ANNUAL REPORT 2021

CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT

NH | HOTEL GROUP PART OF MINOR HOTELS

NH Collection Madison Avenue
New York , United Statesv

NH Collection Grand Palazzo dei Dogi
Venice, Italy

ANNUAL REPORT 2021

CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT

Consolidated Financial Statements for 2021 drawn up in accordance with the International Financial Reporting Standards adopted by the European Union.

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

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

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

To the shareholders of NH Hotel Group, S.A

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of NH Hotel Group, S.A (the parent company) and subsidiaries (the Group), consisting of the consolidated balance sheets at 31 December 2021, the consolidated of comprehensive profit and loss statement, the consolidated statement of changes in shareholders equity, the consolidated cash flow statement and the notes to the consolidated annual accounts for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the Group's consolidated equity and financial position at 31 December 2021 and the consolidated results of its consolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under these regulations are described below in the section *Responsibilities of the auditor in relation to the audit of the consolidated annual accounts.*

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

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

Key audit matters

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

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Key audit matters	How the matters were addressed in the audit
Recoverability of assets associated with the hotel business	
The Group carries out its business through 353 hotels. All assets associated with the hotel business include goodwill, right-of-use assets, property, plant and equipment and other intangible assets whose carrying amounts at 31 December 2021 total EUR 96 million (note 9), EUR 1,592 million (note 8), EUR 1.519 million (Note 7) and EUR 127 million (note 10), respectively, representing 81% of total assets. The Group assesses its assets for signs of a decline in value each year and if they exist, and in any event, with respect the recoverability of goodwill, it assesses whether there is impairment requiring the write-down of the carrying amounts of the assets, calculated as described in notes 4.2 and 4.4 to the consolidated annual accounts. Group management considers when estimating the recoverable amount of each cash generating unit (CGU) the higher of fair value less costs to sell and value in use; value in use is calculated based on expected future cash flows applying expected discount and growth rates, in accordance with the business plans approved by management. As recognised in the consolidated comprehensive profit and loss statement, the Group has recognised a net reversal of impairment losses amounting to EUR 2.1 million (note 11.3). In view of the significance of the judgements made by the group and the significant estimates carried out to perform such calculations, taking into account the quantitative relevance of such assets, and the existing health crisis caused by COVID-19 and its impacts, we consider that assessing the recoverability of the assets associated with the hotel business is a key audit matter (notes 1 and 2.7).	Our audit procedures included, among others Understanding the methodology employed and evaluation of the controls in place in the Group's asset recovery analysis processes. Obtaining from management of the impairment tests carried out, to which we applied the following procedures, assisted by our internal experts: • Verification of the reasonableness of the procedures and methods used to perform the impairment tests. • Assessment of the reasonableness of the key assumptions and estimates included in the model in relation both to future cash flow forecasts and the key aspects included in the estimation of the cash flows, such as the method applied by management to estimate the discount rates within an acceptable range. • Arithmetic verification of the calculations taken into consideration in the impairment test and assessment of the sensitivity analyses, including the ranges within which the key model assumptions should fluctuate in order to give rise to the impairment of assets or the reversal of existing provisions. • Evaluation of the sufficiency of the related information disclosed in the consolidated annual accounts. The findings of the procedures carried out have allowed us to achieve the audit objectives for which the procedures were designed.

Key audit matters	How the matters were addressed in the audit
Recoverability of deferred tax assets	
As recognised in the accompanying consolidated balance sheets, at 31 December 2021 deferred tax assets amount to EUR 294 million, of which, according to note 18 to the accompanying consolidated annual accounts, EUR 163 million relates to available tax credits. When assessing whether the amount recognised in the consolidated annual accounts for these assets is recoverable, Group management takes into account, as mentioned in notes 4.10 and 18, forecasts of future tax profits, using the method defined to analyse the recovery of its assets, based on the assessment of the estimates of the results of each entity or tax group in accordance with the Group's strategic direction. In view of the significance of the judgements made by the Group and the significant estimates carried out to perform these calculations, taking into account the quantitative relevance of such assets, and the existing health crisis caused by COVID-19 and its impacts, we consider that assessing the recoverability of deferred tax assets is a key audit matter (notes 1 and 2.7).	Our audit procedures included, among others Gaining an understanding of the methodology employed and the evaluation of the controls in place in the Group's deferred tax asset recovery analysis processes. Obtaining the deferred tax asset recovery plans, to which we applied the following procedures: • Analysis, with the support of our tax experts, of the recoverability plans for such assets and obtaining evidence of the reasonableness of the projections and tax results for future years budgeted and included in recoverability plans. • Evaluation of the sufficiency of the related information disclosed in the consolidated annual accounts. The findings of the procedures carried out have allowed us to achieve the audit objectives for which the procedures were designed.

Other information: Consolidated management report

Other information refers exclusively to the consolidated management report for 2021, the preparation of which is the responsibility of the parent company's directors, and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility for the consolidated management report, in accordance with prevailing audit legislation consists of:

a) Solely verifying that the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report and the Annual Director Compensation Report, referred to in the Audit Act, have been provided as established in applicable legislation and, if not, disclosing this fact.

b) Assessing and reporting on the consistency of the other information included in the consolidated management report with the consolidated annual accounts, based on our knowledge of the Group obtained during the audit of the accounts, as well as evaluating and reporting on whether the content and presentation of this part of the consolidated management report are consistent with applicable legislation. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

On the basis of the work performed, as described above, we have verified that the information mentioned in paragraph a) is provided in the manner stipulated in applicable legislation and the other information contained in the consolidated management report is consistent with that of the consolidated annual accounts for 2021 and its content and presentation comply with applicable legislation.

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

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

In preparing the consolidated annual accounts, the parent company's directors are responsible for assessing the Group's capacity to continue as a going concern, disclosing, as appropriate, any going concern issues and applying the going-concern accounting principle, unless the directors intend to wind up the Group or cease trading, or have no realistic alternative but to do so.

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

Responsibilities of the auditors in relation to the audit of the consolidated annual accounts

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

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material, if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated annual accounts.

As part of an audit conducted in accordance with prevailing auditing standards in Spain, we apply our professional judgement and maintain an attitude of professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the consolidated annual accounts whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement due to fraud is higher than in the case of a material misstatement due to error, as fraud may involve collusion, forgery, deliberate omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Group's internal control.

- We assess whether the accounting policies applied are appropriate and the reasonableness of the accounting estimates and the related disclosures by the parent company's directors.

- We conclude on the appropriateness of the parent company's directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and assess whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient and adequate evidence in relation to the financial information of the companies or the business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for managing, overseeing and carrying out the Group's audit. We are the solely responsible for our audit opinion.

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

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

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

We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital files of the European Single Electronic Format (ESEF) of NH Hotel Group, S.A. and subsidiaries for 2021, consisting of the XHTML file, which includes the consolidated annual accounts for the year and the XBRL files with the entity's labels, which will form part of the annual financial report.

The directors of NH Hotel Group S.A are responsible for presenting the annual financial report for 2021 in accordance with the format and markup requirements contained in EU Delegated Regulation 2019/815 of 17 December 2018 of the European Commission (hereinafter ESEF). In this regard, the Annual Corporate Governance Report and Annual Director Compensation Report have been included as a reference in the consolidated management report.

Our responsibility consists of examining the digital files prepared by the parent company's directors, in accordance with prevailing audit legislation in Spain. Such legislation requires that we plan and carry out our audit procedures in order to verify whether the content of the consolidated annual accounts included in such digital files fully agrees with the consolidated annual accounts that we have audited and whether the format and markups of such consolidated annual accounts and files agree, in all material respects, with ESEF requirements.

In our opinion, the digital files examined fully agree with the audited consolidated annual accounts and these are presented and marked up, in all material respects, in accordance with ESEF requirements .

Additional report for the parent company's audit and control committee

The opinion expressed in this report is consistent with the content of our additional report for the company's audit and control committee dated 24 February 2022.

Term of engagement

We were appointed auditors of the Group for a three-year period at the annual general meeting of shareholders held on 13 May 2019, that is, as from the year ended 31 December 2019.

Services provided

Non-audit services provided to the Group are detailed in note 25.4 to the accompanying consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Mariano Cortés Redín (21829)

24 February 2022

CONSOLIDATED BALANCE SHEETS

At 31 December 2021 and 31 December 2020 (Thousand euros)

ASSETS

	Note	31.12.2021	31.12.2020
NON-CURRENT ASSETS:			
Property, plant and equipment	7 and 11	1,518,859	1,615,924
Right-of-use assets	8 and 11	1,592,345	1,693,820
Investment Property		2,905	2,950
Goodwill	9 and 11	96,127	101,069
Other intangible assets	10	126,948	128,137
Deferred tax assets	18	294,005	273,013
Investments accounted for using the equity method	12	40,922	41,773
Financial assets at fair value with change in profit/loss	13.1	2,334	1,985
Other financial assets at amortised cost	13.2	27,872	35,664
Total non-current assets		**3,702,317**	**3,894,335**

	Note	31.12.2021	31.12.2020
CURRENT ASSETS:			
Inventories		9,576	7,957
Other current assets		13,228	5,383
Trade receivables	14	48,964	29,937
Other non-trade debtors	25.1	50,340	19,952
Tax receivables	18	35,772	50,547
Accounts receivable from related entities	26	1,185	955
Cash and cash equivalents	15	243,930	320,851
Total current assets		**402,995**	**435,582**
TOTAL ASSETS		**4,105,312**	**4,329,917**

NET ASSETS AND LIABILITIES

	Note	31.12.2021	31.12.2020
EQUITY:			
Share capital	16	871,491	784,361
Reserves of the parent company	16.1	723,963	933,173
Reserves of fully consolidated companies		(555,894)	(349,898)
Reserves of companies consolidated using the equity method		(25,644)	(18,176)
Conversion differences		(147,865)	(162,932)
Treasury shares and shareholdings	16.4	(308)	(367)
Consolidated Profit/(Loss) for the period		(133,667)	(437,159)
Equity attributable to the shareholders of the Parent Company		**732,076**	**749,002**
Non-controlling interests	16.5	48,998	49,582
Total equity		**781,074**	**798,584**

	Note	31.12.2021	31.12.2020
NON-CURRENT LIABILITIES:			
Debt instruments and other marketable securities	17	395,020	349,062
Bank borrowings	17	389,943	623,011
Leasing liabilities	8	1,673,018	1,809,120
Deferred tax liabilities	18	186,359	171,519
Other financial liabilities		504	904
Other non-current liabilities	19	21,360	10,601
Non-current liabilities	20	44,061	47,255
Total non-current liabilities		**2,710,265**	**3,011,472**

	Note	31.12.2021	31.12.2020
CURRENT LIABILITIES:			
Trade and other payables	21	256,676	188,493
Accounts payable from related entities	26	824	613
Tax payables	18	32,140	22,589
Bank borrowings	17	21,281	25,927
Leasing liabilities	8	252,335	250,619
Debt instruments and other marketable securities	17	6,803	143
Other financial liabilities		63	105
Other current liabilities	22	40,376	25,095
Current liabilities	20	3,475	6,277
Total current liabilities		**613,973**	**519,861**
NET ASSETS AND LIABILITIES		**4,105,312**	**4,329,917**

Notes 1 to 31 set forth in the Consolidated Annual Report and Annexes I/II form an integral part of the consolidated balance sheet at 31/12/2021.
The consolidated balance sheet at 31/12/2020 is presented solely for the purposes of comparison.

CONSOLIDATED COMPREHENSIVE PROFIT AND LOSS STATEMENTS

For the years 2021 and 2020 (Thousand euros)

	Note	2021	2020
Revenues	25.1	746,484	536,150
Other operating income	25.1	86,940	7,852
Net gains on disposal of non-current assets	7, 8, 10 and 25.1	65,108	(475)
Procurements		(32,073)	(25,378)
Staff costs	25.3	(268,614)	(268,174)
Amortisation of right of use	8	(172,774)	(186,310)
Depreciation on tangible fixed assets and intangible assets	7 and 10	(107,454)	(116,167)
Net Profits/(Losses) from asset impairment	7, 8, 9, 10 and 11	2,131	(76,258)
Other operating expenses	25.4	(318,597)	(249,481)
Gains on financial assets and liabilities and other		(966)	(222)
Profit (Loss) from entities valued through the equity method	12	(1,447)	(7,468)
Financial income	25.2	3,411	1,716
Change in fair value of financial instruments		1,815	323
Financial expenses on leases	25.5	(83,048)	(94,106)
Other financial expenses	25.5	(69,324)	(41,439)
Results from exposure to hyperinflation (IAS 29)	25.6	3,151	796
Net exchange differences (Income/(Expense))		703	(3,774)
Impairment on financial investments	12 and 26	(703)	6,926
PROFIT/(LOSSES) BEFORE TAX FROM CONTINUING OPERATIONS		**(145,257)**	**(515,489)**
Corporation tax	18	9,327	75,154
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING ACTIVITIES		**(135,930)**	**(440,335)**
Profit (loss) for the year from discontinued operations net of tax		-	(66)
PROFIT/(LOSS) FOR THE PERIOD		**(135,930)**	**(440,401)**
Conversion differences		(2,857)	(21,799)
Income and expenses recognised directly in equity		**(2,857)**	**(21,799)**
TOTAL COMPREHENSIVE PROFIT/(LOSS)		**(138,787)**	**(462,200)**
Profit / (Loss) for the year attributable to:			
Parent Company Shareholders		(133,667)	(437,159)
Non-controlling interests		(2,263)	(3,242)
Comprehensive Profit / (Loss) attributable to:			
Parent Company Shareholders		(136,063)	(456,829)
Non-controlling interests	16	(2,724)	(5,371)
PROFIT PER SHARE IN EUROS (BASIC AND DILUTED)	**5**	**(0.331)**	**(1.115)**

Notes 1 to 31 set forth in the Consolidated Annual Report and Annexes I/II form an integral part of the consolidated comprehensive profit and loss statement for 2021.
The Consolidated Comprehensive Profit and Loss Statement for 2020 is presented solely for the purposes of comparison.

CONSOLIDATED STATEMENT OF CHANGES IN IN SHAREHOLDERS' EQUITY

For 2021 and 2020 (Thousand euros)

	Share Capital	Reserves of the parent company			Reserves in Companies Consolidated using		Conversion differences	Treasury shares and shareholdings	Results attributable to Parent Company	Total	Non-controlling Interests	Total Shareholders
		Share Premium	Legal reserves	Other reserves	Full consolidation	The equity method						
Balance at 1 January 2020	**784,361**	**756,990**	**74,853**	**(54,754)**	**(278,348)**	**(18,198)**	**(134,967)**	**(1,647)**	**89,964**	**1,218,254**	**57,239**	**1,275,493**
Net profit (Loss) for the year	-	-	-	-	-	-	-	-	(437,159)	(437,159)	(3,242)	(440,401)
Conversion differences	-	-	-	-	-	-	(19,670)	-	-	(19,670)	(2,129)	(21,799)
Recognised income and expenses for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(19,670)**	**-**	**(437,159)**	**(456,829)**	**(5,371)**	**(462,200)**
Capital increase	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of earnings:												
- To Reserves	-	-	15,894	143,046	(68,998)	22	-	-	(89,964)	-	-	-
Remuneration Scheme in shares	-	-	-	(2,724)	-	-	-	1,525	-	(1,199)	-	(1,199)
Adjustment application of IAS 29	-	-	-	-	-	-	(8,295)	-	-	(8,295)	(1,383)	(9,678)
Distribution of dividends	-	-	-	-	-	-	-	-	-	-	(1,179)	(1,179)
Other movements	-	-	-	(132)	(2,552)	-	-	(245)	-	(2,929)	276	(2,653)
Balances at 31 December 2020	**784,361**	**756,990**	**90,747**	**85,436**	**(349,898)**	**(18,176)**	**(162,932)**	**(367)**	**(437,159)**	**749,002**	**49,582**	**798,584**
Initial balance adjusted 01 January 2021	**784,361**	**756,990**	**90,747**	**85,436**	**(349,898)**	**(18,176)**	**(162,932)**	**(367)**	**(437,159)**	**749,002**	**49,582**	**798,584**
Net profit (Loss) for the year	-	-	-	-	-	-	-	-	(133,667)	(133,667)	(2,263)	(135,930)
Conversion differences	-	-	-	-	-	-	(2,396)	-	-	(2,396)	(461)	(2,857)
Recognised income and expenses for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(2,396)**	**-**	**(133,667)**	**(136,063)**	**(2,724)**	**(138,787)**
Capital increase	87,130	19,462	-	(153)	-	-	-	-	-	106,439	-	106,439
Distribution of earnings:												
- To Reserves	-	-	-	(226,164)	(203,527)	(7,468)	-	-	437,159	-	-	-
Remuneration Scheme in shares	-	-	-	(2,286)	-	-	-	759	-	(1,527)	-	(1,527)
Adjustment application of IAS 29	-	-	-	-	-	-	17,463	-	-	17,463	3,280	20,743
Distribution of dividends	-	-	-	-	-	-	-	-	-	-	(166)	(166)
Other movements	-	-	-	(69)	(2,469)	-	-	(700)	-	(3,238)	(974)	(4,212)
Balances at 31 December 2021	**871,491**	**776,452**	**90,747**	**(143,236)**	**(555,894)**	**(25,644)**	**(147,865)**	**(308)**	**(133,667)**	**732,076**	**48,998**	**781,074**

Notes 1 to 31 set forth in the Consolidated Annual Report and Appendices I/II form an integral part of the statement of changes in equity for the year 2021.
The statement of changes in equity for the year 2020 is presented for comparison.

CONSOLIDATED CASH FLOW STATEMENTS

Produced in the periods 2021 and 2020 (Thousand euros)

	Note	31.12.2021	31.12.2020
1. OPERATING ACTIVITIES			
Consolidated profit (loss) before tax and discontinued operations:		**(145,257)**	**(515,489)**
Adjustments:			
Amortisation of use rights (+)	8	172,774	186,310
Depreciation of tangible and intangible fixed assets (+)	7 and 10	107,454	116,167
(Profits)/Losses for impairment (net) (+/-)	7, 8, 9 and 10	(2,131)	76,258
Gains/Losses on the sale of tangible and intangible assets (+/-)	7, 8, 10 and 25.1	(65,108)	475
Gains/Losses on investments valued using the equity method (+/-)	12	1,447	7,468
Financial income (-)	25.2	(3,411)	(1,716)
Change in fair value of financial instruments		(1,815)	(323)
Financial expenses (+)	25.5	152,372	135,545
Results from exposure to hyperinflation (IAS 29)	25.6	(3,151)	(796)
Net exchange differences (Income/(Expense))		(703)	3,774
Profit (loss) on disposal of financial investments		966	222
Impairment on financial investments (+/-)	12	703	(6,926)
Other non-monetary items (+/-)		(48,701)	(47,047)
Adjusted profit (loss)		**165,439**	**(46,078)**
Net variation in assets / liabilities:			
(Increase)/Decrease in inventories		(1,619)	3,410
(Increase)/Decrease in trade debtors and other accounts receivable		(1,538)	70,024
(Increase)/Decrease in other current assets		13,757	(28,015)
Increase/(Decrease) in trade payables		71,328	(68,586)
Increase/(Decrease) in other current liabilities		10,780	(30,875)
Increase/(Decrease) in inventories		(10,031)	(2,579)
(Increase)/Decrease in non-current assets		(312)	254
Increase/(Decrease) in non-current liabilities		436	518
Income tax paid		444	7,834
Total net cash flow from operating activities (I)		**248,684**	**(94,093)**
2. INVESTMENT ACTIVITIES			
Other interest/dividends received		**816**	**155**
Investments (-):			
Group companies, joint ventures and associates	6	-	(64,057)
Tangible and intangible assets and investments in property	7 and 10	(36,837)	(105,464)
Financial investments and other current financial assets		(7,527)	-
		(44,364)	**(169,521)**
Disinvestment (+):			
Group companies, joint ventures and associates	2.9.5 and 12	-	26,918
Tangible and intangible assets and investments in property		128,160	4,798
Other assets		7,415	-
		135,575	**31,716**
Total net cash flow from investment activities (II)		**92,027**	**(137,650)**
3. FINANCING ACTIVITIES			
Dividends paid out (-)		(143)	(1,176)
Interest paid on debts (-)		(55,888)	(34,250)
Interest paid by means of payment		(7,929)	(6,459)
Interest paid by financing and other		(47,959)	(27,791)
Variations in (+/-):			
Equity instruments:			
- Capital	16.1	5,094	-
- Share premium	16.1	1,224	-
- Treasury shares	16.4	(770)	(298)
Debt instruments:			
- Bonds and other tradeable securities (+)		400,000	-
- Bonds and other tradeable securities (-)		(356,850)	-
- Loans from credit institutions (+)		2,484	821,700
- Loans from credit institutions (-)	17	(241,355)	(278,900)
Borrowings from associate companies (+)	16.1 and 17	100,000	-
- Principal elements on payment for leasing (-)	8	(271,847)	(244,785)
- Other financial liabilities (+/-)		(102)	(79)
Total net cash flow from financing activities (III)		**(418,153)**	**262,212**
4. GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		(77,442)	30,469
5. Effect of exchange rate variations on cash and cash equivalents (IV)		521	(1,726)
6. Effect of variations in the scope of consolidation (V)	6 and 2.9.5	-	2,763
7. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III-IV+VI)		(76,921)	31,506
8. Cash and cash equivalents at the start of the financial year		**320,851**	**289,345**
9. Cash and cash equivalents at the end of the year		**243,930**	**320,851**

Notes 1 to 31 set forth in the Consolidated Annual Report and Annexes I/II form an integral part of the consolidated cash flow statement for 2021. The consolidated cash flow statement for 2020 is presented for the purposes of comparison

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

NH Hotel Group, S.A. and Subsidiaries Explanatory notes on the Consolidated Financial Statements for 2021

1.- ACTIVITY AND COMPOSITION OF THE PARENT COMPANY

NH HOTEL GROUP, S.A. (hereinafter the Parent Company) was incorporated as a public limited company in Spain on 23 December 1881 under the trade name “Material para Ferrocarriles y Construcciones, S.A.”, which was subsequently changed to “Material y Construcciones, S.A.” (MACOSA) and later to “Corporación Arco, S.A.”

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

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

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

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

The Parent Company heads up a group of subsidiary companies which, together with NH Hotel Group, S,A., make up the NH Hotel Group (hereinafter, the “Group” - see Appendices I and II) which is dedicated to running hotels, on its own, either owning or leasing the hotels, or via third parties, with management, offering a wide range of functions from its corporate head office and regional offices.

On 11 June 2018, MHG Continental Holding (Singapore) Pte Ltd made a public offer to acquire 100% of the shares making up NH Hotel Group, S.A.’s company capital, the result of which was that Minor International Public Company Limited (“MINT”) acquired shares representing 94.13% of the share capital of NH Hotel Group, S.A., via its wholly owned subsidiary, MHG Continental Holding (Singapore) Pte. Ltd.

At the end of the financial year, the Group was operating hotels in 30 countries, with 353 hotels and 55,063 rooms, of which around 72% are located in Spain, Germany, Italy and the Benelux countries.

NH Hotel Group, S.A. has its registered address at Calle Santa Engracia, 120 - 7th floor, Madrid, Spain. Furthermore, the name of the Parent Company did not change in this financial year or in the previous one.

Impact of COVID-19

After the start of the COVID-19 pandemic in the middle of March 2020 in Europe, demand for hotels dropped drastically due to lockdowns, travel restrictions and social distancing, which drastically affected mobility.

The gradual reopening of hotels was made possible by the flexible costing structure and began in the middle of 2020, progressively, depending on recovery of domestic demand and with a focus on optimising profitability.

With the gradual roll out of vaccines since the beginning of 2021, a turning point was beginning to be seen that – together with the progressive lifting of restrictions in some European countries – allowed a faster reopening of the portfolio once again. Therefore, at the end of 2021, around 90% of the hotels were open, compared to 60% at the beginning of the year.

In 2020 NH Hotel Group put “Feel Safe at NH” into place in all its hotels. This is a new plan, with measures approved by experts, to face up to the health crisis caused by the SARS-CoV-2 coronavirus. The Company has reviewed all its procedures and made nearly 700 adaptations to its operating standards to preserve the health and safety of travellers and employees worldwide. Grouped into 10 main lines of action and backed by specialists in different fields, the measures implemented cover the digitisation of hotel services, adapting sanitation processes, including social distancing regulations in operations and the application of personal protective equipment, among others. We also reached a collaboration agreement with SGS, the world leader in inspection, analysis and certification, which allows us to follow up on the measurement and diagnostics protocol established to verify that the Group’s hotels are clean and safe environments.

In spite of the low level of demand, its flexible operational and financial structure has enabled the Group to overcome the major challenges in 2020 and 2021. The Group will benefit from brand recognition recovery, excellent locations and strong market positioning, once recovery accelerates in Europe.

Contingency Plan

As a result of the exceptional circumstances that occurred after the start of the global pandemic (COVID-19), the Group implemented different measures and plans to adapt the business and ensure its sustainability with the aim of minimising costs, preserving the Company's liquidity to meet operational needs and ensure that the recovery of the hotel activity is carried out efficiently and under maximum guarantees in terms of health and safety.

The following costs discipline and control measures to ensure minimisation of operational costs and preserve liquidity continue to be implemented:

- Personnel (Note 25.3): The Group carried out adjustments, temporary lay-offs and reductions in hours and wages in hotels and central offices caused by force majeure or production reasons. Some of these processes continued during 2021. In addition, a collective redundancy process was carried out in Central Services in Spain as part of a global plan pursuant to local legislation.
- Operational costs (Note 25.4):
  - Negotiations with suppliers to reduce purchase costs, seek alternative, cheaper products and attain improvements to payment terms.
  - Suspension of non-priority third party advisory services.
  - Significant reduction in marketing and advertising costs despite the need to boost income.
- Leasing (Note 8): The temporary reduction in fixed leases continued during the first part of 2021 and, to a lesser extent, during the second half of the year, after recovery began.
- CapEx: Capex decreased by more than 50% during 2020, and during 2021 it has continued to be limited to a figure of around 36.8 million euros.
- Strengthening liquidity: during 2021 NH Hotel Group proactively carried out a battery of initiatives to reinforce the Group's capital structure:
  - In May a €100 million capital investment was agreed by Minor International through an unsecured subordinated loan that was drawn down in May and capitalised in September 2021 through a capital increase process directed towards all shareholders. This agreement provided immediate liquidity and demonstrated the support of the main shareholder in the recovery. The capital increase to offset the shareholder loan was approved at the Shareholders' meeting held on 30 June. At the same time as the capital increase, the Board started up the cash capital increase under the same economic conditions and with preferential subscription rights for the other shareholders to prevent diffusive effects in the shareholdings (Note 16.1).
  - In addition, during April, in order to continue to optimise the debt profile, the expiry of the ICO syndicated loan of 250 million euros was extended from 2023 to 2026 (Note 17). Furthermore, the waiver on compliance with financial covenants was extended for the whole of 2022.
  - In June, NH Hotel Group successfully launched a senior bonds issue on the market, guaranteed for the amount of 400 million euros and maturing in July 2026. The funds obtained have been used to repay the senior bond for 357 million euros expiring in 2023. The new issue, which was significantly oversubscribed, has an annual interest of 4% (Note 17).
  - Furthermore, NH Hotel Group has agreed to extend its revolving syndicated credit facility (RCF) for 242 million euros, which will now expire in March 2026, instead of March 2023. It is worth pointing out the support shown by the loan institutions taking part in this financing, with the extension of the waiver on the financial covenants during all of 2022 (Note 17).
- On 30 June 2021, the sale & leaseback transaction on the NH Collection Barcelona Gran Hotel Calderón was announced, which was sold for 125.5 million euros with a linked 20 year lease agreement, with NH having the option to exercise additional extensions. With this transaction, the Group has generated a net book gain of 46.7 million euros and net cash, after paying the taxes on the sale, of 113 million euros.

For more information on the Contingency Plan, see the section "Impacts of COVID-19 and the measures implemented" of the Consolidated Management Report for the financial year ended 31 December 2021.

These consolidated annual accounts include the impact arising from the situation described above, with particular relevance to the impairment analyses carried out by the group during the financial year and the resulting recorded results (Note 11), activation of tax credits based on their recovery (Note 18), and the description and analysis made by directors and their conclusion on business continuity and drawing up the relevant as a going concern (Note 2.8).

These consolidated annual statements should be read taking into account that assessment and breakdown.

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

2.1. Basis of presentation of the Consolidated Financial Statements

The consolidated annual accounts were prepared using the accounting records of NH Hotel Group, S.A. and the consolidated entities. The consolidated annual accounts for the 2021 financial year were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), other provisions within the financial reporting standards framework which are applicable and with the requirements for format and framework provided for in the Delegated Regulation EU 2018/815 of the European Commission, Regulation (EC) No. 1606/2002 of the European Parliament and by Law 62/2003, of 30 December on tax, administrative and social measures, as well as the applicable rules and circulars of the National Securities Market Commission and the other Spanish accounting regulations that may be applicable, with the purpose of showing a true image of NH Hotel Group, S.A. and its subsidiaries' consolidated equity and consolidated financial position at 31 December 2021, and the consolidated financial performance, consolidated cash flows and consolidated changes in equity for the financial year ended on that date.

The Group adopted the IFRS-EU on 1 January 2004 and, on that date, applied IFRS 1 "First-time adoption of International Financial Reporting Standards".

The Directors of the Parent company consider that the consolidated annual accounts for the 2021 financial year, which were drawn up on 24 February 2022, will be approved by the General Shareholders Meeting without amendment. The consolidated financial statements for 2020 were approved by the shareholders at the Annual General Meeting held on 30 June 2021 and filed with the Companies Registry of Madrid.

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

2.2. Standards and interpretations effective in this period

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

(1) New obligatory regulations, amendments and interpretations for the year commencing 01 January 2021:

New standards, amendments and interpretations		Obligatory application in the years beginning on or after:
Approved for use in the European Union		
Amendments and/or interpretations		
Amendments to IFRS 9, IFRS 7, IFRS 4, IFRS 16 and IAS 39 Reform of the Benchmark Interest Rate (Phase 2)	Amendments to IFRS 9, IFRS 4, IFRS 16 and IFRS 7 and IAS 39 related to the reform of benchmark indices (Phase 2).	01 January 2021
Amendment to IFRS 4 Deferment of application of IFRS 9.	Deferment of application of IFRS 9 until 2023.	01 January 2021
Amendment to IFRS 16 Leases - Rent concessions.	Amendment to extend the application period for the practical solution in IFRS 16 provided for rent concessions related to COVID-19.	01 April 2021*

** Early application allowed.*

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

(2) Amendment to IFRS 16:

An amendment to IFRS 16 was approved by the IASB on 28 May 2020 to help accounting for changes in leases resulting from the pandemic caused by Covid-19. In March 2021, the IASB approved an amendment that extends the application period of the aforementioned practical option of IFRS 16 "Leases" by one year.

In this sense, the new wording extends the term that may be affected by the income reductions that could qualify for the exemption, putting back the deadline from 30 June 2021 to 30 June 2022. The Group has chosen to use the practical solution, by which rental concessions that comply with that set out above have generated less expenditure on rent of 28,625 thousand euros (Notes 8 and 25.4).

(3) New regulations, amendments and interpretations which will be obligatory in the years following the year commencing 01 January 2021

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

Approved for use in the European Union		
Amendments and/or interpretations		
Amendment to IFRS 3 Definition of Business.	Clarifications to the definition of business.	01 January 2022
Amendment to IAS 16 Income obtained prior to the intended use.	This prohibits deduction of any proceeds from the sale of articles produced from the cost of a tangible fixed asset while the entity is preparing the asset for its intended use. Income from the sale of such samples, along with production costs, is now recognised in profit and loss.	01 January 2022
IAS 37 Onerous contracts: costs of performing a contract.	The amendment explains that the direct cost of fulfilling a contract includes the incremental costs of performing that contract and an allotment of other costs that are directly related to the performance of contracts.	01 January 2022
Improvements to IFRS 2018-2020 cycle	Minor amendments to IFRS 1, IFRS 9, IFRS 16, and IAS 41	01 January 2022

Awaiting approval for use in the European Union as of the date of publication of this document [(1)]		
New Standards:		
IFRS 17 Insurance contracts	Replaces IFRS 4 and reflects the principles of registration, valuation, presentation and breakdown of insurance contracts with the objective that the entity provides relevant and reliable information which allows users of the information to determine the effect which contracts have on the financial statements.	01 January 2023

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

Amendments and/or interpretations		
Amendment to IAS 1: Classification of Liabilities as Current or Non-current.	Clarifications regarding presentation of liabilities as current or non-current.	01 January 2023
Amendment to IAS 1 Breakdown of accounting policies	IAS 1 has been amended to improve breakdowns of accounting policies so that they provide more useful information to investors and other main users of the financial statements.	01 January 2023
Amendment to IAS 8 Definition of accounting estimates	Amendments and clarifications on what should be understood to be a change in accounting estimates.	01 January 2023
Amendment to IAS 12 Deferred tax relating to assets and liabilities from a single transaction	Clarifications on how entities should record the deferred tax generated in transactions such as leases and decommissioning obligations.	01 January 2023
Amendment to IFRS 17 Insurance contracts and IFRS 9 Comparative information	Amendment to the IFRS 17 transition requirements for insurance companies applying IFRS 17 and IFRS 9 for the first time, simultaneously.	01 January 2023
Amendment to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associates or joint ventures	These amendments clarify the accounting treatment of the sales and contributions of assets between an investor and its associates and joint ventures that will rest on if the non-monetary assets sold or contributed to an associate or joint venture constitute a “business”. The investor will recognise the full gain or loss when the non-monetary assets constitute a “business”. If the assets do not meet said definition, the investor recognises the gain or loss to the extent of the interests of other investors. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for annual periods beginning on or after 1 January 2016. However, at the end of 2015, the IASB made the decision to postpone the effective date (without setting a new specific date) as it is planning a broader review that could result in simplifying the accounting of these transactions and other aspects of the accounting of associates and joint ventures.	Pendiente de aprobación

2.3. Accounting correction

During 2021, there were no corrections of errors.

2.4. Accounting criteria change

In 2021 there were no significant changes in accounting criteria.

2.5. Comparison of information

As required by IAS 1, the information on 2020 contained in this consolidated annual report is presented for solely comparative purposes with the information on 2021 and consequently does not in itself constitute the Group's consolidated financial statements for 2020.

2.6. Foreign currency transactions and balances

2.6.1 Functional currency and presentation currency

The consolidated annual accounts are presented in thousands of euros, rounded to the nearest thousand, which is the Parent company's working and presentation currency.

2.6.2 Foreign currency transactions, balances and cash flows

Transactions in foreign currencies are converted to the functional currency using the exchange rates for the functional currency and the foreign currency on the dates on which the transactions are carried out.

Cash assets and liabilities in foreign currencies have been converted into euros using the rate at the end of the financial year, while non-cash valued at historic cost are converted using the exchange rates applicable on the date the transaction took place. The conversion to euros of non-cash assets which are valued at fair value has been carried out using the exchange rate on the date when they were quantified.

In the presentation of the consolidated cash flow statements, the flows from transactions in foreign currencies were converted to euros using the exchange rates on the date they occurred. The effect of exchange rate change on cash and other cash equivalents in foreign currency is presented separately in the cash flow statement as "The effect of exchange rate differences on cash".

The differences appearing in settling transactions in foreign currency and the conversion of foreign currency cash assets and liabilities to euros is recognised in profit and loss. Nevertheless, exchange rate differences occurring in cash entries forming a part of the net business investment abroad are recorded as conversion differences in other global profit and loss.

Losses or gains from exchange rate differences relating to foreign currency cash financial assets or liabilities are also recognised in profit and loss.

The exchange rates for the euro (EUR) for the main Group company currencies at 31 December 2021 and 2020 were as follows:

	31/12/2021		31/12/2020	
	Closing rate	Accumulated average rate (1)	Closing rate	Accumulated average rate (1)
US dollar (USD)	1.13	1.18	1.23	1.14
Argentine peso (ARS)	116.82	116.82	102.88	102.88
Uruguayan peso (UYU)	50.84	51.52	51.98	47.98
Chilean peso (CLP)	970.87	900.90	869.57	900.90
Mexican peso (MXN)	23.14	23.99	24.41	24.52
Colombian peso (COP)	4,545.45	4,347.83	4,166.67	4,166.67
Czech koruna (CZK)	24.86	25.64	26.24	26.45
Hungarian florin (HUF)	369.00	358.42	363.64	350.88

**(1) In Argentina the closing exchange rate is used as a result of Argentina being considered to be a hyper-inflationary economy.*

2.6.3 Conversion of business abroad

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

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

Any difference resulting from the application these criteria have been included in the "Translation differences" item under the "Equity" heading.

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

2.6.4 Foreign operations in hyper-inflationary economies

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

As a result, the Group began to apply IAS 29 to the financial statements of Argentine companies with retroactive effect from 1 January 2018. Applying the standard involves the following exceptions:

- Adjusting the historical cost of non-monetary assets and liabilities and the different equity items from the acquisition date or inclusion on the consolidated balance sheet until year-end to reflect the changes in currency's purchasing power resulting from the inflation.
- Reflecting the loss or gain corresponding to the impact of inflation for the year on the net monetary position in the profit and loss account.
- Adjusting the various items of the profit and loss account and the cash flow statement for the inflationary index since its generation, with a counterpart in financial results and in a reconciliation item on the cash flow statement, respectively.
- Converting all components of the financial statements of Argentine companies at the closing exchange rate; the exchange rate at 31 December 2021 was 116.82 pesos per euro (102.88 pesos per euro at 31 December 2020).

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

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

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

- The useful life of the tangible and intangible assets. The Group increases the amount for depreciation/amortisation when service lives are less than those previously estimated, and will cancel or reduce the value of obsolete assets which have been abandoned or sold (Note 4.1 and 4.3).
- The assessment of possible impairment losses on certain non-financial assets that require an estimate of the future evolution of business and the most suitable discount rates. The Group considers that its estimates in this area are appropriate and coherent with the current economic climate and reflect its plans for growth based on the sector's recovery. It considers that its discount rates reflect the risks relating to each cash generating unit appropriately (Note 4.4).
- The estimates for impairment to accounts receivable are based on the expected losses model in IFRS 9 (Note 4.6).
- The market value of specific assets.
- The valuation of consolidation goodwill.
- The hypotheses used in the actuarial calculation of liabilities for pensions and other undertakings made to the workforce; The Group has made certain assumptions to calculate the liability arising from commitments to employees (Note 4.11 and 4.13).
- Calculation of provisions and evaluation of contingencies. To do so, the Group assesses certain legal, tax or other types of proceedings that are not closed off at the date the Consolidated Annual Statements are drawn up (Note 4.15).
- For the calculation of corporation tax, the Group is subject to it in various jurisdictions. To calculate the provision at worldwide scale, issue of significant judgments is required (Note 4.10).
- The recoverability of capitalised tax credits. The Group only recognises deferred tax assets in as far as their future realisation or use is sufficiently guaranteed. As future circumstances are unsure and partially escape the Group's control, assumptions must be made to estimate future taxable benefits and the period in which deferred tax is recovered (Note 4.10).

The Group's strategy takes into account the targets set in relation to climate change (Note 29), for which reason they are also taken into account when preparing these consolidated annual statements. Therefore, in the context of preparing these consolidated annual statements, the effect of the commitments taken on by the Group was taken into account when calculating the service life of assets, closing costs and analysing impairment to non-financial assets.

In spite of the fact that these estimates were carried out using the best information available at 31 December 2021 on events analysed, it is possible that events may take place in the future which compel their amendment (upwards or downwards) in years to come. This will be done in accordance with the provisions of IAS 8, prospectively.

2.8. Going concern

As a result of applying the IFRS 16 accounting standard, the Group has recognised a short-term liability corresponding to the current value of the lease payment commitments to be made in the next twelve months that, at 31 December 2021, amounted to 252,335 thousand euros (250,619 thousand euros at December 2020) meaning that, at 31 December 2021, current liabilities are 210,978 thousand euros higher than current assets (84,279 thousand euros at December 2020). Given that this effect is caused by a purely accounting (non-financial) approach, this does not prevent the business's normal development. It is noteworthy that in December 2020 the syndicated credit line for 236 million euros was fully drawn down. This was repaid in 2021, given the improvement to the Group's liquidity position (Note 17).

As a consequence of the situation caused by Covid-19, government measures taken worldwide to mitigate the spread of the pandemic have had a significant impact on the Group. These measures resulted in the temporary closure of establishments in the majority of its locations for a period of time, in both the 2020 and 2021 financial years, as well as significant falls in the business's operations and the uncertainties associated with how the situation evolves. These consolidated annual accounts have been prepared in accordance with the going concern principle as the Group has implemented crisis management organisational and liquidity strengthening measures to ensure business continuity, both individually (management of contagion or isolation situations), and collectively (Note 1).

These measures include actions focused on the temporary downsizing of existing resources as well as renegotiating lease contracts and other actions focused on minimising the impacts of the situation.

Furthermore, in order to strengthen liquidity, during 2021 NH Hotel Group proactively carried out a battery of initiatives to reinforce the Group's capital structure: Amongst these, a highlight was the receipt from the majority shareholder, Minor International, of a subordinated loan convertible into shares for 100 million euros, which was capitalised with a capital increase for all shareholders in September 2021; the extension of the ICO syndicated loan for 250 million euros from 2023 to 2026; the issue of senior bonds, guaranteed for 400 million euros and maturing in July 2026 with the relevant amortisation of the senior bond for 357 million euros, maturing in 2023; and the extension to the revolving credit facility (RCF) for 242 million euros until March 2026, which, at the end of the 2021 financial year, is not totally drawn down (Note 18).

Therefore, assuming a gradual reactivation of the business and scientific progress in relation to COVID-19 that facilitates a gradual return to normality during 2022 and subsequent years, the Group considers it has sufficient resources to meet future obligations in the next 12 months.

The Directors have prepared the Consolidated Annual Statements bearing in mind the going concern principle as they understand that the future perspectives of the Group's business will allow positive results and positive cash flows to be obtained in the next financial years.

2.9. Consolidation principles applied

2.9.1 Subsidiaries (Appendix I)

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

The purchase method of accounting is used by the group to account for business combinations.

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

Non-controlling interests on the subsidiaries' profit and loss and equity are shown separately on the consolidated comprehensive profit and loss statement, the consolidated comprehensive statement of changes in equity and on the consolidated financial statement, respectively.

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

2.9.2 Business combinations

The Group applied the exception contemplated in IFRS 1 "First-time adoption of International Financial Reporting Standards", so that only business combinations carried out from 1 January 2004—the transition date to IFRS-EU—have been recorded using the acquisition method. Acquisitions of entities prior to that date were recorded in accordance with the previous Generally Accepted Accounting Principles, taking the necessary corrections and adjustments on the transition date into account.

The Group has applied IFRS 3 "Business Combinations"—revised in 2008—to transactions carried out from 1 January 2010.

The acquisition date is the date on which the Group gains control of the acquired business.

The purchase method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the purchase of a subsidiary includes:

- the fair value of the assets transferred
- the liabilities incurred with the previous owners of the business acquired
- the holdings in the equity issued by the group
- the fair value of any asset or liability arising from a contingent consideration agreement, and
- the fair value of any prior holding in the subsidiary's equity.

The identifiable assets acquired, the liabilities and the contingent liabilities assumed in a business combination are, with limited exceptions, initially valued at their fair value on the acquisition date. The group recognises any non-controlling interest in the entity acquired on a basis of acquisition at fair value, or by the proportional part of the non-controlling interest of the net identifiable assets of the entity acquired.

The costs relating to the acquisition are recognised as expenses when they are incurred.

The excess of:

- the consideration transferred
- the amount of any non-controlling interest in the entity acquired, and
- the fair value of any prior holding in the equity of the entity acquired on the acquisition date

over the fair value of the net identifiable assets acquired is recorded as goodwill. If these amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is directly recognised in profit and loss as a bargain purchase.

When payment of any part of the consideration in cash is deferred, the amounts payable in the future are discounted at their actual value on the exchange date. The discount rate used is the entity's incremental borrowing rate of interest, being the rate at which a similar loan may be obtained from an independent financier under comparable terms and conditions.

The contingent consideration is classified as equity or a financial liability. The amounts classified as a financial liability are subsequently revalued at fair value with the changes in fair value being recognised in profit and loss.

If the business combination is carried out in stages, the book value at the date of acquiring the previously held equity holding is revalued at fair value on the acquisition date, and any gain or loss is recognised in profit and loss.

2.9.3 Non-controlling interests

Non-controlling interests in subsidiaries acquired after 1 January 2004 are recorded by the percentage holding at the acquisition date at the fair value of the net identifiable assets. Non-controlling interests in subsidiaries acquired prior to the transition date are recognised by the percentage holding in their equity on the date of first consolidation.

Excess losses attributable to non-controlling interests prior to 1 January 2010 but not allotted to them as they exceeded the total amount of the holding in the equity of the subsidiary, are recorded as a decrease in equity attributable to the Parent Company shareholders, except in cases where the non-controlling interests have a binding obligation to assume a part or all of the losses and they have the capacity to make the necessary additional investment. Profit obtained in subsequent financial years is allotted to the equity attributable to Parent Company shareholders until the total losses absorbed in previous accounting period relating to non-controlling interests are recovered.

From 1 January 2010, profit and loss and each item on the other comprehensive results, are allotted to equity attributable to the Parent Company shareholders and the non-controlling interests in proportion to the holding, even if this involves a debtor balance for non-controlling interests. Agreements entered into between the Group and the non-controlling interests are recognised as a separate transaction.

2.9.4 Associates (Appendix II)

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

Associates are valued using the equity method in the consolidated annual accounts.

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

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

At each year-end, the existence of indicators of a potential impairment of the investment in the associate is assessed in order to recognise the related impairment loss, where appropriate In order to calculate the fair value of investments in companies whose sole asset is property stock, valuations have been obtained from an independent expert. For the remaining companies, cash flow discount valuations made in-house have been used, similar to those described in Note 4.4.

2.9.5 Changes in the scope of consolidation

Additions to the scope of consolidation
During the 2021 financial year the company Grupo Operadores de Hoteles Santa Fe, S.A. de C.V. was incorporated. This company is not currently trading.

On 7 September 2020, the Group acquired 100% of the shares of the Boscolo Hotels Group, which runs eight luxury hotels in prime areas of Rome. Florence, Venice, Prague, Nice and Budapest (Note 6, Business combinations).

Moreover, during 2020 the company NH Strandgade APS was incorporated in Copenhagen, along with two companies in Italy: NH Italia Real Estate, S.r.l. and NH Holding Srl. These companies' purpose is to be hotel operators.

Disposals
During 2021, there were no disposals.

In December 2020 the Group sold 100% of its investment in the company Onroerend Goed Beheer Maatschappij Bogardeind Geldrop B.V., owner of the NH Geldrop hotel in Holland. The sale involved a cash entry of 6,359 thousand euros. The sale did not have a significant impact on the profit (loss) for the year.

On 1 July 2020 the Group sold 100% of its investment in the company Onroerend Goed Beheer Maatschappij Mass Best B.V., owner of the NH Best hotel in Holland. The sale involved a cash entry of 3,262 thousand euros. The sale did not have a significant impact on the profit (loss) for the year.

Mergers and divisions
During 2021, there were no mergers or divisions.

To simplify the group's corporate structure, in April 2020 the Argentine company Latina de Gestión Hotelera, S.A. absorbed Inmobiliaria y Financiera Aconcagua, S.A., Edificio Metro, S.A., Polis Corporación, S.A. and Blacom, S.A. Latina de Gestión Hotelera also spun off its investment in the Chilean company Latina Chile, S.A. to the new company Latina Holding S.A.U.

In December 2020, on the other hand, the Colombian company Hoteles Royal, S.A. spun off the investments it had in Chile in the companies Eurotels Chile, S.A., Inmobiliaria Royal, S.A., Royal Santiago Hotel, S.A. and the investment it had in the United States to the new company Inversiones Chilenas, S.A.

Hoteles Royal, S.A. also absorbed: Hoteles la Boheme LTDA, Hotel Hacienda Royal LTDA, Hotel Andino Royal, S.A., Hotel Pavillon Royal LTDA, Sociedad operadora Urban Royal Calle 26, S.A.S., Sociedad Operadora calle 100 Royal S.A.S, Hotel Pacifico Royal LTDA, Hotel Parque Royal S.A.S, Sociedad Hotelera Calle 74 LTDA, Sociedad operadora Barranquilla Royal S.A.S, Sociedad Operadora Cartagena Royal SAS and Hotel Medellin Royal LTDA, with the aim of simplifying the Group's company structure in Colombia.

3.- PROPOSED DISTRIBUTION OF PROFITS

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

	2021
To legal reserve	16,806
To Prior years' profits (losses)	151,257
Total	**168,063**

4.- VALUATION STANDARDS

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

4.1 Property, plant and equipment

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

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

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

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

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

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

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

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

4.2 Goodwill

Goodwill is determined from the criteria set out in the section on business combinations.

Goodwill is not amortised, but its impairment is checked annually or earlier if there are indications of a potential loss in asset value. For these purposes, the goodwill resulting from the business combination is assigned to each of the Group's cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the synergies of the combination and have the criteria referred to in section 4.4 (impairment) applied. After initial recognition, goodwill is valued at cost less accumulated impairment losses.

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

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

Internally generated goodwill is not recognised as an asset.

4.3 Other intangible assets

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

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

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

Other intangible assets with an indefinite useful life are not amortised and are hence subjected to the "impairment test" at least once a year (Note 4.4).

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

The following are the main items recognised under the "Other intangible assets" heading:

i) Usufruct Rights: As a consequence of entering into the consolidation of Hoteles Royal, S.A., the Group recognised operating rights of the hotel portfolio for 35 years within this concept. Furthermore, in the 2020 financial year, with the entry of Boscolo Hotels into the scope of consolidation, operating rights of the hotels where operation has commenced with this business combination were recognised lasting 31 years.

ii) Concessions, patents and trademarks: basically reflect the disbursements made by Gran Círculo de Madrid, S.A. for the refurbishment and remodelling of the building where the Casino de Madrid is located. The amortisation of such works is calculated on a straight-line basis by taking into account the term of the concession for operating and managing the services provided in the building where the Casino de Madrid is located, which finalises on 1 January 2037. Furthermore, this item includes the brands of the Grupo Royal with a useful life of 20 years.

iii) Computer applications: include the costs incurred by the Group Companies in the acquisition and development of various computer software programmes acquired by the different consolidated companies. The amortisation of software applications is performed using the straight-line method at a rate of 20-25% per year.

iv) Other rights: include rights relating to lease agreements as a result of business combinations.

4.4 Impairment to non-financial assets subject to amortisation or depreciation

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

The recoverable value of the assets is the greater of their fair value less the costs of transfer or disposal by another means and their value in use.

Moreover, and regardless of the existence of any indication of impairment, the Group, at least once a year, checks potential impairment that may affect goodwill.

The recoverable value should be calculated for an individual assets, unless the asset does not generate cash entries which are, by and large, independent of those relating to other assets or groups of assets. If this is the case, the recoverable value is calculated for the Cash-Generating Unit (CGU) it belongs to. As a general rule, the Group has defined each of the hotels it operates as cash-generating units, according to the real management of their operations.

If there are signs of impairment in a CGU that goodwill could not be allotted to goodwill, the Group checks, in the first place, the impairment to the CGU, without including goodwill and recognises, as appropriate, the impairment loss at the level of the CGU. Subsequently, the Group checks the impairment in the group of CGUs to which goodwill was allotted and recognises, as appropriate, the impairment loss at the level of the groups of CGUs.

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

In 2020, with the acquisition of the Boscolo Hotels Group, goodwill was generated which was allotted to a single cash generating unit that relates to the entire Group.

The operating result for each CGU is obtained at the end of the year without taking non-recurring results (if any) or financial results into account. Once the operating result is obtained for each CGU, the impairment test is performed for those in which there are indications of impairment. Among others, the Group considers that a CGU has indications of impairment if it meets the following conditions: it has negative operating results and its business is stable (it has been open for 3 years).

Losses due to impairment of the CGU initially, if appropriate, reduce the value of the goodwill allotted to it, and subsequently to the CGU's other assets, pro rata depending on the book value of each one of the assets, with the limit for each one of them of the greater of their fair value less the costs of disposal and its value in use.

On each closing date the Group assesses whether there are any indications that impairment losses recognised in previous years no longer exist, or may have decreased. Impairment losses relating to goodwill are not reversible. Impairment losses on the remaining assets are only reversed if a change has occurred in the calculations used to determine the asset's recoverable value. Reversal of the impairment loss is recorded as a credited to profit and loss.

As an exception, given the current economic situation as a result of the pandemic caused by Covid-19, analyses have continued to be carried out to determine if there is any impairment to the CGUs as a whole in the 2021 financial year, in the same way as in the 2020 financial year.
In this financial year, the Group carried out a valuation of the greater part of the hotel assets in ownership. They were valued by a global firm specialising in valuation and consultancy services. The valuation of the assets at 31 December 2021 covered 70 assets. In order to calculate the value of the assets, the most used valuation criteria was discounted cash flow, due to the fact that the hotel investments are valued depending on their potential future income.

The value in use is calculated from the estimated future cash flows, discounted at a discount rate after tax that reflects the current market valuation with respect to the value of money and the specific risks associated with the asset, covering a five-year period and a perpetual value, except in the case of leased hotels that correspond to the term of the lease, a perpetual value therefore not being considered in the latter.

4.5 Leases

At the beginning of a contract, the Group assesses whether it contains a lease. A contract is, of contains, a lease if it gives the right to control the use of the asset identified during a period of time in exchange for a consideration. Leases are recognised as a right-of-use asset and the corresponding liability on the date the leased asset is available for use by the group.

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

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

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

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

The general determination of not including unilateral extension of contracts as a part of their term, is based on the Group´s historical experience. The windows for renewal have historically been used as renegotiation windows, unless the market situation was clearly favourable for the Group. Therefore, given that hotel rental agreements are normally signed with a first term that is higher than a macroeconomic cycle (5 years), our experience shows that is it highly probable that some unknown event may occur on the date the agreement is signed, and which may significantly affect such judgment. The attacks in Europe, in Brussels or in Nice, serve as an example, as does the actual pandemic, as they changed the economic paradigm and affected the frameworks for negotiating rent. Furthermore, to determine the term for lease agreements, the term for recovering the investments made in it are taken into account.

To determine lease terms, there are no penalties for not exercising the extensions mentioned above, nor have early terminations with penalties been included.

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

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

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

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

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

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

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

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

In application of IFRS 16, all rent that does not come under the definition of fixed payments in substance and, therefore, is outside the Group's maximum compulsory commitment, as they are not inevitable, is recorded as an operational expense for the year.

Therefore, the Group records variable rent that is linked to exploitation of the underlying assets as an expense, along with those arising from percentages of sales and other similar reference points. Moreover, all rent that, in application of IFRS 16, are outside the Group's maximum compulsory commitment are recorded as an operational expense for the year.

Variable rents that are not, in essence, fixed and the way in which they may involve a liability for the Group would be that the flows arising from exploitation of the CGU are estimated to be negative and, therefore, the Group would be obliged to record a provision for onerous contracts.

An amendment to IFRS 16 was approved by the IASB on 28 May 2020, extended to 30 August 2021, to help accounting for changes in leases resulting from the pandemic caused by Covid-19. The amendment establishes an exemption in which rental concessions caused by Covid-19 may not be recorded as amendments to the lease (Note 2.2.2).

4.6 Financial instruments

4.6.1 Financial assets

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

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

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

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

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

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

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

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

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

Trade debtors and other receivables

Accounts receivable arising from trading operations are initially recorded at their transaction price and, subsequently, a value correction is made for expected credit losses. Expected credit losses—due to the fragmentation of the Group's trade debtors—are estimated taking the history of losses due to non-payment with respect to the Group's sales and open items into account. For the value correction, in the current situation of uncertainty caused by Covid-19, a detailed analysis is being carried out. To do so, all entries considered to be at risk are being monitored and plans for collecting their payment are being made, or provisions being made for those considered to be at risk of recovery.

Furthermore, the group's credit risk tools are being used, with a default insurance policy for the clients included in the policy, and for which, in the event of there not being certainty about payment, the requirements of the policy to claim the amounts as an "incident" are being followed.

4.6.2 Cash and cash equivalents

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

4.6.3 Financial liabilities

ISSUES OF BONDS AND OTHER SECURITIES

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

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

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

BANK LOANS

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

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

TRADE AND OTHER PAYABLES

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

The Group has contracted confirming operations with various financial entities to manage the payment to suppliers. Trade payables whose payment is managed by financial entities are shown under the entry for trade creditors and other accounts payable, in as far as the Group has only assigned payment management to the financial entities and remains primarily obliged to pay the debt to trade creditors.

VALUATION TECHNIQUES AND ASSUMPTIONS APPLYING TO THE MEASUREMENT OF FAIR VALUE

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

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

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

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

4.6.4 Equity instruments

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

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

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

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

4.8 Income and expenses

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

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

Sale of rooms and other related services
Income from the sale of rooms and other related services is recognised daily based on the services provided by each hotel, including customers who are still staying at the hotel at the close of each day. In this respect, the Group recognises the income when the service is considered to be provided and, therefore, fulfils the obligation for performance assumed on check-in. Due to this, for example, in the case of an accommodation service that covers several nights, the income is recognised on a daily basis for each one of the overnight stays.

The consideration received is distributed among the contracted services. These include direct services such as room, food, drink and other consumption, and others related to banquets, events and the rental of spaces. Therefore, the obligations are completely separate and they are recorded at the time they occur.

In the case of the sale of several services together, such as, for example, an accommodation service with one for breakfast, the Group, when it makes the offer, sets the price for each one of the obligations assumed, for which reason at the time the services is considered to be provided the income is recorded at the price set beforehand. Solely in the case of promotions where the service is provided "free-of-charge" with the other one, the Group applies a methodology where the consideration is divided using a ratio calculated by hotel based on the costs of the service at that hotel plus an additional margin.

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

Loyalty programme
With regarding to the accounting treatment of the "NH Rewards" customer loyalty programme, we consider that if awarding points gives a significant right to the customer, then it effectively pays the company for future goods or services in advance, and the company should recognise the income from ordinary activities when the points are redeemed or when they expire.

Therefore, when the significant right is generated, the Group records a provision for the estimated equivalent value, partly lowering the income from the sale coupled with the issue of the right. When points are redeemed the income from the transaction is recorded and the provision is derecognised.

The estimated value of the significant right is calculated, showing the discount the customer would receive when exercising the option (one Euro for each point the customer has collected) and taking the two following aspects into account:

• any discount the customer may receive without exercising the option; and
• the probability that the option will be exercised.

The amount of the provision relating to the loyalty programme is recorded in current liabilities on the consolidated balance sheet.

4.9 Official subsidies

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

- Non-reimbursable capital subsidies (connected with assets) are valued at the amount granted, recognised as deferred income and taken into profit and loss in proportion to the depreciation of the assets financed by such subsidies during the financial year.
- Operating subsidies are recorded depending on the grounds for them being granted, either as a reduction in the expenses they finance, or as other operating income.

4.10 Corporation tax

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

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

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

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

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

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

4.11 Obligation to employees

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

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

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

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

Therefore, to provide for these obligations to future payments to personnel, the Group has recognised a liability under "Provisions" (Note 20).

4.12 Onerous contracts

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

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

4.13 Share-based Remuneration Schemes

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

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

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

4.14 Treasury shares

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

4.15 Provisions for risks and charges

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

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

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

4.16 Environmental policy

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

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

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

4.17 Consolidated cash flow statements

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

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operational activities: the typical activities of the entities forming the consolidated group, along with other activities that cannot be classified as investing or financing activities. The group presents confirming activities for trade payables as an operational activity.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

5.- PROFIT/(LOSS) PER SHARE

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

In accordance with this:

	31.12.2021	31.12.2020
Net Profit/(Loss) for the year (thousands of euros)	(133,667)	(437,159)
Weighted average number of shares in circulation (in thousands)	403,288	391,965
Basic and diluted Earnings/(Losses) per share in euros	**(0.331)**	**(1.115)**

6.- BUSINESS COMBINATIONS

On 7 September 2020, the Group acquired 100% of the shares of the Boscolo Hotels Group, which runs eight luxury hotels in prime areas of Rome. Florence, Venice, Prague, Nice and Budapest. The Group operates through the following companies:

- Hungarian Opco New York Palace K.F.T.
- Italian OpCo Roco Hospitality Group, S.R.L.
- Czech Opco AGAGA, s.r.o.

The hotels are run under the variable rent with a guaranteed minimum system.

The amount of the initial consideration for the acquisition of the Boscolo Group was 50,491 thousand euros, to which 2,147 thousand euros was added relating to the net working capital position at the integration date. Both amounts were wholly paid up at the time of acquisition. After a subsequent review of the net working capital position and the additional agreement with the vendor, the Group recorded an account receivable with the vendor of 6,008 thousand euros, recorded under the “Other trade receivables” heading.

The consideration, the final fair values of the assets and liabilities identified at the time of acquisition and the final goodwill, whose valuation was finalised in the 2021 financial year, are set out below:

Item	Thousands of euros
Other intangible assets (Note 10)	51,187
Property, plant and equipment (Note 7)	850
Right-of-use assets (Note 8)	52,629
Deferred tax assets (Note 18)	5,610
Other non-current assets	150
Cash and cash equivalents	2,722
Other current assets	3,535
Leasing liabilities (Note 8)	(52,629)
Provisions for contingencies and costs (Note 20)	(4,562)
Deferred tax liabilities (Note 18)	(11,458)
Other current liabilities	(12,854)
Fair value of the acquired entity's net assets	**35,180**
Net Consideration	**46,630**
Goodwill (Note 9)	**(11,450)**

The fair values of the assets and liabilities acquired were estimated internally based on the Group's past experience.

7.- PROPERTY, PLANT AND EQUIPMENT

The breakdown and movements in the year were as follows (in thousands of euros):

	Thousands of euros				
	Land and buildings	Plant and machinery	Other fixtures, tools, furniture and others	Property, plant and equipment in progress	Total
Cost, allotted cost, revalued cost	1,608,309	850,825	447,447	85,586	2,992,167
Accumulated amortisation	(394,347)	(555,660)	(331,215)	—	(1,281,222)
Impairment losses	(73,568)	(14,451)	(7,002)	—	(95,021)
NET BOOK VALUE AT 01 JANUARY 2021	**1,140,394**	**280,714**	**109,230**	**85,586**	**1,615,924**
COST, ALLOTTED COST, REVALUED COST					
Inclusions	699	11,361	5,930	10,019	28,009
Retirements	(54,696)	(28,068)	(13,597)	(2,132)	(98,493)
Transfers	41,594	23,201	12,310	(80,946)	(3,841)
Exchange differences and IAS 29 impact	23,490	12,570	4,180	5,231	45,471
ACCUMULATED AMORTISATION					
Inclusions	(19,372)	(43,461)	(29,664)	-	(92,497)
Retirements	7,093	17,281	12,771	-	37,145
Transfers	-	(30)	(36)	-	(66)
Exchange differences and IAS 29 impact	(5,744)	(7,532)	(3,455)	-	(16,731)
IMPAIRMENT LOSSES					
Reversal/(Allotment) of impairment losses recognised in profit and loss (Note 11)	138	2,892	854	-	3,884
Transfers	(4,609)	2,476	2,133	-	-
Exchange differences and IAS 29 impact	62	-	(8)	-	54
BALANCE AT 31 DECEMBER 2021	**1,129,049**	**271,404**	**100,648**	**17,758**	**1,518,859**
Cost, allotted cost, revalued cost	1,619,396	869,889	456,270	17,758	2,963,313
Accumulated depreciation	(412,370)	(589,402)	(351,599)	-	(1,353,371)
Impairment losses	(77,977)	(9,083)	(4,023)	-	(91,083)
NET BOOK VALUE AT 31 DECEMBER 2021	**1,129,049**	**271,404**	**100,648**	**17,758**	**1,518,859**

	Thousands of euros				
	Land and buildings	Plant and machinery	Other fixtures, tools, furniture and others	Property, plant and equipment in progress	Total
Cost, allotted cost, revalued cost	1,647,261	838,501	452,211	74,286	3,012,259
Accumulated amortisation	(381,829)	(540,355)	(336,278)	—	(1,258,462)
Impairment losses	(27,472)	(8,570)	(4,632)	—	(40,674)
NET BOOK VALUE AT 01 JANUARY 2020	**1,237,960**	**289,576**	**111,301**	**74,286**	**1,713,123**
COST, ALLOTTED COST, REVALUED COST					
Inclusions	1,740	39,076	23,276	31,953	96,045
Retirements	(8,869)	(28,224)	(37,013)	(1,601)	(75,707)
Business combinations (Note 6)	—	171	472	207	850
Changes in the scope of consolidation	(13,618)	(649)	(222)	154	(14,335)
Transfers	(5,975)	6,803	12,418	(13,149)	97
Transfers of assets held for sale and disposable groups of items	10,495	—	—	—	10,495
Exchange differences and IAS 29 impact	(22,725)	(4,853)	(3,695)	(6,264)	(37,537)
ACCUMULATED AMORTISATION					
Inclusions	(23,297)	(45,652)	(31,119)	—	(100,068)
Retirements	3,607	23,719	35,785	—	63,111
Changes in the scope of consolidation	2,344	306	657		3,307
Transfers	—	2,427	(2,443)	—	(16)
Exchange differences and IAS 29 impact	4,828	3,895	2,183	—	10,906
IMPAIRMENT LOSSES					
Impairment losses recognised in profit and loss	(48,252)	(6,105)	(2,370)	—	(56,727)
Transfers	2,156	84	—	—	2,240
Exchange differences and IAS 29 impact	—	140	—	—	140
BALANCE AT 31 DECEMBER 2020	**1,140,394**	**280,714**	**109,230**	**85,586**	**1,615,924**
Cost, allotted cost, revalued cost	1,608,309	850,825	447,447	85,586	2,992,167
Accumulated amortisation	(394,347)	(555,660)	(331,215)	—	(1,281,222)
Impairment losses	(73,568)	(14,451)	(7,002)	—	(95,021)
NET BOOK VALUE AT 31 DECEMBER 2020	**1,140,394**	**280,714**	**109,230**	**85,586**	**1,615,924**

The main additions occurring during the financial year relate to hotel refurbishment and opening new hotels. The highlights in Spain are the works at the NH Collection Madrid Abascal, in France the refurbishment of the NH Lyon Airport, in Italy the refurbishment of the NH Trieste and NH Collection Roma Centro, in Central Europe the opening of the NH Hannover, in Benelux the works at the NHOW Brussels Bloom hotel, in Latin America the works at the NH Mexico City Reforma (Mexico) and the NH Ciudad de Santiago (Chile). Finally, it should be noted that the works on the NH Collection New York Madison Avenue have concluded and the hotel opened during the financial year.

The main derecognition in the period relates to the sale of the NH Collection Barcelona Gran Hotel Calderón in Spain with a sale and leaseback transaction. The hotel was sold for 125.5 million euros with a linked 20 year lease agreement, with NH having the option of additional extensions (Note 1).

The effect on the profit and loss account of assets de-recognised, replaced or disposed of to third parties outside the Group was a profit of 66,402 thousand euros (a loss of 1,668 thousand euros in 2020), recognised under "Profit/(loss) on the disposal of non-current assets" in the 2021 consolidated comprehensive profit and loss statement.

The net entries for the 2020 financial year included in the "Changes in the scope of consolidation" and "Business combinations" rows come, on the one hand, from the sales of the companies Onroerend Goed Beheer Maatschappij Maas Best, B.V., owner of the NH Best hotel, and Onroerend Goed Beheer Maatschappij Bogardeind Geldrop, B.V., owner of the NH Geldrop hotel, both in Holland (Note 2.9.5), and the acquisition of the Boscolo Hotels Group comes under business combinations (Note 6).

At 31 December 2021, there were mortgages on tangible fixed asset elements with a net book value of 158 million euros (208 million euros in 2020) (Note 17).

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

At 31 December 2021, firm investment undertakings amounted to 26.8 million euros. These investments will be made between 2022 and 2023 (17.3 million euros in 2020).

8.- LEASES

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

	Thousands of euros		
	Real estate	Premiums for contracts and other rights	Total
Cost	4,132,468	73,267	4,205,735
Accumulated amortisation	(2,460,615)	(46,969)	(2,507,584)
Impairment losses	(4,331)	-	(4,331)
NET BOOK VALUE AT 01 JANUARY 2021	**1,667,522**	**26,298**	**1,693,820**
COST			
Inclusions	91,743	-	91,743
Retirements	(98,521)	-	(98,521)
Reclassifications	3,631	-	3,631
Currency translation difference	6,548	-	6,548
ACCUMULATED AMORTIZATION			
Inclusions	(169,825)	(2,949)	(172,774)
Retirements	72,998	-	72,998
Currency translation difference	(5,505)	-	(5,505)
IMPAIRMENTS			
Reversal/(Allotment) of impairment losses recognised in profit and loss (Note 11)	424	—	424
Currency translation difference	(19)	—	(19)
BALANCE AT 31 DECEMBER 2021	**1,568,996**	**23,349**	**1,592,345**
Cost	4,135,869	73,267	4,209,136
Accumulated amortisation	(2,562,947)	(49,918)	(2,612,865)
Impairment losses	(3,926)	—	(3,926)
NET BOOK VALUE AT 31 DECEMBER 2021	**1,568,996**	**23,349**	**1,592,345**

	Thousands of euros		
	Real estate	Premiums for contracts and other rights	Total
Cost	4,032,889	73,267	4,106,156
Accumulated amortisation	(2,361,264)	(43,393)	(2,404,657)
Impairment losses	—	—	—
NET BOOK VALUE AT 01 JANUARY 2020	**1,671,625**	**29,874**	**1,701,499**
COST			
Inclusions and Retirements	61,673	—	61,673
Business combinations (Note 6)	52,629	—	52,629
Transfers	(3,629)	—	(3,629)
Conversion differences	(11,094)	—	(11,094)
ACCUMULATED AMORTIZATION			
Inclusions	(182,734)	(3,576)	(186,310)
Retirements	71,720	—	71,720
Transfers	4,037	—	4,037
Currency translation difference	7,626	—	7,626
IMPAIRMENTS			
Reversal/(Allotment) of impairment losses recognised in profit and loss (Note 11)	(4,333)	—	(4,333)
Conversion differences	2	—	2
BALANCE AT 31 DECEMBER 2020	**1,667,522**	**26,298**	**1,693,820**
Cost	4,132,468	73,267	4,205,735
Accumulated amortisation	(2,460,615)	(46,969)	(2,507,584)
Impairment losses	(4,331)	—	(4,331)
NET BOOK VALUE AT 31 DECEMBER 2020	**1,667,522**	**26,298**	**1,693,820**

	Balance 01.01.2021	Expenses or interest	Business combinations (Note 6)	Changes	Rent payments	Exchange rate differences	Balance 31.12.2021
Leasing liabilities	2,059,739	83,048	—	53,832	(271,847)	581	1,925,353

	Balance 01.01.2020	Expenses or interest	Business combinations (Note 6)	Changes	Rent payments	Exchange rate differences	Balance 31.12.2020
Leasing liabilities	2,067,369	94,106	52,629	94,215	(244,785)	(3,795)	2,059,739

The main movements mainly correspond to the closure of four hotels under leases, as well as the amendment to the term of some contracts and the change to the essentially fixed component in various contracts with a variable structure. During the financial year, NH Collection Venezia Palazzo Barocci and NH Firenze Anglo American in Italy, NH Cornellá and NH Ciudad de Almería and NH Sant Boi in Spain were closed, NH Hannover in Germany and NH Collection Copenhagen in Denmark were opened and NH Collection Barcelona Gran Hotel Calderón in Spain was sold and subsequently leased.

Likewise, the business combination includes the acquisition of the Boscolo Hotels Group in 2020 through the companies Roco Hospitality Group S.R.L., New York Palace, Kft. and Agaga, S.R.O.; hotel leasing operators in Italy, Hungary and the Czech Republic (Note 6).

The main impacts on the statement on the consolidated comprehensive profit and loss statement related to the application of IFRS 16 are a higher financial expense of 83,048 thousand euros (94,106 thousand euros in 2020), a net loss on the disposal of non-current assets of 1,294 thousand euros (a gain of 624 thousand euros in 2020), due mainly to cancellations of contracts that had no cash impact and a reversal for asset impairment of 424 thousand euros (allotment for impairment of 4,333 thousand euros in 2020).

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

Short-term leases and low-value leases are recognised as an expense in the consolidated comprehensive profit and loss account on a straight line basis. A short-term lease contract is one where the period is less than or equal to 12 months. A "low value contract" is one whose underlying asset assigned in use would have a new value of under 5 thousand euros. The impact recorded on the attached consolidated comprehensive profit and loss statements for the leases totals an income of 16,692 thousand euros (31,374 thousand euros income in 2020) (Note 25.4). This income is a result of applying the exemption introduced in IFRS 16 on 28 May 2020, and extended until 30 August 2021, which meant the Group recorded savings of 28,625 thousand euros (46,195 thousand euros in 2020) (Note 2.2).

Furthermore, in the lease agreements, there are no restrictions or imposed clauses and no sales transactions with subsequent leasing were carried out during the financial year.

Future cash output that the lessee is potentially exposed to, and which are not shown in the valuation of leasing liabilities, exclusively relate to payments for variable leasing.

Therefore, future gross payments estimated for the next 5 years total 664 million euros. Nevertheless, these expenses will result in higher income and produce higher profits.

The Group has not granted any options to extend and terminate, or guarantees of residual value. There do exist leases that have not commenced, for which the Group has undertaken gross lease payments of 39,276 thousand euros in a period of 1 to 5 years, and 198,715 thousand euros in a period of over 5 years.

9.- GOODWILL

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

	Thousands of euros	
	2021	2020
NH Hoteles Deutschland GmbH and NH Hoteles Austria GmbH	58,888	61,114
Royal Group	22,494	24,539
Boscolo Hotels (Note 6)	11,571	11,554
Others	3,174	3,862
Total	**96,127**	**101,069**

The movements in this heading of the consolidated balance sheet in the financial year were as follows (in thousands of euros):

Company	Goodwill at 01.01.2021	Conversion differences	Business combinations (Note 6)	Impairment (Note 11)	Goodwill at 31.12.2021
NH Hoteles Deutschland GmbH and NH Hoteles Austria GmbH	61,114	-	-	(2,226)	58,888
Royal Group	24,539	(2,045)	-	-	22,494
Boscolo Hotels	11,554	25	(8)	-	11,571
Others	3,862	2	-	(690)	3,174
Total	**101,069**	**(2,018)**	**(8)**	**(2,916)**	**96,127**

Company	Goodwill at 01.01.2020	Conversion differences	Business combinations (Note 6)	Impairment (Note 11)	Goodwill at 31.12.2020
NH Hoteles Deutschland GmbH and NH Hoteles Austria GmbH	75,212	-	-	(14,098)	61,114
Royal Group	27,607	(3,068)	-	-	24,539
Boscolo Hotels	-	96	11,458	-	11,554
Others	3,758	104	-	-	3,862
Total	**106,577**	**(2,868)**	**11,458**	**(14,098)**	**101,069**

	Thousands of euros	
	2021	**2020**
Royal Group CGUs	22,494	24,539
Group CGUs (Boscolo Hotels)	11,571	11,554
CGU 6	13,587	13,587
CGU 21	9,929	9,929
CGU 12	6,272	6,272
CGU 5	2,996	4,325
CGU 13	5,624	5,624
CGU 2	5,023	5,023
CGUs with goodwill allocated individually < €4 M	18,631	20,216
Total	**96,127**	**101,069**

10.- OTHER INTANGIBLE ASSETS

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

	Thousands of euros				
	Usufruct Rights	Concessions, patents and trademarks	Software applications	Other rights	Total
Cost, allotted cost, revalued cost	84,215	37,489	101,118	17,039	239,861
Accumulated amortisation	(6,458)	(26,527)	(67,627)	—	(100,612)
Impairment losses	—	(8,316)	—	(2,796)	(11,112)
NET BOOK VALUE AT 01 JANUARY 2021	**77,757**	**2,646**	**33,491**	**14,243**	**128,137**
COST, ALLOTTED COST, REVALUED COST					
Inclusions	9,848	155	4,397	—	14,400
Retirements	(20)	(460)	(309)	—	(789)
Transfers	—	—	275	—	275
Exchange differences and IAS 29 impact	(1,751)	(370)	3	—	(2,118)
Accumulated amortisation					
Inclusions	(2,468)	(502)	(11,939)	—	(14,909)
Retirements	—	299	223	—	522
Transfers	—	(120)	120	—	—
Exchange differences and IAS 29 impact	442	249	—	—	691
IMPAIRMENT LOSSES					
Reversal/(Allotment) of impairment losses recognised in profit and loss (Note 11)	-	-	-	739	739
BALANCE AT 31 DECEMBER 2021	**83,808**	**1,897**	**26,261**	**14,982**	**126,948**
Cost, allotted cost, revalued cost	92,292	36,814	105,484	17,039	251,629
Accumulated amortisation	(8,484)	(26,601)	(79,223)	—	(114,308)
Impairment losses	—	(8,316)	—	(2,057)	(10,373)
NET BOOK VALUE AT 31 DECEMBER 2021	**83,808**	**1,897**	**26,261**	**14,982**	**126,948**

	Thousands of euros				
	Usufruct Rights	Concessions, patents and trademarks	Software applications	Other rights	Total
Cost, allotted cost, revalued cost	33,976	38,322	90,212	17,039	179,549
Accumulated amortisation	(5,483)	(26,392)	(53,920)	-	(85,795)
Impairment losses	-	(7,171)	-	(2,776)	(9,947)
NET BOOK VALUE AT 01 JANUARY 2020	**28,493**	**4,759**	**36,292**	**14,263**	**83,807**
COST, ALLOTTED COST, REVALUED COST					
Inclusions	2,574	108	11,019	-	13,701
Retirements	(34)	(394)	(131)	-	(559)
Business combinations (Note 6)	50,815	-	372	-	51,187
Transfers	-	(36)	(60)	-	(96)
Exchange differences and IAS 29 impact	(3,116)	(511)	(294)	-	(3,921)
Accumulated amortisation					
Inclusions	(1,515)	(974)	(13,511)	-	(16,000)
Retirements	3	366	64	-	433
Transfers	-	331	(316)	-	15
Exchange differences and IAS 29 impact	537	142	56	-	735
IMPAIRMENT LOSSES					
Reversal/(Allotment) of impairment losses recognised in profit and loss (Note 11)	-	(1,140)	-	(20)	(1,160)
Transfers	-	(5)	-	-	(5)
BALANCE AT 31 DECEMBER 2020	**77,757**	**2,646**	**33,491**	**14,243**	**128,137**
Cost, allotted cost, revalued cost	84,215	37,489	101,118	17,039	239,861
Accumulated amortisation	(6,458)	(26,527)	(67,627)	-	(100,612)
Impairment losses	-	(8,316)	-	(2,796)	(11,112)
NET BOOK VALUE AT 31 DECEMBER 2020	**77,757**	**2,646**	**33,491**	**14,243**	**128,137**

10.1 Usufruct Rights

The main additions in this financial year occurred in the Netherlands (9.8 million euros), as a result of the improvements investment within the framework of the NH Collection Amsterdam Grand Hotel Krasnapolsky management contract .

The net additions in the 2020 financial year in the row “Business combinations” come from the purchase of Boscolo Hotels (Note 6).

10.2 Software applications

The most significant additions in this financial year were a result of investments made in digitisation and improvement to the customer journey experience, and digitisation and optimisation of operating processes to gain sustainability, mobility and include customer care.

10.3 Other rights

Other rights, include rights relating to lease agreements as a result of business combinations in Italy.

11.- IMPAIRMENT

The Group evaluates the possible existence of a loss of value each year that would oblige it to reduce the carrying amounts of its tangible and intangible assets or reverse them, if appropriate. A loss is deemed to exist when the recoverable value is less than the carrying amount. The recoverable value of the assets is the greater of their fair value less the costs of transfer or disposal by another means (mainly used for hotel assets in ownership) and their value in use.

As an exception, given the current economic situation as a result of the pandemic caused by COVID-19, analyses have continued to be carried out to determine if there is any impairment to the CGUs as a whole in the 2021 financial year, in the same way as in the 2020 financial year.

The value in use is calculated from the estimated future cash flows, discounted at a discount rate after tax that reflects the current market valuation with respect to the value of money and the specific risks associated with the asset, covering a five-year period and a perpetual value, except in the case of leased hotels that correspond to the term of the lease, a perpetual value therefore not being considered in the latter. Value in use has been calculated for all the CGUs.

For the purposes of determining fair value for the owned hotels in this financial year, the Group made a valuation of the greater part of the hotel assets in ownership. The valuation was made by a global firm specialising in valuation and consultancy services. The valuation of the assets at 31 December 2021 covered 70 assets. In order to calculate the value of the assets, the most used valuation criteria was discounted cash flow, due to the fact that the hotel investments are valued depending on their potential future income.

11.1 Key assumptions used

The evolution of the key assumptions in the analysed hotels has taking the business knowledge of Group Management into account as well as the expected recovery of the sector after the COVID-19 pandemic. In this regard, the assumed projections are based on the use of the Management's budget for 2022, which assumes a dramatic recovery in revenues compared to 2021, but still lower than those in 2019 due to the negative effect that the COVID-19 pandemic has had on tourism over the past two years. Recovery to pre-COVID-19 levels is calculated in the comparable hotels over the next few years, once mobility restrictions decrease and, therefore, consumer confidence is recovered. The Group's strong positioning in the countries where it operates, the good locations of the portfolio and the high recognition of its brands are key factors in the assumed recovery period. This recovery scenario calculates reaching pre-pandemic figures in the comparable hotels, which are those for 2019, between 2023 and 2024.

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

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

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

- Income from accommodation is projected as the product of percentage occupation, and average rate per room ("ADR" Average Daily Rate: is the ratio of the total income from rooms in a specific period divided by the rooms sold in that specific period) and the total rooms available per year.
- The other revenues are projected based on the average of the relationship between the revenue from accommodation and those revenues.
- Personnel expenses are calculated on the basis of the average cost for personnel plus the relevant increase in each country referenced to the collective employment agreement for each year.
- Direct expenses are directly associated with each of the revenues and are projected on the basis of an average ratio, while undistributed expenses are projected based on the average ratio between these and direct expenses.
- For its part, tax is calculated from the tax rates applicable in each country.

The discount rates were calculated by a third party using the Weighted Average Cost of Capital (WACC) methodology: Weighted Average Cost of Capital (WACC), as follows:

$WACC=Ke*E/(E+D) + Kd*(1-T)*D/(E+D)$

Where:

Ke: Cost of Equity

Kd: Cost of Financial Debt

E: Own Funds

D: Financial Debt

T: Tax Rate

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

The main variables used by a third party to calculate the discount rate are as follows:

- Risk-free rate: the WACC calculation is based on an increased risk-free rate. The risk-free rate is standardised to show the average sustainable performance of the long-term bonds issued by governments and considered to be "safe" (usually those classified as AAA by the main ratings agencies).
  - For European countries, a rate of 0% was taken into account as the performance of German government bonds at 20 years, on the valuation date, showed negative performance from December 2021 and a 1.5% standardisation was extended.
  - For Latin American countries, American sovereign debt was taken into account, which oscillates between 1.8% (performance at the Valuation Date) and 2.5% (standardised value). In these countries, the differential of inflation to the USA is also applied.
  - For the United Kingdom, the performance of British government bonds at 20 years was taken into account, which oscillates between 1.2% (performance at the Valuation Date) and 2.5% (standardised value).
- Market risks premium: defined at 5.5% for rates in EUR and USD and 5.0% for GBP, based on a wide range of financial information, multiple methodologies and economic and financial market conditions at December 2021.
- Beta or systematic risk: Using a sample of listed companies whose businesses are comparable, the sector's risk differential is estimated in relation to the average risk on the global market. To calculate the WACC for hotels being leased, a comparative of a sample of traditional hotel companies is taken into account. Furthermore, to this group, and to calculate the WACC for owned hotels, a sample of property investment funds (REITs) is also included in order to show the real estate contribution to the business. Bloomberg's historic betas were taken as a reference (monthly data at 5 years). Given that these betas are leveraged, they have been de-leveraged taking into account the average historical debt/capital structure for each company over 5 years.
- The capital structure applied was estimated on the basis of the capital structure of the comparable companies, taking the proportion of debt with interest, preferential capital and ordinary capital of these companies that are listed on the stock exchange into consideration. The average capital structure applied is 59.5% Own Funds and 40.5% Debt for the group of comparables for owned hotels, and 58.1% Own Funds and 41.9% Debt for the group of comparables for leased hotels.
- In addition, the local rate for corporation tax on the valuation date in each country was considered.
- To calculate the Cost of the debt, a 2.9% debt differential is applied, based on the spot rate of German bonds at 20 years and applying the credit rating differential for the comparable companies of reference.

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

	Discount rate before taxes				
	Germany	Netherlands	Italy	Spain	Colombia
2021	6.36% - 8.73%	6.17% - 8.35%	8.24% - 10.47%	7.61% - 9.86%	15.02% - 15.98%
2020	11.2%	9.6%	12.12%	10.6%	13.6%

The evolution of the key assumptions in hotels with indications of impairment at 31 December in the major countries in euros was as follows:

	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Germany		Netherlands		Italy		Spain		Colombia	
Post-tax WACC	4.5% - 6.0%	7.54%	4.5% - 6.25%	7.79%	6.25% - 8.0%	8.12%	5.75% - 7.5%	8.14%	10.8% - 11.3%	10.57%
Growth rate (g)	2.03%	1.97%	1.90%	1.70%	1.39%	1.35%	1.70%	1.69%	2.91%	2.91%
Average ADR (years of projection)	104.2	100.8	65.6	59.5	136.7	133.5	97.2	92.5	58.9	62.1
Average Occupancy Rate (years of projection)	72.1%	65.0%	64.4%	54.3%	70.7%	65.1%	73.9%	66.2%	67.2%	61.5%

The after-tax discount rates used by the Group for these purposes range in Europe from 4.5% to 10.25% (7.5% and 8.1% in 2020) and in Latin America from 9.00% to 14.5% (10.6% and 16.2% in 2020) without taking into account Argentina, whose after-tax discount rate has been calculated taking into account its hyperinflationary economic situation and varies between 52.50% in 2022 and 33.25% in 2026, and standardised to 18.5% for the perpetuity calculation based on the estimate of inflation. In this regard, the cash flows resulting from the impairment tests were also calculated after tax. In addition, the book value to which the value-in-use is compared does not include any deferred tax liabilities which could be associated with the assets.

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

11.2 Sensitivity analysis

Furthermore, the Group has carried out a sensitivity analysis for each of the CGUs, and for the groups of CGUs where goodwill is allocated.

For each scenario, each hypothesis has been considered individually, recording the impact on impairment for each of them. Scenario 1 is a negative one where the discount rate is raised 100 b.p. above the rate used in the test and a growth rate lower by 100 b.p., i.e. with minimum growth, and falls in occupancy of 100 b.p. and ADR of 1% which would lead to additional impairment to that registered in 2020.

In the case of Scenario 2, this is a positive one where the discount rate is 100 b.p. below the rate used in the test, a growth rate or 100 b.p., with increases in occupancy of 100 b.p. and ADR of 1% which would lead to lower impairment to that registered in 2020.

A sensitivity analysis of the results of the impairment analysis given variations in the following scenarios, including the impacts that the amendment of each scenario would have without affecting the rest, for the main goodwill, is set out below:

NH HOTELES DEUTSCHLAND, GMBH AND NH HOTELES AUSTRIA, GMBH

	Average values				
	Impairment test	Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2
After-tax discount rate:	4.20%-6.50%	5.20% - 7.50%	(960)	3.20% - 5.50%	815
Growth rate	1%-3%	0% - 2%	(789)	3% - 4%	620
Occupancy rate	77.5%	76.5%	(552)	78.5%	552
ADR (euros)	125.50	124.3	(690)	126.8	690

ROYAL GROUP

	Average values				
	Impairment test	Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2
After-tax discount rate:	11.25%-14.5%	12.25% - 15.5%	-	-	-
Growth rate	1.00% - 3.00%	0.00% - 2.00%	-	-	-
Occupancy rate	67.0%	66.0%	-	-	-
ADR (euros)	85.52	84.7	-	-	-

BOSCOLO HOTELS

	Average values				
	Impairment test	Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2
After-tax discount rate:	7.76%	6.76%	-	-	-
Growth rate	1.39%	0.39%	-	-	-
Occupancy rate	72.3%	71.3%	-	-	-
ADR (euros)	199.82	197.8	-	-	-

In addition, a sensitivity analysis of the results of the impairment analysis of the most significant CGUs that have associated property, plant and equipment, intangible assets and rights of use is set out below:

SENSITIVITY ANALYSIS OF TANGIBLE AND INTANGIBLE ASSETS AND RIGHTS OF USE

	Average values				
	Impairment test	Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2
After-tax discount rate:	4.4% - 52.5%	5.4% - 53.5%	(30,406)	3.5% - 51.5%	25,865
Growth rate	1.0% - 5.5%	0.0% - 4.5%	(11,920)	2.0% - 6.5%	13,708
Occupancy rate	72.3%	71.3%	(6,993)	73.3%	4,293
ADR (euros)	135.1	134.1	(6,779)	136.1	6,350

11.3 Impairment losses

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

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

The Group recognised a net reversal of impairment losses of 2,131 thousand euros (76,758 thousand euros allotment for impairment in 2020) as summarised below:

- Property, plant and equipment: impairment amounting to 26,998 thousand euros was recognised in 2021 for certain tangible assets; this impairment mainly corresponds to real estate and is a result of the worsening of future expectations of cash flows for different reasons, including the opening of competitors' hotels or the loss of an important customer and the worsening of the outlook due to the COVID-19 situation. (61,250 thousand euros in 2020). On the other hand, there was a reversal of 30,882 thousand euros resulting from the improvement in expectations, recorded under the heading "Gains/(Net losses) from asset impairment" on the consolidated comprehensive income statement for 2021 (4,523 thousand euros in 2020).
- Right-of-use assets: an impairment reversal was recorded for Rights of use of 1,834 thousand euros and an allotment to impairment of 1,410 thousand euros (allotment of 4,333 thousand euros in 2020) (Note 8).
- Goodwill: the Group recognised an impairment loss of 2,916 thousand euros on goodwill for NH Hoteles Deutschland, GmbH, NH Hoteles Austria, GmbH and others (14,098 thousand euros in 2020). This impairment arises from their worsening expectations of future cash flows mainly due to the opening of competitor hotels and the worsening of the outlook due to the COVID-19 situation.
- Other intangible assets: reversals of impairment losses of 739 thousand euros (impairment losses of 1,497 thousand euros and reversals of 337 thousand euros in 2020) were recognised under "Net Gains/(Losses) on asset impairment" of the consolidated comprehensive income statement

The balance of impairment to property, plant and equipment at 31 December is as follows (in thousands of euros):

	housands of euros	
	2021	**2020**
Spain	5,129	6,600
Italy	45,831	68,639
Germany	15,759	7,199
Benelux	17,860	10,057
Latin America	6,438	2,526
Others	66	—
Total impairment	**91,083**	**95,021**

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

	2021
Million euros	**Recoverable amount**
TOP 10	
CGU 35	73.4
CGU 25	54.4
CGU 26	36.6
CGU 4	28.5
CGU 29	26.6
CGU 31	24.9
CGU 30	23.0
CGU 32	18.5
CGU 33	16.9
CGU 34	16.1
Subtotal	**318.9**
Other CGUs by country	
Spain	12.3
Italy	62.5
Benelux	16.5
Germany	47.1
LatAm	40.6
Other Countries	7.2
Subtotal	**186.2**
Total	**505.1**

12.- INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The associated companies in the year and the amount recognised on the books (in thousands of euros) are listed below:

Company	Activity centre	Share percentage	Relationship nature	Book value 2021	Book value 2020
Mil Novecientos Doce, S.A. de C.V.	CDMX, México	25%	Associate	2,000	1,900
Consorcio Grupo Hotelero T2, S.A. de C.V.	CDMX, México	10%	Associate	1,567	1,413
Inmobiliaria 3 Poniente, S.A. de C.V.	Puebla, México	17%	Associate	—	1,100
Hotelera del Mar, S.A.	Mar de Plata, Argentina	20%	Associate	645	702
Borokay Beach, S.L.	Madrid, Spain	50%	Associate	929	929
Kensington Hotel Value Added I, Ltd	London, UK	30%	Associate	—	-
Sotocaribe, S.L.	Madrid, Spain	36%	Associate	35,781	35,729
Total				**40,922**	**41,773**

The impact recorded on the consolidated comprehensive profit and loss statement for the financial year due to consolidation of these holdings was losses of 1,447 thousand euros (7,468 thousand euros loss in 2020), recorded under the heading "Gain/(Loss) from entities valued using the equity method". In addition, these holdings increased in 2021 by 596 thousand euros due to the effect of the exchange differences (they decreased by 2,575 thousand euros in 2020).

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

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

Company	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Equity	Net Profit (Loss)
Mil Novecientos Doce, S.A. de C.V.	7,884	-	-	-	7,884	(11)
Consorcio Grupo Hotelero T2, S.A. de C.V.	15,661	-	-	-	15,661	738
Inmobiliaria 3 Poniente, S.A. de C.V.	801	10,808	782	4,468	6,359	(561)
Hotelera del Mar, S.A.	694	3,462	480	750	2,926	-
Borokay Beach, S.L.	963	1,104	95	115	1,857	-
Sotocaribe, S.L.	9,162	245,639	29,301	50,036	175,463	(371)

13.- NON-CURRENT FINANCIAL INVESTMENTS

13.1 Financial assets at fair value with change in profit/loss

The breakdown of this heading is as follows:

	Thousand euros 2021	Thousand euros 2020
NH Panamá, S.A.	3,767	3,767
Other investments	757	408
Provisions	(2,190)	(2,190)
Total	**2,334**	**1,985**

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

13.2 Other financial assets at amortised cost

The breakdown of this heading is as follows

	Thousand euros	
	2021	**2020**
Subordinated loans to companies owning hotels operated by the Group through leases	13,038	20,793
Loans to associates (Note 26)	148	140
Long-term deposits and sureties	12,843	12,835
Others	1,843	1,896
Total	**27,872**	**35,664**

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

The main features of these agreements are as follows:

- Hotel rentals are not subject to evolution of the inflation rate or to that of any other index.
- The aforementioned subordinated loans accrue interest at a fixed rate of 3% per annum.
- Lease agreements establish a purchase right on properties subject to agreements that, as a general rule, may be executed in the fifth, tenth and fifteenth year from the entry into force of the agreement.
- The model used for these lease agreements has been analysed and independent experts consider them to be operating leases. These hotels are covered by the scope of IFRS 16 and, therefore, from the transition date involve recording a right of use asset and a leasing liability.

14.- TRADE RECEIVABLES

This item reflects different accounts receivable from the Group's operations. Its detail is as follows:

	Thousand euros	
	2021	**2020**
Trade receivables for services provided	56,283	38,962
Provision for bad debts	(7,319)	(9,025)
Total	**48,964**	**29,937**

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

Movements in the provision for insolvencies during the year were as follows:

	Thousand euros	
	2021	**2020**
Balance at 1 January	9,025	7,100
Conversion differences	70	(74)
Additions	1,390	5,889
Applications	(3,166)	(3,890)
Balance at 31 December	**7,319**	**9,025**

The analysis of the ageing of financial assets in arrears but not considered impaired in the financial year is as follows

	Thousand euros	
	2021	2020
Less than 30 days	2,618	4,646
From 31 to 60 days	3,002	3,008
More than 60 days	3,217	3,630
Total	**8,837**	**11,284**

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

15.- CASH AND CASH EQUIVALENTS

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

The Group's liquidity position at 31 December 2021 is based on the following points:

- The group had cash and cash equivalents amounting to 243,930 thousand euros.
- Available undrawn credit facilities of 267,000 thousand euros (Note 17).

There are no restrictions on how cash may be used. There are 2,424 thousand euros reserved in accordance with a firm commitment with the co-owners of Hoteles Royal (2,057 thousand euros in 2020) for future investments in the hotels.

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

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

16.-EQUITY

16.1 Capital

At 31 December 2021, the share capital of NH Hotel Group, S.A. was represented by 435,745,670 fully subscribed and paid up bearer shares each with a par value of €2 (392,180,243 shares at 31 December 2020). All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

The Company increased its share capital and premium by 106.6 million euros in the 2021 financial year with the offset of loans from the main shareholder and preferential subscription rights for the other shareholders, by virtue of the resolutions of the General Shareholders' Meeting held on 30 June 2021.

According to the most recent notifications received by the Parent Company and the communications submitted to the Spanish National Securities Market Commission (CNMV) prior to the end of each reporting period, the main shareholdings at 31 December were as follows:

	31/12/2021	31/12/2020
Minor International Public Company Limited ("MINT")	94.13%	94.13%

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

16.2 Dividends

In 2021, as mentioned in note 3, and in 2020 the Parent Company did not distribute dividends.

16.3 Parent Company Reserves

Legal reserve

i) The legal reserve is allotted in accordance with article 274 of the Consolidated Text of the Capital Companies Act, which provides that, in all cases, a figure equal to 10% of the profit for the financial year must go into it until it reaches at least 20% of the share capital.

It may not be distributed and, if it is used to offset losses, in the event that there are no other reserves that are sufficient for that purpose, it must be replenished with future profits.

At 31 December 2021 and 2020 the Parent Company had not allotted the minimum limit provided for in the Consolidated Text of the Capital Companies Act to this reserve.

ii) Share premium

This reserve is freely distributable.

16.4 Treasury shares

At 31 December 2021, the Group had 96,246 own shares, compared to 103,947 own shares at 31 December 2020. The reduction in treasury shares over the period can be explained by the following movement:

- On 10 April 2019, the Group signed a liquidity contract to manage its treasury shares with Banco Santander, which entered into force on 11 April 2019. The total number of shares allocated to the securities account associated with the new Liquidity Contract at 31 December 2021 is 96,246 shares and the current amount allocated to the cash account is 333,543 euros. At 31 December 2020, the number of shares assigned to the liquidity contract was 103,947 shares. The negative effect recorded in reserves for operations carried out in 2021 was 700 thousand euros.
- In the 2021 financial year, the second cycle of the second long-term incentive plan was settled (Note 24). Settlement of the second cycle was made with a purchase of 189,962 treasury shares, with this amount matching the total number of shares handed over. The total recorded positive impact of these movements on equity was 759 thousand euros.

16.5 Non controlling interests

The movements under this heading during the financial year are summarised below:

	Thousand euros	
	2021	2020
Opening balance	49,582	57.239
Application of IAS 29	3,280	(1.383)
Comprehensive profit (loss) attributable to non-controlling interests	(2,724)	(5.371)
Dividends paid to non-controlling interests	(166)	(1.179)
Other movements	(974)	276
Closing balance	48,998	49,582

The 2021 “Dividends paid to non-controlling interests” item reflects the dividends of 166 thousand euros paid out by the company NH Lagasca, S.A. Dividends paid out by the following companies were recorded in 2020: NH Marín, S.A. amounting to 1,150 thousand euros and NH Las Palmas, S.A. amounting to 29 thousand euros.

17.- DEBT IN RESPECT OF BOND ISSUES AND BANK BORROWINGS

The balances of the "Bonds and other negotiable securities" and "Debts with credit institutions" items for the financial year were as follows:

	Thousand euros			
	2021		2020	
	Long-term	Short-term	Long-term	Short-term
Guaranteed senior notes	400,000	-	356,850	—
Borrowing costs	—	8,089	—	3,308
Arrangement expenses	(4,980)	(1,286)	(4,885)	(1,751)
Effect of renegotiation of debt IFRS 9	-	-	(2,903)	(1,414)
Debt instruments and other marketable securities	**395,020**	**6,803**	**349,062**	**143**
Guaranteed syndicated credit line	-	-	236,000	—
Unsecured loans	326,119	5,089	320,742	9,177
Subordinated loans	40,000	-	40,000	—
Mortgages	20,363	3,071	23,854	2,398
Credit lines	5,000	12,000	5,000	12,000
Arrangement expenses	(5,108)	(1,356)	(2,585)	(1,696)
Effect of renegotiation of debt IFRS 9	3,569	1,047	—	—
Borrowing costs	-	1,430	—	4,048
Bank borrowings	**389,943**	**21,281**	**623,011**	**25,927**
Total	**784,963**	**28,084**	**972,073**	**26,070**

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

For the purpose of strengthening the Group's capital structure and liquidity, the following financing measures were entered into during 2021:

- April 2021 the extension for an additional period of 3 years was formalised for the syndicated loan of 250,000 thousand euros with a partial guarantee from the Instituto de Crédito Oficial (ICO), taking its original expiry date of 2023 to 2026. Furthermore, the waiver on compliance with financial covenants was extended for the whole of 2022.

- In May 2021, the Parent Company received a loan convertible into shares of 100,000 thousand euros from its majority shareholder, Minor International, which was capitalised with a capital increase for all the shareholders in September 2021 (Note 16).

- In June 2021, the renegotiation of the syndicated credit facility (RCF) was formalised, increasing its total from 236,000 thousand euros to 242,000 thousand euros and extending its expiry from 2023 to 2026. Furthermore, the waiver on compliance with financial covenants was extended for the whole of 2022.

- In June 2021, the Parent Company placed a senior bonds issue on the market, guaranteed for a total of 400,000 thousand euros maturing in 2026, the funds from which were mainly used to repay senior bonds guaranteed for a total of 356,850 thousand euros maturing in 2023.

These transactions have strengthened capital structure and liquidity, giving the company a stable financial position, without significant maturities until 2026, to address the recovery of its activity.

Secured senior bonds maturing in 2026

On 14 June 2021 the Parent Company offered guaranteed senior bonds, which mature in 2026, at the nominal value of 400,000 thousand euros. The nominal annual interest rate for the issue is 4% and the arrangement expenses the issue of the bond was 6,896 thousand euros.

After the issue was paid up and closed on 28 June, using the funds received from the issue, the Parent Company paid off the total guaranteed senior notes (the "Bonds") in the amount of 356,850 thousand euros maturing in 2023 early, with a payment of 100.938% of the nominal value of the Bonds subject to repayment.

The outstanding nominal amount at 31 December 2021 was 400,000 thousand euros.

Secured credit line

On 22 September 2016, the Parent Company and NH Finance, S.A. entered into a revolving business credit with credit institutions amounting to 250,000 thousand euros ("syndicated credit line") with a maturity of three years, extendable to five years at the time of the refinancing of the guaranteed senior notes maturing in 2019. As a consequence of the refinancing of the guaranteed senior notes maturing in 2019, which took place in 2017, the maturity date of said financing was extended to 29 September 2021.

On 16 October 2020, the Parent Company and NH Finance, S.A. agreed the extension of the maturity of the finance to 29 March 2023, with a limit of 236,000 thousand euros.

On 29 June 2021, the Parent Company and NH Finance, S.A. agreed an additional extension of the maturity of the finance to 31 March 2026, with a limit of 242,000 thousand euros.

On 8 July 2021 the amount drawn down from this syndicated credit facility was reduced from 236,000 thousand euros to 36,000 thousand euros. On 8 December 2021, the amount of 36,000 thousand euros drawn down was completely cut.

At 31 December 2021, the entire 242,000 thousand euros of this financing were available.

Subordinate loan convertible into shares

On 24 May 2021, the Parent Company received a loan convertible into shares of 100,000 thousand euros from its majority shareholder, Minor International, which was capitalised with a capital increase for all the shareholders in September 2021 (Note 16.1).

Unsecured loans

Syndicated ICO backed loan maturing in 2026

On 29 April 2020, the Group entered into a loan for 250,000 thousand euros over 3 years, with no repayments until maturity.

The contract, within the legal framework established by the Spanish government to mitigate the economic impact of COVID-19, received a guarantee granted by the Spanish state.

On 29 April 2021, on the basis of Royal Decree Law 34/2020 approved in November 2020, the Parent Company agreed the extension of this financing with the loan institutions until 2026, with no partial repayments until maturity.

At 31 December 2021, this financing was available in full.

Other non-guaranteed loans

In addition to the ICO backed syndicated loan for 250,000 thousand euros, as a result of the crisis caused by COVID-19, throughout 2020 the Parent Company and its subsidiaries took advantage of government aid in the various countries to take out several loans. Throughout 2021 extensions to their terms were agreed, with the grant of a guarantee from the Spanish State:

- In May 2020, the Parent Company signed a bilateral loan for 10,000 thousand euros over two years, within the legal framework established by the Spanish state to mitigate the economic impact of COVID-19 and thus receiving the ICO guarantee. In May 2021, on the basis of Royal Decree Law 34/2020, the Parent Company agreed the extension of the maturity of this loan for a further 3 years, with a new maturity date of May 2025.
- In July 2020, the Parent Company signed a bilateral loan for 7,500 thousand euros over three years, within the legal framework established by the Spanish state to mitigate the economic impact of COVID-19 and thus receiving the ICO guarantee. In April 2021, on the basis of Royal Decree Law 34/2020, the Parent Company agreed the extension of the maturity of this loan for a further 3 years, with a new maturity date of July 2026.
- In October 2020 the Italian subsidiary NH Italia Spa signed a bilateral loan for 15,000 thousand euros over 6 years, within the legal framework provided by the Italian state to mitigate the economic impact of COVID-19 and, in this way, receiving the State guarantee (SEPE).
- Furthermore, various bilateral loans were signed between June and September 2020 in different regions (Portugal, Argentina and Chile) to mitigate the economic impact of the pandemic. At 31 December 2021 the total amount drawn down from these loans was 3,199 thousand euros.

Subsidiaries of the Parent Company have other unsecured bilateral loans, including a loan from the American subsidiary of 50,000 thousand dollars (44,146 thousand euros at December 2021) signed in 2018, fully drawn down at 31 December 2021 and maturing in July 2023. These funds were used to finance the New York hotel's capex. The remaining bilateral loans are distributed amongst the companies in Colombia and, at 31 December 2021, the amount drawn down was 1,363 thousand euros.

Subordinated loan

A loan amounting to 40,000 thousand euros fully drawn at 31 December 2021 and with a single maturity and repayment in 2037, are included in this item. The interest rate on this loan is the 3-month Euribor plus a spread.

Mortgages

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

	Mortgaged asset	Fixed rate	Variable interest	Total	Net book value of the mortgaged asset
Spain	Wilan Ander	3,714	-	3,714	4,668
	Wilan Huel	2,661	-	2,661	4,985
	NH Palacio de la Merced	-	2,620	2,620	15,243
Total Spain		**6,375**	**2,620**	**8,995**	**24,896**
Chile	NH Plaza de Santiago	14,439	-	14,439	14,346
Total Other		**14,439**	**-**	**14,439**	**14,346**
Total		**20,814**	**2,620**	**23,434**	**39,242**

Bilateral credit lines

At 31 December 2021, the balances under this item include the amount drawn down from credit facilities. The joint limit of these loan agreements and credit facilities at 31 December 2021 amounted to 42,000 thousand euros, of which 17,000 thousand euros had been drawn down at that date.

Obligations required in the senior notes contracts maturing in 2026, the syndicated credit line and the syndicated loan with ICO guarantee maturing in 2026

The senior notes maturing in 2026, the syndicated credit line maturing in 2026 and the syndicated loan guaranteed by ICO maturing in 2026 require the fulfilment of a series of obligations and limitations of essentially homogeneous content as regards the assumption of additional borrowing or provision of guarantees in favour of third parties, the granting of real guarantees on assets, the sale of assets, investments that are permitted, restricted payments (including the distribution of dividends to shareholders), transactions between related parties, corporate transactions and disclosure obligations. These obligations are detailed in the issue prospectus for the aforementioned notes, as well as in the credit agreement of the syndicated credit line.

The syndicated credit line and the syndicated loan with the ICO guarantee require compliance with financial ratios (financial covenants); in particular, (i) an interest coverage ratio of > 2.00x, (ii) a net indebtedness ratio of < 5.50x.

Furthermore, the senior notes maturing in 2026 and the syndicated credit line require fulfilment of a Loan to Value ("LTV") ratio that depends on NH's net debt level at any time as shown below:

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

The maximum permitted LTV at 31 December 2021 is 70%.

At 31 December 2021, the Parent Company has a waiver on compliance with the financial covenants for the syndicated credit line and the syndicated loan with the ICO guarantee for the whole of 2022.

Package of guaranteed senior bonds maturing in 2026 and syndicated credit line maturing in 2026

The guaranteed senior notes maturing in 2026 and syndicated credit line maturing in 2026 share the following guarantees: (i) pledge of shares: 100% of the share capital of (A) Diegem, (B) Immo Hotel Brugge NV, (C) Immo Hotel Diegem NV, (D) Immo Hotel Mechelen NV, (E) Immo Hotel Stephanie NV, (F) Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V. and (G) NH Italia, S.p.A.; (ii) first-tier mortgage guarantee on the following hotels located in the Netherlands: NH Conference Centre Koningshof owned by Koningshof, B.V.; NH Conference Centre Leeuwenhorst owned by Leeuwenhorst Congres Center, B.V.; NH Zoetermeer owned by Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.; NH Conference Centre SparreNHorst owned by SparreNHorst, B.V.; NH Capelle owed by Onroerend Goed Beheer Maatschappij Capelle aan den IJssel, B.V.; y NH Naarden owned by Onroerend Goed Beheer Maatschappij IJsselmeerweg Naarden, B.V. and the joint guarantee on first demand of the main operating companies in the group wholly owned by the Parent Company.

The net book value of the assets granted as mortgage security against the syndicated credit line (242,000 thousand euros fully drawn down at 31 December 2021) and guaranteed senior notes in the amount of 400,000 thousand euros, maturing in 2026, can be broken down as follows (in thousands of euros):

	Mortgaged asset	Net book value of the mortgaged asset
	NH Conference Centre Leeuwenhorst	55,871
	NH Conference Centre Koningshof	39,473
	NH Conference Centre Sparrenhorst	6,286
	NH Zoetermeer	7,189
	NH Naarden	3,854
	NH Capelle	6,082
Total		**118,755**
Net value of assets assigned as mortgage collateral		118,755
Value of guaranteed debt		**400,000**
Fixed interest		400,000
Variable interest		-

Limitation on the distribution of Dividends

The guaranteed "senior" bonds maturing in 2026, the syndicated revolving credit line maturing in 2026 and the ICO backed syndicated loan and bilateral loan maturing in 2026 described above contain clauses limiting the distribution of dividends.

In the case of the senior bonds maturing in 2026, in general, distribution of dividends is allowed as long as (a) there is no current non-compliance and one is not produced as a result of the distribution; (b) the interest coverage ratio pro forma taking into account the planned distribution would be > 2,0x; and (c) the total restricted payments (including, amongst others, certain restricted investments, early repayments of subordinated debt, share buy-backs, payments in cash for subordinated debt to controlling shareholders, or persons associated with them, and other forms of remuneration to shareholders in their position as such) made from the offer date (14 June 2021) must be lower than the total of, amongst other entries, (i) 50% of NH Group's consolidated net income from the first day of the full quarter immediately prior to the offer date up to the date of the full quarter nearest to the distribution date for which the quarterly accounts are available, although when calculating the net income, 100% of the consolidated net losses for that period must be deducted, with the exception of losses prior to 31 March 2022 (this is what is known as the "CNI builder basket"), and (ii) 100% of the net contributions to NH Group's capital since the offer date.

Additionally, as an alternative and without having to be in compliance with the previous condition, NH Group may distribute dividends and make other restricted payments without any limit on the amount as long as the leverage ratio (gross debt/EBITDA) pro forma taking into account the intended restricted payment should not be higher than 4.5x.

Finally, and also alternatively and without having to be concurrent with the previous ones, the notes maturing in 2026 establish a franchise to be able to make restricted payments (including dividends) without needing to comply with any specific requirement, for a total aggregate amount of 25,000,000 euros from the issue date.

In the case of the syndicated credit line, the distribution of dividends or other forms of remuneration to shareholders are not allowed while the waiver on complying with financial ratios (financial covenants) is in still in force. Once the waiver ceases to be in force, according to the syndicated credit line, the distribution of a percentage of the NH Group's consolidated net profit from the previous year is allowed, provided that there has been no breach of the relevant financing agreement and the net financial debt (through the dividend payment or other type of distribution)/EBITDA ratio is less than 4.0x. The amount that may be distributed depends on the net financial debt/EBITDA ratio (pro forma taking into account the dividend payment or other type of distribution) in accordance with the following breakdown:

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

All these metrics are calculated using consolidated data.

At 31 December 2021, the requirements for the distribution of dividends that year were not met.

Detail of current and non-current debts

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

At 31/12/2021 Figures in millions of Euros	Limit	Available	Disposed	Maturity timetable					
				Year 1	Year 2	Year 3	Year 4	Year 5	Remainder
Mortgages	23,434	—	23,434	3,070	2,007	5,919	1,237	767	10,434
Fixed rate	20,814	—	20,814	2,469	1,396	5,299	608	608	10,434
Variable interest	2,620	—	2,620	601	611	620	629	159	—
Subordinated loans	40,000	—	40,000	—	—	—	—	—	40,000
Variable interest	40,000	—	40,000	—	—	—	—	—	40,000
Guaranteed senior notes	400,000	—	400,000	—	—	—	—	400,000	—
Fixed rate	400,000	—	400,000	—	—	—	—	400,000	—
Unsecured loans	331,208	—	331,208	5,090	54,391	9,712	7,855	254,160	—
Fixed rate	8,112	—	8,112	1,057	2,151	1,872	1,905	1,127	—
Variable interest	323,096	—	323,096	4,033	52,240	7,840	5,950	253,033	—
Secured credit line	242,000	242,000	—	—	—	—	—	—	—
Variable interest	242,000	242,000	—	—	—	—	—	—	—
Credit lines	42,000	25,000	17,000	12,000	3,000	—	2,000	—	—
Variable interest	42,000	25,000	17,000	12,000	3,000	—	2,000	—	—
Borrowing at 31/12/2021	**1,078,642**	**267,000**	**811,642**	**20,160**	**59,398**	**15,631**	**11,092**	**654,927**	**50,434**
Arrangement expenses	(12,730)	—	(12,730)	(2,642)	(2,744)	(2,861)	(2,974)	(1,212)	(297)
IFRS 9	4,616	—	4,616	1,047	1,059	1,071	1,080	359	—
Borrowing costs	9,519	—	9,519	9,519	—	—	—	—	—
Adjusted total debt 31/12/2021	**1,080,047**	**267,000**	**813,047**	**28,084**	**57,713**	**13,841**	**9,198**	**654,074**	**50,137**
Adjusted total debt 31/12/2020	**1,023,143**	**25,000**	**998,143**	**26,070**	**7,860**	**891,306**	**10,239**	**7,472**	**55,196**

At 31 December 2021, the average cost of the gross drawdown amount of the Group was 3.5%.

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

	Total liabilities	Maturity timetable						
		2021	2022	2023	2024	2025	2026	Reminder
Gross lease payments 31/12/2021	2,728,005	—	250,149	236,321	222,303	206,872	191,944	1,620,416
Gross lease payments 31/12/2020	3,001,150	261,034	248,745	237,466	225,081	209,655	196,174	1,622,995

Net Debt

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

NET DEBT	2021	2020
Cash and cash equivalents	243,930	320,851
Financial debt (Long and short term)	(813,047)	(998,143)
Leasing liabilities (Note 8)	(1,925,353)	(2,059,739)
Net Debt	**(2,494,470)**	**(2,737,031)**
Cash and liquid investments	**243,930**	**320,851**
Gross debt – fixed interest rates	(2,355,153)	(2,448,192)
Gross debt – variable interest rates	(383,247)	(609,690)

18.- TAX NOTE

Tax consolidation scheme

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

NH Hotel Group, S.A. and the companies with tax domicile in Spain in which it held a direct or indirect stake of at least 75% during the 2021 tax period are subject to the tax consolidation scheme governed by Title VII, Chapter VI of Law 27/2014 on Corporate Income Tax.

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

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

NH Hotel Group, S.A.
Latinoamericana de Gestión Hotelera, S.L.
NH Central Reservation Office, S.A.
NH Hoteles España, S.A.
NH Hotel Ciutat De Reus, S.A.
Gran Círculo de Madrid, S.A.
Iberinterbrokers, S.L.
Wilan Ander, S.L.
Palacio de la Merced, S.A.
NH Cash Link, S.L.U.
NH Europa, S.L.
NH Atardecer Caribeño, SA.
Gestora Hotelera del Siglo XXI, S.A.
Nuevos Espacios Hoteleros, S.A.
Coperama Holding, S.L.
Coperama Spain, S.L.
NH Las Palmas, S.A.
NH Lagasca, S.A.
Wilan Huel S.L.

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

In 2021, Spanish companies pay taxes at the general tax rate of 25% irrespective of whether they apply the consolidated or separate taxation schemes. The foreign companies are subject to the prevailing tax rate in the countries where they are domiciled. In addition, taxes are recognised in some countries at the estimated minimum profit on a complementary basis to Corporation Tax.

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

Country	Nominal tax rate
Argentina	25%-35%
Austria	25%
Belgium	25%
Brazil	34%
Chile	27%
Colombia	31%
Czech Rep	19%
Dominican Rep.	27%
Ecuador	25%
France	26.5%
Germany	30%
Hungary	9%
Ireland	12.5%

Country	Nominal tax rate
Italy	24%
Luxembourg	26%
Mexico	30%
Netherlands	26%
Poland	19%
Portugal	21%
Romania	16%
South Africa	28%
Spain	25%
Switzerland	9%
United Kingdom	19%
Uruguay	25%
USA	21%

Financial years subject to tax inspection

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

Tax	Tax loss Carryforwards
Corporation	2017 a 2020
VAT	2018 a 2021
IRPF (personal income tax)	2018 a 2021
Non-resident Income Tax	2018 a 2021

In Germany, an inspection procedure has been opened which is reviewing the amount of negative tax bases still to be offset by the companies. Furthermore, a verification file is open for all the taxes in some of the German companies which covers the 2015 to 2018 financial years.

In Switzerland, during 2021, a Corporation Tax verification file was opened for the 2016 to 2020 financial years.

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

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

Regarding the financial years open to inspection in the rest of the group, contingent liabilities not susceptible to objective quantification may exist, which are not significant in the opinion of the Group's Directors. Moreover, the Company considers that there are no significant uncertain tax positions.

Balances with Public Administrations

he composition of the debit balances with Public Administrations at 31 December is as follows:

	Thousands of euros	
	2021	**2020**
Deferred tax assets		
Tax credits	162,789	132,377
Tax assets due to asset impairment	46,205	41,854
Tax withholdings of workforce	2,647	2,778
Other prepaid taxes	1,346	1,584
IFRS 16	81,018	94,420
Total	**294,005**	**273,013**

	Thousands of euros	
	2021	**2020**
Short-term taxes receivable		
Corporation tax	4,740	13,026
Value Added Tax	27,504	30,977
Other tax receivables	3,528	6,544
Total	**35,772**	**50,547**

The movements of the "Deferred tax assets" heading in the year were as follows:

	Thousands of euros	
	2021	**2020**
Opening balance	**273,013**	**220,040**
Asset impairment	4,350	10,012
Generation of assets due to tax losses	27,006	48,998
Settlements of assets due to tax losses	(1,897)	(605)
Activation of deductions	—	103
Business combinations (Note 6)	—	5,610
IFRS 16 (Note 8)	(13,402)	(1,366)
Others	4,935	(9,779)
Total	**294,005**	**273,013**

All these impacts have had an effect on the Consolidated Profit and Loss Statement except for some non-significant impacts that have resulted in changes to the consolidated statement of changes in equity.

The increase in deferred tax assets is mainly due to the generation of assets due to tax losses. Furthermore, in 2020, under the business combinations heading, a balance of 5,303 thousand euros was reported for tax loss assets of the companies within the NH Group as a result of the Boscolo Hotels business combination. In 2021, this balance was reported as a tax credits asset.

At 31 December 2021, the Group had assets resulting from tax losses and deductions amounting to 162,789 thousand euros (132,377 thousand euros in 2020). Out of the total tax credits, 77,170 thousand euros (79,067 thousand euros in 2020) relate to credits activated in Spain.

In the 2021 financial year, the movement of tax credit assets impacting the consolidated comprehensive profit and loss statement was 25,109 thousand euros. The increase in tax credits was due to the activation of the loss for the financial year, mainly in Holland (12,568 thousand euros), Italy (8,134 thousand euros), Portugal (2,358 thousand euros) and Latin America (2,153 thousand euros). To record these credits, the relevant plans for tax credit recovery were prepared to support their activation. Furthermore, in Spain tax credits of 1,897 thousand euros were derecognised.

At 31 December 2021, the Group had tax loss and non-deductible financial expenses carryforwards worth 204,723 thousand euros (168,533 thousand euros at 31 December 2020) and deductions amounting to 2,823 thousand euros (29,136 thousand euros in 2020) that had not been entered in the accompanying consolidated balance sheet because the Directors considered they did not meet accounting standard requirements. These assets are grouped as follows (rate amount):

	Thousands of euros	
	2021	**2020**
Non-deductible financial expenses in Spain	58,558	51,334
Negative tax bases generated by the Spanish entities before their inclusion in the Spanish consolidation group	25,703	25,703
Spanish consolidation group tax loss carryforwards	33,845	33,582
Tax loss carryforwards generated in Belgium	6,242	2,646
Tax loss carryforwards generated in Luxembourg	10,664	10,746
Tax loss carryforwards generated in Germany	34,697	19,986
Tax loss carryforwards generated in Austria	10,204	8,037
Tax loss carryforwards generated in Switzerland	1,886	—
Tax loss carryforwards generated in Latin America	4,545	3,288
Tax loss carryforwards USA	8,817	8,817
Tax loss carryforwards France	5,058	3,814
Other tax loss carryforwards	4,504	580
Total Credit for tax loss carryforwards and financial expenses	**204,723**	**168,533**
Deductions generated in Spain	2,823	29,136
Total deductions	**2,823**	**29,136**
Total non-activated tax credits	**207,546**	**197,669**

The amount of credit for finance costs, which are not considered deductible in the Spanish corporate income tax when exceeding 30% of the operating revenue of the tax group calculated in accordance with Article 16 of Law 27/2014 of 27 December, on Corporate Income Tax, amounted to 58,558 thousand euros at 31 December 2021 (51,334 thousand euros in 2020). There is no deadline for offsetting non-deductible finance costs.

The change to the credits that were not recorded in the 2021 financial year is mainly due to the increase in credits for non-deductible financial expenses in Spain (7,224 thousand euros) and negative tax bases in Germany, Austria, Switzerland, the Czech Republic and Hungary (20,132 thousand euros), Benelux (3,514 thousand euros), Italy (2,239 thousand euros) and Latin America (1,257 thousand euros) which are, in part, offset by the reduction in deductions in Spain (26,313 thousand euros), mainly produced by the expiry of the term for their application.

The composition of the creditor balances with Public Administrations at 31 December is as follows:

	Thousands of euros	
	2021	**2020**
Deferred tax liabilities		
Revaluation of assets and other valuation differences	186,359	171,519
Total	**186,359**	**171,519**

	Thousands of euros	
	2021	**2020**
Short-term taxes payable		
Corporation tax	1,361	3,517
Value Added Tax	1,538	441
Personal Income Tax	4,544	3,813
Tax on Income from Capital	1,129	1,025
Social Security	7,783	3,756
Others	15,785	10,037
Total	**32,140**	**22,589**

The movements in deferred tax liabilities during the year were as follows:

	Thousands of euros	
	2021	**2020**
Opening balance	**171,519**	**180,082**
IAS 29 Hyperinflationary economies	5,435	(651)
Update rate change in Argentina	9,915	-
Business combinations (Note 6)	-	11,458
Others	(510)	(19,370)
Closing balance	**186,359**	**171,519**

The increase in deferred tax liabilities is mainly due to the update of deferred tax liabilities in Argentina as a result of the tax rate increase (from 25% to 35%) with effect for the 2021 financial year. The total effect for this item was 9.915 thousand euros.

The impacts have had an effect on the Consolidated Profit and Loss Statement except for an amount of 5,354 thousand euros that has resulted in changes to the consolidated statement of changes in equity.

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

	Thousands of euros			
2021	**Tax credits**	**Prepaid Taxes**	**Total Assets**	**Liabilities**
Spain	77,170	32,670	109,840	20,041
Benelux	21,703	27,521	49,224	18,768
Italy	27,337	15,139	42,476	91,855
Germany	22,729	44,027	66,756	3,023
Others	13,850	11,859	25,709	52,672
TOTAL	**162,789**	**131,216**	**294,005**	**186,359**

	Thousands of euros			
2020	**Tax credits**	**Prepaid Taxes**	**Total Assets**	**Liabilities**
Spain	79,067	33,245	112,312	25,509
Benelux	7,343	27,363	34,706	18,253
Italy	14,659	26,374	41,033	85,353
Germany	22,729	42,959	65,688	2,904
Others	8,579	10,695	19,274	39,500
TOTAL	**132,377**	**140,636**	**273,013**	**171,519**

Reconciliation of the accounting result to the tax result

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

	Thousand euros								
	2021						2020		
	Central Services/ Southern Europe and USA	Italy	Benelux	Central Europe	Latin America	Total	Spanish Companies	Other Companies	Total
Consolidated comprehensive profit and loss statements before taxes	(34,586)	7,051	(67,426)	(29,235)	(21,061)	(145,258)	(120,933)	(394,622)	(515,555)
Adjustments to consolidated comprehensive profit and loss:									
Accounting consolidation adjustments	-	-	-	-	-	-	-	-	-
Due to permanent differences	64,374	13,236	60,243	26,473	12,640	176,966	121,151	283,121	404,272
Due to temporary differences	(4,070)	(20,499)	8,503	5,950	10,161	45	(225)	72,988	72,763
Tax base (Taxable profit or loss)	25,718	(212)	1,320	3,188	1,739	31,753	(7)	(38,513)	(38,520)
Current taxes to be refunded / (to pay)	859	271	(845)	(261)	3,355	3,379	7,708	1,801	9,509
Total current tax income / (expense)	(6,376)	51	(340)	(620)	(486)	(7,771)	2	9,352	9,354
Total deferred tax income / (expense)	6,750	(6,186)	14,202	459	2,034	17,259	591	65,722	66,313
Total other income / (expense)	(89)	—	87	(104)	(55)	(161)	(357)	(156)	(513)
Total Corporation Tax income / (expense)	**285**	**(6,135)**	**13,949**	**(265)**	**1,493**	**9,327**	**236**	**74,918**	**75,154**

Deductions generated by the consolidated tax group of the Parent Company

At 31 December 2021, the Tax Group held the following tax credits carryforward (thousand euros):

Year of origin	Deduction pending application	Amount
2007 to 2011	Deduction to encourage certain activities	867
2014 to 2020	IT Deduction	1.585
2019 and 2020	Investment deduction in the Canary Islands	631
2013 to 2014	Other	925
		4.008

19.- OTHER NON-CURRENT LIABILITIES

The breakdown of the "Other non-current liabilities" item in the accompanying consolidated balance sheets is as follows:

	Thousand euros	
	2021	2020
At amortised cost:		
Capital subsidies	1,689	2,151
Investment acquisition liability	3,150	3,150
Other liabilities	16,521	5,300
Total	**21,360**	**10,601**

"Other liabilities" includes the deferral of various long-term commitments to public authorities for 10,915 thousand euros.

20.- PROVISIONS

The breakdown of "Provisions" for the financial year, together with the main movements recognised were as follows:

	Thousand euros					
	Balance at 01.01.2021	Additions	Applications/ Reversals	Business combinations (Note 6)	Transfers and other changes	Balance at 31.12.2021
Provision for risk and non-current expenses:						
Provision for pensions and similar obligations	29,224	2,907	(4,327)	-	228	28,032
Other claims	18,031	1,374	(3,376)	-	-	16,029
	47,255	**4,281**	**(7,703)**	**-**	**228**	**44,061**
Provision for risk and current expenses:						
Other Provisions	6,277	3,781	(6,207)	(148)	(228)	3,475
	6,277	**3,781**	**(6,207)**	**(148)**	**(228)**	**3,475**
Total	**53,532**	**8,062**	**(13,910)**	**(148)**	**-**	**47,536**

	Thousand euros				
	Balance at 01.01.2020	Additions	Applications/ Reversals	Business combinations (Note 6)	Balance at 31.12.2020
Provision for risk and non-current expenses:					
Provision for pensions and similar obligations	28,919	1,014	(709)	—	29,224
Other claims	19,322	1,623	(2,914)	—	18,031
	48,241	**2,637**	**(3,623)**	**—**	**47,255**
Provision for risk and current expenses:					
Other Provisions	5,021	1,395	(4,849)	4,710	6,277
	5,021	**1,395**	**(4,849)**	**4,710**	**6,277**
Total	**53,262**	**4,032**	**(8,472)**	**4,710**	**53,532**

Provision for pensions and similar obligations

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

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

At the end of 2021, the liabilities entered against this item were of 28,032 thousand euros (29,224 thousand euros at 31 December 2020).

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

	2021		2020	
	Netherlands	Italy	Netherlands	Italy
Discount rates	1.0%	0.0% -0.2471%	0.60%	0.0%-0.0736%
Expected annual rate of salary rise	0.50%	2.0%	0.50%	1.90%
Expected return from assets allocated to the plan	0.18%	1.6%	0.23%	1.6%

	2021	2020
	Spain	Spain
Discount rates	0.39%- 0.76%	0.32%- 0.57%
Expected annual rate of salary rise	1.2%	1.2%

Other claims

The "Other claims" item includes provisions for disputes and risks that the Group considers likely to occur. Among the most significant are the provisions created on the basis of the action brought in the proceedings claiming breach of contract in a property development, as well as other claims received in relation to the termination of certain leases where certain amounts are claimed (Note 23).

21.- TRADE AND OTHER PAYABLES

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

	Thousands of euros	
	2021	**2020**
Trade and other payables	230,640	164,564
Advance payments from customers	26,036	23,929
Total	**256,676**	**188,493**

The heading "Commercial Creditors and Other Accounts Payable" covers the accounts payable derived from commercial activity typical of the Group. This heading includes 37,460 thousand euros (27,989 thousand euros at 31 December 2020) coming from creditors for confirming transactions.

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

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

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

	2021	**2020**
	Days	
Average period for payment to suppliers	**96**	**82**
Ratio of paid transactions	97	82
Ratio of transactions pending payment	80	96
	Amount (thousands of euros)	
Total payments made	271,179	194,915
Total payments pending	20,018	10,226

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

The average period for payment to suppliers has been calculated using the weighted average of the two ratios explained below:

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

The maximum period for payment to suppliers of the Company has been higher than the legal period stablished of 60 days due to the impact of COVID-19 pandemic on hotel demand. This situation is remediable as long as several measures are taken focused on temporary resizing of existing resources, such as renegotiation of rent contracts and other different actions focused on minimizing COVID-19 impacts, which jointly with the progressive recovery of hotel activity will contribute to meet the stablished legal ratio.

22.- OTHER CURRENT LIABILITIES

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

	Thousand euros	
	2021	2020
Outstanding remuneration	28,695	19,175
Other creditors	11,681	5,920
Total	40,376	25,095

Outstanding remuneration mainly includes the accrual of fixed and variable salaries which are unpaid, as well as provisions for holidays not taken.

23.- THIRD-PARTY GUARANTEES AND CLAIMS IN PROCESS

At 31 December 2021, the Group had a total of 44,715 thousand euros in economic or financial bank guarantees issued by various banks (34,052 thousand euros in 2020).

The increase in balance for bank bonds at 31 December 2021, compared to the balance at 31 December 2020, is mainly due to the issue of a bond as a rent guarantee for a new hotel in Denmark and those issued in favour of Social Security for the deferral of social security payments by several group companies applied for at the beginning of 2021.

Of the 44,715 thousand euros in bank guarantees, 38,300 thousand euros guarantee leasing contract obligations and others related to the Group's usual operations in various countries, and 6,415 thousand euros issued in relation to public bodies.

At 31 December 2021, the Group had taken out insurance policies to cover risks arising from damage to material goods, loss of profits and third-party liability. The capital insured sufficiently covers the assets and risks mentioned above.

Commitments to third parties

- On 10 March 2006, the partnership agreement of the company which owns a hotel in the United Kingdom was signed, of which a group company is a shareholder, under which, if the company were to receive a purchase offer for 100% of its shares at market price, the Group company could be required to transfer the shares. However, the group company will have preferential acquisition rights over the shares. At the close of the financial year, the group company had granted its shareholder an option to purchase shares representing up to 8.36 % of the company capital of the company owning the hotel.

- Within the framework of new development projects in the normal course of business, in which Grupo NH subsidiaries act as lessees or operators, the Group's parent company gives personal guarantees in favour of third parties to secure its contractual obligations, often issue promissory notes in payment of said obligations and agrees penalty clauses in case of breach of contract.

- Likewise, within the framework of the group's financing, personal and real guarantees have been granted to fulfil the obligations guaranteed under the financing agreements (Note 17).

Claims in process

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

- The owner of four properties in the Netherlands has claimed in court the payment of compensation to a Dutch subsidiary because there was allegedly a change of the control situation in the year 2014, which supposedly entitles him to claim a fine, according to the lease. The claim filed by the owner, both in the first instance and on appeal, was dismissed in full. The same owner has instituted fresh court proceedings alleging a change of control situation in 2018, with an agreement being reached between the parties to put an end to the claim.

- A claim has been filed against a Group company in Germany due to the termination of two lease agreements and claiming specific amounts, including damages.

- A claim has been filed against a Group company in Italy due to the early termination of a lease agreement; the ruling was favourable to the company's interests in the appeal, although it is in judicial review currently in progress.

- A Group company in Italy has been sued for damages under a service provision contract, with the claim being dismissed in the first instance. It is currently at the appeal stage.

- A Group company in South Africa has been sued for damages as a result of the termination of a lease agreement.

- A claim has been filed against two of the Group's companies seeking payment fees to rights management from 1 January 2008 to 31 May 2013, in addition to an unspecified amount corresponding to the period thereafter until a judgment is issued, plus interest and costs. The procedure from both first instance and appeal has been resolved by setting an amount lower than the one claimed, however, a judicial review has been filed, which is pending a hearing.

- A claim has been filed against a Group company claiming payment in relation to the payment of a management entity's fees for the years 2018, 2019, et seq, which is currently being processed.

- A claim has been filed against a Group company for damages within the framework of a corporate relationship, which has been partially admitted. It is currently at the appeal stage.

- Claims have been submitted in claim for payment, within the framework of the various rent renegotiation processes the Company is in. These are currently being processed.

- On the occasion of the agreements reached in 2014 for the sale of the shares held by NH Hotel Group, S.A in the company Sotogrande, S.A., the Group agreed to subrogate to the position of Sotogrande, S.A. for certain claims assuming all rights and obligations relating thereto, and are summarised as follows:
  • Plaintiff in the proceedings against construction agents for construction defects in twenty-five homes and contractual liability.
  • Respondent in the process of claiming amounts from a real estate development due to construction defects.

- A former shareholder of the Group has requested the annulment of certain resolutions adopted by the Board of Directors, and the proceedings are currently in progress.

- As part of the contractual liability assumed by the Group in a hotel purchase contract in Holland, the buyers informed the Group of the requirement to pay the Dutch Capital Transfer Tax. At 31 December 2021, the total amount of this tax, plus the corresponding default interest, was 12,654 thousand euros. The purchasers submitted an appeal to the Dutch Treasury that was rejected and an appeal has been filed with the Courts that is still pending resolution. The Group and the purchasers reached an agreement whereby NH assumed control of the judicial procedure. In March 2021, a judgment issued by the Court of First Instance was received rejecting the Group's claim, with which the Group does not agree, so a new appeal will be filed before the second judicial instance on 14 June 2021.

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

24.- LONG-TERM INCENTIVE PLAN

On 29 June 2017, the Company's General Shareholders Meeting approved a long-term share-based incentive plan ("the plan") for the Group's executives and employees. The Plan was approved retroactively from 1 January 2017, it will have a total duration of five years, divided into three – independent of each other – three-year cycles.

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

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

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

The Plan targeted approximately 100 beneficiaries.

The current cycles at 31 December 2021 are:

	No. of Shares Assigned at the start of each cycle	No. of live shares at 31.12.2021 (Thousands)	Value of the allocation (Euros)
The first cycle began on 1/1/2017 (delivery in 2020 (concluded))	720.87	-	3.80
The second cycle began on 01/01/2018 (delivery in 2021 (concluded))	517.96	-	5.96
The third cycle began on 01/01/2019 (delivery in 2022 (in force))	879.25	711.35	3.96

The difference between the total shares assigned at the beginning of each cycle and the live shares at 31 December 2021 correspond to beneficiaries who left between the launch up to the final third cycle (31 December 2021).

The second cycle (2018-2020) of the second long-term incentive plan was settled in the first half of 2021 with the delivery of 189,962 net shares at a fair value per unit of 4.28 euros. The settlement of this Plan was made net of taxes.

At the date of publication of this report, all the cycles – in force or ended – had been approved by the Board of Directors.

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

The effect of these items on the consolidated comprehensive profit and loss statement for 2021 was 958 thousand euros (no impact was recorded in 2020).

25.- INCOME AND EXPENSES

25.1 Income

The breakdown of these headings in the consolidated comprehensive income statements is as follows:

	Thousands of euros	
	2021	2020
Hotel occupancy	522,778	348,180
Catering	146,680	111,175
Meeting rooms and others	52,169	47,088
Rentals and other services	24,857	29,707
Revenues	**746,484**	**536,150**
Operating subsidies	82,690	36
Other operating income	4,250	7,816
Other operating income	86,940	7,852
Net gain (loss) on disposal of assets	**65,108**	**(475)**

Aid received of 82.7 million euros has been recorded under the Operating subsidies line, which mainly relates to subsidies received from the German government to offset the drop in sales caused by COVID-19. Out these subsidies, 39,020 thousand euros recorded under the "Other non-trade debtors" are currently pending receipt.

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

The breakdown of net turnover by geographical markets is as follows:

	Thousands of euros	
	2021	2020
Italy	159,542	133,743
Southern Europe and USA	263,988	117,343
Central Europe	148,584	114,695
Benelux	128,777	83,111
Latin America	45,532	57,330
Central Services	61	29,928
Total	**746,484**	**536,150**

25.2 Financial income

The breakdown of the amount of financial income is:

	Thousands of euros	
	2021	2020
Interest income	854	951
Other financial income	2,557	765
Total	**3,411**	**1,716**

Interest income corresponds to loans valued at amortised cost.

25.3 Personnel expenses

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

	Thousands of euros	
	2021	2020
Wages, salaries and similar	191,794	188,430
Social security contributions	48,802	54,986
Severance payments	9,941	7,521
Contributions to pension plans and similar	10,188	10,342
Other social expenses	7,889	6,895
Total	268,614	268,174

The saving recorded in 2021, as a result of the subsidies or allowances received from Governments to offset the restrictive measures taken, was 42,302 thousand euros in wages and salaries and 26,849 thousand euros in social security contributions (36,932 and 15,795 thousand euros in 2020, respectively)..

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

	2021	2020
Group's general management	8	8
Managers and heads of department	1,433	1,483
Technical staff	880	988
Sales representatives	631	816
Administrative staff	144	180
Rest of workforce	6,976	7,637
Total	10,072	11,112

In calculating the average number of employees, the Group has not taken into account employees whose contracts have a duration of less than two days. The decrease in the average number of people employed can be explained by the contingency plans that the Group put in place to alleviate the fall in business due to Covid-19. Mainly these consisted of temporary layoffs, due to force majeure or productive reasons, and voluntary reductions in working days and wages. The collective redundancy process announced in February has been carried out in central services and the business unit in Spain as part of a global plan in compliance with local legislation.

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

	31/12/2021		31/12/2020	
	Males	Females	Males	Females
Group's general management	7	1	7	1
Managers and heads of department	807	612	801	609
Technical staff	456	410	482	466
Sales representatives	169	438	202	526
Administrative staff	48	79	62	104
Rest of workforce	3,552	3,630	3,374	3,498
Total	5,039	5,170	4,928	5,204

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

	2021	2020
Managers and heads of department	-	2
Technical staff	9	9
Sales representatives	2	2
Administrative staff	10	10
Rest of workforce	64	66
Total	85	89

The average age of the Group's workforce was approximately 41.1 and average seniority in the Group was 10.5 years (39.7 years and 9.4 years respectively in 2020).

25.4 Other operating expenses

The composition of this consolidated comprehensive income heading is as follows:

	Thousands of euros	
	2020	2020
Leasing (Note 8)	(16,692)	(31,374)
Outsourcing of services	57,063	42,234
Commissions and bonuses for customers	46,013	27,260
Supplies	48,182	42,856
Maintenance and cleaning	32,586	28,111
Laundry and related costs	19,152	14,840
Costs associated with information technologies	32,410	33,085
Marketing and merchandising	11,055	9,692
Taxes, insurance and levies	27,867	24,439
Advisory services	13,779	11,667
Other external services	47,182	46,671
Total	**318,597**	**249,481**

In 2021, the Group experienced an improvement to the level of activity in its hotel business, which led to an increase in some operational expenses directly related to the level of activity, such as the supplies and laundry service, among others. Also, the increase recorded in revenue per available room explains the increase in associated agency commission expenses. Nevertheless, and in spite of the improvement to business, the Group has, since the start of the pandemic, a contingency plan in place to reduce fixed and variable costs directly related to the level of activity.

On the other hand, during 2021, the Group managed to reach agreements with the vast majority of landlords, which has made it possible to obtain rent concessions to significantly mitigate the impact of the pandemic. In this sense, as a result of applying the IFRS 16 amendment published on 30 August 2021, the Group recorded savings of 28,625 thousand euros relating to rent concessions achieved in the aforementioned negotiations carried out as a result of Covid-19 (Note 2.2). In addition, as a result of the drop in business and renegotiations and write-offs, expenses for variable rents, as well as those which are not subject to IFRS 16, were reduced.

Likewise, as a result of the subsidies or bonuses received by the Governments to offset the losses produced by the fixed income, a saving of 13 million euros was recorded in leases.

During 2021 and 2020, the fees for account auditing and other services provided by the auditor of the Group's consolidated annual accounts and the fees for services invoiced by the entities related to it by control, shared ownership or management, were as follows:

	Thousands of euros	
	2021	2020
Auditing services	548	553
Other verification services	435	214
Total auditing and related services	983	767
Tax consulting services	—	—
Other services	61	243
Total other services	61	243
Total professional services	**1,044**	**1,010**

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

	Thousands of euros	
	2019	**2020**
Auditing services	1,244	1,170
Other verification services	209	215
Total auditing and related services	1,453	1,385
Tax consulting services	254	289
Other services	312	53
Total other services	566	342
Total	**2,019**	**1,727**

During 2021, other auditing firms apart from the auditor of the consolidated annual accounts or entities associated with this company by control, shared ownership or management, have provided account auditing services to the companies making up the Group, for fees totalling 99 thousand euros (46 thousand euros in 2020). The fees accrued in 2021 by these firms for tax advice services were 468 thousand euros (366 thousand euros in 2020) and for other services, 242 thousand euros (54 thousand euros in 2020).

25.5 Financial costs

The breakdown of this chapter in the consolidated comprehensive income statement is as follows:

	Thousands of euros	
	2021	**2020**
Expenses for interest	39,530	28,021
Financial expenses for means of payment	7,928	6,459
Financial effect relating to restatement of provisions and other financial liabilities	9,633	1,271
Amortisation of debt arrangement expenses	12,233	5,688
Other Financial expenses	**69,324**	**41,439**
Interest on leases (Note 8)	**83,048**	**94,106**
Financial Expenses	**152,372**	**135,545**

The increase in the "Financial effect relating to restatement of provisions and other financial liabilities" line is explained by recognition at fair value of the extension, for an additional three-years period, of the syndicated loan for 250,000 thousand euros with a partial guarantee from the Official Credit Institution (ICO) and the settlement of the senior bonds guaranteed for a total of 356,850 thousand euros maturing in 2023.

Furthermore, the increase in the "Amortisation of debt arrangement expenses" line is due to early amortisation of the debt arrangement expenses associated with the financial liabilities cancelled during the 2021 financial year (Note 17).

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

25.6 Results from exposure to hyperinflation

This heading includes the net effect recognised in the consolidated comprehensive profit and loss statement arising from the application of accounting standards to the financial statements of Argentine subsidiaries from the date of first application since 2018 (Note 2.6.4).

26.- RELATED PARTY TRANSACTIONS

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

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

	Thousands of euros		
	2021		
Income and Expenses	Significant shareholders	Associates or companies of the Group	Total
Expenses:			
Financial Expenses	1,838	-	1,838
Reception of services	959	-	959
Other expenses	1,225	-	1,225
Total	**4,022**	**-**	**4,022**
Income:			
Financial income	-	351	351
Management or cooperation agreements	1,480	877	2,357
Other income	744	-	744
Total	**2,224**	**1,228**	**3,452**

	Thousands of euros		
	2020		
Income and Expenses	Major Shareholders	Associates or companies of the Group	Total
Expenses:			
Reception of services	832	-	832
Other expenses	1,528	-	1,528
Total	**2,360**	**-**	**2,360**
Income:			
Financial income	-	346	346
Management or cooperation agreements	666	516	1,182
Other income	578	22	600
Total	**1,244**	**884**	**2,128**

The heading "Management or cooperation agreements" referring to major shareholders includes the amounts that have accrued in the form of management fees payable to Grupo NH in the financial year by virtue of the hotel management agreement signed with Grupo Minor.

Related party balances

	Thousands of euros	
	31/12/2021	31/12/2020
Accounts receivable from related entities	1,185	955
Accounts receivable from associated companies (long term) (Note 13)	148	140
Accounts receivable from associated companies (short term)	418	841
Loans to associates	10,543	10,114
Provision for impairment	(9,502)	(9,502)
Total Assets	**2,792**	**2,548**

	Thousands of euros	
	31/12/2021	31/12/2020
Accounts payable from related entities	(824)	(613)
Accounts payable from associated companies	(9)	—
Total Liabilities	**(833)**	**(613)**

At 31 December 2021, the NH Hotel Group has a net balance pending collection of 361 thousand euros with the Minor Group (1,185 thousand euros recorded as an account receivable and 824 thousand euros as accounts payable).

27.- INFORMATION BY SEGMENTS

27.1 Information on main segments

In order to improve and simplify business processes during 2021, the Group revised its organisational structure, causing a change in the organisation of segments and, therefore, eliminating the Property segment as it was not significant., In this way, operational segments are not aggregated as reporting segments.

The Management Committee is the body responsible for making decisions on the Group's segments. The Management Committee monitors operational results on the basis of three geographical regions in order to make decisions on the allotment of resources and performance assessments. Each one of the geographical regions is led by its own Managing Director, who reports to the Management Committee.

The way of managing the three geographical regions coming under corporate services, defines the Group's geographical segments:

- BUSE (Southern Europe): includes Italy, Spain, Portugal, France, Andorra, Tunisia and the USA. Within the segment, the information used for Management to manage it is presented separating Italy form the other countries.
- BUNE: within the segment, management information is grouped between Central Europe (which includes: Germany, Austria, Czech Republic, Hungary, Poland, Romania, Slovakia and Switzerland) and Benelux (which includes: Holland, Belgium, Luxembourg, Ireland and the United Kingdom).
- BUAM (Latin America, which includes: Argentina, Brazil, Chile, Colombia, Cuba, Ecuador, Haiti, Mexico and Uruguay).

The following table shows the breakdown of certain balances on the Group's consolidated income statement.

	Thousands of euros (2021)						
	Italy	Southern Europe	Central Europe	Benelux	Latin America	Corporate Services	Total
Revenues	159,542	263,988	148,584	128,777	45,532	61	746,484
Other operating income	532	1,282	79,402	4,069	122	1,533	86,940
Depreciation	(48,142)	(79,230)	(79,697)	(44,700)	(10,719)	(17,739)	(280,227)
Net profit (loss) for asset deterioration	23,367	2,070	(11,730)	(7,603)	(3,973)	—	2,131
Financial Income	35	62	335	134	308	2,537	3,411
Financial Expenses	(19,097)	(27,659)	(39,279)	(23,462)	(6,100)	(36,774)	(152,371)
Results from exposure to hyperinflation (IAS 29)	—	—	—	—	3,151	—	3,151
Profit (Loss) from entities valued through the equity method	—	—	—	—	(1,025)	(422)	(1,447)
Corporation tax	(6,135)	9,963	(265)	13,949	1,493	(9,678)	9,327

	Thousands of euros (2020)						
	Italy	Southern Europe	Central Europe	Benelux	Latin America	Corporate Services	Total
Revenues	83,111	158,320	142,184	122,458	29,927	150	536,150
Other operating income	673	1,999	429	2,795	132	1,824	7,852
Depreciation	(53,111)	(83,879)	(84,746)	(50,434)	(10,317)	(19,990)	(302,477)
Net profit (loss) for asset deterioration	(47,370)	(4,257)	(20,531)	(3,180)	(972)	52	(76,258)
Financial Income	30	6	273	84	429	893	1,715
Financial Expenses	(19,737)	(27,702)	(37,452)	(31,476)	(5,137)	(14,040)	(135,544)
Results from exposure to hyperinflation (IAS 29)	-	-	-	-	796	-	796
Profit (Loss) from entities valued through the equity method	-	-	-	-	(542)	(6,926)	(7,468)
Corporation tax	29,115	4,016	22,647	17,461	3,402	(1,487)	75,154
Profit (loss) for the year from discontinued operations net of tax	-	-	-	(66)	-	-	(66)

2021	Thousand euros						
	31.12.2021						
	Total	Italy	Southern Europe	Central Europe	Benelux	Latin America	Corporate Services
OTHER INFORMATION							
Inclusions of tangible fixed assets and other intangibles	42,409	5,806	2,010	8,209	18,132	2,226	6,026
Depreciation	(280,227)	(48,142)	(79,230)	(79,697)	(44,700)	(10,719)	(17,739)
Net profit (loss) for asset deterioration	2,131	23,367	2,070	(11,730)	(7,603)	(3,973)	-
BALANCE SHEET							
ASSETS							
Assets by segments	4,064,391	710,942	793,029	1,038,647	1,002,412	309,521	209,840
Shareholdings in associated companies	40,922	-	929	-	-	4,212	35,781
Total consolidated assets	4,105,313	710,942	793,958	1,038,647	1,002,412	313,733	245,621
LIABILITIES							
Liabilities and equity by segments	4,105,313	710,942	793,958	1,038,647	1,002,412	313,733	245,621
Total Consolidated Liabilities and Equity	**4,105,313**	**710,942**	**793,958**	**1,038,647**	**1,002,412**	**313,733**	**245,621**

2020	Thousand euros						
	31.12.2020						
	Total	Italy	Southern Europe	Central Europe	Benelux	Latin America	Corporate Services
OTHER INFORMATION							
Inclusions of tangible fixed assets and other intangibles	109,746	29,088	12,500	20,387	29,757	6,701	11,313
Depreciation	(302,477)	(53,111)	(83,879)	(84,746)	(50,434)	(10,317)	(19,990)
Net profit (loss) for asset deterioration	(76,258)	(47,370)	(4,257)	(20,531)	(3,180)	(972)	52
BALANCE SHEET							
ASSETS							
Assets by segments	4,288,145	747,933	819,574	1,004,569	1,154,305	288,575	273,189
Shareholdings in associated companies	41,773	—	929	—	—	5,116	35,728
Total consolidated assets	4,329,918	747,933	820,503	1,004,569	1,154,305	293,691	308,917
LIABILITIES							
Liabilities and equity by segments	4,329,918	747,933	820,503	1,004,569	1,154,305	293,691	308,917
Total Consolidated Liabilities and Equity	**4,329,918**	**747,933**	**820,503**	**1,004,569**	**1,154,305**	**293,691**	**308,917**

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

The Management Bodies of the Parent Company have the following composition at 31 December:

- Board of Directors: 9 members (9 members at 31 December 2020),
- Audit and Control Committee: 3 members (3 members at 31 December 2020),
- Appointments and Remuneration Committee: 3 members (3 members at 31 December 2020).

28.1 Remuneration of the Board of Directors

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

	Thousands of euros	
Remuneration item	**2021**	**2020**
Fixed remuneration	1,003	807
Variable remuneration	—	-
Parent Company: allowances	3	3
Parent Company: attendance allowances	291	221
Transactions in shares and other financial instruments	190	257
Life insurance premiums	49	33
Others	20	20
Total	**1,556**	**1,341**

At 31 December 2021, the Board of Directors had 9 members, all male (the same data as in 2020).

Due to the situation caused by COVID-19, the members of the Board voluntarily waived 20% of their remuneration from January to April 2021 and 100% of it in May and June 2021(in 2020 the board members voluntarily waived 50% of their retribution since 1 March).

Furthermore, the Executive Directors saw their fixed remuneration decrease by 20% from January to June and their variable remuneration accrued and received for 2021 was 0.

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

Further information in the directors' Annual Remuneration Report.

28.2 Remuneration of senior management

The remuneration of members of the Management Committee during the year, excluding those who simultaneously held office as members of the Board of Directors (whose remuneration has been set out above), is detailed below:

	Thousands of euros	
	2021	**2020**
Pecuniary remuneration	1,504	1,277
Remuneration in kind	120	98
Others	230	462
Total	**1,854**	**1,837**

There were six members of Senior Management at 31 December 2021 (six members at 31 December 2020) excluding the CEO and the Chief Operations Officer due to their status as executive directors.

During 2021, as a result of the crisis arising from COVID-19, the members of the Management Committee saw their fixed remuneration crease by 20% from January to June 2021. Furthermore, the variable remuneration accrued in 2021 was 0. This gives rise to a total decrease in their remuneration in 2021 vs their target remuneration of 38%. During 2020 the members of the Management Committee saw their annual remuneration for 2020 decrease by more than 50%.

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

The heading "Other" takes the long-term objective remuneration accrued in 2021 into consideration.

28.3 Information on conflicts of interest on the part of Directors

During 2021, Minor International Public Company Limited ("Minor"), an indirect majority shareholder of the Group (94.132%) and represented on the Board by four proprietary Directors, and the Group signed a series of Related Party Transactions, which are broken down in the Audit and Control Committee's Annual Report, as well as in Note 26 of this Report. These Related Party Transactions have always been executed in strict compliance with the rules established in the applicable regulations and the Procedure for Conflicts of Interest and Related Party Transactions with Significant Shareholders, Directors and Senior Management of NH Hotel Group, S.A. approved by the Board of Directors on 11 November 2021. All transactions signed with Minor (and/or its group of companies) have counted on a report from the Audit and Control Committee, have been signed under market conditions and with the participation of external advisors, and in compliance with the provisions in the Framework Agreement signed between the parties on 7 February 2019, which regulates, among others, the scope of action of the respective hotel groups headed by the Group and Minor through the identification of preferred geographic areas or zones, the mechanisms necessary to prevent and deal with possible conflicts of interest, as well as to carry out operations with related parties and develop business opportunities. The aforementioned Framework Agreement was duly communicated to the Market via a Relevant Fact and is published in full on the Company's website.

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

29.- INFORMATION ON ENVIRONMENTAL POLICY

The Parent Company's Board of Directors is the body responsible for supervision of the risk management system, and the Audit and Control Committee supports the Board in supervising the effectiveness of the internal control, internal audit and the risk management systems.

The governing bodies receive information about the main risks the Group is exposed to and the capital resources available to face up to them at least every quarter, along with information about compliance with the limits set in the risk appetite.

Therefore, as in previous years, in 2021 the Audit and Control Committee supervised and validated the Risk Map update and the correct implementation of the action plans that fully or partially contribute to mitigating the main risks.

An analysis was carried out on the 78 risks appearing in the Group's risk catalogue for 2021 to identify those relating to ESG (Environmental, Social and Governance) criteria. The result was that 35% of all the risks identified were classified as such.

More information about the Group's risk management model in the Risk Management section of the 2021 Consolidated Non-Financial Information Statement.

The Group is a company that is committed to the well-being of its guests and to efficient management of the resources available in the environment its hotels are in. The Group is aware of the effects of its activity on the environment and works to prevent and anticipate possible environmental contingencies, as well as to integrate sustainability into all its processes. It is constantly working on reducing their impact.

The Group's environmental management is based on identification and annual review of the main environmental impacts that it may cause using the environmental and climate risk map. Although there is a specific process for assessing environmental risks, the methodology followed is consistent with the corporate risk management model and, in addition, it is those that are most critical, included in the Group's risk catalogue, that become a part of the corporate risk map update.

More information about the Group's environmental and climate management in the NH Room4 Planet - Commitment to the fight against Climate Change and progress towards decarbonisation section in the 2021 Consolidated Non-financial Information Statement.

NH ROOM4 Sustainable Business

The Group performs its hotel activity with the ambition of leading responsible behaviours, and creating shared value at an economic, social and environmental level wherever it operates. The strategic vision of NH ROOM4 Sustainable Business is based on three fundamental management levers: NH ROOM4 People, NH ROOM4 Planet and NH ROOM4 Responsible Shared Success, all of which are framed under the same premise of sustainable and ethical principles, responsible culture and spirit of citizenship.

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

Furthermore, the Group carries out a process to determine material matters annually, with the aim of:

- Complying with the requirements of the non-financial information directive.
- Determining relevant aspects to guide the Sustainability strategy.
- Giving a response to the Global Reporting Initiative (GRI) requirements for reporting sustainability and those of the United Nations 2030 Agenda.

Their relevance is determined by the impact that each one may have, whether on the Group's business itself, or on its main stakeholders, as well as the possible evolution of the impact in the medium and long term.

More information about this Model and its performance in 2021 is available in the NH ROOM4 Sustainable Business section in the 2021 Consolidated Non-financial Information Statement.

30.- EXPOSURE TO RISK

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

Credit risk

The Group main financial assets include cash and cash equivalents (Note 15), as well as trade and other accounts receivable (Note 14). In general terms, the Group holds its cash and cash equivalents in entities with a high credit rating and part of its trade and other accounts receivable are guaranteed by deposits, bank guarantees and advance payments by tour operators.

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

The Group has formal procedures for detecting objective evidence of impairment in trade receivables for the provision of services. As a result of these, significant delays in payment terms and the methods to be followed in estimating the impairment loss based on individual analyses are identified. Impairment of trade receivables from customers for the provision of services at 31 December 2021 amounted to 7,319 thousand euros (9,025 thousand euros at 31 December 2020) (Note 14) and customer balances not included in this provision have sufficient credit quality and, therefore, with this provision, the credit risk of these trade receivable is considered covered.

Interest rate risk

The Group's financial assets and liabilities are exposed to fluctuations in interest rates, which may have an adverse effect on its results and cash flows. In order to mitigate this risk, the Group has established policies and has part of its debt at fixed interest rates through the issue of guaranteed convertible senior bonds. At 31 December 2021, approximately 53% of the gross borrowings drawn down was tied to fixed interest rates (excluding leasing liabilities).

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

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

- In the event that the increase in interest rates were 25 b.p., the financial expense would increase by 0.957 thousand euros plus interest.
- In the event that the increase in interest rates were 50 b.p., the financial expense would increase by 1,914 thousand euros plus interest.
- In the event that the increase in interest rates were 100 b.p., the financial expense would increase by 3,828 thousand euros plus interest.

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

Lastly, the long-term financial assets set out in Note 13 of this annual report are also subject to interest-rate risks.

Exchange rate risk

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

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

In this respect, the detail of the effect on the currency translation difference of the main currencies in 2020 was as follows:

	Thousands of euros	
	Currency translation difference	Changes with respect to 2020
Uruguayan peso	(4,655)	(8)
Mexican peso	(20,052)	2,155
Colombian peso	(37,533)	(4,543)

The changes in the currency translation difference of the above currencies was mainly due to the movements in exchange rates between 31 December 2021 and 31 December 2020:

Year-end euro reference exchange rate	2021	2020	Change
Uruguayan peso	50.84	51.98	2.19%
Mexican peso	23.14	24.41	5.21%
Colombian peso	4,545.45	4,166.67	(9.09)%

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

Below is a detail of the movements in the average exchange rate between 2020 and 2019 of the aforementioned currencies:

Average euro reference exchange rate in the year	2021	2020	Change
Uruguayan peso	51,52	47,98	(7.37)%
Mexican peso	23,99	24,52	2.16%
Colombian peso	4.347,83	4.166,67	(4.35)%

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

Liquidity risk

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

Furthermore, the continuous concentration in the banking system may make access to financial instruments, bank guarantees and financing working capital more difficult.

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

The Group's liquidity position at 31 December 2021 is based on the following points:

- The group had cash and cash equivalents amounting to 243,930 thousand euros.
- Available undrawn credit facilities of 267,000 thousand euros (Note 17).

The Group also has 45,400 thousand euros in confirming lines that it uses to manage part of its payments to trade creditors. These lines are spread amongst various banks and give coverage to trade suppliers in various countries in Europe (Spain, Germany, Holland, Italy, Belgium, Austria and Luxembourg).

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

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

31.- EVENTS AFTER THE REPORTING PERIOD

The Company is planning to put the 2022-2027 Long-Term Incentive Plan ("Performance Cash Plan") in place in 2022. This grants a cash amount payable in the event of fulfilling the targets set for that purpose. The Plan is explained in an annual report on listed public company directors' remuneration, prepared by the Board of Directors on 24 February 2022, which is presented as a separate report, forming part of the Management Report attached to these consolidated annual statements.

APPENDIX I: SUBSIDIARIES

The data on the Parent company's subsidiaries at 31 December 2021 are presented below:

Investee company	Registered address of investee company	Main activity of the investee company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Airport Hotel Frankfurt-Raunheim, GmbH & Co. KG	Frankfurt	Real Estate	94%	94%
Artos Beteiligungs, GmbH	Munich	Holding	100%	100%
Astron Immobilien, GmbH	Munich	Holding	100%	100%
Astron Kestrell, Ltd.	Plettenberg Bay	Hotel Business	100%	100%
Atlantic Hotel Exploitatie, B.V.	Den Haag	Hotel Business	100%	100%
Chartwell de México, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Chartwell de Nuevo Laredo, S.A. de C.V.	Nuevo Laredo	Hotel Business	100%	100%
Chartwell Inmobiliaria de Coatzacoalcos, S.A. de C.V.	Coatzacoalcos	Hotel Business	100%	100%
City Hotel, S.A.	Buenos Aires	Hotel Business	50%	50%
Columbia Palace Hotel, S.A.	Montevideo	Hotel Business	100%	100%
Nhow london, Ltd.	Londres	Servicios a empresas	100%	100%
Coperama Holding, S.L.	Madrid	Central de Compras	100%	100%
DAM 9 B.V.	Amsterdam	Servicios a empresas	100%	100%
De Sparrenhorst, B.V.	Nunspeet	Hotel Business	100%	100%
Desarrollo Inmobiliario Santa Fe, S.A. de C.V.	México D.F.	Hotel Business	50%	50%
Grupo Operador de hoteles Santa Fe, S.A de C.V	México D.F.	Hotel Business	50%	50%
Exploitatiemaatschappij Hotel Best B.V.	Best	Sin actividad	100%	100%
Exploitatiemaatschappij Hotel Doelen, B.V.	Amsterdam	Hotel Business	100%	100%
Exploitatiemaatschappij Hotel Naarden, B.V.	Naarden	Hotel Business	100%	100%
Exploitatiemaatschappij Hotel Schiller, B.V.	Amsterdam	Hotel Business	100%	100%
Exploitatiemaatschappij Caransa Hotel, B.V.	Amsterdam	Sin actividad	100%	100%
Franquicias Lodge, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Gran Círculo de Madrid, S.A.	Madrid	Restauración	99%	99%
Grupo Hotelero Monterrey, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Grupo Hotelero Queretaro, S.A. de C.V.	Querétaro	Hotel Business	69%	69%
Heiner Gossen Hotelbetrieb, GmbH (*)	Berlin	Hotel Business	100%	100%
The Marker Anantara Ltd.	Dublin	Holding	100%	100%
GCS Hotel Ltd.	Dublin	Hotel Business	100%	100%
NH Cash Link, S.L.	Madrid	Financiera	100%	100%
Hotel Exploitatiemaatschappij Atlanta Rotterdam B.V.	Rotterdam	Hotel Business	100%	100%
Hotel Exploitatiemaatschappij Epen Zuid-Limburg B.V.	Den Haag	Hotel Business	100%	100%
Hotel Exploitatiemaatschappij Forum Maastricht, B.V.	Maastricht	Hotel Business	100%	100%
Hotel Exploitatiemaatschappij Jaarbeursplein Utrecht, B.V.	Utrecht	Hotel Business	100%	100%
Hotel Exploitatiemaatschappij Janskerkhof Utrecht B.V.	Utrecht	Hotel Business	100%	100%
Hotel Exploitatiemaatschappij Flowermarket Amsterdam B.V.	Amsterdam	Sin actividad	100%	100%
Hotel Exploitatiemaatschappij Onderlangs Arnhem, B.V.	Arnhem	Hotel Business	100%	100%
Hotel Exploitatiemaatschappij Spuistraat Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
Hotel Exploitatiemaatschappij Stadhouderskade Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%

(*) The companies belonging to the German consolidated group made use of the exemption provided in Section 264, Paragraph 3 of the Commercial Code (HGB) in 2021.
(**) The companies belonging to the German consolidated group made use of the exemption provided in Section 264, Paragraph 3 of the Commercial Code (HGB) and Section 291, paragraph 1, of the Commercial code (HGB) in 2021.

Investee company	Registered address of investee company	Main activity of the investee company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Hotel Exploitatiemaatschappij Van Alphenstraat Zandvoort, B.V.	Hilversum	Hotel Business	100%	100%
Highmark Geldrop, B.V.	Geldrop	Sin actividad	100%	100%
Highmark Hoofddorp, B.V.	Hoofddorp	Hotel Business	100%	100%
Hispana Santa Fe, S.A. de C.V.	México D.F.	Hotel Business	50%	50%
Hotel Aukamm Wiesbaden, GmbH & Co. KG	Munich	Real Estate	94%	94%
Hotel de Ville, B.V.	Groningen	Hotel Business	100%	100%
Hotel Expl. Mij Amsterdam Noord, B.V.	Amsterdam	Hotel Business	100%	100%
Hotel Expl. Mij Leijenberghlaan Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
Hotel expl. mij. Capelle a/d Ijssel, B.V.	Capelle a/d Ijssel	Hotel Business	100%	100%
Hotel Exploitatiemaatschappij Danny Kayelaan Zoetermeer B.V.	Zoetermeer	Hotel Business	100%	100%
Hotel expl. mij. Stationsstraat Amersfoort, B.V.	Amersfoort	Hotel Business	100%	100%
Holding Onroerend Goed d'Vijff Vlieghen B.V.	Amsterdam	Sin actividad	100%	100%
Hotelera de la Parra, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Hotelera Lancaster, S.A.	Buenos Aires	Hotel Business	50%	50%
Hotelera de Chile, S.A.	Santiago de Chile	Hotel Business	100%	100%
Inversiones Chilenas, S.A.S	Bogotá	Hotel Business	98%	98%
Gestora hotelera del siglo XXI, S.A.	Barcelona	Hotel Business	100%	100%
Hotelexploitatiemaatschappij Vijzelstraat Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
Hotels Bingen & Viernheim, GmbH & Co. KG	Munich	Real Estate	94%	94%
Inmobiliaria y financiera Chile S.A.	Santiago de Chile	Real Estate	100%	100%
Jan Tabak, N.V.	Bussum	Hotel Business	83%	83%
Jolly Hotels Belgio S.A.	Bruselas	Real Estate	100%	100%
Jolly Hotels Deutschland GmbH (*)	Berlin	Hotel Business	100%	100%
Jolly Hotels Holland N.V.	Amsterdam	Holding	100%	100%
JH USA, Inc.	Wilgminton	Hotel Business	100%	100%
Koningshof, B.V.	Veldhoven	Hotel Business	100%	100%
Krasnapolsky Belgian Shares, B.V.	Hoofddorp	Holding	100%	100%
COPERAMA Benelux, B.V.	Amsterdam	Central de Compras	100%	100%
Krasnapolsky Hotels & Restaurants, N.V.	Amsterdam	Holding	100%	100%
Krasnapolsky Hotels, Ltd.	Somerset West	Hotel Business	100%	100%
Krasnapolsky ICT, B.V.	Hoofddorp	Sin actividad	100%	100%
Krasnapolsky International Holding, B.V.	Hoofddorp	Holding	100%	100%
Latina Holding S.A.U.	Buenos Aires	Holding	100%	100%
Latina Chile, S.A.	Santiago de Chile	Hotel Business	100%	100%
Latina de Gestión Hotelera, S.A.	Buenos Aires	Hotel Business	100%	100%
Latinoamericana de Gestion Hotelera, S.L.	Madrid	Holding	100%	100%
Leeuwenhorst Congres Center, B.V.	Noordwijkerhout	Hotel Business	100%	100%
Liberation Exploitatie, B.V.	Sprang Capelle	Hotel Business	100%	100%
Marquette Beheer, B.V.	Hoofddorp	Holding	100%	100%

(*) The companies belonging to the German consolidated group made use of the exemption provided in Section 264, Paragraph 3 of the Commercial Code (HGB) in 2021.
(**) The companies belonging to the German consolidated group made use of the exemption provided in Section 264, Paragraph 3 of the Commercial Code (HGB) and Section 291, paragraph 1, of the Commercial code (HGB) in 2021.

Investee company	Registered address of investee company	Main activity of the investee company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Museum Quarter, B.V.	Amsterdam	Hotel Business	100%	100%
Nacional Hispana de Hoteles, S.A.	México D.F.	Hotel Business	100%	100%
Aguamarina S.A.	Rep. Dominicana	Servicios a empresas	100%	100%
NH Atardecer Caribeño, S.A.	Madrid	Servicios a empresas	100%	100%
NH Belgium, cvba	Diegem	Holding	100%	100%
NH Caribbean Management, B.V.	Hilversum	Management	100%	100%
NH Central Europe Management, GmbH (*)	Berlín	Hotel Business	100%	100%
NH Central Europe, GmbH & Co. KG (**)	Berlín	Hotel Business	100%	100%
NH Central Reservation Office, S.A.	Madrid	Call Center	100%	100%
NH Finance, S.A.	Luxemburgo	Financiera	100%	100%
NH Financing Services S.a r.l.	Luxemburgo	Financiera	100%	100%
NH Hotel Ciutat de Reus, S.A.	Barcelona	Hotel Business	90%	90%
NH Europa, S.A.	Barcelona	Hotel Business	100%	100%
NH Hotelbetriebs.-u. Dienstleistungs, GmbH (*)	Berlín	Hotel Business	100%	100%
NH Hotelbetriebs-u Entwicklungs, GmbH (*)	Berlín	Hotel Business	100%	100%
NH Hoteles Austria, GmbH	Viena	Hotel Business	100%	100%
NH Hoteles Deutschland, GmbH (**)	Berlín	Hotel Business	100%	100%
NH Hoteles España, S.A.	Barcelona	Hotel Business	100%	100%
NH Hoteles France S.A.S.U.	Francia	Hotel Business	100%	100%
NH Hoteles Switzerland GmbH	Zurich	Hotel Business	100%	100%
NH Hotels Czequia, s.r.o.	Praga	Hotel Business	100%	100%
NH Hotels Polska, Sp. Zo.o.	Poznan	Hotel Business	100%	100%
NH Hotels USA, Inc.	Houston	Hotel Business	100%	100%
NH Hungary Hotel Management, Ltd.	Budapest	Hotel Business	100%	100%
NH Lagasca, S.A.	Madrid	Hotel Business	75%	75%
NH Las Palmas, S.A.	Gran Canaria	Hotel Business	75%	75%
NH Marin, S.A.	Barcelona	Hotel Business	50%	50%
NH Private Equity, B.V.	Hoofddorp	Holding	100%	100%
NH Hotel Rallye Portugal, Lda.	Portugal	Hotel Business	100%	100%
NH The Netherlands, B.V.	Hoofddorp	Holding	100%	100%
Nhow Rotterdam, B.V.	Rotterdam	Hotel Business	100%	100%
Hotel Exploitatiemaatschappij Diegem N.V.	Diegem	Hotel Business	100%	100%
Hotel Exploitatiemaatschappij Eindhoven B.V.	Hilversum	Hotel Business	100%	100%
Nuevos Espacios Hoteleros, S.A.	Madrid	Hotel Business	100%	100%
Hotel Leipzig-Messe, GmbH & Co. KG	Munich	Real Estate	94%	94%
Olofskapel Monumenten, B.V.	Amsterdam	Sin actividad	100%	100%
Onroerend Goed Beheer Maatschappij Atlanta Rotterdam, B.V.	Rotterdam	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Capelle aan den Ijssel, B.V.	Capelle a/d Ijssel	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.	Zoetermeer	Real Estate	100%	100%

(*) The companies belonging to the German consolidated group made use of the exemption provided in Section 264, Paragraph 3 of the Commercial Code (HGB) in 2021.
(**) The companies belonging to the German consolidated group made use of the exemption provided in Section 264, Paragraph 3 of the Commercial Code (HGB) and Section 291, paragraph 1, of the Commercial code (HGB) in 2021.

Investee company	Registered address of investee company	Main activity of the investee company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Onroerend Goed Beheer Maatschappij Ijsselmeerweg Naarden, B.V.	Naarden	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp, B.V.	Hoofddorp	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Marquette Heemskerk, B.V.	Heemskerk	Sin actividad	100%	100%
Onroerend Goed Beheer Maatschappij Prins Hendrikkade Amsterdam, B.V.	Amsterdam	Sin actividad	100%	100%
Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V.	Zandvoort	Real Estate	100%	100%
Operadora Nacional Hispana, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Palatium Amstelodamum, N.V.	Amsterdam	Hotel Business	100%	100%
Restaurant D'Vijff Vlieghen, B.V.	Amsterdam	Restauración	100%	100%
Servicios Chartwell de Nuevo Laredo, S.A. de C.V.	Nuevo Laredo	Hotel Business	100%	100%
Servicios Corporativos Chartwell Monterrey, S.A. de C.V.	Monterrey	Hotel Business	100%	100%
Servicios Corporativos Hoteleros, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Servicios Corporativos Krystal Zona Rosa, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Nhow Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
Toralo, S.A.	Montevideo	Hotel Business	100%	100%
Vela Secunda Omnium Primum VIII B.V.	Groningen	Hotel Business	50%	50%
NH Wilhelminakade Holding B.V.	Hoofddorp	Sin actividad	100%	100%
Coperama Spain, S.L.	Madrid	Central de Compras	100%	100%
Hoteles Royal, S.A.	Bogota	Holding	98%	98%
Eurotels Chile S.A.	Chile	Holding	98%	98%
Hotel Pavillon Royal Ltda.	Bogota	Hotel Business	98%	98%
Hotelera Norte Sur S.A	Chile	Real Estate	98%	98%
Hoteles Royal del Ecuador S.A. Horodelsa	Quito	Hotel Business	55%	55%
HR Quántica SAS	Bogota	Hotel Business	51%	51%
Inmobiliaria Royal S.A	Chile	Real Estate	66%	67%
Promotora Royal S.A.	Bogota	Real Estate	97%	97%
Royal Hotels Inc.	USA	Sin actividad	98%	98%
Royal Hotels International Latin América Inc	USA	Sin actividad	98%	98%
Royal Santiago Hotel S.A.	Chile	Hotel Business	66%	67%
Sociedad Hotelera Cien Internacional S.A.	Bogota	Hotel Business	64%	64%
Sociedad Hotelera Cotopaxi S.A.	Quito	Hotel Business	55%	55%
Sociedad Operadora Nh Royal Panama S.A.	Ciudad de Panamá	Hotel Business	98%	98%
NH Italia, S.p.A.	Milan	Hotel Business	100%	100%
Immo Hotel Bcc N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Belfort N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Brugge N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Diegem N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Gent N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Gp N.V.	Diegem	Real Estate	100%	100%

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Investee company	Registered address of investee company	Main activity of the investee company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Immo Hotel Stephanie N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Mechelen N.V.	Diegem	Real Estate	100%	100%
NH Management Black Sea Srl	Bucarest	Hotel Business	100%	100%
NH Brasil Abrasil Administraçao De Hoteis E Participadas Ltda.	Villa Olímpica	Servicios a empresas	100%	100%
Capredo Investments, GmbH	Suiza	Holding	100%	100%
Palacio de la Merced, S.A.	Burgos	Hotel Business	88%	88%
Latinoamericana Curitiba Administracao De Hoteis Ltda	Curitiba	Hotel Business	100%	100%
NH Italia Real Estate, S.r.l.	Milano	Real Estate	100%	100%
NH Holding, S.r.l.	Milano	Holding	100%	100%
Coperama Italia S.r.l.	Milano	Central de Compras	100%	100%
Coperama Central Europe Gmbh (*)	Berlin	Central de Compras	100%	100%
Coperama Portugal, Unipessoal Lda	Portugal	Central de Compras	100%	100%
Iberinterbrokers, S.L.	Barcelona	Servicios a empresas	75%	75%
Coperama Colombia, S.A.S	Bogotá	Central de Compras	100%	100%
Coperama Mexico S.A. de C.V.	México D.F.	Central de Compras	100%	100%
Wilan Ander, S.L.	Madrid	Real Estate	100%	100%
Wilan Huel, S.L.	Madrid	Real Estate	100%	100%
NH Strandgade APS	Copenhague	Hotel Business	100%	100%
NH Italia Real Estate, S.r.l.	Italia	Real Estate	100%	100%
NH Holding Srl	Italia	Holding	100%	100%
New York Palace KFT	Budapest	Hotel Business	100%	100%
Italian OpCo Roco Hospitality Group, S.R.L.	Italia	Hotel Business	100%	100%
AGAGA, s.r.o.	Chequia	Hotel Business	100%	100%

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APPENDIX II: ASSOCIATED COMPANIES

Investee company	Registered address of investee company	Main activity of the investee company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Borokay Beach, S.L.	Madrid	Hotel Business	50%	50%
Consorcio Grupo Hotelero T2, S.A. de C.V.	México D.F.	Hotel Business	10%	10%
Servicios Corporativos T2, S.A. DE C.V	México D.F.	Hotel Business	10%	10%
Inmobiliaria 3 Poniente, S.A. de C.V.	Puebla	Hotel Business	17%	17%
Gente con actitud de servicios gecase, S.A. De C.V.	Puebla	Hotel Business	27%	27%
Mil Novecientos Doce, S.A. de C.V.	México	Hotel Business	25%	25%
Servicios Corporativos 1912, S.A. DE C.V	México	Hotel Business	25%	25%
Inversiones Hoteleras SPA	Chile	Hotel Business	10%	10%
Kensington Hotel Value Added I, Ltd	Londres	Hotel Business	30%	30%
Sotocaribe, S.L.	Madrid	Holding	36%	36%
Hotelera del Mar, S.A.	Mar de Plata	Hotel Business	20%	20%

CONSOLIDATED MANAGEMENT REPORT

For the financial year ending 31 December 2021

EVOLUTION OF BUSINESS AND GROUP'S SITUATION

NH Hotel Group is an international hotel operator and one of the leading urban hotel companies worldwide in terms of number of rooms. The Group operates 353 hotels and 55,063 rooms in 30 countries, and has a significant presence in Europe.

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

This flexible operational and financial structure has enabled the Group to overcome the huge challenges of the past two years. Although the challenges will continue in the first months of 2022, the Group will benefit from brand recognition, excellent locations and strong market positioning in Europe in the medium and long term.

During 2021, as a result of the start of recovery after the economic crisis caused by the COVID-19 pandemic, the global economy increased by +5.9%, compared to a decrease of -3.1% in the previous year (Data and estimates from IMF "World Economic Outlook", January 2022). GDP growth in 2021 was in line with expectations, showing continuous adaptation of economic activity to the pandemic and its associated restrictions, as well as continuous support from institutions in many countries. However, the continuous recovery was weakened during the year, hindered by the increase of infections from new strains and interruptions to the supply chains. At the end of the year, as a result of the omicron strain, many countries went back into partial lockdown which had an impact on global economic recovery.

The four countries that bring the greatest proportion of the Group's sales and profits show rates of decline in 2021: Spain (+4.9% in 2021 vs. -10.8% in 2020), Holland (+4.5% in 2021 vs. -3.8% in 2020), Germany (+2.7% in 2021 vs. -4.6% in 2020), and Italy (+6.2% in 2021 vs. -8.9% in 2020). On the other hand, growth in Latin America is expected to be +6.8% in 2021 (vs. -6.9% in 2020) as all the economies as a whole have continued to suffer the consequences created by COVID-19.

For the global economy, 2022 began with some uncertainty in the short term. As the new omicron variant of the COVID-19 virus advances, countries have once again imposed restrictions on mobility. Due to the rising price of energy and disruptions to supplies, inflation is higher and more generalised than forecast. The unforeseen sluggishness of private consumption recovery has limited the prospects for growth.

Therefore, the estimate is for +4.4% growth of world economic activity in 2022 (+5.9% in 2021 vs. -3.1% in 2020). More specifically, in the Euro zone growth of +3.9% is forecast in 2022 (+5.2% in 2021 vs. -6.4% in 2020).

Global tourism experienced an increase of 4% in 2021 compared to 2020 (415 million against 400 million). Nevertheless, international tourist arrivals (visitors who stay overnight) remained 72% lower than in 2019, the year prior to the pandemic, according to the OMT's preliminary estimates. These figures follow those in 2020, the worst year in the history of tourism, when a 73% decrease in international arrivals was recorded.

The speed of recovery continues to be slow and inconsistent in the various regions of the world, due to the different levels of mobility restrictions, the vaccination rates and traveller confidence. Europe and the Americas recorded a significant improvement in 2021 compared to 2020 (+19% and +17%, respectively), but both are still at 63% below pre-pandemic levels. By sub-regions, Mediterranean Southern Europe (+57%) and Central and Eastern Europe (+18%), Central America (+54%) and North America (+17%) also surpassed 2020 levels.

The first publication of the OMT World Tourism Barometer indicates that, in 2022, the increase in the vaccination rate, combined with the decrease in travel restrictions due to better cross border coordination and new protocols, have helped to liberate the suppressed demand. International tourism moderately upturned in the second half of 2021, with arrivals in the third and fourth quarters being 62% lower than those before the pandemic. According to limited data, international tourist arrivals in December were 65% lower than in 2019. The true impact of the omicron strain and the wave of infections with COVID-19 remains to be seen.

The recent increase in cases of COVID-19 and the omicron strain are going to disrupt recovery and affect confidence until the beginning of 2022, as some countries have reintroduced travel prohibitions and restrictions for certain markets. At the same time, vaccination roll outs continue to be inconsistent. A difficult economic environment may place additional pressure on the effective recovery of international tourism, with the rises in petrol prices, increased inflation, the possible rise in interest rates, high volumes of debt and continuous interruption to the supply chains. However, the recovery of tourism that is occurring in many markets, above all in Europe and the Americas, along with the general roll out of vaccinations and a significant coordinated lifting of travel restrictions, could contribute to reinstating consumer confidence and accelerating the recovery of international tourism in 2022.

While international tourism recovers, domestic tourism continues to drive sector recovery in an increasing number of destinations, particularly those with a large domestic market. According to the experts, domestic tourism and travel closer to home will continue to make up tourism in 2022.

Business traveller behaviour habits could be affected in the short and medium term. This involves less trips on business, given the gradual adoption of digital solutions and hybrid formulas, which are affecting the evolution of some specific segments of business tourism.

It is worth noting the Company's solid position with which to deal with the current situation after its operational and financial transformation in previous years. The excellent performance of the group in the years prior to the pandemic is the result of a complete transformation within the group, particularly brand segmentation, portfolio optimisation, significant investment in repositioning and systems, the focus on efficiency and cost control, and the reduction of financial indebtedness.

Continuous improvement to the customer experience was boosted in 2019 with the launch of various initiatives: "Fastpass", a combination of three innovative services (Check-in Online, Choose Your Room and Check-out Online), which gives customers full control over their stay. Also a new service, "City Connection", where you can enjoy the city without limits. Under the slogan "Stay in one hotel, enjoy them all", the NH Hotel Group offered a range of services that allow customers to enjoy them in any hotel in the city they are in, regardless of the hotel they are staying in for the duration of their stay.

The embodiment of an NH Hotel Group value proposition based on the improvement of quality, experience and brand architecture with the NH Collection, NH Hotel and nhow brands are a reality today in the Group. With the integration of the Minor Hotels commercial brands, NH Hotel Group is currently operating hotels in Europe under the Tivoli, Anatara and Avani flags.

During the first part of 2021, and in order to adapt to the new trends in business travellers, the Group launched a series of initiatives:

- Extended Stay, with up to 35% discount on stays of more than 7 days for working away from home for an extended period.
- Smart Spaces, a new B2B offer, with exclusive spaces for working and organising small business meetings making the most of all the advantages of our hotels.
- Hybrid Meetings, to boost the value of events reaching a bigger audience from various destinations with a combination of in-person and virtual attendance.
- NH+, a new corporate segment focus on SMEs, which are the first to restart their activity.

Digitisation will be key to the sector's evolution. The customer experience is improved and efficiency increased using technology and digitisation. The digital component will be key in responding to travellers' security needs and experience. Technology should be a facilitator that complements our employees' work, freeing them up from administrative tasks so they can give more personal attention to customers.

It is worth highlighting that the NH Hotel Group continues to be at the forefront of innovation. The Group's Digital Transformation has allowed processes and systems to be made more efficient, increasing the capacity to be different from the competition, and continue improving the Company's basic processes. One of the greatest achievements therefore has been to centralise all its properties and functions into a single integrated system. This allows the NH Hotel Group to have a fully-integrated digital platform: NH Digital Core Platform. A pioneering technological solution in the sector that has allowed all the Group's hotel's systems to be integrated which has become the basis for the NH Hotel Group to expand its customer knowledge, maximise its efficiency and innovate on a large scale in all its value areas.

For the first time, hotel businesses are experiencing difficulties finding staff, which suggests that the sector must go back to attracting talent with attractive professional career plans that boost training and job flexibility.

In its use of quality indicators, the NH Hotel Group focuses on measuring quality using new sources of information and surveys with a significant increase in the volume of reviews and number of assessments received. Its average score on TripAdvisor in 2021 was 8.4, compared to 8.5 in December 2020. Additionally, its average Google Reviews score was 8.7, compared with 8.7 in December 2020. These average scores demonstrate the high levels of quality perceived by customers and the positive growth trend that the NH Hotel Group has had throughout the year.

The NH Rewards loyalty programme had more than 10 million members in 2021 and is one of the most comprehensive rewards schemes worldwide. With four categories (Blue, Silver, Gold and Platinum), the Company's programme recognised and rewards its habitual customers' loyalty for each stay, with benefits from earning points - equivalent to euros - which are redeemable, with no date restrictions, for free nights or extra services at the hotel. NH Rewards also always gives flexibility in paying with points and cash, special pricing, exclusive privileges when booking on the web site, etc, as well as a series of differential services enriching the experience in all brands of the NH Hotel Group's hotels.

NH Rewards is an important commercial lever, as members contribute 32% of the total nights at the Company, and have been the loyal, repeat customers who, during the pandemic, contributed most to the recover of booking numbers. The incentive of earning extra points stimulates bookings on direct channels, up to the point that more than 69.4% of the bookings on the NH web site are made by NH Rewards members, who also spend and visit more than guests who are not members.

During 2021, NH Hotel Group announced it was jointing the Global Hotel Alliance (GHA), which runs the award winning Discovery loyalty programme for multi-brand hotels. As a part of the agreement, NH Rewards will take part in GHA's GHA Discovery programme in 2022, with it becoming one of the ten largest loyalty programmes in the hotel sector, with more than 900 hotels taking part and accessing new source markets. Minor's hotels are already members of this alliance.

On the other hand, in 2021, the Group started operating 3 new hotels in Hannover, Murano and Copenhagen with 589 rooms. The Group, therefore, reached a total of 353 hotels with 55,063 rooms at 31 December 2021.

The Group also signed-up 2 new hotels with 145 bedrooms in 2021. These sign ups were on an under management basis in Santiago del Estero and in Cali. Both sign ups were under the NH brand.

Revenues in 2021 totalled 746.5 million euros, an increase of 39.2% (+210.3 million euros). The Profit for the year attributable to the Parent was -133.7 million euros compared with -437.2 million euros in 2020. This increase is explained by the increase in activity after the impact of COVID-19 during 2021.

In this year gross borrowing decreased from 998.1 million euros in December 2020 to 813.0 million euros in December 2021. At 31 December 2021, cash and cash equivalents amounted to 243.9 million euros (320.9 million euros at 31 December 2020). Furthermore, this liquidity is complemented by the syndicated credit line for 242.0 million euros (fully drawn down at the close of the 2020 financial year) and some credit lines at the close of the 2021 financial year of 25.0 million euros, against 25.0 million euros at 31 December 2020.

In June 2021, the rating agencies confirmed NH Hotel Group's rating within the issue of the new bond for 400 million euros maturing in 2026 which occurred in June. On 14 June 2021, Fitch confirmed NH Hotel Group's rating at 'B-' with a negative outlook. On 15 June 2021, Moody's confirmed NH Hotel Group's corporate rating at 'B3' with a negative outlook. It should be noted that both agencies have stated that NH is managing the recovery with satisfactory financial flexibility and deleveraging capacity, with a significant portfolio of owned assets. In turn, Moody's reconfirmed NH Hotel Group's corporate rating at "B3", with a negative outlook, in its last publication on 29 December 2021.

As a result of the public offering on 31 October 2018, along with the capital increase in September 2021, Minor currently owns 410,183,997 shares in NH Hotel Group, S.A. representing 94.13% of its share capital. Since 2018, both companies have begun to explore joint value creation opportunities for the coming years.

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

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

Covid-19 impact and the measures implemented

After the start of the COVID-19 pandemic in the middle of March 2020 in Europe, demand for hotels dropped drastically due to lockdowns, travel restrictions and social distancing, which drastically affected mobility.

The gradual reopening of hotels was made possible by the flexible costing structure and began in the middle of 2020, progressively, depending on recovery of domestic demand and with a focus on optimising profitability.

With the gradual roll out of vaccines since the beginning of 2021, a turning point was beginning to be seen that – together with the progressive lifting of restrictions in some European countries – allowed a faster reopening of the portfolio once again. Therefore, at the end of 2021, around 90% of the hotels were open, compared to 60% at the beginning of the year.

In 2020 NH Hotel Group put "Feel Safe at NH" into place in all its hotels. This is a new plan, with measures approved by experts, to face up to the health crisis caused by the SARS-CoV-2 coronavirus. The Company has reviewed all its procedures and made nearly 700 adaptations to its operating standards to preserve the health and safety of travellers and employees worldwide. Grouped into 10 main lines of action and backed by specialists in different fields, the measures implemented cover the digitisation of hotel services, adapting sanitation processes, including social distancing regulations in operations and the application of personal protective equipment, among others. We also reached a collaboration agreement with SGS, the world leader in inspection, analysis and certification, which allows us to follow up on the measurement and diagnostics protocol established to verify that the Group's hotels are clean and safe environments.

In spite of the low level of demand, its flexible operational and financial structure has enabled the Group to overcome the major challenges in 2020 and 2021. The Group will benefit in the first stage of recovery from brand recognition, excellent locations and strong market positioning, once recovery accelerates in Europe.

Contingency Plan

As a result of the exceptional circumstances that occurred after the start of the global pandemic (COVID-19), the Group implemented different measures and plans to adapt the business and ensure its sustainability with the aim of minimising costs, preserving the Company's liquidity to meet operational needs and ensure that the recovery of the hotel activity is carried out efficiently and under maximum guarantees in terms of health and safety.

The following costs discipline and control measures to ensure minimisation of operational costs and preserve liquidity continue to be implemented:

- Personnel: The Group carried out adjustments, temporary lay-offs and reductions in hours and wages in hotels and central offices caused by force majeure or production reasons. Some of these processes continued during 2021. In addition, a collective redundancy process was carried out in Corporate Services in Spain as part of a global plan.

- Operational costs:
  - Negotiations with suppliers to reduce purchase costs, seek alternative, cheaper products and attain improvements to payment terms.
  - Suspension of non-priority third party advisory services.
  - Significant reduction in marketing and advertising costs despite the need to boost income.

- Leases: The temporary reduction in fixed leases continued during the first part of 2021 and, to a lesser extent, during the second half of the year, after recovery began.

- CapEx: Capex decreased by more than 50% during 2020, and during 2021 continued to be limited to a figure of around 36.8 million euros.

- Strengthening liquidity: during 2021 NH Hotel Group proactively carried out a battery of initiatives to reinforce the Group's capital structure:
  - In May 2021 a €100 million capital investment was agreed by Minor International (94% shareholding) through an unsecured subordinated loan that was drawn down in May and capitalised in September 2021 through a capital increase process directed towards all shareholders. This agreement provided immediate liquidity and demonstrated the support of the main shareholder in the recovery. The capital increase was approved at the Shareholders' meeting held on 30 June. At the same time as the capital increase, the Board started up the cash capital increase under the same economic conditions and with preferential subscription rights for the other shareholders to prevent diffusive effects in the shareholdings.
  - In addition, during April, in order to continue to optimise the debt profile, the expiry of the ICO syndicated loan of 250 million euros was extended from 2023 to 2026. Furthermore, the waiver on compliance with financial covenants was extended for the whole of 2022.
  - In June, NH Hotel Group successfully launched a senior bonds issue on the market, guaranteed for the amount of 400 million euros and maturing in July 2026. The funds obtained have been used to repay the senior bond for 357 million euros expiring in 2023. The new issue, which was significantly oversubscribed, has an annual interest of 4%.
  - Furthermore, NH Hotel Group has agreed to extend its revolving syndicated credit facility (RCF) for 242 million euros, which will now expire in March 2026, instead of March 2023. It is worth pointing out the support shown by the loan institutions taking part in this financing, with the extension of the waiver on the financial covenants during all of 2022.

- On 30 June 2021, the sale & leaseback transaction on the NH Collection Barcelona Gran Hotel Calderón was announced, for 125.5 million euros with a linked 20 year lease agreement, with NH having the option to exercise additional extensions. The Group generated a book net capital gain of 46.7 million euros with this transaction.

These milestones reached in 2021 strengthen the Company's capital and liquidity with a solid financial base, with no significant debts maturing until 2026, with which it can face the imminent recovery of the sector from a better position from the financial and capital structure point of view. Furthermore, they have enabled initiation of the reduction in gross debt in 2021.

The rebound in demand for domestic leisure was enhanced as vaccination rates across Europe increased and restrictions on mobility were eased. The Group will take advantage of its strong positioning in Europe, with excellent locations and high brand recognition, alongside the high weight of domestic demand.

The recovery stage, which began in the second half of 2021, was initially driven by European domestic demand, as international mobility continued to be low in this first stage. The smaller business and corporate segment began to recover after the summer months, although it was still affected by the macroeconomic environment and social distancing restricting the size of events.

During 2022, once the Company has a better view of how demand recovers, a long-term strategic planning process will be addressed. The Company's excellent performance over the past few years (pre-covid) was the result of a process of deep transformation of the Group. In the first stage of this transformation, which began in 2014, the strategic plan focussed on brand segmentation, portfolio optimisation, heavy investment in repositioning and systems and an updated pricing policy. This led NH Hotel Group to a second phase, which began in 2017, based on the Company's strengths and boosting the key drivers in creating value in the business. This Plan prioritised boosting the Company's income, increasing its efficiency and, at the same time, taking advantage of its strengths for new repositioning opportunities and organic expansion as an additional path to growth.

With the entrance of Minor International into the share capital at the end of 2018, a new era of opportunity opened up with the creation of a global hotel platform operating on five continents. In this way, a new stage began where additional opportunities arose, such as:

- The possibility of increasing the current customer base, attracting the growing Asian demand to the European markets.
- Economies of scale with business partners, travel agencies and suppliers.
- The ability to use a larger brand umbrella in new geographical areas, that is to say, take the NH brands into Minor geographical areas and vice versa.
- Access the luxury segment with new opportunities for brand change and opening and signing up new hotels in the segment.
- Boost the segment diversification strategy, integrating the resorts market into our cornerstones for growth.
- Integrate Tivoli operations in Europe under NH management.
- Contact the best teams, driving an exchange of talent.

ETHICS

Compliance System

Since 2014, NH Hotel Group has boosted the Compliance function, not just with the implementation of its Code of Conduct and the Criminal Risk Prevention Plan, but also with continuous implementation of corporate measures, processes and policies to foster and place value on compliance culture and the importance of consolidating an ethical business culture. It promotes awareness amongst all its employees about the importance of compliance, not just with applicable regulations but also to behave ethically and in accordance with the company's principles and values.

Code of conduct

In line with its ethics commitment and Corporate Government best practices, NH Hotel Group has carried out communication, awareness and training campaigns on Compliance, with the aim that all NH Hotel Group employees are aware of the content of the Code of Conduct and the company's main value and principles. The Group's Board of Directors is responsible for approving the Code of Conduct.

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

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

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

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

The head of Internal Audit manages the Channel for Complaints. The procedure for managing complaints received via the complaints channel are specified in detail in the Code of Conduct. This procedure guarantees confidentiality and respect in every phase, and protects against retaliation. NH Hotel Group has also defined an internal process for notification and processing possible breaches and complaints under the Code of Conduct. The procedure includes the principles governing the Channel, the description of the parties involved in the complaint, deadlines and the penalty proceedings. In 2021, NH Hotel Group also approved the recruitment of an external platform to ensure compliance with Directive (EU) 2019/1937 of the European Parliament and of the Council, of 23 October 2019, on protection of people who report breaches of Union Law, known as the "Whistleblower" directive.

In 2021 there were 47 reports of alleged breaches of the Code of Conduct, all of which were investigated, with appropriate disciplinary measures being taken in the 69 cases received.

Compliance Committee

NH Hotel Group's Compliance Committee is made up of members of the Management Committee and senior management who have appropriate knowledge about NH Hotel Group's activities and, at the same time, have the authority, autonomy and independence needed to ensure the credibility and binding nature of the decisions made. This body is empowered to supervise compliance in key areas of the Compliance System: the Group's Internal Rules of Conduct, Procedure for Conflicts of Interest, Code of Conduct and Criminal Risk Prevention Plan, among others.

The Compliance Committee supervises the management of the Compliance Office and is empowered to impose disciplinary measures on employees in matters within its scope. In the course of 2021, there were 3 meetings of the Compliance Committee, in accordance with the planned schedule.

The Company has decided to initiate development and roll out of its crime prevention plan in other countries (Germany, Holland, Belgium, United Kingdom, Colombia, Mexico and Argentina) and, as a result, has set up Compliance Committees in the Business Units covering those countries. The Compliance Committees that are already set up are called on to ensure effective roll out of the crime prevention plan in the countries they are responsible for.

Compliance Office

The Compliance Office, led by the Compliance manager, reports directly to the Chief Legal & Compliance Officer at NH Hotel Group and to the Compliance Committee. It is in charge of disseminating and supervising compliance with the Code of Conduct, regular monitoring and supervising of the Criminal Risk Prevention Plan, creating and updating corporate policies and monitoring compliance with them, and managing queries about the Code of Conduct, amongst other duties.

Anti-Corruption and Fraud Policy

NH Hotel Group has an anti-corruption and fraud policy which was initially approved by the Board of Directors in January 2018 and amended in May 2019. The general principles of the Anti-Corruption and Fraud Policy are:

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

Anti-money laundering policy

NH's Code of Conduct reflects a commitment to respect the applicable regulations on anti-money laundering policy, with special attention to diligence and care in the processes of evaluating and selecting suppliers, and in payments and collections in cash. Therefore, the Compliance Committee approved a policy that reinforces NH Hotel Group's commitment to anti-money laundering and combating the financing of terrorism, with the aim of detecting and preventing NH Hotel Group, S.A. and its group companies from being used in money laundering or terrorist financing operations. The Policy was approved by the Board in May 2019. In 2021 the corporate anti-money laundering and the financing of terrorism policy was amended and updated. In November 2021 the update was approved by the Board of Directors, after it was reviewed and validated by the Compliance Committee and the Audit and Control Committee.

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

Environmental policy and Human Rights policy

In 2020 NH Hotel Group's Board of Directors approved an environmental policy that included the company's commitments to preventing and anticipating possible environmental contingencies, integrating sustainability in all its processes in order to reduce its impact and incorporating environmental aspects into the company's decision making process.

Furthermore, in 2020, the Company's Board of Directors approved the Human Rights policy, in order to reflect that respect for, and protection of, human rights are principles that are ingrained into NH Hotel Group's culture and applicable to all the activities carried out by the group's professionals, regardless of the country or region. The Company is committed to complying with Human Rights at the highest internationally recognised levels and standards, in order to protect, respect and correct (prevention and management) risks associated with breach of those rights
.

RISK MANAGEMENT

Risk management governance

The Company's Board of Directors is responsible for overseeing the risk management system, in line with the provisions of Article 5 of the Regulation of the Board of Directors. As regulated by Section 3 of article 25 b) of the Regulation of the Company's Board of Directors, the Audit and Control Committee supports the Board of Directors in supervising the effectiveness of the internal control, internal audit and the risk management systems, including tax risks. In this sense, during 2021, a control and monitoring process of the Company's main risks has been carried out.

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

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

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

In line with the above, NH follows the Three Lines model published in July 2020 by the Global IIA:

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

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

Risk management model

NH Hotel Group's risk management system, rolled out at Group level, aims to identify events that may negatively affect achievement of the objectives of the Company's Strategic Plan, providing the maximum level of assurance to shareholders and stakeholders and protecting the group's revenue and reputation.

The risk management model is based on the integrated COSO IV ERM (Enterprise Risk Management) framework, and includes a set of methodologies, procedures and support tools that allow the NH Hotel Group:

1. To adopt adequate governance in relation to the Company's risk management, as well as promoting an appropriate risk management culture.
2. To ensure that the Company's defined objectives are aligned with its strategy and risk profile.
3. To identify, evaluate and prioritise the most significant risks that could affect achievement of strategic objectives To identify measures to mitigate these risks, as well as establish action plans based on the Company's tolerance to risk.
4. To follow-up on the action plans established for the main risks, within a continuous improvement model framework.

The Group's Risk Map is updated annually and approved by the Board of Directors once reviewed and validated by the Audit and Control Committee. In 2021, the Company updated its risk catalogue (78 risks) and its Risk Map, which was approved by the Board of Directors on 28 July 2021.

Each of the main risks on the Company's Risk Map is assigned a Risk Owner who, in turn, is a member of the Management Committee. Each risk owner is responsible for mitigation measures, either existing or in progress, for their risks and the implementation status of action plans.

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

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

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

Apart from this classification, the Company has identified emerging risks and ESG (Environment, Social, Governance) risks that it particularly monitors (described in the annual non-financial information report). At the start of 2021, NH Hotel Group strengthened its analysis of risks associated with Human Rights, the Environment and Fraud by the Sustainable Business and Risks Departments.

Data protection plan

Due to the mandatory application of the General Data Protection Regulation (GDPR) in the European Union from May 2018, together with the later approval at national level of Organic Law 3/2018 of 5 December on data protection and the guarantee on digital rights, the NH Hotel Group implemented a plan to guarantee compliance with the regulation, included in and aligned with the Transformation Plan.

This new plan includes general privacy measures by default and from the design of any activity carried out by NH Hotel Group, so that all the company's activities, applications, processes, and projects will take privacy matters and their compliance into account. The plan includes key initiatives such as integration of privacy principles by design and by default, effective management of personal data breaches, explicit consent from the data subject for data gathering and use, and the legality of the different data processing carried out, and a physical and virtual data destruction policy. It also includes management of the data protection rights that may be requested by the data subjects, and training employees so that they are aware of the protection policies set up and how to process personal data. The plan already includes the post of Data Protection Officer (DPO) within NH Hotel Group, who is duly declared at the various Data Protection Agencies where NH Hotel Group operates.

NH ROOM 4 SUSTAINABLE BUSINESS

The NH Hotel Group performs its hotel activity with the ambition of leading responsible behaviours, and creating shared value at an economic, social and environmental level wherever it operates. With this philosophy, in 2021 the Company continued with its strategy, in which one of the pillars is NH ROOM4 Sustainable Business; a key part of the Company's global strategy.

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

A noteworthy milestone for NH Hotel Group was obtaining Bronze Class recognition in "The Sustainability Yearbook 2022", consolidating it as the third most sustainable hotel chain in the world, after been assessed by the sustainable investment agency at Standard & Poor's, which assesses companies on the Dow Jones Sustainability Index.

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

The NH Hotel Group has reported its commitment to and strategy against climate change to CDP Climate Change since 2010 and received a B in its annual ranking. With this rating, the NH Hotel Group once again recognises its vision of positioning climate change as a strategic value of the corporation, which has acted as a lever of value for the Group for over a decade.

As a demonstration of its commitment to gender equality, NH Hotel Group has been included on the Bloomberg gender equality index for the third time in 2022 and is the only Spanish hotel group on the index. The Company has achieved its best results in the cornerstone of wages equality and parity, due to its remuneration policies based on gender equality and the fight against the wage gap.

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

NH ROOM4 PEOPLE

Employees

NH Hotel Group looks after its employees and seeks their commitment and involvement in the Company's sustainable business, in such a way that this is an integral part of their daily work. This is achieved with fluid communication and recognition of their responsible commitment.

Within NH Hotel Group's business strategy, corporate culture is key. The Company considers human capital to be its main asset and understands that, to build a leading corporate culture, it is essential to manage attracting and developing talent, and sustain their motivation and pride in belonging to the NH Hotel Group.

In 2021, within a particularly sensitive context regarding the health and economy circumstances, the Company focussed on three fundamental aspects within team member management:

- Connect with them, keeping them informed about the company's reality at all times and ensuring two-way communication via the Managers.
- Care for and ensure their safety, health and well-being.
- Give a response to business demands as a business partner.

Along this line, the leaders of the various areas worked with their teams on adaptation to the various circumstances that arose during 2021, including the transition to re-joining on-site, managing their emotions, commitment and performance, and trying to respond to the various personal and professional realities.

During 2021 the Company had to make adjustment its staff at global level, to adapt to the reality in each country and business operation, retaining the maxim of protecting employment in the long term as far as possible and adjusting staff costs to the Company's reality. The departure processes were notified individually, in an attempt to listen to each employee actively, respecting and valuing the work done during their time at NH Hotel Group. The Human Resources department also carried out a "reboarding" for employees who stayed at the Company, encouraging active listening and empathy in such difficult times, working to foster good adaptation to the new reality.

Even in such an adverse context, NH Hotel Group has maintained its corporate culture and commitment to its values, in line with its current People strategy, with the conviction that coherence is what is needed to gain the credibility and trust of its team members, who are the Company's greatest asset.

Under these circumstance, NH Hotel Group, throughout the year, maintained the focus on its strategic cornerstones, ensuring, in this way, that it continues to sustain its long-term vision, but adapting the initiative launched to give them sense and usefulness within an individual, social and company context as complex as the one caused by the pandemic.

- Global leadership and talent management: Continue promoting and transmitting leadership within the NH Hotel Group, focusing efforts and investment on internal talent that has the potential to make a difference in the Company's strategy and to become models of our culture.
- Maximum performance and better workplaces: All employees are encouraged to develop and do their best, where high performance is differentiated, recognised and rewarded. Making our employees our best brand ambassadors.
- Transformation and reinvention: develop our working environment to make it increasingly agile, connected and productive. All this, with clear policies and processes, meeting commitments proactively, supporting, developing and implementing the Company's operational model.

With this working framework, this year NH Hotel Group continued with its "With You" initiative to care for its employees in these challenging times. Using "With You", and amongst other actions, NH employees have received content aimed at stress management, have accessed digital kiosks free-of-charge, have had language classes within reach, have been able to collect office material to improve their remote working experience.

It is worth pointing out that in 2021 the Company has resumed some highly important processes within the People strategy, which had come to a halt due to the pandemic, such as the MBO and Time for You, as well as talent calibrations and recognition and training programmes which are all adapted to the Company's new reality.

In this way, NH Hotel Group has continued to care for its teams, giving them tools to manage the stress and uncertainty brought by the pandemic during 2021 as best as possible, by focussing on identifying, developing and retaining talent and continue to strengthen commitment, creating optimal workplaces to maximised its employees contribution.

Our human capital

The average number of employees belonging to the Parent Company and consolidated companies at the close on 31 December 2021 was 10,072 employees. The corporate culture of the NH Hotel is also based on the cornerstones of diversity, equality and inclusion. Therefore, employees are 133 different nationalities and 51% of all staff were women.

Also, the average age of employees is 41.1 years old, and their average time with the company is 10.5 years.

NH Hotel Group uses its Code of Conduct to formalise its commitment to promoting non-discrimination due to the race, colour, nationality, social origin, age, gender, civil status, sexual orientation, ideology, political opinions, religion or any other personal, physical or social condition of its professionals, along with equal opportunities for all of them.

The policies and actions for recruiting, employing, training and internal promotion of employees are based on criteria of ability, skills and professional merit., In 2021 2,936 new staff were recruited, of which 66% are employees under 35 years old and 53% are women.

NH ROOM4 PLANET

NH Hotel Group is a company that is committed to the well-being of its guests and to efficient management of the resources available in the environment the Group's hotels are in. The Company is aware of the effects of its activity on the environment and works to prevent and anticipate possible environmental contingencies, as well as to integrate sustainability into all its processes. It is constantly working on reducing their impact.

The Company's environmental strategy is channelled through NH ROOM4 Planet, which defines the roadmap to comply with the commitments acquired to fight climate change and progress towards decarbonisation, efficient management and responsible consumption of resources and a circular economy, the development of more sustainable products, but also the involvement of employees, suppliers, partners and customers as key actors to achieve this.

Fight against climate change is a fundamental strategic value. In order to progress the definition of its climate strategy, an analysis was made during the year to determine where the Company is in relation to the TCFD (Task Force on Climate-Related Financial Disclosures) recommendations and what steps should be taken to be in line with it in 2023.

NH Hotel Group hotels have and ISO 14001 environmental management system and an ISO 50001 energy efficiency system, certified for accommodation, catering, meetings and events services. At the close of 2021, 47% of the hotels in Germany, Spain and Italy already had ISO 14001 - a total of 96 hotels - and/or ISO 50001 certification - 30 hotels. There are Group hotels that also have other environmental certifications, such as: BREEAM, LEED, Green Key, Hoteles+Verdes. The aim is to have an increasingly large number of hotels with globally recognised environmental certifications and approved by the Global Sustainable Tourism Council, the most important body of reference.

As a demonstration of our environmental commitment, 163 hotels in the portfolio have obtained the Green Leaders mark on TripAdvisor, with 46% of the Company's hotels having this recognition. In addition, during the year 294 of the company's hotels achieved the environmental distinction on Booking and the entire portfolio got the GreenStay from HRS. It is worth pointing out that, in September 2021, NH Hotel Group signed an alliance with Bioscore for independent classification of the behaviour of all the hotels in the portfolio on six pillars (emissions, energy, water, waste, catering and social responsibility).

These actions and commitments allow the NH Hotel Group to position itself as a sustainable and environmentally friendly company, thereby increasing the value of its brands.

SHARES AND SHAREHOLDERS

NH Hotel Group, S.A. share capital at the end of 2021 comprised 435,745,670 fully subscribed and paid up bearer shares with a par value of 2 euros each. All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

According to the latest notifications received by the Company and the notices given to the National Securities Market Commission before the end of every financial year, the most significant shareholdings at 31 December 2021 and 2020 were as follows:

	2021	2020
Minor International Public Company Limited ("MINT")	94.13%	94.13%

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

The average share price of NH Hotel Group, S.A. in 2021 was 3.61 euros per share (3.58 euros in 2020). The lowest share price of 2.82 euros per share (2.10 euros in October 2020) was recorded in December and the highest share price of 4.35 euros per share in February (5.34 euros in January 2020). The market capitalisation of the Group at the close of 2021 stood at 1,324.66 million euros.

At 31 December 2021, the Group had 96,246 own shares (all referring to the liquidity contract), compared to 103,947 own shares at 31 December 2020. The reduction in treasury shares in the period is wholly explained by the liquidity contract operation.

Liquidity contract for treasury shares management

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

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

The total number of shares allocated to the securities account associated with the Liquidity Contract at 31 December 2021 is 96,246 shares and the current amount allocated to the cash account is 333,543 euros.

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

Average period for payment to suppliers

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

	2021	2019
	Days	
Average period for payment to suppliers	96	82
Ratio of paid transactions	97	82
Ratio of transactions pending payment	80	96
	Amount (Thousand euros)	
Total payments made	271,179	194,915
Total payments pending	**20,018**	**10,226**

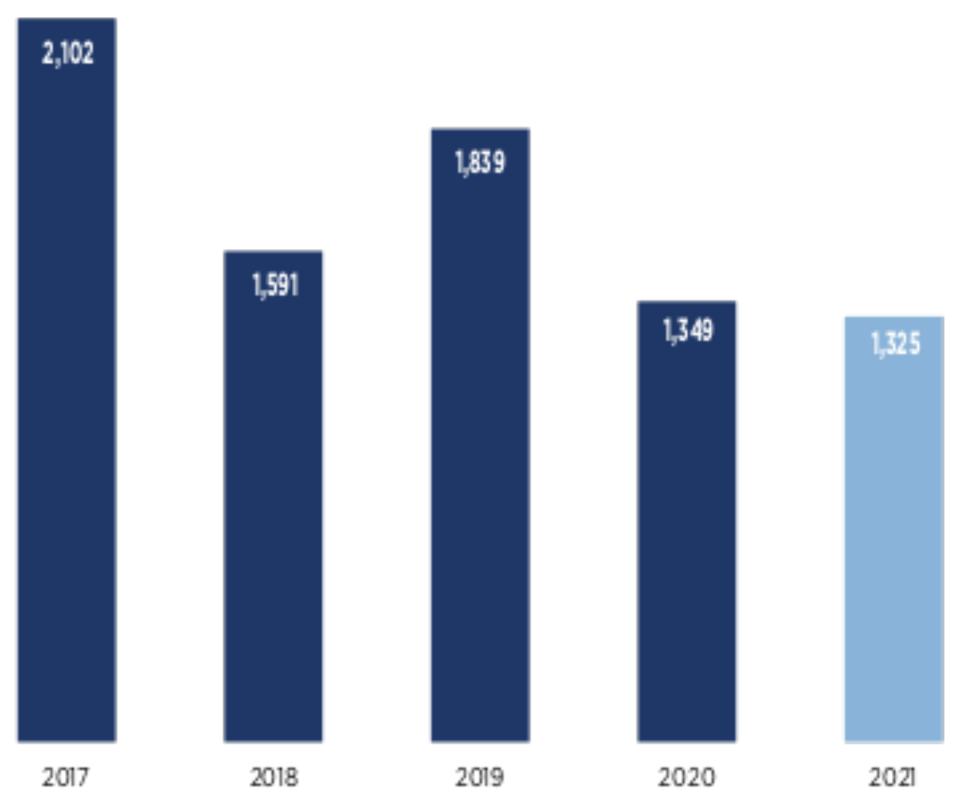
The above information on payments to suppliers of Spanish companies refer to those which by their nature are trade creditors due to debts with suppliers of goods and services. The table includes, therefore, the "Commercial Creditors and Other Accounts Payable" item in current liabilities of the consolidated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

The average period for payment to suppliers has been calculated using the weighted average of the two ratios explained below:

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

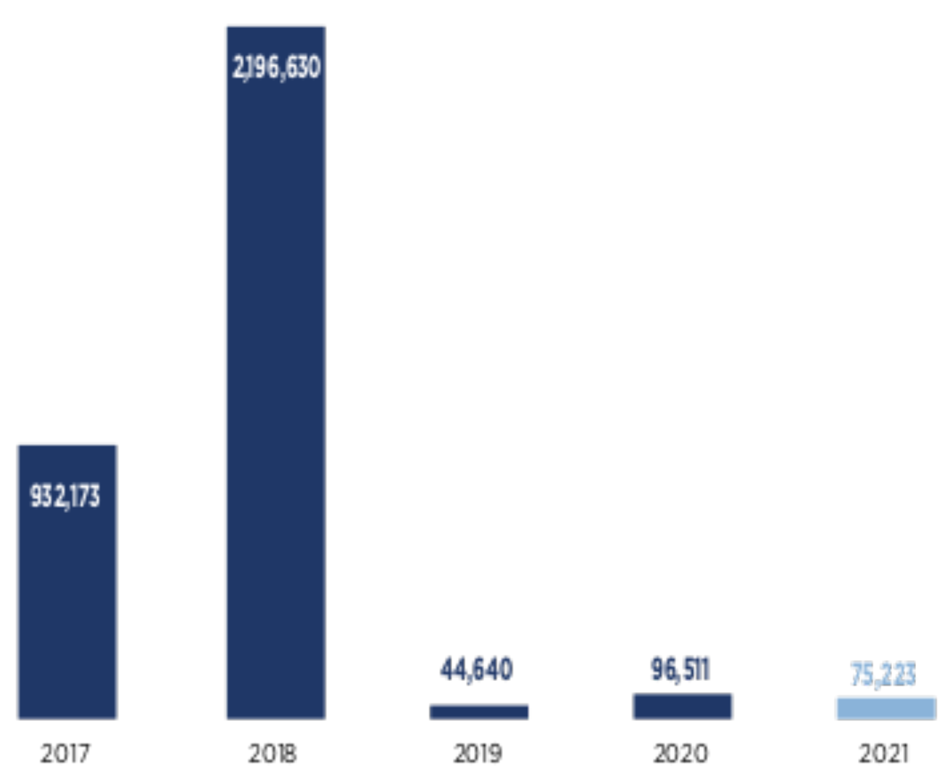
The maximum period for payment to suppliers of the Company has been higher than the legal period stablished of 60 days due to the impact of COVID-19 pandemic on hotel demand. This situation is remediable as long as several measures are taken focused on temporary resizing of existing resources, such as renegotiation of rent contracts and other different actions focused on minimizing COVID-19 impacts, which jointly with the progressive recovery of hotel activity will contribute to meet the stablished legal ratio.

CAPITALISATION (AT THE END OF EACH YEAR)
(Million euros)



During 2021, 19,257,219 shares in NH Hotel Group, S.A. were traded on the Continuous Market. (24,706,896 shares in 2020), with an average daily share trading on the Continuous Market of 75,223 shares (96,511 shares in 2020).

AVERAGE DAILY TRADING
(In shares)



EVOLUTION NH HOTEL GROUP vs. IBEX 35
1 JANUARY 2017-31 DECEMBER 2021

FUTURE OUTLOOK

It is forecast that high inflation may continue for longer than expected and that the cuts in the supply chains and high energy prices will persist in 2022. It is expected that inflation should decrease little by little as the imbalance between supply and demand dissipate in 2022 and that the monetary policy of the large economies responds.

The appearance of new strains of the virus causing COVID-19 may prolong the pandemic and once again pose economic problems. In addition, disruptions to the supply chains, volatile energy prices and specific wages pressures create huge uncertainty about the path of inflation and politics. As the monetary policy rates in advanced economies rise, risks to financial stability may appear, as well as to capital flows, currencies and the tax position of the economies of emerging and developing markets, particularly taking into account that debt levels increased significantly during the last two years. On the other hand, other global risks may materialise given that geopolitical tensions continue to be acute.

According the OMT's last Group of Experts, the majority of tourism professionals (61%) see better prospects for 2022. While 58% expect an upturn in 2022, above all in the third quarter, 42% only foresee a possible upturn in 2023. A majority of experts (64%) now expect that international arrivals will not return to 2019 levels until 2024, or later, as against 45% in the September survey.

The OMT's Confidence Index shows a slight drop in January-April 2022. A rapid, more generalised roll out of vaccinations, followed by a significant lifting of travel restrictions, along with better coordination and clearer information on travel protocols, are the main factors indicated by the experts for effective recovery of international tourism.

The OMT scenarios show that international tourist arrivals may grow between 30% and 78% compared to 2021. Nevertheless, these are percentages that are still 50% and 63% lower than the levels prior to the pandemic.

Non-financial Information Statement

The 2021 consolidated Non-Financial Information Statement, issued by the Board of Directors on 24 February 2022, contains all the non-financial information required by Law 11/2018 of 28 December 2018. This document is presented as a separate report, is part of this Consolidated Management Report and is available on the corporate website of the NH Group (https://www.nh-hoteles.es/corporate), within the section on Annual reports included in financial information in the shareholders and investors section and as an annex to this document.

Annual Corporate Governance report

The Annual Corporate Governance report, which is a part of this consolidated management report, was prepared according to the provisions of article 49.4 of the Commercial Code. In addition, the report will be available from publication of these accounts on NH Group's corporate web site (https://www.nh-hoteles.es/corporate/es) and on the CNMV web site (www.cnmv.es).

Annual directors' remuneration report

The annual directors' remuneration report for 2021, prepared by the Board of Directors on 24 February 2022, is presented as a separate report, forms a part of this Consolidated Management Report and is available as an annex to this document as required by article 538 of the Royal Legislative Decree 1/2010 of 2 July 2010.

SUBSEQUENT EVENTS

The Company is planning to put the 2022-2027 Long-Term Incentive Plan ("Performance Cash Plan") in place in 2022. This grants a cash amount payable in the event of fulfilling the targets set for that purpose. The Plan is explained in an annual report on listed public company directors' remuneration, prepared by the Board of Directors on 24 February 2021, which is presented as a separate report, forming part of the Management Report in the Consolidated Annual Statements.

ANNUAL CORPORATE GOVERNANCE REPORT

Of listed companies
Identification details of the issuer
End date of 12-month period of reference: 31/12/2021
Tax id code (CIF): A28027944
Company name: NH Hotel Group, S.A.
Registered office: Santa Engracia, 120 - 7ª planta, Madrid.

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED PUBLIC LIMITED COMPANIES

A - OWNERSHIP STRUCTURE

A.1 Complete the following table on the share capital and voting rights attributed, including, where appropriate, those corresponding to loyalty shares, at the year-end date:

Indicate if the company's articles of association contain the provision for loyalty shares conferring double voting rights.

NO

Date of last change	Share capital (€)	Number of Shares	Number of voting rights
28/09/2021	871,491,340.00	435,745,670	435,745,670

Indicate whether there are different classes of shares with different associated rights:

NO

A.2 Please provide details of the significant direct and indirect shareholdings at year end, including any directors having a significant shareholding:

Name or company name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
MINOR INTERNATIONAL PUBLIC COMPANY LTD	0.00	94.13	0.00	0.00	94.13

Breakdown of the indirect holding:

Name or company name of the indirect owner	Name or company name of the direct owner	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
No data				

Indicate the most significant changes in the shareholder structure during the year:

Most significant movements

There were no significant movements in the shareholding structure of NH Hotel Group, S.A. in 2021.

A.3 Detail, whatever the percentage, the shareholding at year-end of members of the board of directors who hold voting rights attributed to shares in the company or through financial instruments, excluding directors who have been identified in section A.2 above:

Name of director	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights	% of voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR ALFREDO FERNÁNDEZ AGRAS	0.04	0.00	0.00	0.00	0.04	0.00	0.00
MR RAMÓN ARAGONÉS MARÍN	0.03	0.00	0.00	0.00	0.03	0.00	0.00
MR RUFINO PÉREZ FERNÁNDEZ	0.01	0.00	0.00	0.00	0.01	0.00	0.00

Total percentage of voting rights held by members of the Board of Directors	0.07

Breakdown of the indirect holding:

Name or company name of director	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights	% of voting rights that can be transmitted through financial instruments
No data					

Detail of the total percentage of voting rights represented on the board:

Total percentage of voting rights represented in the Board of Directors	0,07

A.4 If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are significant or arise in the ordinary course of business, except those that are reported in Section A.6:

Name or company name of related party	Nature of relationship	Brief descriptionn
No data		

A.5 Indicate, where applicable, the commercial, contractual or corporate relationships existing between major shareholders, and the company and/or its group, unless they have little relevance or arise from normal trading activities:

Name or company name of related party	Nature of relationship	Brief descriptionn
No data		

A.6 Describe the relationships, unless significant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors.

Explain, as the case may be, how the significant shareholders are represented. Explain, as the case may be, how the significant shareholders are appointed. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
MR KOSIN CHANTIKUL	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MINOR INTERNATIONAL PUBLIC COMPANY LTD	Minor International Public Company Ltd is the significant indirect shareholder (94.132%) in NH and has proposed the aforesaid Director. Mr Chantikul is also a director of the Minor group companies as listed in section H of this report.
MR STEPHEN ANDREW CHOJNACKI	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MHG CONTINENTAL HOLDING (SINGAPORE) PTE. LTD.	Minor International Public Company Ltd. is an indirect shareholder of NH Hotel Group, S.A. and holds 94.132% of NH Hotel Group via MHG Continental Holding (Singapore) Pte. Ltd. MHG Continental Holding (Singapore) Pte Ltd, exercising its right to proportional representation, has appointed Mr Stephen Andrew Chojnacki as Proprietary director of NH Hotel Group, S.A. Mr Chojnacki is also a Director of MHG Continental Holding (Singapore) Pte Ltd.
MR STEPHEN ANDREW CHOJNACKI	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MINOR INTERNATIONAL PUBLIC COMPANY LTD	Mr Stephen Andrew Chojnacki is Chief Commercial Officer and General Counsel of Minor International Public Company Ltd. Mr Chojnacki is also a director of the Minor group companies as listed in section H of this report.
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MHG CONTINENTAL HOLDING (SINGAPORE) PTE. LTD.	Minor International Public Company Ltd. is an indirect shareholder in NH Hotel Group, S.A. and, through MHG Continental Holding (Singapore) Pte Ltd, holds 94.132% in NH Hotel Group, S.A. MHG Continental Holding (Singapore) Pte Ltd, in exercising its right of proportional representation, has appointed Mr Rajakarier as a proprietary director of NH Hotel Group, S.A.
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MINOR INTERNATIONAL PUBLIC COMPANY LTD	Mr Rajakarier is the Group Chief Executive Officer of Minor International Public Company Ltd. He is also a director of the Minor group companies as broken down in section H of this report.
MR WILLIAM ELLWOOD HEINECKE	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MHG CONTINENTAL HOLDING (SINGAPORE) PTE. LTD.	Minor International Public Company Ltd. is an indirect shareholder in NH Hotel Group, S.A. and, through MHG Continental Holding (Singapore) Pte Ltd, holds 94.132% in NH Hotel Group, S.A. MHG Continental Holding (Singapore) Pte Ltd, in exercising its right of proportional representation, has appointed Mr William Ellwood Heinecke as a proprietary director of NH Hotel Group, S.A.
MR WILLIAM ELLWOOD HEINECKE	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MINOR INTERNATIONAL PUBLIC COMPANY LTD	Mr William Ellwood Heinecke is Chairman of the Board of Directors of Minor International Public Company Ltd. as well as Chairman of the Executive Management Committee. Finally, note that Mr Heinecke holds the positions in the Minor group companies as broken down in section H of this report.

A.7 Indicate whether the company has been informed of shareholders' agreements which affect it, as established in Articles 530 and 531 of the Capital Companies Act. If so, describe them briefly and list the shareholders bound by the agreement:

NO

Indicate whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

NO

In the event of any modification or termination of these pacts, agreements or agreed actions during the year, please specify it:

A.8 Indicate whether any individual person or legal entity exercises, or could exercise, control over the Company in accordance with Article 5 of the Stock Market Act. If so, identify them:

YES

Name
MINOR INTERNATIONAL PUBLIC COMPANY LTD

A.9 Fill in the following tables regarding the Company's treasury stock:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	% of total share capital
96,246		0.02

(*) Through:

Name or company name of the direct shareholding	Number of direct shares
No data	

Explain any significant changes during the year:

Explain the significant changes

At 31 December 2021, the Group had 96,246 own shares compared to 103,947 own shares at 31 December 2020. The reduction in treasury stock during the period relates to the liquidity contract signed with Santander on 10 April 2019.

A.10 Describe the conditions and the term of the current mandate of the Board of Directors to issue, repurchase or transmit treasury stock, as conferred by the General Shareholders' Meeting.

The General Shareholders' Meeting held on 30 June 2021 authorised the Board of Directors of the Company to repurchase treasury stock under the terms indicated below:

a) The acquisition can be made by any title accepted in Law, once or more times, provided that the acquired shares, added to those the Company already owns, do not exceed 10% of the Company's share capital, together with those owned by other companies in the group, if applicable.

b) The acquisition, including the shares which the Company, or a person acting in their own name but on behalf of the Company, may have acquired beforehand and have in its portfolio, can be made as long as this does not lead to net equity being below the amount of share capital plus the reserves made unavailable by law or the Company's articles of association. For these purposes, equity will be considered the amount qualified as such pursuant to the criteria for preparing the annual accounts, reduced by the amount of the profit directly attributed to it, and increased by the amount of the uncalled subscribed share capital, as well as the amount of the nominal and the premiums for issuing the subscribed share capital that is accounted for as a liability.

c) The shares must be fully paid up.

d) The authorisation will be valid for 5 years from the day this agreement comes into force.

e) The minimum purchase price will be 95% and the maximum price will be 105% of the listed market value at the close of Spain's continuous market the day before the transaction, and the purchase transactions will adhere to security market regulations and customs.

The shares acquired due to the authorisation can be disposed of or amortised, or used in the payment systems set out in Article 146.a) paragraph 3 of the Capital Companies Act, and in particular may be wholly or partly allocated to the beneficiaries of the Payment Plan or Plans for Company executives or employees.

A.11 Estimated floating capital:

	%
Estimated floating capital	5.87

A.12 State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

NO

A.13 State whether the General Shareholders' Meeting has agreed to adopt neutralisation measures against take-over bids, pursuant to Law 6/2007.

NO

If so, please explain the measures approved and the terms under which such limitations would cease to apply.

A.14 State if the company has issued shares that are not traded on a regulated EU market

NO

If so, please list each type of share and the rights and obligations conferred on each.

B - GENERAL SHAREHOLDERS' MEETING

B.1 Indicate whether differences exist between the minimum quorum established in the Spanish Capital Companies Act (LSC) and the quorum of the General Shareholder's Meeting. If so, explain these differences.

NO

B.2 Indicate, and if applicable, specify any differences from the system established in the Capital Companies Act (LSC) for adopting company agreements:

NO

B.3 Indicate the regulations applicable to modification of the company articles of association. In particular, note the majorities required for changes to the articles of association and, if any, the regulations governing the protection of shareholders' rights when making changes to the articles of association.

Title VIII, covering Articles 285–345, of Royal Decree-Law 1/2010 of 2 July, approving the Revised Text of the Capital Companies Act (hereunder, LSC), and Articles 158–164 of Royal Decree 1784/1996 of 19 July, approving the Regulation of the Companies Register (hereinafter, RRM) establish the legal system applicable to the modification of articles of association. The text of the articles of association of NH Hotel Group faithfully reflects these legal regulations, with no higher quorum or majority required than is set out therein.

B.4 Give details of attendance at General Shareholders' Meetings held during the year of this report and the previous year:

	Attendance detail				
			% remote voting		
Date of general meeting	**% physically present**	**% present by proxy**	**Electronic voting**	**Others**	**Total**
13/05/2019	94.21	0.90	0.00	0.00	95.11
Of which, free float:	0.08	0.90	0.00	0.00	0.98
16/07/2020	94.20	0.64	0.00	0.00	94.84
Of which, free float:	0.07	0.64	0.00	0.00	0.71
30/06/2021	94.18	0.49	0.00	0.00	94.67
Of which, free float:	0.05	0.49	0.00	0.00	0.54

B.5 State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason.

NO

B.6 State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

NO

B.7 State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting.

NO

B.8 Indicate the address and access on the Company website to information on corporate governance and other information on General Shareholders' Meetings which must be available to shareholders on the Company website.:

All information of relevance to shareholders, including information on corporate governance and other information on general shareholders' meetings is available at all times on the NH Hotel Group website, www.nh-hotels.es, in the section "Shareholders and Investors".

C - COMPANY MANAGEMENT STRUCTURE

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of Directors	**20**
Minimum number of Directors	**5**
Number of directors set by the general meeting	**9**

C.1.2 Complete the following table with the members of the Board:

Name of director	Representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to the Board
MR ALFREDO FERNÁNDEZ AGRAS		Independent	CHAIRMAN	19/06/2015	13/05/2019	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR RAMÓN ARAGONÉS MARÍN		Executive	CHIEF EXECUTIVE OFFICER	29/06/2017	16/07/2020	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR JOSÉ MARÍA CANTERO MONTES-JOVELLAR		Independent	DIRECTOR	21/06/2016	30/06/2021	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR KOSIN CHANTIKUL		Proprietary	DIRECTOR	10/04/2019	13/05/2019	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR STEPHEN ANDREW CHOJNACKI		Proprietary	DIRECTOR	21/06/2018	30/06/2021	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR WILLIAM ELLWOOD HEINECKE		Proprietary	DIRECTOR	21/06/2018	30/06/2021	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR FERNANDO LACADENA AZPEITIA		Independent	DIRECTOR	21/06/2016	30/06/2021	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR RUFINO PÉREZ FERNÁNDEZ		Executive	DIRECTOR	28/09/2020	30/06/2021	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER		Proprietary	DIRECTOR	21/06/2018	30/06/2021	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING

Total number of directors	**9**

Indicate any cessations, whether through resignation or by resolution of the general meeting, that have taken place in the Board of Directors during the reporting period:

Name or company name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
No data					

C.1.3 Fill in the following tables about the Board members and their corresponding categories:

Executive directors

Name or company name of director	Post in organisational chart of the company	Profile
MR RUFINO PÉREZ FERNÁNDEZ	EXECUTIVE DIRECTOR	Rufino Pérez Fernández has a degree in economics and business studies from the University of Vigo and studied an Executive MBA in tourism corporate management at the Business Institute. He has spent the greater part of his career in the hotel industry, and has held management positions as the head of Internal Audit, and Organisation and systems areas, and has held the position of General Manager, Operations, in various hotel chains. He is currently General Manager, Operations and Transformation, at NH Hotel Group, S.A.
MR RAMÓN ARAGONÉS MARÍN	CHIEF EXECUTIVE OFFICER	Tourism diploma from the University of Palma de Mallorca. Masters' in International Hotel Management from the International Business School Hotel and Tourism Management. His professional career, for more than twenty years, has been in positions of management and responsibility, in companies in the tourism sector, such as Hesperia (General Manager) and NH Hotel Group, S.A. (Chief Operations Officer). He is currently Chief Executive of NH Hotel Group, S.A.

Total number of executive directors	**2**
Percentage of Board	**22,22%**

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
MR KOSIN CHANTIKUL	MINOR INTERNATIONAL PUBLIC COMPANY LTD	Holds a degree in Economics from Wesleyan University, USA (2000-2004) and studied the Director Certification Program (DCP), he was a member of the Thai Institute of Directors (IOD) (2014). He began his career at Lehman Brothers, was an associate at Lehman Brothers Principal Transactions Group (until 2008) and subsequently at Nomura Asia Asset Finance (until 2010). In 2012 he was appointed Investments Director at Boutique Asset Management and between 2013 and 2015 he was Group Acquisitions Director for Minor International PCL. Since 2015, he has been responsible for the Minor Group's investments and acquisitions. He has led investments, strategic partnerships and mergers and acquisitions activities in the hospitality sectors on behalf of Minor International PCL and led transactions in Thailand, Indonesia, Malaysia, Vietnam, Cambodia, Australia, United Kingdom, Portugal, Spain, Brazil, Maldives, Seychelles, South Africa, Zambia, Botswana, Lesotho and Mozambique.
MR STEPHEN ANDREW CHOJNACKI	MINOR INTERNATIONAL PUBLIC COMPANY LTD	Degree in Foreign Relations and Economics from the University of Virginia, obtaining a Doctorate from the University of Virginia/School of Law. Mr Chojnacki has spent his professional career in the law firm Linklaters in their New York, Hong Kong and Bangkok offices. He is currently the Chief Commercial Officer and General Counsel of Minor International PLC., Director of MHG Continental Holding (Singapore) Pte.Ltd., as well as a Director of companies in the Minor group. During his time leading the commercial activities and legal advice of the Minor Group, he has carried out a number of mergers and acquisitions with other leading companies in the hospitality sector, with presence in Portugal, Brazil, China, Vietnam, Indonesia and Africa.
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER	MINOR INTERNATIONAL PUBLIC COMPANY LTD	Degree in Computer Systems Analysis & Design in Sri Lanka in 1984. Masters' in Business Management and Administration (MBA) in Finance in the United Kingdom, as well as an IOD Certificate from the Thai Institute of Directors, a finalist in CIMA (Chartered Institute of Management Accountants) in the United Kingdom. He is also a member of the "Institute of Management Information Systems" in the United Kingdom, as well as other institutions or associations such as "FCEA – Fellow of the Cost and Executive Accountants", "ABAHA – Associate of the British Association of Hotel Accountants", "MACP – Member of the Association of Computer Professionals" or "MABAC – Member of the Association of Business & Administrative Computing" in the United Kingdom. Mr Rajakarier has spent his professional career from 2007 to date at Minor International Public Company Limited as Chief Operating Officer (COO) and Director and Chief Executive Officer (CEO) at Minor Hotel Group Limited. Minor International Public Company Limited is a global company focused on three main businesses: restaurants, the hotel sector and retail brands. From 2001 to 2007 he was Deputy Chief Financial Officer and Internal Audit Manager in the leading operator Orient Express Hotels, Trains & Cruises (Belmond). Since 2020, he has been Group CEO of Minor International Public Company Limited.
MR WILLIAM ELLWOOD HEINECKE	MINOR INTERNATIONAL PUBLIC COMPANY LTD	He holds an Honorary Doctorate of Business Administration in Management from Yonok University, Lampang. He also completed the Director Certification Program (DCP) from the Thai Institute of Directors Association (IOD). Mr Heinecke is the founder of Minor International Pcl. (MINT) and is currently Chairman of the Board of Directors of said company. Over the five decades of the Minor group's existence, Mr Heinecke has led the company and expanded its portfolio of restaurants, hotel businesses and lifestyle brand distribution. It currently has more than 2,100 restaurants, 160 hotels and 400 lifestyle outlets in 40 countries (excluding the NH Hotel Group portfolio). MINT is listed on the Thailand Stock Exchange, with revenues of more than 1.5 billion euros and a market capitalisation of 4 billion euros. Mr Heinecke is the author of the book "The Entrepreneur – 25 Golden Rules for Global Business Manager"

Total number of proprietary directors	**4**
Percentage of Board	**44,44%**

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of director	Profile
MR JOSÉ MARÍA CANTERO MONTES-JOVELLAR	He holds a degree in Law and Economics and Business Administration and Management from the Universidad Pontificia Comillas (ICADE E-3) and a diploma from the Business Management Programme (PADE) of IESE Business School. He was a founding partner of Results Mazimizer (consultancy for the execution and implementation of marketing, sales and communications projects) and Enubes (digital marketing company) and has been the Managing Partner since September 2015. Between July 2008 and August 2015 he held various senior positions in Mutua Madrileña, first as Sales and Marketing Director until May 2011 and subsequently as Deputy General Manager, whilst also being a Director at SegurCaixa Adeslas (from July 2011) and a Director at Mutuactivos Inversiones (from July 2013). Between August 2003 and June 2008 Mr José María Cantero de Montes-Jovellar was Marketing and Customers Director (sales and value enhancement management of the Residential Business Unit) of Amena/Orange in Spain. Previously, between July 1994 and July 2003 he worked for Procter & Gamble España in various positions within the marketing department: Assistant Brand Manager, Brand Manager, and his final position as Business Team Leader Textiles Care division for Spain and Portugal.
MR ALFREDO FERNÁNDEZ AGRAS	Degree in Economic and Business Sciences, as well as in Law from Universidad Pontificia Comillas (ICADE) in 1993. Experienced investment banker, currently dedicated to investing in private companies and advising in corporate finance. He is additionally a board member of several companies, both private and listed. Over the last 20 years, he has worked for several investment banks, having been Managing Director and co-head at 360 Corporate and Managing Director at UBS Investment Bank in Spain. Previously, he worked for Merrill Lynch and Morgan Stanley in London. He has been involved in numerous M&A and capital markets operations in southern Europe, especially in relation to listed companies. He previously worked as a commercial lawyer and a statistician at Arthur Andersen.
MR FERNANDO LACADENA AZPEITIA	Degree in Economics and Business Administration and a Law Degree from ICADE (Specialty E-3) in Madrid. Executive with more than 40 years' experience in general management, financing and economic management, particularly oriented towards business management. Lately, specialised in the General Finance Management in large listed multinational corporations, with significant experience in expanding businesses, as well as the negotiation and structuring of financing operations, relationships with capital markets and investment operations (M&A). Currently, as a senior advisor, he is collaborating with the senior executives of various companies in the designing strategies and implementing them, as well as planning corporate operations. He is an independent director in the listed hotel chain NH Hoteles and in the listed group ECOENER, dedicated to the construction and management of renewable energies. In these cases, he is the chairman of the Audit and Control Committee and a member of other committees. Since 2015 he has been the chairman of ASIPA, the Association of Real Estate Companies with Rental Assets in Spain, which encompasses the main holders of rental assets in the country. In recent years until mid-2021 he has been the CFO of Merlin Properties SOCIMI, S.A., the leading property renter in the tertiary sector in Spain, a listed company that is part of the selective IBEX-35 and previously, he was CEO of Testa Inmuebles en Renta, S.A., a historical benchmark in the Spanish real estate rental market. Previously, he was the CFO of the Sacyr Group (listed construction and services group), head of financial management with banks and relations with analysts and investors, with direct involvement in investment processes and the strategy of alliances to develop new businesses in both local and international markets, having started his career at Arthur Andersen where he spent the first 10 years of his professional career.

Total number of independent directors	**3**
Percentage of Board	**33,33%**

State whether any independent director receives from the company or any company m the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company m the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

If so, include a reasoned statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name or company name of director	Description of the relationship	Reasoned statement
No data		

Other External Directors

Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:

Name or company name of director	Reason	Company, director or shareholder to whom the director is related	Profile
No data			

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

State any changes in status that has occurred during the period for each director:

Name of director	Date of change	Previous Status	Current status

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each.

	Number of female directors				% of directors of each category			
	2021	2020	2019	2018	2021	2020	2019	2018
Executive	0	0	1	0	0.00	0.00	50.00	0.00
Proprietary	0	0	0	0	0.00	0.00	0.00	0.00
Independent	0	0	0	1	0.00	0.00	0.00	25.00
Other External	0	0	0	0	0.00	0.00	0.00	0.00
Total	0	0	1	1	0.00	0.00	11.11	10.00

C.1.5 Indicate whether the company has diversity policies in relation to the Board of Directors of the company with regard to issues such as age, gender, disability, or professional training and experience. Small and medium-sized companies, in accordance with the definition established in the Accounts Auditing Law, will at least have to report the policy they have established in relation to gender diversity.

PARTIAL POLICIES

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also indicate the specific measures adopted by the Board of Directors and the nomination and remuneration committee to achieve a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been applied, and results achieved

On 22 December 2020, in compliance with the contents of Recommendations 14 and 15 of the Unified Good Governance Code, in their respective new wordings after the reform agreed by the CNMV on 26 June 2020, the Board of Directors approved a new Recruitment Policy for Directors and Management Positions that includes the aim that the number of female Directors is, at least, 40% of the members of the Board of Directors before the end of 2022 and beyond.

In order to fulfil the aforementioned goal, the Appointments, Remuneration and Corporate Governance Committee shall ensure that the selection procedure does not suffer from any implicit bias that may hamper the selection of female directors and that women that fulfil the professional profile sought are included among the potential candidates.

C.1.6 Explain the measures agreed, if any, by the Appointments Committee to ensure that the selection process is not implicitly biased against selecting female Directors, and so that the company deliberately seeks to include women who meet the desired professional profile among potential candidates. Also indicate whether these measures include encouraging the company to have a significant number of female senior executives:

Explanation of measures

The Appointments, Remuneration and Corporate Governance Committee ensures that each time a vacancy occurs in the Board of Directors and the corresponding selection process begins, at least one woman is a candidate.

If in spite of any measures adopted there are few or no female directors or senior managers, explain the reasons for this:

Explanation of reasons

So far, no women have been found who fit the professional profile sought.

C.1.7 Explain the conclusions of the nomination committee regarding verification of compliance with the policy aimed at promoting an appropriate composition of the Board of Directors.

The Appointments, Remuneration and Corporate Governance Committee has concluded that, despite women having taken part in the selection process for Directors women, to date none have meet the required profile.

C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed at the request of shareholders whose holdings are below 3% of share capital:

Name or company name of shareholder	Justification
No data	

Indicate whether the Board has declined any formal requests for presence on the Board from shareholders whose equity interest is equal to or greater than that of others at whose request proprietary directors have been appointed. If so, explain why the requests were not granted:

NO

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees, including those related to the possibility of issuing or repurchasing shares.

Name or company name of director or committee	Brief description
MR RAMÓN ARAGONÉS MARÍN	All the powers that correspond to the Board of Directors, except those that cannot be delegated by law or the company's articles of association.

C.1.10 Identify any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:

Name or company name of director	Company name of the group entity	Position	Does the director have executive powers?
MR RUFINO PÉREZ FERNÁNDEZ	NH ATARDECER CARIBEÑO, S.A.U.	Joint and Several Director	NO
MR RUFINO PÉREZ FERNÁNDEZ	NH PANAMA, S.A.	Director	NO
MR RUFINO PÉREZ FERNÁNDEZ	NH CENTRAL RESERVATION OFFICE, S.A.U.	Sole Director	NO
MR RUFINO PÉREZ FERNÁNDEZ	LATINOAMERICANA DE GESTION HOTELERA, S.L.	Joint and Several Director	NO
MR RUFINO PÉREZ FERNÁNDEZ	COPERAMA HOLDING, SL.U	Director	NO
MR RUFINO PÉREZ FERNÁNDEZ	COPERAMA SPAIN, S.L.U.	Joint Director	NO
MR RUFINO PÉREZ FERNÁNDEZ	SOCIEDAD HOTELERA CIEN INTERNACIONAL, S.A.	Main Director	NO
MR RUFINO PÉREZ FERNÁNDEZ	HOTELES ROYAL, S.A.	Main Director	NO
MR RUFINO PÉREZ FERNÁNDEZ	IBER-INTERBROKERS	Director	NO
MR RAMÓN ARAGONÉS MARÍN	HEINER GOSSEN HOTELBETRIEB GmbH	Joint and Several Director	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELES AUSTRIA GMBH	Joint and Several Director	NO
MR RAMÓN ARAGONÉS MARÍN	NH CASH LINK, S.L.	Joint Director	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELES SWITZERLAND GMBH	Joint and Several Director	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELES CZECHIA S.R.O.	Joint and Several Director	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELES DEUTSCHLAND GMBH	Joint and Several Director	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELBETRIEBS-UND ENTWICKLUNGS GMBH	Joint and Several Director	NO
MR RAMÓN ARAGONÉS MARÍN	JOLLY HOTELS DEUTSCHLAND GMBH	Joint and Several Director	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELBETRIEBS- UND DIENSTLEISTUNGS GMBH	Joint and Several Director	NO
MR RAMÓN ARAGONÉS MARÍN	NH CENTRAL EUROPE GMBH	Joint and Several Director	NO
MR RAMÓN ARAGONÉS MARÍN	NH MANAGEMENT BLACK SEA SRL	Joint and Several Director	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELES POLSKA SP ZOO	Joint and Several Director	NO
MR RAMÓN ARAGONÉS MARÍN	JOLLY HOTELS USA INC	Chairman of the Board of Directors	NO
MR RAMÓN ARAGONÉS MARÍN	NH HUNGARY SZALLODUAZEMELTETO KFT	Joint and Several Director	NO

C.1.11 Details on the positions of director, administrator or executive, or their representative, held by the directors or representatives of directors who are members of the company's board of directors in other companies, whether or not they are listed companies:

Identification of the director or representative	Company name of the entity, listed or not	Position
MR JOSÉ MARÍA CANTERO MONTES-JOVELLAR	GROWTH PARTNERS CAPITAL	CHAIRMAN
MR ALFREDO FERNÁNDEZ AGRAS	EVERWOOD CAPITAL SGEIC SA	CHAIRMAN
MR ALFREDO FERNÁNDEZ AGRAS	ALVERO CB	SOLE DIRECTOR
MR ALFREDO FERNÁNDEZ AGRAS	ALFER CORPORATE FINANCE SLU	SOLE DIRECTOR
MR FERNANDO LACADENA AZPEITIA	GRUPO ECOENER, S.A.	DIRECTOR
MR RAMÓN ARAGONÉS MARÍN	GHA HOLDINGS LIMITED	DIRECTOR
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER	SERENDIB HOTEL PCL	DIRECTOR
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER	MINOR INTERNATIONAL PUBLIC COMPANY LIMITED	CHIEF EXECUTIVE OFFICER
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER	RAJADAMRI HOTEL PCL	DIRECTOR
MR WILLIAM ELLWOOD HEINECKE	INDORAMA VENTURES PUBLIC COMPANY LIMITED	DIRECTOR
MR WILLIAM ELLWOOD HEINECKE	MINOR CORPORATION PUBLIC COMPANY LIMITED	CHAIRMAN
MR WILLIAM ELLWOOD HEINECKE	MINOR INTERNATIONAL PUBLIC COMPANY LIMITED	CHAIRMAN
MR WILLIAM ELLWOOD HEINECKE	THE MINOR FOOD GROUP PUBLIC COMPANY LIMITED	CHAIRMAN
MR WILLIAM ELLWOOD HEINECKE	RAJADAMRI HOTEL PCL	DIRECTOR

D. William Ellwood Heinecke is also Chairman of the Executive Committee of Minor International Public Company Ltd, as well as the Chairman of the Appointments, Remuneration and Corporate Governance Committee of Indorama Ventures Public Company Limited.

Indicate, where applicable, any other remunerated activities of the directors or representatives of the directors, whatever their nature, aside from those indicated in the table above.

Identification of the director or representative	Other remunerated activities
No data	

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

YES

Explanation of the roles and identification of the document where this is regulated

Article 29 of the Board Regulations expressly establishes that directors must dedicate the necessary time and effort to performing their duties, and must notify the Appointments, Remuneration and Corporate Governance Committee of any circumstances that may interfere with the required dedication. Similarly, directors may not belong to more than 10 boards of directors, excluding the Board of NH Hotel Group, S.A. and the boards of holding companies and family companies, without the express authorisation of the Appointments, Remuneration and Corporate Governance Committee based on the individual circumstances in each case.

C.1.13 State total remuneration received by the Board of Directors:

Remuneration accruing in favour of the Board of Directors in the financial year (thousands of euros)	1,556
Amount of funds accumulated by current directors through long-term savings systems with consolidated economic rights (thousands of euros)	0
Amount of funds accumulated by current directors through long-term savings systems with non-consolidated economic rights (thousands of euros)	0
Amount of funds accumulated by former directors through longterm savings systems (thousands of euros)	0

C.1.14 Identify members of senior management who are not also Executive Directors, and indicate their total remuneration for the year:

Name or company name	Position(s)
MS LAIA LAHOZ MALPARTIDA	CHIEF ASSETS AND DEVELOPMENT OFFICER
MR CARLOS ULECIA PALACIOS	CHIEF LEGAL AND COMPLIANCE OFFICER. GENERAL COUNSEL
MR FERNANDO CÓRDOVA MORENO	CHIEF PEOPLE OFFICER
MR FERNANDO VIVES SOLER	CHIEF COMMERCIAL OFFICER
MR ISIDORO MARTÍNEZ DE LA ESCALERA	CHIEF MARKETING OFFICER
MR LUIS MARTÍNEZ JURADO	CHIEF FINANCIAL OFFICER

Number of women in senior management	**1**
Percentage of total senior management	**16.00**

Total remuneration of senior management (thousands of euros)	**1,854**

C.1.15 State whether there has been any change to the regulations of the Board during the year:

YES

Description of amendment
On 28 July 2021, the Board of Directors approved amendments to certain articles of the Board Regulations for the purpose of adapting its content to Law 5/2021 of 12 April, which amends the consolidated text of the Capital Companies Act and to adapt its content to the best practices of good corporate governance.

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: List the competent bodies, steps to follow and criteria applied in each procedure.

The directors are appointed by the General Shareholders' Meeting, or provisionally by the Board of Directors in accordance with the provisions contained in the Capital Companies Act and the company's articles of association.

Proposals for appointments or the re-election of members of the Board of Directors is the responsibility of the Appointments, Remuneration and Corporate Governance Committee in the case of independent directors and is the responsibility of the Board itself for all other cases. Proposals should always be accompanied by a report from the Board assessing the proposed candidate's competence, experience and merits, which will be attached to the minutes of the General Shareholders' Meeting or that of the Board.

Proposals for appointing or re-electing any non-independent Director must also be preceded by a report from the Appointments, Remuneration and Corporate Governance Committee.

The Board of Directors must ensure that the selection process for its members favours diversity in terms of gender, experience and knowledge and does not suffer from implicit biases that may lead to any type of discrimination and, particularly, that it facilitates the selection of female directors.

In terms of appointing external directors, the Board of Directors and the Appointments, Remuneration and Corporate Governance Committee have a duty to ensure, within the scope of their respective competencies, that the election of candidates falls on people with a solid reputation, proven skills and experience, and who are prepared to dedicate a sufficient part of their time to the Company, taking the utmost care in choosing people who may be selected to be independent directors.

The Board of Directors will propose or designate people who meet the requirements set out in article 9.3.2 of the Regulation of the Board of Directors to cover the position of independent directors.

In any event, those subject to any incapacity, disqualification, prohibition or conflict of interests set forth in current legislation may not be proposed for appointment as Board members. All those directly or indirectly holding interests of any type or that have an employment, professional or mercantile relationship, or relations of any other type with competitor companies, shall be considered as incompatible for the position of director, except when the Board of Directors, with a favourable vote of at least 70% of its members, agrees to set aside this condition. The above is without prejudice to any other waiver that, in compliance with current legislation, the General Shareholders' Meeting had to provide.

C.1.17 Explain how far the annual assessment of the board has led to important changes in its internal organisation, and on the procedures applicable to its activities:

Description of amendment
After the annual assessment of the Board of Directors carried out in November 2021, for following strengths were noted: • The materials delivered to the Audit Committee have sufficient information so that when proposals for decisions on specific matters are presented, the Committee assesses the pros and cons to make the decision. • The Annual Directors' Remunerations Report is sufficiently transparent and adequately reflects the Company's remuneration situation. • The directors are informed about the Corporate Governance regulations applicable to the Company. There remain, however, areas to improve for which an action plan has been put in place with the aim of optimising the areas of opportunity detected. The two main areas of opportunity detected are: a greater focus on strategic initiatives and a greater frequency of meetings by the Audit and Control Committee.

Describe the evaluation process and the areas evaluated by the Board of Directors with or without the help of an external advisor, regarding the functioning and composition of the Board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and areas evaluated
The evaluation process of the NH Board of Directors is carried out annually to identify the directors' perceptions regarding the practices of the Board of Directors and its committees in aspects such as composition, operation, sessions or performance of the functions. During 2021 assessment of the Board of Directors was carried out internally. The process was similar to previous years, where information is collected using forms filled in by the directors and then a results report and action plan for 2022 was prepared. The 2021 assessment was answered by all members of the board of directors. The directors responded on various issues in reference to NH's governing bodies (operations, Board functions, strategic planning, operational and financial supervision, etc.), as well as questions about the sessions of each committee (planning, presentations, communication and participation, etc.)

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

Not Applicable.

C.1.19 Indicate cases in which Directors are compelled to resign.

Directors shall step down when the period for which they were appointed comes to an end or when agreed by the General Shareholders' Meeting based on the powers legally attributed to it.

Article 14.2 of the Regulations of the Board of Directors also stipulates that Directors shall place their office at the disposal of the Board of Directors and tender their resignation in any of the following circumstances:

a) When they cease the executive positions to which their appointment as Director was associated or when the reasons for which they were appointed disappear, it being understood that said circumstance occurs to a Proprietary Director when the Entity or Business Group they represent ceases to hold a shareholding significant in the Company's share capital or when, for an Independent Director, they are integrated into the executive line of the Company or any of its subsidiaries.

b) Where they are subject to any incapacity, disqualification, prohibition or conflict of interests established in current legal provisions.

c) Where they are seriously reprimanded by the Appointments, Remuneration and Corporate Governance Committee for failing to comply with any of their obligations as Directors.

d) When their continued presence on the Board may affect the good standing or reputation that the Company enjoys in the market, or put its interests at risk in any other way. In this case, the Director must immediately inform the Board of the facts or procedural difficulties that affect said reputation or risk. In the event that the Board is informed or becomes aware in another manner of any of the circumstances mentioned above in advance, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the Nomination and Remuneration Committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed.

C.1.20 Are reinforced majorities other than those applicable by law required for any type of decision?:

YES

If so, describe the differences.

Description of differences
For the appointment of Directors with direct or indirect interests of any type in, or an employment, professional, commercial or any other relationship with competitor companies, a vote in favour by 70% of the Board members is required (Article 11.3 of the Board regulations).

C.1.21 Explain if there are any specific requirements, other than those relating to Directors, to be appointed Chairman of the Board of Directors.

NO

C.1.22 Indicate whether the Articles of Association or the Board Regulations establish any age limit for Directors

NO

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors other than those required by law.

NO

C.1.24 State whether the Articles of Association or Board Rules establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated and whether a director is required to delegate to a director of the same category. If so, briefly describe these rules.

Article 40 of the Articles of Association sets the rules around delegating votes, stating that "Directors shall personally attend Board meetings and, when they are unable to do so in exceptional circumstances, shall ensure that the proxy granted to another member of the Board shall include the relevant instructions insofar as possible."

Similarly, in development of the aforementioned statutory article, article 22 of the Board Regulations establishes that the Directors will make their best effort to attend the Board meetings and its Committees in person or online and, whenever they cannot do so, they will ensure that the representation they confer in favour of another Board member includes, to the extent that it is possible, the appropriate voting instructions. For internal purposes, Directors who delegate their vote to another Director, with precise voting instructions, will be deemed to have attended the corresponding Board or Committee. In this sense, the Directors undertake to attend 85% of meetings, with said calculation including attendance in person, by videoconference, and those via delegation with voting instructions.

Non-executive Directors can only delegate their representation to another non-executive director.

The Board of Directors has not governed the maximum number of times a Director may delegate their vote.

C.1.25 Indicate the number of meetings that the Board of Directors has held over the year. Also indicate, if applicable, the number of times the Board met without the chairman being present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	7
Number of board meetings held without the chairman's presence	0

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	0

Indicate the number of meetings held by each Board committee during the year:

Number of Meetings held by the APPOINTMENTS AND REMUNERATION COMMITTEE	5
Number of meetings of the APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	4

C.1.26 State the number of meetings held by the Board of Directors during the year in which all of its directors were present. For the purposes of this section, proxies given with specific instructions should be considered as attendance

Number of meetings where at least 80% of the directors attended	7
Attendance in person as a % of total votes during the year	93.65
Number of meetings in situ or representations made with specific instructions of all directors	5
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	96.83

C.1.27 tate if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

NO

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to ensure that the financial statements it presents to the General Shareholders' Meeting are prepared in accordance with accounting regulations.

The Audit and Control Committee is, amongst other things, responsible for "supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group – including operational, technological, legal, social, environmental, political and reputational risk, or risk related to corruption – reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria" (article 25 b), paragraph 3 of the Board Regulations). They also provide that the Committee has the function of "ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and the development of the company's accounting situation and risks" (article 25 b), paragraph 5.6 of the Board Regulations).

It ensure that the members of the Audit and Control Committee have the necessary training, it is a requirement that the members of the audit committee, in particular its Chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial (article 25 a) of the Board Regulations).

At any event, all Directors may obtain the necessary advice from the Company to perform their duties, and may request legal advisers, accountants, financial advisers or other experts to be appointed and paid for by the Company.

C.1.29 Is the Secretary of the Board a Director?

NO

If the secretary is not a director, please complete the following table.

Name or company name of the secretary	Representative
MR CARLOS ULECIA PALACIOS	

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

The Board of Directors has established a stable and professional relationship with the Company's external accounts auditor through the Audit and Control Committee, strictly respecting its independence. By way of an example, the Audit and Control Committee holds regular meetings with the external auditor without the executive team being present. In this sense, article 25. b) of the Regulations of the Board of Directors expressly establishes that one of its responsibilities is to pass along to the Board of Directors proposals for selecting, appointing, re-electing and substituting external auditors, as well as conditions for their contracting and regularly collecting information from them on the audit plan and its execution, in addition to preserving its independence in exercising its functions.

Furthermore, the Audit and Control Committee is responsible for establishing suitable relationships with auditors or audit firms in order to receive information regarding any issues that may jeopardise their independence, so that these can be examined by the committee, and any other matters related with the process of conducting financial audits, as well as any other communications stipulated in the financial auditing legislation and audit regulations. In any event, it must receive written confirmation on an annual basis from the auditors or auditing firms of their independence from the Company or entities related to it either directly or indirectly, as well as information on any additional service of any kind provided to such entities and the corresponding fees received by the aforementioned auditors or by persons related to them in accordance with the provisions set forth in legislation regarding auditing.

Likewise, every year, prior to issuing the audit report, the Audit and Control Committee must also issue a report in which it gives its opinion on the independence of the auditors or auditing firms. This report must always contain an assessment of the additional services referenced in the above paragraph, considered individually and together, that are separate from the legal audit and with regard to their independence and to audit regulations.

C.1.31 State whether the Company has changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

NO

If there were any disagreements with the outgoing auditor, explain their content:

NO

C.1.32 Indicate whether the audit firm performs any non-audit work for the company and/or its group and, if so, state the amount of fees it received for such work and express this amount as a percentage of the total fees invoiced to the company and/or its group for audit work:

YES

	Company	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	498	123	621
Amount invoiced for non-audit services/Amount for audit work (in %)	67.66	7.10	25.15

The amount of other non-audit work does not include the other verification services that are related to the audit.

C.1.33 Indicate whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, indicate the reasons given to shareholders at the general meeting by the chairman of the audit committee to explain the content and extent of the qualified opinion or reservations.

NO

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	3	3
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by %)	9.09	9.09

C.1.35 Indicate and, if applicable, provide details of whether there is a procedure whereby Directors can have the information necessary to prepare for meetings of the management bodies with sufficient time:

YES

Explanation of procedure
According to article 21 of the Regulations of the Board, the announcement of the meeting, which will be published at least three days before the date of the meeting, will include a preview of the likely agenda for the meeting and will be accompanied by the necessary written information that is available. Furthermore, article 27 of the aforementioned Regulations indicates that Directors must diligently inform themselves of the Company's progress, and to that end, collect any necessary or pertinent information in order to correctly perform their duty. To this end, the Board has been assigned the broadest possible powers to gain information about any aspect of the Company; to examine its books, registers and documents and any other information concerning its operations. Said right to information is also extended to the various subsidiary companies that are included in the consolidated group, insofar as it is necessary for the Director to correctly perform their functions as referred to in article 6 of said Regulations. With the aim of not disturbing the Company's normal management, the exercise of the right to information will be channelled through the Chairman or Secretary of the Board of Directors, who will respond to requests from Directors by directly providing him/her the information or putting them in touch with the appropriate people in the suitable level of the organisation. With the aim of being assisted in the exercise of their functions, the Directors may obtain the necessary consulting from the Company to perform their functions. In special circumstances, they may even request that the Company hire legal, accounting or financial consultants or other experts. Such help must relate to specifically defined and complex problems that arise in the course of their work. The decision to employ such services must be communicated to the Chairman of the Company and implemented through the Secretary of the Board, unless the Board of Directors considers that such services are not necessary or appropriate.

C.1.36 Indicate whether the company has established rules obliging directors to inform the Board of any circumstances, whether or not related to their actions in the company itself, that might harm the company's standing and reputation, tendering their resignation where appropriate. If so, provide details:

YES

Explanation the rules
The Regulations of the Board includes a mechanism to oblige the Directors to provide immediate notification of all legal proceedings in which they may be adversely affected. In this way, article 14.2.d) of the Regulations of the Board of Directors of NH Hotel Group, S.A., expressly establishes that Directors shall place their office at the disposal of the Board of Directors and tender their resignation when their continued presence on the Board may affect the good standing or reputation that the Company enjoys in the market, or put its interests at risk in any other way. In this case, the Director must immediately inform the Board of the facts or procedural difficulties that affect said reputation or risk. In the event that the Board is informed or becomes aware in another manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the Nomination and Remuneration Committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. It also establishes that in all events, those subject to any incapacity, disqualification, prohibition or conflict of interests set forth in current legislation may not be proposed for appointment as Board members. In the event that the Board is informed or becomes aware in another manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the Nomination and Remuneration Committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed.

C.1.37 Indicate whether, apart from such special circumstances as may have arisen and been duly minuted, the Board of Directors has been notified or has otherwise become aware of any situation affecting a director, whether or not related to his or her actions in the company itself, that might harm the company's standing and reputation:

NO

C.1.38 List the significant agreements signed by the company and that come into force, are modified or are terminated in the case of a change in control of the company resulting from a take-over bid, and their effects.

The NH Group has signed several financing contracts that contain a clause establishing their early maturity in the event of circumstances that give rise to a change in control of the NH, amongst which includes a Revolving credit contract and a Syndicated Credit Line for 250 million euros backed by the ICO that matures in 2026.

In addition, during 2021, NH issued guaranteed senior bonds for a nominal amount of 400,000,000 euros that mature in 2026, which include certain consequences should control of the Issuer change, such as the possibility of NH being required to repurchase the senior bonds.

Likewise, the change of control following a public takeover bid could have different effects on other leasing and hotel management agreements signed by the Company. NH has carried out a study of these clauses and estimates that the change of control will not have a significant economic impact.

C.1.39 Identify individually for director, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Number of beneficiaries	**0**
Type of beneficiary	**Description of agreement**
None	At today's date, there are no beneficiaries in the group of any compensation or golden parachute clauses in the event of resignation or dismissal without cause.

Indicate whether, beyond the cases established by legislation, these agreements have to be communicated and/or authorised by the governing bodies of the company or its group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	**General Shareholders' Meeting**
Body authorising the severance clauses	√	

	Yes	**No**
Are these clauses notified to the General Shareholders' Meeting?		√

C.2 Committees of the Board of Directors

C.2.1 List all the committees of the Board of Directors, their members and the proportion of Executive, Proprietary, Independent and other external Directors thereon::

APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE

Name	Position	Category
MR JOSÉ MARÍA CANTERO MONTES-JOVELLAR	CHAIRMAN	Independent
MR STEPHEN ANDREW CHOJNACKI	MEMBER	Proprietary
MR ALFREDO FERNÁNDEZ AGRAS	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	33.33
% of independent directors	66.67
% of other external directors	0.00

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

The Appointments, Remuneration and Corporate Governance Committee shall comprise a minimum of three and maximum of six Directors and shall be exclusively non-executive directors appointed by the Board of Directors, two of whom, at least, must be Independent Directors. The Chairman of the Committee shall be chosen by the Independent Directors that comprise it.

The Appointments, Remuneration and Corporate Governance Committee will have at least the following responsibilities:

1. Evaluate the competences, knowledge and experience necessary on the Board of Directors. For these purposes, it shall define the abilities and functionsrequired by candidates to cover each vacancy, and assess the time and dedication required to correctly carry out their functions.

2 Establish a representation goal for the less represented sex on the Board of Directors and create guidelines for how to achieve said goal.

3. Pass along to the Board of Directors proposals for appointments of Independent Directors for their designation by co-opting or for theirsubmission to the decision of the General Shareholders' Meeting, as well as proposals for the re-election or removal of said Directors by the General Shareholders' Meeting.

4. Inform the Board of proposals for appointments of remaining Directors for their designation by co-opting or for their submission to the decision of the General Shareholders' Meeting, as well as proposals for their re-election or removal by the General Shareholders' Meeting.

5. Provide notification of proposals for appointing or removing senior management and the basic conditions of their contracts.

6. Examine or organise the Chairman of the Board's and the chief executive's succession and, if appropriate, bring proposals before the Board so that such successions are effected in an orderly fashion.

7. Propose to the Board of Directors the remuneration policy for the directors and general managers or for those who perform functions of upper management directly reporting to the Board, Executive Committee or Chief Executives, as well as the individual remuneration and other contractual conditions for the Chief Executives, ensuring compliance therewith.

8. Supervise and monitor compliance with corporate governance rules and with the corporate social responsibility policy and plan, proposing any necessary Reports to the Board, while also ensuring that corporate culture is in line with their purpose and values.

9. Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.

10. The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.

11. Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy.

12 Supervision and evaluation of the way relations with various stakeholders are handled.

The Board of Directors shall be informed of all the tasks carried out by the Appointments, Remuneration and Corporate Governance Committee during its first meeting, and in all events the corresponding documentation shall be made available to the Board so that it can take these actions into consideration when performing its duties.

The Appointments, Remuneration and Corporate Governance Committee shall meet as often as considered necessary by its Chairman, or when requested by two of its members or the Board of Directors.

Furthermore, non-member Directors may attend Appointments, Remuneration and Corporate Governance Committee meetings on a one-off basis, when invited by the Chairman of the Committee.

AUDIT AND CONTROL COMMITTEE

Name	Position	Category
MR JOSÉ MARÍA CANTERO MONTES-JOVELLAR	CHAIRMAN	Independent
MR STEPHEN ANDREW CHOJNACKI	MEMBER	Proprietary
MR FERNANDO LACADENA AZPEITIA	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	33.33
% of independent directors	66.67
% of other external directors	0.00

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

The Audit and Control Committee shall comprise a minimum of three and a maximum of six directors, appointed by the Board of Directors. All members sitting on said Committee shall be External Directors, the majority of whom, at least, must be independent directors, and one of whom must be designated by taking into consideration their knowledge and experience in accounting, auditing, or both. The Chairman of the Audit Committee must be appointed from among its independent members. The Chairman must also be replaced every four years; previous chairmen may be re-elected one year after their previous mandate has ended.

The Audit Committee will have at least the following responsibilities:

1. Report to the General Meeting of Shareholders on any matters broached within the sphere of its competence.

2. Supervise the effectiveness of the company's internal control, internal auditing, where applicable, and risk-management (including tax risk) systems, as well as discussing with auditors or audit companies any significant weaknesses in the internal control system identified during audits.

3. Oversee the process of drawing up and submitting regulated financial reporting.

4. Pass along to the Board of Directors proposals for selecting, appointing, re-electing and substituting external auditors, as well as conditions for their contracting and regularly collecting information from them on the audit plan and its execution, in addition to preserving its independence in exercising its functions.

5. Establish suitable relationships with auditors or audit firms in order to receive information regarding any issues that may jeopardise their independence, so that these can be examined by the committee, and any other matters related with the process of conducting financial audits, as well as any other communications stipulated in the financial auditing legislation and regulations. In any event, it must receive written confirmation on an annual basis from the auditors or auditing firms of their independence from the Company or entities related to it either directly or indirectly, as well as information on any additional service of any kind provided to such entities and the corresponding fees received by the aforementioned auditors or by persons related to them in accordance with the provisions set forth in legislation regarding auditing.

6. Issue, once a year and prior to the release of the auditor's report on the financial statements, a report expressing an opinion on the independence of the auditors or audit firms. This report must always contain an assessment of the additional services referenced in the above paragraph, considered individually and together, that are separate from the legal audit and with regard to their independence and to audit regulations.

7. Provide previous information for the Board of Directors on all matters established by law, the articles of association and in the Regulation of the Board, and, in particular on:
   a. The financial information which the company must periodically publish;
   b. The creation or acquisition of any equity investments in special purpose vehicles and companies registered in tax havens; and
   c. Related party operations.

8. Safeguard the independence and effectiveness of the internal audit area; propose the selection, appointment, re-election and removal of the manager of the internal audit service; propose the budget for this service; receive periodic information about its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

9. Set up and oversee a mechanism that allows employees confidentially and anonymously to report any breaches of the Code of Conduct.

10. Supervise compliance and internal codes of conduct, as well as the rules of corporate governance.

The Audit and Control Committee will meet at least once every quarter and as many times as may be necessary, after being called by the Chairperson on their own initiative or upon the request of two of the Committee or the Board of Directors.

The Audit and Control Committee may require any of the Company's employees or managers, including the Company's Accounts Auditor, to attend its meetings. Through its Chairman, the Audit and Control Committee will give the board an account of its activities and work done, either at the meetings scheduled for the purpose or at the very next meeting when the Chairman of the Audit and Control Committee deems it necessary. The minutes of its meetings will be available to any member of the board that requests them.

Non-member Directors may attend Audit and Control Committee meetings on a one-off basis, when invited by the Chairman of the Committee.

Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Names of directors with experience	MR JOSÉ MARÍA CANTERO MONTES-JOVELLAR
Date of appointment of the chairperson	27/07/2021

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	2021		2020		2019		2018	
	Number	%	Number	%	Number	%	Number	%
APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	0	0.00	0	0.00	0	0.00	0	0.00
AUDIT AND CONTROL COMMITTEE	0	0.00	0	0.00	1	33.00	1	33.00

C.2.3 Indicate, as applicable, the existence of regulations governing the committees attached to the Board, where they are available for consultation and any amendments that have been made to them during the year. Also indicate whether any annual reports on the activities of each committee have been voluntarily prepared.

The Company Articles of Association (Articles 45–48), and the Regulations of the Board of Directors (Articles 23–26) comprehensively cover all regulations relating to the Board's Committees. The aforementioned internal regulations of the Company are available on the company website (www.nh-hotels.es), in the section "Shareholders and Investors" - "Corporate Governance". Said website also includes all information regarding the composition of each Committee. During the 2021 financial year, amendments were made to the regulation of the board committees.
The Audit and Control Committee and the Appointments, Remuneration and Corporate Governance Committee annually issue a report on the activities they have carried out during the financial year.

D - RELATED AND IN-GROUP TRANSACTIONS

D.1 Explain, where applicable, the procedure and competent bodies for the approval of related-party and intragroup transactions, indicating the company's criteria and general internal rules that regulate the abstention obligations of the affected directors or shareholders and detailing the Internal information and periodic control procedures established by the company regarding related-party transactions whose approval has been delegated by the board of directors.

Articles 33.1.c) of the Articles of Association and 5.5.c) of the Board Regulations attribute the approval of Related-Party Transactions to the Board of Directors, understanding as such the transactions that the Company or its subsidiaries carry out with Directors, with shareholders holding 10% or more of the voting rights or represented on the Board or with any other person who should be considered a related party, in accordance with the applicable regulations, unless said approval is reserved to the Shareholders' Meeting or when approval by the Board is not required due to applicable legislation or the Company's internal regulations. The General Shareholders' Meeting will be responsible for approving Related-Party Transactions whose amount or value is equal to or greater than 10% of the total assets according to the last annual balance sheet approved by the Company.

This approval will follow a report by the Audit and Control Committee (Article 48.3 of the Articles of Association and 25 b) of the Board Regulations). The affected Directors or those who represent or are related to the affected shareholders must abstain from participating in the deliberation and voting of the resolution in question. Specifically, the duty of loyalty obliges the Director to abstain from participating in the deliberation and voting for agreements and decisions in which they or an associate have a direct or indirect conflict of interests. Those agreements or decisions that affect their position as a Director shall be excluded from the above requirement to abstain, such as their selection or removal for positions in the administration body or others of similar significance. Proprietary Directors who represent or are related to the parent company must not abstain, without prejudice to the particularities provided for in Law.

Non related-party transactions will be:

(i) those made between the company and its wholly-owned subsidiaries, directly or indirectly;

(ii) those made by the company with its subsidiaries, provided that no other party related to the former has an interest in said subsidiary;

(iii) the contracts of executive directors and senior managers

The Board of Directors has not delegated the approval of Related-Party Transactions.

Additionally, on 11 November 2021 the Board of Directors approved an update to the Procedure on Conflicts of Interest and Related Party Transactions, available on the Company's website, which includes the approval of such transactions in greater detail. In this way, the aforementioned Procedure implements the provisions of the Regulations of the Board of Directors and the Internal Code of Conduct on the Securities Market of the NH Hotel Group, S.A., and aims to detail the rules to be followed in those situations in which the interest of the Company or of any of the companies integrated in the Group and the direct or indirect personal interest of the Directors or of the persons subject to rules come into conflicts of interest, as well as in the transactions the Group performs with Directors, with people subject to rules of conflict of interest, or with major shareholders.

Said Procedure establishes in detail everything relative to i) the obligation of communicating possible situations of conflict of interest to the Secretary of the Board, who will send them to the Audit and Control Committee periodically; ii) the obligation of the affected Director to abstain from attending and intervening in the phases of deliberation and voting regarding those matters in which they are involved in a conflict of interest, both in meetings of the Board of Directors as well as before any other company body, committee or board that participates in the corresponding transaction or decision, and iii) the obligation of keeping a registry of said transactions.

Finally, to comply with Recommendation 6 of the Code of Good Governance, the Annual Audit and Control Committee Report includes a sections on Related Operations that have been managed in said Committee. This Report was published on the Company's website to coincide with the Board meeting.

D.2 Individually list the operations that are significant due to their amount, or relevant due to their subject matter, carried out between the company or its subsidiaries and the shareholders holding 10% or more of the voting rights or represented on the company's board of directors, indicating the competent body for its approval and if any affected shareholder or director has abstained. Where the competence has corresponded to the shareholders' meeting, indicate if the resolution proposal has been approved by the board without a vote against by the majority of the independent members:

	Name or company name of the shareholder or any of its subsidiaries	% Shareholding	Name or company name of the company or subsidiary	Amount (thousands of euros)	Approving body	Identification of the significant shareholder or director who abstained	The proposal to the shareholders' meeting, if applicable, was approved by the board without a vote against by the majority of independent members
(1)	MHG CONTINENTAL HOLDING (SINGAPORE) PTE. LTD.	94.13	NH HOTEL GROUP, S.A.	100.000	Consejo de Administración	Mr. Heinecke, Mr. Rajakarier, Mr. Chojnacki, and y Mr. Chantikul	NO
(2)	MHG IP HOLDING (SINGAPORE) PTE. LTD.	94.13	NH HOTEL GROUP, S.A.	-	Consejo de Administración	Mr. Heinecke, Mr. Rajakarier, Mr. Chojnacki, and y Mr. Chantikul	NO
(3)	GHA HOLDINGS LIMITED	94.13	NH HOTEL GROUP, S.A.	-	Consejo de Administración	Mr. Heinecke, Mr. Rajakarier, Mr. Chojnacki, and y Mr. Chantikul	NO

	Name or company name of the shareholder or any of its subsidiaries	Nature of the relationship	Type of operation and any other information necessary for its evaluation
(1)	MHG CONTINENTAL HOLDING (SINGAPORE) PTE. LTD.	Contractual	Subordinated Convertible Term Loan Agreement
(2)	MHG IP HOLDING (SINGAPORE) PTE. LTD.	Contractual	Novation of the License Agreement by which NH authorizes Minor to use NH trademarks in certain territories (China, Hong-Kong, Macao, Taiwan), through a joint venture
(3)	GHA HOLDINGS LIMITED	Contractual	Subscription of a membership and outsourcing contract with GHA (subsidiary of the Minor group)

D.3 Individually list the operations that are significant due to their amount, or relevant due to their subject matter, carried out by the company or its subsidiaries with the company administrators or directors, including operations carried out with companies that the administrator or director controls or jointly controls, and indicating the competent body for its approval and if any affected shareholder or director has abstained. Where the competence has corresponded to the shareholders' meeting, indicate if the resolution proposal has been approved by the board without a vote against by the majority of the independent members:

	Name or company name of the administrators or directors or of their controlled or jointly controlled companies	Name or company name of the company or subsidiary	Relationship	Amount (thousands of euros)	Approving body	Identification of the significant shareholder or director who abstained	The proposal to the shareholders' meeting, if applicable, was approved by the board without a vote against by the majority of independent members
(1)	MR ALFREDO FERNÁNDEZ AGRAS	NH HOTEL GROUP, S.A.	Chairman of the Board of Directors	100	Board of Directors	Mr Fernández Agras	NO

	Name or company name of the administrators or directors or of their controlled or jointly controlled companies	Nature of operation and any other information necessary for its evaluation
(1)	MR ALFREDO FERNÁNDEZ AGRAS	Subscription of senior secured notes that were issued in 2021, and able to participate due to being a qualified investor.

D.4 Individually list intragroup operations that are significant due to their amount, or relevant due to their subject matter, carried out by the company with its parent company or with other companies belonging to the parent group, including the subsidiaries of the listed company, unless no other related party of the listed company has interests in said subsidiaries or the latter are wholly owned, directly or indirectly, by the listed company.

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

Company name of the entity within the group	Brief description of the operation and any other information necessary for its evaluation	Amount (thousand of euros)
SOTOCARIBE, S.L.		

D.5 Individually list the operations that are significant due to their amount, or relevant due to their subject matter, carried out by the company or its subsidiaries with other related parties and considered as such under the International Accounting Standards adopted by the EU, which have not been reported in the previous headings.

Company name of the related party	Brief description of the operation and any other information necessary for its evaluation	Amount (thousand of euros)
No data		N.A.

D.6 Describe the mechanisms established to detect, determine and resolve possible conflicts of interest between the Company and/or its Group, and their directors, managers, major shareholders or other related parties.

Article 32 of the Regulations of the Board establishes the duty of loyalty and the duty to prevent situations of conflict of interest that the Directors must comply with. Thus, the aforementioned article states that Directors must perform their duties with the loyalty of a faithful representative, operating under good faith and in the Company's best interest. In particular, the duty of loyalty obliges Directors to:

a) Not exercise their powers for purposes other than those for which they have been conceded.

b) Keep the information, data, reports or background that they have had access to in the performance of their duty confidential, even when they have left the position, except for cases where allowed or required by the law.

c) Abstain from participating in the deliberation and voting for agreements and decisions in which they or an associate have a direct or indirect conflict of interests. The agreements or decisions that affect them in their capacity as Director, such as their appointment or revocation for positions in the administrative body or the like, will be excluded from the previous obligation to abstain. Proprietary Directors who represent or are related to the parent company must not abstain, without prejudice to the particularities provided for in Law.

d) Perform their duties under the principle of personal responsibility with freedom of criteria or judgement and independence with regard to instructions from and connections to third parties.

e) Adopt the necessary measures for avoiding situations in which his/her interests may enter into conflict with the company's interests and with his/her responsibilities to the company.

In particular, avoiding the situations of conflict of interest referred to in the above letter e), obliges the Director to abstain from:

i) Carrying out transactions with the Company, except where they were ordinary transactions carried out under standard conditions for clients and of little importance, with these being understood to be those whose information is not necessary to express the true image of the equity, financial situation and profit and loss of the company.

ii) Using the Company name or their position as director to unduly influence the completion of private transactions.

iii) Making use of company assets, including confidential Company information, for private purposes.

iv) Exploiting the Company's business opportunities.

v) Receiving benefits or remuneration from third parties other than the Company and its Group of associate companies while carrying out my duties, except where these were mere acts of courtesy.

vi) Carrying out activities on their own account, or for third parties, which would entail either actual or potential effective competition with the Company or which, in any other way, would place them in permanent conflict with the Company's interests.

The above provisions shall also be applicable in the case that the beneficiary of the prohibited acts or activities is an associate of the Director, in accordance with the definition provided in article 231 LSC.

The Company may waive the prohibitions set out in this article, as established in article 230 LSC.

In any event, directors must notify the Board of Directors of any direct or indirect situation of conflict of interest that they or their associates may have with the Company. Situations of conflict of interest involving Directors will be subject to inclusion in the Annual Report.

Additionally, on 11 November 2021 the Board of Directors approved an update to the Procedure on Conflicts of Interest and Related Party Transactions, available on the Company's website, which includes the approval of such transactions in greater detail. In this way, the aforementioned Procedure implements the provisions of the Regulations of the Board of Directors and the Internal Code of Conduct on the Securities Market of the NH Hotel Group, S.A., and aims to detail the rules to be followed when the Company's interests or those of any of its Group's companies directly or indirectly clash with a Director's personal interests. Said Procedure details everything related to i) the obligation of communicating possible situations of conflict of interest to the Secretary of the Board, who will send them to the Audit and Control Committee periodically; ii) the obligation of the affected Director to abstain from attending and intervening in the phases of deliberation and voting regarding those matters in which they are involved in a conflict of interest, both in meetings of the Board of Directors as well as in any other company body, committee or board that is involved in the corresponding transaction or decision, and iii) the obligation of keeping a registry of said Transactions.

Lastly, it should be noted that all related-party transactions signed between Minor International Public Company Limited (and its group of companies) and NH have been signed under market conditions and in compliance with the provisions of both legal and statutory precepts and the aforementioned Procedure, as well as in the Framework Agreement signed between the parties on 7 February 2019, which was duly communicated to the Market through a Relevant Fact and is published in full on the Company's website.

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

D.7 Indicate whether the company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and whether it has, directly or through any of its subsidiaries, business relationships with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them.

YES

Indicate whether the respective areas of activity and any business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries have been defined publicly and precisely:

YES

Report the respective areas of activity and any business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries, and identify where these aspects have been publicly reported
In accordance with the provisions of the Second Recommendation in the Listed Companies' Good Governance Code approved by the National Stock Market Commission, NH's Board of Directors has approved signature of a framework agreement with the parent company of its controlling shareholder, Minor International Public Limited Company ("Minor"), the entire text of which is available on the Company's corporate web site (www.nh-hoteles.com). The resolution by NH's Board of Directors was adopted unanimously by its members, with Minor's proprietary directors duly abstaining. The purpose of the framework agreement is to set up a transparent framework for relations between the Company and Minor (and amongst its group companies) in which, following best corporate governance practices and, in particular, the aforementioned Second Recommendation in the Listed Companies' Good Governance Code: (i) the scope of action of the respective hotel groups headed by NH and Minor, respectively, is delimited through the identification of preferred geographical zones or areas; (ii) the necessary mechanisms to prevent and respond to possible conflicts of interest are governed, as well as carrying out operations with related parties and developing business opportunities; and (iii) the commitments related to the exchange and provision of information by NH and its processing are established. Furthermore, in accordance with the procedures provided for in the framework agreement signed today by NH and Minor, they have also signed a reciprocal agreement, whereby both parties licence the use of their respective trademarks in the geographical areas where the other party operates.

Identify the mechanisms in place to resolve potential conflicts of interest between the parent of the listed company and the other group companies:

Mechanisms for resolving possible conflicts of interest
We refer to the statements in paragraph D.6.

E - RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's financial and non-financial Risk Management and Control System, including tax compliance risk:

The risk management system of the NH Hotel Group, which is rolled out in both the Group's corporate head office and its Business Units, aims to identify events that may negatively affect achievement of the objectives of the Company's Strategic Plan, providing the maximum level of assurance to shareholders and stakeholders and protecting the group's revenue and assets, as well as its reputation.

The risk management model is based on the integrated COSO ERM 2017 (Enterprise Risk Management) framework, and includes a set of methodologies, procedures and support tools that allow the NH Hotel Group:

1. To adopt adequate governance in relation to the Company's risk management, as well as promoting an appropriate risk management culture.
2. To ensure that the Company's defined objectives are aligned with its strategy and risk profile.
3. To identify, evaluate and prioritise the most significant risks that could affect achievement of strategic objectives To identify measures to mitigate these risks, as well as establish action plans based on the Company's tolerance to risk.
4. To follow-up on the action plans for the 10 main risks, within a continuous improvement model framework.

Such methodologies and procedures are also used in relation to tax risk management. The NH Hotel Group has a Corporate Tax Strategy that forms part of the Group's Corporate Governance System, the objective of which is to establish the values, principles and rules that must govern the Group's activities in terms of tax, with a Tax Risk Management and Control Procedure.

On the other hand, NH Hotel Group's Corporate Risk Management Policy (approved by the Board of Directors in 2015), as well as the internal manual (updated in 2021) that implements it, aim to define the basic principles and the general framework of action to identify and control all types of risks (including emerging and ESG risks) that may affect the companies over which the NH Hotel Group has effective control, as well as ensuring alignment with the Company's strategy.

In addition, there are a number of specific policies that complement the Corporate Risk Management Policy and that are established in relation to certain risks:

- Purchasing policy.
- Travel policy.
- Sustainability policy.
- Information security policy.
- Corporate credit policy.
- Corporate tax policy.
- Corporate gifts policy.
- Corporate committees policy.
- Anti-fraud and corruption policy.
- Money laundering and terrorist financing prevention policy.
- Corporate responsibility policy.
- Debt financing policy.
- Code of Conduct.
- Internal Code of Conduct (ICC).
- Human Rights Policy
- Energy and Environment Policy
- Director Selection Policy

The Group's Risk Map is updated annually and approved by the Board of Directors once reviewed and validated by the Audit and Control Committee. The Company updated its Risk Map in 2021 through a process in which 28 Senior Executives identified and assessed the main risks faced by the Company. The value of each risk is obtained as a result of the product of probability and impact according to a predefined scale (4x4, 5 matrix). This Map was approved by the Board of Directors at its meeting on 28 July 2021.

For the main risks of the Risk Map, the Audit and Control Commission receives a report regularly detailing the operation of the risk management and control system and includes conclusions on it. The implementation status of the previously agreed action plans is, amongst other information, included in the report.

Each of the main risks on the Company's Risk Map is assigned a Risk Owner who, in turn, is a member of the Management Committee.

Each year, coinciding with the update of the Risk Map, Risk Management is responsible for reassessing the risk catalogue, this includes financial and non-financial risks and emerging risks and ESG (Environmental, Social and Governance, for its acronym in English). The definitive catalogue is updated with the Senior Management taking part in the process, validated by the Management Committee Audit and Control Committee before being approved by the Board of Directors. Additionally, Risk Owners can report/suggest a new risk to the Risk Office.

The 2021 risks catalogue includes 78 risks (vs. 75 risks in 2020).

E.2 Identify the company bodies responsible for creating and implementing the financial and non-financial Risk Management and Control System, including tax risks:

The Company's Board of Directors is responsible for overseeing the risk management system, in line with the provisions of Article 5 of the Regulation of the Board of Directors.

As regulated by Section 3 of article 25 b) of the Regulation of the Company's Board of Directors, the Audit and Control Committee supports the Board of Directors in supervising the effectiveness of the internal control, internal audit and the risk management systems, including tax risks. In this regard, carried out during the various meetings held in 2021 were control and monitoring of the Company's main risks, their evolution in recent years and the main mitigation and response measures.

On the other hand, amongst other functions, the Company's Management Committee manages and controls risks based on risk tolerance, assigns ownership of the main risks, periodically monitors their evolution, identifies mitigation actions as well as defining response plans. For these purposes, the Executive Risk Committee, made up from members of the Management Committee and Senior Executives, supports the Management Committee in such oversight, as well as promoting a culture of risks in the Company. For them, the Company has an internal risk management manual (updated in 2021) that details the principles, processes and controls in place.

Risk Management, integrated into the Internal Audit department, is responsible for ensuring the risk management and control system in the Company functions properly and is linked to the strategic objectives.

To ensure that there are no conflicts of independence and that the NH risk management and control system works as set out in the Corporate Risk Management Policy, an independent third party reviews its operation regularly.

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

In line with the foregoing, NH follows the Three Lines model published by the Global IIA in July 2020.
- First line: carried out by each function (business and corporate units) that owns the risk and its management (Operations, Commercial, Marketing, etc.).
- Second line: performed by the functions responsible for risk supervision (Risk Management, Compliance, Data Protection, Internal Control, etc.)
- Third line: carried out by Internal Audit or an independent third party according to the organisational model.

In regard to tax, the Corporate Tax Department forms part of the Finance Department and is responsible for designing, implementing and monitoring the Group's Tax Risk Management.

E.3 State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives.

The NH Hotel Group's risk catalogue includes a total of 78 risks grouped into the following six categories:

a) Financial Risks, such as fluctuation of interest rates, exchange rates, inflation, liquidity, non-compliance with financing undertakings, restrictions on financing and credit management.

b) Compliance Risks, arising from possible regulatory changes, interpretation of legislation, regulations and contracts, and non-compliance with internal and external regulations. This section would include tax, environmental, and fraud and corruption risks. It also covers Reputational Risks, arising from the Company's behaviour which negatively affects fulfilment of the expectations of one or more of its stakeholders (shareholders, customers, suppliers, employees, the environment and society in general).

c) Business Risks generated by inadequate management of procedures and resources, whether human, material or technological. This category encompasses difficulty in adapting to changes in customer demand and needs.

d) Risks arising from External Factors, such as the consequences resulting from natural disasters, pandemics, political instability or terrorist attacks.

e) Systems Risks, produced by attacks or faults in infrastructures, communications networks and applications that may affect security (physical and logical) and the integrity, availability or reliability of operational and/or financial information.

f) Strategic Risks, produced by difficulty accessing markets and difficulties in asset disinvestment.

E.4 State whether the entity has risk tolerance levels, including for tax risk:

The NH Hotel Group's risk management model allows it to identify, evaluate and prioritise the most significant risks that could affect achievement of the Company's strategic objectives.

For the main risks on the Risk Map, the Audit and Control Committee regularly receives the implementation status for the agreed action plans, to ensure that the residual risk falls within tolerable limits. The evolution of the Company's main risks are also presented at the meetings held throughout the year by the Executive Risk Committee, formed from members of the Management Committee and Senior Executives.

The NH Hotel Group's Risk Management and Control System seeks to ensure that the Company's defined objectives are aligned with its strategy and risk profile. In the same vein, the corporate Risk Map is aligned with the Strategic Plan, the process of setting objectives and, finally, the annual budgeting process. To guarantee this alignment, the tolerances defined to monitor the main risks to which the Company is exposed are periodically analysed by the Risk Owners and adjusted if required. In this way, the periodic monitoring of the Company's main risks, as well as the Strategic Plan set the risk tolerance levels.

For tax matters, the Group acts in line with its Corporate Tax Strategy and the Tax Risk Management and Control Procedure. On 11 November 2015, the Group approved its adherence to the Good Tax Practices Code which was approved on 20 July 2010 in the plenary session of the Large Companies Forum.

E.5 State which financial and non-financial risks, including tax risks, have had an impact over the year.

The unforeseeable and extremely severe outbreak of COVID-19 has created unprecedented challenges and uncertainties for the hotel industry. Many hotels have been closed temporarily as a result of the travel restrictions and events being cancelled. As a result, the occupation rate and income have been negatively affected, although all the contingency measures (temporary layoff procedures, and negotiation with hotel owners and suppliers) have been put in place to partially mitigate this fall in income.

Moreover, this exceptional situation has had a negative impact on cash flow due to the lower income arising from lower business, and impairment to customers' credit profiles, partially offset by cost savings measures put in place Group-wide.

As a result of COVID-19, the Company is experiencing an increase in litigation, mainly relating to (i) leasing agreements and the various commitments taken on in them (although we are reaching agreements with the majority of hotel owners respecting rent reduction or instalments or CAPEX reduction commitments) and (ii) the working environment.

E.6 Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise.

The design of the response to risk takes into account the following factors: the cost/benefit analysis between the impact of risk and the actions to be taken to manage it, the tolerance to risk and the strategic goals of the NH Hotel Group.

The Company follows an extensive coverage policy by taking out insurance policies for the risks to which it is exposed. It also has a policy of continuously reviewing this coverage.

The Strategic Planning Department oversees the achievement of strategic goals by continuously monitoring strategic objectives and the detection of new risks.

The Internal Audit Department, in carrying out its Risks function, advises the risk managers in defining response plans to mitigate the main risks and supervises their implementation. In each of its meetings, the Executive Risk Committee's monitors the degree of implementation of the Risk Map's action plans as well as new risks and challenges that could affect the company and the industry in the short, medium and long term.

The Audit and Control Committee regularly carries out the following supervisory and control functions, as specified in Article 25 b) of the Regulation of the Board of Directors:

The Tax Department oversees the Group's tax risk management. The Group has approved a Tax Risk Management and Control Procedure in order to identify and, as far as possible, mitigate any tax risk that may arise in Spain or in the countries in which the Group operates.

In addition, during the 2021 financial year, the Company has continued with the process of defining and identifying emerging risks and ESG risks (environmental, social and corporate governance). The first are risks that are expected to have a significant impact on the operations and, therefore, the Company's financial results in the future (long term, 3–5 years or more), although it is possible that in some cases they have already begun to impact the NH Hotel Group business.

The second covers the following three types of risk:

• Environmental risks are risks relating to the contribution and performance of the business in relation to environmental challenges (e.g., waste, pollution, greenhouse gas emissions, deforestation and climate change).
• Social risks relate to how the company treats people (et, human capital management, diversity and equal opportunities, working conditions, health and safety, and improper sale of products).
• Corporate governance risks examine how the company is governed (e.g., directors' remuneration, tax practices and strategies, bribery and corruption, and the board of directors' diversity and structure).

Therefore, during the periodic risk oversight and monitoring process in the Executive Risk Committee and the Audit and Control Committee, as well as during the annual risk identification and evaluation process, the Company has the appropriate mechanisms to guarantee that emerging risks and new challenges are taken into account and responded to appropriately. The final result of this analysis is reflected in the corporate Risk Map that is submitted annually to the Board of Directors for approval.

Below highlights the emerging risks that the Company has already detected and on which monitoring and analysis, impact assessment and mitigation work is being carried out:

- Technological risks (cyber-attacks, information security, technological innovation)
- Risks related to social behaviour patterns (collaborative economy, changing customer preferences, demographic changes)
- Risks related to climate change (natural disasters, extreme weather events)
- Regulatory risks (data privacy/GDPR, new environmental legislation)
- The dependence on intermediaries and specifically online travel agencies (OTAs) and distributors and the sophistication of technological reservation tools are also considered emerging risks.
- Some geopolitical risks that affect the tourism sector such as terrorism, the change in the economic cycle, political instability and, to a lesser extent, Brexit.
- Some risks arising from external factors such as pandemics or strikes, both internal (hotel staff) and external (e.g. air traffic controllers)

F - INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS (ICFR)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1 The company's control environment

Report on at least the following, describing their principal features:

F.1.1 The bodies and/or departments that are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its supervision.

Amongst others, the Board of Directors has the powers to determine the risk management and control policy as well as the internal information and control systems as stated in section 3 of article 5 of its governing rules. Likewise, the Board of Directors is responsible for a suitable and effective Internal Control System regarding the Group's Financial Information which aims to provide the Group with a reasonable assurance as to the reliability of the financial information produced and published on the financial markets.

Conversely, the Group's Finance Management is responsible for the design, implementation and proper working of the ICFR.

The Audit and Control Committee is responsible for monitoring the effectiveness of internal control in accordance with section b) of article 25 of the Board of Directors' governing rules. This responsibility is in turn delegated to Internal Audit.

F.1.2 State whether the following are present, especially if they relate to the creation of financial information:

- Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity.

  Defining and reviewing the organisational structure of the Group is the responsibility of the Management Committee.

  Significant changes to the organisation chart, i.e., those affecting Senior Management, are approved by the Board of Directors, after being proposed by the Appointments and Remuneration Committee. The organisation chart is available to all employees on the Group's intranet.

  Both the hierarchical and functional lines of responsibility are duly communicated to all Group employees.

  The internal communication channels are used for this, amongst which we highlight the intranet, the PPP agreement for employees, executive meetings and information boards in each hotel.

  In order to fulfil the objectives and responsibilities relating to maintenance and supervision of the Financial Reporting Control process, specific functions have been defined which apply to those responsible for each process involved with Financial Reporting, in order to ensure compliance with the implemented controls, analyse how well they function, and report any changes or incidents that may occur.

  On an ascending scale of responsibility, this structure includes the supervisors of each process in the area of control, the directors of each business unit and the directors of each corporate area directly concerned with the processes related to the internal Financial Reporting Control System.

  Within the Corporate Accounting & Financial Reporting Area of the Corporate Finance Department, Internal Control is entrusted with receiving information from the different individuals responsible for the process and is also responsible for ensuring correct operation of the Internal Control System.

• Code of conduct, the body approving this, degree of dissemination and instruction, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and proposing corrective actions and sanctions.

Since 2006, the NH Group has had a Code of Conduct, which is periodically reviewed by the Compliance Office to adapt and update its content where appropriate.

Responsibility for approving the Code of Conduct rests with the NH Group's Board of Directors. This document affects all NH Group employees, and applies not only to employees, managers and members of the Board of Directors, but also, in certain cases, to other stakeholders, such as customers, suppliers, competitors, shareholders and the communities in which NH runs its hotels.

The Code of Conduct summarises the professional conduct expected of NH Hotel Group's employees who are committed to acting with integrity, honesty, respect and professionalism in the performance of their work.

The NH Group is committed to complying with the laws and regulations in the countries and jurisdictions in which it operates. These include laws and regulations on health and safety, discrimination, taxation, data privacy, competition, anti-corruption, prevention of money laundering and commitment to the environment. The key areas covered by the Code of Conduct are:

- Commitment to people.
- Commitment to customers.
- Commitment from suppliers.
- Commitment to competitors.
- Commitment to shareholders.
- Commitment to communities and society.
- Commitment to the Group's assets, knowledge and resources.
- Commitment to the stock market.
- Obligations regarding fraudulent or unethical practices.

Since 2014, NH Group has driven the creation of the Compliance function, the scope of which applies to the following key areas:

1) Internal Code of Conduct: Sets out minimum standards to be respected in relation to the purchase and sale of securities and privileged and confidential information and its processing.
2) Conflict of Interests Procedure: Establishes the rules to be followed in situations where there is a conflict of interests between the Company, or any of the companies making up the Group, and the direct or indirect personal interests of the Directors or persons subject to the conflict of interests rules. This procedure was updated in 2021 resulting from certain amendments to the Capital Companies Act.
3) Code of Conduct: Intends to establish the main values and rules which should govern the conduct and actions of each of the employees and executives of the Group, as well as the members of the governing bodies of the companies that form part of the Group.
4) Criminal Risk Prevention Model: Describes the crime prevention and management principles in place in the NH Hotel Group and defines the structure and operation of the control and monitoring bodies set up within the Company, systematising existing controls for the purpose of preventing and mitigating the risk of crimes being committed in the Company's various areas. The monitoring, updating and assessment of the controls is carried out periodically by the Compliance Office using the SAP GRC tool. The Compliance Committee, together with the Compliance Office, is responsible for crime prevention management and, therefore, for the definition, implementation and supervision of the Crime Prevention Model.

Compliance Committee
Set up in 2014, the Compliance Committee is made up of members of the Management Committee who have sufficient knowledge of the activities of NH Hotel Group and, at the same time, have the necessary authority, autonomy and independence to guarantee the credibility and binding nature of the decisions taken. It has the power to oversee compliance of key areas of the Compliance System: the Group's Internal Code of Conduct, Conflict of Interests Procedure, Code of Conduct and Criminal Risk Prevention Model, among other functions.

The Compliance Committee oversees the management carried out by the Compliance Office and monitors all internal processes and policies implemented in the Company and their observance and compliance. It also has the power to impose disciplinary measures on employees in matters within their mandate.

Compliance Office
Led by the Compliance Officer, the Compliance Office reports directly to the Chief Legal & Compliance Officer of NH Hotel Group and the Compliance Committee, and is responsible for disseminating and overseeing compliance with the Code of Conduct, monitoring and regular supervision of the Criminal Risk Prevention Model, creating and updating corporate policies and monitoring their compliance and managing queries on the Code of Conduct, among other functions.

More specifically, the corporate policy on the prevention of money laundering and financing of terrorism was updated in 2021 to amend the new threshold limits for cash payments, among other aspects. Likewise during 2021, NH Hotel Group provided the head of the Compliance Office with the resources necessary for continuous training in compliance matters.

Dissemination of the Code of Conduct
IThe Code of Conduct is available in ten languages, of which six are published and on the corporate website and intranet, and is applied in all countries where NH Hotel Group operates. Also, since 2017, Company employees can access it from their mobile devices through the "My NH" application. Staff in centres operating under NH Hotel Group brands also have a Practical Guide and a document of frequently asked questions. Through the Human Resources departments of each business unit, the NH Group has authorised a procedure whereby each employee is required to adhere to it, with training on the Code of Conduct being made available to all employees.

At 31 December 2021, adherence to the Code of Conduct through the online course is at 77%.

Financial information and recording of operations:

In regard to financial information and recording operations, a transparent information behaviour is adopted in the Group's Code of Conduct construed as the undertaking to release reliable information to the markets, both financial and of any other nature.

- It is additionally specified in the section on "Obligations regarding fraudulent or unethical practices" that the NH Group adopts a transparent information behaviour, understood as the undertaking to release reliable information to the markets, both financial and of any other nature. Hence, the Company's internal and external financial and economic reporting shall faithfully reflect its economic, financial and equity position in accordance with generally accepted accounting standards with the falsification, manipulation or deliberate use of false information being considered fraud.
- Individuals (amongst whom include, employees, directors, members of the Board of Directors) must transmit information in a manner that is truthful, complete and understandable. Under no circumstances may they knowingly provide incorrect, inexact or inaccurate information and must refrain from:
- Keeping a record of transactions in non-accounting media not recorded in official books.
- Keeping accounts which, referring to the same activity and financial year, hide or fake the company's true situation.
- Recording expenses, income, assets or liabilities which are non-existent or not in line with reality.
- Noting businesses, acts, transactions or, in general, financial transactions in the compulsory books, or making a note of them with figures other than the true ones.
- Making entries in accounting books, incorrectly indicating their purpose.
- Using false documents.
- Deliberately destroying documents before the end of the legally-required time limit for retaining them.

• Whistleblower channel allowing notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, indicating whether this channel is confidential and whether anonymous notifications can be made, protecting the rights of the whistleblower and the person reported.

NH Hotel Group has a whistleblower channel that allows employees, managers, members of the administrative bodies, suppliers, customers or any stakeholder to notify any possible breach of the Code of Conduct or any type of irregularity confidentially and without fear of reprisal. This procedure ensures transparency, confidentiality and respect throughout all its stages. After new European regulations related to whistleblower channels came into force on 17 December 2021, NH Hotel Group decided to adapt its internal protocol for the reporting and management of complaints by implementing a new external platform.

The procedure for reporting and dealing with possible non-compliance and reports relating to the Code of Conduct is administered by the responsible of the Group's Internal Audit Department, who acts independently and ensures the channel's confidentiality, giving an account of the most significant incidents over the course the year to the Group's Audit and Control Committee.

Complaints should preferably be lodged electronically using a channel expressly set up for the purpose and available to all stakeholders (codeofconduct@nhhotels.com), through which they are forwarded to the Internal Audit Department. In addition, they may be sent by post for the attention of the Senior Vice President of NH Hotel Group, S.A. Corporate Internal Audit Department at Santa Engracia 120, 28003 Madrid, Spain.

More information is available in the 2021 Consolidated Non-Financial Information Statement.

- Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.

  Within the training and refresher programmes for the preparation and review of financial information, staff in the Corporate Finance Department involved in this have attended training programmes and refresher sessions on certain subjects, which in 2020 had a particular focus on the main implications derived from the COVID-19 pandemic on the financial information and the need to reflect its accounting impacts in the financial statements.

  Likewise, it is worth highlighting the training of the Company's Internal Control team in the continuous improvement and optimisation of processes through the "Lean Six Sigma Black Belt for the Services Industry" certification, as well as their knowledge in the design, implementation and monitoring of the internal control system through the COSO certificate in Internal Control from the Institute of Internal Auditors. This knowledge is employed in the training and continuous improvement of reporting the financial information controls of the first line users.

  Finally, the Corporate Internal Audit Department, being responsible for reviewing the ICFR model, has a specific training plan on risks and the reporting tool, audit and fraud prevention conferences, and other topics of interest related to the function. Also, at today's date, three members of the department hold the "Certified Internal Auditor" certification, the only certification for internal auditors recognised worldwide. The other members of the internal audit team are in the process of obtaining it.

F.2 Financial reporting risk assessment

Report on at least the following:

F.2.1 The main characteristics of the risk identification process, including error and fraud risk, as regards:

- Whether the process exists and is documented.

  The goal of the process of assessing financial risks is to establish and maintain an effective process for identifying, analysing and managing the current risks relevant to the preparation and reporting of financial information.

  NH Hotel Group has:

  - A Corporate Risk Management Policy approved by the Board of Directors in November 2015. This Policy is publicly available on the corporate website.
  - A Corporate Risk Management Manual, approved by the Executive Risk Committee in March 2018, that develops the aforementioned policy.
  - An operating procedure for the Risk Committee approved by the Executive Risk Committee in July 2017. The procedure is published in the NH intranet and accessible to all the company's employees.
  - A Corporate Tax Policy approved by the Board of Directors in November 2015. This Policy is publicly available on the corporate website.
  - A drafting process of the Risk Map.

  The Risk Map is updated annually and Senior Executives from finance are involved during the process to identify and assess risks.

  There is a formally documented matrix that includes the most important controls and risks of the Internal Control over Financial Reporting System (ICFR). This matrix is reviewed annually by Internal Audit and the external auditor, who issues an opinion on the ICFR. The matrix is continuously updated with identification of the most significant financial risks and implementation and execution of the relevant mitigating controls with the aim of reasonably ensuring the integrity and precision of the financial information issued by the Group.

- If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.

  In order to ensure the reliability of Financial Reporting, when identifying risks and controls, the accounting errors that may arise from the following objectives for financial information are always considered:

  - Completeness: balances or transactions that should be recorded but are not.
  - Transaction cut-off: those booked in a period other than when they were accrued.
  - Accuracy: transactions recorded with errors (amounts, conditions).
  - Occurrence / Existence: registered transactions which have not taken place within the reporting period.
  - Valuation / Allocation: record of transactions involving incorrect sums due to inadequate valuation calculations.
  - Presentation / Classification: classification errors in the various entries of the financial statements.
  - Understandability: lack of quality of financial information which makes it difficult to understand for a person with reasonable economics and business knowledge.

  Throughout 2021, the Internal Control team continued to update the control activities in the Company's ICFR risk and control matrix model, an exercise – since the beginning in March 2020 – focused on identifying the main risks arising from an economic environment impacted by the COVID-19 pandemic, adapting the design and implementation of key controls to the current position of the Group, and reasonably ensuring the mitigation of associated risks.

- The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.

  The Group's Finance Management performs a financial consolidation every month.

  This process involves reporting the consolidated income statement and balance sheet of the business units for each Administration-Finance Department to the Corporate Controlling and Finance Departments.

  Each year, the Administration-Finance Departments of the business units confirm the companies that are part of their corresponding consolidation perimeters to the corporate Consolidation team, within the Corporate Accounting & Financial Reporting Area of the Corporate Finance Department.

  Additionally, throughout the year, the business units report on variations which arise in their consolidation perimeters to the corporate Consolidation team which, in turn, coordinate the modification of these in the Group's financial reporting and consolidation systems.

  On the other hand, the Tax Area of the Corporate Finance Department is responsible for maintaining the Group's organisational chart and periodically reporting the updated version to a distribution list of people within the Corporate Finance Department to control changes in the consolidation perimeter.

- If the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.

  In designing the risk management process associated with generating Financial Reports, the following objectives have been focused on:

  - Identifying the processes related to the Financial Information Internal Control System.
  - Identifying the most relevant risk categories for each of the different Financial Information Internal Control System processes defined in the point above.
  - Definition and analysis of controls for each specific risk and establishment of their degree of effectiveness.

  A risk matrix has been established for each of the processes detailed above, in which the most relevant risks for each process are defined, along with the operational controls and their effectiveness in mitigating the risks that affect them.

- The governing body within the company that supervises the process.

  The Company's Board of Directors is responsible for supervising the risk assessment process. To carry out the aforementioned supervision duties, the Board of Directors turns to the Audit and Control Committee, which performs this duty through Internal Audit or the external auditor depending on the nature of the risk.

F.3 Control Activities.

Report on whether the company has at least the following, describing their main characteristics:

F.3.1 Review and authorisation procedures for financial information and a description of the ICFR, to be disclosed to the securities markets, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including accounting closing procedures and the specific review of significant judgements, estimates, valuations and projections.

There is a financial information review and authorisation procedure in the NH Hotel Group which is set out below:

- Internal reporting of financial information:

Each month, the Corporate Controlling and Finance Departments report on the management information most pertinent to the Group – income statement and the evolution of the key economic indicators – to the Group's Management Committee, which in turn reports to the Company's Board of Directors for review. Prior to reporting to this governing body, the information firstly undergoes a review process by the operations and finance directors at a business unit level, a second review process by the Corporate Controlling and Finance Departments and a final joint Corporate review with the operations and finance directors of the business units.

NH's external auditor also makes limited reviews of the NH Group's consolidated condensed interim financial statements under IAS 34, "Interim Financial Reporting" and the audit of NH Group's consolidated annual accounts under IFRS standards. Furthermore, NH's external auditor also makes limited reviews of the NH Group's consolidated financial information according to the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

- Reporting of information to stock markets:

The consolidated accounts and the half-yearly consolidated financial reports are prepared based on the financial information reports of the business units, as explained above, the financial consolidation process undertaken by corporate Consolidation team, and other additional information required to prepare the consolidated accounts is reported by the various areas of the Corporate Finance Department and other Corporate Departments always with the review of the corresponding people responsible for it. Once the consolidated financial statements have been received, they are reviews by the Group's Finance Management and by the Audit and Control Committee before being prepared and approved by the Board of Directors (section b) of article 33 of the Parent's Articles of Association and sections 3. d) and 5. b) of Article 5 of the Board of Directors' Governing rules). Once prepared, they are published through the National Securities Market Commission.

Additionally, each quarter, the Group publishes financial information to the stock markets. The Group's Finance Management is responsible for issuing such information while the Board of Directors, in accordance with section 3 of article 40 of its Governing rules, is responsible for ensuring the preparation is carried out in compliance with the principles, criteria and professional practices with which the Annual Accounts are produced and that said quarterly information enjoys the same reliability. To this end, said information is reviewed by the Audit and Control Committee which, when it deems it appropriate, requires the presence of both external and internal auditors.

Likewise, the Board of Directors may request analysis of specific issues, as well as the details of particular financial transactions which, because of their importance, require greater analysis.

The Corporate Finance Department is responsible for keeping the year-end process up-to-date in accordance with its execution in force at any given time, relying on the Corporate Operations Department for this, which publishes the year-end process on the corporate intranet. This process includes the ICFR controls implemented to mitigate those risks identified at financial year-end among which are those risks related to the different review levels of the financial information generated.

On the other hand, the NH Hotel Group has implemented an internal control system on financial information (ICFR) based on COSO (Committee of Sponsoring Organizations of the Treadway Commission), as a framework that seeks to ensure that the relevant components and principles of internal control are present and operating jointly in the Group, to achieve the following objectives:

- Effectiveness and efficiency of operations
- Reliability of financial information
- Compliance with applicable laws and regulations
- Safeguarding assets

To comply with the objective of ensuring reliability of financial information reported to the markets, the NH Hotel Group has implemented a model based on three lines:

- The first line is made up of all NH employees involved in preparing and reporting financial information, as well as users of the Shared Services Centre that support the Company in back-office related activities.
- The second line is Internal Control, within the Corporate Accounting & Financial Reporting Area of the Corporate Finance Department, which is responsible for managing and updating the ICFR risk and control matrix as a tool to implement controls that mitigate the identified risks. Among its other responsibilities, it periodically reviews the self-assessment of the controls executed and reported by the first line, communicating and reporting on the main area to improve.
- The third line is the Corporate Internal Audit Department, which delegates the audit of the ICFR to the Audit and Control Committee. The Group's internal control model is audited annually to afford the Audit and Control Committee and Board of Directors reasonable security as to its effectiveness and, as a result, the reliability of the financial information generated and published on the stock market.

Since 2019, as a result of the maturity of the internal control system for financial reporting (ICFR), internal certification of financial information controls was made involving the directors of the business units, corporate directors and members of the Group's Management Committee, as applicable to their duties.

The Group's ICFR risk and control matrix considers the relevant business cycles in drafting the financial information prepared and published by the Group, which are detailed below:

- Accounting close, consolidation and financial reporting process
- Purchasing and suppliers
- Sales and customers
- Cash
- Financing
- Fixed assets
- Inter companies
- Tax
- Human resources
- Provisions and contingencies
- Loyalty programme
- Shared services centre
- Business support technological processes

The structure of the financial risk and controls matrix includes the following information:

- Organisational unit: the organisational level to which the controls are implemented and determines the scope of the assessed entities.
- Process and sub-process: set of activities related to a specific function within the operation of an organisational unit. They include those with a potential significant impact on the financial information prepared by the Group.
- Risk: the possible events or actions which could affect the capacity of the company to meet financial reporting objectives and/or implement strategies successfully.
- Description of the control: definition of the control activities included in the policies, procedures and practices applied by the Group to ensure it meets its control objectives and the risk is mitigated.
- Evidence: documentation prepared by the control's owner when executing the control in the first line and that is reported to the following lines of defence to determine the control's effectiveness in mitigating the associated risks.
- Classification of the controls: preventive or detective, manual or automatic; this last one depending on whether they can be monitored using data from automated tools.
- Ownership of the controls: they belong to the first line in accordance with the COSO model. They are those who execute the controls and those responsible for their self-assessment and the assessment of their design.
- Managers of the controls: within the first line are the owners of the sub-processes who are responsible for overseeing the correct execution and reporting of the control activities.
- Frequency: makes reference to how often the controls are executed and reported.

To manage the internal financial information controls model, which is embodied in the update to the risk matrix and ICFR controls, the Internal Control corporate team carries out a series of activities, the following of which are of note:

- Planning the evaluation reporting activities for the controls by the first line users.
- Evaluation of the controls' effectiveness in covering the main financial information risks.
- Communication with the first line on incidents detected in relation to the lack of effectiveness of controls resulting from their reviews, and monitoring of compliance with the implemented action plans.
- Communication of incidents and monitoring compliance with the implemented action plans resulting from the annual audits carried out by the Corporate Internal Audit Department.
- Update of the ICFR risks and controls matrix based on: analysis carried out by the Internal Control team on the scope of the matrix in accordance with quantitative criteria such as balances of the consolidated financial statements, and qualitative criteria such as the complexity of the balances calculation and degree of automation in generating and recording economic transactions, in the main; reporting of proposals to change the design of controls by first line users or identified in the self-assessment reports, in accordance with the modifications made to those processes that directly or indirectly have an impact on generation and/or reporting of financial information.

Within the risks identified in the business cycles defined in the ICFR matrix are the risks of fraud and the controls associated with its mitigation.

Likewise, the matrix includes controls specific to the review of relevant judgements, estimates, valuations and projections whose execution mitigates the risk of reporting unreliable financial information.

Additionally, the Group has a documented procedure which collates the policies to follow in the valuation of those assets of the consolidated balance sheet which involve the making of judgements, estimates, valuations and/or projections with a material impact on the consolidated financial statements.

F.3.2 Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

Information Security (InfoSec) within Information Systems (IT & Systems) of the NH Hotel Group has a set of security policies and procedures aimed at ensuring the integrity, availability and confidentiality of the company's operational and financial information.

NH Hotel Group has formally defined procedures that regulate changes, maintenance and developments on the systems that hold financial information. Controls are defined in these procedures to ensure that an appropriate system development methodology is followed, assessing the risks and impacts associated with the changes, as well as involving key business users and conducting sufficient and adequate testing before being placed into production.

There is a model implemented that guarantees the appropriate operation of the company's information systems. This model includes event monitoring processes, incident management procedures, guidelines regarding operational continuity (backups, disaster recovery plan, business continuity plan, etc.), as well as user management policies and passes.

F.3.3 Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.

The NH Hotel Group has outsourced accounting management to a company with a Shared Services Centre.

NH Hotel Group's ICFR model includes control activities related to the year-end process and that affect those companies included within the scope of the outsourcing company and which in turn belong to the Group's consolidation perimeter.

Said control activities are executed and reported by users of the Shared Services Centre, although the NH Hotel Group is responsible for their effectiveness to reasonably mitigate the associated risks.

In addition, the control processes and activities of the NH Hotel Group ICFR risk and control matrix provide reasonable assurance to the Company on the quality of the Shared Services Centre backoffice service, as well as its continuity, and that has a direct impact in the quality of the financial information generated and reported by the Company, which is always in compliance with current legislation in each country where it provides its services.

The NH Hotel Group has also obtained the ISAE 3402 "International Standard on Assurance Engagements" report from an independent third party as a guarantee that the control activities that support the service provider's control objectives operated properly during 2021.

F.4 Information and Communication.

Report on whether the company has at least the following, describing their main characteristics:

F.4.1 Aspecifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

Through the Corporate Accounting & Financial Reporting Area, NH Hotel Group's Finance Management is responsible for defining, updating and correctly applying the accounting policies as well as responding to questions and queries which arise in their interpretation. In this same sense, it is charged with communicating any change which occurs in accounting matters to the heads of the business and corporate units and which affects them in the reporting of financial information.

The Group has an accounting policies manual and a consolidation manual -both published on the intranet- in accordance with the International Financial Reporting Standards (IFRS), which are those which govern the NH Hotel Group.

It is the responsibility of all departments within the Company to periodically review their defined processes, policies and procedures, and which must be updated to correspond to the current reality at any time, so that may be audited by the Corporate Internal Audit Department following the annual audit plan approved by the Audit and Control Committee.

F.4.2 Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

As discussed in section F.4.1, the consolidated financial information which the NH Group publishes on the stock market is in accordance with International Financial Reporting Standards (IFRS). In this sense, the information reported from the Group's business units follows these international regulations. Likewise, there is a single accounts plan applied by all the companies which are included in the consolidated group.

Grupo NH has a common consolidation tool for all companies. This tool centralises all the information corresponding to the accounting of the companies which make up the financial consolidation of the NH Hotel Group into a single system. The input of financial information from the ERP to the consolidation system is automatic for those companies already migrated to the common ERP implemented in most Group companies, or manually for those companies with a different ERP, which in any case are a minor exception.

In this sense, preventive controls have been defined in the consolidation tool itself which ensure data is input correctly.

Finance Directors of the business units report the financial information to the Corporate office monthly using two unique standard reporting packets designed and periodically updated by the corporate Consolidation team, within the Corporate Accounting & Financial Reporting Area of the Corporate Finance Department for the reporting of the financial management information and the consolidated balance sheet.

The dumping of information from the accounts and the accounting headings to the reporting is the same for both models, having previously been approved by the Corporate Finance Department. Any change in criteria for the dumping and presentation of information to be reported is communicated from the Corporate office to the Finance Directors of the business units.

In turn, the Corporate Finance Department uses the same reporting models to prepare the management reports and annual accounts reported to the financial markets.

All this ensures that the information reported between business units is comparable as well as being homogeneous to be included in the Group's consolidated financial reporting.

At an internal control level, the team responsible for managing the ICFR model seeks process standardisation in all the Group's business units, so that the risk and control matrix is singular, while considering the specificities that each country or regulation may have in some processes such as human resources or tax

Additionally, the self-assessment report and assessment of the controls' design through SAP GRC allows a single reporting model for all business units. Likewise, this method allows reporting evidence of the control activities according to the latest version of the controls recorded in the system.

F.5 Supervision of the system.

Report on at least the following, describing their principal features:

F.5.1 The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function one of the responsibilities of which is to provide support to the committee in its task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

Supervisory activities of the Audit Committee

The Audit and Control Committee is the advisory body to which the Board of Directors has delegated its supervisory functions to update and supervise the ICFR. As part of this function and to fulfil the tasks delegated by the Board, the Committee receives and reviews the financial reports which the NH Group issues to the markets and regulatory bodies, particularly the consolidated annual financial statements accompanied by the Audit Report. The Committee supervises the preparation process and the completeness of the financial reports of the Company and its subsidiaries, and checks that the legal requirements applicable to the NH Group are complied with, the consolidation perimeter is appropriate and that generally accepted accounting standards are applied correctly.

The Audit and Control Committee receives an annual report from the Internal Audit SVP on its assessment of the effectiveness of the ICFR model, the weaknesses detected during Internal Audits, and the status of the action plans approved to remedy any detected weaknesses.

The Audit and Control Committee supports and supervises the work of the Internal Audit department in its assessment of the ICFR. The Committee proposes the selection, appointment and replacement of the Manager of the Internal Audit services, validates and approves the strategy, the Internal Audit annual plan and annual objectives, and is responsible for evaluating the performance of the Internal Audit Department Manager annually.

The Internal Audit Plan for assessing the ICFR is presented to the Audit and Control Committee for approval before it is put into practice, in order to include all the opportune considerations.

Once a year, the degree of implementation of the main recommendations submitted and approved is previous audits is submitted to the Audit and Control Committee.

Internal Audit Function

Internal audits are carried out by the Group's Internal Audit Department, which reports functionally to the Audit and Control Committee and administratively to the General Secretary & Chief Legal & Compliance Officer. This hierarchical structure guarantees the Internal Audit function's independence and to encourage direct communication to and from the Audit and Control Committee.

The Internal Audit function, via a team consisting of 3 auditors located in both Corporate and the business units, ensures, within reason, the effectiveness of the internal control system, supervising and evaluating the design and effectiveness of the risk management system applied to the company.

This function has internal auditing statutes which were updated in 2017 and have been formally approved by the Audit and Control Committee, and an internal audit manual which sets out the Department's working methods.

In relation to monitoring the ICFR, the Internal Audit Department is responsible for:

- Independently evaluating the internal control model for financial reporting.
- Testing the assertions of the Board.
- Testing the effectiveness of internal controls in the companies within the scope of application.
- Helping to identify weaknesses in controls and reviewing action plans to correct inadequate controls.
- Carry out follow-up work to see if the action plans to mitigate weaknesses in controls have been properly implemented.
- Coordinating between the Board and the external auditor when clarification is needed on scope and testing plans.

Scope of ICFR 2021

The NH Group's ICFR model is implemented and consolidated in all its business units. Whenever there is any change in the Group's portfolio, it is applied to the model's organisational structure.

The last addition to the model was in 2020, extending it to the companies in the Boscolo portfolio, which are reported within the Northern and Southern Europe business units.

Taking this last addition, we can confirm that the ICFR model integrates 100% of the Group's total revenues.

Conversely, to implement the ICFR internal control reporting model at a hotel level, NH started a pilot project to report controls executed at a hotel level involving 20 hotels in Europe. In a first phase, this project involved identifying key controls executed in the hotels that have a reasonable effectiveness in mitigating the main risks with a potential impact on the Company's financial statements. Likewise, the users of the hotels involved were trained and provided with the necessary support to guarantee the reporting of controls.

After the temporary suspension of the project due to the successive waves of the pandemic at the end of 2020 and during the f irst months of 2021, the Group resumed the project in the fourth quarter of 2021, which also involves three hotels of the Latin American business unit.

Finally, it is worth mentioning that during 2021 – a year still impacted by the COVID-19 health crisis – the Company continued to apply a reporting approach to ICFR controls based on the most important controls to cover financial information risks, including additional controls necessary to mitigate specific risks in this context.

F.5.2 If there is a procedure by which the account auditor (in accordance with the contents of the Normas Tecnicas de Auditoria (NTA) - "Auditing Standards"), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses detected.

The Audit and Control Committee meets at least quarterly to review the periodic financial reports. It also discusses matters relating to internal controls and/or other current initiatives.

The Financial Department, through the Chief Financial Officer, is responsible for notifying the Company's Senior Management of any important matter relating to the ICFR and/or financial reporting through the meetings of the Management Committee.

All the weaknesses detected by the Internal Audit Department during its work are subject to recommendations and action plans agreed with the audited department. The Internal Audit Department supervises the implementation of the agreed actions and reports their status to the NH Group's various governing bodies (mainly the Audit and Control Committee) every six months.

The external auditor notifies the Audit and Control Committee of the conclusions of its audit procedures, and any other matters which may be considered important. The external auditor also has access to the Audit and Control Committee in order to share, comment on or report any aspects they consider necessary or pertinent, including without the presence of the Company's Management. The external auditor, without breaching his/her independence, will participate in the dialogue with Management.

F.6 Other relevant information

None.

F.7 Report by the external auditor.

Report:

F.7.1 Whether the ICFR reports sent to the markets have been reviewed by the external auditor, in which case the company must include the corresponding report as an appendix. If not, reasons why should be given..

The scope of the auditor's review procedures has been carried out in accordance with Circular E14/2013 of 19 July 2013 from the Spanish Institute of Chartered Accountants, whereby the published Guidelines for Action and auditor's report model referred to the information related to the internal control system of the financial information of the listed companies which is attached as an annex.

G - DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the Company's degree of compliance with the recommendations of the Code of Good Governance for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's actions. General explanations are not acceptable.

1. That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.

   Complies

2. That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:

   a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.
   b) The mechanisms in place to resolve any conflicts of interest that may arise.

   Complies

3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:

   a) Changes that have occurred since the last General Shareholders' Meeting.
   b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

   Complies

4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

   And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

   Complies

5. That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of preemptive rights in an amount exceeding 20% of the capital at the time of delegation.

   And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of preemptive rights, the company should immediately publish the reports referred to by company law on its website.

   Complies

6. That fisted companies which draft reports fisted below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

   a) Report on the auditor's independence.
   b) Reports on the workings of the audit and nomination and remuneration committees.
   c) Report by the audit committee on related party transactions.

   Complies

7. That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings.

   And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

   Complies

8. That the audit committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and reports.

   Complies

9. That the company should permanently publish on its website the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

   And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.
   Complies

10. That when a duly authenticated shareholder has exercised his or her right to complete the agenda or to make new proposals for resolutions in advance of the General Shareholders' Meeting, the company:

    a) Immediately distributes the additions and new proposals.
    b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.
    c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.
    d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

    Not applicable

11. That if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.

    Not applicable

12. That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximising the economic value of the business.

    And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.

    Complies

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

    Complies

14. That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:

    a) Is concrete and verifiable.
    b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and
    c) Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.

    That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the nomination committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.

    The nomination committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.

    Complies

15. That proprietary and independent directors should constitute a substantial majority of the Board of Directors and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

    And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less 30% prior to that date.

    Complies

    The proprietary and independent directors are a large majority on the Board of Directors, as they are 7 out of the 9 on the Board.

    Although the Company has approved a new Policy for recruiting Directors and management posts, including the aim of reaching the percentage of female directorsn in compliance with the Recommendation, at 31 December 2021 there were no female members on the Company's Board of Directors.

16. That the number of proprietary directors as a percentage of the total number of non-executive directors not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.

    This criterion may be relaxed:

    a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.
    b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.

    Complies

17. That the number of independent directors should represent at least half of the total number of directors.

    That, however, when the company does not have a high level of market capitalisation or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the company's share capital, the number of independent directors should represent at least one third of the total number of directors.

    Complies

18. That companies should publish the following information on its directors on their website, and keep it up to date:

    a) Personal and biographical profile
    b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
    c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
    d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.
    e) The shares and options they own.

    Complies

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

    Not applicable

20. That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire shareholding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors.

    Complies

21. That the Board of Directors should not propose the dismissal of any independent director before the completion of the director's term provided for in the articles of incorporation unless the Board of Directors finds just cause and a prior report has been prepared by the nomination committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties inherent to his or her post as a director, fails to complete the tasks inherent to his or her post, or is affected by any of the circumstances which would cause the loss of independent status in accordance with applicable law.

    The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or other similar corporate transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of application of the proportionate representation criterion provided in Recommendation 16.

    Complies

22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.

And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented.

Complies

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies to the secretary of the Board of Directors, even if he or she is not a director.

Complies

24. That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of their term of office, explain the reasons for their resignation, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board of Directors.

And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

Complies

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

And that the Board regulations establish the maximum number of company Boards on which directors may sit.

Complies

26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.

Partially complies

Pursuant to the provisions of article 21 of the Board Regulations, the Board of Directors will ordinarily meet as often as the Chairman deems most appropriate for the proper functioning of the Company, and must meet at least once a quarter.

During 2021, in response to the Company's needs, the Board of Directors met on a total of seven occasions.

The calendar of the ordinary sessions will be set by the Board itself before the beginning of each financial year. This calendar may be amended by agreement of the Board itself or through a decision of the Chairman, in which case the amendment must be notified to the Directors as soon as possible.

The Directors may request that the Chairman include matters on the Agenda, and the Chairman is bound to such inclusion where the request is made at least ten days before the scheduled date of the meeting and where the pertinent documentation was sent with it, to be given to the other members of the Board of Directors.

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences do occur, that the director appoint a proxy with instructions.

Complies

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.

Complies

29. That the company should establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable.

Complies

31. That the agenda for meetings should clearly indicate those matters on which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall by duly recorded in the minutes.

Complies

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

Complies

34. That when there is a coordinating director, the articles of incorporation or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and to coordinate a succession plan for the chairman.

Not applicable

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account such recommendations regarding good governance contained in this Good Governance Code as may be applicable to the company.

Complies

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

a) The quality and efficiency of the Board of Directors' work.
b) The workings and composition of its committees.
c) Diversity of membership and competence of the Board of Directors.
d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.
e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the nomination committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the annual corporate governance report.

The process and the areas evaluated must be described in the annual corporate governance report.

Complies

37. That if there is an executive committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.

Not applicable

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Not applicable

39. That the members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies

40. That under the supervision of the audit committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.

Complies

42. That in addition to the provisions of applicable law, the Audit Committee should be responsible for the following:

1. With regard to information systems and internal control:

a) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group - including operational , technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.
b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.
c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.
d) Generally ensuring that internal control policies and systems are effectively applied in practice.

2. With regard to the external auditor:

a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.
b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.
e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies

43. That the audit committee be able to require the presence of any employee or manager of the company, even stipulating that he or she appear without the presence of any other member of management.

Complies

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies

45. That the risk management and control policy identify or determine, as a minimum:

a) The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including among the financial or economic risks contingent liabilities and other off-balance sheet risks.
b) A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.
c) The level of risk that the company considers to be acceptable.
d) Means identified in order to minimise identified risks in the event they transpire.
e) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.

Complies

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:

a) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.
b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.
c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.

Complies

47. That in designating the members of the nomination and remuneration committee – or of the nomination committee and the remuneration committee if they are separate – care be taken to ensure that they have the knowledge, aptitudes and experience appropriate to the functions that they are called upon to perform and that the majority of said members are independent directors.

Complies

48. That large-cap companies have separate nomination and remuneration committees.

Not applicable

49. That the nomination committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director be able to ask the nomination committee to consider potential candidates that he or she considers suitable to fill a vacancy on the Board of Directors.

Complies

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

a) Propose basic conditions of employment for senior management.
b) Verify compliance with company remuneration policy.
c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.
d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.
e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

a) That they are comprised exclusively of non-executive directors, with a majority of them independent.
b) That their chairmen be independent directors.
c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and require them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee meeting.
d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
e) That their meetings be recorded and the minutes be made available to all directors.

Not applicable

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

Complies

54. The minimum functions referred to in the foregoing recommendation are the following:

a) Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.
b) Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.
c) The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.
d) Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy.
e) Supervision and evaluation of the way relations with various stakeholders are handled.

Complies

55. That environmental and social sustainability policies identify and include at least the following:

a) The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct
b) Means or systems for monitoring compliance with these policies, their associated risks, and management.
c) Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.
d) Communication channels, participation and dialogue with stakeholders.
e) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

<u>Complies</u>

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.

<u>Complies</u>

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

<u>Complies</u>

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk incurred to achieve a given result.
b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.
c) Are based on balancing the attainment of short-, medium- and long-term objectives, so as to allow remuneration of continuous performance over a period long enough to be able to assess its contribution to the sustainable creation of value, such that the elements used to measure performance are not associated only with one-off, occasional or extraordinary events.

<u>Partially complies</u>

The Company's executive short-term variable remuneration has ten per cent linked to the performance assessment of both Executive Directors. The eight competences measured in this performance assessment are non-financial and are linked to predetermined and measurable performance criteria, as is recommended. Moreover, targets have been set relating to the company's positioning in certain sustainability indices for both Directors

In relation to long-term variable remuneration, although it does not include non-financial criteria as a measure of achievement, it does include a "clawback" clause with an application period of two years from the end of each cycle and for which the payback of the award may be demanded in the following cases:

i. Restatement of the Company's financial statements wherever not due to the modification of applicable accounting standards or interpretations.

ii. Any of the Executive Directors being sanctioned for serious breach of the code of conduct and other internal regulations which may be applicable.

iii. When the settlement and payment of the award was wholly or partially produced on the basis of information whose falsehood or serious inaccuracy is manifestly demonstrated a posteriori.

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.

That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.

<u>Partially complies</u>

There is no deferral scheme in the Company's current annual variable remuneration system for any of its participants. With long-term variable remuneration, its very nature allows the Company's performance to be seen in the medium and long term (3 years), in addition to ex post control instruments which would be activated when circumstances arise which make it evident that the payment was made on an erroneous premise.

60. That remuneration related to company results should take into account any reservations that might appear in the external auditor's report and that would diminish said results.

Complies

61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.

Complies

62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The forgoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.

Explain

The "Performance Shares Plan 2017–2022" establishes the obligation to retain the shares delivered to the Executive Directors for at least one year. In addition, the Executive Directors will be obliged to hold an amount in shares equivalent to at least one year of fixed remuneration throughout their entire tenure. To determine compliance with this obligation, it considers the share price on the day they were delivered.

63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.

Partially complies

NH has put ex post reimbursement control formulae in place in the "Performance Shares Plan 2017- 2022" in line with market standards and the recommendations from Proxy Advisers and Institutional Investors. The Appointments, Remuneration and Corporate Governance Committee has the power to decide to propose the cancellation or recovery of undue payment of the multi-year variable remuneration in the event that any of the following circumstances occur:

a) breach of the internal code of conduct by the beneficiary;
b) material restatement of the Company's financial statements, when required by an external auditor, where this affects fulfilling the aims of the multi-year variable remuneration plan, except where this arises in accordance with an amendment to accounting standards;
c) the variable remuneration accrued or was paid in accordance with inexact or incorrect information or data.

The Executive Directors are the only ones affected by the reimbursement formulae, as they are the only directors benefiting from the Company's "Performance Shares Plan".

64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of postcontractual non-competition agreements.

Explain

In no event will the Executive Director appointed in 2017, Ramón Aragonés Marín, and the Executive Director appointed in 2021, Rufino Pérez Fernández, be entitled to receive any compensation derived from the termination of their position and ending of such commercial relationship. However, the possible indemnities derived from an ending of the employment relationship will continue in effect during their terms as Executive Directors, recognising that period as time employed. Once ended, as appropriate, the business relationship will take over the labour relationship which was in effect between company and employee until the taking on of the new position in all its effects, except in serious and culpable breach and thus declared jurisdictionally.

H - OTHER RELEVANT INFORMATION

1. If there is any significant aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which it is necessary to include in order to provide a more comprehensive and reasoned picture of the structure and governance practices in the company or its group, describe them briefly below.

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not repetitive.

   Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if so, include any information required under this legislation that differs from the data required in this report.

3. The company may also indicate whether it has voluntarily subscribed to other ethical or best practice codes, whether international, sector-based, or other. In that case, indicate the code in question and the date it was subscribed to. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July 2010.

1. RELEVANT CORPORATE GOVERNANCE ASPECTS THAT HAVE NOT BEEN INCLUDED IN THE OTHER SECTIONS:

SECTION A.3
The following is a breakdown of the number of shares directly held by each Board member listed in the reference section:
Mr Alfredo Fernández Agras holds 177,834 shares
Mr Ramón Aragonés Marín directly holds 130,216 shares. Additionally, Mr Aragonés holds a total of 98,485 Performance Shares that may be executed as long as the stated objectives are met.
Rufino Pérez Fernández directly holds 35,633 shares. Additionally, Mr Pérez holds a total of 45,455 Performance Shares that may be executed as long as the stated objectives are met.

SECTION A.5
In regard to the commercial or contractual relations between Minor IPC and the Company and/or its group, refer to section D, Related Transactions.

SECTION A.6
The following details the positions that Proprietary Directors who represent to the shareholder Minor IPC hold in companies belonging to its group.

In view of the foregoing, it is reported that Mr Chojnacki is a Director of the following companies in the Minor IPC group: Anantara Vacation

Anantara Vacation Club (HK) Limited
Anantara Vacation Club (Cambodia) Co., Ltd.
Anantara (Shangai) Tourism Consulting Co, Ltd.
Avadina Hills Co., Ltd.
Avani Lesotho (Pty) Ltd
Baan Boran Chiangrai Limited
Bai Dai Tourism Company Limited
BC Aus Operating Company Pty.Ltd
BC Australia Operating Company Pty.Ltd
Beinjing Qian Bai Ye Investment Consultation Co, Ltd
Beinjing Riverside & Courtyard Investment Management co. Ltd
BTG Holding Company Limited
Chicken Time Company Ltd.
Coco Palm Hotel & Resort Co., Ltd
Corbin & King Limited
Delicious Food Holding (Singapore) Pte. Ltd.
Espresso Pty.Ltd
First Avenue Company Pty.Ltd
Flexivac Co. Limited
H & A Park Co., Ltd.
Harbour View Corporation
Hoi An River Park Company Limited
Hua hin Village Limited
Huahin Resort Limited
Jada Resort and Spa (Private) Limited
Kulutara Luxury Hotel (Private) Limited
Layan Bang Tao Development Co., Ltd.
Layan Hill Residence Co., Ltd.
MFG International Holding (Singapore) Pte. Ltd.
MFG IP Holding (Singapore) Pte. Ltd
MHG Australia Holding Pte. Ltd.
MHG Australia Investment PYT Ltd.
MHG Continental Holding (Singapore) Pte. Ltd.
MHG Desaru Hotel SDN. BHD.
MHG Desaru Villas SDN. BHD.
MHG Holding Limited
MHG International Holding (Singapore) Pte. Ltd.
MHG IP Holding (Singapore) Pte. Ltd
MHG Lesotho (Pty) Ltd
MHG Management Tunisia
MHG Npark Development Co., Ltd
MI Squared Limited

Minor BT Holding (Singapore) Pte. Ltd
Minor Corporation Pcl.
Minor Development Limited
Minor DKL Construction Pty Ltd
Minor DKL Food Group Pty Ltd
Minor DKL Management Pty Ltd
Minor DKL Stores Pty Ltd
Minor Food Group (Singapore) Pte. Ltd.
Minor Food Holding Co., Ltd
Minor Hotel Group (Maldives) Private Limited
Minor Hotel Group Gaborone (Pty) Ltd
Minor Hotel Group Limited
Minor Hotel Group Management (Shanghai) Limited
Minor Hotel Group South Africa Pty Ltd
Minor Hotel Portugal
Minor Lifestyle Limited
Mint Residential (VIC) PTY LTD
Mspa International Cairo
Mspa International Limited
NH Hotel Group SA
NMT Limited
NYE and RGP Development Co., Ltd
Oaks Hotel & Resort Limited
PH Resort (Private) Limited
Plexus Maldives Pvt. Ltd.
PT Wika Realty Minor Development
Quang Nam Minor Hotel Co., Ltd
Rajadamri Lodging Limited
Rajadamri Residence Co., Ltd
Rani Minor Holding II Limited
Samui Resort & Spa Limited
Sands Hotels (Pty) Ltd
Seredib Hotel Pcl
Sizzler China Limited
Spoonful (Thailand) Company Limited
Spoonful Pte Ltd
Tanzania Tourism & Hospitality Investments Limited
TCC Operations Pty Ltd
TGT Operations Pty Ltd
The Coffee Club (International) Pty Ltd
The Coffee Club (Korea) Pty Ltd
The Coffee Club (Mena) Pty Ltd
The Coffee Club (NSW) Pty Ltd
The Coffee Club (NZ) Pty Ltd
The Coffee Club (Vic) Pty Ltd
The Coffee Club Franchising Company Pty Ltd
The Coffee Club Investment Pty Ltd
The Coffee Club Properties (NSW) Pty Ltd
The Coffee Club Pty Ltd
The Coffee Club Supply Pty Ltd
The Good Life Global Ltd.
The Minor Food Group Pcl
The Sothea (K.V.) Pte. Ltd.
XRNRO Pty. Ltd.
XRNRP Pty. Ltd.
XRNRS Pty. Ltd.
Zanzibar Tourism & Hospitality Investments Limited

Mr Heinecke holds the following positions in Minor IPC group companies:

Arabian Spas (Dubai) (LLC)(Director)
Benihana Asia Pte.Ltd (Director)
Benihana Holding Pte. Ltd (Director)
Benihana UK Limited (Director)
Bravo Jets Limited (Director)
CARDAMON Tented Camp Co.,Ltd.(Director)
Chao Phaya Resort & Residence Limited (Board Chairman)
Chao Phaya Resort Limited (Director)
Corbin & King Limited (Director)
Eutopia Holdings Private Limited (Director)
G5 Jets Limited (Director)
Maerim Terrace Resort Limited (Board Chairman)
MD JETS Limited (Director)
MHG Desaru Hotel SDN.BHD (Director)
MHG Desaru Villas SDN.BHD (Director)
Minor BKH Limited (Board Chairman)
Minor DKL Food Group Pty.Ltd (Director)

Minor Food Group (Singapore) Pte., Ltd (Director)
Minor Holdings (Thai) Limited (Director)
MJETS Limited (Director)
MJETS Maintenance Limited (Director)
MSpa Medical Co., Ltd. (Director)
MSpa Ventures Limited (Board Chairman)
O Plus E Holdings Private Limited (Director)
Pacific Cross International Limited (Director)
Panaram Limited (Director)
Per Aquum Management JLT (Director)
Phuket Vessel Holding Limited (Director)
Plexus Maldives Pvt Ltd (Director)
Plu Luang Limited (Board Chairman)
R.G.E. (HKG) Limited (Board Chairman)
Rajadamri Residence Limited (Board Chairman)
Sea Fly Limited (Director)
Sri Bhathana Garden Limited (Director)
Tanzania Tourism and Hospitality Investment Limited (Director)
Western - Mjets Limited (Director)
Zanzibar Tourism and Hospitality Investment Limited (Director)
Zuma Bangkok Limited (Director)

Mr Dillipraj Rajakarier is a Director of the following Minor IPC group companies:

Anantara (Shangai) Tourism Consulting Co, Ltd
Anantara Vacation Club (Cambodia) Co.,Ltd.
Anantara Vacation Club (HK) Limited
Arabian Spas (Dubai) (LLC)
Avadina Hills Co., Ltd.
Avani Lesotho (Pty) Ltd
Baan Boran Chiangrai Limited
Bai Dai Tourism Company Ltd
Barbarons Beach Hotel MHG
BC Aus Operating Company Pty.Ltd
Chao Phaya Resort and Residence Limited
Chao Phaya Resort Limited
Chicken Time Co, Ltd.
Coco Palm Hotel & Resort Limited
Coco Recreation Limited
Coco Residence Limited
Corbin & King Limited
Eutopia Holdings Private Limited
Expresso Pty. Ltd.
Flexivac Co. Limited
Fundyard Hotel Management (Guangdong) Co., Ltd.
GHA Holding Ltd
H&A Park Co.,Ltd.
Harbour View Corporation Limited
Hoi An River Park Company Limited
Hua Hin Resort Limited
Hua Hin Village Limited
Jada Resort and Spa (Private) Limited
Kalutara Luxury Hotel & Resort (Private) Limited
Layan Bang Tao Development Co., Ltd.
Layan Hill Residence Co., Ltd.
Liwa Minor Food & Beverages LLC
M SPA International Cairo LLM
M Spa International Limited
M Spa Ventures Limited
Maerim Terrace Resort Limited
MHG Australia Investments Pty Ltd
MHG Desaru Hotel Sdn. Bhd.
MHG Desaru Villas Sdn. Bhd.
MHG Holding Limited
MHG Lesotho (Pty) Ltd
MHG Management Tunisia
MHG Npark Development Company Limited
MHG Phuket Limited
MI Squared Limited
Minor Cheese Limited
Minor Dairy Limited
Minor DKL Construction Pty Ltd
Minor DKL Food Group Pty Ltd
Minor DKL Management Pty Ltd
Minor DKL Stores Pty Ltd
Minor Hotel Group Gaborone (Pty) Ltd
Minor Hotel Group Limited
Minor Hotel Group (Maldives) Private Limited
Minor Hotel Group MEA DMCC
Minor Hotel Group South Africa (PTY) Limited
Minor Hotel Management (Shanghai) Limited
Minor Hotels Portugal, S.A.

Minor Hotels Zambia Limited
Minor International Public Company Ltd
MINT Residential (VIC) Pty Ltd.
Nh Hotel Group SA
NYE and RGP Development Co.,Ltd.
O Plus E Holdings Private Ltd.
Oaks Hotels & Resorts Limited
Oaks Hotels & Resorts DMCC
Per Aquum Management JLT
PH Resorts (Private) Ltd.
Phuket Beach Club Owner Limited
Plexus Maldives Pvt. Ltd
PT Wika Realty Minor Development
Quang Nam Minor Hotel Co. Ltd
R.G.E. (HKG) Limited
Rajadamri Hotel Public Company Limited
Rajadamri Lodging Limited
Rajadamri Residence Limited
Rani Minor Holding II Limited
Rani Minor Holding Limited
Samui Beach Club Owner Limited
Samui Beach Residence Limited
Samui Resort and Spa Limited
Sands Hotels (Pty) Limited
Sanya Anantara Consulting Ltd
Sanya Anantara Real Estate Limited
Select Service Partner Limited
Serendib Hotels Pcl
Siam Success Realty Ltd
Sizzler(China) Limited
Spoonful (Thailand) Company Ltd
Spoonful Pte. Ltd
Tanzania Tourism and Hospitality Investment Ltd
TCC Operations Pty Ltd
TGT Operations Pty Ltd
The Coffee Club Pty Ltd
The Coffee Club (International) Pty Ltd
The Coffee Club (Korea) Pty Ltd
The Coffee Club (Mena) Pty Ltd
The Coffee Club (NSW) Pty Ltd
The Coffee Club (NZ) Pty Ltd
The Coffee Club (Vic) Pty Ltd
The Coffee Club Franchising Company Pty Ltd
The Coffee Club Investment Pty Ltd
The Coffee Club Properties Pty Ltd
The Coffee Club Properties (NSW) Pty Ltd
The Coffee Club Supply Pty Ltd
The Good Life Global Ltd.
The Minor Food Group Pcl
The Sothea (K.V.) Pte. Ltd.
XRNRO Pty. Ltd.
XRNRP Pty. Ltd.
XRNRS Pty. Ltd.
The Sothea (K.V.) Pte Ltd.
Verita MHG Company Ltd
Wanda Minor Hotels HK Ltd
XRNRO Pty. Ltd.
XRNRP Pty. Ltd.
XRNRS Pty. Ltd.
Zanzibar Tourism and Hospitality Investment Ltd.
Zuma Bangkok Limited

Mr Kosin Chantikul is a Director of the following companies belonging to the group Minor IPC Ltd:

Avadina Hills Co, Ltd
Bodhi Hotel&Resort Put Ltd
Corbin & King Ltd
MHG Desaru Hotel Sdn Bhd
MHG Desaru Villas Sdn Bhd
MHG Management (India) Private Ltd
Minor Food Holding Co, Ltd
Minor International PCL
NH Hotel Group SA
Mspa Mediacal Co., Ltd
S&P Syndicate PCL
Scomadi Worldwide Limited
Scomadi Worldwide Holdings Limited
Siam Success Realty Ltd.
Verita MHG Company Limited

SECTION C.1.11
Other than the positions stated in the reference section, Mr Heinecke also holds the following:

- Executive Management Committee Chairman of Minor International Public Company Limited
- Member of the Appointments, Remuneration and Corporate Governance Committee of Indorama Ventures Public Company Limited.

Additionally, Mr Aragonés is a member of the Management Committee of Minor International Public Company Limited

SECTION D.2
Regarding the Subordinated Convertible Term Loan Agreement for an amount of 100,000,000 euros between MHG Continental Holding (Singapore) as lender and NH as borrower, it was already converted into shares of the company during the 2021 financial year.

None of the operations contemplated in section D.2 have met the requirements to be proposed for approval to the Shareholders´ Meeting.

In addition NH Group has carried out, during the 2021 financial year, various transactions with its significant shareholder (Minor Group), that were approved in previous years. The aforementioned transactions are explained in the annual accounts for the year 2021.

SECTION D.·
The operation contemplated in section D.3 has fulfilled the requirements to be proposed for approval to the Shareholders´ Meeting.

2. CODES OF ETHICAL PRINCIPLES AND GOOD PRACTICES

NH Hotel Group, S.A. it is a member of the United Nations Global Compact and supports and contributes to the Sustainable Development Goals (SDGs) that contemplate the protection and promotion of fundamental human rights.

Another global frame of reference for NH is the Global Code of Ethics for Tourism, approved in 1999 by the United Nations World Tourism Organization (UNWTO) Assembly. It is a set of 10 principles designed to guide the main tourism development actors, helping to maximise the benefits of the sector, while minimising its impact on the environment, cultural heritage and local communities.

In this vein, in September 2012, NH joined ECPAT (End Child Prostitution, Child Pornography and Trafficking of Children for Sexual Purposes) to protect children against sexual exploitation in tourism; also promoted by UNWTO and UNICEF.

NH is part of the International Tourism Partnership (ITP), a global platform for leading companies in the hotel sector that share a common commitment to social responsibility and sustainability. This organisation establishes four main goals, among which is the protection and promotion of human rights, a target that NH endorses and supports.

In 2018, the 16 NH hotels in Mexico initiated a process to voluntarily adhere to the National Code of Conduct for the protection of children and adolescents in the travel and tourism sector that aims to prevent and combat it with special emphasis on child exploitation. It is promoted by the Secretariat of Tourism of the Government of the Republic (SECTUR). In addition, training will be offered to employees in the prevention of human trafficking and child exploitation.

The Company participates in various forums and projects to promote the fight against climate change and the reduction of carbon emissions. Finally, since 2015, NH has adhered to the 20 July 2010 Code of Good Tax Practices.

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on.

24/02/2022

Indicate whether any director voted against or abstained from approving this report.

NO

ANNUAL DIRECTORS' REMUNERATION REPORT

ANNEX I TEMPLATE ANNUAL REPORT ON DIRECTOR REMUNERATION OF LISTED COMPANIES
End date of the reference financial year: 31/12/2021
Tax id code (CIF): A28027944
Company name: NH Hotel Group, S.A.
Registered office: Santa Engracia 120, 28003 Madrid.

ANNUAL REPORT ON DIRECTOR REMUNERATION OF LISTED COMPANIES

A - REMUNERATION POLICY OF THE COMPANY FOR THE CURRENT FINANCIAL YEAR

A.1.1 Explain the current director remuneration policy applicable to the year in progress. To the extent that it is relevant, certain information may be included in relation to the remuneration policy approved by the General Shareholders' Meeting, provided that these references are clear, specific and concrete.

Such specific determinations for the current year as the board may have made in accordance with the contracts signed with the executive directors and with the remuneration policy approved by the General Shareholders' Meeting must be described, as regards directors' remuneration both in their capacity as such and for executive functions carried out.

In any case, the following aspects must be reported, as a minimum:

a) Description of the procedures and company bodies involved in determining, approving and applying the remuneration policy and its terms and conditions.

b) IIndicate and, where applicable, explain whether comparable companies have been taken into account in order to establish the company's remuneration policy.

c) Information on whether any external advisors took part in this process and, if so, their identity.

d) Procedures set forth in the current remuneration policy for directors in order to apply temporary exceptions to the policy, conditions under which those exceptions can be used and components that may be subject to exceptions according to the policy.

General Principles and Grounds

The Directors' Remuneration Policy for NH Hotel Group S.A. (hereinafter referred to as "NH", the "Company" or the "Group") for the three-year period 2021-2023 was approved by Board of Directors at its meeting held on 12 May 2021 and submitted for a binding vote as a separate item on the agenda at the General Shareholders' Meeting held on 30 June 2021.

The Remuneration Policy follows in line with the previous policy, including the same principles and concepts of remuneration, while adjusting its contents to new regulatory developments. It should be noted that NH pre-empted the new requirements set out in Act 5 of 12 April 2021 amending the redrafted text of the Spanish Capital Companies Act, and that the aforementioned Remuneration Policy already includes the new provisions introduced in Article 529 Nineteen of such Act, which relate to the content and procedure for the approval of the directors' remuneration policy.

The fundamental aim of the Remuneration Policy is to reward the commitment, responsibility and talent of NH's directors, always taking into consideration the economic situation, the company's earnings, the Group's strategy and the best market practices.

According to the foregoing, the principles that will govern the Remuneration Policy are as follows:

- Alignment with the investors: The design of the Remuneration Policy is regularly reviewed to ensure its alignment between achieving profits and creating value for the shareholder.
- Proportionality: The remuneration is in a suitable proportion to the company's features and business model.
- Balance: The Directors' remuneration should strike a balance between the different components of remuneration.
- Suitability: The Remuneration Policy is adapted to the composition of the Board and the amounts are sufficient to remunerate the directors' qualifications, their time spent and their responsibility, guaranteeing their required loyalty and allegiance to the company, but without compromising the members' independence.
- Non-discrimination: NH's Remuneration Policy will be respectful of non-discrimination due to gender, age, culture, religion or race.
- Alignment with strategy: The Directors' remuneration must be consistent with the Group's strategy, including any elements of remuneration that may be necessary for such purpose. It must also contribute to the long-term interests and sustainability of the Company.
- Transparency: The information published about the remuneration is in line with the best corporate governance practices.

Regarding the remuneration items contained in the Remuneration Policy, pursuant to the provisions in Article 42 of NH's Articles of Association and Article 36 of the Board of Directors' Regulations, NH differentiates between the remuneration policy applicable to the Non-Executive Directors, in which their joint supervisory and decision-making duties are remunerated, and the policy for the Executive Directors, which rewards the senior management duties they perform, as shown below:

- Remuneration items for the Non-Executive Directors:
  - A fixed annual amount that depends on the post or posts the directors hold on the Board or on its committees.
  - Expenses for attending the Board of Directors' committee meetings. The total annual amount for this item will vary depending on the number of meetings held by each committee and the director attending them.
- Remuneration items for the Executive Directors:
  - Fixed remuneration, sufficient for their services and duties.
  - Short- and long-term variable remuneration linked to the company's results and creating value for the shareholder.
  - Remuneration in kind.

Description of the procedures and company bodies involved in determining, approving and applying the remuneration policy and its terms and conditions.

The company's main bodies involved in determining and approving the Remuneration Policy are as follows:

- The General Shareholders' Meeting:

  According to the Spanish Capital Companies Act, the General Shareholders' Meeting is competent for approving the following matters related to the Directors' remuneration:

  - The Remuneration Policy at least every three years.
  - Possible amendments to the Remuneration Policy in force from time to time.
  - The maximum amount of the annual remuneration payable to all the Directors in their positions as such.
  - The remuneration system, including the award of shares or stock options or share-linked remuneration.
  - The Annual Remuneration Report (advisory ballot).

- The Board of Directors:

  This is the competent body for proposing the Remuneration Policy to the General Shareholders' Meeting. The Board is also responsible for adopting decisions related to the directors' remuneration within the scope of the Articles of Association and the Remuneration Policy.

  Moreover, the Board of Directors determines the basic terms and conditions for the contracts, including the remuneration for the executives that directly report to the Board or any of its members.

  The Board of Directors is informed of all the actions performed by the Appointment, Remuneration and Corporate Governance Committee, as explained below, providing it with the relevant documents in order to be informed of such actions to perform its duties.

  As a precautionary measure, in order to avoid any conflict of interests, at the Board's meetings that deal with proposals related to the specific remuneration of the Directors, the latter may not be present nor take part in the deliberations or decision-making process.

- The Appointment, Remuneration and Corporate Governance Committee (hereinafter referred to by its initials in Spanish "ARCGC"):

  This is the main body for determining and applying the Remuneration Policy. In this respect, the ARCGC is competent to propose the Directors' Remuneration Policy and the remuneration for those who perform senior management duties directly reporting to the Board, Executive Committees or Executive Directors, and the individual remuneration and other contractual terms and conditions for the Executive Directors, ensuring such terms and conditions are observed.

  Specifically, the ARCGC performs the following duties:

  - Determining the Policy
    - It develops the contents of the Directors' Remuneration Policy and proposes its final approval to the Board of Directors.
    - It proposes to the Board of Directors the allotment, among the different items, of the maximum remuneration amount approved by the General Shareholders' Meeting for the Directors in their positions as such.
    - It determines and proposes to the Board of Directors the amount and, if need be, the adjustment of the Executive Directors' fixed salary.
  - Application of the Policy
    - Every year it proposes to the Board of Directors the objectives for the Annual Variable Remuneration and the relevant cycle for the multi-annual variable remuneration applicable to the Executive Directors.
    - It assesses achievement of the objectives after the end of the measurement period for the variable remuneration and proposes to the Board of Directors the amount or number of shares to be received by the Executive Directors.
  - Review of the Policy
    - It reviews the amount of the various remuneration components for the Directors in their positions as such; bearing in mind market practices and submits its conclusions to the Board of Directors.
    - It reviews the structure and level of the Executive Directors' remuneration to ensure it is competitive.
  - Transparency of the Policy
    - The ARCGC decides on the contents of the Annual Directors' Remuneration Report and proposes it to the Board of Directors for the final approval thereof.

For the current financial year (2022), it is estimated that the Committee will hold 4 meetings; however, as many meetings as deemed necessary may be summoned apart from those initially planned. Up to the time this Report was approved, the ARCGC has discussed the following matters, among others:

– Approval of the objectives linked to the Executive Directors' annual variable remuneration for 2022.
– Proposal and approval of this Report.
– Approval of the settlement of the third long-term variable remuneration cycle for the accrual period from 1 January 2019, which ended on 31 December 2021.
– Proposal and approval of the launch of a new long-term incentive plan to begin retroactively from 1 January 2021.
– Proposal and approval of the launch of a biennial long-term incentive for the Executive Directors in 2022.
– Assessment and approval of the Executive Directors' annual variable remuneration based on the results achieved in 2021.
– Proposal and approval of an extraordinary bonus for one of the members of the Board as compensation for the high level of dedication during the last financial year.

Information on whether any external advisors took part in this process and, if so, their identity details.
Willis Towers Watson (WTW) regularly provides advice to the ARCGC on the following matters:

• Drawing up this Annual Directors' Remuneration Report.
• Study of the senior executives' salaries.

Procedures set out in the existing directors' remuneration policy for applying temporary exceptions to the policy, conditions under which such exceptions may be invoked and components that may be subject to exception under the policy.

The Remuneration Policy does not include any procedure for temporary exceptions to the Remuneration Policy.

A.1.2 Relative importance of variable remuneration items vis-à-vis fixed remuneration (remuneration mix) and the criteria and objectives taken into consideration in their determination and to ensure an appropriate balance between the fixed and variable components of the remuneration. In particular, indicate the actions taken by the company in relation to the remuneration system to reduce exposure to excessive risks and to align it with the long-term objectives, values and interests of the company, which will include, as the case may be, mention of the measures taken to ensure that the long-term results of the company are taken into account in the remuneration policy, the measures adopted in relation to those categories of personnel whose professional activities have a material impact on the risk profile of the company and measures in place to avoid conflicts of interest. Furthermore, indicate whether the company has established any period for the accrual or vesting of certain variable remuneration items, in cash, shares or other financial instruments, any deferral period in the payment of amounts or delivery of accrued and vested financial instruments, or whether any clause has been agreed reducing the deferred remuneration not yet vested or obliging the director to return remuneration received, when such remuneration has been based on figures that have since been clearly shown to be inaccurate.

The remuneration mix:

The Non-Executive Directors receive remuneration based on the best corporate governance practices. Such remuneration is only composed of a fixed amount and attendance expenses, with no amount being payable whatsoever for variable remuneration.

However, the total remuneration of the Executive Directors (CEO and COO) is mainly composed of (i) fixed remuneration, (ii) annual variable remuneration and (iii) multi-annual variable remuneration.

In this respect, the percentage that the ordinary (annual and multi-annual) variable remuneration represents of the total remuneration in 2022, in a situation in which 100% of the objectives are achieved (target scenario), is approximately:

• CEO: 62% (target scenario) - 66% (maximum scenario).
• COO: 53% (target scenario) - 57% (maximum scenario).

Measures adopted to adapt the Remuneration Policy to the company's long-term goals, values and interests. Reference to the measures adopted to guarantee that the long-term results of the company are taken into account in the Remuneration Policy

The measures adopted by the company related to the remuneration system to reduce exposure to excessive risks and to adapt it to the company's long-term objectives, values and interests are as follows:

a) Balance in the total remuneration:

The remuneration package of the Executive Directors includes short- and long-term variable parts, both parts being balanced. In this respect, the relative weight of the long-term variable remuneration, in annual terms, is equivalent to that of the short-term variable remuneration.

b) Formulating the variable remuneration objectives:

The variable remuneration takes into account the financial quantitative objectives included in the Group's strategic plan; hence contributing to creating a business model that promotes balanced and sustainable development. In this sense, part of the annual variable remuneration depends on specific objectives related to the Company's progress in terms of sustainability.

On an annual basis, the ARCGC analyses the components of the short-term variable remuneration that it submits for the final approval by the Board of Directors. The variable components of the remuneration are designed with sufficient flexibility so that no amount whatsoever is paid if the minimum objectives are not achieved.

In addition, in order for short-term or long-term variable remuneration to accrue, the Group's recurring Net Profit must be positive. If this is not the case, no remuneration shall be payable.

Regarding the multi-annual variable remuneration, it is ensured that the evaluation process is based on the company's long-term sustainable results and it may be adjusted depending on the company's economic cycle.

Actions carried out by the company to reduce exposure to excessive risks and avoid conflicts of interest and clawback clauses that reduce the deferred remuneration or oblige the director to reimburse the remuneration received.

a) Clawback clauses:

The Long-Term Incentive Plan 2022-2026, referred to as the "Performance Cash Plan", which the Company is currently implementing, will include clawback clauses in line with market standards and the recommendations of proxy advisors and institutional investors. It includes clawback clauses in line with those included in the Performance Shares Plan 2017-2022 as described in the Remuneration Policy.

b) Additional requirements for holding shares:

The Executive Directors must hold shares related to their multi-annual variable remuneration for a value equivalent to at least one year of their fixed remuneration and, when this obligation is fulfilled, the price is determined as the share price on the date the shares were acquired.

c) Minimum period for holding the shares:

However, the Performance Shares Plan 2017-2022 specifies a minimum retention period for the assigned shares of at least one year for the Executive Directors and Executive Committee.

The new Long-Term Incentive Plan 2022-2026 is granted and will be paid in cash, so no share retention periods will be included.

d) Measures to avoid conflicts of interest:

At the Board's meetings that deal with proposals related to the specific remuneration of the Executive Directors, the latter may not be present or take part in the deliberations or decision-making process.

Regarding measures to avoid conflicts of interest by the directors, according to the Spanish Capital Companies Act, Articles 29-33 of the Board of Directors' Regulations provide the obligations of the directors regarding their duties of diligence, faithfulness, secrecy, loyalty and prohibition of competition.

Clauses to reduce deferred remuneration not yet vested or requiring the director to repay remuneration received, where such remuneration has been based on information that is subsequently clearly proven to be inaccurate.

Should certain circumstances arise that show, even a posteriori, that objectives have not been met, the Board, at the proposal of the ARCGC, may reclaim some or all of the long-term incentives already paid. These clauses are applicable to all Beneficiaries for a term of two years from the end of the measurement period of each plan cycle. Specifically, and among other circumstances, the incentive paid may be required to be returned in the following cases:

i. Reformulating the Company's financial statements without being based on changes in the applicable accounting standards or interpretations.
ii. Sanctions against the Beneficiary for serious breaches of the code of conduct and other applicable internal regulations.
iii. Where the settlement and payment of the Incentive has taken place in whole or in part on the basis of information that is subsequently proven to be clearly false or seriously inaccurate.

In addition, the ARCGC may propose to the Board of Directors adjustments of the elements, criteria, thresholds and limits of the annual or multi-annual variable remuneration, under exceptional circumstances caused by extraordinary internal or external factors or events. The details and justification for such adjustments would be included in the relevant Annual Directors' Remuneration Report.

A.1.3 Amount and nature of fixed components that are due to be accrued during the year by directors in their capacity as such.

The maximum amount of the remuneration that could be paid every year by the Company to all its Directors, in their positions as such is €800,000, which was approved by the Ordinary General Shareholders' Meeting held on 30 June 2021.

The remuneration system for the Non-Executive Directors for their supervisory and joint decision-making duties, as specified above in this Report, consists of an annual fixed amount and expenses for attending the meetings of the Board of Directors and its committees.

In this respect, the maximum planned amounts for the aforementioned items in 2022 will be as follows:

- Annual fixed amount:
  - Chairperson of the Board of Directors: €200,000. No amount will be payable for expenses to attend the meetings of the Board or the Committees.
  - Chairpersons of the Auditing Committee and/or the ARCGC: €90,000. No amount will be payable for expenses to attend the committee meetings that they chair.
  - The other members of the Board of Directors: €50,000 for each director.
- Attendance expenses:
  - Expenses for attending the Audit and Supervisory Committee Meetings: €1,000.
  - Expenses for attending the ARCGC Meetings: €1,000.

Nevertheless, the Proprietary Directors representing the shareholder, Minor International PLC, have waived payment of the aforementioned remuneration.

The amounts payable to the Non-Executive Directors may vary from year to year within the maximum amounts approved by the General Shareholders' Meeting with the prior approval of the Board of Directors.

Moreover, the Executive Directors will not be entitled to receive the aforementioned remuneration.

A.1.4 Amount and nature of fixed components that are due to be accrued during the year for the performance of senior management functions of executive directors.

According to the Articles of Association, the Executive Directors are entitled to be paid remuneration for the executive duties they perform, apart from their duties as Directors within the scope of their labour or commercial relationship with the Company. Such remuneration includes both their executive duties and their duties as Director.

The amount of the aforementioned fixed remuneration planned for each of the Executive Directors in 2022 is €700,000 for the CEO and €400,000 for the COO.

A.1.5 Amount and nature of any component of remuneration in kind that will accrue during the year, including, but not limited to, insurance premiums paid in favour of the director.

The Directors do not receive any remuneration in kind for being members of the Board of Directors.

The Executive Directors are beneficiaries of a health care insurance policy for them and their first-degree relatives, a life and accident insurance policy and a company car. It is estimated that the cost for this remuneration in 2022 will amount to €59,000 for the CEO and €9.000 for the COO. However, the final amount could vary depending on the changes taking place in the prices or premiums of the aforementioned remuneration.

A.1.6 Amount and nature of variable components, differentiating between those established in the short and long terms. Financial and non-financial, including social, environmental and climate change parameters selected to determine variable remuneration for the current year, explaining the extent to which these parameters are related to performance, both of the director and of the company, and to its risk profile, and the methodology, necessary period and techniques envisaged to be able to determine the effective degree of compliance, at the end of the year, with the parameters used in the design of the variable remuneration, explaining the criteria and factors applied in regard to the time required and methods of verifying that the performance or any other conditions linked to the accrual and vesting of each component of variable remuneration have effectively been met.

Indicate the range, in monetary terms, of the different variable components according to the degree of fulfilment of the objectives and parameters established, and whether any maximum monetary amounts exist in absolute terms.

The Executive Directors are the only members of the Board of Directors that are entitled to be paid variable remuneration. The Executive Directors' variable remuneration is structured as additional and supplementary to their fixed remuneration and consists of a short-term annual variable and a long-term variable.

The main features of the variable remuneration components for the Executive Directors are described below:

1. ANNUAL VARIABLE REMUNERATION

The short-term variable remuneration is linked to achieving the corporate objectives determined by the ARCGC and approved by the Board of Directors at the beginning of each financial year.

The functioning of the annual variable remuneration for NH's Executive Directors is the same as for the company's other employees. It is determined based on the Management by Objectives Programme (MBO) for the following purposes:

a. To compensate performance, bearing in mind the achievement of the company's quantitative objectives.

b. To link the achievement of the annual objectives set by the company to its medium- and long-term strategy.

c. To align the individual objectives with those of the company.

The ARCGC approved the following objectives with their corresponding weightings for the financial year 2022:

CEO:

- 50% Corporate Objectives: Group EBITDA
- 10% Performance assessment.
- 40% of strategic indicators related to the position.

COO:

- 50% Corporate Objectives: Group EBITDA
- 10% Performance assessment.
- 40% of strategic indicators related to the position.

The functioning of each of the aforementioned objectives is described below, along with the specified scales of achievement:

a. **Group EBITDA**: The target initially set for Group recurrent EBITDA is compared with actual Group EBITDA, with the following payout levels established based on the scale of achievement:

- If the level of achievement of the Group's recurrent EBITDA target is lower than 90%, no amount whatsoever is payable as annual variable remuneration.
- If the level of achievement of the Group's recurrent EBITDA target is between 90% and 100%, 100% of the target annual variable remuneration will be paid.
- If the level of achievement of the Group's recurrent EBITDA target is 120% or higher, a maximum of 120% of the target annual variable remuneration is payable.

When the achievement level of the target is between 100% and 120%, the payout is calculated by linear interpolation.

b. **Performance assessment:** The performance assessment system for the Executive Directors has the same structure as for NH's other employees.

In order to promote the Company's sustainability, by evaluating the system and procedures apart from the results obtained, the performance evaluation is included within the annual variable remuneration.

An overall assessment will be conducted based on the evaluation of the eight skills, which will be equivalent to a percentage that the target is achieved, according to the following scheme:

Performance will be evaluated according to the following scale made up of five levels: Underperforming, Needs Improvement, Well Done, Very Good, and Outstanding. Each one of the levels will be equivalent to a percentage of achievement of the objective following the following scheme.

- "Underperforming". Equivalent to 0% achievement.
- "Needs Improvement". Equivalent to 50% achievement.
- "Well Done". Equivalent to 100% achievement.
- "Very Good". Equivalent to 125% achievement.
- "Outstanding". Equivalent to 200% achievement.

c. **Individual Objectives** (indicators related to the post): Maximum achievement is set for the rest of the objectives, which could imply up to 125% of the payment level for this objective.

The ARCGC determines the specific amount payable depending on the achievement level of the targets.

In addition, in order to guarantee that the annual variable remuneration is aligned with the company's results, there is a key objective based on the Group's Net Recurrent Profit. In this respect, in order to accrue annual variable remuneration, the Group's recurring Net Profit must be positive. If this is not the case, no remuneration shall be payable.

The target annual variable remuneration is set at 65% of the CEO's fixed remuneration (€455,000) and 45% of the COO's fixed remuneration (€180,000), providing 100% of the objectives set by the Board of Directors are achieved.

The maximum amount the Executive Directors can reach, if the maximum score is obtained in the performance assessment and an extraordinary percentage is obtained in their individual objectives is 130% for both directors, equivalent to €591.500 for the CEO and €234.000 for the COO.

If the aforementioned minimum targets are not achieved, the Executive Directors will not be paid any amount whatsoever as variable remuneration.

In order to calculate the amount of the annual variable remuneration, the ARCGC will first and foremost consider the individual level of achievement and weighting of each of the targets and subsequently the level of overall achievement of the targets as a whole, along with the key objectives for the Group's Net Recurrent Profit. This assessment will be conducted based on the results audited by the company's external auditor. Both for determining the objectives and assessment of their being achieved, the Committee also takes into consideration any associated risk and can rely on the support of the Audit and Supervisory Committee.

In this respect, any positive or negative economic impact caused by extraordinary events that could distort the findings of the assessment are disregarded and the quality of the long-term results and any associated risk in the proposal for annual variable remuneration is taken into consideration.

The annual variable remuneration is fully paid in cash, providing the objectives set for such purpose are achieved. This remuneration will not be paid until the ARCGC has carried out the aforementioned actions in the first quarter of the year.

2. LONG-TERM INCENTIVES PLANS
- Long Term Incentive Plan 2022-2027-

The Company plans to implement the Long-Term Incentive Plan 2022-2027 ("Performance Cash Plan") in 2022. This plan grants a cash amount to be paid out if the targets set in this respect are met. The Plan has a term of five years, divided into three cycles of three years each one:

a. First cycle 2022-2024 to be paid in 2025.
b. Second cycle 2023-2025 to be paid in 2026.
c. Third cycle 2024-2026 to be paid in 2027.

Before the start of each of the cycles, the Board of Directors is authorised to decide on its effective implementation depending on the Group's economic situation at the time.

The main features of the first cycle of the Plan applicable to the Executive Directors are set out below:

Purpose: To reward the achievement of NH's long-term strategic goals and the creation of sustainable shareholder value.

Amount: The target incentive in the first cycle is set at 65% of the CEO's fixed remuneration (€455,000) and 45% of the COO's fixed remuneration (€180,000), providing 100% of the objectives set by the Board of Directors are achieved.
The maximum amount of the incentive can be up to 120% of the target amount, i.e. 78% of the fixed remuneration for the CEO (€546,000) and 54% of the fixed remuneration for the COO (€216,000).

Performance period: Years 2022, 2023 and 2024.

Objectives: 100% of the incentive will be linked to the Group's recurring EBITDA for the financial years 2022, 2023 and 2024. However, the Group's recurring Net Profit must be positive in each of the aforementioned years in order to accrue the full incentive. If not, the portion of the target incentive linked to the year in which the recurring Net Profit target is not met will be forfeited.

Performance Scale: The incentive for the first cycle 2022-2024 is determined as follows:
• If the level of achievement of the Group's recurrent EBITDA target is lower than 90%, no amount whatsoever is payable for the long-term incentive.

- If the level of achievement of the Group's recurring EBITDA target is between 90% and 100%, 100% of the long-term incentive will be paid.
- If the level of achievement of the Group's recurrent EBITDA target is 120% or higher, a maximum of 120% of the long-term incentive is payable.

When the achievement level of the objective is between 100% and 120%, the level of achievement of the Group's recurrent EBITDA is calculated by linear interpolation.

Functioning: the ARCGC will consider the level of achievement of the recurring EBITDA target based on the results audited by the Company's external auditor in each of the cycles included in the performance period. Both for determining the targets and assessment of their being achieved, the Committee also takes into consideration any associated risk and can rely on the support of the Audit and Supervisory Committee.

In this respect, any positive or negative economic impact caused by extraordinary events that could distort the findings of the assessment are disregarded and the quality of the long-term results and any associated risk in the proposal for incentive to be paid is taken into consideration.

The incentive for the first cycle 2022-2024 will be fully paid in cash, providing that the objectives set for such purpose are achieved. This remuneration will not be paid until the ARCGC has carried out the aforementioned actions in the first quarter of the year 2025.

- Long Term Incentive Plan 2022-2023-

This biennial long-term incentive would have the following general and specific features:

Purpose: To adapt the remuneration package of the Company's executives to incentivise the extra effort they are making to recover NH's business volume and results within the economic context of the COVID-19 pandemic.

Amount: The target in the biennial long-term incentive is set at 65% of the CEO's fixed remuneration (€455,000) and 45% of the COO's fixed remuneration (€180,000), providing 100% of the objectives set by the Board of Directors are achieved.

Performance Period: Years 2022 and 2023

Objectives: 100% of the biennial long-term incentive will be linked to the Group's recurring EBITDA for the financial year 2022 and 2023. However, for this remuneration to accrue, the Group's recurring Net Profit must be positive. If this is not the case, no remuneration shall be payable

Performance scale: The biennial long-term incentive is determined as follows:

- If the level of achievement of the Group's recurrent EBITDA target is lower than 90%, no amount whatsoever is payable as biennial long-term incentive.
- If the level of achievement of the Group's recurring EBITDA target is between 90% and 100%, 100% of the target biennial long-term incentive will be paid
- If the level of achievement of the Group's recurrent EBITDA target is 120% or higher, a maximum of 120% of the target biennial long-term incentive is payable.

When the achievement level of the target is between 100% and 120%, the level of achievement of the Group's recurrent EBITDA is calculated by linear interpolation.

Functioning: the ARCGC will consider the level of achievement of the recurring EBITDA target based on the results audited by the Company's external auditor. Both for determining the targets and assessment of their being achieved, the Committee also takes into consideration any associated risk and can rely on the support of the Audit and Supervisory Committee.

In this respect, any positive or negative economic impact caused by extraordinary events that could distort the findings of the assessment are disregarded and the quality of the long-term results and any associated risk in the proposal for annual variable remuneration is taken into consideration.

The biennial long-term incentive is fully paid in cash, providing the targets set for such purpose are achieved. This remuneration will not be paid until the ARCGC has carried out the aforementioned actions in the first quarter of the year 2024.

In any case, the sum of the long-term incentive payments in annualised terms shall not exceed the maximum stipulated in the current Remuneration Policy.

A.1.7 Main characteristics of long-term savings schemes. Among other information, indicate the contingencies covered by the scheme, whether it is a defined contribution or a defined benefit scheme, the annual contribution that has to be made to defined contribution schemes, the benefits to which directors are entitled in the case of defined benefit schemes, the vesting conditions of the economic rights of directors and their compatibility with any other type of payment or indemnification for early termination or dismissal, or deriving from the termination of the contractual relationship, in the terms provided, between the company and the director.

Indicate whether the accrual or vesting of any of the long-term savings plans is linked to the attainment of certain objectives or parameters relating to the director's short- or long-term performance.

The company does not plan to undertake any obligation or commitment whatsoever with the directors in 2022 related to pensions, retirement or similar items.

A.1.8 Any type of payment or indemnification for early termination or dismissal, or deriving from the termination of the contractual relationship, in the terms provided, between the company and the director, whether at the company's or the director's initiative, as well as any type of agreement reached, such as exclusivity, post-contractual noncompetition, minimum contract term or loyalty, that entitles the director to any kind of remuneration.

The directors of the company, in their positions as such, are not entitled to any severance pay or compensation in the event of dismissal or resignation.

The terms and conditions included in the Executive Directors' contracts in this respect are described below:

- CEO: Under no circumstances will the CEO be entitled to any severance pay due to resignation or termination of his commercial relationship. However, the terms and conditions regulating his suspended labour relationship stipulate that the period of time in which the Executive Director holds his commercial relationship must be acknowledged as seniority for the purpose of possible severance pay due to termination of such labour relationship.

  In this respect, once the commercial relationship has been terminated, the labour relationship that was in force between the Company and the Executive Director will become valid again until he takes up his new position, unless gross and wilful breach of contract is ruled by the courts. If, at the time of termination of the commercial relationship and, apart from the aforementioned exception, the company refuses to reinstate the Executive Director in his previous labour relationship, this fact will be considered unfair dismissal. In such case, the Executive Director will be entitled to the relevant severance pay according to applicable labour regulations. In order to calculate the severance pay, the compensation basis will be determined according to the full salary paid and received thereby over the twelve months prior to the termination including, if any, those paid and received in his position as Executive Director.

  If the termination of the labour relationship is due to serious and wilful breach of the Executive Director's essential obligations and this is ruled by the competent court, all rights to receive any kind of severance pay will be deemed null and void.

- COO: The COO is not entitled to receive any severance pay whatsoever if the Company decides to terminate his contract by virtue of a resolution adopted by the General Shareholders' Meeting or Board of Directors, which implies the COO being dismissed from his post as Executive Director, regardless of the fact his seniority in the position is acknowledged for all purposes (even for the purpose of severance pay that could be implied in the event of termination) in the previous labour relationship between the parties, which will be resumed after the aforementioned termination of the commercial relationship.

  If the Company refuses to reinstate the COO in his previous labour relationship, the COO will be entitled to severance pay according to the applicable labour regulations and his acknowledged seniority, the Company undertaking to pay him severance pay at least equivalent to one year of his fixed salary and the last variable remuneration he was paid. However, if the termination of the commercial relationship between the parties is due to serious and wilful breach of the Executive Director's essential obligations and this is ruled by the competent court, all rights to receive any kind of severance pay will be deemed null and void.

  In order to calculate the severance pay that could be received by the COO in the event of termination of his ordinary labour relationship, the basis for the severance pay will be calculated regarding the whole remuneration payable and received thereby in the twelve months prior to such termination, even if it were payable by virtue of a commercial relationship.

A.1.9 Indicate the conditions that the contracts of executive directors performing senior management functions should contain. Among other things, information must be provided on the duration, limits on amounts of indemnification, minimum contract term clauses, notice periods and payment in lieu of these notice periods, and any other clauses relating to signing bonuses, as well as compensation or golden parachute clauses for early termination of the contractual relationship between the company and the executive director. Include, among others, the pacts or agreement on noncompetition, exclusivity, minimum contract terms and loyalty, and post-contractual non-competition, unless these have been explained in the previous section.

The contract of NH's Executive Directors is of a commercial nature and includes the duties and obligations they hold within the scope of their posts and their remuneration.

The most significant clauses in both contracts are described below:

- Permanent term.
- Full-time commitment and non-competition. They may not perform the following duties without the company's prior consent during the period they render their services within the scope of their valid contracts:
  - Hold an indirect or direct stake of any kind in companies that perform activities that are in competition with or are similar or related to the company's activities or that are suppliers and/or customers of NH. Any part-time teaching activities that could be performed by the Executive Directors shall be deemed excluded from the previous point.

    This condition will remain in force, in the case of the CEO, until twelve months have elapsed after the termination of his commercial agreement or employment contract with NH, whatever the reason for such termination may be.

    The gross annual fixed remuneration of the Executive Directors already includes compensation for the non-competition clause.

- Both Executive Directors must provide at least two months' prior notice of their decision to terminate their commercial relationship with NH and may choose to renew their ordinary labour relationship.
- Severance pay: See the previous section.
- Confidential information: During the valid term of the commercial agreement and after the termination thereof for any reason, the Executive Directors must not indirectly or directly disclose or disseminate to third parties not associated with NH any commercial or industrial secrets, processes, methods, information or data related to the activities, business or finances of NH or any company in its Group.

A.1.10 The nature and estimated amount of any other supplementary remuneration that will be accrued by directors in the current year in consideration for services rendered other than those inherent in their position.

The directors have not received, nor is it planned they will receive, any other supplementary remuneration for services apart from those inherent to their posts and that have not already been described in this Report.

A.1.11 Other items of remuneration such as any deriving from the company's granting the director advances, loans or guarantees or any other remuneration.

The Directors have not been granted any advances, loans, guarantees or other remuneration.

A.1.12 The nature and estimated amount of any other planned supplementary remuneration to be accrued by directors in the current year that is not included in the foregoing sections, whether paid by the company or by another group company

The directors have not received, nor is it planned they will receive, any other supplementary remuneration for services apart from those inherent to their posts and that have not already been described in this Report.

A.2 Explain any significant change in the remuneration policy applicable in the current year resulting from:

a. A new policy or an amendment to a policy already approved by the General Meeting.
b. Significant changes in the specific determinations established by the board for the current year regarding the remuneration policy in force with respect to those applied in the previous year.
c. Proposals that the Board of Directors has agreed to submit to the general shareholders' meeting to which this annual report will be submitted and for which it is proposed that they be applicable to the current year.

No significant changes have been made to the Remuneration Policy that could seriously affect the Remuneration Policy for this year.

A.3 Identify the direct link to the document containing the company's current remuneration policy, which must be available on the company's website.

https://www.nh-hotels.com/corporate/sites/default/files/files-accionistas/11_nh_politica_remuneraciones_consejeros_eng_2021-2023_vf.pdf

A.4 Explain, taking into account the data provided in Section B.4, how account has been taken of the voting of shareholders at the General Shareholders' Meeting to which the annual report on remuneration for the previous year was submitted on a consultative basis.

The last General Shareholders' Meeting held on 30 June 2021 approved the Annual Directors' Remuneration Report by 99.98% of the votes, the majority supporting the remuneration policy for the company's directors described above.

B - OVERALL SUMMARY OF HOW REMUNERATION POLICY WAS APPLIED DURING THE YEAR LAST ENDED

B.1.1 Explain the process followed to apply the remuneration policy and determine the individual remuneration contained in Section C of this report. This information will include the role played by the remuneration committee, the decisions taken by the Board of Directors and the identity and role of any external advisors whose services may have been used in the process of applying the remuneration policy in the year last ended.

Process used to apply the Remuneration Policy

The main bodies for creating the company's Remuneration Policy are the General Shareholders' Meeting, the Board of Directors and the ARCGC.

The role played by the ARCGC

The ARCGC is the body competent for proposing the Directors' Remuneration Policy and the remuneration for those who perform senior management duties, directly reporting to the Board, Executive Committees or Executive Directors, and the individual remuneration and other contractual terms and conditions for the Executive Directors, ensuring such conditions are observed.

As explained in the Remuneration Policy, the ARCGC may hold meetings as often as (i) considered necessary by its Chairperson, (ii) required by the Board of Directors or (iii) requested by two or more of its members with voting rights, to correctly fulfil its duties. In 2021, the ARCGC held 4 meetings that all its members attended.

The items related to remuneration that were discussed by the ARCGC in 2021 are explained below:

- Proposal and approval of the Annual Directors' Remuneration Report for the financial year 2020.
- Proposal and approval for payment of the second cycle of the Long-Term Incentive Plan or Performance Shares Plan 2017-2022, the accrual period of which began on 1 January 2018 and ended on 31 December 2020.
- Assessment and approval of the annual variable remuneration for the CEO and COO (Executive Directors) for the results achieved in 2020.
- Approval of the objectives linked to the annual variable remuneration of the Executive Directors in 2021.
- Information about the CEO to the ARCGC on the assessment of the variable remuneration in 2020 for the Executive Committee, along with the objectives linked to the annual variable remuneration in 2021.
- Proposal and approval of the NH Hotel Group Directors' Remuneration Policy with retroactive validity from 1 January 2021 to 31 December 2023.

When setting the budget for 2021, there were very strong indications of recovery from the beginning of the year. Due to the length of the pandemic and a much slower and lower than expected recovery in the middle of the year, the variable remuneration scheme was reviewed, and a new variable remuneration scheme was again proposed and approved as set out in point B.7 below.

Composition of the ARCGC

According to Article 47 of the Articles of Association, the Committee is comprised of a minimum of three and a maximum of six directors and solely consists of Non-Executive Directors appointed by the Board of Directors, at least two of which must be independent directors.

On 31 December 2021, the Committee was composed of three non-executive members, two of whom were independent directors:

- Mr. José María Cantero de Montes-Jovellar; Chairman and Independent Director since 21/06/2016.
- Mr. Alfredo Fernández Agras; Member and Independent Director since 10/04/2019.
- Mr. Stephen Andrew Chojnacki; Member and Proprietary Director since 07/02/2019.

B.1.2 Explain any deviation from the procedure established for the application of the remuneration policy that has occurred during the year.

There has been no deviation from the established procedure for the application of the Remuneration Policy approved at the General Shareholders' Meeting held on 12 May 2021. Notwithstanding the foregoing, within the scope of this Policy, certain exceptional decisions have been taken as a result of the uncertainty caused by COVID-19.

Section B.3 explains how the Executive Directors had their fixed remuneration reduced by 20% from January to June 2021, which coincided with the termination of the Temporary Layoff Plan (ERTE).

With regard to the annual variable remuneration, specific objectives were set for the second half of 2021, as the financial forecasts made at the beginning of the year were outdated. However, the objectives set for the second half of the year were not achieved and, as a result, no amount was paid as annual variable remuneration. Further details on this point can be found in section B.7.

B.1.3 Indicate whether any temporary exception has been applied to the remuneration policy and, if so, explain the exceptional circumstances that have led to the application of these exceptions, the specific components of the remuneration policy affected and the reasons why the entity believes that these exceptions have been necessary to serve the long-term interests and sustainability of the society as a whole or ensure its viability. Similarly, quantify the impact that the application of these exceptions has had on the remuneration of each director over the year.

No temporary exceptions to the Remuneration Policy were applied in 2021.

B.2 Explain the different actions taken by the company in relation to the remuneration system and how they have contributed to reducing exposure to excessive risks, aligning it with the long-term objectives, values and interests of the company, including a reference to the measures adopted to ensure that the long-term results of the company have been taken into consideration in the remuneration accrued. Ensure that an appropriate balance has been attained between the fixed and variable components of the remuneration, the measures adopted in relation to those categories of personnel whose professional activities have a material effect on the company's risk profile and the measures in place to avoid any possible conflicts of interest.

The actions carried out by the company related to the remuneration system to reduce exposure to excessive risks and adapt it to the company's long-term objectives, values and interests have been explained in sections A.1.6 and A.1.7 of this Report. It is explained below how these actions were carried out in 2021:

A) Clawback clauses:

The claw-back clauses referred to in the section B.7. are applicable to the Performance Shares Plan 2017-2022.

B) Minimum period for holding the shares:

The Performance Shares Plan 2017-2022 determines a minimum period for holding the shares delivered as at least one year for the Executive Directors and Executive Committee.

C) Additional requirements for holding shares:

The Executive Directors must hold at least the equivalent of one year of their fixed remuneration in shares and, if this obligation has been fulfilled, the price must be the one determined as the share price on the date the shares were delivered.

D) Formulating the variable remuneration objectives:

For the variable remuneration accrued in 2021, a binary scheme was applied so that failure to achieve the Group EBITDA resulted in a 0% payout.

Regarding the multi-annual variable remuneration, the third cycle of the Performance Shares Plan 2017-2022 that was in force in 2021 included objectives in line with the company's long-term economic and financial targets and creation of value for the shareholder.

In addition, as a prudent measure, no long-term incentive plan cycle was granted during 2021 in light of the uncertain economic environment caused by the pandemic.

E) Balance of the total remuneration:

The remuneration package of the Executive Directors includes a short- and long-term variable part, both parts being balanced.

In this respect, the percentage that the (annual and multi-annual) variable remuneration represented of the total remuneration in 2021, in a situation in which 100% of the objectives are achieved, was approximately 57% for the CEO and 47% for the COO.

Lastly, the variable remuneration accrued in 2021 was 22% for the CEO and 16% for the COO for the following reasons:

- The short-term variable remuneration was 0% in both cases because the EBITDA budgeted for the second half was not reached.
- The 2019-2021 cycle of the Long-Term Incentive Plan has had a payout percentage of 39.27%.

B.3 Explain how the remuneration accrued and consolidated over the financial the year complies with the provisions of the current remuneration policy and, in particular, how it contributes to the company's long-term and sustainable performance.

Furthermore, report on the relationship between the remuneration obtained by the directors and the results or other performance measures of the company in the short and long term, explaining, if applicable, how variations in the company's performance have influenced changes in directors' remuneration, including any accrued remuneration payment of which has been deferred, and how such remuneration contributes to the short- and long-term results of the company.

The items included in the directors' remuneration package in the financial year 2021 are summarised below. Similarly, the details of these items can be found in the following paragraphs of this section B:

Remuneration of the Non-Executive Directors:

In 2021, the Non-Executive Directors' remuneration was once again affected by the worldwide crisis caused by COVID-19. This remuneration consisted of fixed amounts and expenses for attending the meetings as described in section B.5.

The Non-Executive Directors voluntarily waived 20% of their remuneration (both fixed and expenses) from 1 January 2021 until 30 April 2021. They also waived 100% of their remuneration for the months of May and June.

In addition, at the first meeting of the ARCGC held in 2022 it was proposed to the Board of Directors to extraordinarily increase, with a charge to 2021, the fixed allowance to the member of the Board Fernando Lacadena, due to his additional dedication throughout the year 2021, especially in the process of transferring the chairmanship.

The maximum gross annual amount payable to the directors in their positions as members of the Board of Directors observed the limit stipulated by the General Shareholders' Meeting held on 30 June 2021 (€800,000), a total of €294,133.33 being paid out as fixed remuneration and expenses.

Executive Directors:

The Executive Directors voluntarily had their fixed remuneration reduced by 20% from January to June 2021, which coincided with the termination of the Temporary Layoff Plan (ERTE).

The remuneration items of the Executive Directors in 2021 were as follows:

CEO:

- Fixed Remuneration: €630,000, with a reduction of 10% on €700,000.
- Short-term variable remuneration accrued in 2021: €0, bearing in mind an achievement level of the corporate EBITDA vs Budget target in the second half below the minimum threshold and therefore the non-achievement of the MBO 2021.
- Multi-annual variable remuneration (the second cycle of the second Performance Shares Plan 20172022 that began on 1 January 2019 and ended on 31 December 2021): 38,675 gross shares bearing in mind the overall target achievement level of 39.27%.
- Other remuneration (company car, health care insurance policy and life and accident insurance policy): €59,491.

COO:

- Fixed Remuneration: €360,000, with a reduction of 10% on €400,000.
- Short-term variable remuneration accrued in 2021: €0, bearing in mind an achievement level of the corporate EBITDA vs Budget target below the minimum threshold and therefore the non-achievement of the MBO 2021.
- Multi-annual variable remuneration (the second cycle of the second Performance Shares Plan 20172022 that began on 1 January 2019 and ended on 31 December 2021): 17,850 gross shares bearing in mind the overall target achievement level of 39.27%.
- Other remuneration (company car, health care insurance policy and life and accident insurance policy): €22,156.

A breakdown of the annual variable remuneration and of the third cycle of the third Performance Shares Plan is provided in section B.7.

As explained in the previous sections, the Executive Directors are not paid any additional remuneration for their positions as members of the Board of Directors.

57% (CEO) and 47% (COO) of their total remuneration is linked, as previously specified, to both short- and long-term variable remuneration. The aim of this remuneration mix is to reward the performance of both directors' bearing in mind the achievement of the company's quantitative objectives, linking the achievement of the annual and multi-annual targets set by the company to its medium- and long-term strategy and aligning the individual objectives with those of the company, creating value for the stakeholders. Similarly, it is endeavoured to reduce the exposure to excessive risks and to adjust it to the company's long-term targets, values and interests.

In addition, the Executive Directors' remuneration package supports the sustainable performance of the Company, in that a minimum recurring EBITDA performance is required for the annual variable remuneration to accrue. The level of stringency in the two variable elements of the remuneration package remains clear given that the final payout percentages obtained (0% in the case of the annual variable remuneration and 39.27% in the case of the third cycle of the 2017-2022 Long-Term Incentive Plan).

In this respect, the accrued remuneration (fixed, annual and multi-year and variable remuneration) in 2021 was 48% for the CEO compared with his target remuneration and 55% for the COO.

B.4 Report on the result of the consultative vote at the General Shareholders' Meeting on remuneration in the previous year, indicating the number of votes in favour, votes against, abstentions and blank ballots:

	Number	% Of total
Votes cast	371,292,322	94.67

	Number	% Of vote cast
Votes against	82,960	0.02
Votes in favour	371,207,403	99.98
Blank votes	0	0
Abstentions	1,959	0.00

B.5 Explain how the fixed components accrued and vested during the year by the directors in their capacity as such were determined, their relative proportion with regard to each director and how they changed with respect to the previous year:

The directors, in their positions as such, to whom fixed remuneration was payable in 2021 were Non-Executive Directors that do not represent the shareholder, Minor International PLC. The latter have waived all remuneration payable to them due to being members of the Board of Directors

However, due to the crisis caused by COVID-19, the Non-Executive Directors voluntarily waived 20% of their remuneration (both fixed and expenses) from 1 January until 30 April 2021. They also waived 100% of their remuneration during the months of May and June. The remuneration effectively received in the financial year 2021 was as follows:

- Annual fixed amount:
  - Chairperson of the Board of Directors: €153,333 (compared to the €116,666.67 received in 2020 and the €200,000 received in 2019).
  - Chairperson of the Auditing Committee and the ARCGC: €69,000 (compared to the €52,500 received in 2020 and the €90,000 received in 2019).
  - Member of the Auditing Committee: €51,903.3 (not comparable with previous years when they were Chairman of the Auditing Committee).

Additionally, in view of the additional dedication of Mr. Fernando Lacadena in relation to the transfer of powers to the new Chairman of the Auditing Committee, his fixed allowance has been extraordinarily increased by €17,096.67 with a charge to 2021.

- Attendance expenses of the members
  - Expenses for attending the Audit and Supervisory Committee Meetings: €800 per meeting from January to June, €0 for meetings in May and June and €1,000 per meeting from September to December.
  - Expenses for attending the ARCGC Meetings: €800 per meeting from January to June, €0 for meetings in May and June and €1,000 per meeting from September to December.

B.6 Explain how the salaries accrued and vested by each of the executive directors over the past financial year for the performance of management duties were determined, and how they changed with respect to the previous year.

The CEO's fixed remuneration for the performance of his senior management duties, which amounts to €700,000 in accordance with the Remuneration Policy, has been reduced by 20% from January to June 2021. As a result, this remuneration amounts to €630,000 in 2021. In 2020, this remuneration totalled €498,750, since the fixed remuneration was reduced by 20% to 50% depending on the month during the period from March to December.

In the same way, COO's fixed remuneration for the performance of his senior management duties, amounted to €360,000 in 2021, resulting from a fixed salary of €400.000. In 2020 this remuneration totalled €285,000 (the reductions to the fixed remuneration described for the CEO were also applied in this case).

As mentioned above, the Executive Directors are not paid any remuneration whatsoever for their positions as directors.

B.7 Explain the nature and the main characteristics of the variable components of the remuneration systems accrued and vested in the year last ended.

In particular:

a) Identify each of the remuneration plans that determined the different types of variable remuneration accrued by each of the directors in the year last ended, including information on their scope, date of approval, date of implementation, any vesting conditions that apply, periods of accrual and validity, criteria used to evaluate performance and how this affected the establishment of the variable amount accrued, as well as the measurement criteria used and the time needed to be able to adequately measure all the conditions and criteria stipulated, explaining the criteria and factors applied in regard to the time required and the methods of verifying that the performance or any other kind of conditions linked to the accrual and vesting of each component of variable remuneration have effectively been met.

b) In the case of share options and other financial instruments, the general characteristics of each plan must include information on the conditions both for acquiring unconditional ownership (vesting) of these options or financial instruments and for exercising them, including the exercise price and period.

c) Each director that is a beneficiary of remunerations systems or plans that include variable remuneration, and his or her category (executive director, external proprietary director, external independent director or other external director).

d) Information is to be provided on any periods for accrual, vesting or deferment of payment of vested amounts applied and/or the periods for retention/unavailability of shares or other financial instruments, if any.

Explain the short-term variable components of the remuneration systems

As explained above, the only directors entitled to payment of variable remuneration are those assigned executive duties.

An overall framework for annual variable remuneration for Executive Directors was agreed at the ARCGC meeting held on 24 February 2021. The features of this annual variable remuneration were outlined in section A.1 of last year's Annual Remuneration Report.

The overall framework was designed on the basis of very strong signs of recovery at the beginning of 2021. As a result of the length of the pandemic and a much slower and lower than expected recovery, the Board of Directors, at the proposal of the ARCGC, approved a new annual variable remuneration scheme on 27 July with the following features:

Timeframe: The annual EBITDA targets were reformulated as half-yearly targets, and therefore the measurement of EBITDA was limited to the second half of the year.

Amount: Following the same logic, the benchmark annual variable remuneration was reformulated into a half-yearly amount, which implies multiplying the target variable remuneration by 0.5. This means 32.5% of fixed remuneration for the CEO and 22.5% for the COO.

Target: The second-half adjusted corporate EBITDA was the sole target of the scheme.

Performance scale: The calculation process was simplified and a binary scheme was established whereby if 100% of the target was reached, 100% of the new target variable remuneration would be paid, and if not reached, no payment would be made.

Final result of the 2021 variable remuneration scheme: Bearing in mind that the level of EBITDA achievement has been below the minimum level during the second half of the year, no amount has been paid as annual variable remuneration.

Explain the long-term variable components of the remuneration systems

As mentioned above, the General Shareholders' Meeting held on 29 June 2017 approved the launch of the Long-Term Bonus Plan or "Performance Shares Plan 2017-2022". The Plan had a term of five years, divided into three cycles of three years each one:

a. First cycle 2017-2019. Ended with delivery of shares in 2020.

b. Second cycle 2018-2020. Ended with delivery of shares in 2021.

c. Third cycle 2019-2021. Ended with delivery of shares in 2022.

Below are the main features of the third cycle of the 2017-2022 Performance Shares Plan that ended on 31 December 2021, as well as the incentive that was ultimately paid out.

Targets: The number of shares to be awarded was initially subject to the fulfilment of the following four targets:

a. Net Recurrent Profit (weighting: 25%).

b. The Group's Recurrent EBITDA (weighting: 25%).

c. TSR ("Total Shareholder Return") related to NH's shares compared with the changes in the STOXX® Europe 600 Travel & Leisure stock exchange index (weighting: 25%).

d. Share price rise (weighting: 25%).

Bearing in mind the corporate transaction carried out within NH in 2018 and the impact of such transaction on the share value, the Board of Directors adopted a resolution to neutralise the result of the metrics associated with the share value (according to the provisions in the Remuneration Policy and the adjustment clause in the Plan's Regulations explained in section A of the previous year's Annual Remuneration Policy): Relative TSR and Share Price Rise.

Therefore, the targets to which the Performance Shares Plan was subject were Recurring Net Profit (50%) and Recurring Group EBITDA (50%).

Performance scale: The target achievement scales were as follows:

a) Net Recurrent Profit:

- Minimum threshold: Achievement of 80% of the target implied a payment of 50% of the bonus. A level of achievement lower than 80% implied a payment level of 0%.
- Target: Achievement of 100% of the target implied payment of 100% of the target bonus.
- Maximum: Achievement of 120% or more of the target implied payment of 150% of the target bonus.

If the level of achievement were positioned between the minimum threshold and the target or between the target and the maximum, the level of payment would be calculated by linear interpolation.

b) Recurrent EBITDA:

- Minimum threshold: Achievement of 90% of the target implied payment of 50% of the bonus. A level of achievement lower than 90% implies a payment level of 0%.
- Target: Achievement of 100% of the target implied payment of 100% of the target bonus.
- Maximum: Achievement of 110% or higher of the target implied payment of 150% of the target bonus.

If the level of achievement were positioned between the minimum threshold and the target or between the target and the maximum, the level of payment would be calculated by linear interpolation.

Level of target achievement:

a) Net Recurrent Profit: The achievement level in each of the measurement years was as follows:

- 2019: Between the target level and the maximum level.
- 2020: Achievement below the minimum threshold.
- 2021: Achievement below the minimum threshold.

b) Recurrent EBITDA: The achievement level in each of the measurement years was as follows:

- 2019: Between the target level and the maximum level.
- 2020: Achievement below the minimum threshold.
- 2021: Achievement below the minimum threshold.

Incentive amount: If the target achievement level had been 100%, the Executive Directors would have been entitled to receive the target number of shares (98,485 shares for the CEO and 45,455 for the COO); whose reference value at the award date would be equivalent to 65% and 45% of the fixed remuneration on such date respectively. In this respect, the reference value was calculated as the average closing price of NH's shares in the last 10 stock exchange sessions before 1 January 2019.

Lastly, the overall achievement level was 39.27%, meaning that the CEO receives 38,675 gross shares, and the COO receives 17,850 gross shares.

This number of shares is shown in table C.1.a) ii).

The benchmark value for tax purposes of the assessment of the shares will be the closing price of NH's shares in the stock exchange session on the date in which the assessment is approved and the shares are delivered by the Audit Committee.

Clawback: his plan includes a clawback clause, the basic conditions of which have been explained above.

Shareholding commitment: The Executive Directors must continue holding a number of company shares resulting from having invested an amount equivalent to once their gross fixed remuneration in the purchase thereof. For such purpose, these will have the value of the shares according to the price paid at the time of delivery or, in the case of shares previously acquired, according to the average weighted market price of the shares on the date this incentive regulation is approved.

The aforementioned investment level must be reached by the end of a five-year term counted from the date this incentive regulation is approved.

Once the required investment level has been reached, a share holding period the shares will remain in force for one year after the assessment of each of the Long-term Bonus Plan's cycles.

B.8 Indicate whether certain variable components have been reduced or clawed back when, in the former case, payment of non-vested amounts has been deferred or, in the latter case, they have vested and been paid, on the basis of data that have subsequently been clearly shown to be inaccurate. Describe the amounts reduced or clawed back through the application of the "malus" (reduction) or clawback clauses, why they were implemented and the years to which they refer.

No clause of this kind was applied in 2021.

B.9 Explain the main characteristics of the long-term savings schemes where the amount or equivalent annual cost appears in the tables in Section C, including retirement and any other survivor benefit, whether financed in whole or in part by the company or through internal or external contributions, indicating the type of plan, whether it is a defined contribution or defined benefit plan, the contingencies covered, the conditions on which the economic rights vest in favour of the directors and their compatibility with any type of indemnification for early termination or cessation of the contractual relationship between the company and the director.

In 2021, the company did not undertake any obligation or commitment related to pensions, retirement or similar items.

B.10 Explain, where applicable, the indemnification or any other type of payment deriving from the early cessation, whether at the company's or the director's initiative, or from the termination of the contract in the terms provided therein, accrued and/or received by directors during the year last ended.

The Company has not undertaken any commitment or obligation to make any severance payment or other payments arising from early termination, whether by the Company or the director, or from the termination of the contract.

B.11 Indicate whether there have been any significant changes in the contracts of persons exercising senior management functions, such as executive directors, and, if so, explain them. In addition, explain the main conditions of the new contracts signed with executive directors during the year, unless these have already been explained in Section A.1.

In 2021, no modifications were made to the Executive Directors' contract.

B.12 Explain any supplementary remuneration accrued by directors in consideration of the provision of services other than those inherent in their position.

The Remuneration Policy does not include any supplementary remuneration other than that previously specified.

On the date this Report is issued, there was no supplementary remuneration payable to the directors as consideration for services rendered other than those related to their posts.

B.13 Explain any remuneration deriving from advances, loans or guarantees granted, indicating the interest rate, their key characteristics and any amounts returned, as well as the obligations assumed on their behalf by way of guarantee.

The Remuneration Policy does not include any possibility to grant advance payments, loans or guarantees to the directors.

On the date this Report is issued, no advance payments, loans or guarantees have been granted to any of the directors.

B.14 Itemise the remuneration in kind accrued by the directors during the year, briefly explaining the nature of the various salary components.

The directors, in their positions as such, do not receive remuneration in kind.

Apart from the shares they receive related to the Performance Shares Plan, the Executive Directors accrued the following remuneration in kind for their executive duties:

- A health care insurance policy for each Executive Director and their first-degree relatives.
- A life insurance policy with insured capital of €2,100,000 (CEO) and €1,200,000 (COO).
- An accident insurance policy with insured capital of €2,100,000 (CEO) and €1,200,000 (COO).
- A company car in the case of the CEO. The COO has chosen to receive economic compensation instead of a company car.

The amount for such remuneration was €59,491 for the CEO and €22,156 for the COO (including the company car).

B.15 Explain the remuneration accrued by any director by virtue of payments made by the listed company to a third company in which the director provides services when these payments seek to remunerate the director's services to the company.

On the date this Report is approved, no amounts have been paid to third-party enterprises due to possible services being rendered by the directors.

B.16 Explain and detail the amounts accrued in the year in relation to any other remuneration concept other than that set forth above, whatever its nature or the group entity that pays it, including all benefits in any form, such as when it is considered a related-party transaction or, especially, when it significantly affects the true image of the total remuneration accrued by the director. Explain the amount granted or pending payment, the nature of the consideration received and the reasons for those that would have been considered, if applicable, that do not constitute remuneration to the director or in consideration for the performance of their executive functions and whether or not has been considered appropriate to be included among the amounts accrued under the "Other concepts" heading in Section C.

On the date this Report is approved, there are no other items of remuneration apart from those explained in the previous sections.

C -ITEMISED INDIVIDUAL REMUNERATION PAYABLE TO EACH DIRECTOR

Name	Type
Mr. ALFREDO FERNÁNDEZ AGRAS	Independent Director
Mr. RAMÓN ARAGONÉS MARÍN	Executive Director
Mr. JOSÉ MARÍA CANTERO MONTES-JOVELLAR	Independent Director
Mr. FERNANDO LACADENA	Independent Director
Mr. RUFINO PÉREZ FERNÁNDEZ	Executive Director
Mr. STEPHEN ANDREW CHOJNACKI	Proprietary Director
Mr. EMMANUEL JUDE DILLIPRAJ RAJAKARIER	Proprietary Director
Mr. WILLIAM ELLWOOD HEINECKE	Proprietary Director
Mr. KOSIN CHAN	Proprietary Director

C.1 Complete the following tables regarding the individual remuneration of each director (including the remuneration paid for performing their executive duties) payable during the financial year.

a) Remuneration of the company covered by this report:

i) Remuneration in cash (in thousands of euros)

Name/type/accrual period in year 2021	Salary	Fixed remuneration	Per diem expenses	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership of Board's Committees	Severance Pay	Other items	Total in year 2021	Total in year 2020
Mr. RAMÓN ARAGONÉS MARÍN	630	-	-	-	-	-	-	16	646	513
Mr. RUFINO PEREZ FERNÁNDEZ	360	-	-	-	-	-	-	4	364	78
Mr. ALFREDO FERNÁNDEZ AGRAS	-	153	-	-	-	-	-	-	153	117
Mr. JOSÉ MARÍA CANTERO DE MONTES-JOVELLAR	69	2	-	-	-	-	-	-	71	55
Mr..FERNANDO LACADENA AZPEITIA	69	1	-	-	-	-	-	-	70	53

Notes
The Proprietary Directors representing the shareholder Minor International PLC have waived receiving remuneration.

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments

Name/type/accrual period in year 2021	Name of Plan and date implemented	Financial instruments at start of year 2021		Financial instruments granted during year 2021		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of year 2021	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent/ vested shares	Price of the vested shares	Gross profit from shares awarded or vested financial instruments (in €)	No. of instruments	No. of instruments	No. of equivalent shares
Mr. RAMÓN ARAGONÉS MARÍN	Performance Shares Plan - Ciclo 2019-2021	98,485	-	-	-	-	38,675	3.62	140	-	-	-
Mr. RUFINO PEREZ FERNÁNDEZ	Performance Shares Plan - Ciclo 2019-2021	45,455	-	-	-	-	17,850	3.62	65	-	-	-

Notes
A Performance Share Plan lasts 5 years and consists of 3 overlapping cycles of 3 years each. More information on the incentive in point B.7 of this report.

iii) Long-term saving schemes

Name/type/accrual period in year 2021	Remuneration for consolidation of rights to savings systems
Sin datos	

Name	Contribution by the company during the year (in thousands of €)				Amount of accumulated funds (in thousands of €)			
	Savings systems with consolidated economic rights		Savings systems with no consolidated economic rights		Savings systems with consolidated economic rights		Savings systems with no consolidated economic rights	
	Year 2021	Year 2020	Year 2021	Year 2020	Year 2021	Year 2020	Year 2021	Year 2020
No data								

Notes
In 2021, the Company has not assumed any commitment or obligation in terms of pensions, retirement or similar.

iv) Details of other items

Name	Concept	Amount
Mr. RAMÓN ARAGONÉS MARÍN	Life and accident insurance premiums	44
Mr. RUFINO PEREZ FERNÁNDEZ	Life and accident insurance premiums	5

b) Remuneration paid to the company's directors for being members on the boards of other group companies:

i) Remuneration in cash (in thousands of euros)

Name/type/ accrual period in year 2021	Salary	Fixed remuneration	Per diem expenses	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership of Board's Committees	Severance Pay	Other items	Total in year 2021	Total in year 2020
No data										

Notes
The Proprietary Directors representing the shareholder Minor International PLC have waived receiving remuneration.

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments

Name/type/ accrual period in year 2021	Name of Plan and date implemented	Financial instruments at start of year 2020		Financial instruments granted during year 2020		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of year 2020	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent/ vested shares	Price of the vested shares	Gross profit from shares awarded or vested financial instruments (in €)	No. of instruments	No. of instruments	No. of equivalent shares
No data												

iii) Long-term saving schemes

Name/type	Savings systems with consolidated economic rights
No data	

Name/type/accrual period in year 2021	Contribution by the company during the year (in thousands of €)				Amount of accumulated funds (in thousands of €)			
	Savings systems with consolidated economic rights		Savings systems with no consolidated economic rights		Savings systems with consolidated economic rights		Savings systems with no consolidated economic rights	
	Year 2021	Year 2020	Year 2021	Year 2020	Year 2021	Year 2020	Year 2021	Year 2020
No data								

iv) Details of other items

Name/type	Concept	Amount
No data		

c) Summary of remuneration (in thousands of €):

The summary should include the amounts corresponding to all the remuneration items included in this report that are payable to each director (in thousands of €).

Name/Type	Remuneration payable by the company					Remuneration payable by group companies					Total year 2021 group
	Total cash remuneration	Amount for the shares granted	Gross profit of options exercised	Other Concepts remuneration	Total year 2021 company	Total cash remuneration	Total cash remuneration	Amount for the shares granted	Gross profit of options exercised	Total year 2021	
Mr. ALFREDO FERNÁNDEZ AGRAS	153	-	-	-	153	-	-	-	-	-	153
Mr. RAMÓN ARAGONÉS MARÍN	646	140	-	44	830	-	-	-	-	-	830
Mr. RUFINO PEREZ FERNÁNDEZ	364	65	-	5	434	-	-	-	-	-	434
Mr. JOSÉ MARÍA CANTERO DE MONTES-JOVELLAR	71	-	-	-	71	-	-	-	-	-	71
Mr. FERNANDO LACADENA AZPEITIA	70	-	-	-	70	-	-	-	-	-	70
Total	1.304	205	-	49	1.558	-	-	-	-	-	1.558

Notes
The Proprietary Directors representing the shareholder Minor International PLC have waived receiving remuneration.

C.2 Indicate the evolution over the last 5 years of the amount and percentage variation of the remuneration of the remuneration accrued by each of the directors of the listed company who have been directors during the year, of the directors during the year, the consolidated results of the company and the average remuneration on an equivalent the average remuneration on a full-time equivalent basis of the company's employees and the average of the employees of the company and its subsidiaries who are not directors of the listed company who are not directors of the listed company.

	Total amounts accrued and % annual variation								
	2021	Variation 2021/2020	2020	Variation 2020/2019	2019	Variation 2019/2018	2018	Variation 2018/2017	2017
Executive Directors									
Mr. RUFINO PEREZ FERNÁNDEZ	434	176.43	157	-	0	-	0	-	0
Mr. RAMÓN ARAGONÉS MARÍN	830	20.46	689	-54.28	1,507	55.52	969	-4.15	1,011
Independent Director									
Mr. ALFREDO FERNÁNDEZ AGRAS	153	30,77	117	-59,38	288	4,73	275	10,00	250
Mr. JOSÉ MARÍA CANTERO DE MONTES-JOVELLAR	71	26,79	56	-55,56	126	106,56	61	-10,29	68
Mr. FERNANDO LACADENA AZPEITIA	70	32,08	53	-59,23	130	35,42	96	15,66	83
Consolidated Results of the Company	**-145,257**	**7.82**	**-515,489**	**-**	**131,419**	**-29.10**	**185,350**	**153.91**	**72,997**
Employees Average Compensation	**2,830**	**13.76**	**19,190**	**-40.11**	**32,044**	**1.01**	**31,723**	**-3.99**	**33,043**

Notes

- Mr. William Ellwood Heinecke and Mr. Emmanual Jude Dillip Rajakarier and Mr. Stephen Andrew Chojnacki and Mr. Kosin Chantikul: The proprietary directors representing the shareholder Minor International PLC have renounced to their remuneration
- % variation 2020/2019: Due to the crisis derived from Covid-19, from March 1 to December 31, 2020, the Non-Executive Directors have voluntarily renounced 50% of their assignments in 2020 (both fixed and subsistence allowance).
- Calculations: To calculate the average remuneration of the employees, the average workforce and the amount indicated in "Salaries, salaries and similar", "Indemnities", "Contributions to pension plans and similar" and "Other social expenses" in section 24.3 "Personnel expenses" (excluding social charges) of the Autonomous Communities.
- % variation 2021/2020: Rufino Pérez's salary in 2020 appears only since his appointment as Executive Director in September. It is in 2021 when it appears annualized.

D - THER INFORMATION OF INTEREST

If there are any relevant issues related to the directors' remuneration that you have not been able to address in the previous sections of this report but that are necessary to provide more comprehensive information with full grounds on the company's remuneration structure and practices regarding its directors, list them briefly.

This annual remuneration report has been approved by the company's Board of Directors' Meeting held on 24/02/2022.

State whether any director has voted against or abstained from approving this report.

NO

ANNUAL REPORT OF THE AUDIT AND CONTROL COMMITTEE OF NH HOTEL GROUP, S.A.

Corresponding to the 2021 financial year

1. Introducción

The Audit and Control Committee of NH Hotel Group, S.A. ("NH") issues this report on the activity of the Committee and compliance with its goals during the year 2021 (hereinafter the "Report").

The object of the Report is to give a summary of the activity carried out by this Committee to the Board of Directors in accordance with the provisions of Recommendation 6 of the Code of Good Governance for Listed Companies, approved by a Resolution of the Board of the CNMV dated February 18th, 2015 (and revised in June 2020).

The composition, competences and activity of the Audit and Control Committee are regulated in article 48 of the Company's Bylaws and article 25 of the Board Regulations, that have recently been amended by the NH General Shareholders' Meeting on June 30, 2021, and at the Board of Directors meeting on 22 December 2020 for the purpose of adapting the provisions regarding the composition and competences of this Committee to Law 5/2021, of April 12, which modifies the revised text of the Capital Companies Law, approved by Royal Legislative Decree 1/2010, of July 2, and other financial regulations, regarding the promotion of long-term involvement of shareholders in listed companies and to adapt its content to the best practices of good corporate governance.

2. Composition of the Audit and Control Committee

As of December 31st, 2021, the Audit and Control Committee was made up of 3 members, together with the Secretary who is not a member.

Chairman:
Mr. José Maria Cantero de Montes-Jovellar (Independent)

Members:
Mr. Fernando Lacadena Azpeitia (Independent)
Mr. Stephen Andrew Chojnacki (Proprietary)

Secretary:
Mr. Carlos Ulecia Palacios

The aforementioned composition is the result of the changes that occurred during the 2021 financial year, since within the Company's Audit and Control Committee held on July 27, 2021, Mr. Lacadena Azpeitia has placed his position as Chairman at the disposal of the Audit and Control Committee, in accordance with the provisions of article 529 quaterdecies of the LSC and article 48.2 of the Bylaws of NH, and the members of the Audit and Control Committee unanimously agreed to appoint Chairman of the Audit and Control Committee to Mr. Jose María Cantero Montes-Jovellar.

The provisions of the applicable regulations are met, which require that the Audit and Control Committee be made up of a minimum of three and a maximum of six Directors appointed by the Board of Directors and that all the members of this Committee should be External Directors, at least a majority of whom must be Independent Directors.

The members of the Audit and Control Committee as a whole, and especially its Chairman, will be appointed taking into account their knowledge and experience in accounting, auditing and risk management, both financial and non-financial.

The Chairman of the Audit and Control Committee shall be appointed out of the Independent Directors who form part of the Committee and must be replaced every four years, and may be re-elected one year after being replaced.

3. Competences

The principal function of the Audit and Control Committee is to provide support to the Board of Directors in its supervision and control functions, the most important manifestation of which is the duty to assure the effectiveness of the Company's internal control and supervise the process of drawing up and presenting regulatory financial and non financial information.

In compliance with the provisions of the Recommendation 42 of the Code of Good Governance, recently amended on June 26, 2020 and duly included in article 25 of the NH Board Regulations and article 48 of the NH Bylaws, the Audit Committee shall have at least the following competences:

1. Report to the General Meeting on matters raised within its sphere of competence.

2. Supervise the efficiency of the Company's internal control, internal audit, as the case may be, and the risk management systems, including tax risks, and discuss with the accounts auditors or audit firms any significant weaknesses in the internal control system that may have been detected in the course of the audit.

3. Supervise and evaluate the process of preparation and the integrity of financial and non-financial information, as well as the control and management systems of financial and non-financial risks related to the company and, where appropriate, the group - including operational, technological, legal, social, environmental, political and reputational or related to corruption - reviewing compliance with regulatory requirements, the adequate delimitation of the consolidation perimeter and the correct application of accounting criteria.

4. Make proposals to the Board of Directors for the selection, appointment, re-election and replacement of the external auditor, as well as the contracting conditions, and obtain information regularly from the external auditor concerning the audit plan and its execution, as well as preserving its independence in exercising its functions.

5. Regarding the external auditor:
   5.1 Establish the pertinent relations with the external auditors or audit firms in order to receive information on any matters that may put their independence at risk, so that they can be examined by the Committee, and any other matters related to the audit process, and other communications established in auditing legislation and technical auditing standards. In any case, it must receive written confirmation each year from the external auditors of their independence of the Company or companies related to it directly or indirectly, and information on the additional services of any kind provided to and the corresponding fees received from such companies by the aforesaid auditors or companies, or by persons or entities related to them in accordance with the provisions of legislation on auditing.
   5.2 Issue each year, prior to the issue of the auditors' report, a report in which an opinion will be expressed on the independence of the external auditors or audit firms. This report must, in any case, contain a valuation of the provision of additional services as referred to in the preceding section, individually considered and regarded as a whole, other than statutory audit and in relation to the regime of independence or to auditing legislation.
   5.3 In the event of the resignation of the external auditor, examine the circumstances that led to it.
   5.4 Ensure that the remuneration of the external auditor for their work does not compromise their quality or their independence.

   5.5 Supervise that the company communicates the change of auditor through the CNMV and accompanies it with a statement on the eventual existence of disagreements with the outgoing auditor and, if there were any, their content.

   5.6 Ensure that the external auditor holds an annual meeting with the full board of directors to inform it about the work carried out and about the evolution of the accounting and risk situation of the company.

   5.7 Ensure that the company and the external auditor respect the current regulations on the provision of services other than auditing, the limits to the concentration of the auditor's business and, in general, the other regulations on the independence of auditors.

6. Report, in advance, to the Board of Directors on all the matters established by law, the Articles of Association and the Board Regulations, in particular, on:

   1. the financial information the company must publish periodically,
   2. the creation or acquisition of shares in entities with a special purpose or domiciled in countries or territories considered to be tax havens and
   3. operations with related parties.

7. Safeguard the independence and efficiency of the internal audit functions; propose the selection, appointment and removal of the head of the internal audit service; propose the budget for this service; approve or propose approval to the Board of the guidance and annual work plan for internal audit, ensuring that the activity is primarily focused on relevant risks (including reputational risks, receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

8. Establish and supervise a mechanism that will allow employees, and other people related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report, irregularities of potential importance, including financial and accounting irregularities or of any other nature related to the company that they notice within the company or its Group. Said mechanism must guarantee confidentiality and, in any case, foresee cases in which communications can be made anonymously, respecting the rights of the complainant and the accused.

9 Generally, ensure that established internal control policies and systems are effectively applied in practice. Supervise compliance with internal codes of conduct and the rules of corporate governance.

4. Operation

The Audit and Control Committee will meet at least once a quarter, and as often as appropriate, on being convened by its Chairman, on his/her 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 attendance at its meetings of any employee or executive of the company, as well as the Company's Auditor.

Through its Chairman, the Audit and Control Committee will report to the Board on its activity and the work carried out, at the meetings established for this purpose or at the immediately following meeting when the Chairman of the Audit and Control Committee considers it necessary. The minutes of its meetings will be available to any member of the Board who requests them.

The Audit and Control Committee met 5 times in 2021.

Furthermore, Board members who are not members of the Committee and executives of NH may attend the meetings of the Audit and Control Committee, at the Chairman's invitation.

5. Relations with External Auditors

NH Hotel Group, S.A. has been audited since fiscal year 1986 by prestigious audit companies. During the period 1986-1992 the company was audited by Peat Marwick and between 1993-2001 by Arthur Andersen. Since 2002 and until fiscal year 2018 the Audit has been realized by Deloitte. The General Shareholders meeting held on 13th May 2019 approved, among others, the appointment of PricewaterhouseCoopers Auditores, S.L. as new auditor of the Company and its group companies for fiscal years 2019, 2020 and 2021. The appointment has been done in compliance with Regulation (UE) No 537/2014 EuropeanParliament of 16th April 2014 regarding requirements for legal audits of companies. The Audit and Control Audit has submitted to the Board following article 16.5 of the referred Regulation.

During fiscal years 2021 and 2020, the remunerations regarding audit services and other services rendered to NH Hotel Group, as well as related companies are the following:

	Thousand Euros	
	2021	**2020**
Audit services	548	553
Other verification services	435	214
Total Audit and related services	**983**	**767**
Tax advice services	-	-
Other services	61	243
Total other services	**61**	**243**
Total servicios	**1,044**	**1.010**

Additionally related entities linked to the international service of the consolidated annual accounts have charged the Group the following services:

	Thousand Euros	
	2021	**2020**
Audit services	1,244	1,170
Other verification services	209	215
Total Audit and related services	**1,453**	**1,385**
Tax advice services	254	289
Other services	312	53
Total other services	**566**	**342**
Total	**2,019**	**1,727**

6. Content and results of the work of the Audit Committee in 2021

The Audit Committee held 5 meetings in 2021 at which it dealt with the following matters:

a) Analysis and evaluation, in conjunction with the external auditors, of the Financial Statements and Annual Report for the year 2020, checking that their audit opinion has been issued under conditions of absolute independence.

b) Review of information on matters that could jeopardize the auditors' independence. Issue of the Report on the auditors' independence.

c) Review of periodic financial information for 2021 prior to its analysis and approval by the Board of Directors to ensure that it is reliable, transparent and has been prepared by applying uniform accounting principles and policies.

d) Supervision of the preparation and integrity of non-financial information.

e) Approval of the External Auditor's fees for the 2021 Audit.

f) Monitoring of the Internal Audit Plan for 2021, examining its conclusions and implementing any necessary corrective measures.

g) Monitoring of the most significant projects carried out by the Internal Audit team.

h) Supervision of the Update of the Group's Risk Map 2021 and monitoring controls of risks and action plan for the Top 10 risks.

i) Supervision of System of Internal Controls over Financial Reporting (ICFR).

j) Examination of the Annual Corporate Governance Report, prior to sending it to the Board of Directors for study and approval, with special emphasis on the analysis of the register of situations of directors and executives (membership of other Management bodies, involvement in legal proceedings, related-party transactions, etc.).

k) Analysis and validation of (i) the Company's tax organization, (ii) how the tax policy is determined and (iii) certain corporate restructuring operations.

l) Summary of Compliance activities.

7. Analysis of related-party operations

In 2021 the Audit and Control Committee has analysed the following related-party operations:

a) Signing of the Subordinated Convertible Term Loan Agreement for an amount of 100,000,000 euros between MHG Continental Holding (Singapore) as lender and NH as borrower.

b) Novation of the License Agreement by which NH has authorized Minor to execute its right to use NH trademarks in certain territories (China, Hong-Kong, Macao, Taiwan), through a joint venture.

c) Subscription of a membership and outsourcing contract between GHA Loyalty Program (subsidiary of the Minor group) and NH for the transition to the loyalty program managed by the former (Discovery).

d) The Chairman of the Board of Directors made a request to subscribe senior secured notes, issued in 2021, up to a maximum of 1,000,000 euros (in relation with the 400,000,000 euros issued), having finally subscribed 100,000 euros and being able to participate as a qualified investor.

The subscription of all Related Party Transactions haven been realized in strict compliance with the rules established by the Company both in its Bylaws and the Board Regulations, as well as in the Procedure for Related-Party Operations and Conflicts of Interest, whose last update was approved by the Board of Directors on 11 November 2021. All transactions signed with Minor (and/or its group companies) have had the previous favorable report of the Audit and Control Committee, have been signed upon market condition and with the involvement of external advisors and in compliance with the Framework Agreement signed between the parties the 7th February 2019, that regulates, among others, the scope of action of the respective hotel groups of NH and Minor by identifying MINT's and NH's preferred business geographical areas are defined and the necessary mechanisms to prevent and solve possible conflicts of interest, as well as related party transactions and development of business opportunities are regulated. The Framework Agreement has been duly informed to the Market and published in NH´s website.

During all meetings of the Board and the Audit and Control Committee dealing with matters related to Minor, the proprietary Directors have been absent from the meetings during the time these matters haven been dealed, without having participated in the resolution of these matters. In the same way, in the meetings of the Board and the Audit and Control Committee dealing the operation summarized in section d) above, the Director involved was absent from the meetings when said matters was discussed, without having participated in the resolution of the matter.

8. Priorities for 2022

Independently of the customary tasks required by general regulations and by the regulations of NH in relation to financial information to be reported to the market and the supervision of the external auditors' independence, the Audit and Control Committee examined and approved the Internal Audit Department's work plan for 2022, which envisages the following priorities:

1. Operational and financial audits of the Company's key processes and relevant hotels remotely with the use of massive data processing tools.

2. Supervision of adequate implementation of processes and internal controls to guarantee attainment of the objectives included in the strategic lines Plan approved by the Board of Directors.

3. Monitoring of incidents detected in the audits carried out in previous years and of the execution of the action plans drawn up by the different Departments and Business Units.

4. Within the function of risk Management: (i) update of Risk Map, (ii) definition and follow up of action plan for Top 10 risks, and (iii) collaboration with other departments of the second line of defense so that the Company can benefit from combined assurance.

5. In exercising the fraud prevention/detection and investigation function: (i) adaptation of the NH Hotel Group Whistleblowing Channel to Directive (EU) 2019/1937, (ii) identification of possible breaches of the principles set out in the Code of Conduct and (iii) investigation of possible fraudulent acts.

To conclude this Report, it should be noted that in carrying out all the tasks mentioned in it, the Committee has had access, whenever considered useful, to all the external professionals (auditors, experts or consultants) or members of Economic and Financial Management, Legal and Internal Audit Management it has considered necessary, as well as contacts with the external Audit.

Madrid, February 23rd, 2022

AUDITOR'S REPORT ON "INFORMATION REGARDING THE INTERNAL CONTROL SYSTEM OVER FINANCIAL REPORTING (ICSFR)"

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

Report of the auditor on Information on the System of Internal Control over Financial Reporting (SICFR)

To the directors of NH Hotel Group, S.A

At the request of the Board of Directors of NH Hotel Group, S.A. (hereinafter the Entity) and in accordance with our engagement letter dated 18 January 2022, we have applied certain procedures to the "Information on the SICFR" included in section F of the accompanying Annual Corporate Governance Report of NH Hotel Group, S.A. for 2021, which summarises the Entity's procedures of internal control over its annual financial reporting.

The Directors are responsible for taking the measures that are necessary to reasonably assure the implementation, maintenance and oversight of an appropriate internal control system, and for developing improvements to this system and preparing and establishing the content of the accompanying Information concerning the SICFR.

In this connection it should be borne in mind that, irrespective of the design quality and efficiency of the Entity's system of internal control over its annual financial reporting, it can only provide reasonable - but not absolute - assurance in relation to the objectives it seeks to achieve due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts in accordance with Technical Auditing Standards, the sole purpose of our evaluation of the Entity's internal control system has been to enable us to establish the scope, nature and timing of the audit procedures on the Entity's annual accounts. Accordingly, our internal control evaluation performed for the purposes of our audit is not sufficient in scope to enable us to issue a specific opinion on the efficiency of the system of internal control over the regulatory annual financial reporting.

For the purposes of this report, we have only applied the specific procedures described below and indicated in the Guidelines on the Auditor's Report on the Information on the System of Internal Control over Financial Reporting for listed entities published by the National Securities Market Commission (hereinafter CNMV) on its website, which lays down the work to be performed, the scope of the work and the content of this report. As the scope of the work resulting from these procedures is, in any event, limited and substantially less than that of an audit or a review of the internal control system, we do not express an opinion on its effectiveness, its design or operational efficiency, in relation to the Entity's annual financial reporting for 2021 described in the accompanying SICFR Information. Therefore, had we applied procedures in addition to those determined by said Guidelines or had we conducted an audit or review of the internal control system with respect to the regulatory annual financial reporting, other matters could have come to light which would have been communicated to you.

As this special work does not constitute an audit and is not subject to prevailing auditing regulations in Spain, we do not express an audit opinion in the terms envisaged in said legislation.

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Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

The procedures applied are as follows:

1. Reading and understanding of the information prepared by the Entity in relation to the SICFR – disclosures included in the management report – and an evaluation of whether said information covers all the data required as per the minimum content described in Section F of the model Annual Corporate Governance Report, as established in CNMV Circular 5/2013 of 12 June 2013, subsequently amended by CNMV Circular 3/2021 of 28 September (hereinafter CNMV Circulars).

2. Making enquiries of personnel charged with preparing the information mentioned in point 1 above in order to: (i) obtain an understanding of the process followed in its preparation; (ii) obtain information that enables us to assess whether the terminology used is in line with the reference framework; (iii) obtain information as to whether the control procedures described are implemented and functioning in the Entity.

3. Review of supporting documentation explaining the information described in point 1 above and which will mainly comprise the information made directly available to the persons charged with preparing the information on the SICFR. In this respect, that documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in their functions supporting the Audit Committee.

4. Comparison of the information detailed in point 1. above with the knowledge of the Entity's SICFR obtained from the application of the procedures performed within the framework of the audit work on the annual accounts.

5. Reading of the minutes of meetings of the Board of Directors, Audit Committee and other committees of the Entity for the purpose of evaluating consistency between the matters dealt with therein in relation to the SICFR and the information described in 1. above.

6. Obtaining the letter of representation concerning the work performed, duly signed by the persons charged with the preparation and drafting of the information mentioned in point 1. above.

As a result of the procedures applied to the information concerning the SICFR, no inconsistencies or incidents have come to light that could affect it.

This report has been prepared exclusively within the framework of the requirements of article 540 of the Spanish Companies Act and CNMV Circular for purposes of the description of the SICFR in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Mariano Cortés Redín

24 February 2022

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