

NH Collection Grand Sablon  
Brussels, Belgium



**ANNUAL  
REPORT 2016**

**CORPORATE  
RESPONSIBILITY  
REPORT**

**nh** | HOTEL GROUP

# OUR PRESENCE IN THE WORLD 2016



**379**  
HOTELS

**30**  
COUNTRIES

**58,472**  
ROOMS

**20,905**  
EMPLOYEES

**18** MILLION  
CUSTOMERS

Andorra • Argentina • Austria • Belgium • Chile • China • Colombia • Cuba • Czech Republic • Dominican Republic • Ecuador • France • Germany • Haiti • Hungary • Italy  
Luxembourg • Mexico • Poland • Portugal • Romania • Slovakia • South Africa • Spain • Switzerland • The Netherlands • United Kingdom • United States • Uruguay • Venezuela



## GENERAL FRAMEWORK OF THE ANNUAL REPORT AND THE CORPORATE RESPONSIBILITY REPORT

### SCOPE

This Report contains the eleventh edition of the Annual Corporate Responsibility Report of NH Hotel Group. It includes the activity and main results of the Group in the 2016 financial year, and describes its economic, environmental and social performance.

The information is broken down by Business Units and countries in which the Company operates, with the exception of the financial data, which refer to the entire Group.

### CONTENTS

The contents of the Report focus on material aspects, i.e. those that are critical to the activity of NH Hotel Group and its main stakeholders on the basis of the Materiality Analysis, which is updated every year. This analysis takes account of the relevant issues at industry level determined by the International Tourism Partnership (ITP).

### CRITERIOS

The following global standards and principles have been used in preparing this Report:

- The G4 Guidelines of the Global Reporting Initiative (GRI), with the Materiality Disclosures Service for the Core option.
- The Ten Principles of the UN Global Compact and the Progress Report presented by NH Hotel Group.
- The UN Sustainable Development Goals.

### VERIFICATION

The report counts with KPMG's external and independent review of a number of indicators identified as "✓" in section "About this report. GRI Content Index ". This Report and the previous ones are published in digital format and are available at [www.nhhotelgroup.com](http://www.nhhotelgroup.com)

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NH Collection Doelen  
Amsterdam, The Netherlands



## OUR VISION:

**ONE DAY,  
WHENEVER  
ANYONE  
CONTEMPLATES  
A TRIP TO A  
CITY FOR AN  
OVERNIGHT STAY  
OR MEETING,  
FOR BUSINESS OR  
PLEASURE, THEY  
WILL ALWAYS ASK  
THEMSELVES:  
“IS THERE AN  
NH HOTEL AT MY  
DESTINATION?”**



NH Collection Palazzo Barocco  
Venice, Italy

## MESSAGE FROM THE CO-CHAIRMEN

*Dear shareholders*

It is with great pleasure that we introduce our 2016 Annual Report. Our goal is to provide an account of the Group's extraordinary performance and responsible management over the course of the last year, guided at all times by its priority objective of creating value for all its shareholders, customers, employees and society in general.

In 2016, the Group has made significant progress on both its business strategy and its commitment to upholding the highest standards of transparency and corporate governance; two areas increasingly intertwined and crucial to the success of any business endeavour.

Having concluded a period of intense investment to renovate the hotel portfolio and enhance the guest experience, we have consolidated NH Hotel Group's return to profitability. The Group is currently in a privileged position to successfully culminate its transformation, maximise its earnings growth and achieve adequate and sustainable recurring profitability, paving the way in turn for a sustainable dividend policy.

Against this backdrop, and framed by the conviction that adequate shareholder remuneration is both a worthy and desirable objective, we view the motion to pay out a dividend from 2016 profits as a laudable first step in this direction. We expect to be able to maintain this policy in the years to come without jeopardising our strategic deleveraging targets.

On this last point, the Company has reduced its indebtedness and successfully completed its refinancing process, laying the groundwork for a more flexible debt repayment structure for the years ahead. In parallel, we have posted an excellent earnings performance, underpinned by enhanced productivity and a favourable macroeconomic environment in all of our operating markets.

In tandem with the milestones intrinsic to our business performance last year, the Group has continued to comply with the most stringent Governance standards, the Board having devoted part of its activities to reinforcing its record in this arena.

The Board of Directors has continued to adapt certain internal rules to bring them in line with prevailing best practices and introduced self-assessment systems in order to pinpoint how its various committees can improve how they organise and plan.

Elsewhere, convinced that the promotion of diversity in all its facets and at all levels of the organisation, but especially in the most senior positions, is essential to safeguarding the Group's competitiveness, the Board of Directors has appointed a new female external director, thereby increasing female representation on the Company's highest governance body.

In addition, the Board has overseen the compliance function with particular scrutiny, continuing to update and fine-tune the Internal Code of Conduct and the Criminal Risk Prevention Model, tightening to this end the rules governing the purchase or sale of securities, the use of inside information and the prevention and persecution of criminality.

In 2016, our Code of Conduct has emerged as a useful way of perfecting the rules, principles and values that govern and guide the Group's professionals and executives, while the Conflicts of Interest Procedure has helped regulate and structure the way such situations are handled.

The progress made on the Corporate Governance front, the substantial improvement in earnings momentum and the strong strategic commitment to sustainable, socially responsible and ethical management evidence the Company's attractive leadership position in the current environment and its potential in the years to come.

Before finishing up, I would like to take the opportunity to thank an exemplary member of our Board of Directors who sadly passed away in February 2017 and to whom the entire team would like to pay homage. Francisco Javier Illa Ruiz, thank-you for your experience and contributions for so many years.

On behalf of NH Hotel Group and its Board of Directors, we invite you to peruse this report to learn more about our achievements and performance in 2016. Achievements attributable to the hard work and dedication of the management team and each of the Company's professionals, firmly committed to our guests and to you, our shareholders. Our Company is the sum of the talent of those of us who populate it and without a doubt this strength is our best and most solid guarantee for the future.

Many thanks,

José Antonio Castro Sousa  
Co-Chairman

Alfredo Fernández Agras  
Co-Chairman

## MESSAGE FROM THE CEO

*Dear shareholders*

2016 has been a very good year, one in which we have successfully culminated phase one of our business plan (2014-2016), delivered substantial earnings growth and significantly better margins and reduced our leverage.

After a period intensely focused on upgrading the hotel base, implementing a competitive and compelling guest experience, streamlining our asset portfolio and enhancing our management and organisational capabilities, the Company today presents a higher revenue base, sizeable growth at the EBITDA level and greater liquidity and financial flexibility. All of this puts us in an ideal position to safeguard our future and leverage the strong business momentum prevailing in our key business markets.

Our positive results are a testament to the managerial performance of all our teams in a year in which the Company has recorded positive recurring profit after eight years in the red. The key factors enabling this milestone include favourable trends across our main operating markets, particularly in Spain and Central Europe, outperformance on revenue per available room relative to our peers thanks to an agile price positioning strategy, and efficient management of the business.

However, the improvement in earnings is not only the result of these factors, but also reflects the quality of the service we provide, as demonstrated by the feedback provided by our guests. Indeed, 34% of our hotels currently rank within the top 10 hotels in a given destination when travellers perform an online search, with more than 50% of our establishments in the top 30.

In 2016 we have virtually completed our hotel repositioning plan in which we have invested €200 million and it is worth pointing out that many hotel owners have decided to participate in the investment effort on noting the new NH Hotel Group proposition's ability to create value.

Our continued focus on stepping up our presence in the premium segment through our NH Collection brand, which currently accounts for one in every five rooms at the Group, has been key to a higher revenue contribution last year. This brand's outstanding performance, coupled with the fact that last year was the year of its international rollout, marked by major refurbishments and openings in Mexico, Germany, Netherlands and Italy, underscores the global profit upside embedded in this brand in the years ahead.

We remain a growth-oriented company and are actively searching for opportunities for reinforcing our presence in benchmark destinations in Europe and Latin America, albeit using capital-light formulae. Evidence of this growth vocation are the 16 hotels signed last year, the majority of which in the premium segment and in top city destinations such as Milan, Venice, Antwerp, Marseille, Mexico City and Santiago de Chile. In turn, against the backdrop of our portfolio streamlining plan, in 2016 we have delivered our targeted level of proceeds from disposals of €140 million.

Moreover, we have made notable progress on our technological transformation, keeping the Company at the cutting edge with its suite of integrated IT systems and receiving international recognition for these efforts. This integration is giving us a unique and cross-cutting vision of the business, generating process efficiencies and allowing us to unlock the full potential of the economies of scale afforded by a Company of our size.

In addition to the progress made on the business management front, in 2016 we have fine-tuned our capital structure and borrowing costs in parallel. Liquidity and financial flexibility have improved as a result, thanks to the bond issue and the arrangement of a long-term syndicated loan last year. This strategy has continued highly successfully during the first half of 2017. Deleveraging is a priority for us in 2017 and is not incompatible with business growth.

All of these achievements are the result of the commitment of more than 20,000 exceptional professionals without whose valuable contributions it would not have been possible to build the solid foundations which foreshadow an opportunity-rich future for the Group. A Company which continues to tackle the transformation of its operating model whose priority is to maximise value for all of its stakeholders, while reaffirming its commitment to responsibility and giving back to the Community and Sustainability, as is evident in this report.

Our trajectory will not slow down after this period of intensity. Delivery of such positive results only motivates us to go further in the years to come. We are already working to this end and I am confident and expectant that, with the support of our customers and the same level of enthusiasm and commitment from our employees, we will once again exceed your expectations in the future.

Many thanks to all,



Ramón Aragonés  
Chief Executive Officer

NH Collection Plaza Santiago  
Santiago de Chile, Chile



# NH HOTEL GROUP





nhow Rotterdam  
Rotterdam, The Netherlands

# PRESENCE

NH Hotel Group is a world-leading urban hotel operator and a consolidated multinational player. The Company is present in 30 countries and operates 379 hotels and 58,472 rooms in 29 countries in Europe, America and Africa, and in cities such as Amsterdam, Barcelona, Berlin, Bogota, Brussels, Buenos Aires, Düsseldorf, Frankfurt, London, Madrid, Mexico City, Milan, Munich, New York, Rome or Vienna.



- 56% Managed
- 23% Owned
- 21% Leased



- 29% Spain
- 18% Germany
- 13% Italy
- 11% The Netherlands
- 4% Argentina
- 4% Mexico
- 4% Dominican Republic
- 3% Belgium
- 3% Colombia
- 2% Austria
- 2% Venezuela
- 7% Others



## BREAKDOWN OF THE NH HOTEL GROUP PORTFOLIO IN 2016

As at 31 December 2016

	TOTAL		LEASED		OWNED		MANAGED		FRANCHISE	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
<b>TOTAL NH HOTEL GROUP</b>	<b>379</b>	<b>58,472</b>	<b>224</b>	<b>32,727</b>	<b>75</b>	<b>12,188</b>	<b>71</b>	<b>12,751</b>	<b>9</b>	<b>806</b>
<b>EUROPE</b>										
Spain	135	16,817	77	9,183	11	1,816	40	5,227	7	591
Germany	58	10,355	53	9,355	5	1,000	-	-	-	-
Italy	52	7,991	35	5,482	13	1,880	4	629	-	-
The Netherlands	35	6,709	18	2,951	16	3,290	1	468	-	-
Belgium	11	1,619	3	502	8	1,117	-	-	-	-
Austria	6	1,183	6	1,183	-	-	-	-	-	-
Switzerland	4	522	3	400	-	-	-	-	1	122
Portugal	3	278	2	171	-	-	1	107	-	-
Czech Republic	2	577	-	-	-	-	2	577	-	-
France	2	397	2	397	-	-	-	-	-	-
Romania	2	161	1	83	-	-	1	78	-	-
Hungary	1	160	1	160	-	-	-	-	-	-
Luxembourg	1	148	1	148	-	-	-	-	-	-
United Kingdom	1	121	1	121	-	-	-	-	-	-
Slovakia	1	117	-	-	-	-	1	117	-	-
Poland	1	93	-	-	-	-	-	-	1	93
Andorra	1	60	-	-	-	-	1	60	-	-
<b>TOTAL EUROPE</b>	<b>316</b>	<b>47,308</b>	<b>203</b>	<b>30,136</b>	<b>53</b>	<b>9,103</b>	<b>51</b>	<b>7,263</b>	<b>9</b>	<b>806</b>
<b>AMERICA</b>										
Colombia	15	1,700	15	1,700	-	-	-	-	-	-
Argentina	15	2,144	-	-	12	1,524	3	620	-	-
Mexico	13	2,153	4	581	4	685	5	887	-	-
Dominican Republic	6	2,503	-	-	-	-	6	2,503	-	-
Venezuela	4	1,186	-	-	-	-	4	1,186	-	-
Chile	4	498	-	-	4	498	-	-	-	-
United States	1	242	-	-	1	242	-	-	-	-
Cuba	1	220	-	-	-	-	1	220	-	-
Uruguay	1	136	-	-	1	136	-	-	-	-
Ecuador	1	112	1	112	-	-	-	-	-	-
Haiti	1	72	-	-	-	-	1	72	-	-
<b>TOTAL AMERICA</b>	<b>62</b>	<b>10,966</b>	<b>20</b>	<b>2,393</b>	<b>22</b>	<b>3,085</b>	<b>20</b>	<b>5,488</b>	<b>0</b>	<b>0</b>
<b>AFRICA</b>										
South Africa	1	198	1	198	-	-	-	-	-	-
<b>TOTAL AFRICA</b>	<b>1</b>	<b>198</b>	<b>1</b>	<b>198</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

NH Collection Paseo del Prado  
Madrid, Spain

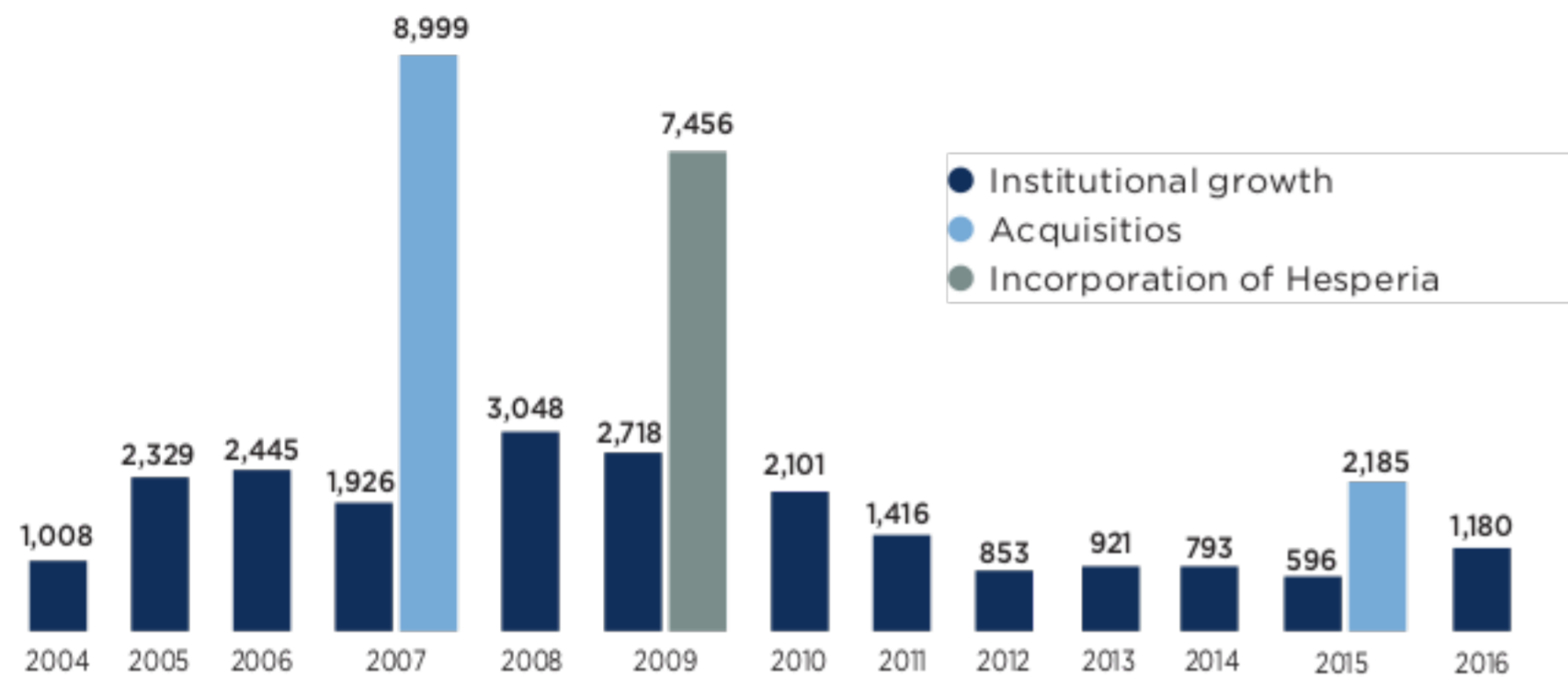


## GROUP EXPANSION

In 2016 the Group has continued to improve the quality of the assets and destinations due to be incorporated into the portfolio with the opening of 6 new hotels and the signing of 16 new projects, many of which will be operated under the NH Collection premium brand.

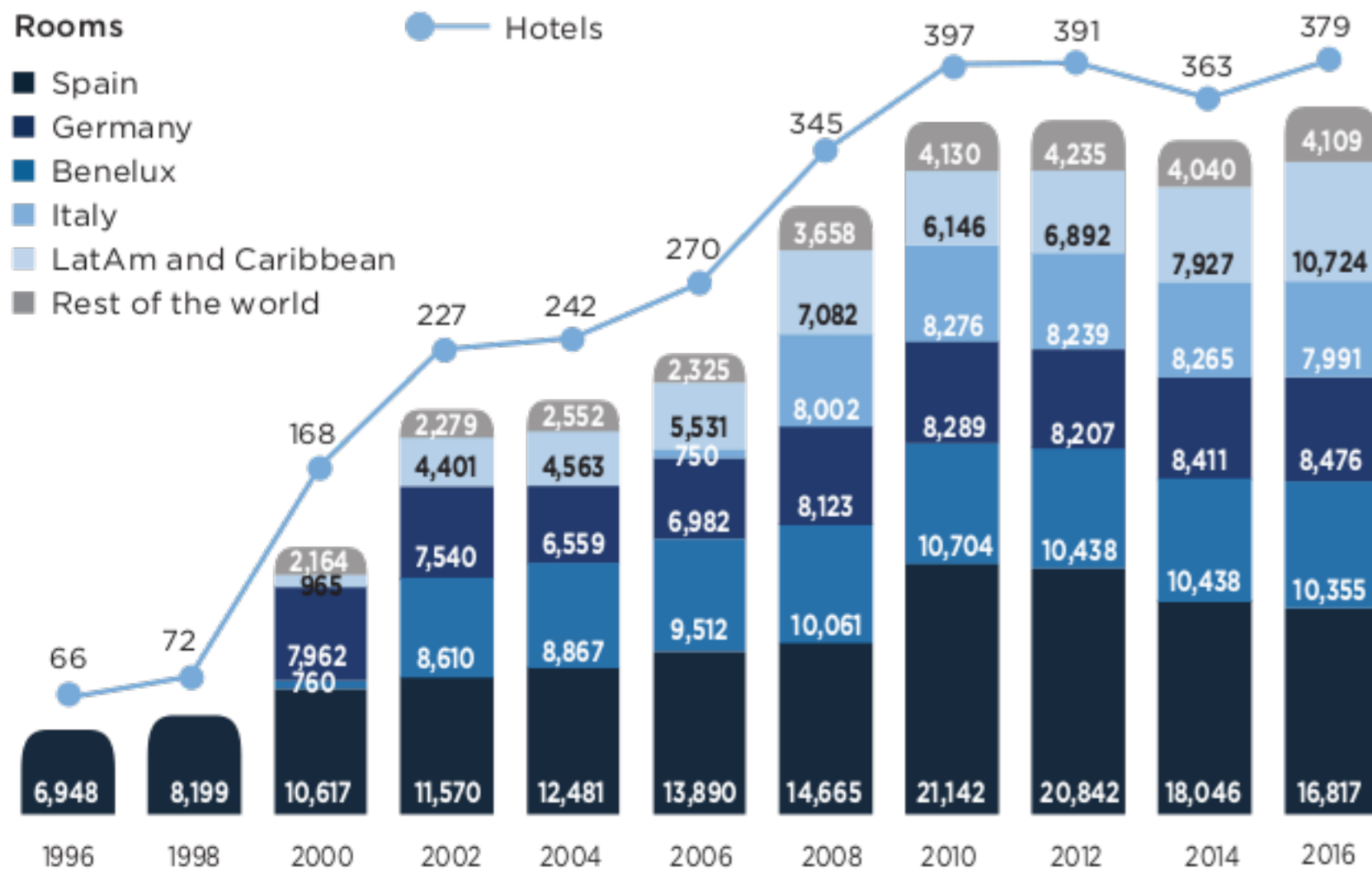
### OPENINGS AND ADDITIONS EVOLUTION

By number of rooms



### ONGOING GROWTH

Number of rooms 1996-2016



NH Collection Dresden Altmarkt  
Dresden, Germany



NH Collection Berlin Mitte  
Berlin, Germany

### NEW ROOM OPENINGS

From 1 January to 31 December 2016

HOTELS	CITY	COUNTRY	ROOMS
NH Collection Madrid Suecia	Madrid	Spain	123
NH Collection Guadalajara Centro Histórico	Guadalajara	Mexico	142
NH Collection Palazzo Cinquecento	Roma	Italy	177
NH Bariloche Edelweiss	Bariloche	Argentina	95
NH Collection León Expo	Leon	Mexico	141
Now Onyx Punta Cana	Punta Cana	Dominican Rep.	502
<b>Total habitaciones</b>			<b>1,180</b>

### ROOMS SIGNED

From 1 January to 31 December 2016

CITY	COUNTRY	ROOMS	EXPECTED OPENING
Monterrey	Mexico	150	2017
Venice	Italy	150	2019
Bariloche	Argentina	95	2016
Toulouse	France	148	2018
Venice	Italy	144	2018
Antwerp	Belgium	180	2018
Mexico City	Mexico	144	2018
Puebla	Mexico	130	2017
Eindhoven	The Netherlands	132	2017
Monterrey	Mexico	120	2018
Leipzig	Germany	197	2018
Santiago de Chile	Chile	80	2018
Merida	Mexico	120	2018
Marseille	France	160	2017
Milan	Italy	100	2018
Santander	Spain	64	2019
<b>Total rooms</b>		<b>2,114</b>	

### ASSET MANAGEMENT

In 2016 the exit of 7 establishments, representing a total of 1,414 rooms, is worth mentioning.

HOTELS	CITY	COUNTRY	ROOMS
NH Midas	Rome	Italy	344
Hesperia Sabinal	Roquetas de Mar	Spain	515
NH Alberto Aguilera	Madrid	Spain	153
NH Argüelles	Madrid	Spain	75
NH Grand Hotel Palazzo Livorno	Livorno	Italy	123
NH Heidenheim	Heidenheim	Germany	83
NH Palacio de Santa Marta	Trujillo	Spain	50
<b>Total rooms</b>			<b>1,343</b>

# KEY FIGURES

## RESULTS AND EVOLUTION

The Group's results in 2016, driven by the strong momentum observed in the hotel business throughout the year, coupled with the fruits of the initiatives that have been rolled out, particularly the repositioning of the brands and hotels, have been marked by a significant price increase.

In 2016 the price strategy is reinforced and the Group achieves greater growth in the most important cities relative to direct competitors where market metrics exist.

On the other hand, in order to improve quality and strengthen the NH Collection brand, in 2016 investment in repositioning has been completed in Benelux and Germany, following the investment made in Spain and Italy mostly in 2015.

As a result, revenue in 2016 reached €1,447.9M, i.e. a growth of +5.2% (+€71.3M), notably higher than the increase in operating costs. Improved operating management led to €30.8M in Net Profit attributable to the Parent Company, compared to €0.9M in 2015.

Among the most important milestones achieved over these three years of transformation, the effective materialisation of a new NH Hotel Group value proposition is worthy of mention. This new proposition is underpinned by a new brand architecture made up of NH Collection, NH Hotels, nhow and Hesperia, and a new tangible experience differentiated by brands.

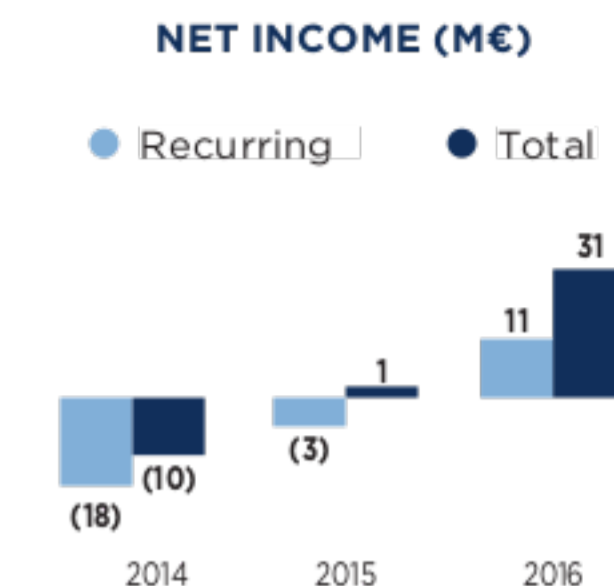
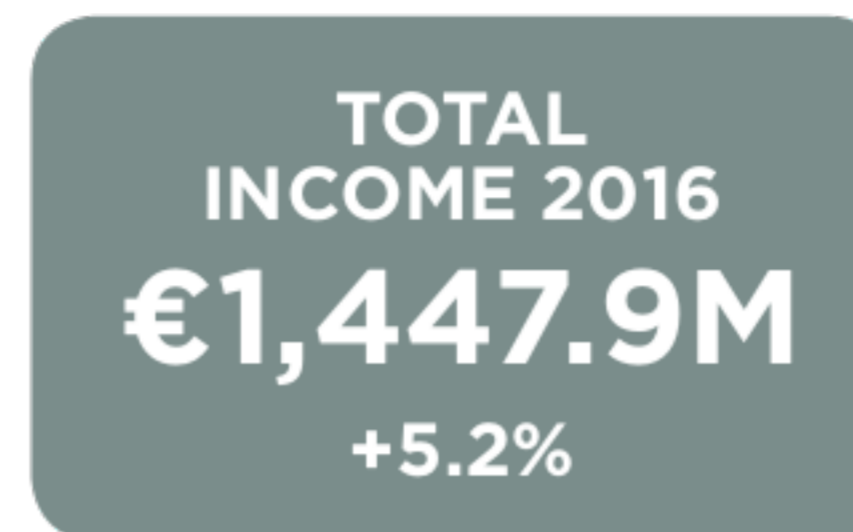
In this sense, the Group has improved customer experience by implementing a solid operational promise that encompasses the new elements making up the hotels' basic offer. These are the "Brilliant Basics", which are already a reality in all establishments and are contributing to enhancing guest experience and average ratings among customers.

Quality indicator trends confirm the improvement of hotel ratings by users in 2016. At Group level, 34% of the portfolio is included in TripAdvisor's Top 10 urban hotels (45% for NH Collection) and 52% is included in the Top 30 (62% for NH Collection), a reflection of higher quality levels perceived by customers.

In addition, thanks to the re-launch of the NH Rewards loyalty programme, there are already over 6.8 million members, 26% of which adhered in 2016; 25% of the total are active.

Regarding the asset repositioning plan, NH Hotel Group invested close to €200M between 2014 and 2016 in the renovation or refurbishment of hotels with the highest improvement potential within the average price range.

Gross debt was reduced from €886.9M as at December 2015 to €861.8M as at December 2016. As at 31 December 2016, cash and other liquid assets amount to €136.7M (€77.7M as at 31 December 2015). Additionally, liquidity is complemented by a number of credit facilities at the closing of the year amounting to €308.9M, €250M of which correspond to a long-term syndicated credit facility, compared to €30.8M as at 31 December 2015.



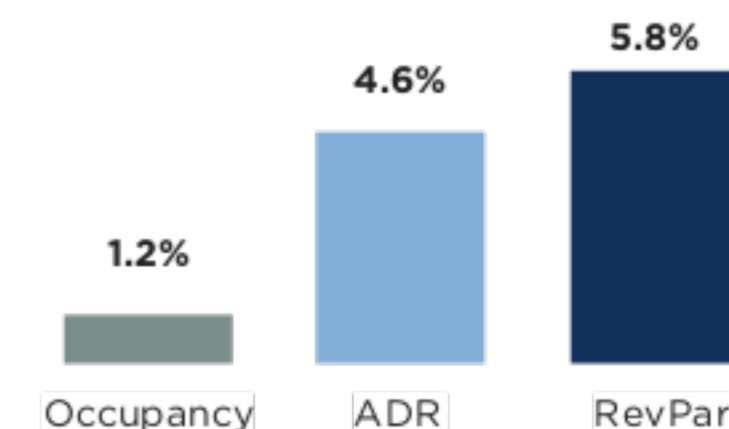
### PERFORMANCE RELATIVE TO COMPETITORS

2016	RevPar % var.		Relative RevPar
	NH	Compset	Var.
<b>TOTAL NH HOTEL GROUP</b>	3.1%	-1.3%	4.4 p.p.
SPAIN	12.4%	4.4%	8.1 p.p.
ITALY	-16.0%	-16.8%	0.8 p.p.
BENELUX	2.4%	-3.8%	6.2 p.p.
CENTRAL EUROPE	12.6%	4.6%	8.0 p.p.

Key cities for which there is a market source for this metric. Source: STR / MKG / Fairmas (Average Growth for the peer group)

### TREND IN HOTEL SECTOR METRICS IN 2016

ADR: Average Daily Rate  
 RevPar: Revenue per available room





NH Collection Grand Hotel Krasnapolsky  
Amsterdam, The Netherlands

## SIGNIFICANT MILESTONES

### CHANGES IN THE CHAIRMANSHIP AND MANAGEMENT OF THE GROUP

On 21 June 2016, Alfredo Fernández Agras was appointed Chairman of the Board of Directors and Vice Chairman of the Executive Commission, as well as Co-Chairman of the Company alongside with José Antonio Castro, Chairman of the Executive Commission and Vice Chairman of the Board. That same day, the Board of Directors committed to maximising shareholder value and upholding the highest standards of Corporate Governance.

Also at the same meeting, the Board of Directors resolved not to re-elect Federico J. González Tejera as CEO of the Company and to appoint Beatriz Puente, Ramón Aragonés and Rufino Pérez as Executive Managing Directors of the Group, reporting to the Executive Commission.

On 25 January 2017, prior consent of the Nominating, Compensation and Corporate Governance Committee of the Company, the Board of Directors of NH Hotel Group unanimously agreed to name Ramón Aragonés, Executive Director of Business and Operations at the time, as the Company's Chief Executive Officer. The Board further resolved to submit a motion for his appointment as Director at the next Annual General Meeting. Ramón will formally be designated CEO at the Board meeting taking place immediately after that AGM.

### SUCCESSFUL COMPLETION OF THE REFINANCING PROCESS

In 2016 NH Hotel Group has capitalized on its business performance and leveraged market conditions to successfully accelerate its refinancing process. In September 2016 the Group issued €285M of senior secured notes due in 2023, simplifying its capital structure and using the proceeds to settle its maturities mostly due in the period 2016-2018. Additionally, financial flexibility was boosted by increasing liquidity through a €250M, 3-year syndicated credit facility, which can be extended for an additional two years subject to the refinancing of the bond the Company issued in 2013 due in 2019.

This transformation of the Group has been echoed in improved corporate credit ratings from the main ratings agencies. In both cases, Standard & Poor's and Fitch upgraded their ratings to B with a stable outlook, reflecting their view that the Group will further lift its business performance while continuing to boost liquidity. Moody's assigned the Company a corporate rating of B2, thanks to the healthy progress of the Group, improved liquidity and a focus on asset-light operating formulas.

On the other hand, in April 2017, the Group repaid €150M of 6.875% bonds due 2019 using cash and the proceeds from the issuance of €115 million of new 3.17% bonds due 2023. This transaction has enabled NH Hotel Group to extend its maturity profile, while reducing gross debt and its average borrowing cost.

After the transaction announcement, the three rating agencies that cover the Company maintained their credit ratings and Fitch upgraded its outlook from stable to positive.

### PHASE ONE OF THE BUSINESS PLAN COMPLETED SUCCESSFULLY

Since the Group began to execute its Strategic Plan three years ago, it has considerably improved its ability to generate revenue and increase its margins, thanks to the investments made to reposition its hotels and generally unlock efficiency gains, among other initiatives.

The €200M repositioning plan is virtually complete. Between the launch of the plan and December 2016, 59 hotels have been fully refurbished.

As of early 2016, one in every five of the Group's hotel rooms belongs to its premium brands, NH Collection and Nhow, twice as many as two years ago. And so, with a portfolio populated by more hotels in perfect repair and a growing weight of establishments in the upper-upscale segment, the Company expects the refurbished properties to make an even bigger contribution to revenue and profits in the coming months.

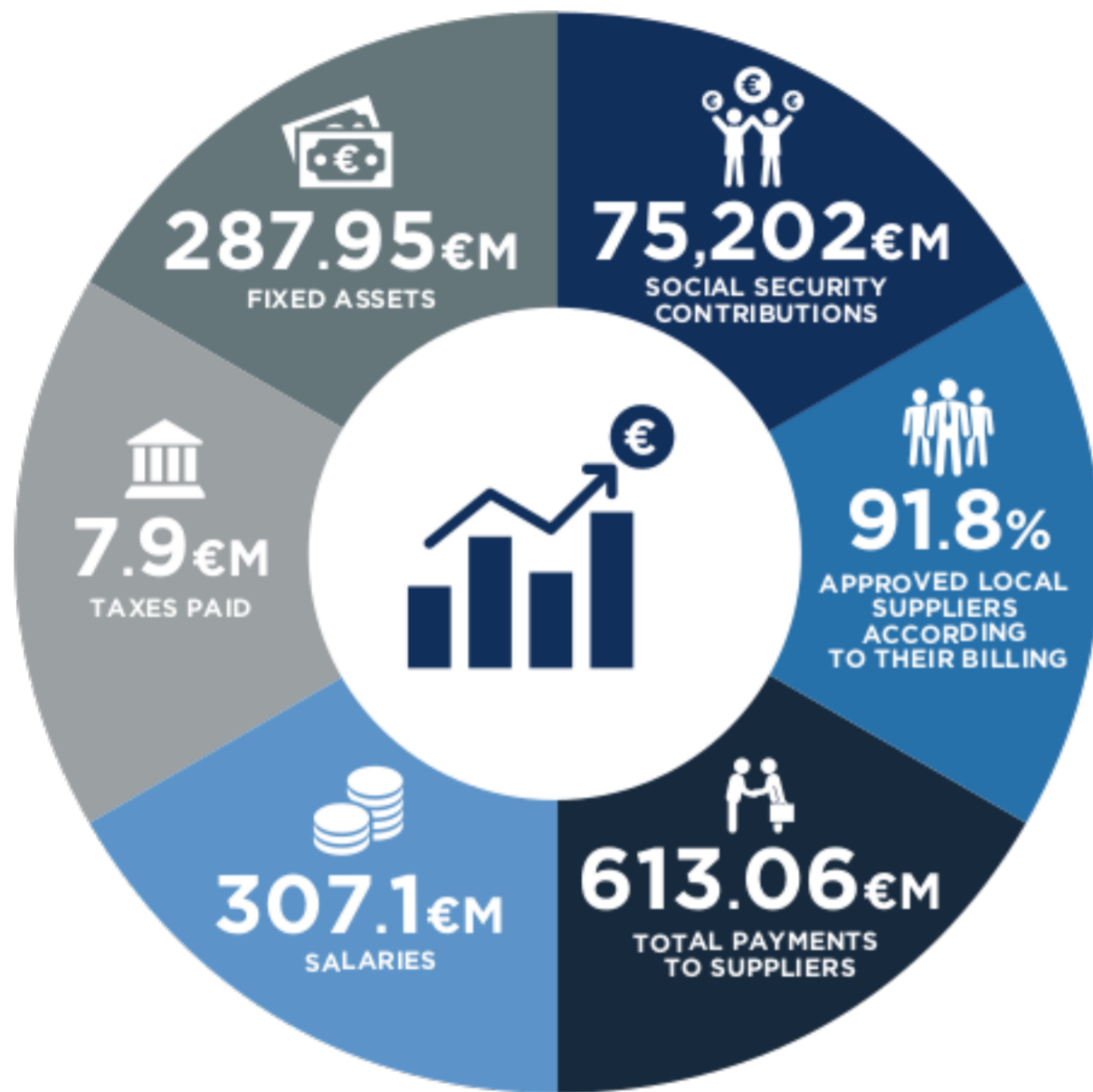
2016 has been the year of the international rollout of the NH Collection brand, marked by high-profile refurbishments and openings in leading city destinations in Europe and Latin America, notably in Mexico, Germany, The Netherlands and Italy.

As for the portfolio optimisation plan, the Company has met the targeted proceeds of €140M, while signing 16 new hotels with 2,114 rooms. All of the new hotels have been signed under lease and management regimes, most of which in the upper-scale segment.



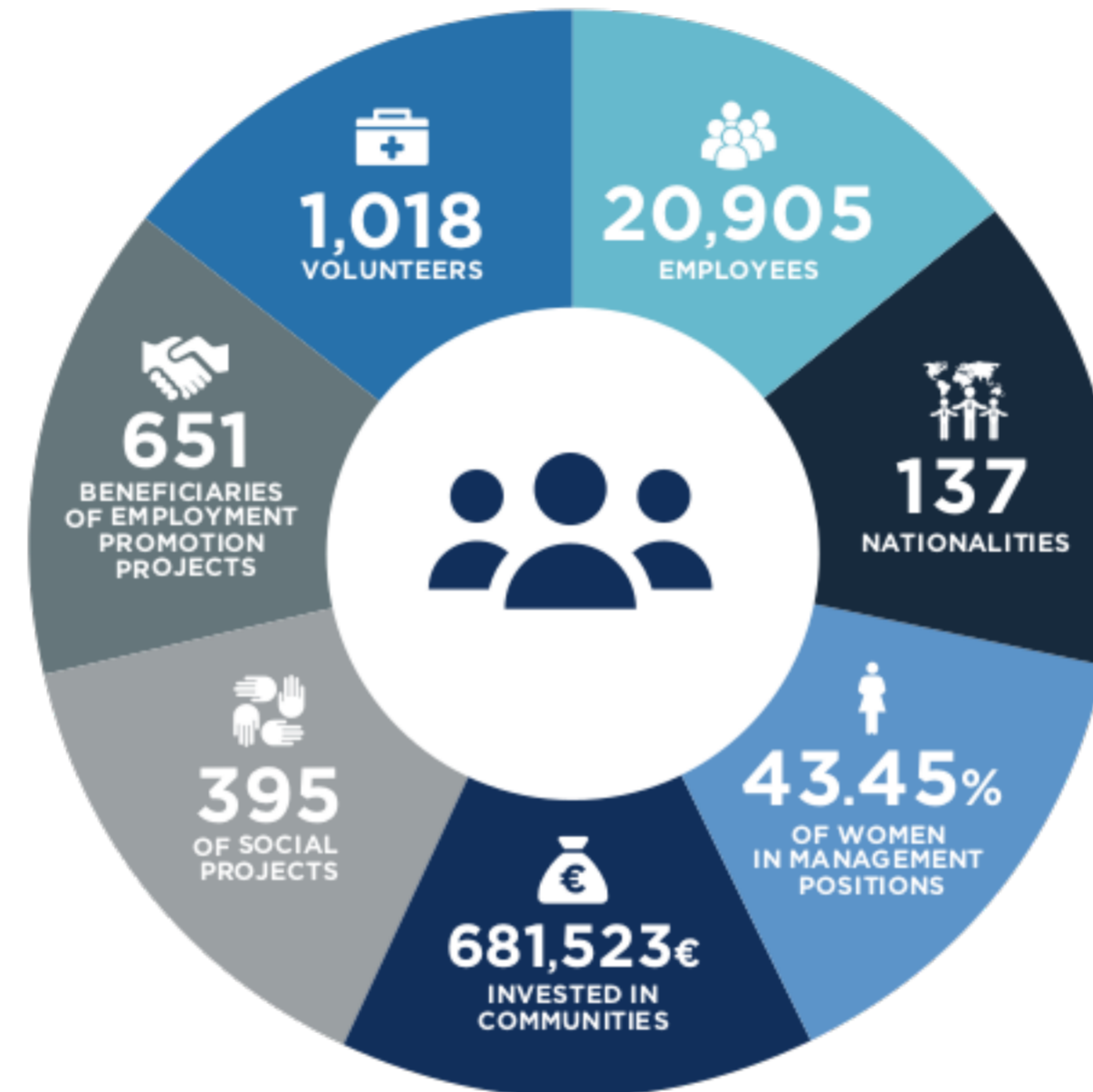
# ECONOMIC, SOCIAL AND ENVIRONMENTAL CONTRIBUTION IN 2016

Through its activities, NH Hotel Group creates shared value at an economic, social and environmental level in the countries where it conducts its operations. For three years the Company has been analysing the key indicators that identify the contributions generated by its activities. This allows reporting on its main direct impacts:



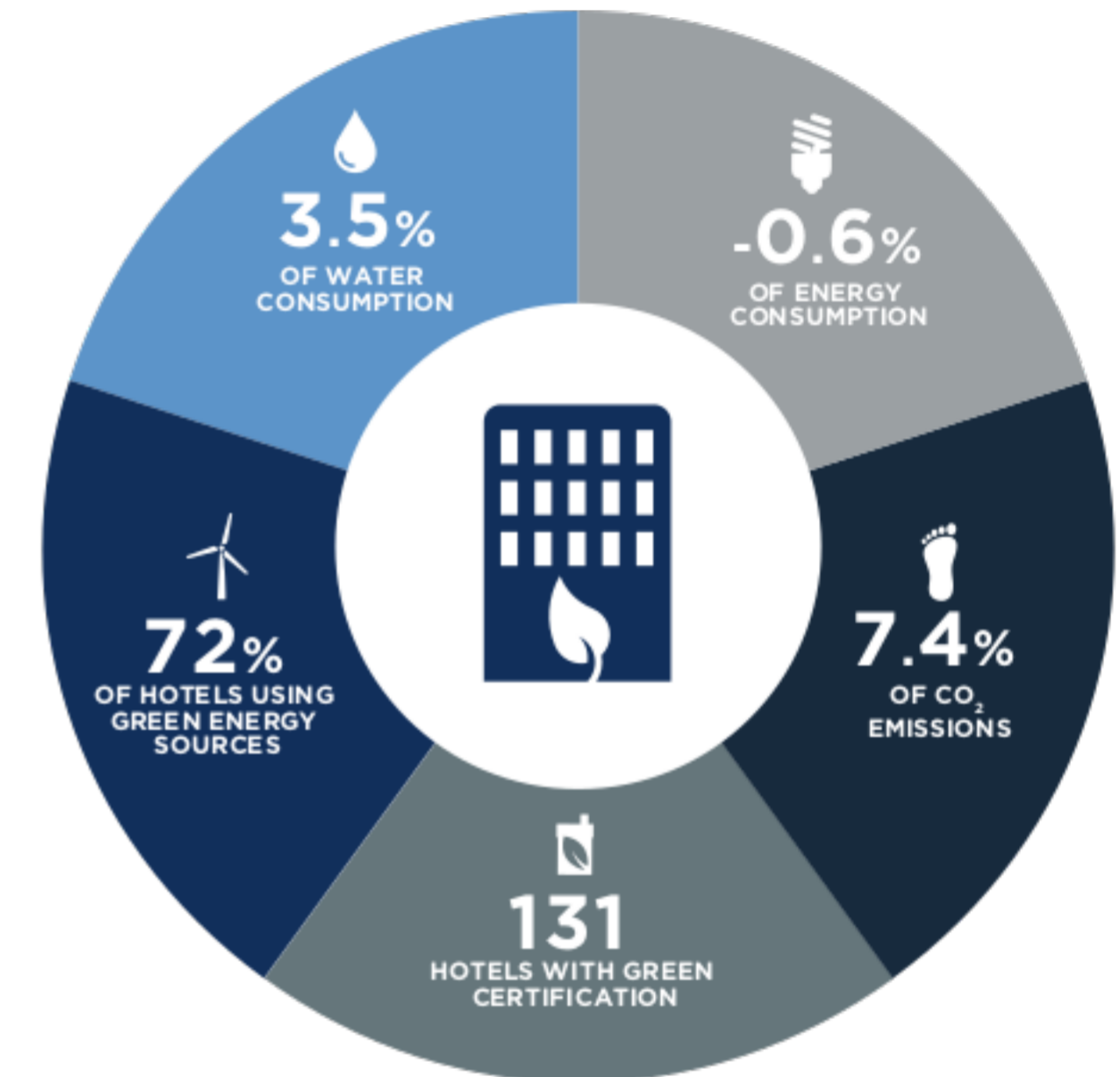
## ECONOMIC CONTRIBUTION

Direct impact on the economy of employees, companies and Governments



## SOCIAL CONTRIBUTION

Direct impact in terms of employment, training and contribution to the Community



## ENVIRONMENTAL CONTRIBUTION

Direct impact by reducing resource use and emissions, and number of certified hotels using "green" energy sources

# CORPORATE GOVERNANCE







The Corporate Governance system of NH Hotel Group, which encompasses its Articles of Association, corporate policies, internal rules and regulations, and various internal codes and procedures approved by the competent corporate bodies, takes account of the good governance recommendations generally accepted in the international markets, especially those from the main Proxy Advisors.

## SHAREHOLDING STRUCTURE

At the closing of the 2016 financial year, the share capital of NH Hotel Group S.A. was represented by 350,271,788 bearer shares with a par value of €2 each, fully subscribed and paid. All shares have the same voting and financial rights and are listed on the Continuous Stock Market.

Following the latest notifications received by the Company and the communications sent to the National Stock and Securities Commission by the closing of every financial year, the most significant holdings as at 31 December 2016 were as follows:

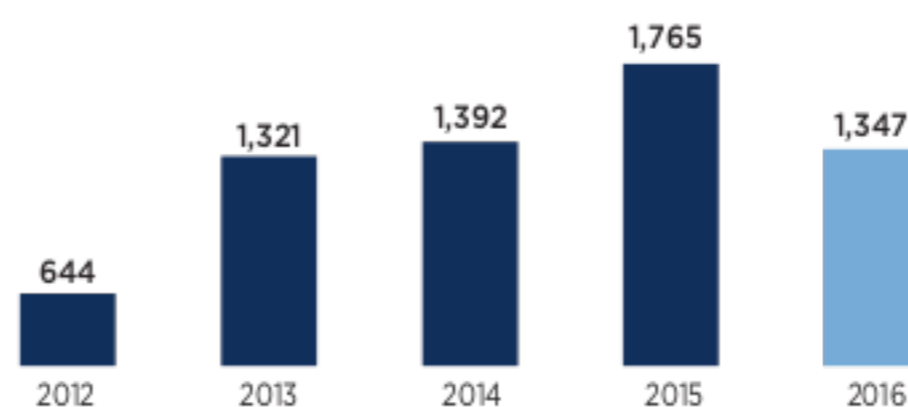
	2016	2015
HNA CO LTD	29.50%*	29.50%
Oceanwood Capital Management LLP	11.97%	7.58%
Grupo Hesperia	9.27%**	9.23%
Henderson Global Investors LTD	4.19%***	4.19%

However, the following changes were notified by the aforementioned shareholders to the National Stock and Securities Commission:

- \* While HNA CO LTD had an interest of 29.50% as at 31.12.2016, the company has notified a decrease in its holdings, down to 29.34%, as of 27.02.2017.
- \*\* The stake held by Grupo Hesperia includes the direct holdings of Grupo Inversor Hesperia, S.A. (9.10%) and Eurofondo (0.17%).
- \*\*\* While Henderson Global Investors LTD had an interest of 4.19% as of 31.12.2016, the company has notified a decrease in its holdings, down to 2.98%, as of 31.01.2017.

### CAPITALIZATION

At closing by years (in million €)



## NEW DEVELOPMENTS IN CORPORATE GOVERNANCE

In the 2016 financial year, multiple modifications have been made to the internal regulations of NH Hotel Group in order to introduce the best corporate governance practices.

Certain that diversity in all its aspects and at all the levels is key to ensure the Company's competitiveness, as well as an essential element of its Corporate Governance strategy, NH Hotel Group promotes the participation and development of women in leadership positions within the organization, particularly in the Board of Directors. In this sense, a new female Director has been appointed as "Other External Director", thus increasing the percentage of women in the Board of Directors from 8% in 2015 to 18% in 2016.

In addition, at its meeting of 21 June 2016 and at the request of the Chair of the Board of Directors and the Chair of the Nominating, Compensation and Corporate Governance Committee, the Board of Directors, in accordance with the provisions of Article 3 of its Regulations, has decided to approve the amendment of Articles 24, 25 and 26 of the Regulation in order to make them consistent with the best corporate governance practices. As a result, Directors who, having expressed their interest in attending and participating in the meetings of the Executive Committee and the Nominating, Compensation and Corporate Governance Committee, being able to speak but not to vote, can no longer do so. Instead, non-member Directors may occasionally attend these meetings, by invitation of the Chair of the relevant Committee.

It should also be noted that the annual self-assessment made in 2016 has helped to identify improvement areas mainly linked to the planning of Committees and the improvement of a number of operational aspects in the Executive Committee. For each of these improvement areas, action plans have been defined and will be implemented in 2017.

Lastly, a new Internal Code of Conduct in the Stock Market for NH Hotel Group and its Group companies has been approved as of 20 December 2016, in compliance with the best Corporate Governance practices and in the context of the crime prevention policy established by the Company.

# BOARD OF DIRECTORS AND MANAGEMENT COMMITTEE

## BOARD OF DIRECTORS

The Board of Directors is charged with overseeing and controlling the main decisions adopted by the Company and defining the Company’s management strategies and guidelines, as well as its corporate organization framework in order to achieve greater efficiency, by ensuring that the Company follows appropriate shareholder and market reporting procedures. As of 31 December 2016, the Board of Directors is composed of the following members:

NAME	POSITION	CATEGORY	IN REPRESENTATION OF:
Mr. Alfredo Fernández Agras	Chair	Non-executive	Oceanwood Capital Management Llp
Mr. José Antonio Castro Sousa	Vice-Chair	Non-executive	Grupo Inversor Hesperia, S.A
Mr. José María Cantero Montes-Jovellar	Director	Other, External	
Mr. Carlos González Fernández	Director	Independent	
Mrs. María Grecna	Director	Other, External	
Mr. Francisco Javier Illa Ruiz*	Director	Non-executive	Grupo Inversor Hesperia, S.A
Mr. Paul Johnson	Director	Other, External	
Mr. Fernando Lacadena Azpeitia	Director	Other, External	
Mr. José María López-Elola González	Director	Independent	
Mr. Francisco Román Riechmann	Director	Independent	
Mrs. Koro Usarraga Unsain	Director	Independent	

\*As of 7 February 2017 Mr. Francisco Javier Illa is no longer a Director as a result of his passing away.

### Changes occurred since 31 December 2016:

Notwithstanding the current composition of the Board, it should be noted that as a result of the removal of Mr. Federico González Tejera on 21 June 2016, the Board, at its meeting held on 25 January 2017 decided to appoint Mr. Ramón Aragonés Marín, COO until then, as CEO of the Company. At the aforementioned meeting, the Board also resolved to put forward the appointment of Mr. Aragonés as Company director (Executive) at the next AGM and his formal appointment as Managing Director at the session that will take place immediately after the AGM.

On 28 February 2017 and as a result of the passing away of Mr. Javier Illa, the Board appointed Grupo Inversor Hesperia, S.A. (represented by Mr. José Antonio Linati de Puig) by co-option. On 22 March 2017 the Board also decided to appoint Mr. José María Sagardoy Llonis as new independent Director, at the proposal of the Nominating, Compensation and Corporate Governance Committee. Both Directors will be proposed for ratification at the next AGM.



NH Collection Gran Hotel Calderón  
Barcelona, Spain

## MANAGEMENT COMMITTEE

The Management Committee meets every week and is composed of the Chief Officers and Executive Managing Directors of the different areas:

**Mr. Ramón Aragonés Marín**

CEO, Chief Executive Officer (appointed CEO by the Board of Directors on 25 January 2017)

**Mr. Rufino Pérez Fernández**

Executive Managing Director of Resources

**Mrs. Beatriz Puente Ferreras**

Executive Managing Director of Finance & Administration

**Mr. José María Basterrechea Álvarez**

Chief Operations Officer

**Mrs. Laia Lahoz Malpartida**

Chief Assets & Development Officer

**Mr. Isidoro Martínez de la Escalera Álvarez**

Chief Marketing Officer

**Mr. Carlos Ulecia Palacios**

General Secretary

**Mr. Fernando Vives Soler**

Chief Commercial Officer



NH Collection Berlin Friedrichstrasse  
Berlin, Germany



## COMPLIANCE SYSTEM

NH Hotel Group promotes the Compliance function covering the following key areas:

- **Code of Conduct:** It determines the principles, values and rules that must govern the conduct and behaviour of the employees, senior officials, and members of the governing bodies of Group companies and stakeholders working with NH.
- **Criminal Risk Prevention Model:** It describes the principles applicable to the management and prevention of crimes within NH Hotel Group. It also defines the structure and operation of the control and oversight bodies established within the Company, systematizing existing controls for the purposes of preventing and mitigating the risk of crime at the different areas of the Company.
- **Internal Code of Conduct:** It establishes the minimum standards that apply to the purchase and sale of securities, as well as to privileged and confidential information, and how such information must be handled.
- **Procedure on Conflict of Interest:** It establishes the rules that apply to conflicts arising between the interests of the Company, or any company within its Group, and the direct or indirect personal interests of the Directors or a person subject to the rules governing conflicts of interest.

## COMPLIANCE COMMITTEE

Since 2014 NH Hotel Group has a Compliance Committee, composed by members of the Management Committee and Senior Management. It is responsible for overseeing compliance with the Code of Conduct, the Criminal Risk Prevention Model, the Internal Code of Conduct in the Stock Exchange and the Procedure on Conflict of Interest. The Compliance Committee oversees the management activity carried out by the Compliance Office and submits detailed reports on its activities to the Audit and Control Commission. Furthermore, it can take disciplinary measures against employees in relation to matters falling within its scope of competence.

## COMPLIANCE OFFICE

The Compliance Office, led by the head Auditor of the Group, is responsible for spreading awareness and monitoring compliance with the Code of Conduct as well as for preparing the Criminal Risk Prevention Model.

The Compliance Office informs the Compliance Committee and reports directly to the Audit and Control Commission. It is responsible for managing the Complaints Channel and handling queries regarding the Code of Conduct.

The Code of Conduct describes how complaints received through the Complaints Channel are to be handled. Confidentiality, respect and non-retaliation are guaranteed at all stages.

In 2016, there have been 42 reports of alleged breach of the Code of Conduct and the corresponding disciplinary measures have been imposed. Overall, 74 queries have been answered.

In 2016 the Criminal Risk Prevention Model was rolled out in the most relevant countries where the NH Group operates, with a view to adapting it to potential local needs.

NH Schiphol Airport  
Amsterdam, The Netherlands



## SCOPE AND KEY ACTIVITIES OF THE COMPLIANCE COMMITTEE

### CODE OF CONDUCT

- Ensure that all members of the organization are familiar with the Code of Conduct
- Take decisions on penalties arising from breaches of the Code of Conduct
- Oversee the handling by the Compliance Office of complaints submitted through the Complaints Channel [codeofconduct@nh-hotels.com](mailto:codeofconduct@nh-hotels.com), which is available to all stakeholders
- Ensure compliance with the disciplinary measures imposed

### CRIMINAL RISK PREVENTION MODEL

- Supervise the Criminal Risk Prevention Model and monitor any measures adopted
- Ensure that the principles of the Manual are disseminated
- Approve training plans on Criminal Risk Prevention
- Analyse and approve plans for periodic reviews of the Model
- Receive and assess periodic reports sent by the Compliance Office
- Analyse legal amendments that may have an impact on the Model

### INTERNAL CODE OF CONDUCT

- Supervise compliance with the Internal Code of Conduct

### PROCEDURE ON CONFLICT OF INTEREST

- Monitor the Procedure on Conflict of Interest

## SCOPE AND KEY ACTIVITIES OF THE COMPLIANCE OFFICE

### CODE OF CONDUCT

- Roll out Code of Conduct awareness plans
- Promote, coordinate and monitor all training activities arising from the implementation of the Code
- Answer questions related to the Code
- Manage the complaints channel
- Conduct investigations regarding potential irregularities reported through the Complaints Channel [codeofconduct@nh-hotels.com](mailto:codeofconduct@nh-hotels.com), which is available to all stakeholders
- Propose disciplinary measures on the basis of the outcome of the investigations
- Report outcomes to the Compliance Committee and the Audit and Control Commission

### CRIMINAL RISK PREVENTION MODEL

- Regularly monitor and supervise the Criminal Risk Prevention Model
- Ensure that the principles of the Manual are disseminated
- Manage training on Criminal Risk Prevention
- Propose to the Compliance Committee all such complementary measures as may be deemed appropriate to ensure that the organization properly complies with the Criminal Risk Prevention Manual and generally, that it meets the goals contained in the Manual
- Implement planned review schemes and conduct ad hoc reviews requested by the Audit and Control Committee
- Propose improvements where breaches or poor control are observed
- Report on its activities to the Compliance Committee and the Audit and Control Commission

## AWARENESS AND TRAINING

In line with its ethical commitment and the best Good Governance practices, NH Hotel Group has conducted communication, awareness and training campaigns on Compliance since the last update of the Code of Conduct in 2015.

The Code of Conduct is available in 6 different languages and all stakeholders can access it on the official website of NH Hotel Group. Staff operating under NH Hotel Group brands have also been provided with a practical Guide and a FAQ document.

Online training sessions on the Code of Conduct have continued in 2016, in an effort to ensure that all Group employees are familiar with it. 66.74% of employees have adhered to the Code and have completed the training course. This figure includes the employees listed in the tool NH Talent (employees of NH Hotel Group) with the exception of Germany, where the training course was launched in December.

Likewise, in Spain is implemented the Criminal Risk Prevention Model, both in the Business Unit and in Headquarters. During 2016 specific training courses have been held in the prevention of criminal risks, where 66.67% of the target employees (Central Services, Hotel Managers and Department Heads) have completed it.

After the introduction in Spain, the Criminal Risk Prevention Model is expected to extend to other countries: Mexico, Colombia, Argentina, Belgium, The Netherlands, United Kingdom and Germany.

## RELATIONS WITH GOVERNMENTS

The Company manages its business in accordance with its corporate values and its ethical and conduct framework. It also ensures strict compliance with the domestic legislation in force. At the local level, the Company always acts independently of any political party, ensuring transparency in its dealings with public and administrative institutions.



Gallery



# VISION AND STRATEGY



## OUR VISION

*One day, whenever anyone contemplates a trip to a city for an overnight stay or meeting, for business or pleasure, they will always ask themselves: "is there an NH Hotel at my destination?"*

NH Hotel Group wants to be the consumers' chosen destination, offering them memorable experiences that go far beyond their expectations and make them feel special.

This view, shared by everyone that is part of the Company, serves as a performance and commitment guide, while at the same time endeavouring to make NH Hotel Group the best option for investors and owners who wish to grow together with the Group, with a global and flexible proposal, with highly-motivated and proud teams, effective management tools and unique solutions.

In order to maximise the return of the shareholders who have placed their trust in NH Hotel Group, the Company offers its investors the best management opportunities with a top level operator in both the urban segment and in the business sector.

## NEW CULTURE

NH Hotel Group's culture, inspired on its vision and a clear calling to serve the customer, is what has set the Group apart in the sector from the very beginning.

In 2016, this culture has made it possible to begin evolving from a management model to a leadership one that incorporates the principles that guide the day-to-day activities of directors and employees. The Company's eight beliefs are a clear reflection of its culture:

1. We are obsessed with delivering memorable experiences
2. We are proud to serve
3. We strive to be the best, even if we are not the biggest
4. We are all responsible for our results
5. We care for our people. Our people care for our guests
6. We are active in the communities where we live
7. We are young minded
8. We enjoy what we do...and we do all this with a smile





# NH HOTEL GROUP STRATEGIC PLAN

The five-year Strategic Plan of NH Hotel Group is based on four key value-creating drivers and 24 initiatives, each of which has its own goals, action plans, calendar, budget and implementation officials. It is based upon the basic pillars of the New NH value proposition.

In 2016, NH Hotel Group has reached the breakeven point or profitability threshold, and now, on the horizon of the Strategic Plan 2014-2018, the Company takes yet another step forward efficiency.

5-YEAR PLAN PHASES STRATEGIC PLAN 2014 - 2018								
2014	>>	2015	>>	2016	>>	2017	>>	2018
<b>PHASE I: STRUCTURING THE COMPANY (RECOVERING PROFITABILITY)</b>					<b>PHASE II: EFFICIENCY AND GROWTH</b>			
<i>By...</i>					<i>By...</i>			
<ol style="list-style-type: none"> <li>1. Clear and recognisable brand architecture</li> <li>2. Structuring the portfolio and investing in the product</li> <li>3. Distinct and consistent product / service experience</li> <li>4. Investment in marketing</li> <li>5. Optimising the pricing strategy</li> <li>6. Changing systems and outsourcing administration</li> </ol>					<ol style="list-style-type: none"> <li>1. Efficiency (Operating Model)</li> <li>2. Reduce indebtedness</li> <li>3. Expansion</li> <li>4. Dividends</li> </ol>			

INITIATIVES		DESCRIPTION
REVENUES INCREASE	NEW VALUE PROPOSITION	<ul style="list-style-type: none"> <li>■ New brand architecture and experience</li> <li>■ Pricing strategy and increased investment in marketing</li> </ul>
	PORTFOLIO OPTIMIZATION	<ul style="list-style-type: none"> <li>■ Repositioning Plan: €237M investment</li> <li>■ Asset rotation of owned assets that is not consistent either with the new product or NH strategy</li> </ul>
MARGIN INCREASE	DIRECT SALES INCREASE	<ul style="list-style-type: none"> <li>■ Reduction of intermediation costs increasing direct online sales (website and mobile applications)</li> <li>■ Sales strategy by channels and strategic pricing (prices-value and yield management by market)</li> </ul>
	COST EFFICIENCY	<ul style="list-style-type: none"> <li>■ Optimization of support functions (i.e. administration, sales) and purchases</li> <li>■ Continue with the profit adjustment plan and its renegotiation</li> </ul>
GROWTH		<ul style="list-style-type: none"> <li>■ Strengthen presence in Europe and Latin America</li> <li>■ Joint Venture China</li> </ul>
ENABLERS		<ul style="list-style-type: none"> <li>■ IT, Human Resources and Sustainability initiatives</li> <li>■ Corporate culture to make NH Hotel Group a global enterprise</li> </ul>



Gallery

NH Collection Mexico City Reforma  
 Mexico City, Mexico

## KEY INITIATIVES IN 2016

BRAND AND EXPERIENCE	SALES AND MARKETING
REVENUE OPTIMIZATION	REPOSITIONING PLAN
PORTFOLIO OPTIMIZATION	IMPROVING DIRECT ONLINE SALES
EXPANSION PLAN	DIGITAL TRANSFORMATION PLAN

## BRAND AND EXPERIENCE

In 2016, the Company has continued to pursue its commitment to guarantee service excellence so that it can more than live up to its customers' expectations. With this in mind, NH Hotel Group works with an operational and service commitment for each one of its brands, concentrating on maintaining the very highest standards where quality, transparency and innovation are concerned:

**nh** | HOTEL GROUP





NH Chamberi  
Madrid, Spain

**NH**  
HOTELS



## ALWAYS A PLEASURE

NH Hotels, four and three-star urban hotels for those travellers who for business or leisure purposes are looking for an excellent location with the best value for money. Comfortable and functional rooms, with services and amenities adjusted to their needs.

With a warm and friendly service, we make sure that each guest makes the most of their stay, making it a memorable experience. We are their guide in the city.

### OPERATIONAL PROMISE:

- 1 Always yes!
- 2 Brilliant Basics
- 3 Easy free Wi-Fi
- 4 World famous NH breakfast
- 5 Food solutions or advice at any time
- 6 All you need and want
- 7 Perfect Laundry
- 8 Lazy Sundays
- 9 Perfect Fit
- 10 Leading eco-efficiency



NH Genova Centro  
Genoa, Italy



NH City Centre  
Amsterdam, The Netherlands



NH Collection Palazzo Cinquecento  
Roma, Italia



NH Collection Leon Expo  
Leon, Mexico



NH Collection Barbizon Palace  
Amsterdam, The Netherlands



NH COLLECTION  
HOTELS

Gallery



Video



NH Collection  
brand

## FEEL THE EXTRAORDINARY

NH Collection, the upper-upscale brand of NH Hotel Group, has hotels located in the main cities of Europe and Latin America. Its distinctive and authentic buildings maintain their local character, being a suggestive source of inspiration for guests who expect to feel something more. The attention to detail and the little unexpected gestures turn the experience into something extraordinary.

### OPERATIONAL PROMISE:

- 1 Always yes! one step ahead
- 2 Extraordinary Brilliant Basics
- 3 High superior connectivity
- 4 World-famous NH Collection breakfast
- 5 Healthy and varied food at anytime
- 6 Beyond all you need and want
- 7 Look Great
- 8 Lazy Sundays
- 9 World-class fitness area
- 10 Leading eco-efficiency



nhow Rotterdam  
Rotterdam, The Netherlands



nhow Berlin  
Berlin, Germany



nhow Milano  
Milan, Italy

Gallery



**nhow**  
HOTELS

## ELEVATE YOUR STAY

nhow is our most surprising and exclusive brand. The only rule in nhow is that there are no rules. The main idea: nothing is pre-established. Through a continuous disruption, sense of “wow” and constant change, each consumer experiences the brand in a different but always a creative way. Each hotel is a unique creation. New forms of contemporary architecture, design, technology and smart luxury by prestigious architects and interior designers (Rem Koolhaas, Matteo Thun, Karim Rashid, etc.).

### OPERATIONAL PROMISE:

- 1 The power of yes
- 2 Beyond Brilliant Basics
- 3 nhow connected
- 4 Wake up nhow!
- 5 F&B hotspot
- 6 We know you
- 7 Express laundry!
- 8 nhow and the city
- 9 It's fitness time
- 10 Leading eco-efficiency



Hesperia Villamil  
Mallorca, Spain



Hesperia Playa El Agua  
Isla Margarita, Venezuela



Hesperia Lanzarote  
Lanzarote, Spain



**Hesperia**  
RESORTS

## PERFECT ESCAPES

Hesperia Resorts, holiday resorts with a renewed concept of modern accommodation and customized service that is surprising at every level. Situated in stunning locations, they are the perfect choice for couples and families who need the ideal combination of rest and enjoyment. They offer a wide range of services and leisure activities.



NH Milano Congress Centre  
Milan, Italy



nhow Berlin  
Berlin, Germany

NH MEETINGS



**INSPIRE,  
CREATE,  
ENJOY**

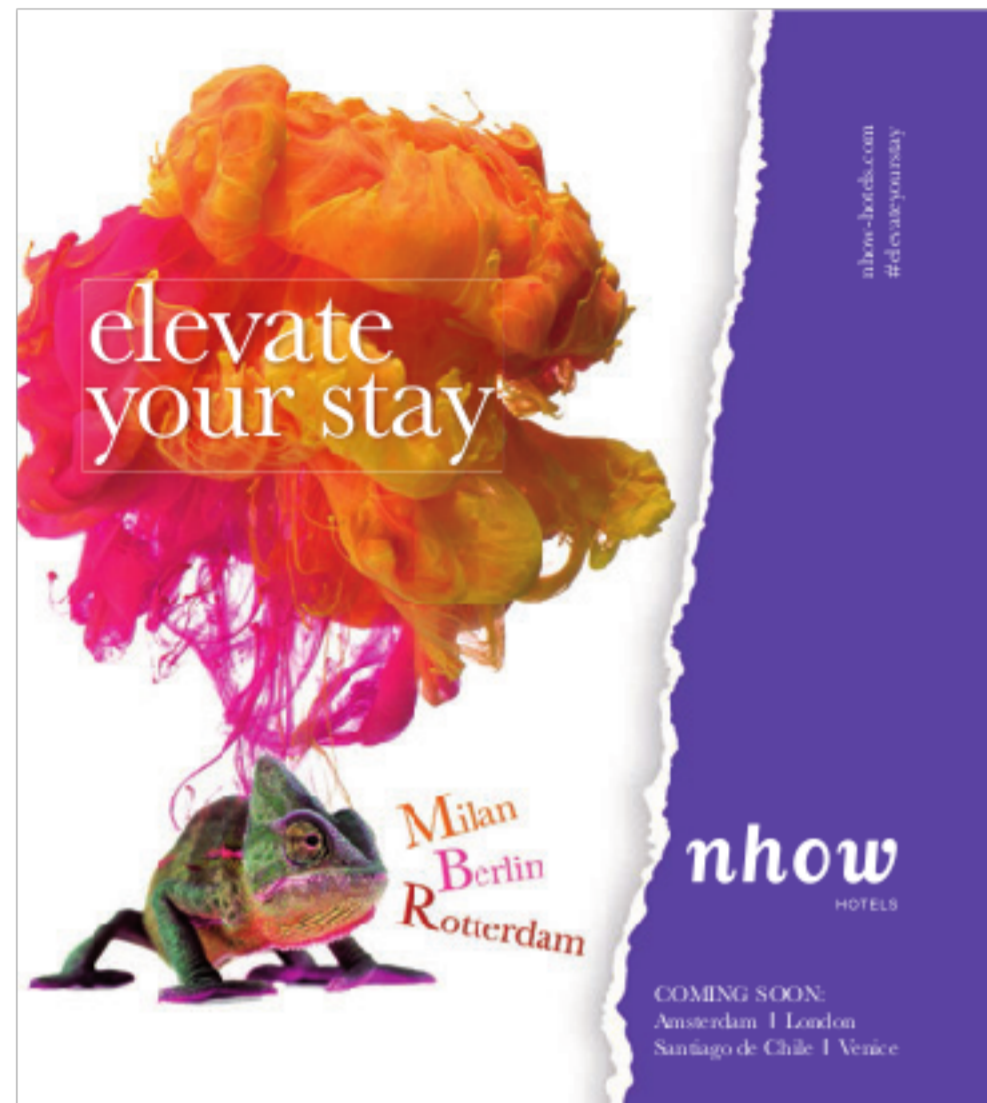


Meetings and  
events brand

NH Hotel Group creates memorable and inspiring events that help its customers achieve remarkable success. Creative and versatile spaces with state-of-the-art technologies to create high impact events and high performance meetings.

**OPERATIONAL PROMISE:**

- 1 Ambassador service
- 2 Specialized advisory service
- 3 Customized professional response
- 4 Free easy Wi-Fi
- 5 Tempting Breaks
- 6 Eco-friendly meetings
- 7 Always Yes!
- 8 High Tech Made Easy



# SALES AND MARKETING



## NH HOTEL GROUP REWARDS

NH Hotel Group Rewards is the Company's Loyalty Programme. By end of 2016 it had more than 6.8 million customers registered, who have accounted for 36% of the Group's profit in this exercise.

The programme is present in the main countries in Europe and Latin America where the Group is established and offers advantages and benefits to customers from all NH Hotel Group brands. It is divided into four categories based on the frequency of the nights spent or number of stays: Blue, Silver, Gold and Platinum. Recurrence rate of NH Hotel Group Rewards members is 40% higher than in the rest of the customers.

Furthermore, the Company conducts annual surveys to NH Hotel Group Rewards members meant to measure their degree of satisfaction with the programme and to assess its benefits. In 2016, the overall rating for the programme has been 8.6.



### Benefits for NH Hotel Group Rewards members

- Welcome gift
- Exclusive rate and appealing promotions
- A 3% discount on the final price
- Cumulative discounts for Silver, Gold and Platinum members
- Points that can be exchanged for nights free of charge: One point = One Euro
- Special advantages for customers during their stay

### EVOLUTION FOR NH REWARDS CUSTOMERS

2014	2015	2016
4,405,889	5,412,259	6,866,516



# REVENUE OPTIMISATION

As further proof of its determination to support technological developments, in 2016 NH Hotel Group has signed an agreement with Duetto, the top company in the market where hotel profit optimisation technology is concerned, with a view to implementing its income strategy solutions. This new technology will provide NH Hotel Group with more accurate information about the prices and demand for its 379 hotels and 58,472 rooms in Europe, America and Africa.

By adopting Duetto's Open Pricing strategy, the Company will be able not only to optimise its advanced pricing model, but also to equip its commercial teams with cutting-edge technology, thereby improving the decision-making process and purchasing time.

The Company is positioned at the forefront, not only where hotel management and customer service are concerned, but also with regards to the technologies that it uses to ensure optimum business operation, especially with respect to optimising profit and improving income.

# REPOSITIONING PLAN

Since the implementation of the Group's current Strategic Plan three years ago, the Company has significantly improved its ability to generate revenue and increase its margins, thanks to investments in hotel repositioning and greater overall efficiency, among others initiatives.

The plan of repositioning concludes with an investment of €200M. From the beginning of the plan until December 2016 the reform of 59 hotels has been completed.

## NH COLLECTION GRAN HOTEL CALDERÓN

NH Collection Gran Hotel Calderón has come to epitomise five-star hotels in Barcelona, making it the brand's and the Company's flagship in Catalonia. The hotel has 255 rooms, 10 exclusive spaces for events and meetings, covering a surface area of 700 sqm and with a capacity for 350 people, plus a spectacular terrace equipped with a swimming pool and solarium.

## NH COLLECTION SUECIA

After its refurbishment, this hotel has been reborn as a five-star NH Collection establishment, the third of this category in Madrid. The Company has decided to provide this 123-room hotel with stylish yet homely décor that takes its inspiration from Scandinavia. Just a stone's throw from the capital of Spain's main tourist attractions and its art district, the hotel is committed to quality gastronomy and the latest culinary trends.

Video



NH Collection Madrid Suecia International Launch Event



NH Collection Suecia Madrid, Spain

## INTRODUCING THE NH COLLECTION BRAND IN AMERICA

The launch of NH Collection in America reaffirms the Group's commitment to boosting this brand internationally in the upper-upscale segment. NH Hotel Group operates 62 hotels in 11 countries in America, 19 of which are NH Collections located in Argentina, Chile, Colombia, Ecuador and Mexico. The Company expects to carry on increasing its NH Collection offer in Latin America, where it currently has four projects for new hotels in progress slated to open their doors to the public in Mexico and Chile between 2016 and 2018.

Video



NH Collection international launch in America

### NH COLLECTION MEXICO CITY REFORMA

Lying in the heart of Mexico City's financial and tourist district, this hotel is a 306-room establishment equipped with extraordinary Brilliant Basics, which are the elements that make up the basic room proposal for the Group's benchmark hotels. Furthermore, its restaurant "Obvio" blends the very best Mexican cuisine with international flavours.



Gallery



NH Collection Mexico City Reforma Mexico City, Mexico

## STRENGTHENING THE NH COLLECTION BRAND IN ITALY

NH Hotel Group chose the City of Rome to present in Italy its most exclusive brand: NH Collection. NH Collection hotels have been thought of for urban travellers who are on business or on holiday and are seeking personalised attention, exceptional services and, above all, first-class facilities and amenities in strategic urban destinations all over the world.

### NH COLLECTION PALAZZO CINQUECENTO

This new NH Collection is a beautiful example of 20th Century architecture that has revived Art Nouveau details. Its 177 rooms are decorated with an elegant and sophisticated style, featuring all the conveniences and creature comforts that go with the exclusive quality of the NH Collection brand. Furthermore, the "Grand Tour" restaurant offers its customers an unforgettable gastronomic experience in the local tradition through its Italian culinary flavours.



NH Collection Palazzo Barocci Venice, Italy



NH Collection Barbizon Palace  
Amsterdam, The Netherlands



NH Collection  
Marketing Campaign  
Gallery



## CONSOLIDATING THE NH COLLECTION BRAND IN CENTRAL EUROPE AND BENELUX

In keeping with its Strategic Plan, NH Hotel Group continues to invest in renovating and improving its portfolio the world over. In 2016, the Group officially presented in Germany its upper-upscale brand, NH Collection, with the successful inauguration of four hotels of its type in Berlin, Frankfurt, Hamburg and Dresden. NH Collection's presentation in this country was a major milestone in NH Hotel Group's development plans and showcases the Group's strong commitment to its most exclusive brand and has technology as a vital element in the experience proposal. For example, both NH Collection Berlin Friedrichstrasse and NH Collection Frankfurt City are equipped with notably large LED screens in their common areas, which are used to recreate unique atmospheres through a variety of video effects.

Another major milestone in the Repositioning Plan has undoubtedly been the introduction of the NH Collection brand in Benelux, due to the importance of The Netherlands, with Holland and Amsterdam as key destinations for the Group.

After a period of refurbishment, NH Collection Grand Hotel Krasnapolsky, NH Collection Doelen and NH Collection Barbizon Palace have reopened to become the brand's flagship hotels in The Netherlands. These 3 five-star hotels are perfect examples of the qualities that defined NH Collection hotels, not only because of the unique characteristics of their buildings, but also because of their centric location in the Dutch capital. The rich and inspiring history in which these three hotels are shrouded, has made them top choice among tourists and business travellers from all over the world whenever they pay a visit to Amsterdam.

### NH COLLECTION GRAND HOTEL KRASNAPOLSKY

Opposite the Royal Palace and right in Dam Square lies the NH Collection Grand Hotel Krasnapolsky. After two years of intensive refurbishment, the hotel, composed of 55 adjacent buildings, has been completely modernised. The 451-room establishment, with 2,200 square metres for events and meetings, has been recognised as the "Best M&E establishment in Holland" in the large hotels category and also with the "National Meetings Prize" in February 2016.

### NH COLLECTION DOELEN

Constructed in the 15<sup>th</sup> Century, the NH Collection Doelen is the oldest hotel in the city and lies right in the centre of Amsterdam, on the banks of the historic River Amstel. After its refurbishment, NH Collection Doelen now has more than 80 boutique-style rooms, where traditional features go hand in hand with modern design.

### NH COLLECTION BARBIZON PALACE

After a period of major refurbishment, this extraordinary five-star hotel, located in a 17<sup>th</sup> Century building opposite Amsterdam Central Station, has reopened its doors. The establishment has 274 rooms, including suites and apartments, and is equipped with 12 meeting and conference rooms, plus a 15<sup>th</sup> Century chapel for unforgettable events and celebrations. While NH Collection Barbizon Palace was being refurbished, the chef Chris Naylor opened up Roomservice at Olof's. This pop-up restaurant, inside the chapel, was what inspired Chris to reinvent Vermeer.

# IMPROVING DIRECT ONLINE SALES

2016 has been the first year in the history of NH Hotel Group that the web channel grew faster than online travel agencies (OTAs), to be precise 21.6% as opposed to 16.7% respectively. This is a key result of the five-year Strategic Plan, and has enabled the Company to improve its overall margin through a better combination of channels and lower sales costs.

It must be mentioned that 2016 has been the final year in an intensive migration cycle that has lasted for three years and yielded positive results. The income billed rose from €144.3M in 2015 to €168.6M throughout this twelve month period. Therefore, the year-over-year growth for the income billed reached 17%, nearly three times the figure for 2015 (6%). Furthermore, during the past year, the share of profit per room for e-Commerce reached 12.4%, 1.1% more than in 2015.

Finally, in 2016, 72% of the online sales were purchased by members of NH Hotel Group Rewards, as opposed to 20% in 2015.

# EXPANSION PLAN

Within the Company's Strategic Plan, the Expansion Plan is framed with the main objectives of strengthening the presence in Europe as well as creating a bigger platform in Latin America and opening new markets in China.

In 2016, it should be noted that the Company has signed a total of 16 hotels that will incorporate 2,114 rooms into the portfolio in Mexico, The Netherlands, Belgium, France, Italy, Germany, Spain, Argentina and Chile in the next years.



NH Collection Piazza Carliina  
Turin, Italy

## INTRODUCING NH HOTEL GROUP IN CHINA

In March 2016, NH Hotel Group announced the launching of the joint venture with HNA Hospitality Group in China and the brands with which it will be operating in the country. "Nuo Han" is the name chosen to represent NH Hotel Group in China. The term "Nuo" indicates NH Hotel Group's commitment to living up to its customers' expectations with sincerity and warmth. The term "Han" refers to the potential for flying higher and a brilliant future for the guests who are travelling on business or for pleasure. The name of the Group's new brand in China is thus consistent with NH Hotel Group's operating commitment, which places customer satisfaction first and foremost.

NH Shijianzhuang Financial Center has opened its doors at the beginning of 2017. With four stars, its excellent location and magnificent facilities make it the cornerstone that will strengthen the NH brand in this country. With 78 rooms, 4 of them suites, the hotel is located in a select setting of the capital city of Shijiazhuang, the cultural, political and economic centre of the Hebei province.

## DIGITAL TRANSFORMATION PLAN

NH Hotel Group's Transformation Plan, one of the major initiatives of its five-year Strategic Plan, has been a key project in 2016.

The achievements obtained per Business Unit regarding the key targets for 2016 have been extremely positive, exceeding 90% of achievement rate in its key targets. This progress has enabled the Group to improve the quality of the Group's processes and information.

In the field of Technological Transformation, most of the projects envisaged in the Plan have been carried out, as well as others of great strategic value such as SAP IM, for investment management, or the integration with Onyx, for commission management. Furthermore, NH Hotel Group has completed the migration of the commercial website, Front Office systems and connectivity and has replaced CRS with SAP-TMS, tools that no other hotel system is able to incorporate at the present time.

The Company has also made notable breakthroughs in the area of Organisation, standardising, recording and training users in policies, procedures and processes that are critical for the Group, such as the New Corporate Credit Policy, implemented in the Credit and Payment Control Processes; the Global Commissions Management Process, automatically centralised and interconnected between NH Hotel Group and Onyx CenterSource Platform or the New Capex Budget Preparation and Implementation Processes, incorporated in the new Corporate Investment Management (IM) tool by SAP.

# OUR RESPONSIBILITY AND COMMITMENTS

NH Collection Teleport Royal  
Bogota, Colombia



# MANAGEMENT MODEL

## NEW CORPORATE RESPONSIBILITY PLAN 2016: RESPONSIBLE COMMITMENT PLAN

NH Hotel Group wishes to become a leading example in corporate responsibility within the hotel industry, by creating shared value at an economic, social and environmental level in the countries where it conducts its operations. That is why in 2016 the Company has formalized its Global Corporate Responsibility Plan (the "Responsible Commitment Plan") for the next three years (2016-2018), with which it intends to set the standard for Corporate Responsibility within the business.

The Plan is part of the Company's strategy and its five-year Strategic Plan. It includes its main commitments in terms of corporate responsibility, and the development of action lines in key corporate areas.

The Corporate Responsibility Policy and the materiality analysis, which was used to identify the key aspects for NH Hotel Group in accordance with its strategy and stakeholders, served as a starting point.

### MATERIALITY ANALYSIS

Analysing all relevant aspects to the business and the stakeholders is key for the Corporate Responsibility management process, including reporting and strategy definition, initiatives and relationships with stakeholders.

In 2016 NH Hotel Group updated this analysis as the basis for a new CR Plan and the contents of this Report. The process comprised the following phases:

#### Identification

A list was provided of the aspects identified in the Materiality Analysis 2015 on the basis of all the sources that were monitored:

- Industry's Materiality Matrix prepared by the International Tourism Partnership (ITP). NH Hotel Group took part in this study.
- Corporate Responsibility benchmarking of eight leading national and international companies within the industry.
- Main relevant projects responding to the Strategic Plan in 2016, and the needs of customers and employees.
- NH Hotel Group press review focusing on the Sustainability and Corporate Responsibility aspects.

#### Prioritisation

Prioritisation of the material aspects was based on two variables:

- Impact on Business: Impact of each topic or aspect on the Company's business.
- Impact on Stakeholders: Impact of each aspect on the different priority stakeholders.

#### Validation

The prioritisation exercise was validated internally with the Corporate Responsibility Department, by contrasting the relevance and impact of the material aspects with the business goals.

Prioritised aspects were organized in line with NH Hotel Group's strategy to ensure mainstreaming and cross-cutting management.



NH Collection Doelen  
Amsterdam, The Netherlands

**PILLARS AND COMMITMENTS**

The new Corporate Responsibility Plan is divided into five action plans and one cross-cutting central theme. The first pillar relates to responsible business practices and operations established on business models based on dialogue with stakeholders. The second pillar refers to the employees and their professional development. The third pillar focuses on our customers: with an excellent service and an innovative offer, NH Hotel Group invites customers to get involved in its ethical, social and environmental commitments. Giving back to the community and promoting sustainability by offering sustainable products, reducing consumption and fighting against climate change are the last two pillars of the Plan. Communication through active and transparent dialogue with stakeholders serves as the cross-cutting central theme.

Commitments, goals and progress indicators were identified for each of these pillars. These indicators will be used to report annually on the achievements and advances made and thus assess the responsible performance of NH Hotel Group.

**ORGANIZATION AND MANAGEMENT**

In 2016 corporate responsibility functions consolidated at the level of the Board of Directors. The Nominating and Compensation Committee that existed in 2015 has become the Nominating, Compensation and Corporate Governance Committee following the recommendations of the new Code of Good Governance for listed companies. Its new, additional roles include approving and ensuring compliance with the Corporate Responsibility Policy and the Corporate Responsibility Plans, as well as submitting the relevant Reports and Indicators to the Board.

In this sense, the Corporate Responsibility Policy was approved by the Board of Directors at the beginning of 2016. This Policy seeks to establish the basic principles and general framework of action for managing Corporate Responsibility practices, and serves as the basis for mainstreaming the CR approach into NH Hotel Group's business model.

Regarding implementation, the Company's Senior Management is responsible for the design, implementation and monitoring of the Corporate Responsibility Plan (2016-2018), reporting on its development to the Nominating, Compensation and Corporate Governance Committee.

**A PLACE WHERE WE ARE CREATING SHARED VALUE AT AN ECONOMIC, SOCIAL AND ENVIRONMENTAL LEVEL**

OUR RESPONSIBLE BUSINESS	PEOPLE	PLANET
<p>Always working with local suppliers and responsible organizations.</p>	<ul style="list-style-type: none"> <li>• For our Employees: provide them their professional development</li> <li>• For our Customers: we invite our customers to get involved in our ethical, social and environmental commitments</li> <li>• Community: creating positive impacts on the communities where we are present</li> </ul>	<p>The fight against climate change being respectful with our consumption.</p>



NH Collection Frankfurt City Frankfurt, Germany



NH Collection Doelen  
Amsterdam, The Netherlands

# RESPONSIBLE BUSINESS

## DIALOGUE WITH STAKEHOLDERS

NH Hotel Group engages in active and effective dialogue with its stakeholders through multiple channels and formats in order to keep up-to-date of new demands and needs, and better respond to their concerns and opinions.

Presence in the social media plays an increasingly relevant role as a space for dialogue and interaction with customers and society, but other channels are also important, such as satisfaction surveys with customers and employees, and regular meetings and encounters with other stakeholders, including shareholders, suppliers, employee's representatives and third-sector agents.

### ADHESION AND ALLIANCES

#### GLOBAL COMPACT

NH Hotel Group adhered to the United Nations Global Compact in 2006 and follows its 10 principles as an internal reference framework for designing the Company's Corporate Responsibility strategy and management.

#### WORLD TRAVEL & TOURISM COUNCIL (WTTC)

This prestigious international forum for the travel industry includes the main companies of the business community at global level and works with governments to create awareness about the travel and tourism industry.

#### INTERNATIONAL TOURISM PARTNERSHIP (ITP)

This global platform brings together the international leaders in Corporate Responsibility within the hotel sector.

In 2016 ITP and its members have worked on their most ambitious plans to date, with a view to establishing, on the basis of an on-going dialogue with our main stakeholders, four common goals related to carbon emissions, water scarcity, human rights and youth unemployment. These goals seek to complement the individual targets set by Companies in the belief that impact will be greatest if everyone pulls together to work on these responsible aspects, which are the most pressing issues facing the industry at the moment.

#### YOUTH CAREER INITIATIVE (YCI)

NH Hotel Group, together with the leading chains forming part of ITP, continues to participate in this alliance in Mexico City focused on the professional training and development of disadvantaged youth.

#### ENTERPRISE 2020

Enterprise 2020 is the only business collaborative initiative recognized by the Corporate Social Responsibility European Strategy. Its aim is to promote and spread best business-led CSR practices based on collaborations. NH Hotel Group is part of this platform through its Employability Programmes for groups at risk of exclusion, a high-impact collaborative initiative.

#### SERES FOUNDATION

NH Hotel Group is a patron of SERES Foundation since early 2016, thus promoting its strategy of becoming a leader in social responsibility within the tourism industry. SERES Foundation encourages businesses to commit to the betterment of society through responsible actions aligned with the Company's strategy and generating value for all.

#### TOGETHER FOR EMPLOYMENT (SPAIN)

NH Hotel Group continues to participate in this initiative aimed at improving the employability of Spain's most vulnerable groups, by promoting collaboration amongst businesses, the public sector and third-sector organizations. The project is led by Accenture Foundation, Compromiso Empresarial Foundation and SERES Foundation.



## CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS (SDG)



NH Hotel Group supports the Sustainable Development Goals (SDG) agreed by the United Nations, focusing on its capacity to create jobs, protect the responsible consumption of natural resources and promote culture or local products. It also contributes to the goals centred on areas in which the Company has greater impact (Sustainable cities and communities, Gender equality and Reduced inequalities).

Accordingly, in 2016 the Company has identified the SDGs with the most direct impact on its daily activities:



### GOAL 3 (GOOD HEALTH AND WELL-BEING)

Work is done on three concepts: nutrition, wellbeing and local flavour. That is, responsible consumption and positive impact on health and the social and environmental areas. In this way, the Company is ambassador of a healthy diet and healthy habits, not only for guests, but also for all stakeholders.

**Evidence:** Healthy breakfast offered at 368 hotels in 28 countries and enjoyed by over 6,000,000 customers.

### GOAL 8 (DECENT WORK AND ECONOMIC GROWTH)

The capacity to create jobs is one of NH Hotel Group's values. The Company works on a number of initiatives in collaboration with the public sector and third-sector organizations, not only to improve employability and fight against inequality, but also to create opportunities.

**Evidence:** Youth Career Initiative (YCI) is a high-impact international initiative for the training and professional development of youth at risk of exclusion, of which NH Hotel Group is a member.

### GOAL 12 (RESPONSIBLE CONSUMPTION AND PRODUCTION) AND GOAL 13 (CLIMATE ACTION)

The plans that specifically promote the achievement of these two Goals are:

- **Green Savings Project:** Savings in consumption by the Company (water, energy and other related aspects, such as laundry).
- **Green Hotel Project:** Sustainable actions with customers.

**Evidence:** All hotels submit monthly reports on water and energy consumption, as well as carbon footprint. Also, 273 of hotels use green energy sources and 131 have an external environmental certification.

### GOAL 16 (PEACE, JUSTICE AND STRONG INSTITUTIONS)

Work in relation to this Goal focuses on ethical and effective commitments at all levels. In line with the best ethics and corporate governance practices, a series of rules and principles have been established, which must govern the professional conduct of employees and are intended to involve and engage all stakeholders.

**Evidence:** Recent updating of the Code of Conduct, training and awareness on the Code of Conduct, and supplier approval policy.

### GOAL 17 (PARTNERSHIPS FOR THE GOALS)

NH Hotel Group is aware of the importance of collaborating with institutions to implement the sustainable development agenda. That is why the Company establishes partnerships on the basis of shared principles, values and goals with different organizations, whether public or private, at global, regional, national and local level.

**Evidence:** Partnership with ITP (International Tourism Partnership), an international platform that brings together the leaders in Corporate Responsibility within the hotel sector. It works on the thematic areas in which the sector can achieve the most impact: youth and employment, water, Human Rights, carbon footprint and labour standards.



NH Parma  
Parma, Italy

## SOCIALLY RESPONSIBLE INVESTMENT

### FTSE4GOOD

Created by the London Stock Exchange to help investors integrate environmental, social and corporate governance (ESG) factors in their investment decisions. NH Hotel Group became part of this index in 2013 and in 2016 renewed its presence once again, thanks to the responsible management of the business and the improvements made.

### ETHIBEL EXCELLENCE INVESTMENT REGISTER

This index comprises leading companies in Corporate Social Responsibility in different sectors. Being part of this index highlights the good performance of NH Hotel Group above the average in the sector, and promotes Socially Responsible Investment (SRI) amongst investors and funds.

### CARBON DISCLOSURE PROJECT, CDP

CDP's Climate Change Programme recognises the efforts made by leading global companies to help stop climate change. In 2016 NH Hotel Group has obtained a B Management rating, placing it among the companies that are taking further steps to reduce emissions effectively, a sign of its advanced environmental management practices.



NH Collection Grand Hotel Krasnapolsky  
Amsterdam, The Netherlands

# CUSTOMERS

## THE NH EXPERIENCE

In 2014, 2015 and 2016 the foundations of the quality standards that characterize NH Hotel Group have been laid. In 2014 the operational promises of NH Collection, NH Hotels, nhow and NH Meetings were consolidated. In 2015 the Company continued to successfully implement the product and service standards established for each one of the brands, following their respective roadmaps and the guarantee that they would contribute a sound added value and a new experience. In 2016, guided by the five-year Strategic Plan aimed at improving innovation and the NH experience, the initiatives that had started the previous year have been consolidated, helping to widen the range of products and services for each one of the Group's brands.

### BRILLIANT BASICS

This concept became key for guaranteeing the standards of quality and comfort of NH Hotel Group. On top of the €36,5M invested in Brilliant Basics between 2014 and 2015, another €9.4M have been allocated to this same project in 2016. This investment has allowed the Company to remodel 126 hotels and install 11,300 new beds, 6,200 TV sets, 7,000 new rain-effect showers and over 11,000 new duvets and pillows.

### GASTRONOMIC INNOVATION

NH Hotel Group is committed to offering high quality gastronomy and the latest trends within the sector to its customers. In this sense, the Company is continuously innovating and developing exclusive gastronomic standards and processes which combine local and global values to increase the offer and surprise its guests: M&E Tempting Breaks, which include a Healthy Corner and a Sweet Corner; Minibar, with new content to elevate the quality; Breakfast Juice Corner, with healthy smoothies and juices on request; Memorable Element, which offers a surprising juice every day; Regional Corner, which offers local specialties; and the Kids Corner, where children can eat and have fun in the breakfast buffet area.

Moreover, in 2016 NH Hotel Group has worked on improving its most renowned Food & Beverage service: Breakfast. The new "homemade" breakfast includes a high variety of products and a wide assortment that combines local and global values, offering more than 110 different products on a daily basis. The Company is highly committed with healthy and sustainable management and offers gluten-free, bio, low-sugar, low saturated and no trans-fat products. It also promotes high-quality products (oils, salts, cured meats...), artisan products (gourmet pastries, bio yoghurts...) and personalized customer care and service.

Reflecting NH Hotel Group's ongoing engagement to haute cuisine, the Company offers an extraordinary array of gastronomic choices in its establishments which include culinary ambassadors such as Dabiz Muñoz, 3 Michelin stars with DiverXO, located at NH Collection Eurobuilding; Paco Roncero, 2 Michelin stars with La Terraza del Casino; Oscar Velasco, 2 Michelin stars with Santceloni at Hesperia Madrid; Miguel Barrera, 1 Michelin star with Re Levante at NH Mindoro; Chris Naylor, 1 Michelin star with Vermeer at NH Collection Barbizon Palace and Jacob Jan Boerma, 3 Michelin stars with De Leest, and the opening of The White Room at the NH Collection Grand Hotel Krasnapolsky.

A number of agreements have also been signed with top chefs for guests to enjoy an avant-garde gastronomic offer at the Group's hotels, such as: Kyushu, led by chef Julian Marmol and located at NH Collection Grand Convento di Amalfi, The Truffle Experience of Savini Tartufi at NH Collection Firenze Porta Rossa, La Cesta under the guidance of Oscar Velasco at NH Lagasca, Don Giovanni with Andrea Tumbarello at NH Collection Constanza and NH Collection Gran Hotel Calderon, Taberna Arzabal at NH Chamberi, Casa Suecia of Grupo Boca Grande at NH Collection Madrid Suecia or Estado Puro with Paco Roncero at NH Curitiba Brazil.

Lastly, two new gastronomic proposals have been developed exclusively by NH Hotel Group in 2016, both of which have been received with great enthusiasm by guests and locals alike: Kukuarri at NH Collection Aranzazu (San Sebastián) and Tablafina at NH Nacional (Madrid).



nhow Berlin  
Berlin, Germany

**PERFECT FIT**

In 2016, NH Hotel Group has invested €2,1M in the creation of 58 new gyms which add up to the 64 new facilities that the Group already built in some of its hotels in 2015. Moreover, another €1.7M has been allocated to the refurbishment and re-equipping of 89 of its already existing.

**ONLINE CHECK-IN, CHOOSE YOUR ROOM AND CHECK-OUT EXPRESS**

During 2016, the Group has worked on the development of new initiatives that will be implemented in 2017 such as the Online Check-in, Choose your Room and Check-out Express projects. Taking advantage of the General Transformation Plan of the Company, the processes of check-in & check-out have been fully analysed in order to obtain the maximum efficiencies.

As part of the re-assessment of the check-in process, thousands of real-life situations with guests have been measured in order to identify all possible improvement areas. This has led, for instance, to the overall implementation of document readers (completed in Spain and Italy, and planned for Benelux, Germany, Austria and the Americas). This, together with newly harmonized search criteria that are valid for all countries where NH Hotel Group operates, implies better and faster guest identification processes.

Every update has been followed by training sessions on the Group's online platforms, the modification of operational procedures and direct communications with the teams involved, with a view to ensuring that all investments have an immediate impact on customer cycles.

With the new measures implemented in 2016, customer perception has improved, reaching a rating of 8.6 (results based on more than 180,000 surveys).

The 'Choose your room' service, which is meant to reduce check-in waiting times, allows guests to choose their room 48 hours before they arrive at the hotel. This expedites waiting times. The service was tested at NH Collection Eurobuilding and it will be rolled out to the rest of the hotels in 2017.

**ENHANCED WIFI**

True to its innovation and high quality standards, NH Hotel Group has improved services, such as its Wi-Fi connectivity throughout the year by acquiring additional bandwidth in order to double speed connections at NH Collection and nhow hotels.

**VIP LEVEL AND VIP DETAILS**

The innovative VIP Level concept guarantees a premium experience during the customer's stay, by allowing exclusive access to additional services and the VIP Lounge. Implementation of this concept has continued in 2016 in different hotels of the Company and is currently available at NH Collection Eurobuilding.

Furthermore, different detail categories to be offered to frequent and VIP customers have also been defined and standardized at all of the Group's hotels.

**WELCOME CHINA AT BU ITALY**

NH Hotel Group, aware of the growing significance of Chinese tourism in major cities, has decided to offer an experience tailored to the needs of its Chinese guests.

**STATE-OF-THE-ART TECHNOLOGY AT NH MEETINGS**

The NH experience has been built around a concept focused on creating memorable and inspiring events. To do that, the Company offers state-of-the-art technology, such as the SMART Room System™ for Microsoft® Lync® Online and holographic projection for all types of events. This video conferencing technology was presented at NH Collection Constanza in Barcelona and is available at NH Collection Eurobuilding, NH Collection Constanza, nhow Berlin, nhow Milano, NH Noordwijk Conference Centre Leeuwenhorst and NH Laguna Palace. On the other hand, the Virtual Planner application, which allows customers to see what their meetings will really look like, is already available in 14 hotels of the Company.

**QUALITY MANAGEMENT SYSTEM**

**OUR CULTURE TO IMPROVE CUSTOMER EXPERIENCE**

NH Hotel Group's culture of change focuses on the customer and it adjusts quickly to the ever-changing market needs.

Positive trends in perceived quality ratings among customers have continued in 2016, thanks to the implementation of different projects and the Company's Integral Quality Management system.

**QUALITY MEASUREMENT TOOLS 2016**

A key to improve customer experience is measuring perceived quality and monitoring the action plans that have been put in place. The "Quality Focus Online" tool makes it possible to monitor customer ratings in both internal and online channels. Its improvements include the possibility to visualize quality data aggregated at regional level and the creation of a personal login for Guest Relations, who have taken on a very important role in managing quality at hotel level. They can now visualize customer feedback just as hotel managers do and reply to comments made by customers in our internal surveys.

During 2016, the Iristrace APP, originally launched in 2015, has consolidated itself as the main tool to conduct quality controls at the Company's hotels through a smartphone. This resulted from a considerable increase in the use of the App. The most relevant technical improvements include an overall enhancement of its usability and the possibility to use it offline.

The continuous development of these two important tools considerably improve the quality management process.

**IMPACT ON VISIBILITY AND QUALITY PERCEPTION**

The global perception of the Company's quality has shown a positive trend throughout 2016. Compared to the previous year, the Group's scores have risen by 0.1 growth up to 8.4, an increase attributed to growth in internal surveys and different online channels. These results have catalysed the Company's visibility, particularly on TripAdvisor, where many more of the Group's hotels have positioned themselves among the best in their cities, with 148 hotels on the Top 30 of the prestigious website by the end of the year (134 hotels in 2015, taking account of hotel exits and new additions in 2016). This means that 53% of the portfolio in cities with over 20 hotels is positioned on the Top 30.

NH Collection hotels are, once again, the best reference for the Company in 2016, with average ratings of 8.9 (average of internal NH surveys and online ratings). Regarding their visibility on TripAdvisor, 45% of these hotels are positioned in the Top 10 and 62% on the Top 30.

**VISIBILITY OF HOTELS\* ON TRIPADVISOR**



**NH HOTEL GROUP VS. COMPETITION: TRENDS ON TRIPADVISOR**





NH Collection Köln Mediapark  
Cologne, Germany

**OTHER INSTRUMENTS FOR QUALITY MANAGEMENT**

Quality managers in every Business Unit ensure that the Company's high quality and customer satisfaction standards are met by making internal visits to nearly all hotels, mostly to those where improvement areas have been previously identified, in order to facilitate the implementation of corrective actions.

Also in 2016 and for the sole purposes of improving customer satisfaction, the alignment of services with the standards and procedures established by the Company have been assessed and corrective measures have been implemented at the hotels where room for improvement has been pinpointed.

Personalization and closeness to its customers continue to be the main priorities for the Customer Service Department. In 2016, this area has registered 13% more contacts with customers. Also worth mentioning is the 12% increase in direct contact between hotel managers and customers in the shape of replies to NH Hotel Group's internal Surveys through the Quality Focus Online tool, which makes active interaction possible between hotels and their customers.

**MAIN QUALITY INDICATORS**

Quality Indicators	2015*	2016	Dif.
<b>NH Survey Rating (scale from 1 to 10)</b>			
General	8.5	8.6	0.1
Service	8.9	8.9	0
No. of NH Survey Ratings	165,700	181,069	15,369
<b>Online Rating (scale from 1 to 10)</b>			
General	8.3	8.3	0
Service	8.4	8.5	0.1
No. of On Line Survey Ratings	308,807	355,864	47,057
<b>KPIs Customer Service</b>			
Communications with customers handled by Hotel Managers	27,749	31,114	3,365
Communications with customers handled by Customer Service	19,322	21,796	2,474

\* Data of 2015 have been recalculated with respect to the report included in the CR Report of 2015.

**RESPONSIBLE GUESTS**

In line with its sustainability commitment, NH Hotel Group seeks to engage its customers by having them take part in its CSR initiatives, be it by creating opportunities for contributing socially or by encouraging green behaviours.

The UNICEF NH Rewards donations programme is an example of these inclusive actions, which raised €4,728 in 2016.

The Company also provides its guests with charging stations for electric cars and an eco-friendly service for holding meetings and events with low environmental impact. Customers are also given the possibility to choose a carbon-neutral option.

# EMPLOYEES

Our corporate culture is a key factor and a critical enabler of NH Hotel Group's global strategy. Under the premise "our shared beliefs and therefore, our behaviours, define who we are", the Company has laid down the foundations of its internal culture; a culture that promotes progress and moves towards a leadership model, against the backdrop of the Company's five year Strategic Plan.

This culture establishes the foundations and the support to adapt to current market needs, which require a focus on customers and a strong technological and service transformation.



## THE HUMAN RESOURCES STRATEGY

In 2016 and within the framework of the Company's five-year Strategic Plan, the Human Resources Department has continued to implement its strategy, which is based on 4 pillars:

**a. HUMAN RESOURCES OPERATIONAL EXCELLENCE:**

Striving for HR operational excellence with clear policies and processes delivering on promises and proactively developing and supporting the NH operating model, and controlling the cost of personnel and associated budget items.

**b. TRANSFORM AND REINVENT:**

Searching, evaluating and taking the opportunities that arise in order to evolve towards a more agile, connected and productive working environment.

**c. TOP PERFORMANCE ORGANIZATION AND BEST PLACE TO WORK:**

Become a recognized top performance company with strong leadership and business performance, driven by a corporate culture shared by all employees, their firm commitment and their active involvement building constructing together the best place to work.

**d. GLOBAL LEADERSHIP AND TALENT MANAGEMENT:**

By training and developing self-aware leaders that envision, inspire, energize, connect with their teams and strengthen the corporate culture, identifying and developing internal talents as key enablers in this transformation.

## DIVERSE STAFF

\* Data relating to permanent and temporary employees.

\*\* The following Management categories have been considered in 2016: Chief Officer, Senior Vicepresident, Vicepresident, Director, Manager and Deputy Director.



**EMPLOYEES PER BUSINESS UNIT**

BUSINESS UNITS	2016	2015	Diff. (%)
BU Spain, Portugal, Head Offices, Sotogrande	6,308	6,010	5.0%
BU Central Europe	3,966	3,897	1.8%
BU Benelux, United Kingdom, France and Africa	2,701	2,711	-0.4%
BU Italy	2,170	2,266	-4.2%
BU America	5,761	6,359	-9.4%
<b>TOTAL</b>	<b>20,905</b>	<b>21,243</b>	<b>-1.6%</b>

Data obtained from FTEs (Full Time Equivalents) for all contract types (open-ended, temporary, extra, TEAs, etc.) considering comparable hotels, non-comparable hotels and management.

- The average number of employees has been 20,905
- BU Spain and Central Europe have increased their average number of employees, reflecting positive business trends.
- BU Benelux and Italy have decreased their number of employees as consequence of the NH Jolly Madison Towers hotel being moved from BU Benelux to BU Spain, and the impact of hotel exits, respectively.
- The decrease in BU America is determined by the resorts in the Dominican Republic and the resizing of Hoteles Royal.

The Company has an extremely varied staff with 20,905 employees of 137 nationalities, 11.2% of whom work in a country other than their place of origin.

48.1% of the total workforce are women, who occupy 43.5% of the total number of management positions, considering all types of contract included in the corporate management tool.

	2016	2015
Average staff*	20,905	21,243
Open-ended contracts	62.91%	57.50%
Female* Management staff	43.45%	42.90%
Nationalities	137	139

\* FTEs include all types of contracts.

\*\* Includes information from countries reporting in the Corporate management tool.

Note: The calculation of the indicators in this table refers to employees with all kind of contracts.

	2016	2015
Average turnover*	23.04%	20.06%
Immigrants	11.17%	12.60%
Female staff	48.11%	46.50%
Staff under 25 years of age	12.98%	11.30%
Staff aged 25 to 40	49.65%	51.00%
Staff over 40 years of age	37.3%	37.70%

\* Refers to voluntary and non-voluntary rotation of fixed and temporary employees.

Note: The calculation of the indicators in this table refers to employees with fixed and temporary contracts.



Gallery NH Collection Grand Sablon Brussels, Belgium



NH Trento  
Trento, Italy



## NH TALENT

The NH Talent platform enables each employee to manage his or her professional development from one single environment, thereby making progress in the construction of a talent management culture. NH Talent enables employees to manage their campus or e-learning training, see their annual performance evaluations, manage their objectives and create action plans.

### PERFORMANCE MANAGEMENT SYSTEM: TIME FOR YOU (TFY)

The TFY system is intended for permanent employees who have had a minimum contact of three months with his or her supervisor. The launch of the performance evaluation is done through a corporate platform at the end of the year and analyzes the results around february of the following year.

In 2016 the number of performance assessments made (TFY) was very similar to that of 2015, with a total participation of 82% .

The results achieved at Headquarters are particularly noteworthy. Leaving aside assessments at its central reservations office (CRO), TFY participation levels have increased, reaching the highest level since the launch of the performance management tool (99%).

On the other hand, BU Central Europe has participated in the assessment process for the first time in 2016 through the NH Talent corporate tool, reaching a completion percentage of 88%.

### 360° ASSESSMENT

Concerning the 360° Assessment process, part of the "Global Leadership & Talent Management" strategic pillar, all hotel Directors and Deputy Directors at global level participated in 2015 and in the first half of 2016, and received individual feedback on the results obtained from the local Human Resources team, who had been previously trained to ensure appropriate and harmonized feedback practices.

Afterwards, all participants prepared and agreed with their supervisors their individual development plans on the basis of the 70:20:10 learning model. This methodology makes it possible to cover all improvement opportunities: 70% for experience and practice on the job; 20% for learning by observing others and receiving feedback; and 10% for training. To facilitate this development scheme two different tools were made available to participants:

- To help them develop the "70" and "20" sections, participants were able to access an Actions Library, where they could consult different sets of actions classified by competencies (Time For You).
- An online training tool (Harvard Manage Mentor) for the "10" section, composed of 24 online training modules also divided by competencies (Time For You), with access to relevant articles, videos by experts, etc.

## THE ENGAGEMENT COMMITMENT

An "Engagement Plan" was defined in 2015 aimed at strengthening employee engagement with the strategy of NH Hotel Group.

In 2016, and as a result of a Satisfaction Survey and an in-depth analysis of the key factors involved in generating a global commitment and identifying the improvement objectives, the Company has continued to carry out a Global Action Plan that features a measurement system that ensures its successful implementation. Work has also been done on developing local Action Plans, for which dialogue environments have been created, as well as teams with representatives from each hotel or Central Services areas.

### EMPLOYEE ENGAGEMENT SURVEY 2016: PROCESS AND RESULTS

Participation in 2016 was up 6 points from 2014 figures, with an overall response rate of 87%. This percentage is above the average participation levels in companies that stand out for the way they manage engagement (around 80%). Because of this high level of participation, the validity of results exceeds 99%.

Engagement rates have reached 80% of positive responses, 3 points above the result in 2014 and all categories included in the survey have achieved better results than in the previous edition.

After communicating the results to each work centre, teams have been created with representatives from the different departments in order to outline an action plan covering the improvement opportunities that had been identified.

### NEW DEVELOPMENTS IN ENGAGEMENT PLAN PROGRAMMES

In 2016, NH Hotel Group has advanced on the deployment of the programmes defined in the Company's Engagement Plan:

- **MEMORABLE DATES:** With this initiative the Group wishes to share and celebrate with the employees their most important dates, and incorporates new special moments such as their retirement and anniversaries.

The first Memorable Dates ceremonies, meant to honour retiring employees and also those celebrating 5, 10, 15, 20 and 25 years in the Company, have taken place during 2016 at the different offices and hotels of BU Spain, Portugal and Andorra, BU Italy, BU Central Europe and BU America.

- **THE NEW WAY OF WORKING:** In 2016, the implementation of The New Way of Working model has continued advancing in the Group's offices, with new environments that facilitate creativity and collaboration, a culture that encourages flexibility and efficient work, as well as the use of collaborative technologies that enhance this change in the way of working.

- **SHOWTIME:** ShowTime, an innovative programme aimed at new Central Services employees began towards the end of 2015. The objective of this programme is to enable them to get to know the hospitality business from the inside, and thus obtain a greater insight into the impact that their daily activities and decisions have upon hotels' everyday life.

Throughout 2016, ShowTime has become a key part of the integration programme in all of the Group's Business Units. Employees who have participated in this 2-day hotel immersion experience highlight the 360° vision offered by the programme whereas hotels view it as an enriching experience that allows them to interact with their colleagues at Central Services and explain first-hand what the business is all about. To spread awareness of the programme among employees, a video has been shared through the Group's internal communication channels where two former participants discuss their experiences.

- **III INTERNATIONAL CONVENTION "COMMITTED TO SUCCEED":** Company leaders met at the NH Collection Sevilla in March 2016 to go over the progress made three years into the five-year Strategic Plan, the achievements accomplished in each key initiative, the best practices observed at the Business Units and the challenges for 2016.



## INTERNAL COMMUNICATION PLAN 2015-2017

The Company has identified Internal Communication as a key factor in creating and maintaining the commitment among the Company's employees. For this reason it has continued to work on a plan focused on new technologies as the key to accomplish the ambitious goal of reaching all of the Company's employees.

- **Tell The World.** In 2016 the Internal Communication Plan has focused on the digital strategy applied to all its environments and channels. These include the evolution of Tell The World, an already well-established internal communication channel, to a 3.0 environment and the design of new collaborative and multi-directional channels. Company employees already have the possibility to share their favourite news from Tell The World newsletters on their social media channels.
- **Town Halls and NH Talks.** One of the essential elements in effective communication at NH Hotel Group is the active participation of the Company's senior managers and the main leaders in the various Business Units. Town Halls and NH Talks are innovative meetings and conferences that seek to share the most relevant milestones and initiatives with all employees.
- **Change Management Projects.** Internal Communication has played an active and determining role as a catalyst for change at crucial moments in the transformation of NH Hotel Group, providing an action plan and main messages in all the phases of the process. In this context, the 'New Way of Working' has been particularly relevant in 2016 as a new approach to working at Headquarters, with welcoming environments, new flexible work practices and collaborative technologies. 'The Transformation Commitment' has also consolidated this year. This internal communication channel was specially designed for regularly sharing the progress, achievements and success stories concerning key projects.

*In 2016 NH Hotel Group has worked on creating and developing an exclusive APP for its employees. This APP, which is expected to be launched in June 2017, has been designed to cover the needs and expectations of the Group's employees. With this APP employees will be able to access all corporate information and communications directly from their mobile devices, as well as projects and campaigns, job openings, surveys, and an exclusive chat room for hotels.*



NH Collection Madrid Abascal  
Madrid, Spain

## NH UNIVERSITY

In 2016, NH University - NH Hotel Group's corporate university - has provided 139,808 training hours (onsite and e-learning) and 12,713 employees out of a total of 20,905 have received some kind of training, which accounts for 43% of all staff.

As in previous years, NH University opts for internal training, which accounts for 68% of the total number of onsite training hours. This year there are 445 internal trainers.

In 2016 total investment in training has amounted to €1,223,365.40.

### TRAINING PER BUSINESS UNIT

TRAINING	BUSINESS UNIT	Nº HOURS	Nº PARTICIPANTS	EMPLOYEES	HOURS PER TRAINED EMPLOYEE
Classroom	Headquarters	5,566	769	413	13.48
	BU Spain, Portugal & Andorra	16,599	1,838	1,305	12.72
	BU Benelux, UK, France & S. Africa	14,864	2,090	1,156	12.86
	BU Central Europe	26,862	2,940	1,209	22.22
	BU Italy	14,390	1,618	744	19.34
	BU America	51,506	15,067	4,263	12.08
<b>Total Classroom</b>		<b>129,786</b>	<b>24,322</b>	<b>9,090</b>	<b>14.28</b>
E-learning	Headquarters	1,050	827	467	2.25
	BU Spain, Portugal & Andorra	6,449	3,849	2,105	3.06
	BU Benelux, UK, France & S. Africa	557	410	307	1.81
	BU Central Europe	382	270	219	1.74
	BU Italy	1,177	608	399	2.95
	BU America	408	198	126	3.24
<b>Total E-learning</b>		<b>10,023</b>	<b>6,162</b>	<b>3,623</b>	<b>2.77</b>
<b>Total</b>		<b>139,808</b>	<b>30,484</b>	<b>12,713</b>	<b>11.00</b>

**30,484**  
NH UNIVERSITY  
PARTICIPANTS

**3,701**  
ONSITE  
SESSIONS

**139,808**  
HOURS OF ONSITE AND  
ONLINE TRAINING

**€1,223,365.40**  
INVESTMENT IN TRAINING

Nº. OF HOURS/TRAINED EMPLOYEE	
Hours per trained employee (onsite)	14.28
Hours per trained employee (e-learning)	2.77
Total hours per FTE	6.69
Total hours per trained employee	11.00



Nombre hotel - Ciudad, País

NH Collection Porto Batalha  
Porto, Portugal

**KEY TRAINING PROJECTS IN 2016**

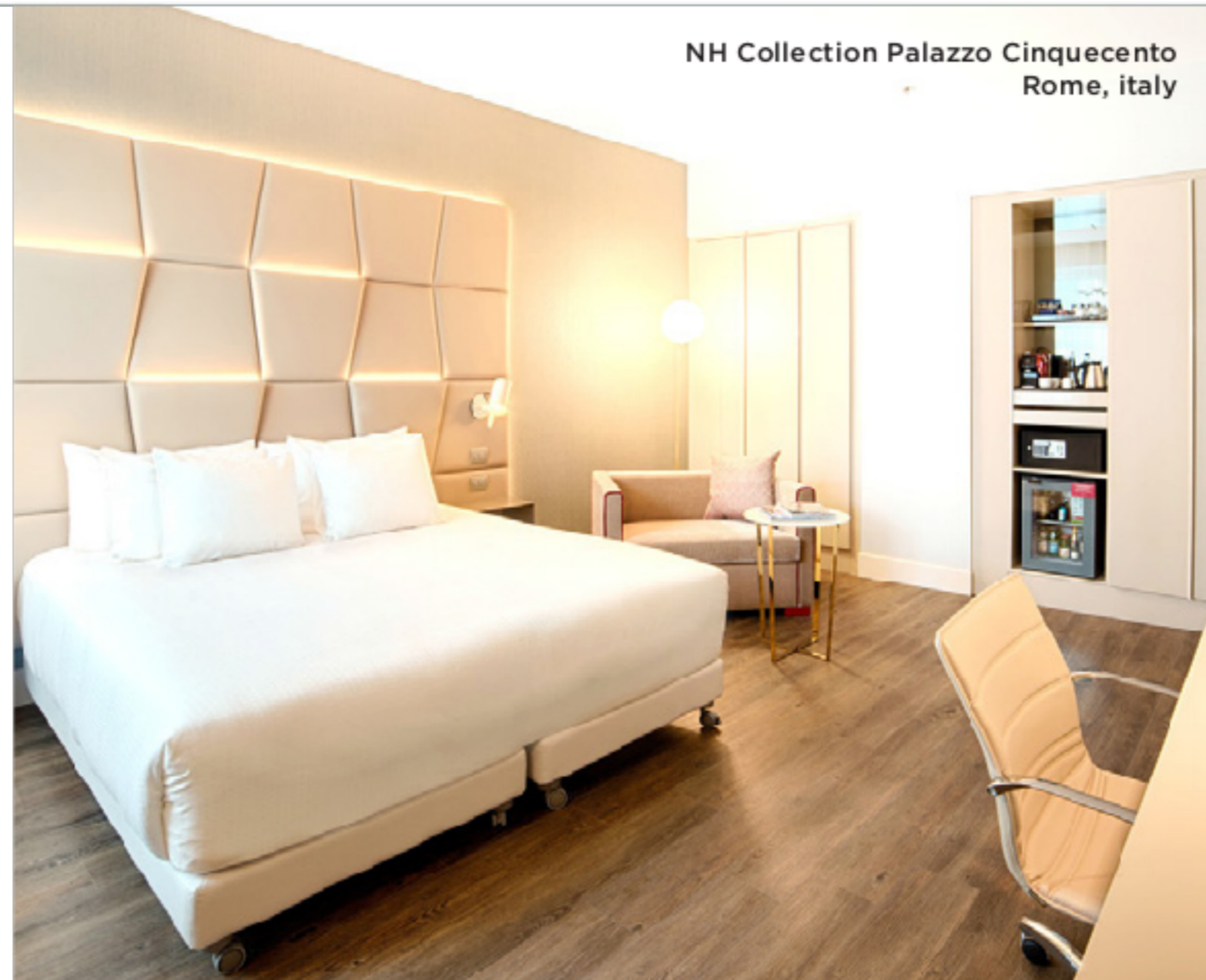
**CORPORATE PROJECTS**

- **INTERNATIONAL GUEST RELATIONS TRAINING FOR NH COLLECTION HOTELS**  
This course was held in Madrid in 2016 and brought together 58 heads of guest relations from all Business Units. The Department of Operations and NH University organized a 2-day programme, in which these professionals had the opportunity to assess their new roles and responsibilities.
- **THE ROAD TO REVENUE MANAGEMENT**  
The first online module of the NH Hotel Group Revenue Management Academy was launched in 2016. All Company members were eligible to participate in it.

This e-learning experience, which was accessible at all times, from any device, covered all Revenue Management basics, including area organization and the principles and responsibilities of the mission and structure of revenue management.

**BENELUX BUSINESS UNIT PROJECTS**

- **LEADERSHIP PROGRAMME**  
The Leadership Programme organized for the JUMP and PDI groups is the main project of Benelux Business Unit in 2016.  
  
The Leadership Programme took place in the Ardennes, where employees participated in outdoor activities as a way of building up their leadership skills.  
  
The main purpose of the activity was to raise awareness about leadership, becoming efficient and admired at the same time, develop social and leadership skills, and get to know one's own potential to be able to take on new challenges.



NH Collection Palazzo Cinquecento  
Rome, Italy



NH Collection Royal WTC Bogotá  
Bogotá, Colombia

**ITALY BUSINESS UNIT PROJECTS**

- **TOP HOD CONVENTION**  
This was the second time Italy organized this convention for senior managers. The convention examined topics such as the economy and commerce, as well as a common methodology to handle every situation.
- **NEW MANAGER**  
This programme was born out of the need for a second line of managers and the difficulties of finding suitable candidates outside the Company with skillsets consistent with NH Hotel Group's requirements. This 12-month training programme was opened for the participation of department heads having shown high potential. Selected candidates participated in an assessment, where they proved their technical and management skills.
- **F&B: CHEF'S SHOPPING**  
This training session was intended to actively involve some of Italy Business Unit's suppliers. A workshop was organized to combine the training needs identified by Regional Operations Managers and General Managers with the information gathered by Nestlé's Digital Acceleration Team.

The resulting training project was aimed at all NH chefs and had a 2-day duration. The first day was devoted to topics related to shopping methods, stock management and food costs. The second day was led by instructors specializing in the meat and fish divisions and marketing directors.

## SOCIAL BENEFITS AND SPECIAL OFFERS

### FLEXIBLE REMUNERATION PLAN

This plan was implemented in 2011 to maximize the net remuneration of the employees at Central Services, the Business Unit of Spain offices and the hotel managers. It includes medical insurance plans, meal or playschool vouchers, transport tickets, home connected to Internet and collective saving insurance, as well as new products, such as training and purchase of vacations days.

### NH INTERNATIONAL MOBILITY POLICY

This is NH Hotel Group's policy on employees' international mobility. It establishes short-term and long-term assignments, offers international transfers for an unlimited period (the employees being the ones to apply for international positions not regarded as traditional expatriate positions), and promotes the concept of 'global employees', that is, employees who, while being associated with the Corporate or Central Services of a Business Unit, live in a different country.

### SPECIAL OFFERS FOR EMPLOYEES

Employees receive a 30% discount on products and services, and can stay in nearly all of the Company's hotels at a rate of €36 + VAT and with a 50% discount on the BAR (Best Available Rate) at the Company's top hotels. Relatives and friends can also benefit from the competitive Amigo Voucher Rate.

Furthermore, in 2017 NH employees will be able to access the Company's purchasing portal, Coperama, and benefit from hotel goods and services at very competitive rates.

## EMPLOYEE TURNOVER AND ABSENTEEISM

### TURNOVER ALL TYPE OF CONTRACTS 2016

BUSINESS UNIT	NON VOLUNTARY			VOLUNTARY			TOTAL
	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL	
Headquarters	6.24%	6.10%	12.34%	5.96%	3.97%	9.93%	22.27%
BU Spain, Portugal & Andorra	11.31%	8.79%	20.10%	1.85%	2.11%	3.96%	24.06%
BU Benelux, UK, France & S. Africa	5.57%	4.36%	9.93%	5.39%	5.07%	10.46%	20.39%
BU Central Europe	5.47%	4.84%	10.32%	6.19%	5.82%	12.01%	22.32%
BU Italy	6.27%	7.58%	13.85%	1.97%	1.92%	3.89%	17.75%
BU America	6.70%	7.55%	14.25%	7.75%	7.79%	15.54%	29.79%
<b>TOTAL</b>	<b>7.81%</b>	<b>6.77%</b>	<b>14.58%</b>	<b>4.29%</b>	<b>4.18%</b>	<b>8.46%</b>	<b>23.04%</b>

Note 1: Annual turnover considered hotels in property, management and franchise and all types of contracts except scholarship holders. Does not include rotation associated with Royal Hotels, Dominican Republic and Venezuela.

Regarding the turnover indicator, it should be noted that due to the characteristics of the hotel business, NH Hotel Group considers it relevant to know and manage the rotation of workers with an indefinite contract. The table below shows the results obtained in 2016 regarding the fixed workforce:

### TURNOVER FIXED CONTRACTS 2016

BUSINESS UNIT	NON VOLUNTARY			VOLUNTARY			TOTAL
	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL	
Headquarters	2.40%	2.81%	5.21%	5.01%	2.61%	7.62%	12.83%
BU Spain, Portugal & Andorra	3.50%	3.04%	6.55%	1.35%	1.67%	3.02%	9.57%
BU Benelux, UK, France & S. Africa	1.85%	2.18%	4.02%	3.45%	3.50%	6.96%	10.98%
BU Central Europe	2.20%	2.20%	4.39%	6.59%	5.68%	12.27%	16.66%
BU Italy	2.95%	3.86%	6.81%	1.97%	2.21%	4.18%	10.99%
BU America	4.53%	4.33%	8.86%	10.06%	9.66%	19.72%	28.58%
<b>TOTAL</b>	<b>2.99%</b>	<b>2.96%</b>	<b>5.95%</b>	<b>4.03%</b>	<b>3.86%</b>	<b>7.89%</b>	<b>13.84%</b>

Note 1: Annual turnover for fixed employees considered hotels in property, management and franchise. Does not include rotation associated with Royal Hotels, Dominican Republic and Venezuela.



NH Zurbano  
Madrid, España

**ABSENTEEISM RATES**

ABSENTEEISM	2016 (%)
Accident	0.17
Illness	2.54
Maternity	0.43
Total	3.14

*\*Data relating to permanent and temporary employees*

**THE WORK OF THE EUROPEAN WORKS COUNCIL IN 2016**

NH Hotel Group seeks to maintain responsible and positive employment relations based on dialogue, consultation and employee participation.

That is why, on October 2015, the European Works Council (EWC) of NH Hotel Group was created as an initiative of the Company's international European employers association (EFFAT), at the request of the affiliates of Italy, Belgium and Spain.

The EWC covers all work centres of the Company within the European economic area and is compliant with the provisions of Directive 2009/38/EC, as well as its transposition into the Spanish legislation.

Its main goal is to establish a communication and social dialogue level that fosters mutual understanding in transnational issues affecting employees, within an environment of mutual trust.

The first meeting of the EWC was held in June 2016. Relevant topics were discussed, such as the situation in Belgium after the terrorist attack; the implementation of SAP; the composition of the Committee, which is restricted by the appointment of its members; the situation of HNA group shares; the status of hotels being remodelled; financial results; and the Company's 5YP. A number of EWC rules of operation were also adopted, as well as the appointment of and budget for an expert that will advise the EWC.

# ENVIRONMENT

Sustainability forms part of the 24 initiatives that constitute the five-year Strategic Plan, acting as a cross-value enabler in NH Hotel Group.

NH Hotel Group's sustainability perspective can be classified into 3 commitments:

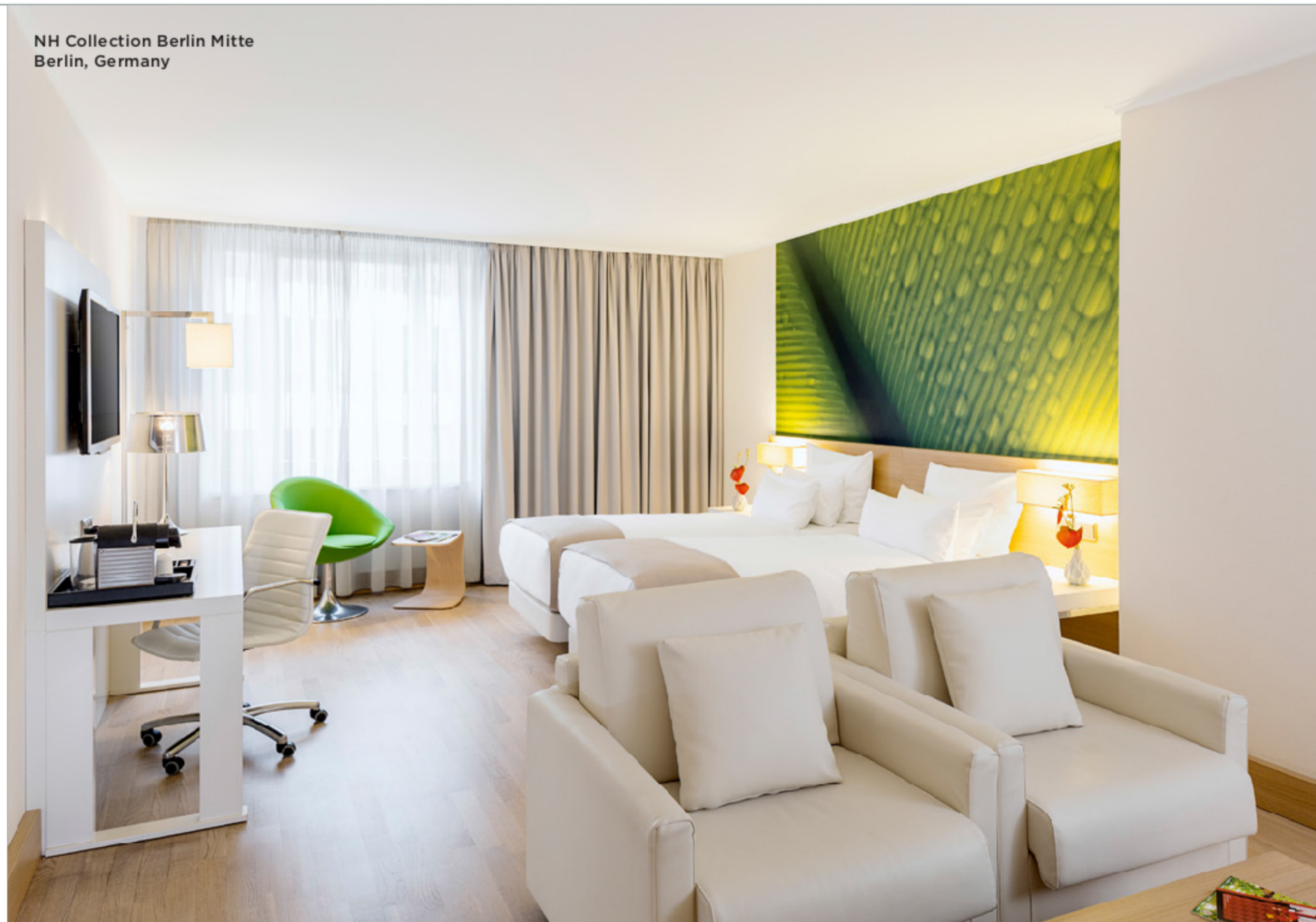
- We care for the people we host
- We care for the destinations where our hotels are located
- We care for the planet we live on

The Strategic Plan's sustainability initiative defines six key targets and, on the basis of these, the Company makes cross-cutting decisions in order to achieve the targets set.

The sustainability targets set for 2016 in the five-year Strategic Plan were reached. Specifically, the objectives set for energy savings and the carbon footprint ratio. Furthermore, the average satisfaction at the hotel in terms of sustainability was achieved and even improved upon.

Since the beginning of the five-year Plan, having its baseline in 2013, the carbon footprint per occupied room has been reduced by 5.6%, energy consumption has fallen by 7.1% and water consumption had a 1% augment.

NH Collection Berlin Mitte  
Berlin, Germany



*Since the beginning of the Group's first Strategic Sustainability Plan in 2007, the carbon footprint per occupied room has decreased by 68%, energy consumption per occupied room has fallen by 26% and water consumption has dropped by 28%.*

MAIN ENVIROMENT INDICATORS	BASELINE 2013	2015****	REAL 2016****	IMPROVEMENT 13 VS 16	OBJECTIVE 5YP 2016	OBJECTIVE 5YP 2018
YTD Energy savings (€M)	0	2.04**	6**	9.56***	5.89	11.55
Hotels with environmental certification (n° of hotels)	75	126	131	61	125	150
Energy ratio (kwh/RN)*	53.2	51.83	51.56	-7.1%	50	49
Water ratio (m3/RN)	0.31	0.301	0.312	3.0%	0.298	0.298
Carbon Footprint ratio (Kg CO2/RN)*	15	6.46	6.94	-5.6%	8	8
Average satisfaction with hotel in terms of sustainability (over 10)	8	8.19	8.26	0.7%	8.2	8.3

\* Data analyzed correspond to the 5YP hotels following the criterion of comparability of the Company. Source: ENABLON & KHALIX  
 \*\* Energy savings compared to 2013  
 \*\*\* Cumulative energy savings since 2013  
 \*\*\*\* Energy, water and emissions ratios may suffer variations in future reports, depending on the availability of invoices and the criterion of comparability



**ENERGY CONSUMPTION**

kWh/RN

ENERGY CONSUMPTION	ENERGY CONSUMPTION 2015 (kWh)	ENERGY CONSUMPTION 2016 (kWh)	DIF 15 VS 16 (%)	ENERGY RATIO 2015 (kWh/RN)	ENERGY RATIO 2016 (kWh/RN)	DIF 15 VS 16 (%)
BU América	17,664,236	18,191,836	3.0%	47.24	51.28	8.6%
BU Benelux, UK, AF, F	87,852,490	87,590,131	-0.3%	76.71	77.15	0.6%
BU Central Europe	78,594,151	79,216,315	0.8%	44.08	43.60	-1.1%
BU Italy	64,958,215	65,604,299	1.0%	53.90	52.76	-2.1%
BU Spain, Portugal & Andorra	66,619,039	69,341,126	4.1%	42.24	41.90	-0.8%
<b>Total</b>	<b>315,688,131</b>	<b>319,943,707</b>	<b>1.3%</b>	<b>51.88</b>	<b>51.56</b>	<b>-0.6%</b>

Note 1: The energy consumption data is extracted from the invoices and meter reading. The data analysed correspond to hotels belonging to 5YP following the criteria of comparability of the Company (42.2% of hotels in portfolio). Source: ENABLON & KHALIX.

Note 2: Ratios calculated in kWh per room, per night.

**WATER CONSUMPTION**m<sup>3</sup>/RN

WATER CONSUMPTION	WATER CONSUMPTION 2015 (m <sup>3</sup> )	WATER CONSUMPTION 2016 (m <sup>3</sup> )	DIF 15 VS 16 (%)	WATER RATIO 2015 (m <sup>3</sup> /RN)	WATER RATIO 2016 (m <sup>3</sup> /RN)	DIF 15 VS 16 (%)
BU América	102,429	104,025	1.6%	0.355	0.380	7.1%
BU Benelux, UK, AF, F	486,262	489,853	0.7%	0.310	0.312	0.5%
BU Central Europe	428,629	438,014	2.2%	0.244	0.242	-0.7%
BU Italy	390,562	438,858	12.4%	0.383	0.419	9.3%
BU Spain, Portugal & Andorra	463,447	510,303	10.1%	0.294	0.309	5.0%
<b>Total</b>	<b>1,871,329</b>	<b>1,981,052</b>	<b>5.9%</b>	<b>0.301</b>	<b>0.312</b>	<b>3.5%</b>

Note 1: The water consumption data is extracted from the invoices and meter reading. The data analyzed correspond to the hotels belonging to 5YP following the criterion of comparability of the Company (42.5% of hotels in portfolio). Source: ENABLON & KHALIX.

Note 2: Ratios calculated in cubic metres per room, per night.

**CARBON FOOTPRINT (SCOPES 1 AND 2)**kg CO<sub>2</sub>/RN

SCOPE 1+2	EMISSION CONSUMPTION 2015 (kgCO <sub>2</sub> )	EMISSION CONSUMPTION 2016 (kgCO <sub>2</sub> )	DIF 15 VS 16 (%)	EMISSION RATIO 2015 (kgCO <sub>2</sub> /RN)	EMISSION RATIO 2016 (kgCO <sub>2</sub> /RN)	DIF 15 VS 16 (%)
BU América	5,610,528	5,810,447	3.6%	15.00	16.38	9.2%
BU Benelux, UK, AF, F	12,689,666	14,738,415	16.1%	11.08	12.98	17.2%
BU Central Europe	9,374,551	9,219,801	-1.7%	5.26	5.07	-3.5%
BU Italy	6,017,913	6,898,086	14.6%	4.99	5.55	11.1%
BU Spain, Portugal & Andorra	5,636,443	6,405,533	13.6%	3.57	3.87	8.3%
<b>Total</b>	<b>39,329,100</b>	<b>43,072,282</b>	<b>9.5%</b>	<b>6.46</b>	<b>6.94</b>	<b>7.4%</b>

Note 1: The data analysed correspond to hotels belonging to 5YP according to the Company's comparability criterion (42.2% of the hotels in the portfolio). Source: ENABLON & KHALIX.

Note 2: The carbon footprint is calculated according to the methodology defined in the GHG Protocol.

Note 3: The ratios are calculated in kilograms of carbon dioxide equivalent per room and night.



**GREEN SAVINGS PROJECT**  
Capture of additional savings

- Energy Efficiency Plan
- Green Certification Programme
- Control of energy ratios, based on the Sustain Focus
- Waste Management Plan

DESIGN FOR ENVIRONMENT	LOW IMPACT AMENITIES & MATERIALS	NUTRITION, WELL BEING & LOCAL TASTE
REDUCING CARBON FOOTPRINT	OPERATING SUSTAINABLE HOTELS	RENEWABLE & GREEN ENERGY



**GREEN HOTEL PROJECT**  
Innovation and brand image

- Eco-standards: Green Basics
- Development/Promotion of sustainable innovation
- Agreements with key players Green mobility
- Commercial Plan: Integration of sustainability in commercial initiatives

## SUSTAINABILITY PROJECTS IN THE STRATEGIC PLAN

The two specific projects for attaining NH Hotel Group's environmental targets are:

### GREEN SAVINGS PROJECT

Focused on cutting down on the Company's operational costs, as well as increasing energy efficiency to guarantee a saving on water, energy and other costs, such as laundry expenses.

### ENERGY EFFICIENCY PLAN 2014-2018

In 2016 energy efficiency plans amounting to €9.57M have been executed.

### ENVIRONMENTAL CERTIFICATION PROGRAMME

NH Hotel Group has the Global Environmental Management Certificate ISO 14001 and the Energy Efficiency Certificate ISO 50001 for accommodation, restaurant, meetings and events services. Apart from the Company's global certificate, it also has sustainability certificates for 131 hotels, such as the BREEAM, LEED, Green Key, Hotels+Green and the ISO 14001 or ISO 50001 Certificates.

In 2016, in Argentina, NH Edelweiss Bariloche joins NH Collection Jousten and NH Collection Lancaster with its certification in the Eco-Label Hoteles+Verdes, the sustainable tourism standard set by the Republic of Argentina Tourist Hotels Association (AHT).

For the second year running, NH Hotel Group was the European hotel chain with the second largest number of establishments to receive the Green Leaders Award issued by TripAdvisor: a total of 47% of the Company's hotels have received this recognition.

A further 8 hotels in the Group have the platinum award, the most prestigious one to be granted by the TripAdvisor Green Leaders programme: NH Frankfurt Moerfelden, NH Berlin Alexanderplatz, NH Stuttgart Sindelfingen, NH Munchen Unterhaching, NH Veluwe Conference Centre Sparrenhorst; nhow Rotterdam, NH Savona Darsena and NH Terra 100 Royal.

### COMMITMENT TO THE CARBON DISCLOSURE PROJECT (CDP) AND POSITION IN THE 2016 INDEX

Since 2010, the NH Hotel Group reports to the Carbon Disclosure Project (CDP), an independent non-profit organisation that analyses companies' environmental activities and whose indicators are consulted by many stakeholders. In 2016, the Company obtained a B Management rating, which places NH Hotel Group among the companies that are taking new measures to efficiently reduce emissions, which is indicative of advanced environmental management.

### SUSTAIN FOCUS PLATFORM

In order to keep a strict and exhaustive control over energy consumption, carbon footprint and water consumption measures, NH Hotel Group is using the Sustain Focus Platform, in which the sustainability strategy KPIs are monitored. This is an online system to which most Company hotels have access and which enables the user to report, control, monitor and trace not only the sustainability indicators contained in the five-year Strategic Plan, but also the consumption and cost of water and energy.

### COMMITMENT TO THE CLIMATE

NH Hotel Group is actively involved through a variety of initiatives that help to reduce the emissions generated by hotels and the activities that take place in them. As a result, every hotel in the portfolio not only has carbon footprint reduction targets but also a background history of data that has made it possible to show commitment to reduction. In addition, the idea is to involve M&E customers by offering the "Eco-friendly Meetings & Events" service and the possibility of making up for the carbon footprint at their events and meetings by participating in social projects that have a positive environmental impact.

The Company forms part of such work groups as the "Spanish Green Growth Group", a sound public-private collaboration platform that aims to make joint progress in the fight against climate change and to create a low-carbon economy.

### NH COLLECTION COLÓN

*The NH Collection Colón hotel has been awarded the BREEAM Certificate after being subjected to a period of assessment that included its building efficiency and the way that efficiency is managed; it became the second hotel within NH Hotel Group to receive a certificate of compliance with this standard.*

*This hotel also has the ISO 14001 and ISO 50001 Certificates, which show how the hotel staff is committed to environmental protection and the best guidelines for energy efficiency.*

*Apart from being run in a sustainable way, the hotel also encourages its guests to behave in an environmentally responsible way, by providing charging points for electric cars and an eco-friendly service for meetings and events, offering customers the possibility for these to be carbon neutral events.*

*These sustainable management measures have brought about an ongoing improvement in efficiency, as part of the Company's Strategic Plan. Some of the most outstanding measures to be adopted are regular monitoring of energy and water consumption, as well as carbon footprints and waste generation, and efficient hotel lighting with LED technologies, not to mention a specific policy involving the purchase of environmentally-friendly materials.*



## WHEN ARE OUR HOTELS SUSTAINABLE?

When they fulfil the following requirements:

1. Reporting water consumption, energy consumption and carbon footprint on a monthly basis
2. Arranging for audits from an external company to verify fulfilment of NH Hotel Group's sustainability standards
3. Having an external environmental certificate (ISO, Green Key, Hoteles+Verdes...)
4. Having a Green laundry programme for sheets and towels
5. Having a recycling programme
6. Ensuring that the paper comes from sustainable sources
7. Having installed more than 75% LED lighting

## GREEN HOTELS PROJECT

This project aims to offer value to customers through taking sustainable actions, stressing the innovative attributes that improve brand perception.

### ECO-STANDARDS: GREEN BASICS

- **Sustainable operations guide for the hotel**

NH Hotel Group has an environmental management and energy efficiency system. The policies and application procedures are available to all the Company hotels via the Intranet. Training its employees in environmental matters forms the basis for achieving the five-year Strategic Plan targets. That is why a good environmental practices and energy efficiency module is available to all the employees via the NH University company platform.

- **Motel Sustainable Design and Construction Manual**

This manual contains water and energy saving strategies and sets out guidelines concerning the use of materials and construction. NH Hotel Group is one of the main companies in the world where preparing and implementing a standard of these characteristics is concerned and its ultimate aim is to make sure that its own new establishments comply with such international sustainability standards as LEED® or BREEAM.

- **Sustainable Food**

NH Hotel Group supports the local economy and culture of the places where its hotels are located by offering its customers healthy options, organic food and local produce.

- **Desarrollo/promoción de la innovación sostenible**

The Company collaborates with universities and technological institutions on a wide variety of projects with the aim of promoting innovation, initiative and education in the field of sustainable energy.

- **Green Energy**

NH Hotel Group is committed to green energy and reducing the carbon footprint. This certified renewable energy consumption is available in 92.5% of hotels in Spain, Italy, Germany, the Netherlands, Belgium and Luxembourg, covering 93.9% of the electricity consumed in 2016.

- **Sustainable mobility**

Since 2014, NH Hotel Group has a global sustainable mobility standard for the hotels, offering such services as car-sharing. At present, 75 of its hotels offer a bicycle renting service and there are 112 battery recharge points for electric cars available at 41 hotels.

- **Incorporating sustainability into commercial initiatives**

Eco-friendly meetings have been organised as part of the NH meetings initiative for company events, thus enabling customers to hold carbon neutral meetings and making up for any impact by supporting sustainable development and climate change projects managed by Carbon Clear.

In 2016, these projects included Fuel Efficient Cookstoves in Uganda, endorsed by the Gold Standard Seal of Approval, the aim of which is to stop deforestation and forest deterioration, and the Fuel Switch Project, endorsed by the VCS and Social Carbon Seals of Approval, aimed at reducing carbon emissions from ceramics plants in Brazil.

### CLIENT SATISFACTION WITH SUSTAINABILITY

NH Hotel Group measures client satisfaction in terms of sustainability, an indicator that at the end of 2016 scores 8.26 out of 10, surpassing the target set for the year.

This is measured using the Quality Focus Online Tool, which enables the user to monitor clients' reviews via internal channels in much the same way as online channels.

### SUSTAINABILITY AGREEMENTS AND COLLABORATIONS

- **Spanish Green Growth Group (GECV):**

The Company belongs to the Spanish Green Growth Group (GECV), an association that was established to encourage public-private collaboration and to enhance progress where current environmental challenges are concerned.

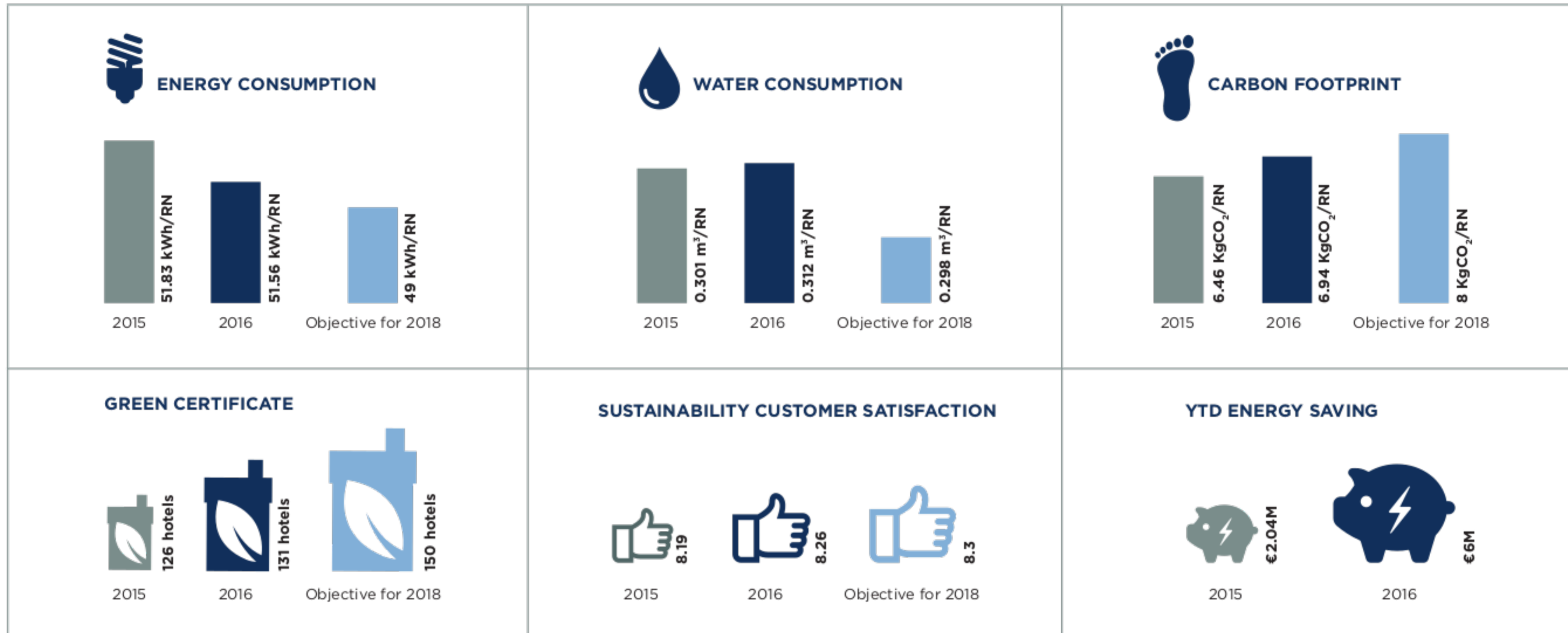
- **Earth Hour 2016 (World Wildlife Fund, WWF)**

For the eighth year running, NH Hotel Group joined the global WWF initiative "Earth Hour", a campaign to mobilise people and make them aware of climate change. The hotels participated by switching off their frontage lighting for one hour and by organising numerous activities involving clients.



NH Ribera del Manzanares  
Madrid, Spain

2016 RESULTS AND OBJECTIVES FOR 2018



NH Chamberi  
Madrid, Spain

### **SPECIFIC SUSTAINABILITY ACTIVITIES IN HOTELS**

NH Hotel Group hotels take part in online actions involving the Company's sustainability vision, focusing attention on the local environment and encouraging its clients to play a role in sustainability.

#### **Spain, Portugal & Andorra Business Unit**

The sustainable mobility service offered by 11 hotels in Madrid releases 40% less than the average emissions from a conventional automobile. Therefore, in 2016, there was a saving of 8.5 tonnes of emissions that were not released into the atmosphere.

The Hesperia Tower Hotel has developed such initiatives as the "Stairs Are Healthy" Campaign, in order to cut down on the use of lifts and promote physical activity for customers and employees alike; the "A Day Without Meat" Campaign, reducing meat consumption and, thus, the consumption of the water needed to produce it (15,400 litres per kilo); or the manufacture of furniture with reused materials.

#### **Central Europe Business Unit**

After the success in NH Alexanderplatz in May 2016, a new beehive project got under way in NH Potsdam City and in NH Köln Altstadt, where a total of 19 Kg of honey was collected.

#### **Benelux Business Unit**

Green Key NH Day: NH Noordwijk Conference Centre at Leeuwenhorst in Holland held the first Green Key NH Day, an event organised to discuss the results, aims and initiatives involved in promoting responsible values in hotels.

Bike2Work: this initiative was launched in September 2016 inspired by the European Mobility Week. Employees were encouraged to ride to work on their bicycles.

FreeGo Initiative: for the last two years, NH Gent Belfort has been giving the food that has not been consumed to groups that need it.

#### **Italy Business Unit**

NH Hotel Group hotels in Italy joined the 8<sup>th</sup> European Week for Waste Reduction 2016. The awareness activities concentrated on showing all the potential uses for different types of containers once they have been recycled.

Other initiatives included collecting used cooking oil to produce green energy; collaboration with canteens, cafeterias, etc., and with organisations that help groups at risk, by donating furniture.

#### **America Business Unit**

Five Colombian hotels earned their place in the Top 10 hotels with the best rating from customers: NH Collection Royal Teleport (9.18/10), NH Collection Royal Medellin (9.17/10), NH Collection Royal Terra 100 (9.00/10), NH Collection Royal Hacienda (8.97/10), and NH Royal Metrotel (8.91/10).

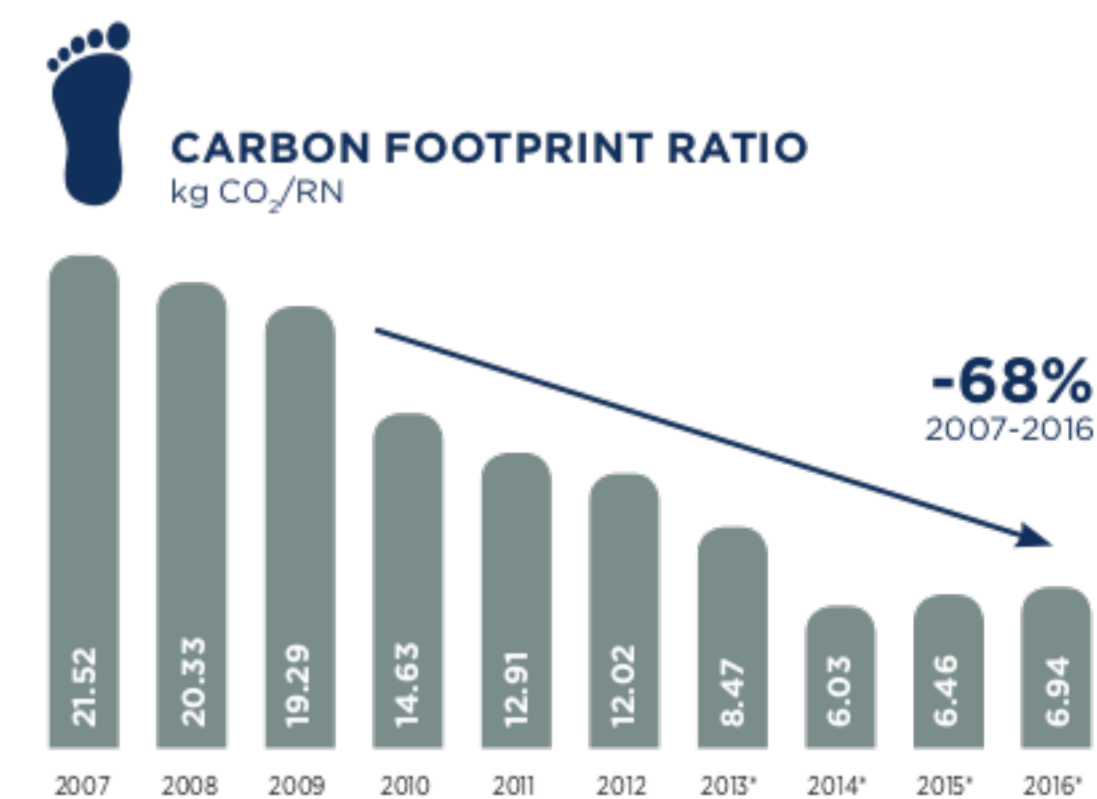
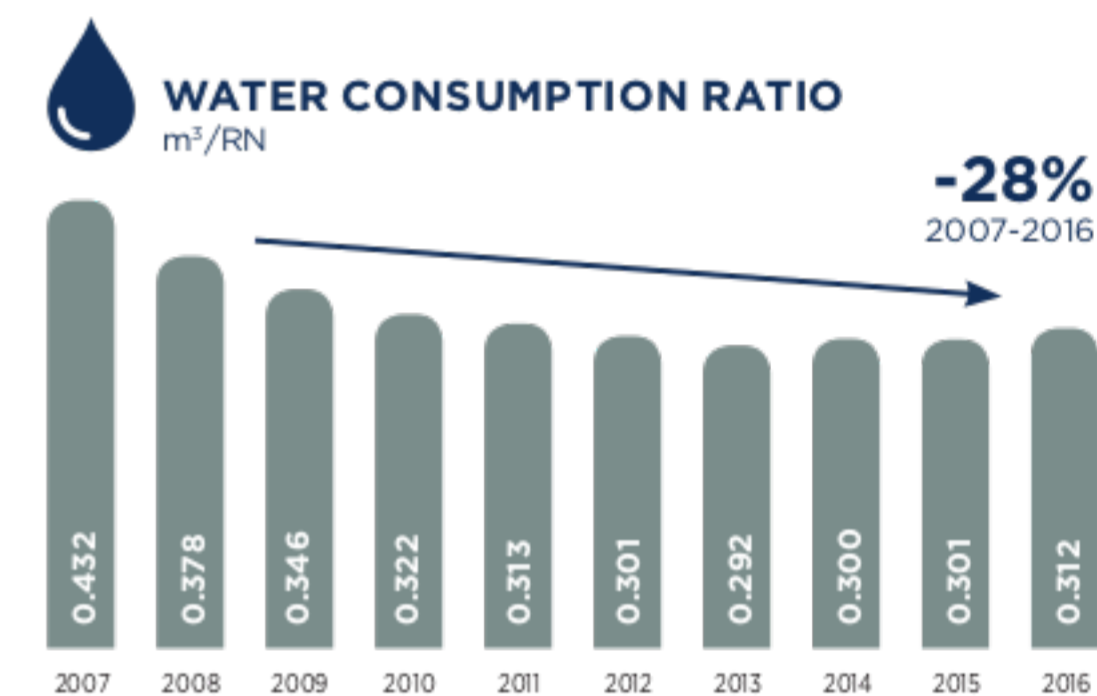
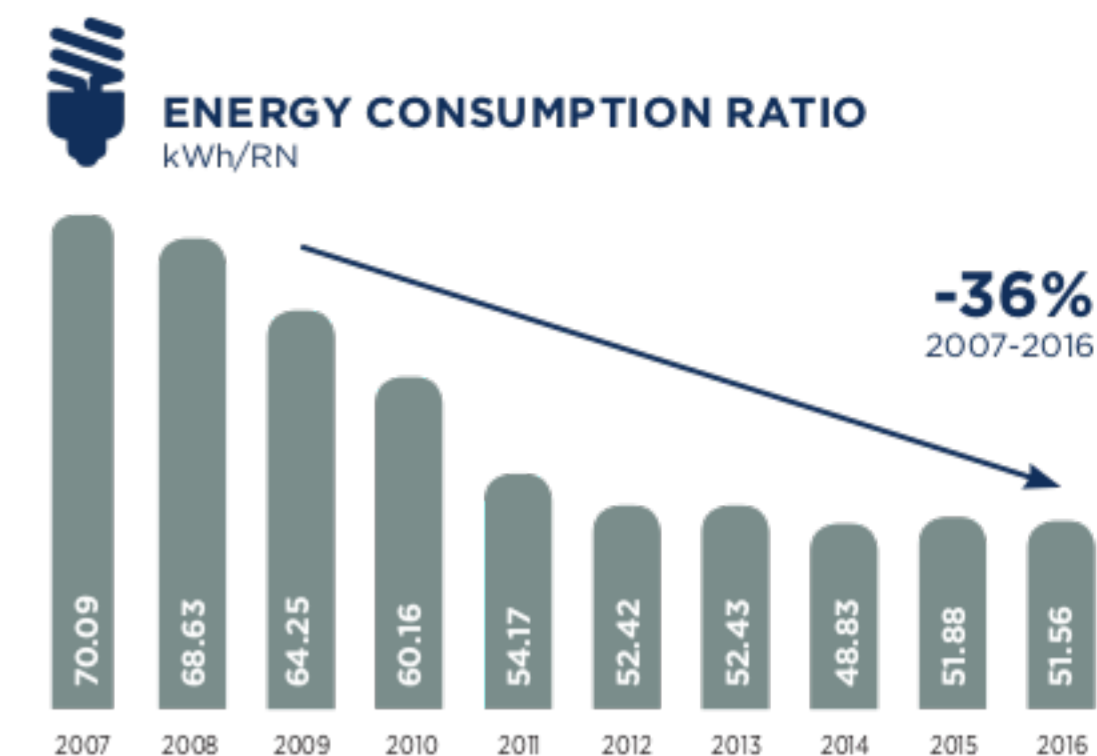
This commitment to the environment is evidenced by the implementation of the technical standard for sustainable tourism in Colombia for the sector. In 2016, and as a direct result of this implementation, NH Collection Royal Teleport saved 11% on water and 10% on electricity; more than 85% of its chemical products are environmentally friendly and the establishment has managed to retrieve for reuse or recycling more than 80% of the waste generated by the hotel.

The Company Sustainability Committee was set up with a view to supporting the implementation of the environmental initiatives. The Committee is responsible for strategically monitoring and following at corporate level the management system for the sustainability of the Company's hotels in Colombia.

NH Collection Friedrichstrasse  
Berlin, Germany



NH Collection Brussels Centre  
Brussels, Belgium



#### ENVIRONMENTAL MAGNITUDES

HOTELS CERTIFIED	Certificate	2013	2014	2015	2016
BU Central Europe	ISO 14001	18	23	24	24
	ISO 50001	1	1	1	1
	BREEAM	-	-	1	1
BU Italy	ISO 14001	17	29	39	41
	ISO 50001	1	1	1	1
	ISO 14001	3	14	21	21
BU Spain, Portugal & Andorra	ISO 50001	3	14	21	21
	BREEAM	-	1	1	2
	HOTELS+GREEN	-	-	-	3
BU America	LEED	-	-	1	1
	GREENKEY	32	35	41	41
<b>TOTAL NO. OF HOTELS CERTIFIED</b>		<b>70</b>	<b>101</b>	<b>127</b>	<b>131</b>

Note 1: The scope of data in the charts correspond to comparable hotels. As of 2013, the data includes the additional variant of hotels belonging to 5YP.

## RESPONSIBLE PROCUREMENT

The relationship NH Hotel Group has with its suppliers is based on bilateral, transparent and efficient communication which facilitates the development of sustainable and innovative tools and solutions.

The Procurement Department of NH Hotel Group has reached the goals set by the five-year Strategic Plan and, more particularly, it has exceeded the milestones set for 2016:

- Department's earnings: over 7% vs. budget and absorption of inflation for the fifth year running.
- Implementation of Coperama Italy under the structure of the Coperama Holding purchasing central, with the same model previously developed in Spain and Benelux.
- TranHsformation Plan: The Procurement Area is part of this plan that affects some of the key areas of the Company at global level with the purpose of improving processes, proceedings and goals (Procurement to Pay Process).
- Optimization of the procurement function through the use of electronic purchasing methods, price control and an increase of the number of categories negotiated by the Department.

NH Collection Hamburg City  
Hamburg, Germany







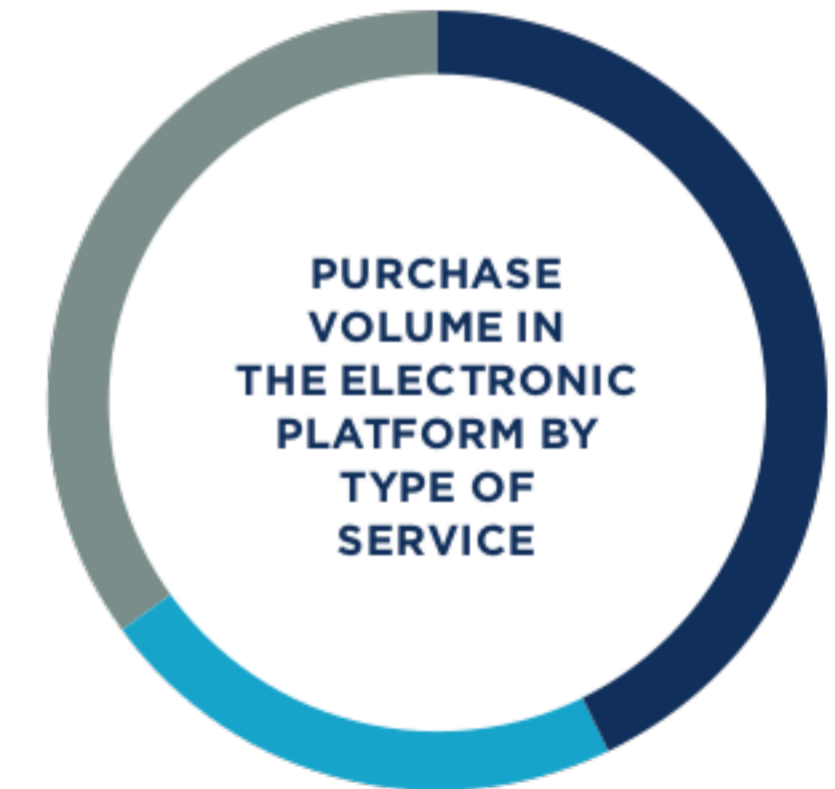
## PROCUREMENT POLICY

During 2016, NH Hotel Group has continued to uphold its procurement policy which guarantees that all tenders are awarded based on the same criteria of equal opportunities, transparency and rigour.

Thus, NH Hotel Group's Awarding Committee has participated this year in 28 tender processes, the majority of which focus on the remodelling of its hotels and energy.



- 32% BU Central Europe
- 20% Benelux, France, United Kingdom, USA and Africa
- 20% Headquarters
- 17% BU Spain, Portugal and Andorra
- 6% BU Italy
- 5% BU America



- 43% Furniture, refurbishment and equipment
- 22% Food and beverage
- 35% Operational cost and services
- 0% Others

## SUPPLIER CERTIFICATION

### CODE OF CONDUCT

During 2016 the Code of Conduct has been implemented in the procurement processes of all Business Units.

At global level, 948 suppliers have adhered to the Code of Conduct in 2016.

### ENVIRONMENTAL COMMITMENT

Since 2015, NH Hotel Group has a Supplier Rating module in the Electronic Business Platform. In this module, all suppliers included in the Electronic Business Platform are assessed using a series of parameters associated with environmental management, commitment to the fight against climate change, carbon footprint reduction, responsible consumption of resources and utilisation of recycled materials.

### INNOVATION AND TRANSPARENCY: ELECTRONIC NEGOTIATION

Four years into the implementation of the Electronic Business Platform, the two modules created in 2015 have become operational in 2016:

- **Rating module:** This module makes it possible to pre-assess suppliers on the basis of various parameters (economic-financial, environmental, operational and social-labour), all of them related to their level of compliance with good governance rules.
- **Assessment module:** This module helps to accurately determine compliance the requirements set by NH Hotel Group as well as the quality of the performance of the approved suppliers.

**1,401**  
SUPPLIERS TOOK PART IN A RFI  
(REQUEST FOR INFORMATION)

**150**  
ELECTRONIC TENDERS AWARDED

**948**  
SUPPLIERS ADHERED TO THE  
CODE OF CONDUCT

**€139M**  
AWARDED VIA THE ELECTRONIC  
PLATFORM

**42%**  
OF THE TOTAL VOLUME NEGOTIATED BY  
THE PROCUREMENT DEPARTMENT ON A  
GLOBAL LEVEL

**33%**  
INCREASE OF IN THE VOLUME BILLED  
(116,677 INVOICES)

### KEY SUPPLIER INDICATORS

	2015	2016
National and international suppliers	27,884	16,153
Suppliers adhered to the Code of Conduct	840	948
Annual purchase volume (expense + investment)	€539.1M	€613.06M
Electronic purchases	60.4%	58.6%
Volume of electronic purchases	€116M	€139M
Local suppliers approved	91%	91.8%

## SAP MATERIAL MANAGEMENT

After completing the implementation of the SAP MM module in all of the Group's Business Units and it's close to 400 hotels, the Company has undertaken, in 2016, a strategic Transformation Plan in order to ensure the on-going improvement of the participating areas. The Procurement Department has taken part in this process and has managed to meet its targets in terms of compliance rates.

## COPERAMA: CONSOLIDATION AND INTERNATIONAL EXPANSION

The international consolidation of the project has occurred in 2016. In addition to Coperama Benelux - born in 2015 - Coperama Italy has been set up this year and the creation of Coperama Central Europe in Germany is planned for the first half of 2017.

Moreover and as part of the New Operational Model, the entire Strategic Sourcing and negotiation with suppliers process has been externalized through Coperama, bringing significant efficiencies to the Group's structure.

### GROWTH OF COPERAMA (SPAIN AND BENELUX)

In 2016, Coperama has added 280 new establishments, which are broken down as follows:

	New additions
Hotels	172
Restaurants	57
Communities	44
Other	7
<b>Total establishments</b>	<b>280</b>

Total establishments amount to 1,147, 853 of which are hotels, with an EBITDA of €1,193K



# THE STORY OF OUR MOST DEMANDING GUESTS

Scene from "Hotels with a Heart" Christmas Campaign 2016 video

## COMMUNITY

### COMMITMENT TO SOCIETY

Maintaining active relations in the communities where it operates by contributing to local development and meeting the needs of each destination through its own business are among the key objectives of the Corporate Responsibility strategy of NH Hotel Group. The Company achieves its local positive impact by creating responsible alliances with foundations and NGOs, through the collaboration of employee volunteers in solidarity projects and by supporting culture.

To this end, NH Hotel Group has established three lines of global action: Hotels with a Heart, Employment Programmes and NH Volunteers!



HOTELS WITH A HEART	2015	2016
Agreement with NGOs	204	108
Roomnight donated	1,820	1,996
Hotels involved	184	81
EMPLOYMENT PROGRAMMES	2015	2016
Trained students	647	651
Contracts	10	78
Agreements with NGOs and institutions	65	62
NH VOLUNTEERS!	2015	2016
Volunteers	2,334	1,081
Initiatives	144	78

## HOTELS WITH A HEART

NH Hotel Group created its "Hotels with a Heart" programme 12 years ago, with the aim of helping foundations and NGOs cover their accommodation needs. The fact that this initiative has been going on continuously for many years is proof of NH Hotel Group's long-term commitment to Society.

The Company has established alliances with international and local partners in order to make a greater impact through its "Hotels with a Heart" programme, thus confirming its commitment to donating hotel rooms and the number of hotels involved.

The programme, which from the outset has donated more than 24,000 nights in hotels, has been recognized as the "Best Corporate Responsibility Initiative" in the Worldwide Hospitality Awards and finalist in the "Best CSR programme" category of the 2017 Business Travel Awards. Moreover, the programme has also received various local recognitions such as an award for being the most innovative company initiative in CSR in the 9<sup>th</sup> edition of the Cinco Días Awards for Company Innovation.

The participation of the Group's employee as volunteers has been vital to the success of this initiative; they serve as the programme's "Ambassadors" in each one of the hotels. Since the start of the programme, more than 2,000 employees per year have become genuine hosts for the families, striving to make them feel that the hotel is a second home for them.

The Company also has its own special NGO rate, through which it offers discounts of up to 30% off the best rates, and these are available to organisations that have been assessed and approved beforehand by the Corporate Responsibility Department.

### GLOBAL AND LOCAL SOLIDARITY ALLIANCES

NH Hotel Group promotes responsible alliances with solidarity partners in order to develop successful and long-lasting projects that can be replicated all of its Business Units.

In the first months of 2017, the Company has consolidated its alliance with the Make a Wish International Foundation through a global agreement increasing its profile in the main European cities where it is already established. NH Hotel Group has been collaborating with Make a Wish International since 2005 in Spain, Holland and Italy offering ill children from all over the world everything they might need to make their dreams come true.

In Spain, NH Madrid Sur is a supportive partner and the hotel of reference for Menudos Corazones, a foundation with whose alliance the "Hotels with a Heart" programme was launched in 2004.

The Benelux Business Unit collaborates with various hospitals and associations such as the Ronald McDonald Foundation, with whom it also participates in its programmes focusing on the welfare of families with sick children, providing them with a home when the foundation's houses are all full.

### HOTELS WITH A HEART. CHRISTMAS CAMPAIGN

Once again in 2016, the international charitable programme with the longest tradition in the Group, "Hotels with a Heart", has been the centre of the Company's Christmas Campaign. To this end, additional free room nights were donated in collaboration with local foundations and NGOs of each country, with the aim of helping families with limited resources and children or teenagers hospitalised far away from their home, to spend the Christmas period close to them while they receive their treatments.

To bring the campaign closer to internal and external audiences, an emotional video was filmed starring the employees who every year participate voluntarily in the initiative. Link to the video: <http://bit.ly/2pJYe8M>



NH Palazzo Moscova  
Milan, Italy

## EMPLOYMENT PROGRAMMES

In line with NH Hotel Group's commitment to Sustainable Development Goal 8 on "Decent Work & Economic Growth" and as part of the Social Action strategy, a variety of international training, occupational practices and employment programmes have been organised in 2016 for young disabled persons and young people at risk of social exclusion; these programmes have been put in place in various hotels of all the Business Units.

Throughout the year, 651 students have developed their technical and personal skills thanks to the direct involvement of hotel employees who volunteered their services to tutor, accompany and orient these young people.

The Company has also strengthened its international alliances to increase even more the impact of its employment programmes. To do this, and among its new projects, NH Hotel Group has promoted the creation of a specific programme for Europe and America in collaboration with the Youth Career Initiative (YCI). Alliances of a local nature that support and respond to the specific needs of each Business Unit will also continue to take place in the future.

### GLOBAL AND LOCAL SOLIDARITY PARTNERS

#### YOUTH CAREER INITIATIVE (YCI) IN AMERICA BUSINESS UNIT

This is a high-impact international initiative meant to fight against youth unemployment and NH Hotel Group is the only Spanish multinational company committed to this innovative project. Together with other leading hospitality companies, such as Intercontinental, Marriott and Starwood, 53 hotels welcome and teach yearly more than 400 young people at risk of social exclusion.

In its tenth year, the seventh in which NH Hotel Group has taken part, the Company has offered 50 socially vulnerable young people between 18 and 21 years of age a complete six month training covering all the different hotel areas. This way, the students have gained first-hand experience of the latest hotel operating techniques and standards, while at the same time being trained in matters concerning their personal growth. As of today, 30% of those who took part in the programme have now embarked upon their careers as collaborators of NH Hotel Group Mexico.



NH Collection Gran Hotel  
Zaragoza, Spain

#### SOCIAL AND LABOUR INSERTION PROGRAMME IN SPAIN BUSINESS UNIT

In Spain, where youth unemployment rate is currently high among groups at risk of social exclusion, programmes aimed at boosting this collective's employability and social integration, are of particular importance.

NH Hotel Group's collaboration with various social and labour insertion programmes and the Employment Plan of the Spanish Red Cross, are among the most outstanding activities in 2016 in this sense; this work has led to the social insertion of 14 people.

Worth highlighting are the initiatives carried out at the Hesperia Barcelona Tower hotel in collaboration with the Joia Foundation and the Casal dels Infants Foundation, to drive inclusion in the labour market of youths at risk.

#### JINC "TRACK THE TALENT" IN BENELUX BUSINESS UNIT (THE NETHERLANDS)

In 2016, the Benelux Business Unit has participated in numerous initiatives devised to improve the employability close to 400 young people. For example, NH Hotel Group and JINC have been collaborating since 2009 to provide professional training to young people in the poorer districts of the country to help improve their employability. Throughout the year, visits and workshops involving the participation of 127 young people have been organised at two NH hotels in Amsterdam and Amersfoort. In them, the participating employee volunteers passed on their experience in the hospitality industry and filled them with enthusiasm.

## NH VOLUNTEERS!

NH Volunteers! is one of the main initiatives in NH Hotel Group's Corporate Responsibility strategy, the aim of which is to encourage employees to become volunteers by involving them in the Company's Social Action Programmes.

Thanks to the commitment that employees have shown to volunteering projects, NH Volunteers! has firmly established itself as an important pillar of the NH Hotel Group. The initiatives where employee volunteers put their skills and know-how at the service of the project are particularly outstanding, providing excellent coaching. In 2016, 1,018 NH Hotel Group employee volunteers have taken part in training and apprenticeship programmes for vulnerable groups.

### "CHRISTMAS FOR ALL" CONTEST 2016

The "Christmas for All" campaign is NH Hotel Group's longest running and most participative corporate volunteering initiative. Once again this year, the Company has invited all of the Group's employees via Tell The World -the internal communications channel - to create a charity team and participate on their own initiative in a contest in which they can choose the NGO that they wish to involve in the campaign and to which they would donate the prize if they happened to be the winners. This was the first occasion on which the employees themselves chose the winning initiative.

More than 1,700 employee volunteers committed themselves to various charitable causes making "Christmas for All" a reality for those who most need it. Thanks to their solidarity, commitment and teamwork, the campaign achieved extraordinary results. The employees' favourite initiative was the one put forward by the employees of the Hesperia WTC Valencia in Venezuela, who organised a variety of games and events for the elderly at the San Martin de Porres Senior Citizens' Home "Naguanagua".

### FURNITURE DONATIONS FROM REFURBISHED HOTELS

In line with the Company's Repositioning Plan, a protocol to coordinate the donation of removed furniture, amenities and household products to foundations, NGOs, social institutions and people with no resources has been developed. This way, every Business Unit has donated mattresses, duvets, blankets, toys, cleaning articles, sheets, towels, pillows and beds, amongst other products, throughout the year.

### COMMITMENT TO CULTURE

NH Hotel Group consolidates its connection with Art as an essential part of its commitment to culture and promotes its integration into all NH Collection hotels, with a particular focus on young artists.

In line with this, the Company has organized this year the III NH Collection Award for Contemporary Art ARCO 2017, recognising on this occasion the German artist Claudia Wieser for her work "Untitled". The sculpture, which was on public display in the VIP Zone of Madrid's Contemporary Art Fair for its duration, has now become part of NH Hotel Group's private collection and is to be exhibited in its NH Collection hotels, along with other pieces of art by Javier Mariscal and Agustí Puig, amongst others.

### AMIGUITOS ROYAL FOUNDATION

Amiguitos Royal Foundation is a non-profit private organisation based in Bogota, Colombia and devoted to promoting child nutrition and development from gestation to 9 years old. Since the merger with Hoteles Royal, NH Hotel Group supports and backs up the significant work done by the Foundation.

In 2016, NH Hotel Group donated €140,113, making the Group its main donor. The Company also participates with two members on the Board, which is composed of 14 members.

During 2016, 882 people have benefited from the Foundation's initiatives. Beneficiaries include expectant mothers, infants and children. With the aim of increasing its coverage, the Foundation has built a new centre worth €471,311.

AMIGUITOS ROYAL FOUNDATION	
Care Centres	3
Beneficiaries	537 child and 345 mothers
Infrastructure Investment - New Centre	€471,311
Employee Volunteers	12
NH Hotel Group's participation on the Board	2 members
NH Hotel Group's input	€140,113
Ecology Plan	€23,492
Operation	€27
Sponsor Plan for Employees	€5,159
Royal Encounters Programme	€394

### MAIN SOCIAL INDICATORS

	2015	2016
Total No. of Social Projects	508	395
NH Volunteers	2,334	1,081
NGO Rate Contribution	€157,865.97	€65,593.46
Resources Obtained from Amigo Voucher + Employee Rate	€175,239.00	€197,937.31
Cultural Promotion	€36,457.50	€32,750.00
Amiguitos Royal Foundation	€192,163.00	€140,113
<b>Total Community Investment</b>	<b>€864,125.43</b>	<b>€681,523</b>

# AWARDS AND RECOGNITIONS IN 2016



# NH HOTEL GROUP

## HOSTELCO AWARD

NH Hotel Group was recognized with an Hostelco Award for its strong strategic bet on technology for the Meetings & Events segment. The award, handed out in the Hospitality category, acknowledges the Group's 3D holographic technology and Smart Room systems.

## BUSINESS TRAVELLER AWARD 2016

For the third time in a row NH Hotel Group was recognized with the Business Traveller Award, winning the second place in the category "Best Hotel Group for Business in Germany", chosen by the readers of this well-known business travel magazine. The Business Traveller Awards have been around for more than 20 years as a major player in the tourism industry.

## AHF ASIA HOTEL AWARDS

The Company celebrated a major win at the AHF Asia Hotel Awards, taking home the award for "Best Invest-Worthy Hotel Brand of the Year" during 2016 AHF International Hotel Investment Summit & 3<sup>rd</sup> Hotel Asset Management Conference, celebrated in Beijing, China. NH Hotels was selected for its strong profitability and excellent return on owners' investments, coinciding with the brand's entry into the Chinese market.

## "LA RAZÓN" TOURISM AWARDS

NH Hotel Group was awarded as the "Best Hotel Chain" in the 5<sup>th</sup> edition of La Razón newspaper's Tourism Awards. The 5<sup>th</sup> La Razón Tourism Awards became the meeting place for top representatives of the tourism sector worldwide, as well as for highly relevant institutional and entrepreneurial figures, particularly within the Tourism industry.

## COHN & WOLFE

The Company was the most authentic brand in Spain's tourism sector according to the study "Authentic Brands 2015", carried out by the global communication and PR agency Cohn & Wolfe. NH Hotel Group was given a 73.82% by consumers on the authenticity index. As a result, the Company now sits in 32<sup>nd</sup> place on the national ranking, heading up the top 5 most esteemed brands in the tourism sector as rated by consumers in the country.

## ITALIAN MISSION AWARDS 2016 (IMA)

The IMA Prize 2016 (Italian Mission Awards) was given to NH Hotel Group for being the 'Best Hotel Chain of the year with over 50,000 rooms'. IMA is an Italian event dedicated to business travel, which aims to drive competition, but especially to reward the most important operators and the best travel managers of the sector. An event organized by the publishing company Newsteca, which owns Mission, one of the most influential newspapers in the sector.

## MKG RANKING

According to the 2016 ranking of European hotel chains, drawn up by the expert hotel- and tourism-firm MKG Hospitality, NH Hotel Group sat sixth in the "Top 10 Hotel Chains of 2016", with 43,196 rooms.

## BUSINESS TRAVEL IBTA 2016

The Iberian Association of Business Travel awarded NH Hotel Group with the prize for Best International Hotel Chain at the Business Travel Awards, whose aim is to acknowledge the best practices among travel managers and companies that work in the tourism business and MICE industry.

NH Collection Piazza Carlina  
Turin, Italy





## HOTELS

### TRAVEL WEEKLY MAGELLAN AWARD

NH Collection Eurobuilding received the Gold Magellan Award in the Business/Conference Hotel/Resort Hospitality category. Organized by the international travel news website Travel Weekly, these awards recognise each year the best of the best within the tourism industry based on their standards of excellence.

### C&IT AWARDS

The C&IT Awards, put on by the prestigious British magazine "Conference and Incentive Travel", recognized the nhow Berlin hotel as the "Best Overseas Conference Venue". This establishment is the first in Europe to offer a unique musical experience to its clients. With 304 rooms and 7 conference halls, the hotel was decorated by the prestigious interior designer, Karim Rashid. Opened in 2010, nhow Berlin is an example of a futuristic architectural style in the German capital and it enjoys an excellent location with spectacular views of the Spree River.

## CSR

### 9<sup>TH</sup> EDITION OF THE CINCO DÍAS AWARDS FOR INNOVATION IN BUSINESS

NH Hotel Group's 'Hotels with a Heart' programme was recognised as the Most Innovative Corporate Social Responsibility Business Initiative in 2016 during the ninth edition of the Cinco Días Awards for Innovation in Business.

### ACTUALIDAD ECONÓMICA AWARDS

In its 37<sup>th</sup> edition, the magazine, 'Actualidad Económica' recognised "Hotels with a Heart" as one of the Top 100 Ideas of the Year. Under the title "'Hotelized' Families with Hospitalized Children", the magazine told its readers about this initiative that is aimed at families with economic difficulties.

### BUSINESS IN THE COMMUNITY AWARDS

NH Hotel Group was shortlisted at the "Business in the Community" awards, in the category "Responsible Business", by Business in the Community (BITC), The Prince of Wales' Responsible Business Network. This renowned organisation works to tackle a wide range of issues that are essential for creating a more sustainable future. A recognition that distinguishes companies that are creating long-term value by integrating critical sustainability issues into their businesses.

## TALENT

### CEGOS AND EQUIPOS & TALENTO AWARD

The Company received one of the most important Training and Development awards in Spain: The CEGOS and Equipos y Talento Award for Best Practices in Human Resources in the Organizational Management and Consulting category. The recognized program was the "A new leadership for a new NH" project, a global initiative launched in 2014 with the aim of optimising the Hotel Managers portfolio by boosting their growth within the Company. In addition to this award, the project also received the Tourism Sector Distinction as best practice in the tourism industry.

### NH HOTEL GROUP, AMONG THE TOP 5 MOST ATTRACTIVE EMPLOYERS IN SPAIN

NH Hotel Group held the 11th position among Universum's official Top 30 most attractive businesses among Spanish professionals in the Business Sciences and Humanities area, according to Universum's study entitled "Most Attractive Employers - Professionals 2016". Among national businesses, NH Hotel Group held the 5<sup>th</sup> position.

### INHOUSECOMMUNITY AWARDS 2016

NH Italy was recognized as "HR Team of the year" in the second edition of the Inhousecommunity Awards 2016 for the professionalism demonstrated in managing a complex change management process that has characterized this Business Unit in the last years.

### KPMG Y ACTUALIDAD ECONÓMICA

Beatriz Puente, Executive Managing Director of Finance and Administration, was recognized as one of the Top 100 Chief Financial Officers in Spain by the consulting firm KPMG and Actualidad Económica magazine. Beatriz was also elected as one of the 25 most innovative professionals. The publication of this ranking distinguishes the crucial role of these professionals in the decisions of the companies as well as in the risk management.



nhow Berlin  
Berlin, Germany

# CORPORATE RESPONSIBILITY INDICATORS



# CORPORATE RESPONSIBILITY INDICATORS

PROFILE	2015	2016
Hotel portfolio	378	379
Rooms	58,655	58,472
Net income (including non-recurrent)	€0.9M	€30.8M
EBITDA (before onerous)	€149.5M	-
STAKEHOLDERS	2015	2016
EMPLOYEES		
Average staff	21,243	20,905
Open-ended contracts	57.50%	62.91%
Average staff turnover	20.06%	23.04%
Employees in a country different from their origin	12.60%	11.20%
Women in the staff	46.50%	48.11%
Women in management positions	42.90%	43.45%
Under 25 years old	11.30%	12.98%
25 - 40 years old	51.00%	49.65%
Over 40 years old	37.70%	37.30%
Nationalities	139	137
NH University training hours	192,366	139,808
Investment in training	1,415,696 €	1,223,365 €
Performance evaluations conducted (fixed FTEs)*	7,395	-

(\* Note: a Change has taken place in the way participation is counted, Headcount is being used instead of Full-Time Equivalent (FTEs), with a view to using the KPI that is best suited to this process, thereby allowing for comparable analyses, in view of the fact that employees are subjected to performance assessment regardless of the length of their working day.

STAKEHOLDERS	2015	2016
CUSTOMERS		
NH Hotel Group survey	165,700	181,069
Online reviews	308,807	355,864
Communications managed by hotel Managers	27,749	31,114
Communications managed by Customer Care	19,322	21,796
SUPPLIERS		
Volume of suppliers managed	27,884	16,153
Suppliers who have signed the Code of Conduct	840	948
Annual volume of purchases (expense + investment)	€539.1M	€613.06M
Negotiations through the e-sourcing platform	60.40%	58.60%
Turnover of negotiations through the e-sourcing platform	€116M	€139M
SOCIAL ACTION		
Total social projects	508	395
Resources obtained from Employee Rate and Friend Voucher	175,239 €	197,937 €
Amiguitos Royal Foundation	192,163 €	140,113 €
Beneficiary entities NH Volunteers	2,334	1,081
Cultural promotion	36,457 €	32,750 €
Resources allocated to the Community	864,125 €	681,523 €
ENVIRONMENT		
Comparable hotels in the five year Strategic Plan*		
CO <sub>2</sub> emissions (kg)	39,329,100	43,072,288
CO <sub>2</sub> emissions (kg per room/night)	6.46	6.94
Energy consumption (kWh)	315,688,131	319,943,707
Energy consumption (kWh per room/night)	51.88	51.56
Water consumption (m <sup>3</sup> )	1,871,329	1,981,052
Water consumption (m <sup>3</sup> per room/night)	0.301	0.312

(\* 2015 data recalculated based on the comparability applied in the period 2015-2016.

# ASSURANCE REPORT AND GRI CONTENT INDEX



# ABOUT THIS REPORT



This Report is the eleventh edition of the Annual Corporate Responsibility Report of NH Hotel Group. It integrates the activity and main results of the 2016 fiscal year, with the economic, environmental and social performance.

## SCOPE AND COVERAGE

In this Report, NH Hotel Group publishes the global management results of financial year 2016 broken down by Business Units and countries in which the Company operates. In some cases, the data are reported only for comparable hotels in the corresponding fiscal year. In each case the scope of such data is detailed for a more accurate and comparable information, as well as its relevant explanation.

## BALANCE AND COMPARABILITY

The report aims to publish a balanced, accurate and coherent report of its performance, linked to the issues relevant to the Group, its strategic projects and its stakeholders. In this sense, the comparability of data and information regarding previous years is key as a tool for traceability and evolution of the same. This Report, as in previous editions, has been elaborated with the involvement and participation of the heads of business areas and the dialogue with each interest group, which allows to align the reported information with the relevant aspects for the stakeholders and to respond to their expectations. In this sense, there has been an internal process of gathering and contrasting information, with indicators and quantitative and qualitative measurement data of the sustainable management of NH Hotel Group.

## DEFINITION OF CONTENT

The Group has different systems to dialogue with its stakeholders that are the source of analysis to define the relevant contents to be included in the report. The results of this communication make it possible to keep active the mechanisms to identify needs, as well as the aspects of greater relevance to be included in the Report, as well as the follow-up of the commitments and fulfillment of the challenges posed in the previous year. These processes allow the materiality analysis to be kept up to date, as an integrative tool for the relevant business and stakeholder issues. And, from there, define the key contents to be reported this year in the Report, including the main specific indicators that reflect the evolution of the business and the relationship with NHHG stakeholders.

## PREPARATION CRITERIA

For the preparation of the Report, the following principles and global standards have been taken into account:

- The G4 Guidelines of the Global Reporting Initiative (GRI), with the Materiality Disclosures Service for the Core option
- The Sustainable Development Goals (ODS) and the 10 Principles of the United Nations Global Compact.
- The Ten Principles of the United Nations Global Compact and the Progress Report reported by NH Hotel Group.

## VERIFICATION

The report has KPMG's external and independent review of a number of indicators identified as "✓" in section "About this report. GRI Content Index.

This Report and the previous ones are published in digital format and are available at [www.nhhotelgroup.com](http://www.nhhotelgroup.com)

# GRI CONTENT INDEX



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G4-19	Pg. 38 MATERIALITY ANALYSIS	✓
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G4-22	THE RESTATEMENT OF INFORMATION REGARDING PREVIOUS YEARS IS INDICATED IN EACH CHART	✓
G4-23	NO SIGNIFICANT CHANGES TO THE PREVIOUS YEAR	✓

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Fight against corruption	G4-DMA: pg. 20 COMPLIANCE SYSTEM G4-SO4: pg. 66 SUPPLIERS CERTIFICATIONS y pg. 20 COMPLIANCE SYSTEM		G4-SO4 ✓
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Corporate Volunteering	G4-DMA: pág. 70 NH VOLUNTEERS!		✓



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**Independent Assurance Report to the Management of NH Hotel Group, S.A.**

(Free translation from the original in Spanish.  
 In case of discrepancy, the Spanish language version prevails.)

To the Management of NH Hotel Group, S.A.

In accordance with our engagement letter, we performed a limited assurance review on the non-financial information contained in the Annual Report 2016 - Corporate Responsibility Report of NH Hotel Group, S.A. (hereinafter NH) for the year ended 31 December 2016 (hereinafter "the Report"). The information reviewed corresponds to the indicators referred in the chapter entitled "About this Report. GRI Content Index" with the "✓" symbol.

**Management responsibilities**

NH management is responsible for the preparation and presentation of the Report in accordance with the Sustainability Reporting Guidelines version 4.0 (G4) of the Global Reporting Initiative as described in point G4-32 of the GRI Content Index of the Report and in accordance with Materiality Disclosure Service, obtaining confirmation from the Global Reporting Initiative on the proper application of these. Management is also responsible for the information and assertions contained within the Report; for determining NH's objectives in respect of the selection and presentation of sustainable development performance, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

These responsibilities include the establishment of appropriate controls that NH management consider necessary to enable that the preparation of indicators with a limited assurance review would be free of material errors due to fraud or errors.

**Our responsibility**

Our responsibility is to carry out a limited assurance review and to express a conclusion based on the work performed, referring exclusively to the information corresponding to 2016. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and the International Standard on Assurance Engagements (ISAE) 3410, "Assurance Engagements on Greenhouse Gas Statements" both issued by the International Auditing and Assurance Standards Board (IAASB); and with the Performance Guide on the revision of Corporate Responsibility Reports of the Instituto de Censores Jurados de Cuentas de España (ICJCE). These standards require that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement.

KPMG applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Internal Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

**Limited assurance over limited assurance indicators**

Our limited assurance engagement consisted of making enquiries of management and persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures. These procedures included:

- Verification of NH's processes for determining the material issues, and the participation of stakeholder groups therein.
- Interviews with management and relevant staff at group level and selected business unit level concerning sustainability strategy and policies and corporate responsibility for material issues, and the implementation of these across the business of NH.
- Evaluation through interviews concerning the consistency of the description of the application of NH's policies and strategy on sustainability, governance, ethics and integrity.
- Risk analysis, including searching the media to identify material issues during the year covered by the Report.
- Review of the consistency of information comparing General Standard Disclosures with internal systems and documentation.
- Analysis of the processes of compiling and internal control over quantitative data reflected in the Report, regarding the reliability of the information, by using analytical procedures and review testing based on sampling.
- Review of the application of the Global Reporting Initiative's G4 Sustainability Reporting Guidelines requirements for the preparation of reports in accordance with core option.
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of ACS.
- Verification that the financial information reflected in the Report was audited by independent third parties.

Our multidisciplinary team included specialists in social, environmental and economic business performance.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is lower than that of a reasonable assurance engagement. This report may not be taken as an auditor's report.

**Conclusions**

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Independent Review Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the limited assurance procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that Corporate Responsibility Report of NH Hotel Group, S.A. for the year ended 31 December 2016, have not in all material respects, been prepared and presented in accordance with the Sustainability Reporting Guidelines version 4.0 (G4) of the Global Reporting Initiative as described in point G4-32 of the GRI Content Index including the reliability of data, adequacy of the information presented and the absence of significant deviations and omissions.

Under separate cover, we will provide NH management with an internal report outlining our complete findings and areas for improvement.

**Purpose of our report**

In accordance with the terms of our engagement, this Independent Assurance Report has been prepared for NH in relation to its Corporate Responsibility Report and for no other purpose or in any other context.

KPMG Asesores, S.L.  
  
 José Luis Blasco Vázquez  
 23 June 2017

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