is defined according to sustainability criteria and represents eco-friendly use of energy resources, as well as the use of low environmental impact products and fair trade elements.



• Oxo-biodegradable materials

- Biodegradable laundry bags, which are already being used in our hotels.
- Biodegradable ballpoint pens.
- New oxo-biodegradable "Agua de la Tierra" amenities.

7. Certifications

The internationalization of NH Hoteles, which is now present in 24 countries and different continents, led us to draw up an Environmental Certification Plan that took account of our customers' recognition of environmental quality schemes. That is why NH Hoteles has not defined a single certification standard for all the countries, but instead adopts local or international certification schemes, depending on our types of customers.

The goal is for 100 hotels to obtain an environmental quality certificate by 2012. In 2009, the following hotels had earned this type of recognition:



Business Unit	CERTIFICATE	Num.
Benelux	GREENKEY GOLD	18
	GREENKEY SILVER	16
	GREENKEY BRONZE	1
Spain	ISO 14001	1
	CATALONIAN ENVIRONMENTAL LICENCE	19
Central and Eastern Europe	ÖKOBUSINESSPLAN	5
Italy	ISO 14001	4
Mexico	SINGLE ENVIRONMENTAL LICENCE	4
	ENVIRONMENTAL CERTIFICATE	2
TOTAL	TARGET: CERTIFICATION OF 100 HOTELS	70 %

ISO 14001: This internationally accepted standard sets out a framework for putting an effective Environmental Management System (EMS) in place. The standard is designed to address the delicate balance between maintaining profitability and reducing environmental impact. With the commitment of one's entire organization, it can enable one to achieve both objectives.

CATALONIAN ENVIRONMENTAL LICENCE: establishes administrative involvement in business activities to guarantee that appropriate measures are in place to minimize this risk.

ÖKOBUSINESSPLAN: Launched in 1998 by the municipal department of environmental protection.

GREENKEY: eco-label for tourist facilities aiming to contribute to the sustainable development of tourism by awarding and promoting good practices. There are 3 different levels of certification: Gold, Silver, and Bronze.

SINGLE ENVIRONMENTAL LICENCE: Mexican environmental audit designed to ensure compliance with water, air, noise and vibration regulations. This document certifies that the hotel complies with environmental regulations.

ENVIRONMENTAL CERTIFICATE: The environmental department of each local council in Mexico checks the same parameters as the Single Environmental License, and issues an environmental certificate of compliance if all the tests are passed satisfactorily.






Social Performance

I. Employees

In an economic situation featuring a reduction of the occupation of hotels in our chain over the last 2 years, NH Hoteles had to adapt its staff numbers to the occupation levels of each hotel. In 2009 we had an average of **17,268 employees**, 9.4% less than the previous year. In an effort to avoid layoffs or redundancy plans that might affect our employees with permanent contracts, we adopted measures based on the flexibility of the local labour laws and did not renew a number of temporary contracts.

NH Hoteles is a diverse and global company, with employees of **118 nationalities**, 13% of whom work in countries other than their country of origin. 49.6% of the total workforce are women and 49% of them hold management positions, this figure rising to 50.4% in Spain.

1. Diversity management

- No gender or nationality-based percentages have been established in the People Management Systems (recruitment, training, remuneration or promotion). The percentages are the result of a natural trend but their management is understood as an opportunity.
- In 2006, NH Hoteles published the **Employees' Code of Conduct** as a framework of respect for Equality. In 2009 NH Hoteles worked on drafting a **Diversity Policy** (currently subject to internal consensus and approval).
- Candidates are promoted on the basis of their skills and attitudes. Proof of this is that, **in Spain, 50.4% of Hotel Managers are women, and throughout the Company this figure is 49%**.
- In **Performance Management 2009** process, of the total 12,300 assessed, 1,959 employees (16% of the headcount) have been classified as a "High performer", and 53% of them were women.

- In the last **Employee Satisfaction Survey** one of the questions that met with the highest level of satisfaction (93.4%), addressed the issue of respect in the office/hotel for culture, language, religion, age and gender differences.

Aflora Plan 2009

"Because all of us are equal and all different"



In 2009, Hoteles Hesperia and the Adecco Foundation Spain launched the Aflora Plan, an initiative to raise awareness about disabilities and favour its normalization in the company. The Plan's 3 pillars are:

- **Normalization:** reducing Hesperia's employees' fears and myths about the disabled that trigger discrimination in companies.
- **Awareness-raising:** this implies putting yourself in someone else's shoes, not just understand their needs, their interests and their difficulties, but being an active part of them.
- **Information-Advice-Accompaniment:** the process ends with information and advice on labour integration and career development of disabled people (employees and their relatives).



Diversity Charter

In March 2009 NH Hoteles signed the Diversity Charter launched by the Ministry of Equality and the Foundation for Diversity (Spain). By signing it, NH Hoteles has committed itself to complying with EU Directives and local legislation on non-discrimination, equal opportunities and diversity.

2. Internal Communication

We have a total of 431 Internal Communication Officers throughout the group, 401 in workplaces, 7 in Business Units and 23 in the Corporate Department. Communication tools:

- **Corporate Intranet:** Offering consolidated support for continuous information and direct access to internal websites and content. In 2009 the intranet played a key role in contingency actions such as the launching of the Swine Flu Campaign and the Action Protocol or the "We are all sales" promotion.
- **Internal Bulletins and Desktop Wallpapers:** With up-to-date information on openings, job performance assessment, messages, campaigns, contests, awareness-raising and training schemes.
- **Employee Mailbox:** In 2009 we received 148 messages.
- **Posters and leaflets:** Supporting material for different internal communications campaigns in 2009.

- **Internal Communications:** In 2009 more than 113 internal communiqués were sent in paper, digital and audiovisual format.
- **Idea NH:** Area to receive suggestions from our employees for improving our management. The most interesting initiatives are assessed and enter the NH Hoteles Employee Recognition Programme. In 2009, we launched a special edition related to the "We are all sales" programme and 141 ideas were received throughout the year.
- **Staff Club:** With the aim of increasing pride in belonging and offering additional measures to those in the company rewards and benefits policy, this area of the intranet publishes product and services offers, as well as special offers at NH Hoteles, by Business Unit.

3. Satisfaction Surveys

In 2009, the two-year Staff Satisfaction Survey was carried out, as was the annual Purchasing Department Survey which is sent to its internal customers.

The general survey saw a high participation level. The level of satisfaction remained at that seen two years previously, 73%, whilst 21% of staff expressed low satisfaction (in 2007, this percentage was 16%). We consider these results to be a success considering the current economic context and the measures adopted as a consequence of it.

The 2009 survey contained questions concerning the degree of awareness and identification with the Environmental Plan and Corporate Responsibility actions for the first time, with an average response of 2.1 out of 3.



4. NH University

Fundamental vehicle to enable company staff to internalise practices, policies and procedures, whilst boosting their commitment and pride in the organisation.

In 2009, **€944,500 was invested in training**. A total of 323 training sessions were given, which represents 19% less than the previous year, since **online training** was encouraged this year in order to minimise travel.

NH University has trained, on its 8 campuses, 34,476 participants in classroom mode and **54,038 participants via e-learning**, which represents **247,484 hours of training** in 2009 (5% less than in 2008). It must be emphasised that during 2009, the hours of training via e-learning represented 25% of the total training hours compared to 2% in 2008.

Altogether, 313 in-house instructors gave a total of 105,975 hours of classes, representing 43% of the total number of training hours in 2009 (compared to 32% of hours of external courses).

NHU Highlights 2009

- **"We are all sales".**
NH University designed 3 Sales Principles and organized 100 presence meetings in the different hotels and offices to support this initiative, raising levels of awareness among employees.

- **NHU Certification.**
Consolidation of the scheme that lets all employees earn certification on the job and maximize their access to knowledge.
- **NHU Learning Lounge.**
The on-line training platform has been extended and, in addition to the 30-plus on-line courses, includes an Information and Training Video corner and an FAQ section.
- **Corporate Responsibility and The Environment.**
Launching of the compulsory sustainability training course, a pre-requisite for enrolling on the NH Hoteles' Internal Development Programmes.
- **New European Reservations Desk.**
NH University devised a distinctive training and supervision plan for the new reservations desk, in line with the company's objective to promote efficiency and quality in customer services during reservation procedures, to reduce costs and to further professionalise this sales channel.
- **Environmental Principles.**
As a continuation of the "6 Steps for Sensible Use of Natural Resources" published in previous years, NH University has devised and published the "Environmental Principles" in nine languages, which include action plans focused on reducing the company's ecological footprint.
- **Integration.**
The rigorous and detailed planning of the training project to integrate the Hesperia hotels deserves special mention. On this project alone, NH University will hold 232 sessions for over 2,600 people, using 20 in-house instructors in a record time of three months.
- **Project One.**
Design and review of NH University processes worldwide (Internal Development Programme (IDP) for Managers, IDP for Middle Management and NHU Certification Programme). Likewise, analysis has been carried out in relation to the existing Hesperia training processes with the aim of identifying common factors and best practices
- **Professional Hotel Management Training.**
The Business Unit to which NH Holland belongs has reached an agreement with the Dutch Institute ROC Mondriaan to offer its employees in the Restaurant and Kitchen departments the opportunity to enrol for Professional Training in Catering, combining their work and study.
- **NH Spirit Induction Programme.**
This involves the induction of new joiners to the NH world, and seeks to generate excitement about joining the company, transmitting the values which make up the NH Spirit. In 2009, 2,469 employees took part in this programme making a total of 10,365 hours of training.



5. Talent Development

For the sixth year running, new cycles of the **Internal Development Programmes** (IDP) for Managers and Middle Management, have been organised in all Business Units. Furthermore, in 2009, the “**Development Centres**” approach has been consolidated, rigorously and objectively identifying candidates with great potential to participate in both the **PDI Managers** (internal development programme for potential Hotel Managers) and in the **PDI Middle Management** (programme aimed at potential Departmental Managers).

In 2009, a total of 106 employees were identified as having the potential to take on managerial positions and 68 of them have been selected to take part in IDPs.

Furthermore, the Human Resources Department has placed particular emphasis on the process of giving out the results obtained by each candidate during the participant selection days.

6. Performance Management

For NH Hoteles, the human team is what makes it possible to maintain leadership and achieve excellence in customer service. As such, we use a performance management system as a **tool for the professional development of each person** in the company. It is an annual process which results in an individual action plan, in which all employees and their managers set out development objectives for the coming year.

Management by Objectives (MBO) is the variable incentive management system that enables us to monitor staff performance; to align individual, departmental and Business Unit objectives with corporate objectives and measure the contribution and effort of each employee in achieving these objectives.

7. Social benefits

- **Voucher Amigo and Employee Rate:**
Special offers for employees at any NH destination in the world, and a 30% discount on the products and services of NH Hoteles.
- **Electronic Voucher Amigo:**
All employees can use the NH Hoteles web or intranet to make reservations directly and more time- and cost-efficiently for their friends and relatives with the Voucher Amigo rate.

- **Employee recognition programmes:**
Aimed at publicly rewarding those employees who have demonstrated an extraordinary professional performance with an attitude that reflects the company values, by means of credits which can be spent on hotel products and services. In 2009, 1,112 employees were recognised through this programme and a total of 55,792 credits were distributed between their staff cards.
- **Plan for Identifying Special Cases:**
This seeks to collaborate with employees suffering a specific personal or family problem that may affect their normal everyday life or work. Always respecting the privacy of each case, a possible collaboration is evaluated, often involving simple actions which facilitate solutions or offer support in the face of illnesses or other ad hoc needs.

8. Industrial Health and Safety

At the beginning of 2009, we published and started to implement **the NH Hoteles Prevention Plan** written the previous year. The main change brought about by this plan is the integration of preventive activity at all levels of the company's hierarchy, establishing preventive functions and responsibilities for managers, middle management and employees.

Highlights in 2009:

- a) Protection of pregnancy and breast-feeding:**
Publication of an Occupational Risk Prevention Procedure for the Protection of Maternity and Breast-feeding with the aim of setting out guidelines for pregnant or breast-feeding staff.
- b) Specific campaign for the Housekeeping Department:**
Continuation of the training and awareness campaign for the Housekeeping Department, a group which suffers the largest number of accidents related to ergonomics linked to excess physical effort.
- c) Harassment at work prevention protocol:**
As part of devising the Equality Plan, a new protocol has been written concerning the prevention and handling of cases of sexual and gender-based harassment.
- d) Swine Flu Campaign:**
The Risk Prevention Department has defined an Action Protocol for all NH Hoteles. As part of the internal communication campaign, the entire procedure was placed on the Intranet and an information video was published on YouTube. Leaflets and posters were also designed to support the information and measures included in the Protocol.



Networking
 Did you think about where you are going to celebrate if tomorrow isn't work at NH Hotels...
 You are part of a team. It does not matter which department you belong to, we can all contribute to NH Hotels' growth.

Cross selling
 How do you think about where your guests will stay? Why don't you book the rooms right here?
 You listen, investigate, research, discover... If the more information you have, the easier it will be for you to satisfy your guest's needs and their needs.

Upselling
 Did you know that upgrading to your guests can upgrade their rooms for just a little more?
 Take advantage of your knowledge of NH products and services. Because for a little more, the client can get a lot more.

Business opportunities are always there. Find them!

Coming soon in NH University Learning Lounge
 Access through the Intranet or following the link <http://nhuniversity.innovia.com>

NH University



9. "We are all sales"

The success of this Programme aimed at generating a commitment to sales, as a form of **positive staff mobilisation in the face of the situation of economic downturn**, has led to an increase in the **feeling of belonging**, and maximum **employee involvement**. Part of the revenue generated as a consequence of the project has been calculated at over €25 million at company level.

This program had a genuine impact on the organisation, engaging and involving the entire team of NH in income generation.

"Very often, when you feel you're really a part of a company, you end up making it part of your personal life. You find plenty of opportunities to offer your hotels; at a dinner with friends, at the gym, at a neighbours' meeting, at your cousin's wedding... This year, due to the tough situation that we've been through, it's been easier to instill the "NH culture" among people who thought that they couldn't afford to stay at our hotels. At the same time, and on a professional note, we've had to sharpen all our senses to attract new business and keep existing business loyal. We have had to work shoulder to shoulder with our company, helping however they needed us to, and "We are all sales" has been a great challenge for everyone. If you believe in what you are selling, you'll sell."

Gloria Torrego,
 Sales Department. Spain

Communication campaign

Currently, over 200 employees form part of the commercial team and around 17,000 employees have been identified as having high commercial potential which should be developed. In 2009, all employees with MBO (Management by Objectives) had a sales objective representing between 5% and 10%, as well as participating in the recognition programme for all employees. With the objective of raising awareness amongst all employees, a widespread communication, information and awareness campaign was carried out using different materials: **posters, leaflets, videos, knowledge pills, etc.**

10. One To One Programme with strategic groups

In 2009, we wanted to **consult our key staff** in order to find out their level of satisfaction and their opinion on the delicate current situation, **identifying initiatives that these groups could implement in order to boost company performance.**

The One To One project was launched, which involved interviewing participants of the IDP programme (from any cycle), Central Services Salespeople, Hotel Managers and Central Services employees with an "A" (maximum grade) in their most recent appraisal.

Key results
Participation: 614 employees.
The level of satisfaction is high, considering the current situation: 7.68 out of 10.
85% feel appreciated and 90% feel that their expectations are met.
90% believe that NH has reacted very well to the crisis and 69% believe that we have done so better than our competitors.

II. Society

We aspire to be the **Neighbour of Choice** for our commitment and collaboration to the communities where we have a presence, in line with our company strategy, bringing value and supporting local development.

With this in mind, we have a **management system called Solidarity Index** which enables us to identify those local organisations whose field of work, objectives and needs are in line with our business, selecting those with whom we can collaborate.

1. Community ties

The Corporate Responsibility Department supervises and collaborates in local decision-making through the CR Officers of each Business Unit, who convey all the information required, and handle all the community involvement actions.

2. NH Amigo Solidario Programme

We help NGOs with their accommodation and catering needs by offering them special rates through this scheme. In 2009, the organizations responded very positively and the scheme has been extended to other Business Units, covering a larger number of NGOs and Foundations.

Total social collaborations
in 2009: 259

Total n° of organizations: 207 social
organizations benefitted + 47
organizations benefitted from NH
Amigo Solidario

3. Voucher Amigo

NH Hoteles donates €1 and €2 to community involvement schemes from the special rates enjoyed by employees with the Voucher Amigo and Employee Rates every time they use them. This amount is added to the rest of the Corporate Responsibility budget for international community involvement projects.

4. Key community involvement projects

BENELUX/UNITED KINGDOM/France/AFRICA BUSINESS UNIT

Clini Towns: NH Hoteles collaborates actively with this Foundation which tries to make children's time in hospital more pleasant with the presence of clowns, games and fun.

KiKa (Cancer-free children): Initiative that raises funds for the 7 cancer children's centres in Holland.

MEXICO & CARIBBEAN BUSINESS UNIT

Unicef: In 2008, NH Hoteles signed a co-operation agreement with UNICEF to develop the "**Huésped de Corazón**" programme in the 11 hotels in Mexico. This scheme encourages the direct involvement of employees and customers, because all the funds raised are invested in projects to improve the welfare of Mexican children.

Fight against sexual tourism: NH Hoteles endorsed, in Mexico, under the auspices of UNICEF, the International Network against the Sexual Exploitation of Children (ECPAT) Code of Conduct, the objective of which is to promote the prevention and fight against the sexual exploitation of children in the tourism industry. Furthermore, the chain will train its staff in and make them aware of the prevention of sexual exploitation of children.

Environmental volunteer work in Mexico: NH Krystal Puerto Vallarta hotel employees help to collect turtles' eggs during the rainy season to support the protection of this species. In 2009, 432 eggs were collected on the hotel's beaches and delivered to the Environmental Police and the Hotel Vallarta Torre Turtle Camp.

INTERNATIONAL

"Christmas for everyone": international volunteers programme which seeks to promote employee participation in the campaign to donate toys and non-perishable foodstuffs to a local organisation.



GERMANY BUSINESS UNIT

Björn Schulz Foundation: We are cooperating in the funding of the child care centre through different events which have been organised at our hotels (Wrap for children, Charity concerts, etc). This children's home helps children and young people with terminal illnesses as well as their families.

Mittagskinder Foundation: NH Hoteles is supporting this foundation which focuses on working with disadvantaged children who regularly receive free meals and expert care.

Christmas bakery of hearts - Weihnachtsbäckerei mit Herz: Staff at NH Hoteles in Germany voluntarily cook for hospices, and organise dinners for the homeless...

Rote Hamm (Germany): Staff baked 50 kilos of Christmas cakes and helped at "Rote Hamm" on their days off, this is a local association for people who have had accidents and are injured.

CEE (CENTRAL AND EASTERN EUROPE) BUSINESS UNIT

"Grenzen Überschreiten" Association: We collaborate with the Central and Eastern Europe Business Unit, sending food parcels and toys donated by our employees through this organisation for Romanian children in the Transylvania region.

ITALY BUSINESS UNIT

Palermo Emergency Out-Patient Clinic: We are collaborating with this independent, neutral and apolitical Italian emergency organisation, which provides high-quality medical and surgical treatment to victims of war, civil struggles and poverty.

SPAIN BUSINESS UNIT

"Menudos Corazones" Foundation: NH Hoteles has been collaborating with this foundation for the last five years, giving away over 1,000 free nights' accommodation throughout the year at the NH Alcalá in Madrid, to the relatives of children and young people suffering from both congenital and acquired heart disease, who have to travel to the Spanish capital for operations.

Donate Your Mobile (Spain- Madrid- Head Offices): a cooperation agreement that encourages employees to donate their obsolete mobiles. These are recycled and the money collected is donated to social projects run by the NGO "Entreculturas" and the Red Cross.

MERCOSUR BUSINESS UNIT

"Todos somos parte": NH continues to work actively with the "Padre Mario" Project in González Catán (Buenos Aires, Argentina) with training schemes, seminars and corporate voluntary work to make it easier for the scheme's participants to find employment.





"Thanks to NH Hoteles' generosity, the families of Menudos Corazones have found the ideal place to rest while their children are in hospital. Some of the aspects that our families value most highly are the exceptional attention and affection that they receive from the staff at the NH Alcalá hotel."

Amaya Sáez,
Director of the "Menudos Corazones" Foundation

5. Support and cultural promotion

Mario Vargas Llosa Story Award: The last time it was run, 67 story books and more than 1,250 independent texts were submitted. The winning stories were published in a collection of books called "Noche de relatos". The prize is now awarded on a biennial instead of annual basis. In 2010, awards will be given to the prize winners amongst the participants who submitted their work in 2009.

NH Stock Art 2009: The collection has incorporated avant-garde photographers who have completed the new decor of recently opened NH Hoteles. In accordance with the latest design trends, original photography based on different media and topics brings innovation to the communal areas of our hotels.

6. Other initiatives

- Collaboration in **emergency initiatives**. In 2009, we collaborated with the victims of the Italian earthquake and the Madrid aircraft accident.

- **Special Case Identification Plan for Staff and their Relatives**, aimed at collaborating with those members of staff of the chain who may be experiencing a specific personal problem or special social situation.
- **Agreement with SAMUR to assist in emergency situations:** In 2009, NH Hoteles won the tender opened up by SAMUR in Madrid to collaborate in housing victims of disasters in the Madrid region and their relatives.
- **Collaboration with Computers without Borders (Spain):** We donate all of the electronic devices, computers and computer equipment that falls into disuse at our hotels and which the organisation overhauls and sends to social projects in different countries.
- **Digital Christmas with WWF:** NH Hoteles has collaborated with the WWF in producing online Christmas cards, for which it relied on the creativity of 150 children, those of our employees. The winning drawing was used for the design of the 2009 Christmas cards. As such, no paper cards were sent or printed, the investment in Christmas cards helping with different WWF environmental projects.



Grand Hotel Convento di Amalfi
Amalfi - Italy



NH Hoteles and its progress in Corporate Responsibility

I. Progress in Corporate Responsibility

As part of our Corporate Responsibility Master Plan and to bring the year to a close, each year we analyze the commitments made by for the year, assessing what we have done, the level of progress achieved in each initiative and the action lines we intend to set ourselves for the coming year.

Corporate Responsibility Management

Commitments 2009	Progress
Risk management. Implementing and monitoring mitigating actions (controls) in respect of the main risks.	100%
Compliance of the 2007-2009 Corporate Responsibility Master Plan.	100%
Revision of the Ethics Code to apply to all the value chain (suppliers, customers and associates). Communication and training for employees.	20%
Annual Report publication 2008. Obtaining A qualification by the GRI for our 2008 Annual Report as exercised prior to the external verification with the same qualification.	100%
Continue with the publication of the Progress Report linked to the fulfilment of the principles of the Global Compact.	100%
Continue with the diagram for RC Committee meetings.	100%
Corporate Responsibility Scorecard. Monitor indicators and implement corrective actions.	100%
External Communications Plan for our CR Report 2008.	100%
Monitoring the development of the dialogue with our stakeholders through specific actions and the assessment of results.	100%

Shareholders

Commitments 2009	Progress
Continue assessment of the model of Corporate Governance.	100%
Evaluate participation in initiatives linked to sustainable management (Carbon Disclosure Project, amongst others).	100%
Assess quotation in FTSE4Good Ibex Index.	100%

Employees

Commitments 2009	Progress
Negotiation and introduction of the Equal Opportunities Plan (Spain).	100%
Define a Corporate Policy on Diversity, establishing monitoring indicators on their level of compliance in all Business Units.	100%
Launch of an Employee's Satisfaction Survey 2009.	100%
Definition and implementation of the Action Plans derived from the results of the 2009 Employee Satisfaction Survey.	100%
In 2008 a Manager for Diversity was appointed who will drive the Policies and Plans on Diversity in 2009.	100%
Monitor absenteeism indicators and implement corrective measures.	100%
Continue to drive internal Communication for training and awareness-raising in Corporate Responsibility and the Environment.	100%



Customers

Commitments 2009	Progress
Quality Focus. Monitoring and Implementation of Action Plan arising from the Quality Assessment in all Business Units/Hotels.	100%
Quality Focus. Monitoring of customer surveys on a weekly basis.	100%
Quality Focus. Include questions on Sustainability in customer questionnaires.	20%
Continue with the development of content in the NHWorld Customer Loyalty programs.	100%
Introduction of the Communications Plan to customer in hotels on the group's environmental stance.	20%
Continue with the schedule of internal audits.	100%
Review service procedures.	100%
Update, training and awareness-raising with employees. Drive innovation for social or environmentally responsible products and services for customer groups.	80%
Revise hotel accessibility requirements.	20%

Suppliers

Commitments 2009	Progress
Supplier Evaluation: ethical, social and environmental criteria. International implementation of the process.	100%
Annual Suppliers satisfaction survey.	100%
Signing of Codes of Ethics by newly contracted suppliers at all Business Units.	100%
NH Sustainable Club. Develop new solutions for improving energy efficiency and sustainability in our services.	70%
NH Sustainable Club member relations scheme.	80%

Environment

Commitments 2009	Progress
Introduce actions derived from the 2008-2012 Environmental Strategic Plan.	100%
Monitor compliance with the strategic reduction objectives in the 2008-2012 Environmental Strategic Plan.	100%
Hold Environmental Committee Meetings.	100%
Implement the Sustainability Communication Plan.	40%
Waste Management. Adapt the Waste Management Manual in the Business Units.	100%
Define the corporate environmental objectives in the MBO 2009.	100%
Continue with the environmental management of Sotogrande and obtain Quality Seals and Certificates.	100%
Introduce the Renewable Energy Plan in all Business Units.	100%
Obtain environmental certifications.	100%
Design Environmental Web providing information about our commitments and actions undertaken.	100%
Implement measure to raise customer awareness about environmental performance.	40%
Pursue advanced training and awareness raising among employees in best environmental practices.	100%

Society

Commitments 2009	Progress
International introduction of the NH Amigo Solidario Programme.	40%
Continue with schemes for donating materials, food and equipment to NGOs.	100%
Design Corporate Voluntary Work Scheme.	100%
Define the Credits Donation Scheme (employees, customers, shareholders), points going to social and environmental projects promoted by NH Hoteles.	60%



CHALLENGES FOR 2010

For the period 2010, NH Hoteles has defined the main, key courses of action required to further its management of Corporate Responsibility throughout the chain.

CORPORATE RESPONSIBILITY MANAGEMENT

- CR Annual Report 2009 publication. Obtaining A qualification by the GRI.
- Publication of the Progress Report linked to the fulfilment of the Global Compact principles.
- Corporate Responsibility Scorecard. Monitor indicators and implement corrective actions.
- Integration of Hesperia: Consolidation of economic, social and environmental information. In 2010 expects to be able to consolidate all indicators with this chain's data.

SHAREHOLDERS

- Continue assessment of the Corporate Governance model.
- Participation in SRI indexes and evaluations.
- Integration's process of Hesperia.

EMPLOYEES

- Definition of a People Management Strategic Plan to guide the policies and practices that contribute most business value in the next few years.
- Relaunch the "We are all + sales" scheme to further encourage company employee involvement in the group's sales results.
- Define and track gender diversity indicators in all the business units. Develop local action plans.

CLIENTS

- Raise awareness among all the company's employees about improving the Customer Service and Quality processes, through measurement and internal publication of customer satisfaction with each area of the hotel.
- Measure and publish Customer Satisfaction with each establishment on a weekly basis, making it easier for each hotel to identify areas of improvement and draw up action plans to tackle them.

- Study the client's own needs, allowing us to tailor the establishments' services and products to needs detected.
- Continue arranging events to raise environmental performance awareness among customers.
- Continue developing content in the NHWorld Customer Loyalty programmes.

SUPPLIERS

- International monitoring of the Supplier evaluation process using ethical, social and environmental criteria.
- Annual Suppliers satisfaction survey.
- Reinforce actions to forge stronger ties with the NH Sustainable Club suppliers. Focus on innovation of products and services based on the most environmentally sustainable solutions.

ENVIRONMENT

- Monitor compliance with the strategic reduction objectives in the 2008-2012 Environmental Strategic Plan.
- Reinforce the Sustainability Communication Plan.
- Develop and promote an electric car charging network in our hotels in the main European cities.
- Introduce the "eco-friendly food" idea at some of our hotels, before launching it on a broader scale in order to study and learn about the opportunities and challenges in this field in the business.
- Launch the emissions calculator on our web so that our customers can calculate and compensate their emissions.

SOCIETY

- Launch community involvement campaigns that get employees, customers and other stakeholders involved in different solidarity causes.
- Start up new Corporate Volunteer Projects that encourage employees to get directly involved in social and environmental causes.



II. Corporate Responsibility Indicators

	2008	2009
PROFILE		
Portfolio of hotels (number)		
Number of hotels	345	401
Number of rooms	51,591	61,317
Net profit	€26.8M	€-697.1M
EBITDA increment	3.6%	-74.7%
STAKEHOLDERS		
SHAREHOLDERS		
Entities which conduct analysis of NH during the year	25	28
Shareholder and investor inquiries answered	1,103	913
One-to-One Meetings with shareholders and investors	23	32
Analyst follow-up reports	134	79
EMPLOYEES		
N° Employees	18,832	17,268
Immigrants	13.6%	13%
Female employees	50.1%	49.6%
Women in management positions	48.2%	49%
N° of Nationalities	132	118
NHU training hours	261,862	247,484
Investment in training	€1.98 M	944,500 €
N° of performance evaluations conducted	13,032	12,344
Employee Satisfaction Index (scale of 0 to 3)	-	2.11
% Satisfaction Survey Participation	-	79.2%
N° of employee mailbox questions	239	146
CUSTOMERS		
Quality Appraisal		
N° of "Mystery Guest" hotel assessments	324	156
N° of Customer Satisfaction Surveys	32,748	42,018
Communications managed by the Customer Service Department	2,000	2,800
NH World cardholders	1,185,980	1,554,543
SUPPLIERS		
Volume of suppliers managed	29,801	27,492
N° of suppliers who have signed the Code of Ethics	614	693
Supplier satisfaction index (scale of 1 to 5)	3.84	N/A
SOCIETY		
N° community involvement projects	312	274
Resources allocated to the Community	890,765 €	1,070,642 €
Resources obtained from solidarity € (Employee Rate and Voucher Amigo)	241,208 €	414,700 €
Beneficiary organisations	180	254
ENVIRONMENT		
Urban hotels		
CO ₂ emissions (ton.)	120,012	102,786
CO ₂ emissions (kg. per Guest/Night)	9.1	8.3
Energy consumption (kWh.)	610,646,463	552,938,575
Energy consumption (kWh. per Guest/Night)	46.5	44.4
Water Consumption (m ³)	3,432,906	2,989,526
Water consumption (l. per Guest/Night)	263	240
Waste generation (kg.)	56,149,218	48,167,522
Waste generation (kg. per Guest/Night)	3.96	3.47
Generation of solar energy (kWh/year)	1,757,849	2,138,685



Meet us

401 hotels

61,317 rooms

24 countries in Europe, America and Africa

Wake Up
To a Better
World

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