

CORPORATE GOVERNANCE

Annual Report





LISTED PUBLIC LIMITED COMPANIES

ISSUING COMPANY'S IDENTIFYING DATA FINANCIAL
YEAR 2005

TAX IDENTIFICATION CODE: A28027944

CORPORATE NAME: NH HOTELES S.A.

REGISTERED OFFICE: SANTA ENGRACIA 120
MADRID
28003
SPAIN

MODEL OF CORPORATE GOVERNANCE ANNUAL REPORT FOR LISTED PUBLIC LIMITED COMPANIES

For a better understanding of the model and subsequent preparation thereof, the instructions provided at the end of this report for completing the form should be read.

A. OWNERSHIP STRUCTURE

A.1. Complete the following chart on the company's corporate capital:

Date of last modification	Corporate capital (€)	Number of shares
15-09-2000	239,065,796.00	119,532,898

If there are different classes of share, this should be indicated in the following chart:

Class	Number of shares	Unit face value
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A.2. Give details of the direct and indirect shareholders of significant stakes at the closing of the financial year, excluding board members:

Shareholder's Name or Corporate Name	Number of direct shares	Number of indirect shares (*)	Total % of corporate capital
ALAZAN INVERSIONES 2001 SIM CAV S.A.	6,071,794	0	5.080
ANGELINI FRANCESCO	0	6,263,343	5.240
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	0	5,976,644	5.000
CORPORACIÓN FINANCIERA CAJA DE MADRID S.A.	5,976,644	0	5.000
GRUPO INVERSOR HESPERIA S.A.	6,000,551	0	5.020
KEBLAR DE INVERSIONES SIM CAV S.A.	6,201,791	0	5.188
ORTEGA GAONA AMANCIO	0	12,273,585	10.268
FINAF 92, S.A.	6,263,343	0	5.240
CAJA DE AHORROS Y MONTE DE PIEDAD DE ZARAGOZA, ARAGÓN Y RIOJA (IBERCAJA)	5,979,036	0	5.002

(*) Through:

Name or Corporate Name of the direct owner of the stake	Number of direct shares	% of corporate capital
FINAF 92, S.A.	6,263,343	5.240
CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.	5,976,644	5.000
KEBLAR DE INVERSIONES SIM CAV, S.A.	6,201,791	5.188
ALAZAN INVERSIONES 2001, SIM CAV, S.A.	6,071,794	5.080
Total:	24,513,572	

Indicate the most significant movements in the shareholder structure during the financial year:

Shareholder's Name or Corporate Name	Date of transaction	Description of transaction
CAJA DE AHORROS Y MONTE DE PIEDAD DE ZARAGOZA, ARAGÓN Y RIOJA (IBERCAJA)	31-10-2005	5% of corporate capital exceeded

A.3. Complete the following charts on the members of the company's board of directors who own shares in the company:

Director's Name or Corporate Name	Date of first appointment	Date of last appointment	Number of direct shares	Number of indirect shares (*)	Total % of corporate capital
BANCAJA	27-06-2002	27-06-2002	7,319,698	0	6.124
BLANCO BALÍN JOSÉ RAMÓN	15-01-1993	28-04-2003	23,800	13,400	0.031
HERRANDO PRAT DE LA RIBA MANUEL	13-07-1992	28-04-2003	3,027	0	0.003
RODRÍGUEZ DOMÍNGUEZ MIGUEL	29-04-2004	29-04-2004	3,000	0	0.003
HOTELES PARTICIPADOS S.L.	29-04-2004	29-04-2004	6,275,477	0	5.250
MERRY DEL VAL GRACIE, ALFONSO	18-03-1997	28-04-2003	100	0	0.000
ROMERO GARCÍA, LUIS F.	26-11-1996	28-04-2003	1,000	1,000	0.002
AMAT ROCA, MATÍAS	23-07-2004	23-07-2004	50	0	0.000
BURGIO, GABRIELE	13-01-1993	28-04-2003	1,317,770	0	1.102

(*) Through:

Name or Corporate Name of the direct owner of the stake	Number of direct shares
VILLAR CANOVAS, AMPARO	6,400
BLANCO VILLAR, ELENA	3,500
BLANCO VILLAR, RAMÓN	3,500
CREFICA, S.A.	1,000
Total:	14,400
Total % of corporate capital in possession of the Board of Directors:	12.515

Complete the following charts on those members of the company's Board of Directors who are in possession of rights over the company's shares:

Director's Name or Corporate Name	Number of direct option rights	Number of indirect option rights	Number of equivalent shares	Total % of corporate capital
BURGIO, GABRIELE	616,189	0	616,189	0.515

A.4. Indicate, when applicable, any relations of a family, commercial, contractual or company nature that may exist between the holders of significant stakes, to the extent that they are known by the company, except when they are of little importance or result from ordinary draft or commercial trade:

Related names or corporate names	Type of relationship	Brief description

A.5. Indicate, when applicable, any relations of a commercial, contractual or company nature that may exist between the holders of significant stakes and the company, except when they are of little importance or result from ordinary draft or commercial trade:

Related names or corporate names	Type of relationship	Brief description

A.6. Indicate any para-company agreements reached between shareholders that may have been notified to the company:

Intervening parties in the para-company agreement	% of corporate capital affected	Brief description of the agreement

Indicate, when applicable, agreed actions between shareholders of the company and which are known by the company:

Intervening parties in the agreed action	% of corporate capital affected	Brief description of the agreed action

In the event that there has been a change in or severance of such agreements or agreed actions during the financial year, this should be expressly indicated.

A.7. Indicate whether or not a natural or corporate person exists which exercises or may exercise control over the company, in accordance with SECTION 4 of Spain's Securities Market Law:

Name or corporate name
Remarks

A.8. Complete the following charts on the company's treasury stock:

As at the date of the closing of the financial year:

Number of direct shares	Number of indirect shares (*)	Total % of corporate capital
25,000	2,663,876	2.249

(*) Through:

Name or Corporate Name of the direct owner of the stake	Number of direct shares
DEUTSCHE BANK, A.G	2,663,876
Total:	2,663,876

Provide details of significant variations, as per the provisions of Royal Decree 377/1991, made during the financial year:

Date:	Number of direct shares	Number of indirect shares	Number of corporate capital	Total % of corporate capital
12-04-2005	838,043	0	0	0.701
07-07-2005	1,197,520	0	0	1.002
02-09-2005	67,914	0	0	0.057
02-12-2005	99,872	0	0	0.084

Results obtained in the financial year from treasury stock transactions (in thousands of euros)	2,512
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A.9. Provide details of the conditions and term(s) of the authorization(s) of the general meeting of shareholders to the board of directors to carry out the purchases or transfers of own shares described in SECTION A.8.

The General Meeting of Shareholders held on 28th April 2005 authorized the Board of Directors, for a term of 18 months, to take as a pledge and/or to purchase, directly or indirectly, its own shares, through their purchase on an official secondary market and for a price that is neither below their nominal value nor above their quoted value at the moment of the purchase, without the face value of the purchased shares, together with that of those taken as a pledge, being able to exceed 5 per cent of the total corporate capital at any moment

The Board of Directors is expressly empowered to freely dispose of the shares purchased by virtue of the aforementioned authorization, for the purpose, as and when applicable, of complying with the commitments acquired under "Remuneration systems with the handing over of stock options" or "referenced to the stock's quoted value", the introduction of which in the company has been the object of the mandatory approvals.

A.10. Indicate, when applicable, any legal or statutory limitations on the exercising of voting rights and any legal limitations on the purchase or transfer of stakes in the corporate capital:

In accordance with the provisions of Article 15 of the Articles of Association, each share gives the right to one vote, there being no legal or statutory limitations on the free transfer of shares.

Without prejudice to the foregoing and as established in the aforesaid Article, no shareholder, regardless of the number of shares of which it is the owner, may issue more votes than those corresponding to 10% of the issued shares with a right to vote. This limitation shall not apply in those General Meetings in which, in accordance with the list of attendants, a shareholder, whether present or represented at the Meeting, is the owner of more than 75% of the issued shares with a right to vote.

For the purpose of the foregoing paragraph, companies belonging to the same group, as per the provisions of article 42 of the Commercial Code, shall have the consideration of a single shareholder.

Taking into account the fact that the corporate capital of NH Hoteles, S.A. is made up of bearer shares, the provisions of sections 9 and following of Spain's Securities Market Law 24/1988, of 28th July, and similar legislation shall apply for all matters relating to the transfer of shares. This is also incorporated into the Articles of Association of NH Hoteles, S.A., which, in

Article 7, expressly states that "The transfer of shares and the constitution of limited real rights or any other liens and encumbrances thereon, must be the subject of an entry in the corresponding Accounting Register, as provided for in Securities Market Law".

B. THE COMPANY'S ADMINISTRATIVE STRUCTURE

B.1. Board of Directors

B.1.1. Provide details of the maximum and minimum number of directors provided for in the Articles of Association:

Maximum number of directors	20
Minimum number of directors	5

B.1.2. Complete the following chart with the members of the board of directors:

Director's Name or Corporate Name	Representative	Office on the Board	Date of first appointment	Date of last appointment	Election procedure
AMAT ROCA, MATÍAS		DIRECTOR	23-07-2004	23-07-2004	CO-OPTION
BLANCO BALÍN, JOSÉ RAMÓN		DIRECTOR	15-01-1993	28-04-2003	G. MEETING OF SHARE HOLDERS
BURGIO GABRIELE		CHAIRMAN	13-01-1993	28-04-2003	G. MEETING OF SHARE HOLDERS
FERNÁNDEZ DURÁN, ALFREDO		DIRECTOR	27-06-2002	27-06-2002	G. MEETING OF SHARE HOLDERS
HERRAN DO PRAT DE LA RIBA, MANUEL		DIRECTOR	13-07-1992	28-04-2003	G. MEETING OF SHARE HOLDERS
MERRY DEL VAL GRACIE, ALFONSO		DIRECTOR	18-03-1997	28-04-2003	G. MEETING OF SHARE HOLDERS
DE NADAL CAPARÁ, JOSÉ		DIRECTOR	08-05-1997	28-04-2003	G. MEETING OF SHARE HOLDERS
BANCAJA	IZQUIERDO GÓMEZ, AURELIO	DIRECTOR	27-06-2002	27-06-2004	G. MEETING OF SHARE HOLDERS
RODRÍGUEZ DOMÍNGUEZ, MIGUEL		DIRECTOR	29-04-2004	29-04-2004	G. MEETING OF SHARE HOLDERS
ROMERO GARCÍA, LUIS FERNANDO		DIRECTOR	26-11-1996	28-04-2003	G. MEETING OF SHARE HOLDERS
S'JACOB, BERNARD		DIRECTOR	30-06-2000	28-04-2003	G. MEETING OF SHARE HOLDERS
HOTELES PARTICIPADOS S.L.	EZQUIAGA DOMÍNGUEZ, IGNACIO	DIRECTOR	29-04-2004	29-04-2004	G. MEETING OF SHARE HOLDERS
Total Number of Directors:					12

Indicate the retirements/removals from the board of directors that have occurred during the period:

Director's Name or Corporate Name	Termination date
ECHENIQUE GORDILLO, RODRIGO	28-02-2005

B.1.3. Complete the following charts on the members of the board of directors and their condition:

EXECUTIVE DIRECTORS

Director's Name or Corporate Name	Committee that proposed the appointment	Office on the company's organization chart
BURGIO, GABRIELE	BOARD OF DIRECTORS	CHAIRMAN - MANAGING DIRECTOR

EXTERNAL DOMANIAL DIRECTORS

Director's Name or Corporate Name	Committee that proposed the appointment	Name or corporate name of the significant shareholder represented or who proposed the appointment
DE NADAL CAPARÁ, JOSÉ	BOARD OF DIRECTORS	FINAF 92, S.A.
AMAT ROCA, MATÍAS	NOMINATION AND REMUNERATION COMMITTEE	CORPORACIÓ N FINANCIERA CAJA DE MADRID S.A.
HOTELES PARTICIPADOS S.L.	NOMINATION AND REMUNERATION COMMITTEE	HOTELES PARTICIPADOS S.L.
FERNÁNDEZ DURÁN, ALFREDO	BOARD OF DIRECTORS	ORTEGA GAONA, AMANCIO
BANCAJA	BOARD OF DIRECTORS	BANCAJA

EXTERNAL INDEPENDENT DIRECTORS

Director's Name or Corporate Name	Committee that proposed the appointment	Profile
BLANCO BALÚN, RAMÓN	BOARD OF DIRECTORS	BUSINESS & ECONOMICS DEGREE. TAX INSPECTOR WITH LEAVE OF ABSENCE.
MERRY DEL VAL GRACIE, ALFONSO	BOARD OF DIRECTORS	ECONOMICS AND COMMERCE DEGREE FROM BOCCONO UNIVERSITY OF MILAN. DOCTORATE FROM UNIVERSITY OF PAVIA.
HERRANDO Y PRAT DE LA RIBA, MANUEL	BOARD OF DIRECTORS	LAW DEGREE.
ROMERO GARCÍA, LUIS F.	BOARD OF DIRECTORS	INDUSTRIAL ENGINEERING DEGREE.
SJACOB BERNARD	BOARD OF DIRECTORS	LAW DEGREE.
RODRÍGUEZ DOMÍNGUEZ, MIGUEL	NOMINATION AND REMUNERATION COMMITTEE	ENTREPRENEUR

OTHER EXTERNAL DIRECTORS

Director's Name or Corporate Name	Committee that proposed the appointment

Provide details of the reasons why they cannot be considered domanial or independent directors:

Indicate any changes that, when applicable, have occurred during the period in the type of each director:

Director's Name or Corporate Name	Date of the change	Previous status	Current status

B.1.4. Indicate whether the classification of Directors made in the previous point coincides with the distribution provided for in the regulations of the board of directors:

The composition and classification of Directors made in the previous point is respectful of and complies with the provisions of the Regulations of the Board of Directors (article 9 of the Board of Directors' Regulations).

B.1.5. Indicate, as and when applicable, the powers delegated to the managing director(s):

Director's Name or Corporate Name	Brief description
BURGIO, GABRIELE	ALL THE POWERS WHICH CORRESPOND TO THE BOARD OF DIRECTORS, EXCEPT THOSE THAT CANNOT BE DELEGATED BY LAW OR BY VIRTUE OF THE ARTICLES OF ASSOCIATION

B.1.6. Identify, as and when applicable, the members of the board who hold the office of administrator or director in other companies which form part of the listed company's group:

Director's Name or Corporate Name	Corporate name of the group company	Office
HERRANDO PRAT DE LA RIBA, MANUEL	SOTOGRADE, S.A.	CHAIRMAN
BURGIO, GABRIELE	SOTOGRADE, S.A.	DIRECTOR
FERNÁNDEZ DURÁN, ALFREDO	SOTOGRADE, S.A.	DIRECTOR
HERRANDO PRAT DE LA RIBA, MANUEL	LATINOAMERICANA DE GESTIÓN HOTELERA, S.A.	DIRECTOR
MERRY DEL VAL GRACIE, ALFONSO	KRASNAPOLSKY HOTELS & RESTAURANTS, BV	MEMBER OF THE SUPERVISORY BOARD
AMAT ROCA, MATÍAS	SOTOGRADE, S.A.	NATURAL PERSON REPRESENTATIVE OF THE DIRECTOR PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID, S.A.
BURGIO, GABRIELE	GRUPO FINANCIERO DE INTERMEDIACIÓN Y ESTUDIOS, S.A.	NATURAL PERSON REPRESENTATIVE OF THE SOLE ADMINISTRATOR, NH HOTELS, S.A.
BURGIO, GABRIELE	NH PAMPLONA, S.A.	DIRECTOR
BURGIO, GABRIELE	LATINOAMERICANA DE GESTIÓN HOTELERA, S.A.	DIRECTOR
BURGIO, GABRIELE	NACIONAL HISPANA HOTELES SRL DE CV	DIRECTOR
BURGIO, GABRIELE	KRASNAPOLSKY HOTELS & RESTAURANTS, BV	MEMBER OF THE SUPERVISORY BOARD

Corporate Governance

B.1.7. Provide details, as and when applicable, of the company's directors who are members of the board of directors of other companies listed in official securities markets in Spain other than its group, which have been notified to the company:

Director's Name or Corporate Name	Listed company	Office
BURGIO, GABRIELE	FERROVIAL, S.A.	DIRECTOR
BANCAJA	BANCO DE VALENCIA, S.A.	CHAIRMAN
MERRY DEL VAL GRACIE, ALFONSO	TELEFÓNICA MOVILES, S.A.U.	DIRECTOR
FERNÁNDEZ DURÁN, ALFREDO	KEBLAR DE INVERSIONES SIMCAV, S.A.	MANAGING DIRECTOR
FERNÁNDEZ DURÁN, ALFREDO	ALAZAN INVERSIONES SIMCAV, S.A.	MANAGING DIRECTOR
BANCAJA	ENAGAS, S.A.	DIRECTOR
BANCAJA	METRO VACESA, S.A.	DIRECTOR

B.1.8. Complete the following charts relating to directors' aggregate remuneration accrued during the financial year:

a) In the company under study in this report:

Remunerative item	In thousands of euros
Fixed remuneration	694
Variable remuneration	262
Per diem allowances	587
Statutory business	0
Stock options and/or other financial instruments	0
Others	192
Total:	1,735

Other Benefits	In thousands of euros
Advances	0
Credits granted	8,305
Pension Funds or Plans: Contributions	0
Pension Funds or Plans: Obligations incurred	0
Life insurance premiums	22
Guarantees constituted by the company in favour of its directors	0

b) Resulting from the company's directors belonging to other boards of directors and/or the top management of group companies:

Remunerative item	In thousands of euros
Fixed remuneration	0
Variable remuneration	0
Per diem allowances	115
Statutory business	0
Stock options and/or other financial instruments	0
Others	0
Total:	115

Other Benefits	In thousands of euros
Advances	0
Credits granted	0
Pension Funds or Plans: Contributions	0
Pension Funds or Plans: Obligations incurred	0
Life insurance premiums	0
Guarantees constituted by the company in favour of its directors	0

c) Total remuneration per type of director:

Type of director	Per company	Per group
Executives	1,214	15
External domanial directors	246	15
External independent directors	275	85
Other external directors	0	0
Total:	1,735	115

d) In respect of the profit attributed to the holding company:

Total remuneration of directors (in thousands of euros)	Total remuneration of directors as a percentage of the profit attributed to the holding company
1,850	2.970

B.1.9. Identify the members of top management who are not at the same time executive directors and indicate the total remuneration accrued in their favour during the financial year:

Name or corporate name	Office
ARANGUREN GONZÁLEZ-TARRÍO, IGNACIO	GENERAL CORPORATE AND STRATEGIC INVESTMENTS DIRECTOR
CHOLLET IBARRA, ROBERTO	GENERAL FINANCIAL DIRECTOR
GABARDA DURÁN, GUSTAVO	GENERAL DIRECTOR-MANAGING DIRECTOR SO TOGRANDE
ZINSER CIESLIK, FRANCISCO ALEJANDRO	GENERAL OPERATIONS DIRECTOR
CORTINA AURRECO ECHEA, MARÍA	CORPORATE COMMUNICATIONS DIRECTOR
MATOSSES GARCÍA-VALDÉS, FERNANDA	CORPORATE LEGAL ADVISORY SERVICE DIRECTOR
MORA NARVAEZ, JUAN	CORPORATE HUMAN RESOURCES DIRECTOR
Total remuneration of top management (in thousands of euros) 2,171	

B.1.10. Identify in an aggregate way whether or not guarantee or protection clauses exist, for cases of dismissal or changes of control in favour of members of the top management, including the executive directors, of the company or its group. Indicate whether or not these contracts have to be notified to and/or approved by the administrative bodies of the company or its group:

Number of beneficiaries		
7	Board of Directors	General Meeting of Shareholders
Administrative body which authorizes the clauses	X	
	YES	NO
Is the General Meeting of Shareholders informed of these clauses?		X

B.1.11. Indicate the process for establishing the remuneration of the members of the board of directors and the relevant statutory clauses in this respect.

Article 35 of the Regulations of the Board of Directors establishes that the Director shall have the right to receive the remuneration established by the Board of Directors in accordance with the legal and statutory provisions and subject to the opinion of the Nomination and Remuneration Committee. The Board of Directors shall endeavour to ensure that the Director's remuneration is commensurate to what is paid in the market in companies of a similar size and activity.

Article 20 of the Articles of Association establishes that Directors' remuneration shall consist of a specific annual allotment and per diem allowances for attending the meetings of the Board of Directors and its delegated and consultative Committees. The amount of the remuneration which the Company may pay to all the Directors as a whole for both concepts shall be equivalent to three per cent of the net profit obtained by the Consolidated Group during the immediately previous financial year. The establishment of the exact amount to be paid within this limit and its distribution amongst the various Directors corresponds to the Board of Directors. In addition, and irrespective of the remuneration contemplated in

the foregoing paragraph, provisions exist for the establishment of remuneration systems referenced to the quoted value of the shares or that involve the awarding of shares or stock options to the Directors. For these remuneration systems to be applied, a resolution must be adopted by the General Meeting of Shareholders, which will establish the share value to be taken as the reference, the number of options, the price at which the option rights can be exercised, the term of this remuneration system and all other conditions which it deems appropriate. Likewise, and subject to prior compliance with the legal requirements, similar remuneration systems can be established for the Company's personnel, regardless of whether or not they are directors. The remuneration as described in the foregoing sections, which results from being a member of the Board of Directors, shall be compatible with all other professional and occupational income which corresponds to the Directors for whatsoever other executive or advisory functions which, as and when applicable, they may perform for the Company other than those of supervision and decision, acting as a body, corresponding to their capacity as Directors, which functions shall be subjected to whichever legal regime may be applicable.

B.1.12. Indicate, as and when applicable, the identity of the members of the board who are at the same time members of the board of directors or are directors of companies which hold significant shareholdings in the listed company and/or companies within its group:

Director's Name or Corporate Name	Name or Corporate Name of the significant shareholder	Office
DE NADAL CAPARA, JOSÉ	FINAF 92, S.A.	CHAIRMAN
FERNÁNDEZ DURÁN, ALFREDO	ALAZAN INVERSIONES 2001, SIMCAV, S.A. Y KEBLAR DE INVERSIONES, SIMCAV, S.A.	FINANCIAL DIRECTOR
AMAT ROCA, MATÍAS	CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	MANAGING DIRECTOR

Provide details, as and when applicable, of any relevant relations other than those contemplated in the foregoing section, of the members of the board of directors which links them to significant shareholders in the company and/or in group companies:

Director's Name or Corporate Name	Name or Corporate Name of the significant shareholder	Description of the relationship

B.1.13. Indicate, as and when applicable, the amendments introduced in the regulations of the board of directors during the financial year.

The Regulations of the Board of Directors were not amended during financial year 2005.

B.1.14. Indicate the procedures for the appointment, re-election, evaluation and removal of directors. Provide details of the competent bodies, the processes to be adopted and the criteria to be employed in each one of the procedures.

1. Board Member Selection Procedures

Directors shall be designated by the General Meeting of Shareholders or, on a provisional basis, by the Board of Directors, in accordance with the provisions laid down in Spain's Company Law and the Articles of Association.

Proposals for the appointment of Directors submitted by the Board of Directors to the consideration of the General Meeting of Shareholders and the appointment resolutions adopted by such body by virtue of the co-option powers legally attributed to it must be in compliance with the provisions of the Board of Directors' Regulations and must be preceded by

the corresponding opinion of the Nomination and Remuneration Committee, which shall not be binding.

2. Designation of External Directors

The Board of Directors' Regulations make a special reference to the designation and appointment of external Directors, given their particularity with respect to executive Directors, as a consequence of which it is appropriate to briefly explain the basic characteristics of the designation of the aforesaid External Directors:

2.1 Domanial Directors

As far as Domanial Directors are concerned, their appointment must fall on the persons proposed by the respective owners of significant stable shareholdings, with all other Directors having the obligation of propitiating with their vote that such appointments or proposed appointments are approved by the Board of Directors.

2.2 Independent Directors

The Board of Directors and the Nomination and Remuneration Committee shall endeavour to ensure, within the scope of their respective competences, that the election of candidates to occupy the office of independent Directors falls on reputable persons of well-known competence and experience, who are willing to devote a sufficient part of their time to the Company.

The Board of Directors may not propose or designate persons to the office of independent Director who have or have had during the last two years a stable relationship of certain relevance with the Company's management or who are linked by family, professional or commercial reasons with any of the executive Directors or with other members of the Company's Top Management; likewise, they must not have a stable relationship with the domanial Directors or with the corporations or business groups they represent.

In particular, the following may not be proposed or designated as independent Directors:

- a) Those persons who hold or have held in the last two years executive posts of the highest level within the Company;
- b) The relations, up to the fourth degree of kinship, of whoever is or has been in the last two years an executive Director or member of the Company's Top Management;
- c) Persons who, directly or indirectly, have made or received relevant payments to or from the Company which could compromise their independence;
- d) Persons who have or have had other relations with the Company which, in the opinion of the Nomination and Remuneration Committee, could undermine their independence.

3. Re-election of Directors

Proposals for the re-election of Directors which the Board of Directors decides to submit to the General Meeting must be subject to a formal preparation process, of which a report issued by the Nomination and Remuneration Committee in which the quality of work and devotion to duty of the proposed Directors during their term of office must necessarily form a part.

4. Duration of Office

Directors shall hold office for a term of three years.

However, Directors designated by co-option shall hold office until the date of the first meeting of the General Meeting of Shareholders.

During a period of two years the Director who terminates his term of office or who for whatsoever other reason ceases to hold office may not render his services in another company with a similar or analogous corporate

purpose to that of the Company or that of any of the Companies which form its Group.

The Board of Directors, if it considers it appropriate, may release the outgoing Director from this obligation or shorten the period of its duration.

5. Removal of Directors

Directors shall cease to hold office when the term for which they were appointed has elapsed or when the General Meeting of Shareholders adopts the corresponding resolution, making use of the attributions legally granted to it.

Members of the Board of Directors must tender their resignation to the Board of Directors and shall formalize the corresponding resignation in the following cases:

a.) When they reach 70 years of age. Directors in executive office shall cease to fulfil their duties when they reach 65 years of age although they can continue as Directors if so decided by the Board of Directors itself.

In these cases, removal from office shall be implemented in the first meeting of the Board of Directors to take place after the General Meeting of Shareholders at which the financial statements of the year in which the Director has reached the age limit are approved.

b.) When they are removed from the executive posts to which their appointment as Director was associated or when the reasons for their appointment have disappeared, it being understood that such circumstance exists in a domanial Director when the corporation or business group which it represents ceases to hold a significant stake in the Company's corporate capital or when, in the case of an independent Director, it joins the executive area of the Company or of any of its subsidiary companies.

c.) When they are involved in any of the cases of incompatibility or prohibition legally provided for.

d.) Whenever they receive a serious warning by the Nomination and Remuneration Committee on the grounds of having failed to comply with any of their obligations as Directors.

e.) Whenever their permanence on the Board of Directors can negatively affect the credit or reputation enjoyed by the Company in the market or in any other manner can place its interests at risk.

B.1.15. Indicate those cases in which directors have the obligation of resigning.

Directors shall cease to hold office when the term for which they were appointed has elapsed or when the General Meeting of Shareholders adopts the corresponding resolution, making use of the attributions legally granted to it.

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a.) When they reach 70 years of age. Directors in executive office shall cease to fulfil their duties when they reach 65 years of age although they can continue as Directors if so decided by the Board of Directors itself.

In these cases, removal from office shall be implemented in the first meeting of the Board of Directors to take place after the General Meeting of Shareholders at which the financial statements of the year in which the Director has reached the age limit are approved.

b.) When they are removed from the executive posts to which their appointment as Director was associated or when the reasons for their appointment have disappeared, it being understood that such circumstance exists in a domanial Director when the corporation or

business group which it represents ceases to hold a significant stake in the Company's corporate capital or when, in the case of an independent Director, it joins the executive area of the Company or of any of its subsidiary companies.

c.) When they are involved in any of the cases of incompatibility or prohibition legally provided for.

d.) Whenever they receive a serious warning by the Nomination and Remuneration Committee on the grounds of having failed to comply with any of their obligations as Directors.

e.) Whenever their permanence on the Board of Directors can negatively affect the credit or reputation enjoyed by the Company in the market or in any other manner can place its interests at risk.

B.1.16. Explain whether or not the function of top executive of the company falls on the office of chairman of the board of directors. When applicable, indicate the measures which have been taken to limit the risks of accumulation of powers in a single person:

YES NO

Measures to limit risks

Article 17 of the Board of Directors' Regulations establishes that the Executive Chairman shall have the condition of First Executive of the Company [...], with the effective direction of the Company's business corresponding to it, always in accordance with the criteria and decisions of the Board of Directors and the General Meeting of Shareholders. Consequently, the Chairman's decisions in all cases shall be put to and supervised by the General Meeting of Shareholders and the Board of Directors. Likewise, all resolutions and decisions of special relevance for the Company must first be submitted to the Board of Directors or corresponding control Committee, for its approval. Moreover, the adoption of certain resolutions requires the proposals and opinions of the Board's various Committees.

B.1.17. Are reinforced majorities, other than the legal majorities, required for certain types of decision?:

YES NO

Indicate how resolutions are adopted in the board of directors, explaining, at least, the minimum quorum of attendance and the type of majorities for adopting resolutions:

ADOPTION OF RESOLUTIONS

Description of the resolution	Quorum	Type of Majority
For any type of resolution	Half plus one of the members of the Board of Directors	Absolute majority of the attendants

B.1.18. Explain whether or not specific requirements exist, other than those relating to directors, for being appointed to the office of chairman.

YES NO

Description of the requirements

B.1.19. Indicate whether or note the chairman has the casting vote:

YES NO

Subjects for which a casting vote exists

Article 23 of the Articles of Association establishes that resolutions shall be adopted by an absolute majority of the Directors present at the meeting, with the vote of the Chairman or the Vice-Chairman who stands in for him being decisive.

B.1.20. Indicate whether or not the articles of association or the regulations of the board of directors establish some type of limit on the age of directors:

YES NO

Age limit of chairman	65
Age limit of managing director	65
Age limit of directors	70

B.1.21. Indicate whether or not the articles of association or the regulations of the board of directors establish a limited term of office for independent directors:

YES NO

Maximum number of years of office	0
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B.1.22. Indicate whether or not formal processes exist for the delegation of votes in the meetings of the board of directors. If so, briefly explain.

Article 22 of the Board's Regulations establishes that Directors must personally attend Board meetings and, whenever due to exceptional circumstances they are unable to do so, they must endeavour to ensure that the representation they confer on another member of the Board shall include, as far as is possible, the appropriate instructions. These delegations can be granted by letter or by any other means which, in the Chairman's opinion, guarantees the delegation's certainty and validity. Likewise, the Board of Directors may authorize the attendance of Directors via telephone or audiovisual systems, always provided that such systems enable real time interaction and intercommunication between all the attendants.

B.1.23. Indicate the number of meetings held by the board of directors during the financial year. Similarly, indicate, as and when applicable, the number of times the board met without the attendance of its Chairman:

Number of board meetings	8
Number of board meetings without the Chairman attending	0

Indicate the number of meetings held in the financial year by the various board committees:

Number of executive or delegated committee meetings	10
Number of Audit Committee meetings	6
Number of Nomination and Remuneration Committee meetings	4
Number of strategy and investment committee meetings	0
Number of committee meetings	0

B.1.24. Indicate whether or not the individual and consolidated annual accounts which are submitted to the board of directors for its approval are certified beforehand:

YES NO X

Identify, as and when applicable, the person(s) who has or have certified the company's individual and consolidated annual accounts, for their formulation by the board of directors:

Name	Office

B.1.25. Explain the mechanisms established by the board of directors, as and when they exist, for ensuring that the individual and consolidated accounts formulated by it are not presented to the General Meeting of Shareholders with qualifications in the audit report.

Article 40.2 of the Board's Regulations establishes that the Board of Directors must endeavour to formulate the accounts in such a way that they do not give rise to qualifications on the part of the Auditors. Nevertheless, when the Board of Directors considers that it must maintain its criterion, it shall publicly explain the content and scope of the discrepancies.

B.1.26. Provide details of the measures adopted so that the information disclosed to the securities markets is transmitted in a fair and symmetrical manner.

Article 39 of the Regulations of the Board of Directors of NH Hoteles, S.A. includes all aspects relating to the listed company's relationship with the Securities Markets. In this connection, it states that "The Board of Directors shall carry out all those functions that are imposed by virtue of the fact that it is a listed securities issuing company. In particular, the Board of Directors shall carry out, in the manner provided for in these Regulations, the following specific functions relating to the Securities Market:

- a) Supervision of regular public information of a financial nature.
- b) The performance of as many acts and the adoption of as many measures as may be necessary to guarantee the Company's transparency before the financial markets, in particular informing them of all the facts, decisions and circumstances that may be relevant for the shares' quotation.
- c) The performance of as many acts and the adoption of as many measures as may be necessary to promote the correct formation of the prices of the Company's shares and, when applicable, those of its affiliates, particularly avoiding manipulations and the abuse of insider information".

Lastly, the aforesaid Article establishes that the Board of Directors shall adopt the necessary measures to guarantee that the quarterly, half-yearly and any other financial information which it is deemed prudent to make available to the markets shall be prepared in accordance with the same principles, criteria and professional practices as those with which the Annual Accounts are prepared and shall enjoy the same reliability as the latter. To this end, such information shall be reviewed by the Audit and Control Committee.

In addition, the Board of Directors shall at all times enforce the due safeguarding of the data and information relating to the issued shares, without prejudice to its duty of notification and collaboration with the legal and administrative authorities, preventing such data and information from being the object of abusive or unfair use, reporting those cases in which this has occurred and immediately adopting the necessary measures within their scope to prevent, avoid and, when applicable, correct any consequences that may result therefrom.

Additionally, all relevant information of interest to the Securities Markets is centralized in the Financial Department which, through its Director, sends it on a regular basis as Relevant Facts to the Securities Markets.

B.1.27. Is the secretary of the board of directors a director?:

YES NO X

B.1.28. Indicate the mechanisms established by the company, when they exist, for safeguarding the independence of the auditors, financial analysts, investment banks and classification agencies.

The Board of Directors has established, through the Audit and Control Committee, a stable and professional relationship with the Company's firm of financial Auditors, with strict respect for that company's independence, for the purpose of complying with the recommendations on this subject laid down in the Olivencia Code. Accordingly, the Audit and Control Committee watches over situations which could represent a risk for the independence of the Company's external auditors and, in particular, supervises what percentage the fees paid by the Company represent over the total of the auditing company's income. In this connection, Article 25.3 SECTION e) of the Articles of Association establishes that the Audit and Control Committee has the power, inter alia, "to maintain relations with the financial Auditors in order to receive information on those questions which may endanger the latter's independence and any others relating to the accounts auditing process, as well as receiving information and maintaining with the Auditors the communications provided for in the legislation on the auditing of accounts as well as in the technical auditing standards.

Lastly, in accordance with the prevailing legal requirements, the fees paid to the Company's external auditors, including those relating to services other than audit services, are reported in the Company's annual report.

B.1.29. Indicate whether or not the firm of financial auditors performs other tasks for the company and/or its group apart from auditing activities and, if so, indicate the amount of the fees received for such tasks and the percentage they represent of the fees invoiced to the company and/or its group.

YES X NO

	Company	Group	Total
Amount of work other than auditing work (in thousands of euros)	42	407	449
Amount of work other than auditing work as a percentage of the total amount invoiced by the firm of auditors	21.780	29.930	26.540

B.1.30. Indicate the number of years the current firm of financial auditors has been carrying out the audit of the annual accounts of the company and/or its group uninterruptedly. Likewise, indicate the number of years the company has been audited by its current firm of financial auditors as a percentage of the total number of years in which the annual accounts have been audited:

	Company	Group
Number of uninterrupted years	4	4

	Company	Group
Number of years audited by the current firm of financial auditors as a percentage of the total number of years the company has been audited	21.050	21.050

B.1.31. Indicate the stakes of the members of the board of directors in the capital of companies which have the same, an analogous or complementary type of activity to that which constitutes the corporate purpose of both the company and its group and which have been notified to the company. Likewise, indicate the offices or functions which they hold or exercise in these companies:

Director's Name or Corporate Name	Name of the investee company	% stake	Office or functions
BANCAJA	HOTEL ALAMEDA VALENCIA, S.L.	90.000	NONE

B.1.32. Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

YES NO

Details of the procedure

Article 28 of the Board of Directors' Regulations expressly establishes that, for the purpose of being aided in the performance of their functions, external Directors voted in by a majority or any of the Board of Directors Committees, by virtue of a majority resolution of its members, can request the hiring of legal, accounting and financial advisers or other experts, with all costs for the Company's account. The remit must necessarily relate to specific problems of certain importance and complexity which may arise during the course of their activities. The decision to hire such services must be notified to the Company's Chairman and shall be formalized through the Secretary of the Board of Directors, except when the Board of Directors considers that such hiring is neither necessary nor advisable.

B.1.33. Indicate whether or not a procedure exists whereby directors can count on the necessary information in order to prepare the meetings of the administrative bodies in sufficient time and, if so, provide details:

YES NO

Details of the procedure

Article 27 of the Board of Directors' Regulations reflects the right and duty of the members of the Board of Directors to information. In this regard, it establishes that all Directors have the power and duty to request and obtain as much information as they may deem necessary or advisable at any given moment for the good discharge of their duties.

To this end, the Director is invested with the widest powers to be informed of any aspect of the Company, to examine its books, records, documents and the background history of corporate transactions to the extent that this may be necessary or advisable for the diligent discharge of its office.

This right to information also extends to the various subsidiary companies which comprise the consolidated Group, and must always be exercised in accordance with the demands of good faith.

Likewise, and following the Olivencia and Aldama recommendations, so as not to perturb the ordinary course of the Company's business, the exercising of the right to information shall be channelled through the Chairman or the Secretary of the Board of Directors, who shall receive the Directors' requests

and directly provide the information or facilitate contacts with the appropriate interlocutors within the appropriate sphere of the organization.

B.1.34. Indicate whether or not a liability insurance policy exists in favour of the company's directors.

YES NO

B.2. Board Committees

B.2.1. List the administrative bodies:

Name of the body	No. of members	Functions
DELEGATED COMMITTEE	5	COMMITTEE WITH DECISION-TAKING CAPACITY OF A GENERAL NATURE AND, CONSEQUENTLY, WITH EXPRESS DELEGATION OF ALL THE POWERS WHICH CORRESPOND TO THE BOARD OF DIRECTORS, WITH THE EXCEPTION OF THOSE WHICH CANNOT BE DELEGATED BY VIRTUE OF THE LAW OR THE ARTICLES OF ASSOCIATION.
AUDIT AND CONTROL COMMITTEE	3	TO PROPOSE THE DESIGNATION OF THE FIRM OF FINANCIAL AUDITORS AND THE CONDITIONS OF ITS HIRE; TO SUPERVISE THE INTERNAL AUDIT SERVICES; TO KNOW THE FINANCIAL INFORMATION AND INTERNAL CONTROL SYSTEM PROCESSES.
NOMINATION AND REMUNERATION COMMITTEE	3	TO REPORT ON THE PROPOSALS FOR THE APPOINTMENT OF DIRECTORS AND TOP MANAGERS; TO APPROVE THE REMUNERATION SCALES OF THE COMPANY'S TOP MANAGERS; TO APPROVE STANDARD CONTRACTS FOR HIRING TOP MANAGERS; TO ESTABLISH THE REMUNERATION REGIME OF THE CHAIRMAN AND, WHEN APPLICABLE, THE MANAGING DIRECTOR; TO PROPOSE TO THE BOARD OF DIRECTORS THE REMUNERATION REGIME OF DIRECTORS; TO REPORT ON INCENTIVE PLANS;

B.2.2. Provide details of all the board committees and their members:

EXECUTIVE OR DELEGATED COMMITTEE

Name	Office
BURG IO, GABRIELE	CHAIRMAN
DE NADAL CAPARÁ, JOSÉ	MEMBER
FERNÁNDEZ DURÁN, ALFREDO	MEMBER
HERRANDO Y PRAT DE LA RIBA, MANUEL	MEMBER
BANCAJA	MEMBER
MAS MILLET, JOSÉ MARÍA	SECRETARY NON-MEMBER

AUDIT COMMITTEE

Name	Office
BLANCO BALÍN, RAMÓN	CHAIRMAN
SJACOB, BERNARD	MEMBER
HOTELES PARTICIPADOS, S.L.	MEMBER
CHOLLET IBARRA, ROBERTO	SECRETARY NON-MEMBER

NOMINATION AND REMUNERATION COMMITTEE

Name	Office
HERRANDO Y PRAT DE LA RIBA, MANUEL	CHAIRMAN
BLANCO BALÍN, RAMÓN	MEMBER
AMAT ROCA, MATÍAS	MEMBER
MAS MILLET, JOSÉ MARÍA	SECRETARY NON-MEMBER

STRATEGY AND INVESTMENT COMMITTEE

Name	Office

B.2.3. Provide a description of the organization and working rules and of the responsibilities attributed to each one of the board committees.

1. Delegated Committee

a) How it is formed

The Delegated Committee shall be made up of the Chairman of the Board of Directors and a number of members of not less than three or more than nine Directors, designated by the Board of Directors.

In the Delegated Committee's qualitative composition, the Board of Directors shall endeavour to ensure that the external or non-executive Directors represent a majority over the executive Directors.

At any event, for the appointment or renewal of the Delegated Committee's members to be valid the vote in favour of at least two-thirds of the members of the Board of Directors shall be required.

b) How it works

The Delegated Committee shall meet as many times as it is called by its Chairman. The Delegated Committee's Chairman and Secretary shall be the persons who hold the same offices on the Board of Directors, it also being possible to appoint one or several Vice-Chairmen and one Vice-Secretary. The Delegated Committee shall be validly constituted when half plus one of its members are present or represented at the meeting.

The resolutions shall be adopted by the majority vote of the Directors present or represented at the meeting, with the Chairman having the casting vote in the event of a tie.

c) Relationship with the Board of Directors.

The Delegated Committee shall punctually inform the Board of Directors of the items discussed and the decisions adopted in its meetings.

2. Audit and Control Committee

a) How it is formed.

The Audit and Control Committee shall be made up of a minimum of three and a maximum of five Directors designated by the Board of Directors. The majority of this Committee's members must be non-executive Directors.

The Chairman of the Audit and Control Committee shall be nominated from amongst their non-executive Directors and must be replaced every four years, it being possible for the Chairman to be re-elected once a one-year period has elapsed since their removal.

b) Powers.

Notwithstanding any other tasks that may be assigned to it by the Board of Directors, the Audit and Control Committee's main function shall be that of supporting the Board of Directors in its supervisory functions and, in particular and as a minimum, it shall have the following powers:

- 1) To report at the General Meeting of Shareholders, through its Chairman, on the questions raised by the shareholders on the subjects that fall within the Committee's authority;
- 2) To propose to the Board of Directors, for submission to the General Meeting of Shareholders, the designation of the firm of financial Auditors to which SECTION 204 of Spain's Company Law refers, and, when applicable, the conditions of their hire, the scope of their professional remit and the revocation or renewal of their appointment;
- 3) To supervise the internal audit services;
- 4) To know the financial information process and internal control systems;
- 5) To maintain relations with the firm of financial Auditors in order to receive information on those questions which may endanger the latter's independence and any others relating to the audit process, in addition to receiving information and maintaining with the Auditors the communications provided for in the corresponding legislation and in the technical audit standards; and
- 5) To maintain relations with the firm of financial Auditors in order to receive information on those questions which may endanger the latter's independence and any others relating to the audit process, in addition to receiving information and maintaining with the Auditors the communications provided for in the corresponding legislation and in the technical audit standards; and
- 6) To exercise all other powers assigned to this Committee in these Regulations or that may be assigned to it by the Board of Directors.

c) How it works.

The Audit and Control Committee shall meet at least once every quarter and as many times as it may be appropriate, after the prior call by its Chairman, at its own decision or in response to the request of two of its members or of the Board of Directors.

The Audit and Control Committee may require the Company's firm of financial Auditors and the person/department responsible for the internal audit to be present at its meetings.

3. Nomination and Remuneration Committee

a) How it is formed.

The Nomination and Remuneration Committee shall be made up of a minimum of three and a maximum of five Directors. All the members of this Committee must be non-executive Directors.

The Chairman of the Nomination and Remuneration Committee shall be appointed by the Committee itself from amongst its members.

b) Powers.

Without prejudice to any other tasks which may be assigned to it by the Board of Directors, the Nomination and Remuneration Committee shall have the following powers:

1. To report on the proposals for the appointment of Directors and Top Managers of the Company and of its subsidiary companies;
2. To approve the remuneration scales of the Company's Top Managers;
3. To approve standard contracts for Top Managers;
4. To establish the remuneration regime of the Chairman and, when applicable, the Managing Director.
5. To propose to the Board of Directors the remuneration regime of the Directors and to review it on a regular basis in order to guarantee its adaptation to the duties discharged by such Directors, in accordance with the provisions of article 35 of these Regulations;
6. To report on incentive plans;
7. To carry out an annual examination of the remuneration policy of Directors and Top Managers;
8. To report on the appointment proposals of the members of the Delegated Committee and of all the other Board Committees;
9. To draw up and keep a record of situations of the Company's Directors and Top Managers; and
10. To exercise all other powers assigned to this Committee in these Regulations.

Of all the duties discharged by the Nomination and Remuneration Committee, it must inform the Board of Directors accordingly at the first meeting held by the latter, at any event making available to such Board of Directors the corresponding documentation so that it has knowledge of such activities for the exercising of its powers.

c) How it works

The Nomination and Remuneration Committee shall meet as many times as may be deemed appropriate by the Chairman or when so requested by two of its members or the Board of Directors.

At any event, the working rules of each and every one of the Committees are available on the Company's web page.

B.2.4. Indicate, as and when applicable, the advisory and consultation powers and, when applicable, those of delegation of each one of the committees:

Name of committee	Brief description
DELEGATED COMMITTEE	DECISION-TAKING CAPACITY OF A GENERAL SCOPE AND, CONSEQUENTLY, WITH EXPRESS DELEGATION OF ALL THE POWERS WHICH CORRESPOND TO THE BOARD OF DIRECTORS, WITH THE EXCEPTION OF THOSE WHICH BY VIRTUE OF THE LAW OR THE ARTICLES OF ASSOCIATION CANNOT BE DELEGATED. IN ADDITION, THE BOARD OF DIRECTORS MAY ENTRUST OTHER FUNCTIONS TO THE DELEGATED COMMITTEE.
AUDIT COMMITTEE	TO ACT AS SUPPORT FOR THE BOARD OF DIRECTORS IN ITS SUPERVISORY FUNCTIONS, HAVING FOR THE PURPOSE ALL THE GRANTED POWERS BOTH BY VIRTUE OF SPAIN'S COMPANY LAW (LSA) AND THE ARTICLES OF ASSOCIATION ON THE SUBJECT OF AUDIT AND CONTROL.
NOMINATION AND REMUNERATION COMMITTEE	TO REPORT ON THE PROPOSALS FOR THE APPOINTMENT OF DIRECTORS AND TOP MANAGERS OF THE COMPANY AND OF ITS SUBSIDIARY COMPANIES; TO PROPOSE TO THE BOARD OF DIRECTORS THE REMUNERATION REGIME OF DIRECTORS AND TO REVIEW IT ON A REGULAR BASIS SO AS TO GUARANTEE ITS ADAPTATION TO THE DUTIES DISCHARGED BY SUCH DIRECTORS; TO REPORT ON INCENTIVE PLANS; TO REPORT ON THE PROPOSALS FOR THE NOMINATION OF MEMBERS OF THE DELEGATED COMMITTEE AND OF ALL THE OTHER BOARD COMMITTEES.

B.2.5. Indicate, as and when applicable, the existence of regulations of the board committees, the place where they are available for consultation and any amendments introduced during the financial year. At the same time, an indication should be given as to whether or not an annual report has voluntarily been drawn up on the activities of each committee.

The composition, working and powers of each one of the Committees are set down in the Regulations of the Board of Directors, it having been considered neither appropriate nor necessary to develop them in greater detail in additional regulations.

The aforesaid Regulations of the Board of Directors are available for consultation on the web page of NH Hoteles, S.A.

The Audit and Control Committee draws up Annual Reports on its activities, which are published in the Report.

B.2.6. In the event of the existence of an executive committee, explain the degree of delegation and the autonomy it enjoys in the discharge of its duties, for the adoption of resolutions on the company's management and administration.

All the powers which correspond to the Board of Directors have been delegated to the Delegated Committee, with the exception of those which, by virtue of the law or the Articles of Association, cannot be delegated.

B.2.7. Indicate whether or not the executive committee's composition reflects the participation in the board of directors of the different directors on the basis of their condition:

YES NO X