

# ANNUAL REPORT 2018

CORPORATE  
RESPONSIBILITY  
REPORT

**nh** | HOTEL GROUP

PART OF **MINOR**  
HOTELS



nhow London  
London, United Kingdom

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# OUR PRESENCE IN THE WORLD 2018\*

*\*Figures at 12.31.2018  
Including hotels operated under management contracts*



**350**  
HOTELS

**28**  
COUNTRIES

**54.374**  
ROOMS

**17.567**  
EMPLOYEES

**16** MILLION  
DE CUSTOMERS

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

# ABOUT THE ANNUAL REPORT AND CORPORATE RESPONSIBILITY REPORT

## CONTENTS

This Report deals in depth with the Company's Responsible Business Plan 2017-2019, NH ROOM 4. The contents of the Report are defined on the basis of relevant matters for the activity of NH Hotel Group and its main stakeholders, based on the Materiality Analysis which is updated every year. This study takes into account the Company's strategy and objectives, the Responsible Business Plan, consultations with stakeholders and material issues at industry sector level as defined by the International Tourism Partnership (ITP). The Materiality Analysis can be consulted in the relevant section of this Report.

The Report complements the non-financial information that has already been published as part of the NH Hotel Group Directors' Report 2018, dated February 26<sup>th</sup>, 2019, to respond to the legal requirements of Act 11/2018 on Non-Financial Information and Diversity.

## SCOPE

This Report contains the thirteenth edition of the Annual Corporate Responsibility Report of NH Hotel Group. It includes the Group's activity and main results in 2018 and describes its performance in the economic, environmental and social sphere.

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

It is important to note that while the scope of the Non-Financial Information Statement 2018 conforms to the consolidation principles of the Company's financial information, the scope of this Corporate Responsibility Report includes information on all the hotels operated by the Company, i.e. hotels operated under lease, ownership and management.

The difference in criteria between the two documents is due to the fact that the Non-Financial Information Statement is part of the Company's management information and it was therefore considered appropriate that the scope of the information be consistent with the consolidation principles used in financial reporting. However, the Corporate Responsibility Report presents the management of NH Hotel Group of the impacts, both positive and negative, that the Company generates and therefore its scope has to contemplate the entire operation.



## NON-FINANCIAL INFORMATION STATEMENT

304 hotels

22 countries

46,267 rooms

10,956 employees

## CORPORATE RESPONSIBILITY REPORT

350 hotels

28 countries

54,374 rooms

17,567 employees

## CRITERIA

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

- The core option of the Consolidated Set of Global Reporting Initiative (GRI) Sustainability Reporting Standards, following the 2016 edition of the guidelines.
- The Ten Principles of the UN Global Compact and the UN Sustainable Development Goals (SDG).

This Report and previous reports are published digitally and are available at [www.nhhotelgroup.com](http://www.nhhotelgroup.com)

# MESSAGES OF THE CHAIRMAN AND THE CEO



## MESSAGE OF THE CHAIRMAN

Dear shareholders

On behalf of the Board of Directors of NH Hotel Group, which I have the responsibility and honour of presiding, I am pleased to provide you with an account of the brightest year in our company's history. 2018 was marked by record figures across several of our income statement headings and by outperformance of our deleveraging target. The far-reaching improvement in our financial and business positioning meant that our group attracted the interest of leading international players all year long. As you know, in 2018, Minor International led that charge and their interest crystallised in the acquisition of a significant shareholding in the company in the wake of the corresponding takeover offer. That milestone ushers our company into a new era which promises to be even more ambitious and global than the one we leave behind. Our aspiration is to continue to gain prominence and earn the recognition of our existing and future customers.

Throughout 2018, a year replete with changes and opportunities that are already beginning to materialise, the Board of Directors carried out an intense and all-important institutional effort. During the year we stepped up our oversight and compliance work as the company's directors and supervisors with the sole aim of safeguarding the company's interests and representing its entire spectrum of shareholders. In doing so, we were supported by the unwavering support and dedication of a team of executives and professionals who are doing an excellent job. The team is indeed the key asset at this company which has been growing constantly for the last four years. Now, alongside Minor International, that pace of growth will accelerate in the upcoming years.

I would like to highlight the alignment and harmony between the Board of Directors and Management Committee of NH Hotel Group as one of our key success factors in recent years. The work of our Chief Executive Officer, Ramón Aragonés, the nexus between our shareholders and our management team, has unquestionably been decisive in shaping the Company's results during this period. Here I am referring to the segmentation and reinforced positioning of our brands, the improvements made to our product and the enhancement of our guest experience. Also to the optimisation of the hotel portfolio and the improvement in operational efficiencies, the implementation of advanced management systems and tools and the systematic reduction of our financial debt.

The Group has met the ambitious targets laid down in the roadmap devised in the autumn of 2017 rigorously and promptly. We committed to unlocking the company's value and making sure all of these improvements translated to our earnings and share price performance and our shareholder remuneration. The facts speak for themselves, as is evident in the delivery of our policy to pay out a stable and gradually growing dividend. When we set that policy, we decided on an interim dividend from 2018 profits of 15 cents per share. That motion has already been presented by the Board of Directors for approval in the 2019 Annual General Meeting.

The successful performance of the entire NH Hotel Group team during the past year is the reason for the international interest received, which ultimately materialised in the acquisition of 94.1% of the Company by Minor International.

I would like to take this opportunity to praise Minor International for the transparency, seriousness and accessibility it showed the regulators and all of NH Hotel Group's shareholders throughout that whole process. I would also like to thank the Board of Directors for its work during that time. Our directors duly upheld their responsibilities to all of the Company's shareholders and their fiduciary duties under Spain's Corporate Enterprises Act at all times, activating all the safeguards in place in order to maximise shareholder value while pursuing best practices in the corporate governance arena in defence of the Company's interests.

The initial months of collaboration with Minor International have provided an exciting taste of all that we can build together from a far more global position, leveraging the complementary nature of the two groups' hotel businesses. Those synergies are set to allow us to grow and compete on a firmer footing and create value for our customers all around the world.

In 2019 we have already begun to work on articulating a five-year business plan to unlock the synergies and advantages of our respective international positions. Greater access to regions and customers, the ability to tap economies of scale and the scope for lifting the profitability of certain hotels by rebranding them, are just a few of the initiatives we expect will accelerate growth of both groups. Against this backdrop, in February 2019, the Board of Directors of NH Hotel Group approved a framework governance agreement (with the proprietary directors representing Minor International abstaining from that vote) in order to establish a transparent relationship between the two firms. That agreement includes mechanisms for preventing and resolving potential conflicts of interest and handling related-party transactions and establishes an orderly system for the exchange of information. It also sets out the scope of intervention of the respective hotel businesses by identifying a series of preferential geographic business markets and it includes a reciprocal brand licensing agreement.

We are, in sum, on the verge of a new era, filled with opportunities and challenges, in which the nearly 18,000 of us who make up NH Hotel Group have an excellent chance to continue to innovate, scale new heights and dive into new destinations, now alongside Minor International. We are at an ideal time for boosting our growth, while maintaining the same values, excellent quality and commitment to corporate responsibility that have earned us the trust of millions of customers all over the world.

Many thanks.



Alfredo Fernández Agras  
Chairman of NH Hotel Group



## MESSAGE OF THE CEO

*Queridos accionistas*

I am particularly pleased to be able to tell you about NH Hotel Group's extraordinary performance in 2018, a year in which we posted record earnings and laid the foundations for becoming a leading global group alongside Minor International. That firm's faith in the company's management team and the enthusiasm we share about the prospect of creating a benchmark hotel platform with a presence in over 50 countries, represents a unique opportunity in the sector to create shared value for our shareholders, customers and employees.

In recent years, NH Hotel Group has been readying itself for growth. It has got rid of everything that was weighing it down and maximised everything that adds value and sets it apart from the other players, thus consolidating a privileged strategic position in the industry. 2018 reflected the tremendous hard work that went into that entire process. A process of modernisation, operational and financial optimisation, system upgrades and cultural transformation that has enabled us to boost our profits and build a unique positioning in the global hotel sector.

Since we embarked on the project, we have reoriented our strategy towards the far more productive segment at the higher end of the market and our universe of brands has become among the most recognised in the urban and business travel segments in Europe and Latin America.

Our sales and marketing strategy has enabled us to outperform our direct competitors in terms of revenue per available room, underpinned by higher perceived quality on the part of our guests. Centralisation of all of our properties and divisions into a single integrated system, coupled with the implementation of new revenue management tools, is enabling us to better predict demand and in turn adjust our average daily rate dynamically in response.

Elsewhere, in 2018, we continued to rationalise our portfolio, repositioning our hotels and analysing opportunities for enhancing it.

As a result, our premium segment brands (NH Collection y nhow) continued to gain market share. By year-end these brands had doubled their presence to account for nearly one-quarter of the total portfolio with average daily rates 40% above that of the NH Hotels brand in the case of the NH Collection hotels.

We made progress on our international expansion, signing up new hotels to a pipeline that currently comprises nearly 30 hotels under development, including seven iconic hotels under the nhow brand, which are expected to open their doors in the years to come. At the start of the year we also took advantage of the unique positioning of the NH Collection Amsterdam Barbizon Palace to unlock its value through a sale-and-leaseback agreement. That operation made a significant contribution to the group's ability to top its deleveraging guidance for the year without jeopardising its EBITDA guidance.

Elsewhere, we managed to position ourselves at the forefront of the sector in terms of digital transformation and guest experience. Specifically, we rolled out a pioneering guest experience known as FASTPASS, a combination of three innovative services - Check-in Online, Choose Your Room and Check-out Online - that give guests total control over their stays. In fact, NH Hotel Group was the first European chain to offer these three services simultaneously.

In 2018, the Company also relaunched its NH Rewards loyalty programme with a new look and far more attractive and generous reward scheme. At year-end, that scheme boasted over 8.6 million members.

All of those measures had a very favourable impact on the group's results. We posted year-on-year growth in revenue (€1,613 millions), thanks to a strong business performance in Europe, which more than offset the adverse effect of currency movements in Latin America and the hotels being refurbished during the year. Our EBITDA (€265 millions) was higher, thanks to topline growth coupled with cost contention. And we doubled our recurring net profit, evidencing the improved business momentum as well as the reduction in financial expenses.

In parallel, we topped our deleveraging guidance for the year, reducing net debt by €484 million to end 2018 at €171 million. Between 2015 and year-end, the group's recurring net debt has been cut down from 5.6 times EBITDA to just 0.6 times. Our deleveraging is the result of rigorously following a cautious corporate financing strategy which we intensified last year with the early conversion of €250 million of convertible bonds in June 2018 and the partial prepayment in December of €40 million of bonds originally due in 2023. It is worth highlighting the group's strong cash position at year-end of €266 million.

In short, we have completed a year of record numbers. Going forward, we aim to continue to outdo ourselves alongside Minor International, with whom we see a tremendous opportunity for the company to take a qualitative leap in its global positioning. The combined portfolio of our group and Minor International's hotel division ranks us among the top 20 players in the world.

Since early 2019, we have been working together to formulate a new five-year business plan designed to make the most of the complementary nature of both of our hotel portfolios, leverage economies of scale over a wider customer base and explore avenues for developing all of our brands in several regions.

All of us comprising NH Hotel Group face thus an enthralling new professional challenge. An endeavour throughout which we will maintain our commitment to responsibility and sustainability and in which the hard work and enthusiasm of the entire team will prove, once again, the key to our continued success.

Lastly, I would like to express my gratitude to everyone who, in one way or another, make it possible for us to continue to grow and generate value, and particularly to Minor International for their vote of confidence. I am convinced that together we will become one of the sector's most dynamic and promising global players.

Many thanks,



Ramón Aragonés  
Chief Executive Officer



# NH HOTEL GROUP BUSINESS MODEL





# PRESENCE

NH Hotel Group is a consolidated multinational operator and one of the leading urban hotel chains in the world. The Company is present in 28 countries and operates 350 hotels and 54,374 rooms in three continents (Europe, America and Africa), of which 73% are located in Spain, Germany, Italy and Benelux in cities such as Amsterdam, Barcelona, Berlin, Bogota, Brussels, Buenos Aires, Düsseldorf, Frankfurt, London, Madrid, Mexico City, Milan, Munich, New York, Rome or Vienna.

## EUROPA

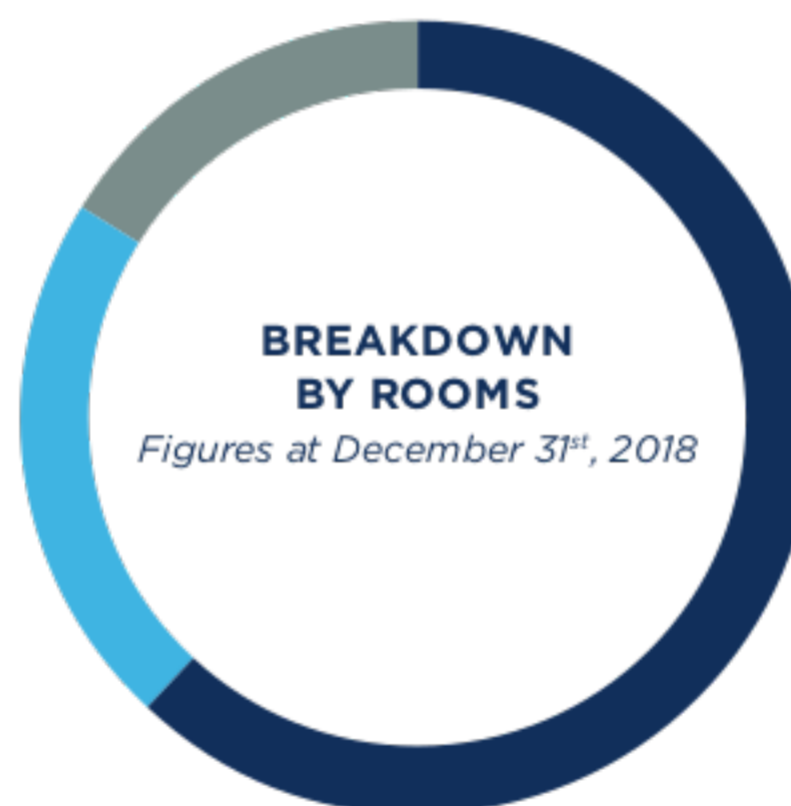
287 HOTELS  
43,781 ROOMS  
16 COUNTRIES

## AMERICA

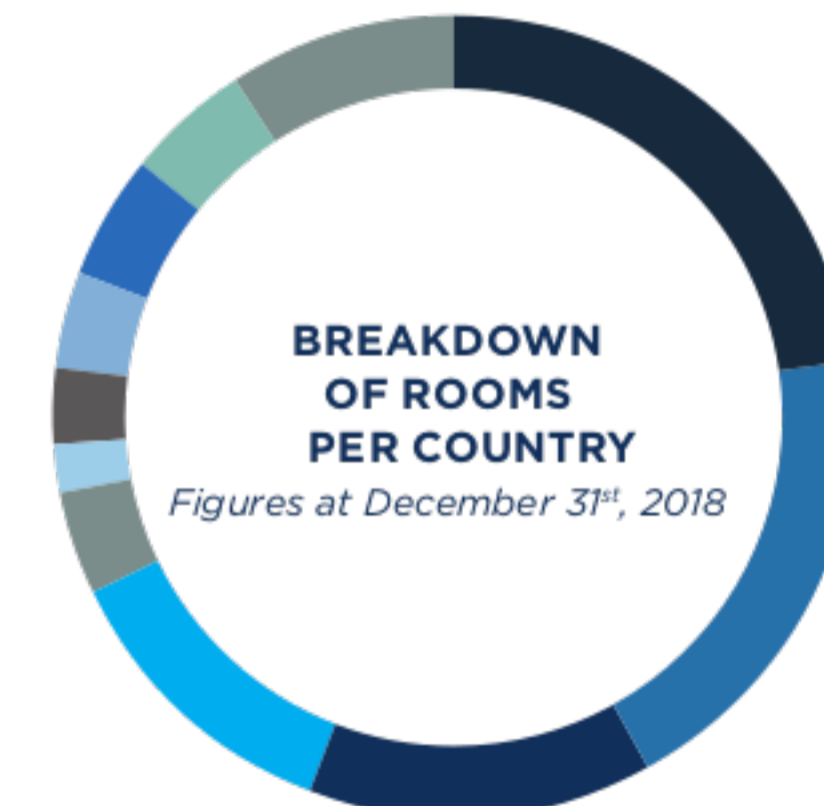
62 HOTELS  
10,395 ROOMS  
11 COUNTRIES

## AFRICA

1 HOTEL  
198 ROOMS  
1 COUNTRY



- 62% Leased
- 16% Managed
- 22% Owned



- 23% Spain
- 19% Germany
- 14% Italy
- 12% The Netherlands
- 4% Belgium
- 2% Austria
- 3% Colombia
- 4% Argentina
- 5% Mexico
- 5% Dominican Republic
- 9% Others

## BREAKDOWN OF THE NH HOTEL GROUP PORTFOLIO IN 2018

Figures at December 31<sup>st</sup>, 2018

	TOTAL		LEASED		OWNED		MANAGED		FRANCHISE	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
<b>TOTAL NH HOTEL GROUP</b>	<b>350</b>	<b>54,374</b>	<b>225</b>	<b>33,965</b>	<b>75</b>	<b>11,916</b>	<b>43</b>	<b>7,886</b>	<b>7</b>	<b>607</b>
<b>EUROPE</b>										
Spain	103	12,515	72	8,833	13	1,957	13	1,333	5	392
Germany	57	10,292	52	9,292	5	1,000	-	-	-	-
Italy	51	7,823	35	5,531	13	1,803	3	489	-	-
The Netherlands	35	6,767	20	3,362	14	2,954	1	451	-	-
Belgium	13	2,134	5	1,017	8	1,117	-	-	-	-
Austria	7	1,340	7	1,340	-	-	-	-	-	-
Switzerland	3	382	2	260	-	-	-	-	1	122
Portugal	3	278	2	171	-	-	1	107	-	-
Czech Republic	3	581	-	-	-	-	3	581	-	-
France	5	871	4	721	-	-	1	150	-	-
Romania	2	159	1	83	-	-	1	76	-	-
Hungary	1	160	1	160	-	-	-	-	-	-
Luxembourg	1	148	1	148	-	-	-	-	-	-
United Kingdom	1	121	1	121	-	-	-	-	-	-
Slovakia	1	117	-	-	-	-	1	117	-	-
Poland	1	93	-	-	-	-	-	-	1	93
<b>TOTAL EUROPA</b>	<b>287</b>	<b>43,781</b>	<b>203</b>	<b>31,039</b>	<b>53</b>	<b>8,831</b>	<b>24</b>	<b>3,304</b>	<b>7</b>	<b>607</b>
<b>AMERICA</b>										
Colombia	14	1,691	14	1,691	-	-	-	-	-	-
Argentina	15	2,144	-	-	12	1,524	3	620	-	-
Mexico	16	2,554	5	733	4	685	7	1,136	-	-
Dominican Republic	6	2,503	-	-	-	-	6	2,503	-	-
Chile	4	498	-	-	4	498	-	-	-	-
United States	1	242	-	-	1	242	-	-	-	-
Cuba	2	251	-	-	-	-	2	251	-	-
Brasil	1	180	1	180	-	-	-	-	-	-
Uruguay	1	136	-	-	1	136	-	-	-	-
Ecuador	1	124	1	124	-	-	-	-	-	-
Haiti	1	72	-	-	-	-	1	72	-	-
<b>TOTAL AMERICA</b>	<b>62</b>	<b>10,395</b>	<b>21</b>	<b>2,728</b>	<b>22</b>	<b>3,085</b>	<b>19</b>	<b>4,582</b>	<b>0</b>	<b>0</b>
<b>AFRICA</b>										
South Africa	1	198	1	198	-	-	-	-	-	-
<b>TOTAL AFRICA</b>	<b>1</b>	<b>198</b>	<b>1</b>	<b>198</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



NH Geneva Airport  
Geneva, Switzerland

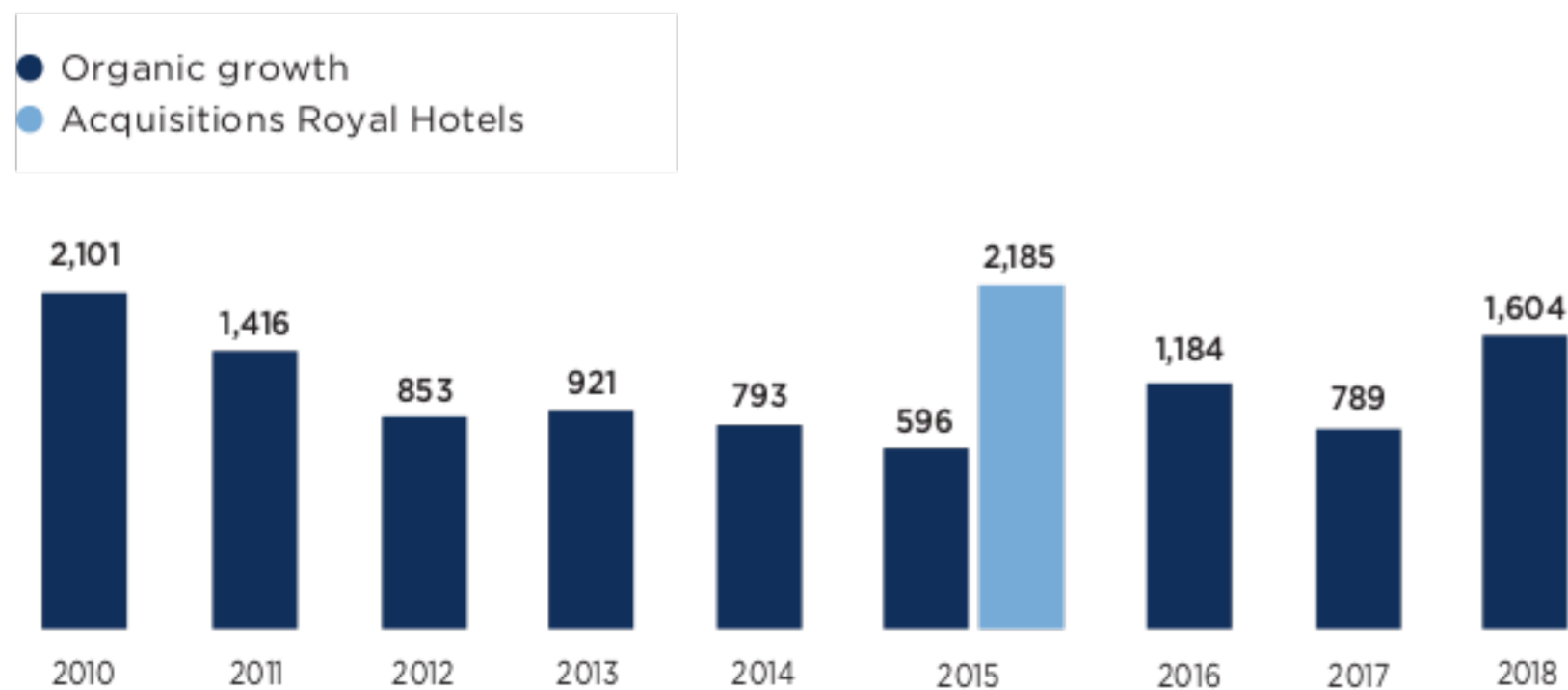


## GROUP EXPANSION

In 2018, the Group has continued the significant improvement in the quality of the assets and destinations added to the portfolio, with the opening of 10 new hotels and 1,604 rooms during the year. Of particular note among these new hotels are the openings of the NH Collection Victoria La Habana in Cuba, NH Collection Madrid Gran Vía in Spain and NH Collection Marseille in France, under the upper - upscale NH Collection brand.

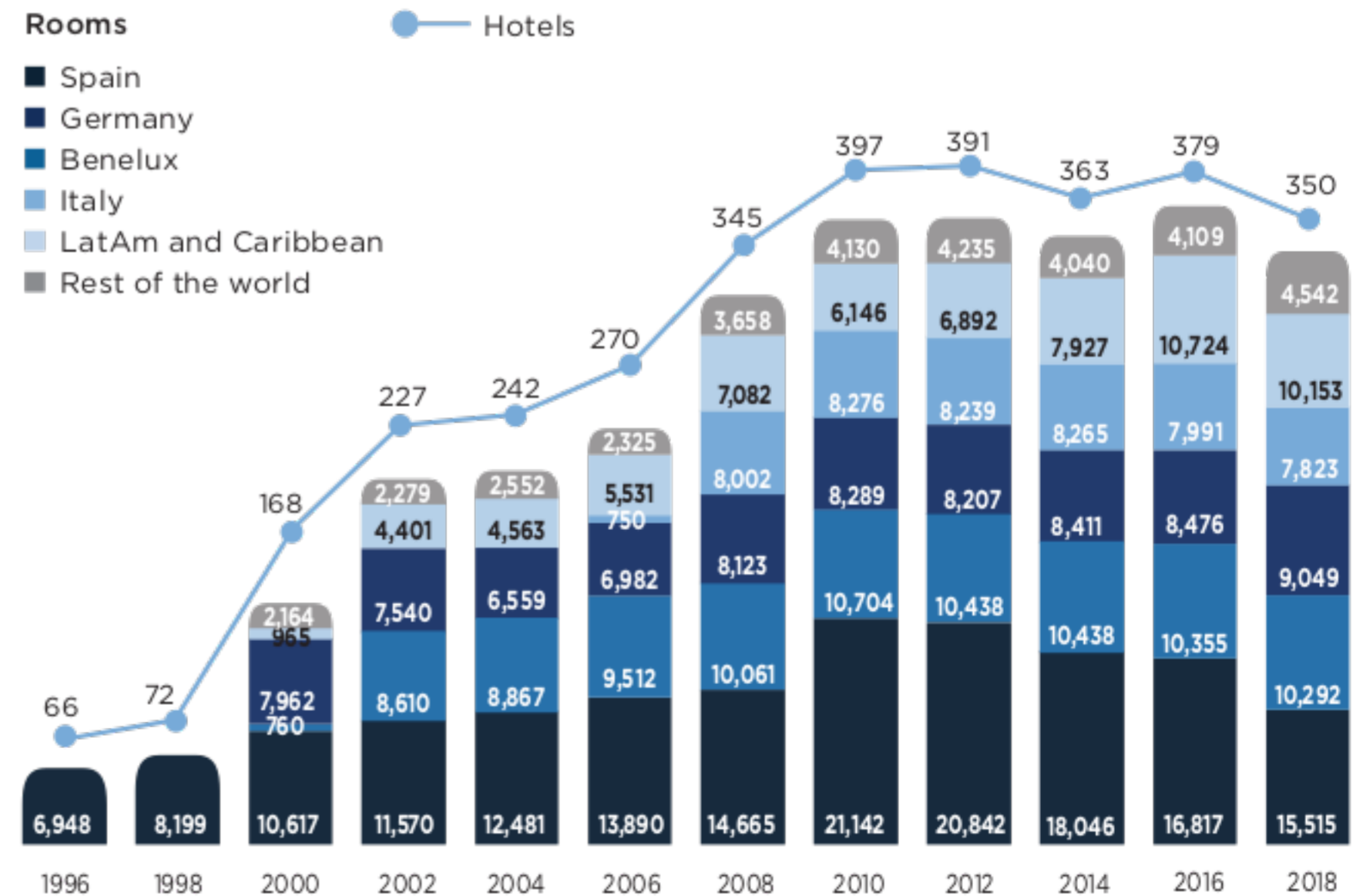
### EVOLUTION OF THE NUMBER OF OPENINGS AND ADDITIONS

In number of rooms



## CONTINUOUS GROWTH

In number of rooms and hotels between 1996 and 2018  
Compound average annual growth: 9.8%



## HOTELS OPENED

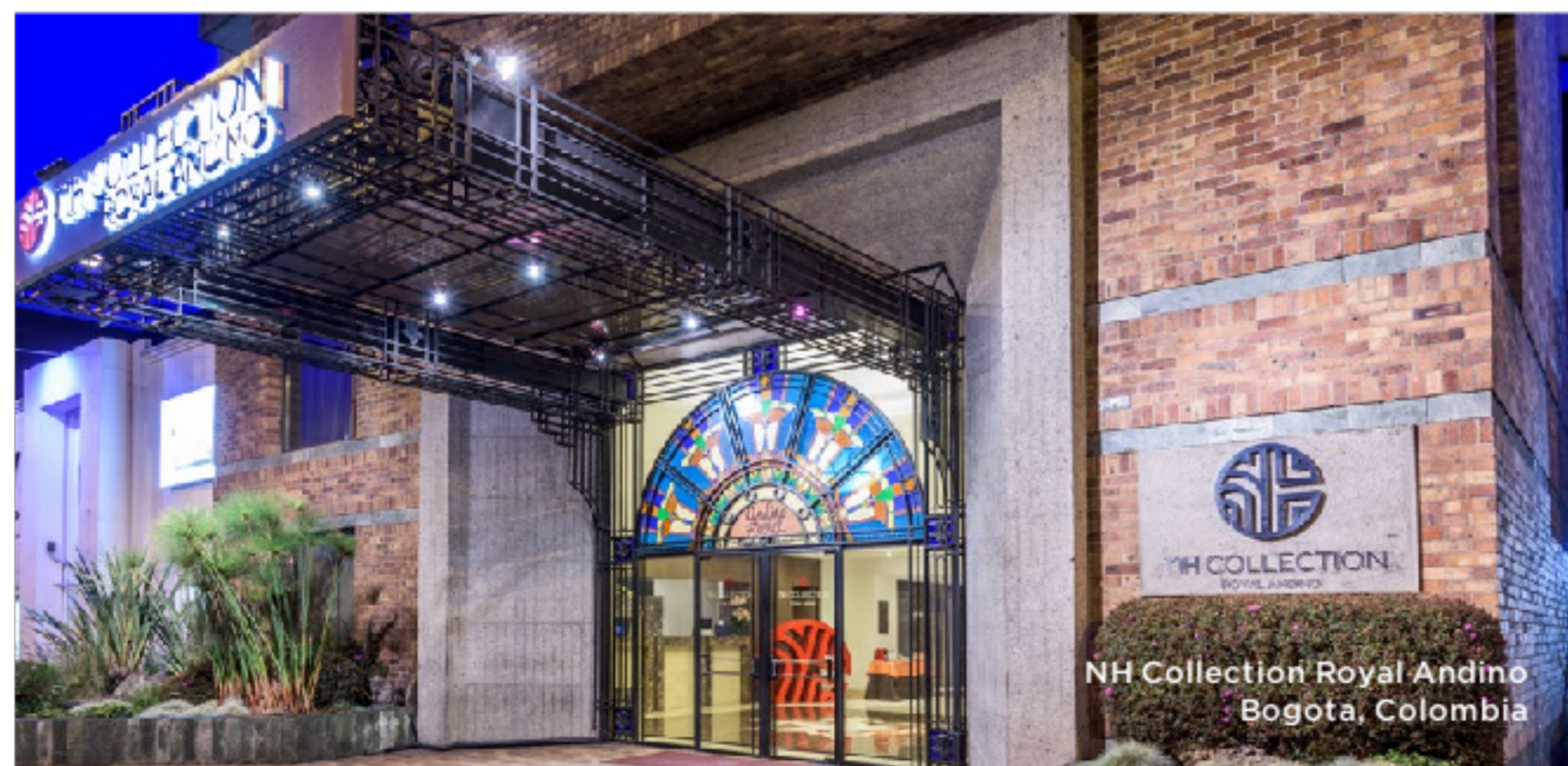
In 2018, the Group started to operate 10 new hotels, located in Havana, Marseille, Brussels, Monterrey, Venice, Madrid, Graz, Essen and Toulouse, with a total of 1,604 rooms.

HOTELS	CITY	COUNTRY	ROOMS
NH Collection Victoria La Habana	Havana	Cuba	31
NH Monterrey La Fe	Monterrey	Mexico	152
NH Brussels Bloom	Brussels	Belgium	305
NH Brussels EU Berlaymont	Brussels	Belgium	214
NH Essen	Essen	Germany	183
NH Graz City	Graz	Austria	157
NH Venezia Rio Novo	Venice	Italy	144
NH Collection Madrid Gran Vía	Madrid	Spain	94
NH Collection Marseille	Marseille	France	176
NH Toulouse Airport	Toulouse	France	148
<b>Total rooms</b>			<b>1,604</b>

## HOTELS SIGNED

NH Hotel Group signed agreements on 6 hotels in 2018 with 766 rooms. All agreements signed were under rental and management formulas, under the NH and NH Collection brands and in major cities (Havana, Hannover, Hamburg, Porto and Guadalajara).

CITY	CITY	COUNTRY	ROOMS
Havana	Cuba	31	Opened in 2018
Oporto	Portugal	79	2019
Milan	Italy	185	2020
Hannover	Germany	89	2020
Hamburgo	Germany	261	2021
Guadalajara	Mexico	120	TBC
<b>Total rooms</b>		<b>765</b>	



## ASSET MANAGEMENT

In November 2018, the effective termination of all management contracts between Grupo Inversor Hesperia (GIHSA) and NH Hotel Group relating to the management of 28 hotels was formalized, due to the change in control of the Company that took place during the year. In addition, another 14 hotels left the Group during 2018.

HOTELS	CITY	COUNTRY	ROOMS
NH Torino Lingotto Tech	Turin	Italy	140
NH Shijiazhuang Financial Center	Shijiazhuang	China	78
NH Puerto de Sagunto	Valencia	Spain	99
NH Collection Cartagena La Merced Royal	Cartagena	Colombia	9
NH Heemskerk Marquette	Heemskerk	The Netherlands	65
NH Barcelona Centro	Barcelona	Spain	156
NH A Coruña Atlántico	Corunna	Spain	199
Hesperia Edén Club	Margarita Island	Venezuela	139
Hesperia Isla Margarita	Margarita Island	Venezuela	312
Hesperia Maracay	Maracay	Venezuela	99
Hesperia Isla Margarita Playa El Agua	Margarita Island	Venezuela	410
Hesperia WTC Valencia	Valencia	Venezuela	325
Hesperia Bristol Playa	Fuerteventura	Spain	186
Hesperia Lanzarote	Lanzarote	Spain	331
Hesperia Madrid	Madrid	Spain	171
Hesperia Lanzarote Playa Dorada	Lanzarote	Spain	465
NH Hesperia Barcelona Presidente	Barcelona	Spain	151
Hesperia Sant Joan	Barcelona	Spain	128
Hesperia Sevilla	Seville	Spain	244
Hesperia Vigo	Vigo	Spain	123
Hesperia Mallorca Villamil	Mallorca	Spain	162
NH A Coruña Centro	Corunna	Spain	128
NH Hesperia Andorra la Vella	Andorra la Vella	Andorra	60
NH Hesperia Barcelona del Mar	Barcelona	Spain	84
NH Barcelona Barri Gòtic	Barcelona	Spain	71
NH Ciutat de Mallorca	Palma de Mallorca	Spain	60
NH Collection A Coruña Finisterre	Corunna	Spain	92
NH Collection Ría de Bilbao	Bilbao	Spain	151
NH Collection Barcelona Tower	Barcelona	Spain	280
NH San Sebastián Donosti	San Sebastián	Spain	45
NH Barcelona Fira Suites	Barcelona	Spain	51
NH Granada Centro	Granada	Spain	68
NH Córdoba Guadalquivir	Cordoba	Spain	152
NH Murcia Centro	Murcia	Spain	120
NH Hesperia Santiago Peregrino	Santiago de Compostela	Spain	149
NH Barcelona Ramblas	Barcelona	Spain	70
NH Barcelona Sant Just	Barcelona	Spain	150
NH Toledo	Toledo	Spain	54
NH Zaragoza Centro	Zaragoza	Spain	86
NH Bilbao Zubialde	Bilbao	Spain	82
NH Dessau	Dessau	Germany	152
NH Zurich Airport	Zurich	Switzerland	140
<b>Total rooms</b>			<b>6,237</b>

# KEY FIGURES

## GLOBAL ECONOMIC AND TOURIST CONTEXT

In 2018, world economic activity grew at a rate of +3.7%<sup>(1)</sup>, higher than the previous year (+3.5%). More specifically, in the Eurozone the provisional growth rate for 2018 was 2.1%, which is slightly lower than 2017 (+2.2%). Global growth has maintained a positive cycle of trade and investment. Furthermore, European economies continue to grow although certain signs of a slowdown have started to appear with more moderate growth rates.

In line with these figures, when the growth rates of the four countries that together make up the bulk of the Group's sales and results are compared, it can be seen that The Netherlands (+2.8% in 2018 vs. +3.2% in 2017), Spain (+2.6% in 2018 vs. +3.1% in 2017), Germany (+1.7% in 2018 vs. +2.2% in 2017) and Italy (+1.1% in 2018 vs. +1.5% in 2017) show lower growth rates than last year. On the other hand, growth in emerging countries is expected to remain stable, although with greater divergences between the different countries. Thus, in Latin America growth of +1.0% in 2018 is expected (vs. +1.2% in 2017), affected by worse financing conditions, with Argentina suffering from a depreciated currency and having declared a hyperinflationary economy; and Mexico with slightly lower growth than expected.

According to the World Tourism Organization ("UNWTO"), in 2018, international tourist arrivals globally reached 1.4 billion, representing an increase of + 6.0% over the previous year, well above the growth rate of 3.7% in the world economy, thus consolidating the strong results for 2017 and proving to be the second strongest year since 2010. Spain has consolidated its position as world power in tourism together with France and the USA, breaking its own record with 82.6 million foreign tourists and a 1% increase in the number of international arrivals. Meanwhile, America (+3%) received 217 million international arrivals in 2018, with mixed results in all destinations.

<sup>(1)</sup> EU figures and estimates from the "European Economic Forecast - Autumn 2018", of November 2018.



## EVOLUTION OF RESULTS

In this context, the Group exceeded its objectives in 2018 thanks to a stronger positioning in the upper brand segment, the improvement in the customer experience, an increase in operational and commercial efficiency, the asset turnover strategy and the reduction in borrowings.

During 2018, value has continued to be placed on the pricing strategy, leading to greater growth by the Group in the leading cities compared to its direct competitors. In the main destinations where market measurements exist, the Group's revenue per available room (RevPAR) has been higher than that of its direct competitors.

As far as quality indicators are concerned, NH Hotel Group focuses on measuring quality using new sources of information and surveys with an important increase both in the volume of reviews and in the assessments received. In this regard, the average score on TripAdvisor in 2018 is 8.4 which is the same as in December 2017. In addition, the average Google Reviews score is 8.5 compared to 8.3 in December 2017. These average scores show the high quality levels perceived by customers.

TOTAL REVENUE  
2018  
**€1,613.4M**  
+4.4%

A notable milestone in the continuous improvement of the customer experience is the launch in 2018 of **FASTPASS**, a combination of three innovative services - Online Check-in, Choose Your Room and Online Check-out -, which gives customers total control over their stay. In this regard, NH Hotel Group has become the first European chain to offer these three services simultaneously.

Furthermore, the NH Rewards loyalty program has exceeded 8.6 million members (compared to 8.4 million members in 2017), 13% of which joined in 2018 and 18% of the total are active.

New selective repositioning opportunities for hotels were also identified in 2018, to be executed between 2018 and 2020 with only a part of the investment having been made in 2018. In this new phase, contributions from the owners of hotels operated under lease arrangements are also expected.

Revenue in 2018 totaled 1,613.4<sup>(1)</sup> billion euros, showing growth of +4.4% (+67.8 million euros). The income for the year attributable to the Parent Company totaled 117.8 million euros compared to 35 million euros in 2017.

Attention should be drawn to the application of IAS 29 following the declaration of Argentina as a hyperinflationary economy, which affects the result reported in the Company's accounts.

With regard to the gross borrowings situation, this year it has been reduced from 716.9 million euros in December 2017 to 418.9 million euros in December 2018. Cash and cash equivalents as of December 31<sup>st</sup>, 2018 total 265.9 million euros (80.2 million euros as of December 31<sup>st</sup>, 2017). This cash situation is complemented with credit lines totaling 350.4 million euros at the year-end, 250 million euros of which correspond to a long-term syndicated credit facility, compared to 316.3 million euros as of December 31<sup>st</sup>, 2017.

The Company's operational improvement has been reflected recently in the improvements in the corporate credit outlook assigned by the principal rating agencies. Thus, Fitch upgraded the corporate rating from 'B' to 'B+', maintaining a positive outlook on account of the improvement in operating performance and the leverage metrics. Furthermore, in the month of May, Moody's moved the rating up to 'B1' from 'B2', reflecting excellent results, a significant improvement in borrowing and greater liquidity.

(1) Information on the profit before Corporate Income Tax and the Taxes paid in 2018 by country where the Group is present may be consulted in the Directors' Report 2018.

NH Collection Casacostanera  
Santiago de Chile, Chile

## RELEVANT CORPORATE MILESTONES

### TAKEOVER BID: MINOR INTERNATIONAL

On July 10<sup>th</sup>, 2018, Minor International, one of the leading hospitality and fashion and lifestyle product distribution companies in Asia Pacific, sought permission from the National Securities Market Commission in Spain (Comisión Nacional del Mercado de Valores) to launch a takeover bid for the acquisition of 100% of the shares in NH Hotel Group at a price of €6.30 per share, after dividend payment.

Once the Takeover Bid had been authorized and at the end of the acceptance period, on October 22<sup>nd</sup>, 2018 Minor International communicated that it held 369.2 million shares in NH Hotel Group representing 94.1% of the share capital.

Since then, Minor International has started to work together with NH Hotel Group on identifying opportunities to create value, taking advantage of the complementary nature of their hotel portfolios, the implementation of economies of scale with a wider customer base, and exploring new paths for development for all brands in different parts of the world.

In this regard, on February 7<sup>th</sup>, 2019, the Board of Directors of NH Hotel Group approved the formalization of a framework agreement with Minor International, the text of which seeks to establish a transparent framework for relations between the two groups, in line with the best corporate governance practices.

In particular, the agreement established the communication and exchange of information between NH Hotel Group and Minor International; the definition of the respective geographical areas and preferential market segments for the two companies with a view to avoiding overlaps and to promoting business opportunities; the establishment of a protocol for the approval of their mutual business operations with related parties; and the creation of a framework that will be able to prevent possible conflicts of interest between the two parties.

One of the first initiatives, announced during the International Tourism Fair in Madrid (FITUR) 2019, was the presentation of the imminent integration of all the hotel brands of both groups under a single corporate umbrella with presence in more than 50 countries around the world. Together, both Groups have a portfolio of over 500 hotels articulated around eight brands: NH Hotels, NH Collection, nhow, Tivoli, Anantara, Avani, Elewana and Oaks, that comprise a broad and diverse range of hotel propositions connected to the needs and desires of today's global travelers.

Furthermore, taking advantage of the wide brand umbrella of the two companies, an analysis is being carried out, hotel by hotel, of the potential repositioning to more premium brands of certain NH Hotel Group assets located in Europe, which have the capacity to drive their profitability under different brands than at present. Both groups are also working on the instrumentalization of the use and operation of the two companies' brands on markets other than their natural ones, which will make it possible to accelerate their expansion around the world. Furthermore, the two groups are making progress in the development of initiatives to take advantage of economies of scale with commercial channels and suppliers.

Finally, one of the joint projects under development during the first quarter of 2019 is the transfer to NH Hotel Group of the operations of 15 hotels from the portfolio of Minor Hotels in Portugal and Brazil. As a result, NH Hotel Group will operate 17 hotels in Portugal (13 of Minor Hotels plus 4 of NH Hotel Group, three of which are already open and one which is in the pipeline). Once this operation is finalized, NH Hotel Group will have a leading position in the country with presence in Lisbon, Porto, Coimbra, Sintra, Evora and the Algarve. In turn, the companies would combine their efforts in Brazil with 3 hotels located in Bahía, São Paulo and Curitiba.





#### **DISTRIBUTION OF DIVIDENDS**

At the General Shareholders' Meeting held at the NH Collection Eurobuilding in Madrid in the month of June 2018, the shareholders approved the payment of an interim dividend from 2017 results for an amount of approximately 40 million euros, which represents a gross dividend of ten cents per outstanding share. For 2018, a proposed dividend of fifteen euros per share in 2019 is expected.

#### **ASSET TURNOVER: NH COLLECTION AMSTERDAM BARBIZON PALACE (THE NETHERLANDS)**

At the beginning of 2018, an agreement was formalized with the German asset manager Deka Immobilien for the sale and subsequent leaseback of the building where the NH Collection Barbizon Palace hotel in Amsterdam is located. The operation involves the sale of the building for a gross price of 155.5 million euros (584.5 thousand euros/room), which has resulted in a capital gain net of tax of more than 55 million euros in 2018 and a net cash inflow of 122 million euros.

The sustainable lease agreement for the building with variable rent will allow the Group to keep running the hotel for an initial term of 20 years, with the option of exercising two extensions of 20 years each.

#### **SIGNIFICANT REDUCTION IN THE GROUP'S BORROWINGS**

Gross borrowing fell from 716.9 million euros in December 2017 to 418.9 million euros in December 2018. The reduction in gross borrowing in the period is basically explained by the early conversion of the convertible bond for 250 million euros in June 2018, as well as the voluntary partial redemption of bonds maturing in 2023 for 40 million euros.

The bond conversion took place by handing over to bondholders that requested early conversion (248.3 million of the total nominal value of 250 million euros), 8.6 million treasury shares and 41.9 million of newly issued shares. Bondholders who did not request conversion received 1,7 million euros in nominal value plus the corresponding accrued interest.

As a result of the change in control of the Company, in September 2018 the creditors of the Syndicated Credit Facility of 250 million euros unanimously agreed on a waiver, maintaining repayment until 2021. In addition, in line with the change in control, the Company offered to repurchase the 2023 Bond from bondholders at 101% for a total of 400 million euros. The amount requested totaled only 3.2 million euros of the total nominal value.

Furthermore, in December 2018 the Company announced the partial voluntary early redemption, for a nominal amount of 40 million euros (representing 10% of the total nominal amount issued) of its senior secured notes with maturity in 2023. The redemption was carried out through the payment of approximately 103.76% of the nominal value of the Notes redeemed with a charge to the Company's available cash.

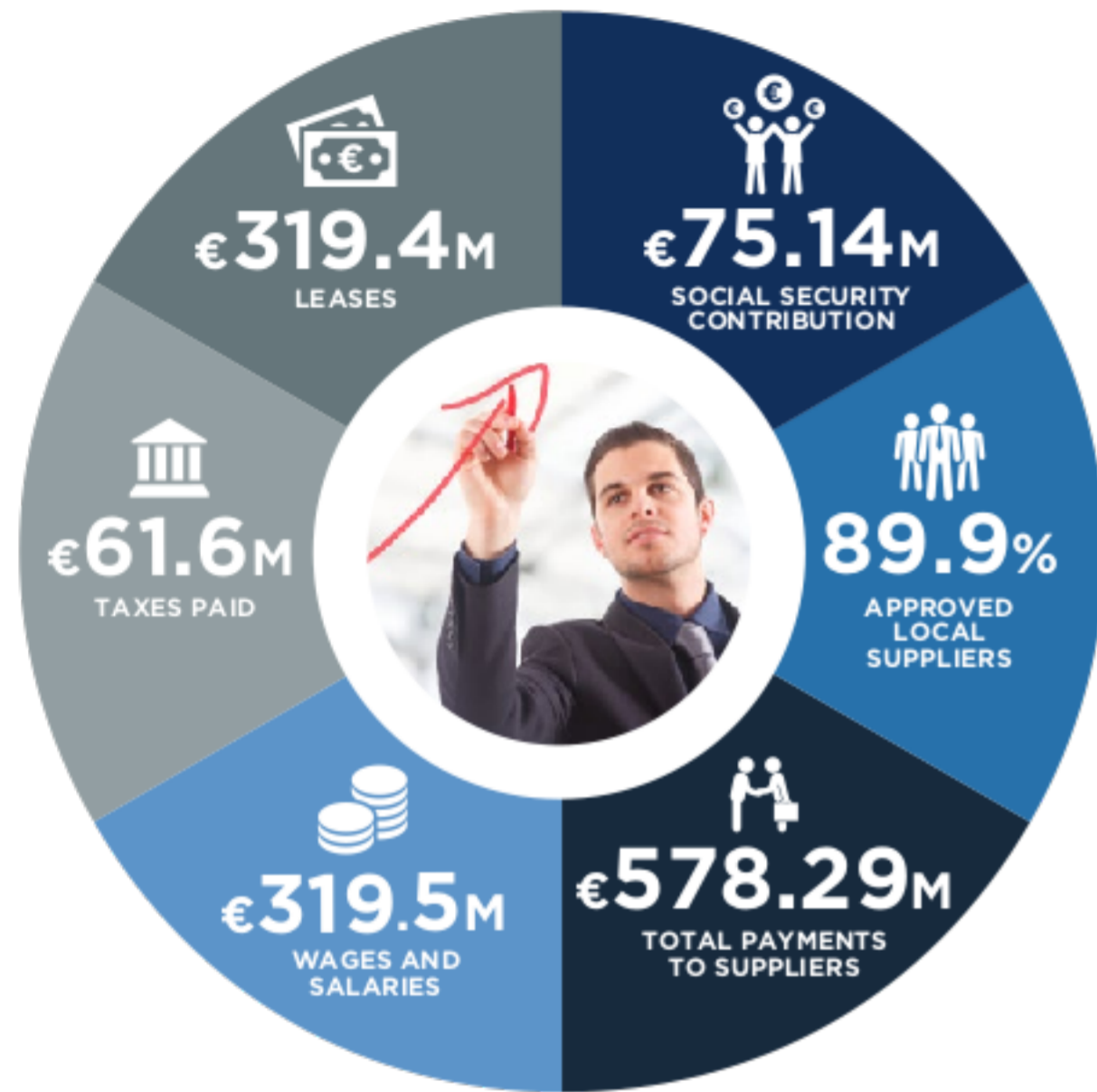
#### **TERMINATION OF MANAGEMENT CONTRACTS WITH GRUPO INVERSOR HESPERIA (GIHSA)**

In relation to the Framework Settlement and Overall Hotel Management Agreement formalized between NH Hotel Group and Grupo Inversor Hesperia, S.A. ("GIHSA") concerning the management by NH Hotel Group of 28 GIHSA hotels, in September GIHSA sent a "Notice of Termination due to Takeover", on the occasion of the public takeover bid submitted by MHG Continental Holding (Singapore) Pte. Ltd., a company wholly owned by Minor International Public Company Limited, on shares representing 100% of the capital of NH Hotel Group.

Accordingly, following the result of the takeover bid in the month of October, in which Minor International gained "Effective Control" by obtaining a stake of 94.13% of NH Hotel Group, on November 30<sup>th</sup>, 2018 the effective termination of all management contracts between the two groups was formalized, GIHSA having paid all outstanding amounts to NH Hotel Group.



# ECONOMIC, SOCIAL AND ENVIRONMENTAL CONTRIBUTION IN 2018



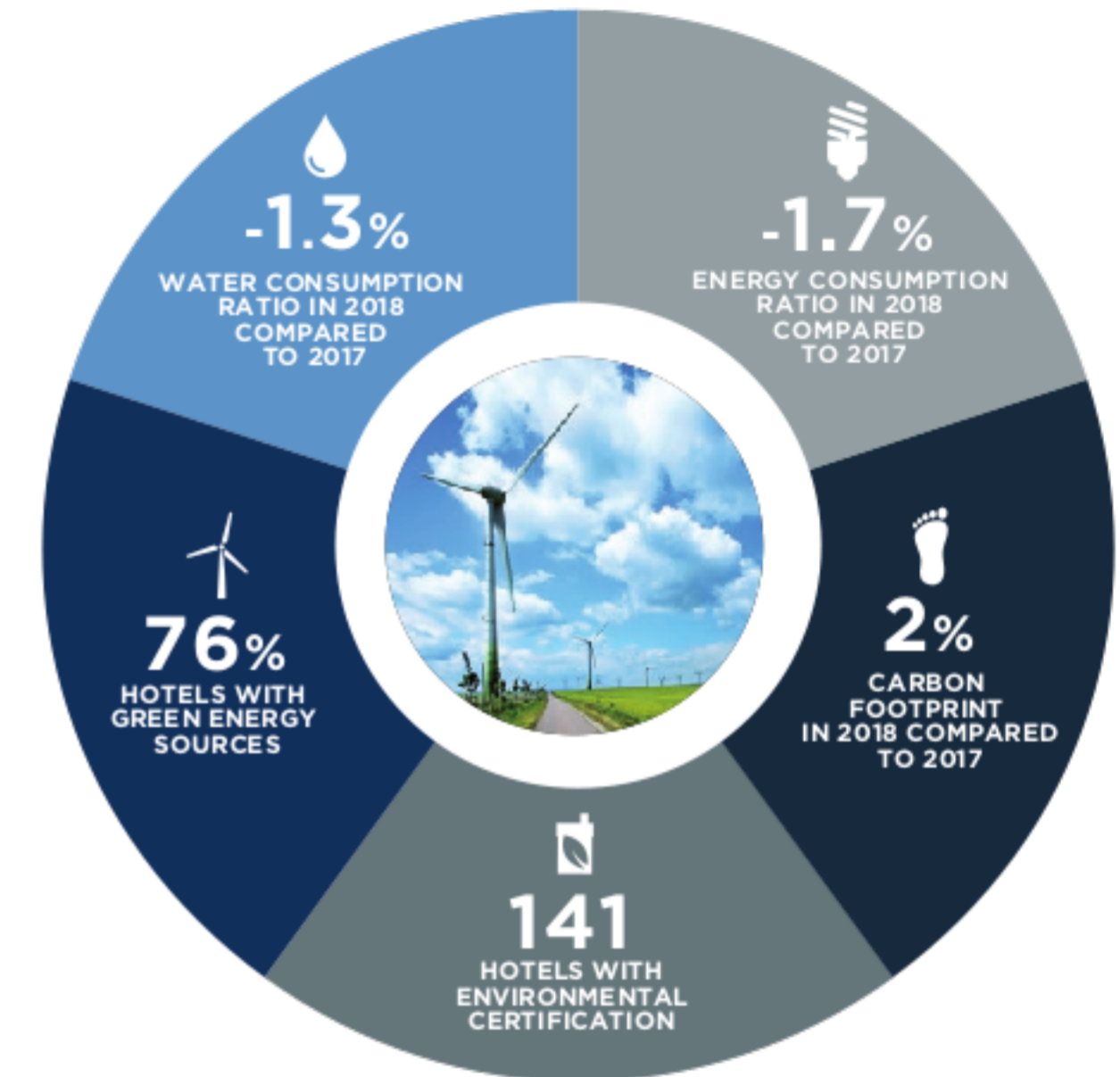
## ECONOMIC CONTRIBUTION

Direct impact on the economy of Employees, Businesses and the Administration



## SOCIAL CONTRIBUTION

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



## ENVIRONMENTAL CONTRIBUTION

Direct impact through reduction in the consumption of resources, emissions and promotion of renewable energy in hotels

# OUR VISION

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

Hotel Group wants to be the consumers' chosen destination, offering them memorable experiences that go far beyond their expectations and make them feel special. This vision, which is shared by all the people who form part of the Company, serves as a performance and commitment guide, while at the same time endeavoring to make NH Hotel Group the best option for investors and owners who wish to grow together with the Group, with a global and flexible proposal, with highly-motivated and proud teams, efficient management tools and unique solutions.

To maximize the return for shareholders who have placed their trust in NH Hotel Group, the Company offers its investors the best management opportunities as a leading operator in both the urban and business segment.

# OUR CULTURE

The NH Hotel Group culture, inspired on its vision and a clear commitment to customer service, is what has set the Group apart since it started operating in the industry.

This culture has allowed the Company to evolve from a management model to a leadership one that incorporates the principles that guide the day-to-day activities of executives and employees and is reflected in the Company's eight beliefs:

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



NH Collection Villa de Bilbao  
Bilbao, Spain



## NH IS YOUR HOME ALWAYS

One day, an NH Rewards member, who was visiting Madrid had a problem during her trip and although she was not staying at any of our hotels at the time, finding she was close to the NH Collection Gran Via she decided to go there.

When she came in, she explained to Lili, Guest Relations Manager of the hotel, that she had left her cell phone in an Uber vehicle, and needed her help. Without hesitation, the Guest Relations Manager made several calls and recovered the client's cell phone in a short time.

When you are a member of NH Rewards, any NH is your home. We will always be proud to help and serve.

## AN AUTISTIC GIRL'S UNFORGETTABLE STAY AT THE NH COLLECTION MADRID EUROBUILDING

Aitlin, a 14-year-old girl from the USA diagnosed with Autism Spectrum Disorder (ASD) and with difficulties to interact and communicate, especially with strangers, traveled to Madrid with her parents.

Right from the time of her arrival at the NH Collection Eurobuilding, Aitlin showed special interest in Diego and Lucas, members of the Guest Relations team, even saying a few words in Spanish and Portuguese to them. They immediately connected with the girl and gave her lots of attention, not only offering her candy on her trips to the VIP Lounge, but also writing messages to her in Spanish, the first one on her mirror, wishing her a good night, and many more on greetings cards that they gave her every day. The night before she left, they even left a framed photo of the three of them in her room with a written message.

Aitlin was so grateful that, before leaving, she gave them a notebook with drawings and messages dedicated to them along with other affectionate gestures, that according to her parents is something normally difficult for her

## MARRIAGE PROPOSAL

The team at NH Collection Grand Hotel Krasnapolsky helped to create a truly WOW moment when one of their guests requested help in asking his girlfriend to marry him. The location for the proposal was Dam Square and the team prepared a romantic setup with balloons and candles. They fought against the Dutch wind, trying to keep the balloons still and finding a nice box for the candles, creating a "private area" on the busy Dam Square.

When the guests arrived at 8pm, everything was perfectly in place and of course the lady said YES to the proposal which was celebrated afterwards with a lovely bottle of champagne.

# NH HOTEL GROUP STRATEGIC PLAN

During 2018 NH Hotel Group has consolidated compliance with the Strategic Plan 2017-2019 based on the Company's strengths and driving the six key levers aimed at creating value in the business.

This Plan establishes as priorities driving the revenues of NH Hotel Group, increasing its efficiency and reducing debt, and taking advantage of its strengths for new repositioning opportunities and organic growth as an additional pathway to expansion.

Throughout last year the Group has focused on brand development and segmentation, revenue management, quality and repositioning. The Company's operational efficiency has also been enhanced and debt has been reduced significantly.

NH Hotel Group has promoted greater positioning of its hotel portfolio in the upper upscale segment, increasing the presence of the NH Collection and nhow brands.

The Company has also made progress in its digital transformation, which is based on three pillars: getting to know customers better, increasing operational efficiency and using technology as support to maintain a process of continuous innovation in all areas of value for the Company.

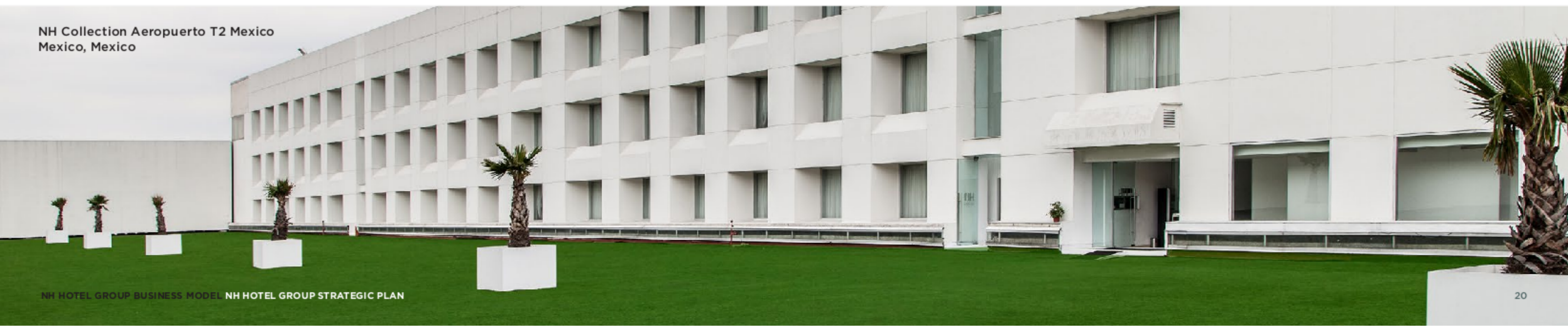
Optimizing the portfolio is another of the strategic lines the Group has undertaken in 2018, through initiatives aimed at intensifying the profitability of its portfolio. Accordingly, growth operations have been carried out with a low capital commitment, together with the selective departure of hotels in mature markets with a lot of invested capital.

The solid generation of operating cash during the year and the contribution through asset turnover have enabled the Company to consolidate a significant cash position during the year. All of this, together with the early conversion of the convertible bond for €250 million in June 2018 have made it possible to reduce the Group's net financial debt significantly, down to €170.7 million at the end of 2018.

Furthermore, work has also been done during the year on defining the new Strategic Plan 2019-2023, subject to approval by the Company's Board of Directors in order to guarantee implementation in 2019.

INITIATIVES	GOALS
<b>Reinforce premium brands</b>	Successful repositioning of NH Collection and nhow Greater weight in upper-upscale segment
<b>Customer experience and loyalty</b>	Exploit and monetize the intrinsic value of the brands Pursue maximum efficiency in media investment Improve the customer experience
<b>Advanced pricing with focus on ADR</b>	Optimization of channel and demand curve Open and dynamic prices Corporate, meeting and event rates
<b>Asset management</b>	Contract optimization Asset-light organic growth Repositioning opportunities Asset management
<b>Efficiency in DNA</b>	Digital transformation New operating model
<b>Efficient cash management to reward shareholders</b>	Growth in profit Reduction of debt

NH Collection Aeropuerto T2 Mexico  
Mexico, Mexico



## KEY STRATEGIC INITIATIVES IN 2018

### THE NH COLLECTION AND NHOW BRANDS

In 2018, the Company has continued to invest in the refurbishment and improvement of its portfolio with the opening of the NH Collection Gran Vía in Spain, NH Collection Marseille in France and by obtaining the fifth star in two establishments of its NH Collection brand, located in the cities of Milan and Florence: the NH Collection Milano President and the NH Collection Firenze Porta Rossa.

Similarly, the signing of projects for this brand in Merida (Mexico), Antwerp (Belgium), Milan (Italy), Murano (Italy) and Santander (Spain), among others, will continue to increase the number of NH Collection hotels. There are currently 75 hotels operating with this brand and other projects in Chile, Belgium, Italy, Spain, Mexico and Germany in the pipeline.



For its part, the nhow brand continues to grow and become consolidated. Since summer 2018, the city of Marseille is home to the first nhow hotel in France. Located on a cliff by the sea on one of the Mediterranean's most beautiful bays, the building that houses the new nhow Marseille has been completely refurbished by Marseille-based architects and representatives of SHPB (Société Hôtelière du Palm Beach), Claire Fatosme and Christian Lefèvre, and by the Italian architect Teresa Sapey. The hotel, which has 150 rooms including a 130m<sup>2</sup> nhow Penthouse suite, completes the range of services offered with three bars, a restaurant, a spa, a pool, 14 meeting rooms with a capacity for more than 400 people and a 322-seat auditorium.

Furthermore, an event held in September 2018 in The Netherlands offered the opportunity to gain first impressions of the interior design of the future nhow Amsterdam RAI, which is scheduled for opening in early 2020. With 650 rooms on 25 floors and a height of 91 meters, the nhow Amsterdam RAI will be the biggest newly-built hotel in the Benelux region. NH Hotel Group is working on the project with its partner, the real estate developer COD, hand in hand with the world renowned architecture firm OMA, founded by Rem Koolhaas.

Also in 2018, NH Hotel Group has chosen two of the most cosmopolitan destinations in Europe, Brussels and Rome, to continue with the expansion of the nhow brand. In this regard, the Company has agreed on the conversion of the current NH Brussels Bloom (Belgium) and NH Collection Roma Vittorio Veneto (Italy) to the nhow brand.

The future nhow hotel in Brussels, located in a privileged building owned by Pandox (leading European hotel property company), will open its 305 rooms following their refurbishment with a design concept that will inspire the creativity of its visitors and break the frontiers between an art gallery and a hotel.

Meanwhile in Italy, the Group will add its second nhow hotel in the country after the conversion of the current NH Collection Roma Vittorio Veneto to the nhow brand in early 2020 and its 199 rooms and communal areas will reinterpret the grandeur and legacy of the imperial city and its excesses, from a modern and disruptive perspective.

The conversion of these two hotels is added to the portfolio of hotels already open and ongoing projects in the nhow brand, which has a total of 11 hotels in Europe and Latin America.



NH Collection Firenze Porta Rossa  
Firenze, Italy

## RELAUNCH OF THE NH REWARDS PROGRAM

In 2018 NH Hotel Group has relaunched its NH Rewards loyalty program with a renewed image and a much more attractive and generous range of rewards to acknowledge and repay the loyalty of its regular customers on each stay. This makes NH Rewards, which currently has more than eight and a half million members, one of the most generous loyalty programs in the hotel industry.



The new NH Rewards program favors simplicity and focuses its strategy on rewarding customers in a much more generous points system. The percentage of points that customers accumulate for the money spent on their stay is now almost double, while point redemption continues with the transparent arrangement that is easy to understand where one point equals one euro.

The points earned by customers can be redeemed in exchange for free stays and discounts every day of the year, with no exceptions, in all the NH Hotel Group's brands (NH Hotels, NH Collection and nhow).

The new NH Rewards program offers additional rewards right from the time the customer registers, at which time he or she receives a gift of five welcome points which will lead to a direct discount from their very next stay. Furthermore, for each reservation the guest makes through the Company's webpage, or if they choose the premium brands NH Collection or nhow, he or she will obtain extra points which are added to the points already earned depending on the card level. With the new NH Rewards program, a client can accumulate enough points for a free night approximately every 10 stays.



nhow Berlin  
Berlin, Germany

# TRANSFORMATION PLAN: NH HOTEL GROUP AT THE FOREFRONT OF INNOVATION

2018 has ended as a very important year in the Company's Digital Transformation Project, one of the most important initiatives of the Strategic Plan to bring efficiency to processes and systems by increasing the capacity to set ourselves apart from the competition, and in continuing to improve the Company's basic processes.

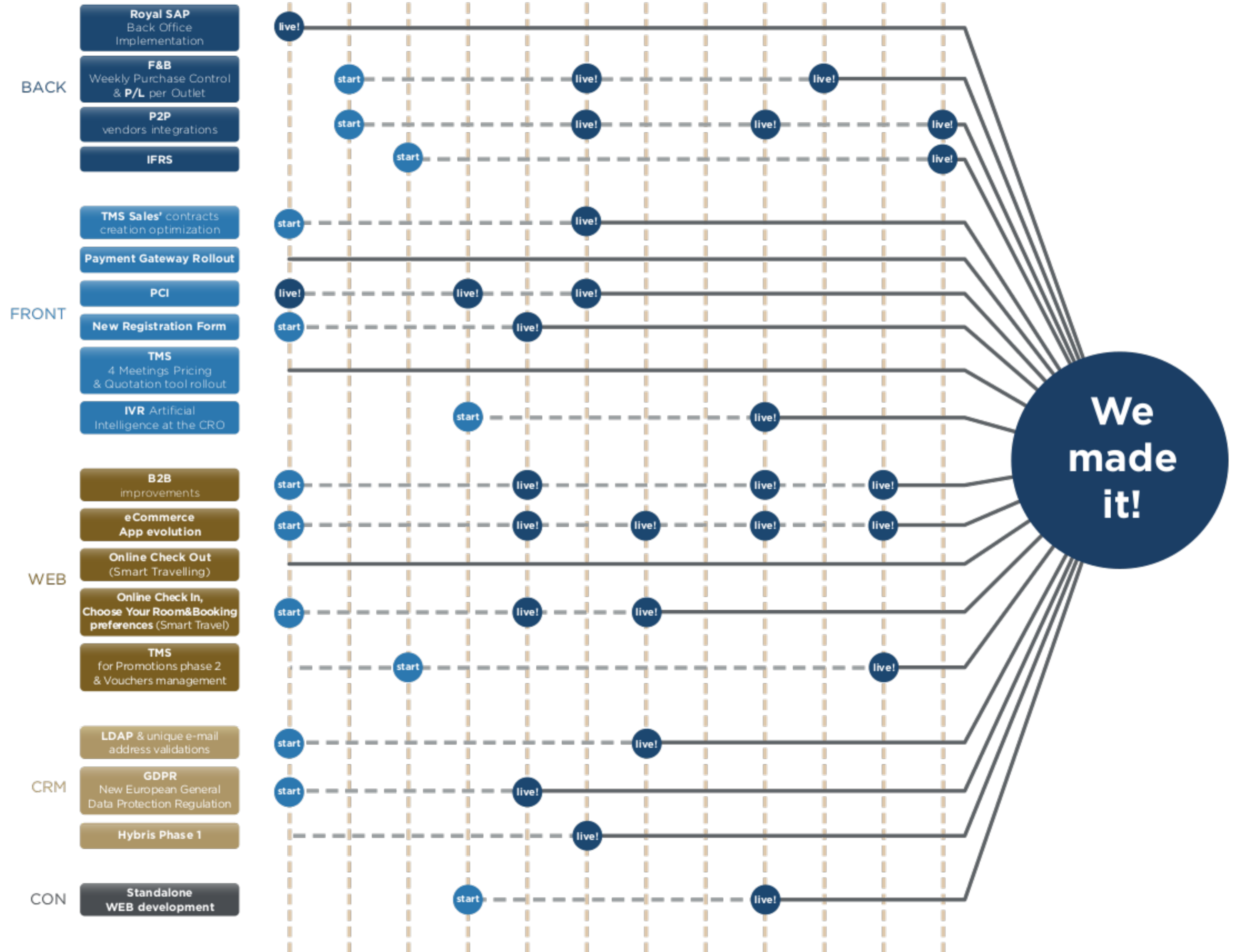
## The TraNHsformation Commitment

One of the Company's great achievements in this regard has been the centralization in a single integrated system of all its properties and functions. NH Hotel Group currently has a 100% integrated digital platform (NH Digital Core Platform), a pioneering technological solution in the industry that has allowed it to integrate all the systems of all the Group's hotels, and which has become the cornerstone for NH to extend its knowledge of customers, maximize its efficiency and innovate on a large scale in all its value areas.

The main benefits of this transformation process include the improvement in the customer experience in a global environment such as the present; the optimization and reduction of operating costs; a more in-depth analysis of data, which has enabled the Company to generate new sources of revenues; more agility in responding to market changes; and more importantly, the cultivation of an innovation culture within the organization.

# TRANSFORMATION PLAN CRITICAL PATH 2018

JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC



In 2018, the 19 key projects included in the plan reached a global consolidated fulfilment of 115%, notably:

#### 1. Advanced M&E pricing: Quotation tool

This tool provides for a strategy focused on M&E customers with a total revenue management vision that offers ad-hoc quotations at an excellent speed and, therefore, an increase in customer satisfaction levels.

Group quotations are also provided more efficiently and effectively, obtaining all the information on a single integrated platform and adapting better to the customer's needs.

#### 2. FASTPASS

NH Hotel Group has recently launched **FASTPASS**, the combination of three innovative services - Online Check-in, Choose Your Room and Online Check-out - which gives customers total control over their stay, making NH the first European urban hotel chain to offer all three services simultaneously and placing it at the forefront of state-of-the-art hotel technology.

48 hours before arriving at the hotel, the customer receives an e-mail granting access to Online Check-in where the customer can provide all his or her details in advance, up until noon of the arrival date. As a result, upon getting to the hotel, all the customer has to do is pick up the key to his or her room. During the Online Check-in process, the customer also benefits from the Choose your Room service that lets him or her consult all available rooms and chose the one best suited to his or her taste and needs (views, bathroom setup, type of bed, etc.). From 6 p.m. on the day before departure, the guest has the possibility of paying for any expenses incurred as well as completing an Online Check-out in order to leave the hotel without having to go through the reception desk.

#### 3. Artificial Intelligence: CRO virtual agent

In 2018, a virtual agent has joined the Central Reservation Office to minimize waiting time for customers, thus also improving their experience. This virtual agent will be trained with basic information on the hotels, timetables, distances and any other type of information our guests may need. It can also cancel previous bookings if requested to do so.

#### 4. Robotics

A project has recently been developed for the automation of reservations that come in through the email channel of the Company's CRO, thus avoiding manual interaction and offering a 24-hour service. This helps achieve efficiency through the improvement in customer response service levels and guarantees the necessary quality levels due to the elimination of errors caused by manual processes. This technology will be implemented in other areas soon.

#### 5. Optimization of contract creation

NH Hotel Group currently has more than 2 million contracts uploaded on TMS, of which 70% are contracts negotiated by companies. Upload requests are currently made manually, involving a slow and often inefficient process. A tool has now been developed that will let the high number of negotiated contracts in the Company be managed more efficiently. Account managers can upload their requests directly on SAP (instead of manually, as now) ensuring an optimized process with shorter service levels and considerably reducing billing incidents.

#### 6. Advanced CRM

In 2018 NH Hotel Group has worked in more depth on advanced CRM techniques, building a 360° view of its customers that helps improve the Company's knowledge of them and adjust this way campaigns to their tastes, needs and preferences.

The Company's 360° view database collects and analyzes information through the different points of contact with customers such as the website, the Customer Service Center or the hotels. This information not only makes it possible to create segmentations in different categories, but also to establish behavior prediction models and thus improve offers, propose personalized services and improve the value proposal of the NH Rewards loyalty program.

In line with this, through automatization of opinion surveys, customers' opinions are sought regularly which means that areas for improvement can be identified readily and the improvements implemented.

Furthermore, during 2018 work has been done on the creation of the Digital Evolution Roadmap for the next five years, the pillars of which are asset management, brand value perception, the commercial function and operational excellence. Thus, this Digital Evolution Roadmap will be aligned with the Company's Strategic Plan and will make it possible to define the projects required to meet the strategic goals of each area.







## EXPANSION AND PORTFOLIO OPTIMIZATION STRATEGY

In 2018, the Group has continued the significant improvement in the quality of the assets and destinations added to the portfolio, with the opening of 10 new hotels and 1,604 rooms during the year.

Of particular note among these new hotels are the openings of the NH Collection Madrid Gran Vía (Spain) and NH Collection Marseille (France), under the upper - upscale NH Collection brand.

NH Hotel Group has an extensive, representative and diversified portfolio of 350 hotels operated under lease, management and ownership regimes, in the case of the latter with an estimated asset value of €2,062 billion at December 2018.

The profound transformation the Company has carried out, particularly the portfolio optimization strategy implemented between 2013 and 2018 has helped to double NH Hotel Group's operating profit in this period, despite the fact that it currently operates a similar number of rooms to six years ago. This has been possible thanks to the fact that the Company has managed to offset successfully the departure of non-strategic assets with the addition of new hotels analyzed under criteria of maximizing the return and medium and long-term sustainability, as well as by reaching agreements on assets in the existing portfolio aimed at operating them under more flexible and beneficial conditions.

The favorable results of the portfolio optimization and repositioning process, the latter involving significant investments to bring the portfolio into line with the Company's new standards, and the increased weight of rooms under the upper - upscale brands, have resulted in an increase in demand from investors and hotel owners interested in analyzing joint growth opportunities and benefitting from the model and flexibility that the Group offers as an international operator.

In 2018, the Group has continued with the significant improvement in the quality of the hotels and destinations to be added to the portfolio, with the signing of 4 hotels (645 rooms) in Europe and Latin America, and the opening of 10 new hotels (1,600 rooms) during the year.

In relation to the Group's commitment to the nhow brand, attention should be drawn to the seven iconic hotels that NH Hotel Group plans to open in forthcoming years in the cities of London, Amsterdam, Brussels, Frankfurt, Rome, Lima and Santiago de Chile.

Following the acquisition of 94.1% of the share capital of NH Hotel Group by Minor International in the last quarter of 2018, the two companies have started to work on defining a new strategic five-year plan aimed at taking advantage of the complementary nature of their respective hotel portfolios, the implementation of economies of scale with a wider customer base and exploring pathways for development for all their brands in different parts of the world.

## COMMERCIAL STRATEGY

In 2018 the Company has consolidated the commercial strategy by leading, among others, the following notable projects:

**Automated pricing:** Through its automated pricing strategy, NH Hotel Group ensures that it reacts instantly to changes in market demand. As well as optimizing revenues, this initiative reduces the manual work of the revenue manager considerably.

**Revenue optimization in all segments:** by applying open pricing in all segments (corporate, leisure and groups) NH Hotel Group makes sure that the price applied is right according to demand for that day. For customers or segments with a guaranteed discount, this strategy assures that the percentage to be discounted is adapted to demand. This way, the customer receives the best offer and the Company ensures that it optimizes its revenues through the ADR.

**Pricing strategy for Food and Beverage services:** this project seeks to increase revenues from Food and Beverage services in the establishments of NH Hotel Group through better optimization and organization of these elements.

Furthermore, NH Hotel Group has embarked on a digital transformation project in the B2B area, in order to increase profitability and generate additional demand. During the year, a small migration of channels started, which will help to offer a faster and higher quality service to its customers, specifically through its direct online channel, which is aimed at companies, agencies and event organizers and has contributed in 2018 an ADR which is 4 percentage points higher than the average for the remaining channels, making this channel the most profitable one in the Company.

Thus, by offering a digital brand identity, a differentiated value proposition, a renewed user experience and a robust operating model focused on the market and customer needs, the Group seeks to foster migration from traditional channels such as Hotels, CRO and GSO to this digital channel, which will entail collateral benefits of generating additional demand and greater profitability of sales.



# CORPORATE GOVERNANCE AND ETHICAL COMMITMENT



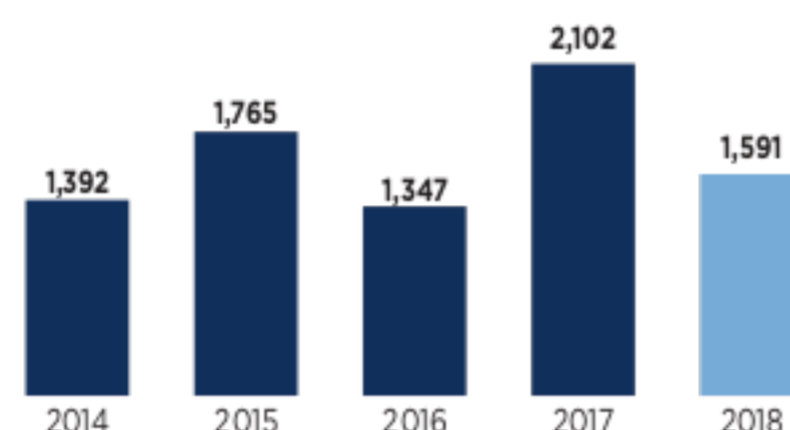
# SHAREHOLDER STRUCTURE

At the end of 2018, the share capital of NH Hotel Group, S.A. was represented by 392,180,243 bearer shares with a par value of 2€ each, fully subscribed and paid up.

According to the latest notifications received by the Company and the communications sent to the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores - CNMV) before the year end, the most significant shareholders at December 31<sup>st</sup>, 2018 were as follows:

## CAPITALIZATION

At the end of each year (in million euros)



NH Collection Eurobuilding  
Madrid, Spain

	2017	2018
Minor International Public Company Limited ("MINT")	-	94.13%
HNA CO LTD	29.35%	-
Oceanwood Capital Management LLP	12.06%	-
Grupo Hesperia	9.27%	-

Between the months of May and September 2018, a number of different sale/purchase agreements formalized by Minor International Public Company Limited ("MINT") as Purchaser with the HNA Group and with funds managed by Oceanwood, as Sellers, were executed. As a result of these operations, MINT acquired the Sellers' entire shareholding in NH Hotel Group, S.A. In addition to these operations, MINT also acquired several non-significant shareholding packages, as result of which on September 30<sup>th</sup>, 2018 MINT was the holder of 179,772,214 shares in NH Hotel Group, S.A., representing 45.84% of its share capital.

Meanwhile, on June 11<sup>th</sup>, 2018, MHG International Holding (Singapore) Pte. Ltd (a company wholly owned by MINT) made a public takeover bid for 100% of the shares in NH Hotel Group, S.A., which, once it had been approved and the acceptance period initiated, was accepted by, among others, the Hesperia Group.

Following the takeover bid, the result of which was reported by the CNMV through a relevant event notice on October 26<sup>th</sup>, 2018, and following the purchase operations described above, (i) the funds managed by Oceanwood, the HNA Group and the Hesperia Group ceased to be significant shareholders of NH Hotel Group, S.A.; and (ii) MINT, through its wholly owned subsidiary MHG Continental Holding (Singapore) Pte. Ltd, acquired shares representing 94.13% of the share capital of NH Hotel Group, S.A.

## RELATIONS WITH SHAREHOLDERS AND INVESTORS

Throughout 2018 NH Hotel Group has been in permanent contact with the Company's analysts and investors in order to meet their demands in relation to the Group's general evolution. This contact with the market takes place through individual meetings, attendance to investors' conferences organized by various financial institutions and individual call requests.

KEY INDICATORS ON RELATIONS WITH SHAREHOLDERS AND INVESTORS IN 2018	
Entities that performed analyses of NH in 2018	16
Queries from shareholders and investors handled	30
Individual meetings with shareholders and investors	125
Analyst follow-up reports	170

The Company produces consistent and transparent financial information with the aim of permitting monitoring for the analysis and valuation of the Group.

As a listed company, NH Hotel Group publishes quarterly results for the market. On the occasion of these quarterly publications, a conference call with the market is also carried out, attended on average by 40 participants between investors and analysts who cover the Group.

The quarterly result publications detail the following:

- KPIs and drivers of results
- Evolution by geography
- Evolution of costs
- Breakdown of cash flow and financial debt position



## CORPORATE GOVERNANCE

The Corporate Governance system of NH Hotel Group is made up of the By-Laws, the Board of Directors' Regulations, the General Shareholders' Meeting Regulations and the Internal Regulations for Conduct on Securities Markets, as well as the other rules, codes, internal procedures and corporate policies approved by the competent bodies of the Company.

This system has been formalized in compliance with the highest standards of compliance with good practice in corporate governance, determined among others by the Good Governance Code for listed companies (the "Good Governance Code"), approved by a Resolution of the Board of the CNMV on February 18<sup>th</sup>, 2015, and which is aligned with the recommendations on good governance of international markets.

No modifications to the internal regulations of NH Hotel Group, S.A. have been approved in 2018.

## BOARD OF DIRECTORS OF NH HOTEL GROUP

The Board of Directors is the Company's senior management and representation body. It is empowered, within the scope of the corporate object defined in the By-Laws, to carry out any acts of administration or disposal, under any legal title, except those reserved by law or by the Company's By-Laws to the exclusive competence of the General Shareholders' Meeting.

Consequently, the Board of Directors is conceived basically as a supervisory and control body, while the ordinary management of the Company's business is entrusted to the executive bodies and the management team.

However, the faculties reserved by law or by the Company's By-Laws exclusively to the Board and other faculties necessary to exercise responsibly the Board's basic supervision and control function may not be delegated. Thus, there are certain non-delegable powers that may not be delegated under any circumstances, such as the approval of the strategic plan, the determination of the control and risk management policy, the determination of the Company's corporate governance policy, the approval of the financial information the Company is required to publish periodically, and the preparation of annual accounts and any other kind of report the administrative body is required by law to issue.

In relation to the companies that make up the Group, the Board of Directors of NH will establish the bases, within the legal limits, of adequate and efficient coordination between the Company and the companies that make up the Group, respecting at all times the decision-making autonomy of their management bodies and executives, according to the Company's own corporate interest and that of each of the group companies.

For these purposes and within the limits mentioned above, the Board of Directors will implement the necessary instruments to establish adequate coordination relations based on mutual interest and, therefore, with due regard to their respective corporate interests.

The Board of Directors will discharge its duties in line with the corporate interest, which is understood to be the Company's interest; and in this regard it will act to safeguard the Company's long-term viability and to maximize its value, also weighing the many legitimate public or private interests involved in relation to any business activity.





## BOARD CONTROL COMMISSIONS AND COMMITTEES

During 2018 the Board of Directors of NH had the following control commissions and committees:

- **Delegated Commission.** With general decision-making capacity and, therefore, expressly delegated to exercise all the faculties that correspond to the Board of Directors except those which, by virtue of the law or the Company's By-Laws, may not be delegated, as well as those expressly established in the Board Regulations.
- **Audit and Control Committee.** Focused mainly, among other matters, on the supervision and effectiveness of the Company's internal control, and of the process of preparing and presenting regulated financial information, ensuring the independence and effectiveness of the internal audit functions and of the external auditor.
- **Nominations, Remuneration and Corporate Governance Committee.** Focused mainly on proposing the appointment of Independent Directors or reporting on the suitability of the other Directors to be appointed, as well as analyzing and evaluating everything related to matters of remuneration, both of Board members and of Senior Management, drawing up the corresponding policies. It is also responsible for supervising and controlling compliance with corporate governance rules and the corporate social responsibility policy and plan, proposing the necessary Reports to the Board.

Composition of the Board of Directors at December 31<sup>st</sup>, 2018:

NAME	POSITION ON THE BOARD	CATEGORY
Mr. Alfredo Fernández Agras	Chairman	Other External
Mr. Ramón Aragonés Marín	CEO	Executive
Mr. José María Cantero Montes-Jovellar	Director	Independent
Mr. Stephen Andrew Chojnacki	Director	Proprietary
Ms. Maria Grecna	Director	Independent
Mr. William Ellwood Heinecke	Director	Proprietary
Mr. Paul Johnson	Director	Independent
Mr. Fernando Lacadena Azpeitia	Director	Independent
Mr. Emmanuel Jude Dillipraj Rajakarier	Director	Proprietary
Mr. José María Sagardoy Llonis	Director	Independent

Certain changes in the composition of the Board occurred in 2018, caused in part by the takeover bid presented on June 11<sup>th</sup>, 2018 by MHG International Holding (Singapore) Pte (a wholly owned subsidiary of Minor IPC) on 100% of the shares in NH Hotel Group, S.A. which, once it had been approved and the acceptance period initiated, was accepted by, among others, the Hesperia Group. Following the takeover bid, the result of which was reported by the CNMV through a relevant event notice on October 26<sup>th</sup>, 2018, and following the purchase operations described above, (i) the funds managed by Oceanwood, HNA Group and Hesperia Group ceased to be significant shareholders of NH Hotel Group, S.A.; and (ii) Minor IPC, through its wholly owned subsidiary MHG Continental Holding (Singapore) Pte. Ltd, acquired shares representing 94.13% of the share capital of NH Hotel Group, S.A.

As a result of the above, Mr. Chojnacki, Mr. Heinecke and Mr. Rajakarier had access to the Board as proprietary Directors, and the Directors who represented the shareholder Grupo Inversor Hesperia, S.A., namely Mr. José Antonio Castro and Mr. Jordi Ferrer Graupera left the Board as a result of having sold in full their stake in NH.

The Board of Directors of NH Hotel Group, at its meeting held on April 10<sup>th</sup>, 2019, and following favourable Report of the Appointments, Remuneration and Corporate Governance Committee, has approved the appointment per cooptation of Ms. Beatriz Puente, current NH Executive Managing Director of Finance & Administration as Executive Director and Mr Kosin Chantikul, current Senior Vicepresident of Investment & Acquisitions at Minor Hotels as Proprietary Director representing Minor International Public Company Ltd. Both members will be ratified as Directors in the next Shareholders meeting that has been called by the Board during its meeting held the April 10<sup>th</sup>, taking place presumably on May 13<sup>th</sup>, 2019 on first call. The new Board members have been appointed covering the vacancies following the resignations of Ms Maria Grecna, Mr Paul Johnson and Mr. José María Sagardoy.

Additionally during the Board's meeting held on April 10th, 2019 the following agreements have been approved regarding changes in the Board's Committee:

- Audit and Control Committee: Appointment of Mr. José María Cantero de Montes-Jovellar as member of this Committee, following the resignation of Ms. María Grecna.
- Nominating, Remuneration and Corporate Governance Committee: Appointment of Mr. Alfredo Fernández Agras as member of this Committee, following the resignation of Mr. José María Sagardoy. Furthermore the members of this Committee have designated Mr. José María Cantero de Montes-Jovellar as Chairman of the Nominating, Remuneration and Corporate Governance Committee.

Composition of the Delegated Commission at December 31st, 2018:

NAME	POSITION	CATEGORY
Mr. Emmanuel Jude Dillipraj Rajakarier	Chairman	Proprietary
Mr. Ramón Aragonés Marín	Vocal	Executive
Mr. Paul Johnson	Vocal	Independent

Notwithstanding the above, at its meeting held on February 7th, 2019, the Board of Directors decided to take on the inherent duties of the Board that had been delegated to the Delegated Commission and render the aforesaid Commission inactive, all of its members having tendered their respective resignations.

Composition of the Audit and Control Committee at December 31st, 2018:

NAME	POSITION	CATEGORY
Mr. Fernando Lacadena Azpeitia	Chairman	Independent
Mr. José María Sagardoy Llonis	Vocal	Independent
Ms. Maria Grecna	Vocal	Independent

On February 7th, 2019 the Board of Directors of NH took note of the resignation tendered by Mr. José María Sagardoy, having appointed Mr. Stephen Andrew Chojnacki as a new member of this Committee.

Composition of the Nominations, Remuneration and Corporate Governance Committee at December 31st, 2018:

NAME	POSITION	CATEGORY
Mr. José María Sagardoy Llonis	Chairman	Independent
Mr. José María Cantero Montes-Jovellar	Vocal	Independent

In relation to the Nominations, Remuneration and Corporate Governance Committee, at December 31st, 2019 it was made up of just two members, namely Mr. José Maria Sagardoy (Chairman) and Mr. José Maria Cantero de Montes-Jovellar, following the departure of the Director Grupo Inversor Hesperia, S.A. as a member of the Committee, as a result of the takeover bid described above.

On February 7th, 2019 the Board appointed Mr. Stephen Andrew Chojnacki as a new member of the Nominations, Remuneration and Corporate Governance Committee.





## SELECTION POLICY FOR DIRECTOR CANDIDATES

### Objective and Candidate Selection Process

On February 25<sup>th</sup>, 2016, following a favorable report issued by the Nominations, Remuneration and Corporate Governance Committee, the Board of Directors approved a Director Selection Policy which ensures that proposed appointments of Directors of the Company are based on a prior analysis of the Board's needs. To evaluate the candidates who participate in the selection process, the procedure takes into account the skills, experience, professionalism, suitability, gender, independence, knowledge, qualities, capacities and availability of members of the Board of Directors in each moment. The Nominations, Remuneration and Corporate Governance Committee plays a relevant role in this process.

This Policy seeks to avoid discrimination and ensure that meritocracy is the governing selection principle in finding the best candidates for the Company.

### Conditions that candidates must fulfill

Candidates to the post of Director of the Company must meet requisites of qualification and professional and personal honorability. In particular, they must be suitable and prestigious individuals, of recognized professional capability, competence and experience, with sufficient qualifications, training and availability for the position. Candidates must show a commitment to their role, with a personal and professional history of respect for the law and commercial good practice, and they must comply with the obligations established by law at all times in order to be part of the Board of Directors. Furthermore, they must be professionals of integrity, whose conduct and career are aligned with the ethical principles and duties established in the Company's internal regulations, and they must share the vision and values of NH Hotel Group.

### Promotion of Diversity

NH Hotel Group is convinced that diversity in all its facets, at all levels of its professional team, is an essential factor to ensure the Company's competitiveness and a key element of its corporate governance strategy. In the candidate selection process, discrimination is avoided, and meritocracy is the principal selection criterion, in the corporate interest, with the process designed to seek the most qualified candidates.

However, and notwithstanding the above, every time a vacancy arises on the Board of Directors, and the corresponding selection process starts, at least one woman must participate as a candidate, until the target of 30% by the year 2020 is achieved.

To attain this objective, the Nominations, Remuneration and Corporate Governance Committee will ensure that the selection process does not suffer from any implicit bias that impedes the selection of female Directors and that the potential candidates include women who meet the professional profile being sought.

### NH Hotel Group Management Committee



## MANAGEMENT COMMITTEE

The NH Hotel Group Management Committee is conceived as a body that guarantees the viability of the business, seeking growth and establishing the Company's strategic framework, developing talent and leadership.

The Management Committee meets on a weekly basis and is made up of the Chief Executive Officers and Executive Managing Directors of the different areas:

Composition of the Management Committee at December 31<sup>st</sup>, 2018

- |  |  |
|--|--|
| <b>1. Mr. Ramón Aragonés Marín</b><br>CEO, Chief Executive Officer                                 | <b>5. Mr. Rufino Pérez Fernández</b><br>Chief Operations Officer & Global<br>Transformation Leader |
| <b>2. Mr. Fernando Córdova Moreno</b><br>Chief People Officer                                      | <b>6. Ms. Beatriz Puente Ferreras</b><br>Executive Managing Director of Finance                    |
| <b>3. Ms. Laia Lahoz Malpartida</b><br>Chief Assets & Development Officer                          | <b>7. Mr. Carlos Ulecia Palacios</b><br>General Counsel  |
| <b>4. Mr. Isidoro Martínez de la Escalera Álvarez</b><br>Chief Marketing and Communication Officer | <b>8. Mr. Fernando Vives Soler</b><br>Chief Commercial Officer                                     |



## COMPLIANCE SYSTEM

Since 2014, NH Hotel Group has promoted the Compliance function covering the following key areas:

- **Code of Conduct**  
It determines the principles, values and rules that are to govern the conduct and behavior of each of the professionals and executives of the Group, as well as members of the governing bodies of Group companies and stakeholders working with NH Hotel Group.
- **Criminal Risk Prevention Model.** It describes the principles applicable to the management and prevention of crimes within NH Hotel Group and defines the structure and operation of the control and oversight bodies established within the Company, systematizing existing controls for the purpose of preventing and mitigating the risk of crime in the different areas of the Company.
- **Internal Rules of Conduct.** These establish the minimum standards that apply to the purchase and sale of securities, as well as to privileged and confidential information, and how such information must be handled.
- **Procedure for Conflicts of Interest.** It establishes the rules to be followed in situations in which the interest of the Company or of any of the Group companies come into conflict with the direct or indirect personal interest of the Directors or of any person subject to rules governing conflicts of interest.

## COMPLIANCE COMMITTEE

Established in 2014, the Compliance Committee is made up of members of the Management Committee and Senior Management. It is responsible for overseeing compliance with the key areas of the Compliance System: the Internal Rules of Conduct, the Procedure for Conflicts of Interest, the Code of Conduct and the Criminal Risk Prevention Model.

The Compliance Committee oversees the management activity carried out by the Compliance Office and submits detailed reports on its activities to the Audit and Control Committee. Furthermore, it can take disciplinary measures against employees in relation to matters falling within its scope of competence.

Six meetings of the Compliance Committee were held in 2018.

## COMPLIANCE OFFICE

The Compliance Office, led by the Head of Compliance, reports directly to the Compliance Committee and is responsible for spreading awareness of and monitoring compliance with the Code of Conduct and for preparing the Criminal Risk Prevention Model, as well as handling queries regarding the Code of Conduct.

In turn, the Head of Audit is responsible for managing the confidential Whistleblowing Channel, which guarantees confidentiality in all the phases involved, as well as the absence of reprisals. The procedure is specified in detail in the Code of Conduct.

In 2018, there have been 54 reports of alleged breach of the Code of Conduct and the pertinent disciplinary measures have been imposed. Also, all 61 queries received have been answered.

Throughout 2018, the Compliance Office has completed the rationalization of the Criminal Risk Matrix for 7 countries, with the aim of providing the Company with a more efficient model. Furthermore, in 2018 implementation of a computer tool in Spain that will help with the management and audit of the Criminal Risk Prevention Model was completed.

# ETHICS AND CONDUCT

The framework for ethics in NH Hotel Group is based on its Code of Conduct. Responsibility for approving the Code of Conduct lies with the Board of Directors. The most recent update of the Code was in 2015.

The Code affects all the people who work at NH Hotel Group, and is applicable not only to employees and members of the Board of Directors, but also, in certain cases, to other stakeholders such as customers, suppliers, competitors or shareholders, as well to the communities where NH operates its hotels.

The Code of Conduct summarizes the professional conduct that is expected of NH Hotel Group employees, who are committed to acting with integrity, honesty, respect and professionalism in carrying out their activities.

The NH Group is committed to complying with laws and regulations in the countries and jurisdictions where it does business. This includes, among other matters, laws and regulations on health and safety, discrimination, tax, data privacy, competition, anti-corruption, prevention of money laundering and environmental commitment. The key areas covered by the Code include:

- Commitment to people
- Commitment to customers
- Commitment by suppliers
- Commitment to competitors
- Commitment to shareholders
- Commitment to communities and society
- Commitment to the group's assets, knowledge and resources
- Obligations in relation to fraudulent or unethical practices
- Commitment in relation to the securities market

The Code of Conduct is published in 6 different languages on the official website of NH Hotel Group, and is available to all stakeholders. Furthermore, with effect from 2017, NH employees can access the code of conduct from their mobile devices using the "My NH" app. Employees at workplaces operating under NH Hotel Group brands have also been provided with a practical Guide and a FAQ document.

## AWARENESS OF AND TRAINING ON THE CODE OF CONDUCT

In collaboration with NH University, the Compliance Office oversees on a quarterly basis the degree of completion of courses on the Code of Conduct. Online training sessions on the Code of Conduct have continued in 2018, in an effort to ensure that all Group employees are familiar with it. Out of a total workforce of 14,411 (excluding extra labor and outside labor) at December 31<sup>st</sup> 2018, 66% of the Company's employees have signed the Code and done the training. This figure includes the employees listed in the NH Talent tool (NH employees).



## TRAINING ON THE CRIMINAL RISK PREVENTION MODEL

In addition, the Criminal Risk Prevention Model is in place in Spain. In 2018, specific training courses on criminal risk prevention have been given, also under the supervision of the Compliance Office. Taking into account that the Criminal Risk Prevention Training is intended for Top Management, Middle Management and Central Services staff (1,260 in total at December 31<sup>st</sup> 2018), 80% of the employees of work centers operating under the NH Hotel Group brands completed the training in Criminal Risk Prevention in Spain.

In Italy, 87% of employees have received training.

## GROUP ANTI-CORRUPTION POLICY

NH Hotel Group undertakes to work against all forms of corruption through policies and mechanisms that ensure the prevention of possible cases of corruption, bribery and money laundering within the organization.

The Company has an Anti-Corruption Policy, approved in January 2018 by the Board of Directors, the purpose of which is to protect the Company and all its representatives from criminal liability in the event that a criminal offense of corruption is committed within the Group. It is an additional element to the Criminal Risk Prevention Model as part of the Code of Conduct.

### GENERAL PRINCIPLES OF NH HOTEL GROUP'S ANTI-CORRUPTION POLICY

Zero tolerance in relation to bribery and corruption in the private and public sector

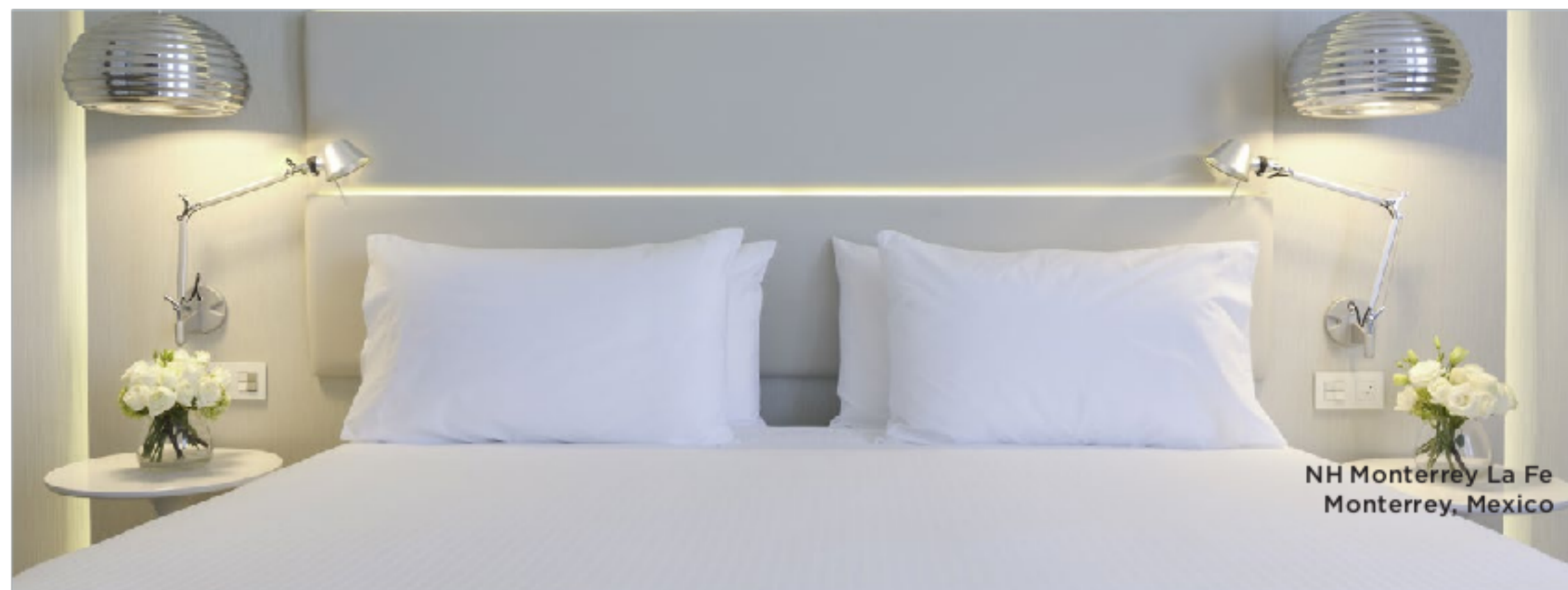
Behavior must be appropriate and legal

Transparency, integrity and accuracy of financial information

Periodic internal control

Local legislation prevails if more restrictive

In December 2018 the Compliance Committee updated the policy to include specifically the principles of the fight against fraud. The new document will be submitted to the Board of Directors for approval during the first half of 2019.



## FIGHT AGAINST MONEY LAUNDERING

The NH Hotel Group Code of Conduct reflects a commitment to respect applicable legislation on the prevention of money laundering, paying special attention to supplier evaluation and selection processes and to cash payments made and received.

The Group is also reinforcing the application of the policies approved in relation to the fight against corruption and money laundering through compulsory training courses for employees. In the first quarter of 2019, two online courses on the prevention of money laundering and on the fight against fraud will be available in 6 languages on the Company's e-learning platform.

At the Compliance Committee meeting held in December 2018, a policy was approved that will reinforce NH Hotel Group's commitment to the prevention of money laundering and the financing of terrorism. The aim of this measure is to prevent the Company and Group companies from being used in money laundering or terrorism financing operations.

The Policy will be submitted to the Board of Directors for approval during the first half of 2019. Once it has been approved, it will be communicated to employees and specific training on its contents will be offered.

## RELATIONS WITH GOVERNMENTS

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

In 2018 the Company received a total of 132,088 euros in public grants, of which 89% corresponds to grants received for employee training.

# RISK MANAGEMENT

Risk management is part of the culture of NH Hotel Group and is integrated across all of the Company's operations.

## RISK POLICY AND RISK MAP

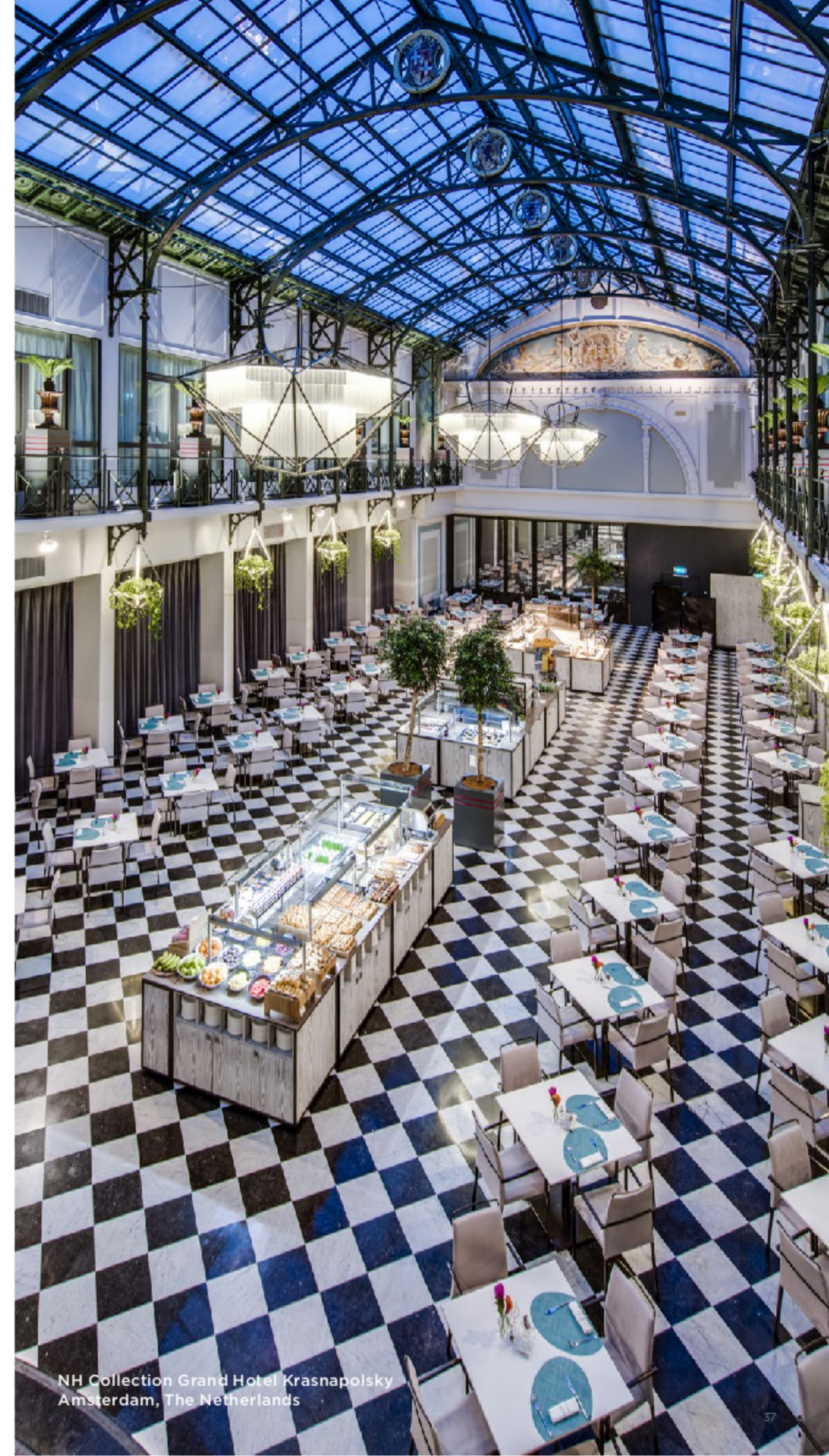
The Company's Risk Management and Control Policy is defined by the Board of Directors, which is also responsible for overseeing the Risk Management and Control System, through the Audit and Control Committee.

This policy was approved in 2015 by the Board of Directors, with the aim of defining the basic principles and the general framework of action for the identification and control of risks that could affect the companies over which NH Hotel Group has effective control.

In 2018 the Company updated its Risk Map through a process in which 33 senior executives defined the main risks to which the Company is exposed. This update has been validated by the Audit and Control Committee and will be submitted to the Board of Directors for approval in the first quarter of 2019.

The risks to which NH Hotel Group is exposed may be classified in the following categories:

CLASSIFICATION OF NH HOTEL GROUP'S RISKS IN 2018	
Type	Definition
<b>Financial risks</b>	The result of fluctuations in interest rates, exchange rates, inflation, liquidity, default in financing commitments, restrictions to financing and credit management.
<b>Compliance risks</b>	Deriving from possible regulatory changes, changes in the interpretation of legislation, regulations and contracts, as well as breach both of internal and external regulations. This includes tax risks, environmental risks and reputational risks deriving from behavior of the Company that has a negative effect on meeting the expectations of one or more stakeholders (shareholders, customers, suppliers, employees, the environment and society in general).
<b>Business risks</b>	Those generated by inadequate management of processes and both human and material and technological resources. This category includes difficulty in adapting to changes in demand and customer needs.
<b>External risks</b>	As a result of natural disasters, political instability or terrorist attacks.
<b>System risks</b>	Caused by attacks or breakdowns in infrastructures, communications networks and applications that could affect security (of hardware and software) as well as the integrity, availability or reliability of operational and financial information. This category also includes the risk of business interruption.
<b>Strategic risks</b>	Generated by difficulties in accessing markets, as well as difficulties in asset divestment.



NH Collection Grand Hotel Krasnapolsky  
Amsterdam, The Netherlands



## ACTION PLANS TO MITIGATE THE IMPACT OF RISKS

Action plans have been implemented in 2018 to mitigate the potential impact of risks, and indicators have been established to monitor the evolution of risks periodically. For the first time, the SAP GRC risk management and compliance tool has been used, which makes it possible to reduce the time dedicated to risk planning and assessment and to collect information relating to Risk Management from the entire Company at global level.

Each of the main risks identified on the map is assigned a risk owner, who is a member of the Management Committee. Each risk owner attends meetings of the Audit Committee on a regular basis to present the measures in place or in progress to mitigate his or her risks, the implementation status of action plans and measurement of key indicators.

## RISK MANAGEMENT MODEL

The NH Hotel Group risk management model permits the identification of events that could have a negative impact on the attainment of goals of the Company's Strategic Plan, with the aim of obtaining the highest possible assurance for shareholders and stakeholders, while protecting the Group's revenues and reputation.

This model is based on ERM (Enterprise Risk Management) methodologies and envisages a set of methodologies, procedures and tools that make it possible to:

1

Identify the most relevant risks that could affect the attainment of strategic goals. Each risk owner in the Company may use the SAP GRC tool to propose new risks so that they can subsequently be assessed.

2

Analyze, measure and evaluate risks according to the likelihood of occurrence, as well as their impact, which is assessed from the financial and reputational standpoint.

3

Prioritize risks.

4

Identify risk mitigation measures based on the Group's appetite for risk. This is specified in the risk owner definition and the establishment of action plans agreed by the Management Committee.

5

Monitor the mitigation measures established for the main risks.

6

Update the risks and their assessment periodically.

The Company also has an Executive Risk Committee to support the regular monitoring of risks, the development of new initiatives and activities related to the implementation of action plans, and to create a risk culture in the Company. This Committee met twice in 2018.

# DATA PROTECTION

On the occasion of the entry into effect, in May 2018, of the new data protection legislation, NH Hotel Group has carried out an analysis of the different types of personal data processing it carries out, with the aim of specifying the aspects indicated in the legislation and, where necessary, align processing with the new legal requirements. Efforts have also been made to make data processing by NH more transparent and to allow data subjects to know about it.

Thus, the different privacy policies have been updated, as well as the data protection sections of the legal notices on both websites and the documents provided to customers. NH has also implemented a series of measures that will make these privacy policies and legal notices accessible to customers at all times.

In the context of these actions, the Company has implemented an additional information system which is available to customers, so that they can know each of the types of processing carried out by NH Hotel Group.

Similarly, the position of Data Protection Officer has been created, not just to comply with the requirements of the new legislation, but also to ensure, among other functions, that customers' rights with regard to data protection are always treated in accordance with the principles established in the new legislation.

Finally, NH has decided to continue in 2019 with its project for improvement in relation to the quality of data within the organization.



# RESPONSIBLE AND SUSTAINABLE COMPANY



Chris Naylor (1 Michelin Star)  
NH Collection Barbizon Palace  
Amsterdam, Netherlands



# MANAGEMENT MODEL

NH Hotel Group carries out its hotel activity by creating shared value at the economic, social and environmental level wherever it is present.

## RESPONSIBLE COMMITMENT PLAN 2017-2019 ROOM 4



In 2017, with the aim of leading responsible commitment in the industry, the Corporate Responsibility Strategic Plan 2017-2019 was approved, establishing the main objectives and initiatives for the different responsible commitments defined by the Company in its Corporate Responsibility Policy.

In defining the Plan, the United Nations Sustainable Development Goals (SDG) were linked for the first time to the strategic lines. Furthermore, with the "Room 4" concept, these goals were aligned to the business of NH Hotel Group and its key stakeholders.

The Plan, which accompanies the Group's global strategy, includes its main commitments regarding responsibility, as well as the development of the lines of action in priority areas for the Company: commercial, employee engagement, investment, brand purpose, corporate governance and supplier evaluation.



## PILLARS OF THE PLAN

NH Hotel Group has defined a clear purpose for its Responsible Commitment Plan:

To generate a positive impact in the economic, social and environmental sphere wherever we are present.

The Corporate Responsibility Plan comprises three pillars of action: People, Planet and Responsible Business.

### nH ROOM 4 PEOPLE



This pillar concerns people and NH Hotel Group's commitments to:

- **Employees**  
Promoting a responsible culture that integrates Corporate Social Responsibility and the purpose in its daily actions.
- **Customers**  
Offering an excellent service and an innovative supply and involving them in NH Hotel Group's responsible projects.
- **Community**  
Promoting social projects in the communities where the Company is present, and promoting a positive local impact through the creation of responsible alliances with foundations and NGOs, the collaboration of employees as volunteers in responsible projects and support to culture, through patronage, among other initiatives.

### nH ROOM 4 PLANET



In its commitment to the Planet, NH Hotel Group works to minimize its impact on climate change, increase efficiency of resources and develop more sustainable products. All by reducing the Company's carbon footprint with responsible consumption of natural resources.

### nH ROOM 4 RESPONSIBLE BUSINESS



NH Hotel Group manages its operations and hotel services based on a responsible value chain, dialogue with its stakeholders, promoting responsible alliances with other organizations and a strong ethical commitment.





## ORGANIZATION AND MANAGEMENT

To achieve the goals set out in the Responsible Business Plan, the Company established a management model, coordinated at corporate level with the business units, that lets the responsible commitments defined be implemented and monitored.

This approach also contains a cross-cutting communication plan for the visibility of the actions carried out; an organizational structure that drives the actions with leading players throughout the Company; and indicators to monitor compliance in the main programs.

The Board of Directors is responsible for monitoring the evolution of and compliance with the NH Hotel Group Corporate Responsibility Policy.

In turn, the Nominations and Remuneration Committee is in charge of promoting the implementation of and compliance with the Corporate Responsibility Policy and Plan, which is designed and executed by Company Management.

Throughout 2018, work has continued on the lines defined in this Plan and, furthermore, a new Corporate Responsibility strategy, one of the pillars of the Group's Strategic Plan, has started to be

designed following the acquisition of 94.1% of the share capital of NH Hotel Group by Minor International. Both companies have started to work on defining a new five-year Plan, aimed at taking advantage of the complementary nature of the two business models.

2018 is therefore a year of transition: work continues on the commitments acquired in 2017, while work starts on developing the alignment of the NH Hotel Group's Sustainable Development model with Minor's model.

## MATERIALITY ANALYSIS

The analysis of relevant issues for the business and for stakeholders or materiality analysis is a key part of the Corporate Responsibility management process, both in reporting and in defining the strategy, initiatives and relations with stakeholders.

In 2018 NH Hotel Group has updated the analysis in order to define the contents of this Report and prioritize the relevant matters, based on the Materiality Study for 2017. This process has been carried out in different phases:

### IDENTIFICATION

Material matters have been identified based on an analysis of internal and external sources that have made it possible to determine a preliminary list of relevant matters for NH Hotel Group and for its stakeholders.

Strategy and priorities for NH Hotel Group	Sustainable Development Goals - SDG	Prescribers and trends in the sector	CSR trends
Strategic Plan 2017-2019	SDG in which NH Hotel Group has a direct and indirect impact and its specific goals	Key sustainability goals defined by the International Tourism Partnership (ITP)	Social and CSR trends at global level and in Spain, detected through RADAR CANVAS methodology in the areas of reputation, sustainability, ethics and transparency
Responsible Commitment Plan 2017-2019 Room4		SASB Materiality Map*	
NH Hotel Group Annual Report and materiality 2017		Sustainability Yearbook 2018 of RobecoSAM: key issues for the hotel sector	
Non-Financial Information Statement 2018		Carbon Disclosure Project (CDP) Ranking - Climate Change	

Subsequently, a semantic review of the matters has been carried out with the aim of linking similar concepts or areas and integrating them in the terms of NH Hotel Group and the hotel sector's business approach. The matters have been grouped according to the three pillars of the Responsible Commitment Plan 2017-2019 Room4: Business, People and Planet.

### PRIORITIZATION

Material issues have been prioritized based on two variables:

- **Impact on the Business:** Importance of each matter in the Company's business activity, taking into account the strategy of NH Hotel Group, the trends in the sector, prescribers in the sector and on sustainability, and the evaluation of the Company's Corporate Responsibility Area.
- **Impact on Stakeholders:** Importance of each matter among the different stakeholders based on available information of NH Hotel Group, social trends and concerns, the United Nations Sustainable Development Goals -SDG-, and discussions of these matters in the media.

### VALIDATION AND MATERIALITY MATRIX

The prioritization has been validated internally by the Corporate Responsibility area of NH Hotel Group, by checking the relevance of material matters and their weight in relation to the business objectives.

With this prioritization, the Materiality Matrix has been drawn up for the Corporate Responsibility Report 2018, according to the two relevance guidelines: for the activity of NH Hotel Group and for its stakeholders. All material issues identified have a relevance of more than 30%.





RELEVANCE FOR STAKEHOLDERS

30%	VERY HIGH	<ul style="list-style-type: none"> <li>● Culture of diversity and equality</li> <li>● Positive impact on the community</li> <li>● Energy efficiency and commitment to green energy</li> </ul>	<ul style="list-style-type: none"> <li>● Talent management and professional development</li> <li>● Protection of human and labor rights*</li> <li>● Carbon footprint and climate change**</li> </ul>
	HIGH	<ul style="list-style-type: none"> <li>● Responsible alliances and dialogue with stakeholders</li> <li>● Transparency and fight against corruption</li> <li>● Innovative services</li> <li>● Responsible water management</li> <li>● Sustainable hotels***</li> </ul>	<ul style="list-style-type: none"> <li>● Ethical commitment and good governance</li> <li>● Customer experience and loyalty</li> </ul>
	MEDIUM	<ul style="list-style-type: none"> <li>● Raising customer awareness about sustainability</li> <li>● Support to art and culture</li> <li>● Responsible value chain</li> <li>● Corporate volunteerin</li> </ul>	<ul style="list-style-type: none"> <li>● Employee engagement</li> <li>● Promotion of youth employment</li> </ul>
	MEDIUM	HIGH	VERY HIGH

RELEVANCE FOR THE BUSINESS

● RESPONSIBLE BUSINESS ● PEOPLE ● PLANET

\*Includes protection of Human Rights and the fight against abuse and human trafficking.  
 \*\*Includes all projects related to reducing emissions and programs or campaigns against climate change.  
 \*\*\*Includes environmental certificates for hotels, awareness-raising, waste management, sustainable mobility and protection of biodiversity.

# RESPONSIBLE BUSINESS

In its commitment to Responsible Business, NH Hotel Group manages its operations and its hotel services based on a responsible value chain, dialogue with its stakeholders, promoting responsible alliances with other organizations and a strong ethical commitment.



## Dialogue with stakeholders

NH Hotel Group holds a constant and fluid dialogue with its stakeholders, through multiple channels and formats, with the aim of keeping the Company up-to-date about new demands and needs, and also of responding better to stakeholders' concerns and opinions.

In recent years, social media have become an essential channel for relations with customers and society. Furthermore, for NH Hotel Group other channels are also very important in ensuring stable relations with its stakeholders, such as customer and employee satisfaction surveys or regular meetings with other stakeholders, such as shareholders, suppliers, employee representatives and third-sector agents.

## PROTECTION OF HUMAN RIGHTS

NH Hotel Group is committed to upholding human rights and works to prevent and manage the risks associated to the breach of such rights. This is set out in the Corporate Responsibility Policy and in the Company's Code of Conduct, which states its goal of leading the sector's commitment to ethics, the protection of Human Rights and the fight against abuse and human trafficking.

Furthermore, as a member of the United Nations Global Compact, NH Hotel Group supports and contributes to the Sustainable Development Goals-SDG-.

Another global framework of reference for NH Hotel Group is the Global Code of Ethics for Tourism, approved in 1999 by the Assembly of the United Nations World Tourism Organization (UNWTO). The Code sets out a set of 10 principles designed to guide key players in tourism development, and aims to help maximize the sector's benefits while minimizing its impact on the environment, cultural heritage and local communities.

Accordingly, in September 2012, the Company signed up to ECPAT (End Child Prostitution, Child Pornography and Trafficking of Children for Sexual Purposes) for the protection of children against sexual exploitation in tourism, also promoted by the UNWTO and UNICEF.

Possible breaches of Human Rights are managed by the Internal Audit Department, which is responsible for handling the Group's Whistleblowing Channel, included in the NH Hotel Group Code of Conduct (codeofconduct@nh-hotels.com). In 2018 no complaints were received related to a possible breach of human rights.

NH Collection Köln Mediapark  
Cologne, Germany

GRI 102-43





## INITIATIVES FOR THE PROTECTION OF HUMAN RIGHTS

The Group 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 organization establishes four main goals which include the protection and promotion of human rights, a goal which NH Hotel Group subscribes to and supports.

In 2018, the 16 NH Hotel Group hotels located in Mexico started a voluntary process to sign up to the National Code of Conduct for the protection of children and young people in the travel and tourism sector, which aims to prevent and combat human trafficking with special emphasis on child exploitation, promoted by the Tourism Secretariat of the Government of the Republic (SECTUR). Training will also be offered to employees in the prevention of human trafficking and child exploitation.

## RESPONSIBLE ALLIANCES

### GLOBAL COMPACT

Since 2006, NH Hotel Group has been a member of the United Nations Global Compact and regards its 10 principles and the Sustainable Development Goals -SDG- as the framework of reference to design the strategy and management of the Company's Corporate Responsibility.

### WORLD TRAVEL & TOURISM COUNCIL (WTTC)

This prestigious international forum for the travel industry brings together the leading companies in the sector at global level and works with governments to create awareness of the travel and tourism industry.

### INTERNATIONAL TOURISM PARTNERSHIP (ITP)

World platform that brings together leading international players from the hotel sector in Corporate Responsibility. In 2018, ITP and its members have continued to work on their most ambitious plans to establish four common goals concerning carbon emissions, water shortage, human rights and youth unemployment. The agreement in these areas aims to complement the companies' individual goals, believing that the most significant impact in these matters of responsibility, which are the most urgent issues facing the industry at present, can only be achieved by working together.

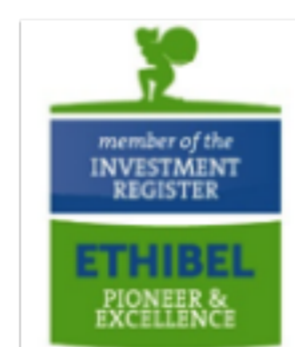


## PRESENCE IN SUSTAINABILITY INDEXES



### FTSE4GOOD

FTSE4GOOD is an index created by the London Stock Exchange to help investors include environmental, social and corporate governance (ESG) factors in making investment decisions. NH Hotel Group became part of this index in 2013 and renewed its presence in 2018 thanks to the responsible management of the business and the improvements made.



### ETHIBEL EXCELLENCE INVESTMENT REGISTER

This is an index that brings together companies from different sectors that are leaders in Corporate Social Responsibility. The presence of NH Hotel Group shows the Company's good performance, above the average for the sector, and acts as an incentive to Socially Responsible Investment (SRI) among investors and funds.



### CARBON DISCLOSURE PROJECT (CDP)

The CDP Climate Change Program recognizes the efforts made by leading global companies in the battle against climate change.

In the last report for 2018, the Company obtained a rating of A- in the Climate Index, which places NH Hotel Group among the leading companies in taking measures to reduce emissions effectively, showcasing an advanced environmental management. This result places the Company above the average for its sector of activity and its region.



## RESPONSIBLE VALUE CHAIN

NH Hotel Group's relations with its suppliers are based on communication and transparency, in order to promote the development of innovative and sustainable solutions.

NH Hotel Group uses its Electronic Negotiation Platform in most bidding processes. This tool makes it possible, through the RFI (Request for Information) phase, to assess and analyze the legal, financial, environmental, operational and social and labor situation of suppliers who submit bids for contracts. This reduces the possible risks that suppliers could generate in future operations with the Company. For this initial assessment, specific documentation has to be submitted providing evidence of the veracity of the information provided.

This preliminary assessment is complemented with a subsequent screening that is intrinsic to the contract award process, based on compliance with the technical requests shown in the RFP (Request for Proposal). In this part of the process, suppliers have to accept both the Group's Code of Conduct and the Code of Conduct of Coperama - NH Hotel Group's central procurement service for hotels - which includes environmental and labor commitments.

Subsequently, as part of the Approval Contract, the SLA (Service Level Agreement) is applied which penalizes any deviation in the service offered by the supplier.

During 2018, electronic tenders worth € 52,744,669 were carried out, 5% less than the previous year.

### PROCUREMENT POLICY

NH Hotel Group establishes a Procurement Policy that ensures that all contract bidding processes are carried out under the same criteria of transparency, rigor and equality of opportunity.

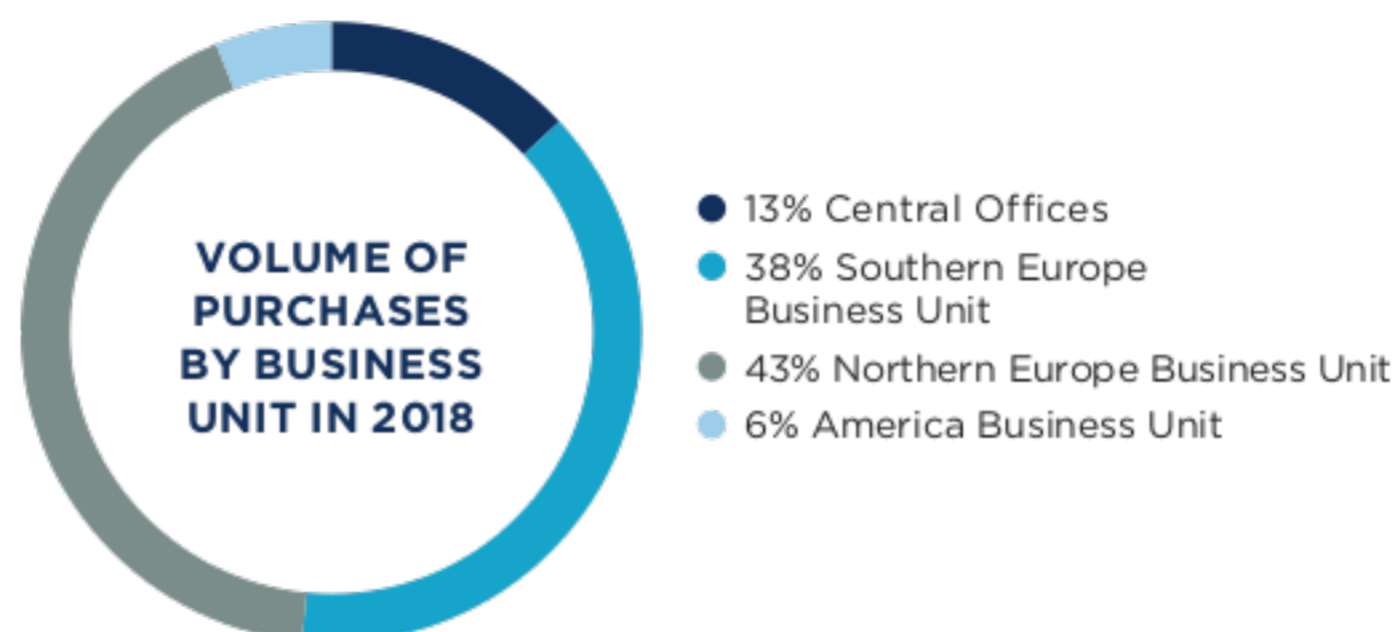
In 2018, the Award Committee participated in a total of 16 processes, mostly for hotel refurbishments. The Company has implemented a strict and detailed procedure for assessing and selecting new suppliers, based on social, ethical and environmental criteria.

The aim is to gain in-depth knowledge of the behavior and practices of NH Hotel Group's suppliers, selecting only those that, in addition to offering the best negotiating conditions, share the Company's principles and commitments as described in the Code of Conduct.

### NUMBER OF SUPPLIERS BY BUSINESS UNIT IN 2018

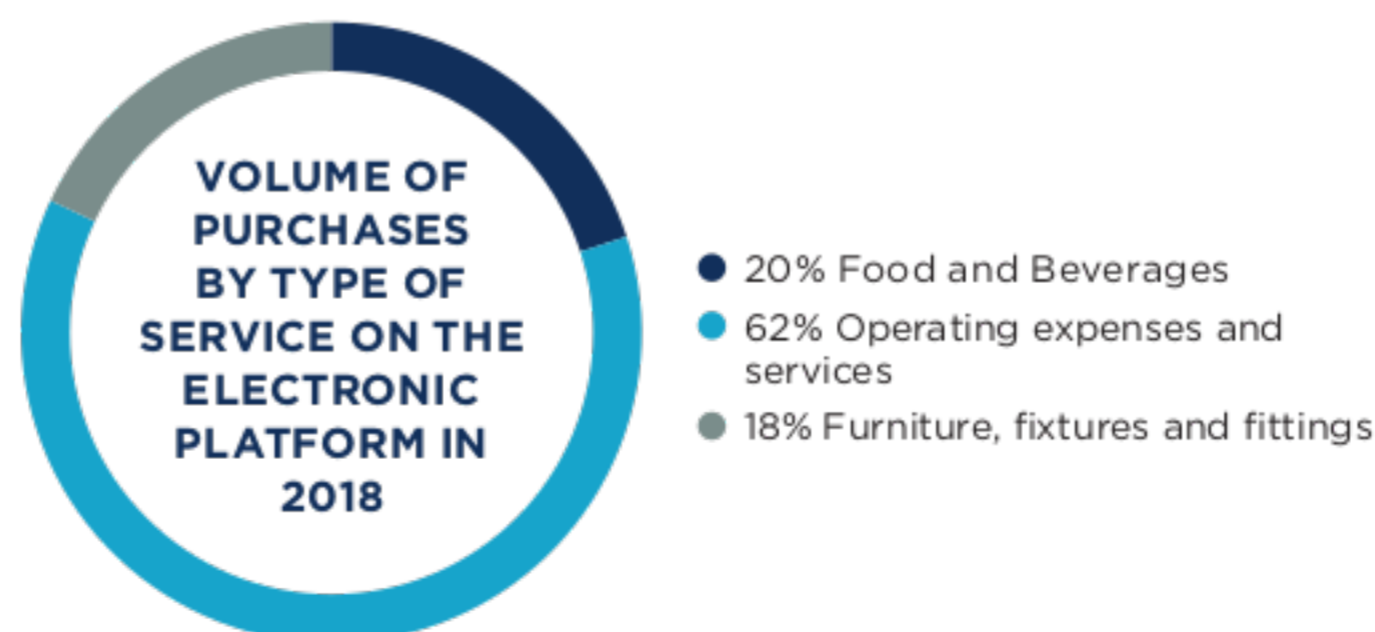
Southern Europe Business Unit	6,066
Northern Europe Business Unit	6,071
America Business Unit	3,200

*The sum of the number of suppliers differs from the total number of suppliers, since the same provider can serve more than one BU.*



### VOLUME OF PURCHASES BY BUSINESS UNIT AND % OF TOTAL

Central Offices	€ 75,316,822	13%
Southern Europe Business Unit	€ 222,277,127	38%
Northern Europe Business Unit	€ 245,378,833	42%
America Business Unit	€ 35,319,018	6%
<b>TOTAL</b>	<b>€ 578,291,800</b>	



### VOLUME OF PURCHASES BY TYPE OF SERVICE ON THE ELECTRONIC PLATFORM AND % OF TOTAL

Food and Beverages	€115,383,040	20%
Operating expenses and services	€360,730,334	62%
Furniture, fixtures and fittings	€102,178,426	18%

**578.29M€**  
ANNUAL PURCHASE VOLUME  
(EXPENSE + INVESTMENT) IN 2018

**407.20M€**  
**70%**  
TOTAL VOLUME NEGOTIATED BY THE  
PROCUREMENT DEPARTMENT AT  
GLOBAL LEVEL IN 2018

**15,141**  
NATIONAL AND INTERNATIONAL  
SUPPLIERS IN 2017

**94%**  
OF THE PURCHASE VOLUME  
IS CONCENTRATED IN THE  
EUROPEAN BUSINESS UNITS

**89.9%**  
OF PURCHASES IN 2018  
CORRESPOND TO LOCAL  
SUPPLIERS

**76%**  
OF THE PURCHASE VOLUME  
COMES UNDER OPERATING  
EXPENSES AND SERVICES

## ETHICAL AND SOCIAL APPROVAL OF SUPPLIERS

### Human Rights in the Supplier chain

In 2018, a total of 253 new suppliers worldwide signed up to the NH Hotel Group Code of Conduct. Thus, in 2018 the number of Ethical Codes signed with active suppliers totaled 1,646.

Furthermore, in 2018 the NH Hotel Group Compliance Committee approved the Code of Conduct which defines the values, principles and rules that are to govern the ethical and responsible behavior and actions of all suppliers.

This Code will apply to all suppliers that have signed an Approved Supplier Agreement with the Coperama Group - NH Hotel Group's central procurement service for hotels - and that are involved in the sale, manufacture, marketing, distribution and delivery of products and services for the establishments and hotels that contract directly with the supplier.

This framework for conduct promotes compliance with the principles related to respect for human rights, employee rights, ruling labor law, the prohibition of child labor and forced or coerced labor, the elimination of discriminatory practices, compliance with labor, health and safety and occupational risk prevention conditions and the fight against fraud, bribery and corruption, among others.

Furthermore, a specific communication channel will be set up to report, process and manage complaints (codeofconduct@coperama.com). The procedure for reporting and handling complaints and possible breaches of the Code of Conduct will be administered by the Group's Senior Vice President of Auditing.

### Environmental commitment

Since 2015, NH Hotel Group has assessed its suppliers according to a series of parameters associated with environmental management, the protection of the environment, carbon footprint reporting, or alignment with the Sustainable Development Goals (SDG), through a Supplier Qualification module in the Electronic Negotiation Platform.



NH Collection Grand Hotel Convento di Amalfi  
Amalfi, Italy



## PEOPLE: CUSTOMERS

NH Hotel Group provides an excellent service and an innovative offer, and invites its customers to participate and get involved in ethical, social and environmental commitments.

**nh** ROOM 4 PEOPLE

## NH EXPERIENCE

In the 2017-2019 Strategy, NH Hotel Group has identified the need to believe in the intrinsic value of each of its brands. It therefore seeks to pursue maximum efficiency in media investments and an improvement in the customer experience with the development of Guest Intelligence analysis tools, detecting the “moments of truth” and providing support to an experience undergoing continuous redesign and implementation and acceptance monitoring.

In recent years, as a result of the Company’s new business strategy, the quality bases that characterize NH Hotel Group have been laid down. In 2014 the operational promises of NH Collection, NH Hotels, nhow and NH Meetings were consolidated. In 2015 the Company continued to implement the product and service standards established for each brand, following their respective roadmaps and the guarantee that they would contribute a sound added value and a new experience. Since 2016, the improvement in innovation and the NH experience have been consolidated with the aim of extending the range of products and services offered for each of the brands.

## BRILLIANT BASICS

The items that make up the rooms basic offer – beds, televisions, showers, pillows ... – for the Group’s hotels are known as Brilliant Basics. In 2018, a total sum of 4.95 million euros was allocated to these items to continue improving the Company’s quality and comfort standards.

Since 2014, a total of 267 hotels have participated in the initiative, reaching totals in 2018 of 40,000 beds replaced, 34,000 television sets, 37,000 rain-effect showers, 26,000 duvets, 110,000 pillows and 20,000 professional hairdryers.

In addition, 1.46 million euros was allocated to Brilliant Basics for Meetings and Events (M&E) in 23 hotels, a project that seeks to ensure the best experience for customers who use the meeting rooms in hotels, upgrading the equipments and renovating its standards.

## MOOD ROOM

In 2018 NH Hotel Group tested this new room concept which, thanks to domotics, is capable of transforming its atmosphere to adapt to each guest's mood, making their stay an unforgettable experience.

The Company launched a pilot in the NH Collection Madrid Eurobuilding (Spain), which helped to confirm many guests' preference for this innovative type of room, capable of transforming the atmosphere by adapting to up to 9 different scenarios, thanks to the implementation of the most modern technologies in lighting, sound, domotics and temperature control.

The pilot was also launched at the NH Collection Berlin Mitte (Germany) and, for 2019, work is being done so that this concept can become a reality in the new nhow Amsterdam RAI (The Netherlands).

## FASTPASS

In 2018 NH Hotel Group launched the **FASTPASS** project, which aims to offer guests complete control over their stay, thus improving their experience and making it possible to personalize the services offered in real time.

With this program, the Company once again leads the way with regard to technological innovation in the hotel sector and becomes the first urban hotel chain in Europe to offer online check-in, choose your room and online check-out services simultaneously for all its guests.

**FASTPASS** is the result of a thorough study of the performance of systems and the implementation of new ways of working. But, above all, it is the result of the great work done by all the NH Hotel Group teams that have worked on developing it.

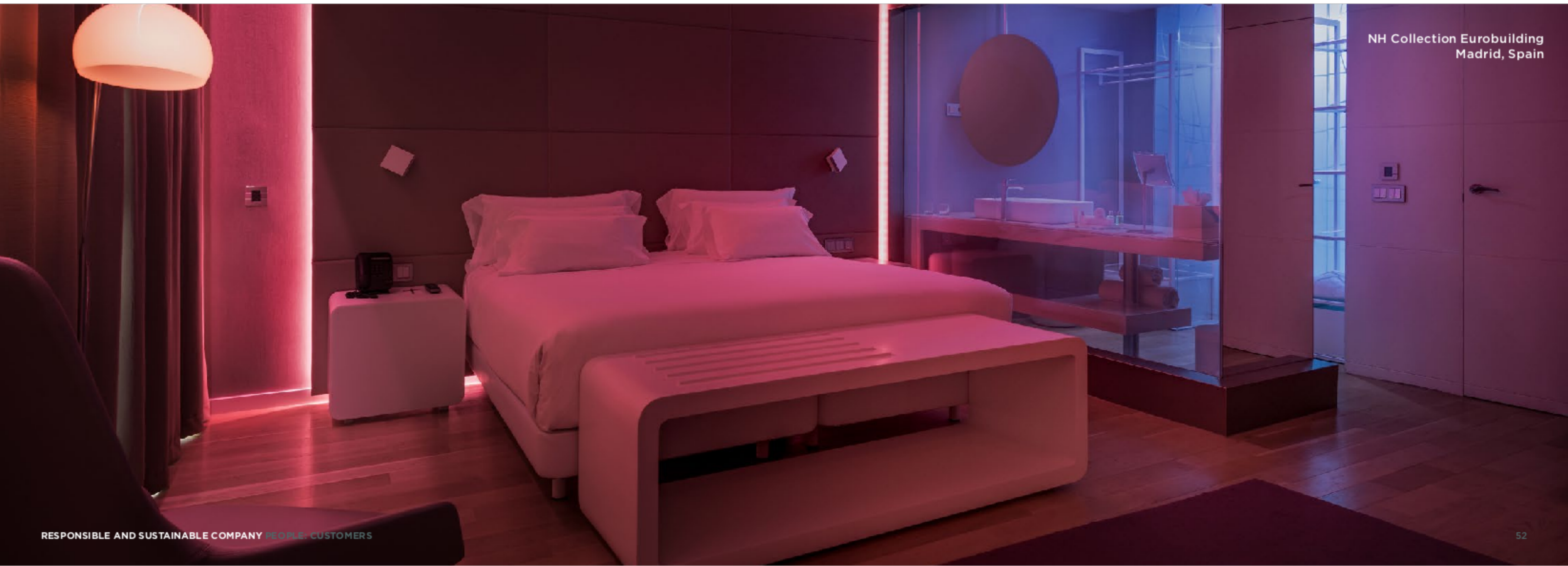
During the online check-in process, guests will benefit from the "choose your room" service which will let them consult all the available rooms and select the one best suited to their taste and needs. They can also check out online, enabling them to leave the hotel without having to pass through reception.

To inform customers of these new services, the Company carried out a major communication campaign in 2018 featuring the claim "Get the power of your stay". This is the most significant campaign the Company has carried out where, in addition to a wide range of online and offline creative formats, the central item was a television and online ad in 8 languages.

## LOBBIES ALIVE

This is a concept for the transformation of the lobby from a place to pass through to the place to be, with different areas: an area to relax with an open fire, suitable for reading, a leisure area, a work area complete with business corner, computer and printer and an F&B area open to the entire lobby offering a drink or snack to any area at any time.

The project was implemented in 2018 at the NH Madrid Nacional (Spain) and in the course of 2019 it will be implemented in other hotels -NH Collection Milano Touring (Italy), NH Dusseldorf City (Germany), NH Gent Belfort (Belgium) and NH Buenos Aires 9 de Julio (Argentina) -, with the intention of turning the lobbies of these hotels into benchmark establishments in their cities.



NH Collection Eurobuilding  
Madrid, Spain

## WHATSAPP & FACEBOOK MESSENGER

The WhatsApp & Facebook Messenger service is available at the hotels of the NH Collection and nhow brands, and provides Guest Relations personnel of the hotel with a new, direct and very easy-to-use communication channel with customers. Contact is through a professional platform that lets these channels be used from the computer.

In 2018 this service was implemented in 73 hotels NH Collection and nhow and will be extended to other hotels throughout 2019.

## PRESSREADER: DIGITAL ACCESS TO NEWSPAPERS AND MAGAZINES

A global agreement has been reached with PressReader, newspaper and magazine distribution and publishing digital platform, that allows guests to enjoy the full contents of newspapers and magazines free of charge throughout their stay on their tablet, laptop or smartphone.

The platform contains more than 7,300 publications in more than 100 languages and is very easy to use. On arrival at the hotel, all the guest has to do is connect to the Wi-Fi, open PressReader and enjoy reading. The initiative also favors the environment, thanks to the suppression of newspapers and magazines in paper format. At present, 74 of the Company's hotels have this offer.

## EXPERIENCE COMMUNICATION

Experience Communication is a landing in the webpage for communicating what a person will feel and experience on visiting our hotels, showing new services and innovation projects. It also allows the Company to create an internal culture of customer experience and have a repository of content for global use (Business Units, Hotels...) when talking about the experience at NH.

## HOTELS THAT ARE MORE AND MORE ACCESSIBLE

As a result of NH Hotel Group's commitment to integration and accessibility for customers on its premises, there are 291 hotels distributed over all the Business Units that have elements adapted to special needs

- 288 hotels with disabled access lifts
- 195 hotels with rooms that have wheelchair access
- 1104 rooms adapted for people with a physical disability
- 249 hotels with adapted bathrooms
- 242 hotels with disabled parking facilities
- 311 hotels with communal areas adapted for people with a physical disability

NH Hotel Group continues to work towards making all the Company's hotels accessible.



## GASTRONOMIC INNOVATION

NH Hotel Group is committed to offering high quality gastronomy and the latest trends in the sector, and therefore the Company is constantly in the process of innovating and developing exclusive gastronomic standards. Furthermore, processes are implemented that combine local and global values that will serve to enrich the services offered to customers. Some of these processes that have been consolidated throughout the Company in 2018 are:

- M&E Tempting breaks, including the Healthy Corner and Sweets Corner
- Minibar, with new contents to raise quality
- Breakfast Juice Corner, with healthy shakes and freshly squeezed juice on request
- Memorable Element, which offers a surprise smoothie every day
- Regional Corner at breakfast, offering special local products
- Welcome Corner, offering a fresh and healthy welcome to guests arriving at the hotel

During 2018, NH Hotel Group has continued to renew the breakfast service, the Company's best-known service, enhancing its values of a warm welcome and the use of local products. Accordingly, breakfast includes a great variety of products and a wide assortment that combines local and global values, offering more than 110 different products on a daily basis. Aware of the importance of healthy and sustainable food, the Company includes gluten-free, organic, low-sugar, low saturated and trans-fat products.

The Company also favors high-quality products (oils, salts, cured meats...), artisanal products (gourmet pastries, organic yoghurts, ...) and personalized customer care and service. An example is the relaunch in 2018 of Kids Corner, where with the help of the characters Nico and Hanna, NH Hotel Group wants to promote the importance of a balanced diet featuring healthy and nutritious foods among its youngest guests.

NH Hotel offers an outstanding gastronomic experience provided by 12 Michelin-starred chefs:

- Dabiz Muñoz, 3 Michelin stars with DiverXO at NH Collection Eurobuilding
- Jacob Jan Boerma (3 Michelin Stars), advisor chef in The White Room, NH Collection Gran Hotel Krasnapolsky
- Paco Roncero, 2 Michelin stars with La Terraza del Casino
- Chris Naylor, 1 Michelin star with Vermeer at NH Collection Barbizon Palace
- Arturo Dalhuisen, 1 Michelin star with White Room at NH Collection Grand Hotel Krasnapolsky.
- Miguel Barrera, (1 Michelin Star), advisor chef in Re Levante NH Mindoro
- Marcos Morán (1 Michelin Star), advisor chef in Hispania Brussels, NH Collection Grand Sablon

Furthermore, the company's own projects have been designed and developed during 2018 in various restaurant and bar locations to improve the Company's value and service proposal, such as Tablafina (a Gastrobar implemented at locations such as Milan, Madrid, Barcelona or Seville), Kukuarri (gastronomic restaurant in San Sebastián) or Suite&Tea (recently opened Gourmet Cafeteria in Madrid).

In 2018 NH Hotel Group was recognized by the Spanish Royal Academy of Gastronomy for its leading role in innovation and for its contribution in the world of hotel cuisine.





## QUALITY MANAGEMENT SYSTEM

With the implementation of different projects in 2018 and thanks to the Company's Integral Quality Management system, perceived quality ratings among NH Hotel Group customers have maintained the trend shown in 2017. These results come from a customer-focused culture of change which adapts rapidly to the variable needs of the market.

NH Hotel Group created a Single Customer Service Center, combining Customer Care, NH Rewards and the VIP Desk, which has been consolidated in 2018, extending its capacity for response and improving the level of service.

### Single Customer Service Center Tools

- **SAP: TMS4 Customer Care**

This is a module that lets any interaction with customers be recorded, from the time the complaint is received. Customers can manage their complaints through multiple channels: e-mail, telephone, website, hotels, social media...

The types of contact are divided into comments or suggestions, complaints, congratulations, requests, claims or technical incidents.

- **Quality Focus**

Every week data is drawn from the satisfaction surveys received, identifying those managed by Customer Care.

Depending on the type of comment received, the type of response varies from direct interaction with the customer, by e-mail or telephone, to a standard e-mail response for neutral comments.

In addition, in the course of 2018 we have improved our quality network with a new role known as "Quality Influencers", quality ambassadors at NH, who provide support to the Quality Directors in the different Business Units, with the aim of improving the quality of service and satisfying customers' expectations.

### Evolution of quality measurement tools in 2018

An essential part of the customer experience continuous improvement process is monitoring perceived quality and the action plans that have been put in place. A significant example of a measurement tool is Quality Focus Online that makes it possible to monitor customer reviews through internal and online channels.

Notable among the main improvements in the tool in 2018 is the integration of a new module for comparisons between NH hotels in order to identify the best and worst performing hotels. A number of technical improvements have also been made, and new features have been brought into use that improve the end user's experience.

The Customer Care area has managed to reduce response time from 72 to 48 hours in 93% of the communications received in 2018. The target set and which it works towards every day is a maximum of 24 hours. This reduction, together with direct interaction by hotels, Managers, Guest Relations personnel and Heads of Reception through Quality Focus, has contributed to faster and more effective solutions. The Company continues in this way to focus on customers and their satisfaction.

In 2018 the Customer Care area has handled a total of 11,191 claims or contacts (whether complaints, requests, suggestions, congratulations...); this represents a 41% reduction in contacts handled by this area compared to 2017. It should also be noted that in 2018, 17% fewer complaints made through Customer Care were recorded.

To maintain the Company's high standards in relation to quality and customer satisfaction, the heads of quality of each NH Hotel Group Business Unit visit practically all the hotels, mainly those where areas for improvement have been identified, in order to implement the necessary corrective actions.

The main tool for carrying out quality control in the hotels of NH Hotel Group through a smartphone is an app called Iristrace, which has continued to be used in 2018. Furthermore, with the intention of understanding its guests better every day, the Company has continued to use the services of Trust You, which it started to use in 2017. This is a semantic analysis tool that makes it possible to have greater visibility of what customers are saying about NH Hotel Group and which has helped to identify the main areas for improvement both in terms of service and product.

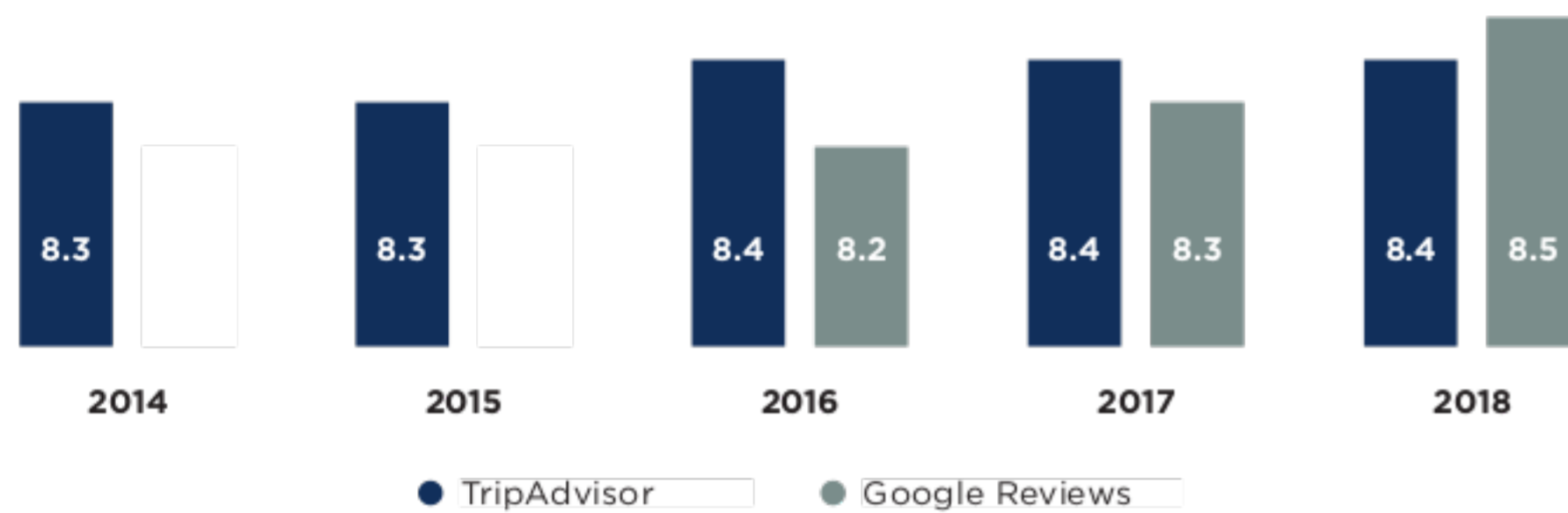
### Impacts on visibility and perception of Quality

The overall perception of the Company's quality has remained stable compared to last year, with a score of 8.4.

These results have driven the Company's visibility forward, especially on Google, where the Company's overall score has increased from 8.3 in 2017 to 8.5 in 2018.

As far as the NH brands are concerned, NH Collection continues to consolidate its success in terms of customer rating, quality perception and visibility. The hotels of this brand have maintained their average score of 8.9 (average of internal NH questionnaires and online ratings).

### VISIBILITY OF NH HOTELS ON TRIPADVISOR AND GOOGLE 2014-2018



### KEY QUALITY INDICATORS

Key Quality Indicators	2017	2018	Diff. (%)
<b>NH survey rating (scale of 1 to 10)</b>			
General	8.5	8.5	0.0
Service	8.9	9	0.1
No. of NH survey ratings*	179,438	114,753	-64,685
<b>Online survey rating (scale of 1 to 10)</b>			
General	8.4	8.4	0
Service	8.5	8.6	0.1
No. of online survey ratings	448,775	499,110	50,335

\*Volume of NH survey ratings not comparable due to the effect of the General Data Protection Regulation (GDPR) coming into effect.



NH Collection Victoria La Habana  
Havana, Cuba



## COMMUNICATION WITH CUSTOMERS

Direct contact with customers is key in order to offer them personalized services and make their experience with NH better and better. In 2018, almost 200 million e-mails were sent to customers.

### RELAUNCH OF THE NH REWARDS PROGRAM

Generating value for our customers is part of NH Hotel Group's DNA, and our NH Rewards loyalty program is a key tool in achieving this.

In 2018 there were more than 9 million members of NH Rewards and, with the constant aim of improving, the program was relaunched with a renewed image and with new and greater benefits to reward the most loyal customers every time they stay at the Company's hotels.

With this loyalty program, the innovation policy and constant improvement in establishments, NH Hotel Group aims to continue to be a benchmark in the sector, not just in Spain but in all the destinations where it is present.

In 2018 a total of 133 million e-mail marketing campaigns were sent to NH Rewards members, which shows NH's commitment to day-to-day relations with its customers. Furthermore, in line with transparency in the processing of personal data, the Company's Privacy Policy was updated in 2018.



## RESPONSIBLE GUESTS

In its commitment to sustainability, NH Hotel Group seeks to include and engage its customers in its Corporate Social Responsibility initiatives, whether by generating opportunities to contribute socially or by promoting environmentally responsible behavior.

An example of these inclusive actions is the NH Rewards program's UNICEF donation project, in which members donate their NH Rewards to UNICEF. In 2018 this project raised 23% more than in 2017.

The Company also provides its guests with charging points for electric cars and an eco-friendly service to ensure that meetings and events held in the hotels have a minimal environmental impact, as well as offering the possibility of them being carbon-neutral.



## IMPROVEMENT IN DIRECT SALES CHANNELS

The growth in business generated through the NH Hotel Group website since its relaunch continues. In the last 24 months, it has grown by more than 16%, backed by the contribution in 2018 of the nhow brand (20% more) and the Latin America region (34% more). Growth in the business to business segment is also notable, which has grown by more than 35%.

This growth has meant that for yet another year, a record has been broken in terms of the website channel's contribution to the revenues of NH Hotel Group, with revenue per room remaining at similar levels to 2017.

## MARKETING OF SERVICES IN OTHER CHANNELS

NH has helped to market its products through 13 sites and microsites, using more than 15 languages or language localizations.

This personalization, combined with the systematic application of techniques to improve conversion, with more than 300 experiments in 12 months, have enabled us to obtain conversion improvements on all devices (desktop, mobile and tablet) of between 4% and 14%.

### NH HOTEL GROUP APP

The NH Hotel Group app and its approach go beyond being a basic service tool for customers.

In line with the Company's innovative spirit, the mobile app is used as a key differential tool and as a laboratory, to then launch new concepts massively on multiple devices, such as the launch of the **FASTPASS** service described above.



# PEOPLE: EMPLOYEES

NH Hotel Group takes care of its employees and seeks their commitment to and engagement with the Company's Corporate Responsibility, so that it is an integral part of their daily activities. It does this through fluid communication and by recognizing their responsible commitment.



In the business strategy of NH Hotel Group, the corporate culture is a key factor. For this reason, dialogue with employees is based on fluid communication. The Company encourages employees to invest in their professional development in a diverse environment and with equality of opportunities.

Under the premise "our shared beliefs and therefore, our behaviors, define who we are", NH Hotel Group has laid down the foundations of its internal culture with the aim of helping to achieve the goals of the Strategic Plan by promoting a change towards a leadership model.

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

## HUMAN RESOURCES STRATEGY

Implementation of the Company's HR Strategic Plan was completed in 2018. This plan is based on 3 main pillars: Global Leadership and Talent Management, Top Performance and Best Place to Work, and Transformation and Reinvention.



## GLOBAL LEADERSHIP AND TALENT MANAGEMENT

Preserving the Company's future by involving the best employees and by identifying and developing the most talented people in NH Hotel Group, using competitive tools and mechanisms to guarantee talent retention and commitment.

## TOP PERFORMANCE AND BEST PLACE TO WORK

Becoming a company that is recognized as the Best Place to Work based on the high level of commitment of its employees, its active contribution to achieve this, rigor to differentiate and recognize high performance and to increase recognition as an attractive employer.

## TRANSFORMATION AND REINVENTION

Seeking, evaluating and taking advantage of opportunities to be more efficient (outsourcing, digitalization...), developing our working environment and acquiring advanced predictive analytical skills.

All the above is achieved with clear policies and processes, fulfilling promises in a proactive manner, supporting, developing and implementing NH Hotel Group's operational model, and controlling staff costs and related budget items.

Similarly, in 2018 the Human Resources team has continued to consolidate the strategic lines of work based on each of these pillars, which are especially relevant in putting the Company's strategy into practice.

## HUMAN RESOURCES STRATEGIC ACTIONS IN 2018

- Continuity of the Management Committee by drawing up a Succession Map
- Excellence of key operating functions, through the implementation of a Development and Succession Plan
- Fostering performance and growth of Hotel Managers through a Development Program
- Reinforcing employees' commitment to the Company's project through permanent focus on improving their satisfaction and engagement
- Attracting potential new employees, through an Employer Branding Program
- Performance-based pay remuneration policy

Human Resources has also focused on leading or co-leading interdepartmental strategic projects with the Operations and Finance Departments, such as guaranteeing and controlling the quality of HR data or completion of the operating model. Work has also been done during the year on defining the new HR Strategic Plan 2019-2023, subject to approval by the Board of Directors to start implementing it in 2019.

## NH HOTEL GROUP EMPLOYEES BY BUSINESS UNIT IN 2018

BUSINESS UNIT	2018	2017	Diff. (%)
HQ and CRO	471	466	1.2%
Northern Europe Business Unit	5,209	5,098	2.2%
Southern Europe Business Unit	6,000	6,126	-2.0%
America Business Unit	5,886	7,184	-18.1%
<b>TOTAL</b>	<b>17,567</b>	<b>18,874</b>	<b>-6.9%</b>

FTE (Full-Time Equivalent) data obtained for all contract types (except Outside Labor, Extra Labor and Trainees) considering hotels under ownership, rental, management and franchise (excluding data on Venezuela in the America Business Unit)

The slight increase in the Corporate offices and the Northern Europe Business Unit is related to the increase in occupancy and revenues in 2018. There has been a slight decrease in the workforce for the Southern Europe Business Unit, caused by the departure of the Hesperia hotels. Finally, the difference in the America Business Unit is due to the absence of data on Venezuela for 2018.

## CULTURE OF DIVERSITY AND EQUALITY

NH Hotel Group's corporate culture is based on the pillars of diversity and equality.

Thus, the Company's 17,567 employees in 2018 are of 131 different nationalities, and 13.4% of them work in different countries from their country of origin.

Furthermore, 47% of the total number of employees are women, who hold 42.5% of the total management positions.

As far as age is concerned, in 2018 the percentage of employees between 25 and 40 years old was 48.9%, while those under 25 years old represented 16.8% and those over the age of 40 totaled 34.5%.

	2018	2017
Average turnover	29.5%	21.9%
Immigrants	13.4%	11.3%
Female employees	46.9%	46.7%
Female management employees	42.5%	45.9%
Employees aged under 25	16.8%	14.8%
Employees aged 25 to 40	48.9%	49.6%
Employees aged over 40	34.5%	35.7%
Nationalities	131	134

### PROMOTING JOB STABILITY

NH Hotel Group promotes job stability, especially for women and employees under 40 years old. Thus, in 2018, 75% of average contracts with female employees for workplaces in the consolidated perimeter are permanent. Furthermore, 75% on average of employees from 25 to 40 are under permanent contracts.

ANNUAL AVERAGE TYPES OF CONTRACT BY GENDER IN 2018		
	Women	Men
Annual average temporary contracts	1,650	1,549
Annual average permanent contracts	5,079	4,776
<b>Total</b>	<b>6,729</b>	<b>6,325</b>
Annual average part-time contracts	960	401

Information corresponding to NH Hotel Group data for workplaces in the consolidated perimeter.

### ANNUAL AVERAGE TYPES OF CONTRACT BY AGE IN 2018

	Under 25	25 to 40	Over 40
Annual average temporary contracts	1,100	1,470	618
Annual average permanent contracts	521	4,476	4,814
<b>Total</b>	<b>1,621</b>	<b>5,946</b>	<b>5,432</b>
Annual average part-time contracts	184	510	656

Less than 1% without age data.

- Information corresponding to NH Hotel Group data for workplaces in the consolidated perimeter
- Part-time contracts are a type of contract for both temporary and permanent contracts
- Retired employees who work part-time are considered to be a type of temporary contract

### OPPORTUNITIES IN DIVERSITY MANAGEMENT

The salary of women at NH Hotel Group in 2018 represented 90% of the gross hourly salary for men; the average gross hourly salary is 15 euros for men and 14 euros for women.

### WOMEN'S SALARIES AS A PERCENTAGE OF MEN'S SALARIES BY PROFESSIONAL CATEGORY IN 2018 (%)

<b>Top Management</b> Central Services/Corporate Offices: Chief Officer, Senior Vice-President, Vice-President, Senior Director and Regional Director Hotel: Manager and Deputy	74
<b>Middle Management</b> Central Services/Corporate Offices: Director and Manager Hotel: Department Heads	95
<b>Staff</b> Central Services/Corporate Offices: Executive, Staff and Assistant Hotel: Rest of hotel positions	102
<b>Total</b>	<b>90</b>

Information corresponding to NH Hotel Group data for workplaces in the consolidated perimeter.

This first analysis of the diversity of the NH Hotel Group workforce and salary differences within different groups has allowed us to confirm aspects that were already known such as the positive presence of women at all levels of responsibility in the Company.

However, it has also served to identify that in certain cases the salary gap increases as the level of responsibility of employees increases and as their career progresses. This situation offers a great opportunity to carry out an analysis in greater depth of the different groups of employees, not just women, and establish as a priority to continue with a long-term project of real management of employee diversity in all aspects, and support their professional development within the Group.



## EMPLOYEE ENGAGEMENT

Throughout 2018 NH Hotel Group continued to work in the context of the NH Engagement Commitment by implementing actions based on the results of the Engagement Survey 2016.

The teams responsible for working on engagement at each workplace carried out action plans with the aim of improving the work climate. The main actions in place at hotel level in the different business units were concerned with communication; career, training and development; sustainable commitment and corporate responsibility.

### COMMUNICATION

At certain hotels, the use of employee noticeboards has been extended to all departments, so that the Company's information is more accessible. Furthermore, the Hotel Manager meets with the team once a month to explain information to them concerning the company and the hotel.

### CAREER, TRAINING AND DEVELOPMENT

Creation of interdepartmental plans to work on empathy and gain a better understanding of each department, with the aim of also improving teamwork.

### INTERNAL RELATIONS

Initiatives have been developed to choose the colleague of the month, with the winner receiving a special prize from the Hotel Manager. At the end of the year, the best colleague of the year was chosen.

### CORPORATE RESPONSIBILITY

Book Day was celebrated in some hotels by selling second-hand books, donated by hotel employees, at the reception. The money raised was donated to a nonprofit organization.

Furthermore, at the corporate offices a third edition of the 'Excellent Performance Recognition Program', was launched, in the framework of the NH Engagement Commitment, to recognize and reward initiatives identified as extraordinary contributions.

### EMPLOYEE ENGAGEMENT SURVEY 2018

The impact of these and other actions has been measured through the Employee Engagement Survey 2018, which was carried out in October.

As in other years, all employees of NH with more than three months' service at the Company at the time of launching the survey, and under both permanent and temporary contracts, were invited to participate.

In this third edition of the survey has been obtained a very high participation rate (87%), which means that the results are very representative and reliable. The Sustainable Commitment score was 79, only one point lower than 2016 but still high score.

**87%**

**RATE OF EMPLOYEE PARTICIPATION  
IN THE EMPLOYEE ENGAGEMENT  
SURVEY 2018**

## INTERNAL COMMUNICATION

For NH Hotel Group, Internal Communication is key in generating and maintaining employee engagement with the Company. The year 2018 has been very important in this regard, as it saw the conclusion of the Internal Communication Plan 2015-2018, with excellent results.

Without doubt new technologies have played a key role in the success of this Plan, as they have continued to evolve with the aim of meeting the challenge of connecting with 100% of employees.

### Main Internal Communication projects

#### App MyNH

2018 has been a key year for the consolidation of the exclusive App for Company employees, reaching 50% implementation by its first anniversary. MyNH lets employees consult the Group's latest news, campaigns, projects or internal vacancies from their mobile devices, while also giving access to the intranet and an internal chat in the hotels. Furthermore, with effect from 2018, employees can make bookings at the employee rate using the App. The approximately number of downloads recorded among employees during this period is 6,000.

#### Tell The World

The Internal Communication Plan has continued to focus on the digital strategy applied to all its environments and channels. The consolidation of 'Tell The World 3.0' as the group's primary Internal Communication channel has led to the exploration of new settings and formats for communicating news and relevant contents for employees. Thus, in 2018 a pilot project for an internal TV Channel called 'Tell The World - Latest news' was launched, the aim of which is the future implementation of this channel in all the Company's hotels, through TV screens located in canteens and communal areas for hotel employees.

In 2018, 120 editions of the Tell The World news bulleting were broadcast in four languages, and more than 48,518 visits were recorded.

#### Town Halls

These innovative conferences, which seek to share the most relevant milestones and initiatives with all employees, reaffirm the commitment of the Senior Management and the main leaders of the different Business Units to Company communication. In 2018, the CEO of NH Hotel Group, Ramón Aragonés, in conjunction with the Management Commitment, lead a total of 4 of these conferences, which could also be followed through live streaming on the platform.

## Change Management Projects

Internal Communication has been consolidated as an essential tool in change management, based on a sound strategic action plan. In 2018 the Company's Transformation Plan concluded, and also one of the great milestones of Internal Communication as a catalyst for change. The internal communication channel designed for sharing progress, achievements and success stories featuring employees, "The TraNHsformation Commitment", published a total of 8 newsletters and 17 videos in 2018.

## EMPLOYER BRANDING: 'FURTHER TOGETHER'

The 'Further Together' employer branding campaign continued to be rolled out in 2018, with the aim of letting both our employees and different external audiences find out, through the voice of our Ambassadors, what it is like to work at NH. The Ambassadors are a group of 10 employees selected from all Business Units who have features in many of the online and offline actions carried out.

The campaign has been communicated mainly using NH Hotel Group's social media profiles on LinkedIn, Twitter and Instagram. In the case of this last social network, the Company has a profile with exclusive employer branding content. Internally, the campaign has also been communicated through the corresponding channels: Tell the World, desktop backgrounds, posters, etc.

In 2018 the number of monthly followers on NH Hotel Group's LinkedIn and Instagram profiles has doubled compared to the last quarter of 2017.

## MEMORABLE DATES

The 'Memorable Dates' event has become fully consolidated in all Business Units. This event marks the most important anniversaries of hotel employees (5, 10, 15, 20 and 25 years) as well their retirement.

Events featuring the employees being honored have been held at all hotels and at central services offices.





## TALENT AND PERFORMANCE MANAGEMENT

### “NEW TIME FOR YOU” PERFORMANCE MANAGEMENT

NH Hotel Group’s performance management system, Time For You (TFY), is aimed at permanent employees who have been with the Company for at least 3 months. In 2018 the New Time For You-NTFY- which was piloted at corporate headquarters and in several hotels in each Business Unit in 2017, has been extended to the entire company.

Starting from this year, the New TFY includes a new formal feedback procedure, the Mid-Year Review, the purpose of which is to monitor the individual development plan, identifying what is going well and what could be improved.



Participation in the Mid-Year Review in 2018 was 82% of the target employees. Regarding to the Annual Review, the participation level was 95,26% of target employees\*, reaching very similar figures to last year (95.55%).

Furthermore, this year the request for feedback for supervisors about the performance of their teams has been promoted, together with the importance of talking to each co-worker about their professional future in NH Hotel Group. In addition, the overall evaluation has gone from 4 to 5 levels, with the aim of differentiating teams’ performance more.

With NTFY, NH Hotel Group continues to work on its leadership culture, promoting more moments of formal feedback during the year, making the process simpler and more in line with the reality of its business, and making employees the leaders of their own development, offering a library of development actions structured around the 70:20:10 learning principle (70% Experience - 20% Exposition - 10% Training) available to them.

\*Information regarding NH Hotel Group data considering fixed employees, global employees and expatriates with more than 3 months in the Company. Dominican Republic, Haiti, USA, China and Venezuela are excluded.

### 360° ASSESSMENT

The 360° assessment process is part of the “Global Leadership and Talent Management” strategic pillar and all hotel managers and assistant managers at global level take part in it. At the end of 2017, the 2nd edition of the process was launched with the purpose of measuring evolution in the development of competences in this key aspect in NH Hotel Group.

A new feature this year was that the peer perspective was, made up of not only hotel managers from the same region, but also coworkers from different areas of central services.

In 2018 participants were invited to group feedback sessions arranged by the Human Resources teams, where they were given their individual results and shown how to interpret them. The results were structured as a workbook that not only compared the results between the two editions, but also included questions for reflection on each aspect. This allowed them to measure their evolution over these two years and work on a new individual development plan, taking into account the results obtained from each point of view (manager, team and peers).

### TRAINING: NH UNIVERSITY

NH Hotel Group has always been committed to the professional development and training of all its employees as a way to put into practice the philosophy of excellence and continuous improvement that inspires its customer service vocation. The Company manages all face-to-face and online training projects through its corporate university, NH University.

In 2018, training was given to 11,556 participants in 509 different training programs, distributed over 946 face-to-face training sessions. A total of 6,160 employees out of the total of 17,567 employees received face-to-face training in 2018, which represents 35% of the total workforce. NH University continues to believe in its internal talent and used 209 in-house trainers in its face-to-face classes in 2018.

In line with the company’s training strategy and continuing with the trend of previous years, this year has seen a high ratio of participation in online training. In total, 12,718 employees received some form of online training during the year, which represents 72% of the total workforce.



**1.7M€**  
TOTAL INVESTMENT  
IN TRAINING IN 2018\*

**81%**  
OF NH HOTEL GROUP'S  
WORKFORCE HAS RECEIVED  
SOME TRAINING

**98,012**  
TOTAL FACE-TO-FACE AND ONLINE  
TRAINING HOURS HAVE BEEN  
COMPLETED

**11,556**  
PARTICIPANTS HAVE RECEIVED  
TRAINING IN  
**509**  
DIFFERENT PROGRAMS

*\*Data corresponding to consolidated perimeter.*



#### EMPLOYEE TRAINING HOURS BY BUSINESS UNIT

FACE-TO-FACE TRAINING	TRAINING HOURS IN 2018
America Business Unit	14,927
Northern Europe Business Unit	27,343
Southern Europe Business Unit	22,746
Corporate	2,733
<b>TOTAL FACE-TO-FACE TRAINING</b>	<b>67,749</b>
ONLINE TRAINING	TRAINING HOURS IN 2018
America Business Unit	4,605
Northern Europe Business Unit	9,810
Southern Europe Business Unit	13,955
Corporate	1,893
<b>TOTAL ONLINE TRAINING</b>	<b>30,263</b>
<b>TOTAL TRAINING HOURS</b>	<b>98,012</b>

#### NUMBER OF HOURS PER EMPLOYEE TRAINED IN 2018

Hours per employee trained (face-to-face)	10.99
Hours per employee trained (e-learning)	2.38
Total hours per FTE	5.58
Total hours per employee trained	5.19

#### EMPLOYEE TRAINING HOURS BY PROFESSIONAL CATEGORY

PROFESSIONAL CATEGORY	FACE-TO-FACE TRAINING HOURS IN 2018	ONLINE TRAINING HOURS IN 2018
Top Management	8,911	753
Middle Management	13,735	4,056
Staff	45,103	25,454
<b>TOTAL</b>	<b>67,749</b>	<b>30,263</b>

#### FACE-TO-FACE EMPLOYEE TRAINING HOURS BY AREA

AREA	TRAINING HOURS IN 2018
Management	776
Food and Beverages	19,041
Reception	14,075
Floors	5,314
Maintenance	2,814
Administration	9,143
Others	305
Reservations	5,023
Revenue Management	787
Sales	4,573
Central Services	5,898
<b>TOTAL</b>	<b>67,749</b>



## KEY TRAINING AND DEVELOPMENT PROJECTS IN 2018

### Corporate

#### • NH REWARDS MASTERS

Throughout 2018, the Company has been immersed in the relaunch of the new NH Rewards program. Among the initiatives included in this program, NH University has worked on 2 different actions to reinforce its importance:

- **NH Rewards Masters.** An e-learning course available to all employees, the main objectives of which were:

- To ensure that employees are familiar with the changes in the new NH Rewards program.
- To explain the basic concepts and procedures related to the program.
- To harmonize customer service in relation to the NH Rewards program.

More than 3,000 employees received the training and learned all about the new NH Rewards program, gaining the necessary knowledge on how to optimize relations with the company's best customers, how to make their stay perfect and get them to come back to our hotels.

- **NH Rewards Masters Challenge.** Launched only for employees in the Front Office and Reservations departments who had previously completed the NH Rewards Masters e-learning course. The purpose was to reinforce the knowledge gained in the previous training by participating in a quiz format game with over 500 questions related to our loyalty program. Employees challenged their coworkers to answer correctly and quickly to win points and earn a place among the top 25 employees in the world ranking. The prize consisted of loyalty points that could be redeemed for nights at a hotel or other services at our hotels.

#### • E-LEARNING COURSE ON THE GENERAL DATA PROTECTION REGULATION

Due to the entry into effect of the new European General Data Protection Regulation (GDPR), NH University launched a mandatory e-learning course for all employees, in the 6 corporate languages. This training covers the basic concepts of data protection, rights and obligations that apply to all employees and other NH Hotel Group stakeholders who handle personal data in the course of their professional activity.

#### • NEW HEIGHTS EXCLUSIVE

In October 2018, 47 of our hotel managers who had stood out for their excellent performance participated in "New Heights Exclusive" in Madrid.

To reward their excellent performance and commitment, but also to inspire and motivate them in terms of leadership, the managers were invited to the NH Collection Eurobuilding to participate in a 2-day program organized with the collaboration of the prestigious Hotelschool The Hague.

Participants also had the opportunity to hear about new developments and future projects of the Company related to business transformation, and get up to date on matters of quality and experience.

Over these two days they were able to participate and share experiences with other managers through workshops and motivational talks.

## COMMON DEVELOPMENT PROJECT BETWEEN NORTHERN AND SOUTHERN EUROPE

#### • CROSSING NH BORDERS

The first exchange program that NH Hotel Group offers to employees who work in the Northern and Southern Europe Business Units. In a pilot version, six employees from Spain, Italy, Belgium, Germany and The Netherlands participated in exchanges lasting for 3 months.



## NORTHERN EUROPE

### Central Europe

- **R.U.N.**

The first training focused on executive chefs and F&B managers, covering culinary trends, F&B management skills, SAP skills, Coperama food and beverage trends and a suppliers' market.

- **JUMP & PDI NORTHERN EUROPE BUSINESS UNIT**

In 2018 we renewed the content of the JUMP and PDI programs for the Northern Europe Business Unit. This was also the first year in which all candidates in Northern Europe joined the same program in an international group.

- **SALES ACADEMY**

Following the example of JUMP and PDI, the Sales Academy was launched to prepare sales employees who showed great potential for the role of regional sales manager. The modules are similar to the JUMP and PDI modules and include leadership, communication, presentation skills, department-specific information and networking.

- **HR ROADSHOW (RECRUITING REFRESHER)**

An HR Roadshow was organized in Germany and Austria to train managers and supervisors in interview selection skills as well as a Human Resources open day so that all employees in 6 different regions and cities could personally connect to Human Resources and hear about trends on development and new job opportunities.

- **NH4U STAY DAY**

This is the second time that this Business Unit have organized an information day for Azubis who are completing the studies in the hospitality industry after 3 years. They met with several hotel managers and central services managers and obtained information on opportunities and development possibilities at NH.

- **AZUBI WELCOME DAY**

The Azubi Welcome Day was organized for the first time at regional level in 3 locations for all new Azubis in 2018. They obtained a first impression of the company and enjoyed a teambuilding activity.

## SOUTHERN EUROPE

### Italy

- **NHEW MANAGER**

A talent development program designed to identify, train and support participants to be General Managers by offering them the best employee experience through a one-year program that combines classroom learning and on-the-job training in addition to individual coaching.

- **NEW HOD**

A talent development program designed to identify, train and support participants to be Heads of Department, offering them the opportunity to grow professionally through classes on technical and soft skills, on-the-job training and individual coaching.

- **F&B EVENT**

A new training experience that has been organized for the first time in Italy and consists of a mixture of inspirational talks on the world of F&B, both in a classroom setting and in workshops for chefs and maitres on innovations and tips for everyday tasks.

- **AMBASSADORS DAY**

An event for hotel Ambassadors in Italy aimed at acquiring more skills in their fundamental role through a work and fun session, useful methodologies and tools for their role and clarifying the missions of Ambassadors in NH Hotel Group.

- **DYNAMIC NETWORKING FOR SALES AND GMs**

A type of training for General and Sales Managers that consists of transferring networking skills. The aim is to promote professional growth and strengthen the personal brand and the NH Hotel Group brand through networking devices and techniques.



NH Collection Plaza Santiago  
Santiago de Chile, Chile

## Spain

### • MENTAR

The second phase of the MENTAR program, which started in 2016, was completed in 2018. MENTAR is a manager development program divided into three training phases: the Introduction to Management Phase (IMP), Corporate Training Phase (CTP) and Management Training Phase (MTP), all of them based around a process of corporate mentoring.

This mentoring program seeks to generate a learning relationship between mentor and mentee where shared learning becomes a tool for transformation and an end in itself.

NH Hotel Group's definition of mentoring: a methodology that acts as transformation lever that facilitates and accompanies a learning process in which a person (mentee) directs his or her development guided by the experience of another person (mentor) and based on the NH Culture.

The MENTAR program allows us to identify talent and potential and therefore to prepare and develop future hotel managers, both in technical and skillset aspects. The estimated duration of the program is a year and a half.

The mentees are heads of hotel departments or employees of Central Services with experience in operational and/or administrative teams who have undergone the selection process. The mentors are the Business Unit managers who voluntarily wish to be part of the program and meet the established requisites.

A team of Directors is responsible for managing and directing the program, suggesting improvements and carrying out follow-up.

## AMERICA

### Mercosur

#### • NH SERVICE STANDARDS: HOUSEKEEPING

This program is meant to train housekeeping employees on good practices in the industry and specific features of this service at NH Hotel Group.

The training was designed along two lines: one consisting of a training from housekeeping managers in Argentina and Uruguay (where there were also other in-house trainers from HR, Procurement or SAP among others), and the other one, which covered the training of all basic housekeeping staff in Buenos Aires, around 170 people.

This initiative was then replicated in the four cities in which NH is present in Chile.

#### • LEADERSHIP, COMMUNICATION AND TEAMWORK

This initiative was born after the Business Unit's HR department identified the need to train their leaders in certain management matters. Through 4 different sessions, 100% of the middle management of Buenos Aires had the opportunity to gain skills on: Leadership, Communication, Teamwork, Conflict Resolution and Negotiation over the course of 2 days.

This training included preliminary work prior to the course, which generated a high level of awareness of the issues fostered in the classroom learning.

#### • MERCOSUR FOM TRAINING

All the Front Office Managers from Argentina, Uruguay and Chile were brought together in 2018 for a specialized training program. Beyond the specific learning objectives, it proved to be a great opportunity for valuable networking and knowledge exchange among peers.

#### • MERCOSUR CHEF TRAINING

In 2018, all the Chefs from Argentina, Uruguay and Chile met and received a special masterclass from a renowned NH Hotel Group chef, Txema Remola.

The chefs also visited different breakfasts of the chain's hotels to propose improvements and carry out an internal benchmarking.



• **PILLS: A NEW TRAINING CONCEPT**

This year a new in-house training methodology has been developed in the America Business Unit: “pills” or express training.

At an hour-long (maximum) Skype meeting, several in-house benchmarks provided training to different audiences on a range of subjects.

Each pill was offered at least twice at different times of day in order to provide alternatives to the audience. These items originally arose as a response to a lack of awareness of the TraNHSformation Plan KPIs, but it was later decided to extend the methodology to other matters.

**Mexico**

• **SIGNING OF THE NATIONAL CODE OF CONDUCT**

The National Code of Conduct for the protection of children and young people in the travel and tourism sector (NCC) seeks to offer guidance to the industry on the prevention of and fight against situations of people trafficking, with special emphasis on child exploitation.

For this purpose, personnel at several hotels in Mexico obtained accreditation in the National Code of Conduct.

To obtain NCC accreditations, hotels must comply with 6 guidelines:

1. Establish in a company document its commitment against child exploitation.
2. Raise awareness in and/or provide training to at least 80% of employees on the prevention of child exploitation.
3. Establish an Action Protocol in alleged cases of child exploitation.
4. Set up collaboration networks for the prevention of child exploitation.
5. Inform customers and suppliers of the child protection commitment.
6. Submit a final report on the activities carried out (including evidence of implementation).

**Colombia and Ecuador**

• **MANAGEMENT SKILLS**

After identifying the need of training leaders in management-related matters, the decision of providing 3 workshops, of 24 hours each, was taken. These workshops were organized as follows: 8 hours of in-house training on different matters and 16 hours provided by People Excellence on management tools. The sessions were focused on offering managers the necessary tools to put in practice a better administration of resources and at the same time strengthen their planning and strategic thinking skills.

**FLEXIBILITY AND WORK-LIFE BALANCE: NEW WAY OF WORKING**

The NH Hotel Group culture continues to progress towards a more flexible and collaborative model, in which individuals can enjoy greater facilities in relation to time management, and do their work in environments adapted to their activities and with the necessary tools.

This project, which is called ‘New Way of Working’, is structured around three lines of action:

- Redefining and adjusting physical office space according to employees’ needs
- New technological equipment and systems that facilitate flexibility
- New flexible working culture both in terms of hours and workplace

Accordingly, the NH Hotel Group corporate offices created the role of the Mayors, whose aim is to facilitate change management, communication, employee engagement and answer questions. Thus, a total of 7 Mayors represent each of the districts or areas of the offices (Commercial, Marketing, Resources, Operations, Finance and Communication) and have the following functions:



- To represent their area at weekly meetings of the Enhgagement Team, responsible for the NH Enhgagement Commitment in the corporate offices.
- To channel possible requests, suggestions or proposals for improvement generated in their respective areas and convey them to the Human Resources Business Partner (HRBP).
- To propose new Action Plans, with both local and transversal measures, based on the results of the Engagement Survey.
- To reach a consensus on the proposed measures with two sponsors - relevant executives in the Company - to obtain their feedback and seek their support in presenting the Action Plan.
- To submit the Action Plan to the CEO and the Management Committee.
- To carry out a follow-up of the implementation of the different measures in their districts and, if necessary, propose corrective measures.
- To check up on the working environment on a weekly basis.
- To sound out how the different measures launched by Human Resources are perceived by their coworkers.

## EMPLOYEE TURNOVER AND ABSENTEEISM

### TURNOVER IN 2018

BUSINESS UNITS	NON-VOLUNTARY			VOLUNTARY			TOTAL
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	
HQ Central Offices and CRO	6.85%	4.37%	11.22%	5.10%	4.37%	9.48%	20.70%
Northern Europe BU	3.17%	3.96%	7.13%	7.83%	6.41%	14.23%	21.36%
Southern Europe BU	18.82%	16.54%	35.36%	2.08%	2.19%	4.27%	39.63%
America BU	1.94%	2.73%	4.67%	10.76%	9.81%	20.57%	25.24%
<b>Total</b>	<b>9.49%</b>	<b>8.92%</b>	<b>18.41%</b>	<b>5.88%</b>	<b>5.18%</b>	<b>11.06%</b>	<b>29.47%</b>

Annual Turnover considering hotels under ownership, rental, management and franchise.

Does not include turnover associated to Dominican Republic and Venezuela.

The high non-voluntary turnover in the Southern Europe BU is due to the departure of the Hesperia hotel portfolio.

### TURNOVER OF EMPLOYEES UNDER PERMANENT CONTRACTS IN 2018

In relation to the turnover indicator, it should be noted that due to the characteristics of the hotel business, NH Hotel Group considers it relevant to know and manage the turnover of employees under permanent contracts. The table below shows the results obtained in 2018 in respect of such employees.

BUSINESS UNITS	NON-VOLUNTARY			VOLUNTARY			TOTAL
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	
HQ Central Offices and CRO	1.97%	1.97%	3.94%	3.94%	3.55%	7.50%	11.44%
Northern Europe BU	1.30%	2.06%	3.36%	5.90%	4.86%	10.77%	14.12%
Southern Europe BU	10.82%	10.40%	21.22%	1.64%	1.81%	3.45%	24.67%
America BU	1.85%	2.71%	4.56%	10.78%	9.78%	20.56%	25.12%
<b>Total</b>	<b>5.10%</b>	<b>5.41%</b>	<b>10.51%</b>	<b>5.39%</b>	<b>4.84%</b>	<b>10.22%</b>	<b>20.73%</b>

Annual Turnover considering hotels under ownership, rental, management and franchise.

Does not include turnover associated to Dominican Republic and Venezuela.

The high non-voluntary turnover in the Southern Europe BU is due to the departure of the Hesperia hotel portfolio.

### ABSENTEEISM IN 2018

ABSENTEEISM	2018 (%)
Accident	0.27
Illness	3.67
Maternity	1.41
<b>TOTAL</b>	<b>5.35</b>

Information corresponding to data for workplaces in the consolidated perimeter.

## SOCIAL DIALOGUE WITH EMPLOYEES

Coverage of NH Hotel Group employees by Collective Agreements, that generally include aspects related to employee Health and Safety, varies between the different Business Units. For more information on social dialogue with employees, please consult the NH Hotel Group Non-Financial Information Statement 2018, which is part of the Directors' Report 2018.

## COLLECTIVE AGREEMENTS IN NH HOTEL GROUP BY BUSINESS UNITS

BUSINESS UNIT	2017		2018	
	NO. OF COLLECTIVE AGREEMENTS 2017	% OF EMPLOYEES COVERED	NO. OF COLLECTIVE AGREEMENTS 2018	% OF EMPLOYEES COVERED
Southern Europe (Spain, Italy, Portugal and France)	51	100%	44	100%
Northern Europe (Benelux, Central Europe, United Kingdom and Africa)	21	97%	20	97%
America Business Unit	20	47%	20	63%

*\*Data corresponding to consolidated perimeter.*





## PEOPLE: COMMUNITY

NH Hotel Group seeks to create a positive impact on the communities where it is present through key responsible alliances, solidarity projects and patronage.

### nh ROOM 4 PEOPLE

The commitment to the communities where NH Hotel Group operates is another of the pillars of the Corporate Responsibility Strategic plan 2017-2019.

The main goal is to maintain active relations with the Community, contributing to local development and attending to the needs of each destination where it is present through the business itself. Local impact is achieved thanks to the creation of responsible alliances with foundations and NGOs, the collaboration of employee volunteers in projects and the promotion of culture.

To this end, the Company has defined three global lines of action: Hotels with a Heart, Employability Programs and NH Volunteers!

#### NH HOTEL GROUP'S SOCIAL CONTRIBUTION

	2017	2018
Total social projects	328	128
Number of NH volunteers	580	249
Contribution of NGO rate* (thousand €)	101	181
Contribution of Friend rate + Employee rate** (thousand €)	149	183
Cultural promotion (thousand €)	13	-
Investment in social action (thousand €)	110	181
<b>TOTAL RESOURCES ALLOCATED TO COMMUNITY (thousand €)</b>	<b>446***</b>	<b>545</b>

\*NGO rate - Application of a 30% discount on the best available rate to entities previously assessed and approved by the Corporate Responsibility department.

\*\*Friend rate and Employee rate-2€ and 1€ respectively set aside from reservations made using the special rate for employees, family and friends and then used in accommodation and catering services, special rates and grants of the Social Action programs of the different Business Units.

\*\*\*70 thousand € allocated to Amiguitos de Royal Foundation are included.

## HOTELS WITH A HEART

Hotels with a Heart is an initiative that seeks to ensure that children and teens who suffer from a serious illness and have to go to hospital far from their home can be accompanied during this difficult time by their closest family members.

For this purpose, NH Hotel Group makes rooms at hotels close to the hospitals available to the families free of charge. With this aim, and in close collaboration with local NGOs and foundations, the Company provides free accommodation at its hotels near hospitals in several cities nationally and internationally to families with limited budgets, so that they can be with their loved ones.



Furthermore, many NH Hotel Group employees participate as volunteers in this initiative, acting as hosts to these families and Ambassadors of the program at each hotel. The NH Madrid Sur hotel is the flagship hotel of the “Hotels with a Heart” program, as its agreement with Fundación Menudos Corazones, still in force today, started the project in 2004.

Each hotel has a person assigned to liaising with the families, sharing their experiences and helping to make their stay at the hotel as comfortable as possible. Since the program started, more than 2,000 employees each year have become genuine hosts to these families, helping to ensure that the hotel becomes a second home for them.

KEY INDICATORS FOR THE HOTELS WITH A HEART PROGRAM		
	2017	2018
Agreements with NGOs	40	51
Room nights donated	1,192	1,107
Hotels involved	53	59

## GLOBAL AND LOCAL SOLIDARITY ALLIANCES

To develop stable projects that can be replicated in all Business Units, NH Hotel Group believes in building responsible and successful alliances with solidarity partners.

In 2018 a relevant milestone has been the signing of a strategic agreement in Europe with Make-A-Wish International, a foundation dedicated to support children with serious illnesses and their families, present in a great number of countries around the world. Through this alliance, NH Hotel Group offers 600 rooms a year in hotels in more than 15 European cities to children with serious illnesses and their families so that they can travel outside their city of origin to fulfill the children’s greatest wishes. In 2018, NH Hotel Group donated 109 hotel rooms, with a value of € 19,143.

The collaboration between these two entities started in 2005 in Spain, The Netherlands and Italy, offering every facility so that sick children from all over the world can make their dreams come true.

In Benelux and Germany the Company collaborates with hospitals and foundations such as the Ronald McDonald Foundation, with which it also participates in programs focused on the wellbeing of the families of sick children, providing them with a home when the foundation’s houses are full.







NH Venezia Rio Novo  
Venice, Italy

### PROMOTION OF YOUTH EMPLOYMENT: EMPLOYABILITY PROGRAMS

Throughout 2018 NH Hotel Group has conducted various international training, work experience and job programs for young people at risk of exclusion or with disabilities at hotels in all the Business Units. This way, the projects, which are part of the Community strategy, are also aligned to the Company’s commitment to Sustainable Development Goal 8 on “Decent Work & Economic Growth”.

Thus, in 2018, a total of 113 students had the opportunity to develop technical and personal skills with the direct help of volunteer employees of the hotels, who accompany, guide and instruct the young people.

KEY INDICATORS OF NH HOTEL GROUP EMPLOYABILITY PROGRAMS		
	2017	2018
Students trained	120	113
Agreements with NGOs and institutions	61	35
Young people participating in visits (Track The Talent program with JINC in Benelux)	-	69

To multiply the impact of these employability programs, the Company consolidates its international and local alliances which provide the necessary support and responses to the specific needs of each Business Unit.

### AMERICA BUSINESS UNIT: YOUTH CAREER INITIATIVE

Youth Career Initiative (YCI) is a high-impact international initiative meant to fight against youth unemployment. With the alliance developed with YIC in the America Business Unit, NH Hotel Group is the only Spanish multinational company committed to this innovative project, together with other leading hospitality companies, such as Intercontinental, Marriott and Starwood.

Every year, more than 400 young people at risk of social exclusion receive training in 53 hotels around the world. In 2018, this initiative celebrated its eleventh edition, the eighth in which NH Hotel Group has taken part. In it, 19 young people received training courses given by staff of the different hotel areas as well as work experience in the different departments for a period of six months.

As of today, 9 of the participants have now embarked upon their careers as collaborators of NH Hotel Group Mexico.

### SOCIAL AND LABOR INSERTION IN SPAIN

Youth unemployment in Spain, which is more significant in groups at risk of social exclusion, requires programs focused on boosting the employability and social integration of young people.

To this end, in 2018 more than 20 NH hotels in Spain were involved in different programs with the help of almost 100 employees who have volunteered more than eight thousand hours to train around 80 young people.

### BENELUX: JINC “TRACK THE TALENT”

Since 2009, NH Hotel Group and JINC have been collaborating to provide professional training to young people in the poorer districts to help improve their employability. In 2018, a number of visits and workshops have been organized at the NH Conference Centre Leeuwenhorst with the participation of a total of 69 young people with whom 10 employee volunteers have wanted to share their enthusiasm for and experience in the hotel sector.

## CORPORATE VOLUNTEERING: NH VOLUNTEERS!

To involve employees even more in the NH Hotel Group's investment in the community projects, NH Volunteers! was created. This is a consolidated initiative of the Company, thanks to the commitment shown by its employees in the volunteering projects where they offer their skills and knowledge to people who need them.

In 2018, around 250 employees collaborated with more than 40 organizations in volunteering programs. Specifically, volunteers from NH Hotel Group participated in training and work experience programs for vulnerable groups.

Furthermore, two editions of the Coach Project took place at the Corporate offices during the year together with the Exit Foundation. This is a corporate volunteering initiative to improve the employability of young people at risk of social exclusion through coaching and mentoring. In this way, several employee volunteers have shown some young people how the business world operates, with the aim of helping them to discover their vocation and thus motivate them to continue their training.

### “CHRISTMAS FOR ALL” COMPETITION 2018

Once again, the Company has invited its employees, through the Tell The World internal communication channel, to participate in “Christmas for All”, NH Hotel Group's corporate volunteering initiative. Employees created their teams and participated by proposing their own initiatives and choosing the NGO they wanted to be involved with and to which they would donate the prize if they won.

On this occasion, 13 candidate projects were received from 5 different countries, and as was the case in previous years, the employees themselves chose the winning initiative with their votes. This time the winner is a project presented by employees of NH in Havana, who collaborated with the day center for the elderly called Casa de Abuelo No. 2 of Plaza de la Revolución.

On December 24<sup>th</sup>, the team from the two NH hotels in the city organized a delightful Christmas party for the eldest at the center. The hotel's singers and musicians provided music as entertainment at the event, at which guests were also offered typical dishes to eat.

### DONATION OF FURNITURE FROM REFURBISHED HOTELS

As part of the Repositioning Plan and the projects for the refurbishment of the Company's hotels, a co-ordination protocol has been designed for donating withdrawn furniture, amenities and homeware products to foundations and NGOs, social institutions and persons without means.

This way, in 2017 every Business Unit donated mattresses, duvets, blankets, toys, cleaning articles, sheets, towels, pillows and beds, among other products. For example, due to a change in the location of HQ offices in Bogotá, part of the furniture, valued at € 1,400 was donated to the Amiguitos de Royal Foundation.





## OTHER ACTIVITIES THAT HAVE AN IMPACT ON THE COMMUNITY

### COMMITMENT TO CULTURE

NH Hotel Group consolidates its connection with and proposed patronage of art as a fundamental part of its commitment to culture and promotes the integration of art into all NH Collection hotels, with a particular focus on young artists. Convinced of the value and importance of its ties with the artistic world, the Company has works of contemporary art on display in several of its NH Collection hotels.

Accordingly, in 2018, the IV NH Collection Award for Contemporary Art ARCO 2018 was awarded to the French artist Jean-Pascal Flavien for his work 'Model/Mask 5'. The work, which was on display at the VIP area of the fair, will be added to the NH Hotel Groups' private collection in one of the hotels belonging to the NH Collection brand.

This way, NH Hotel Group has sought to recognize once again the value of art as a driver of culture, as well as the tasks of those who dedicate their talent and efforts to preserving it and making it a reality.

Once again, the Company collaborated with prestigious international collectors of contemporary art who made up the panel of judges to select the winner of this year's award.

### "AMIGUITOS DE ROYAL" FOUNDATION

The Amiguitos de Royal Foundation is a nonprofit private organization the main purpose of which is to promote child nutrition and development from pregnancy to the age of 9 in Bogotá (Colombia). Since the merger with Hoteles Royal, NH Hotel Group supports and backs up the significant work done by the Foundation.

In 2018, the Company had two members in the General Assembly, which is made up of a total of 14 members, and two members in the Management Board, one principal member and one substitute.

In 2018 there have been 1,061 beneficiaries of the Foundation's activities: 621 children between 0 and 9 years of age, and 440 expectant and nursing mothers.

Furthermore, since 2006 the employees of NH Hotel Group have met every year to offer the children of the Amiguitos de Royal Foundation a unique Christmas. In 2018, the children of the Foundation celebrated Christmas with gifts from their sponsors and Christmas trees made by the same volunteers.



# PLANET

In its commitment to the Planet, NH Hotel Group works to minimize its impact on climate change, increase the efficiency of resources and develop more sustainable products, reducing the Company's carbon footprint with a responsible consumption of natural resources.

## nh ROOM 4 PLANET

Sustainability is a transversal enabler of value in NH Hotel Group, with three fundamental commitments: care for customers, the destinations where the Group's hotels are located, and the planet.

The environmental effects associated to NH Hotel Group's activities are identified through an analysis of processes and operations carried out in the different areas of the hotels. These are reflected in the environmental Management System in place within the organization.

To fulfill the Company's commitment to the environment, the Sustainability Policy establishes the principles of action for the entire organization in this area.

### NH Hotel Group Sustainability Policy

- We apply criteria of efficiency and sustainability in all processes and decisions that have an impact on the environment, using innovation, eco-efficiency and renewable energies, including the prevention of pollution, consuming resources efficiently and reducing the volume of waste we generate.
- We ensure compliance with legal and other requisites that affect the Organization, committed to continuous improvement in the environmental aspects identified for our activity.
- We promote sustainable and environmentally friendly practices among our customers and suppliers, developing actions that contribute to improve the environments of the destinations where we operate.
- We collaborate with the Administration and other entities in the sector in the development and promotion of sustainable tourism, contributing to research into and spreading knowledge of the environment and energy efficiency.

### KEY ENVIRONMENTAL INDICATORS

The Sustainability Plan defines six key goals on the basis of which the Company makes cross-cutting decisions to reach its targets.

In 2018, three out of the six sustainability targets set in the Sustainability Plan have been reached. Specifically, the targets set for the accumulated savings indicator, energy ratio and carbon footprint ratio.

Since the start of the II Strategic Plan in 2013, the carbon footprint per room sold has been reduced by 25% and energy consumption per room sold has been reduced by 8.7%. However, water consumption has increased by 5%.

KEY ENVIRONMENTAL INDICATORS	BASELINE 2013	ACTUAL 2016 <sup>(4)</sup>	ACTUAL 2017 <sup>(4)</sup>	ACTUAL 2018	IMPROVEMENT 17 VS 18	TARGET 2019
Energy savings (M euros)	0	6 <sup>(2)</sup>	3 <sup>(2)</sup>	4 <sup>(2)</sup>	1 <sup>(2)</sup>	11.55 <sup>(3)</sup>
Hotels with environmental certificates	75	129	132	141	+9	150
Energy ratio (kWh/RN) <sup>(1)</sup>	53.2	50.19	49.34	48.48	-2%	49
Water ratio (m <sup>3</sup> /RN) <sup>(1)</sup>	0.31	0.318	0.318	0.314	-1.3%	0.298
Carbon footprint ratio (Kg. CO <sub>2</sub> /RN) <sup>(1)</sup>	15	5.3	6.91	7.05	+2%	8
Average satisfaction with the hotel in terms of sustainability (out of 10) <sup>(1)</sup>	8	8.17	8.15	8.28	+2.4	8.3

<sup>(1)</sup> Data analyzed following the Company's consolidation criteria.  
<sup>(2)</sup> Energy savings compared to 2013.  
<sup>(3)</sup> Accumulated energy savings since 2013.  
<sup>(4)</sup> Energy, water and emissions ratios may undergo variations in future reports depending on definition of the scope.

## PROYECTOS DE SOSTENIBILIDAD EN EL PLAN ESTRATÉGICO

The two specific projects established to meet NH Hotel Group's environmental goals are the Green Savings Project and the Green Hotel Project.

### GREEN SAVINGS PROJECT

This project is focused on obtaining savings in the Company's operating costs and on energy efficiency, to ensure a saving in resources: water, energy and other expenses, such as laundry expenses.

To keep exhaustive and rigorous control over the energy consumption, carbon footprint and water consumption measures, NH Hotel Group uses the Sustain Focus platform, from which the KPIs of the sustainability strategy are monitored. This is an online system to which almost all the Company's hotels have access and that permits reporting, control, follow-up and traceability of the indicators as well as giving the consumption ratios and costs of water and energy usage.



### GREEN SAVINGS PROJECT

Capture of additional savings

- Energy efficiency plan
- Environmental certification program
- Commitment to the Carbon Disclosure Project
- Commitment to the Climate

### Energy efficiency plan

This plan combines energy efficiency projects, considering all the projects that can improve energy consumption in the hotel, as well as the associated costs:

**6.9 M€**

ON PROJECTS THAT IMPROVE ENERGY EFFICIENCY IN 2018

- Replacing equipment with more efficient models: pumps, minibars, washing systems, heating and air-conditioning systems, boilers, coolers...
- Investments relating to control of installations: energy management systems in buildings, updated meters, improvements in lighting...
- Actions on the façade of buildings that provide improvements in the enclosure and insulation.

As a result, in 2018 projects to improve energy efficiency totaling 6.9 million euros were carried out.



## Environmental certification program

The hotels of NH Hotel Group have ISO 14001 environmental management certification and ISO 50001 energy efficiency certification for the accommodation, restaurant, meetings and events services. At present, 45% of the hotels in Germany, Spain and Italy have obtained ISO 14001 certification - a total of 88 hotels - or ISO 50001 certification - 24 hotels -.

New hotels added to the certification program in 2018	
NH Tango	Argentina
NH Centro Histórico	Mexico
NH Collection Guadalajara Providencia	Mexico
NH Brussels Bloom	Belgium
NH Brussels EU Berlaymont	Belgium
NH Düsseldorf City	Germany
NH The Lord Charles	South Africa
NH Collection Eindhoven Centre	Netherlands
NH Ventas	Spain
NH Nacional	Spain
NH Collection Suecia	Spain
NH Zurbano	Spain
NH Collection Pódium	Spain
NH Sants Barcelona	Spain

In 2018, 14 hotels have obtained some kind of sustainability recognition for the first time, bringing the total number of Group hotels with certification up to 141. It should be noted that in 2018 the NH The Lord Charles was the first hotel in South Africa to obtain a Green Key certification. Furthermore, Mexico had two hotels gaining Green Key certification for the first time: NH Centro Histórico and NH Collection Guadalajara Providencia.

Thus, up to 141 hotels have external individual certifications in sustainability and globally recognized endorsements such as BREEAM, LEED, Green Key, Hoteles+Verdes, ISO 14001 or ISO 50001.

At the end of 2018, NH Hotel Group has 174 hotels recognized as Green Leaders by TripAdvisor, with 49% of the Company's hotels now holding this award.

## CERTIFIED HOTELS AT THE END OF 2018

BUSINESS UNIT	CERTIFIED HOTELS	Certification	2018
Northern Europe Business Unit	Central Europe	ISO 14001	25
		ISO 50001	1
		BREEAM	1
Southern Europe Business Unit	Benelux, United Kingdom and South Africa	GREENKEY	44
		ISO 14001	42
	Italy	ISO 50001	1
		ISO 14001	22
		ISO 50001	22
America Business Unit	Spain, Portugal, Andorra and France	BREEAM	2
		GREENKEY	1
	America Business Unit	HOTELES+VERDES	5
		LEED	1
<b>TOTAL NUMBER OF CERTIFIED HOTELS</b>			<b>141</b>

*NOTE: Some NH Hotel Group hotels hold more than one type of certification and therefore the final numbers correspond solely to the number of hotels. The scope covers all the hotels in the portfolio.*

NH Brussels Bloom  
Brussels, Belgium



### Commitment to the Carbon Disclosure Project

Since 2010 NH Hotel Group has participated in the global climate change sustainability index Carbon Disclosure Project (CDP). This independent nonprofit organization analyzes the environmental performance of companies.

In the latest report for 2018, the Company obtained an A- score in the Climate Change Index, which places NH Hotel Group among the leading companies in taking measures to reduce emissions efficiently, which is indicative of advanced environmental management. This result places the Company above the average for its sector and region.

### Commitment to the Climate

In accordance with the objectives of the Corporate Responsibility Strategic Plan 2017-2019, carbon footprint reductions have been analyzed and the target of 8 kg CO<sub>2</sub>/RN has been set. The Company also sets medium and long-term goals, with the global perspective of contribution to a low-carbon global economy.

NH Hotel Group aims to obtain greater efficiency in the consumption of resources and to reduce its carbon footprint. For this purpose, the Annual Investment Plan approved by the Management Commitment and the commitment to green energy promote improvements in adapting to climate change.

NH Hotel Group is actively involved in a variety of initiatives that contribute to reducing the emissions generated by the hotels and the activities that take place in them. Each hotel in the portfolio has carbon footprint reduction targets and a background history of data so it is possible to provide evidence of the commitment to reduction.

Customers are also encouraged to get involved when they celebrate events at the hotels through the "Eco-friendly Meetings & Events" service and the service that calculates the carbon footprint of their events and meetings and offers the possibility of compensating for the emissions, thus achieving a lesser impact on the environment.

The Company participates in different forums and projects to favor the fight against climate change and the reduction in carbon emissions.



## Initiatives for the fight against climate change

### Participation in forums and working groups

- [Spanish Green Growth Group](#)



NH Hotel Group has been part of the Spanish Green Growth Group (GECV) since it was created in 2016. This is a platform for public-private collaboration to advance together in the battle against climate change and towards a low-carbon economy.

In 2018, together with another 30 Spanish multinational and medium-sized companies, the NH Hotel Group signed a petition for an “ambitious” Climate Change and Energy Transition Act “as a source of opportunities”, in a pioneering initiative in Spain, coordinated by the GECV.

- [Working Group on Water and Carbon Footprint of the International Tourism Partnership \(ITP\)](#)



In 2018, the ITP and its members have continued to work on their four common goals; two of which are carbon emissions and water shortage.

NH Hotel Group has participated in the working groups with the aim of complementing the individual goals of each company in the sector through collaboration and working together to multiply the impact of actions.

### Global initiative to raise awareness about reducing carbon emissions

- [World Wildlife Fund \(WWF\) Earth Hour 2018](#)

For the tenth consecutive year, NH Hotel Group joined in this global initiative which seeks to raise awareness about Climate Change. The Group's hotels participated by switching off the lighting on their façades for one hour, and organized numerous activities to involve customers such as acoustic concerts, dinners by candlelight, menus prepared from a lower energy consumption perspective, etc.

### NH Hotel Group products to reduce emissions

- [EcoFriendly meetings and events](#)

The Group's hotels seek to involve customers as they hold their events by offering the “Eco-friendly Meetings & Events” service and a service that calculates the carbon footprint of the events and meetings held. An emission offset service is also offered.

- [Sustainable mobility](#)

During customers' stay and tourist visits, the Company offers mobility services such as car-sharing or bicycle hire. At present there are more than 75 hotels that offer bicycle hire, as well as charging points for electric cars installed in 48 hotels. In 2018 the bid to offer electric mobility recharge services continues, with an increase in the number of hotels with this service.

Since 2014 NH Hotel Group has had a global sustainable mobility standard.

### Awards for reducing emissions

- [Green Hotelier Award 2018 from the International Tourism Partnership \(ITP\)](#)



The hotel NH Noordwijk Conference Center Leeuwenhorst (The Netherlands) received a Green Hotelier Award 2018 in the carbon category.

This hotel has exceeded its targets for last year by reducing its energy consumption per occupied room by 15%. The building has centralized systems to control room temperature and monitor the use of energy throughout the building. The hotel also helps its guest to reduce their own footprint by offering charging points for electric cars and bicycle hire.

NH Collection Lisboa Liberdade  
Lisbon, Portugal



## GREEN HOTELS PROJECT

This project seeks to offer value to customers through sustainable actions, placing emphasis on the innovation attributes that improve brand perception.



### GREEN HOTEL PROJECT

Innovation and brand image

- Green Energy
- Commitment to reduce single-use plastics
- Customer satisfaction with sustainability
- Collaboration with Booking.com to communicate sustainability

## THE 10 NH HOTEL GROUP HOTELS MOST HIGHLY RATED FOR SUSTAINABILITY BY CUSTOMERS

BUSINESS UNIT	HOTELS	SCORE OUT OF 10 IN 2018
America Business Unit	NH Collection León Expo	9.26
	NH Collection Royal Terra 100	9.13
	NH Collection Royal WTC Bogotá	9.03
Northern Europe Business Unit	NH Collection Royal Hacienda	8.93
	NH Collection Olomouc Congress	8.88
Southern Europe Business Unit	NH Collection Grand Hotel Convento di Amalfi	9.22
	NH Trento	8.99
	NH Collection Palazzo Barocci	8.98
	NH Collection Palazzo Cinquecento	8.89
	NH Collection Porto Batalha	8.89

## Green Energy

NH Hotel Group is committed to reducing its carbon footprint, and therefore the Company is committed to renewable energy.

Renewable or green energy consumption was available in 2018 in 76% of the hotels in Spain, Italy, Germany, The Netherlands, Belgium and Luxemburg, covering 81% of the total electricity consumed by the Group's hotels in Europe.

## Commitment to reduce single-use plastics

In 2018, European legislation on single-use plastics has been identified as a relevant impact. Accordingly, a plan has been established to eliminate disposable single-use plastic articles from all hotel brands of NH Hotel Group. An annual reduction of more than 13 million single-use plastic articles in the Group's hotels is forecast.

As a first step, NH Hotel Group has joined in the commitment to eliminate plastic drinking straws in all its hotels. This initiative means that 1.1 million plastic straws a year will no longer be used in the Group's bars and restaurants.

From 2019, articles such as plastic cups in rooms, laundry bags, slipper packaging or sweet wrappers, among others, will disappear or be replaced with more sustainable alternatives.

## Customer satisfaction with sustainability

NH Hotel Group measures customer satisfaction in terms of sustainability, an indicator that at the end of 2018 scores 8.28 out of 10, just two tenths below the target set for the year.

This indicator is measured using the Quality Focus Online Tool, which enables the user to monitor the rating given by the customer by following reviews shared through internal channels and online channels.

## Collaboration with Booking.com to communicate sustainability

Throughout 2018, NH Hotel Group has collaborated with Booking.com, one of the most relevant online rate finders and meta-search engines for booking accommodation, in order to identify the best way to communicate the sustainable commitment of the establishments included on the site. The aim is to convey to the end customer the added and differential value of establishments that integrate sustainable strategies in their operations.



NH San Luis Potosi  
San Luis Potosi, Mexico

## SPECIFIC SUSTAINABILITY ACTIONS IN HOTELS

### Southern Europe Business Unit

- URBAN WASTE European Project - Urban Waste - Urban Strategies for Waste Management in tourist cities

NH Hotel Group participates through its hotels NH Lisboa Campo Grande (Portugal) and NH Santander (Spain) in this European project which seeks to implement strategies for the prevention, collection and management of waste.

- 10<sup>th</sup> Waste Reduction Week

The NH Hotel Group hotels in Italy support this initiative by distributing themed kits that use a game as the way to foster good practice in waste management, with the aim of raising awareness amongst employees and customers.

- M'illumino di Meno

Also in Italy, the Group's hotels participated for the second consecutive year in this initiative promoted by Radio2 Caterpillar which seeks to raise awareness about saving energy through a campaign in which the main action involves switching off interior and exterior lighting, as well as sharing information. Both employees and customers of the hotels had the opportunity to join in this initiative.

### Northern Europe Business Unit

- Prevention of food waste

NH Hotel Group is aware that when food is wasted, not only the food is lost but also other resources associated to food production or transport. In March 2018, a training workshop was held in The Netherlands on the subject of "food waste". The event, held at NH Conference Centre Leeuwenhorst (Noordwijkerhout, The Netherlands) was attended by personnel with environmental responsibilities from the certified hotels in this country. At the workshop, good practice driven from the kitchen to avoid and reduce food waste was shared.

- Meteorology and Air Quality in Amsterdam

The NH Carlton Amsterdam, which will open in 2019 totally refurbished under the name of NH Collection Amsterdam Flower Market, has been collaborating since 2018 with the Meteorology and Air Quality Research Group of the University of Wageningen (The Netherlands) in a two-year-long project to measure air quality.

Accordingly, innovative measuring equipment was installed at the top of the hotel, at a height of 45 meters. The object of the project, financed by the Amsterdam Institute for Advanced Metropolitan Solutions, is to find out how a city responds to the climate: measure heat exchange, humidity, CO<sub>2</sub> and methane in the air layer above the city.

- Good practice in responsible water management

The NH The Lord Charles, located in Cape Town (South Africa), was selected by the International Tourism Partnership (ITP) as an example of best practice in the hotel sector in responsible water management and its case was presented at World Water Week, held in Stockholm in August 2018.

The aim is to show that hotels are proactive against water risks, especially in areas where there is a shortage of water, such as Cape Town, where the NH The Lord Charles has implemented a multitude of savings initiatives.

### America Business Unit

- Tree planting in Argentina

In 2018 the NH hotels in Buenos Aires took part in a tree-planting activity at the Costanera Sur Ecological Reserve, to celebrate Tourism Day and National Environmental Awareness Day.

- Advances in environmental certification

NH Jousten and NH Collection Lancaster gained advanced-level recognition in 2018 under the Argentinian certification scheme for hostels and hotels thanks to their good environmental performance and the deployment of strategies to prevent pollution and reduce the environmental impact of their activity.

This certification, developed in the framework of the Buenos Aires Produces Cleaner Program in the city of Buenos Aires, recognizes leading hotels in the city in sustainable management.

In turn, the NH Buenos Aires Tango gained Silver Level in the "Hoteles+Verdes" certification scheme in December 2018.



NH Conference Centre Leeuwenhorst  
Leeuwenhorst, Netherlands

**Other environmental initiatives: protection of biodiversity**

NH Hotel Group does not operate within protected natural areas. However, the Company has a range of different measures and initiatives in place to preserve and restore biodiversity in the environments where it does business.

- Sustainable fishing

Sustainable fishing is encouraged at the Company's hotels. In 2018 basic purchasing criteria were created for sea products offered to customers, which are to be implemented in 2019. These guidelines guarantee legal compliance and responsible purchasing of these products.

- Hotels for bees

Conscious of the limited space in cities for biodiversity and aware of the critical situation of bees in Europe, in 2018 five hotels of the Group house bees on their roofs in a safe way for guests. The hotels in question are: NH Wien City (Austria), NH Berlin Alexanderplatz (Germany), NH Potsdam (Germany), NH Köln Altstadt (Germany) and NH Collection Barbizon Palace (The Netherlands).



**Urban vegetable gardens**

Urban vegetable gardens, grown in the areas adjoining certain of the Company's hotels, enhance the landscape and increase the gastronomic value of dishes, and reduce their negative environmental impact by reducing the need to transport the products grown there.

The NH Collection Royal Medellin (Colombia), cares for an organic vegetable garden where aromatic herbs such as parsley, thyme, mint, rosemary, peppermint, basil or oregano are grown on a small scale. These herbs, pesticide-free and with a high nutritional value, are used in preparations in the kitchen. The hotel takes care of the green area surrounding it, favoring the habitat of numerous animal species and thus maintaining the connection and transit area between natural areas. This green area is available for guests to enjoy, as well as favoring the mitigation of noise and pollution emissions. The NH Collection Royal Hacienda in Bogotá (Colombia) also has a small herb garden in its exterior gardens, where aromatic plants that are also used in the hotel kitchen are grown. Additionally, 50 additional species of ornamental plants were planted in this garden last year.

In Italy, the NH Collection Piazza Carlina, the NH Milano Congress Center and NH the Torino Centro also have herb gardens; furthermore and in addition to the herb garden, the NH Orio Al Serio has a small vegetable garden where lettuces and tomatoes are grown.

In turn, the NH Collection Grand Hotel Convento di Amalfi (Italy), has a garden where aromatic herbs, vegetables and citrus fruits are grown for use in the kitchen and in cosmetics for the hotel spa (aloe vera and lavender). Customers can experience this garden through a route, such as the meditation route, that consists of visiting the five terraces that currently exist: vegetable garden, rose garden, the monks' walk, botanic garden and relaxation garden.



## CONSUMPTIONS

### ENERGY CONSUMPTION

kWh/RN

ENERGY CONSUMPTION	ENERGY CONSUMPTION 2017 (kWh)	ENERGY CONSUMPTION 2018 (kWh)	DIFF. 2017 VS 2018 (%)	ENERGY RATIO 2017 (kWh/RN)	ENERGY RATIO 2018 (kWh/RN)	DIFF. 2017 VS 2018 (%)
America Business Unit	58,105,108	57,563,926	-0.9%	52.43	50.15	-4.4%
Northern Europe Business Unit	265,682,047	274,515,769	3.3%	50.88	49.53	2.7%
Southern Europe Business Unit	222,645,161	231,777,218	4.1%	46.92	46.92	0.0%
<b>TOTAL</b>	<b>546,432,316</b>	<b>563,856,914</b>	<b>3.2%</b>	<b>49.34</b>	<b>48.48</b>	<b>-1.7%</b>

Information corresponding to NH Hotel Group data for establishments in the consolidated perimeter.

### WATER CONSUMPTION

m<sup>3</sup>/RN

WATER CONSUMPTION	WATER CONSUMPTION 2017 (m <sup>3</sup> )	WATER CONSUMPTION 2018 (m <sup>3</sup> )	DIFF. 2017 VS 2018 (%)	WATER RATIO 2017 (m <sup>3</sup> /RN)	WATER RATIO 2018 (m <sup>3</sup> /RN)	DIFF. 2017 VS 2018 (%)
America Business Unit	478,942	470,590	-1.7%	0.432	0.410	-5.1%
Northern Europe Business Unit	1,404,416	1,509,841	7.5%	0.269	0.272	1.3%
Southern Europe Business Unit	1,641,159	1,672,000	1.9%	0.335	0.331	-1.2%
<b>TOTAL</b>	<b>3,524,517</b>	<b>3,652,431</b>	<b>3.6%</b>	<b>0.318</b>	<b>0.314</b>	<b>-1.3%</b>

Information corresponding to NH Hotel Group data for establishments in the consolidated perimeter.

### CARBON FOOTPRINT

SCOPE 1+2	TOTAL EMISSIONS 2017 (Tn eq CO <sub>2</sub> )	TOTAL EMISSIONS 2018 (Tn eq CO <sub>2</sub> )	DIFF. 2017 VS 2018 (%)	CARBON FOOTPRINT RATIO 2017 (kg eq CO <sub>2</sub> /RN)	CARBON FOOTPRINT RATIO 2018 (kg eq CO <sub>2</sub> /RN)	DIFF. 2017 VS 2018 (%)
America Business Unit	16,975	17,552	3.4%	15.32	15.29	-0.2%
Northern Europe Business Unit	37,825	41,182	8.9%	7.24	7.43	2.6%
Southern Europe Business Unit	21,782	23,303	7.0%	4.59	4.72	2.8%
<b>TOTAL</b>	<b>76,582</b>	<b>82,037</b>	<b>7.1%</b>	<b>6.91</b>	<b>7.05</b>	<b>2.0%</b>
Scope 1	57,761	59,304	2.7%	5.22	5.10	-2.2%
Scope 2	18,820	22,732	20.8%	1.70	1.95	15%
Scope 3*	6,503	6,423	-1%			

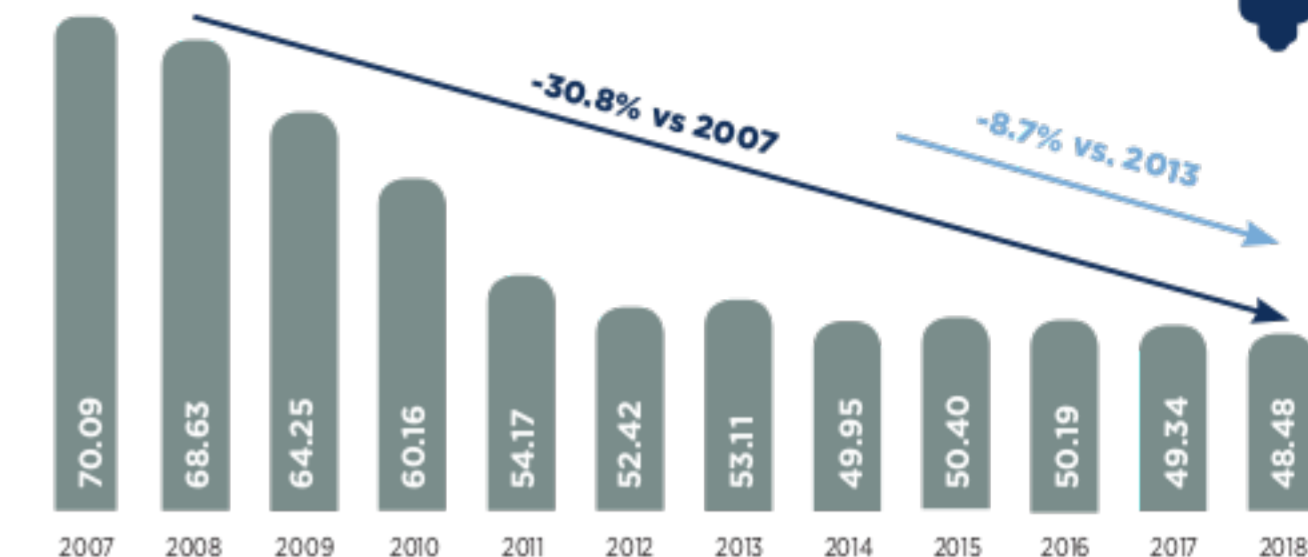
Information corresponding to NH Hotel Group data for establishments in the consolidated perimeter.

\*Laundry figures of 40% of the hotels that consolidate.

## RESULTS FOR 2018 AND REDUCTION OVER TEN YEARS

### ENERGY CONSUMPTION

kWh/RN



Data from 2007 to 2012 follow 2013 comparability criteria.

Data from 2013 to 2018 follow establishments in the consolidated perimeter.

### WATER CONSUMPTION

m<sup>3</sup>/RN

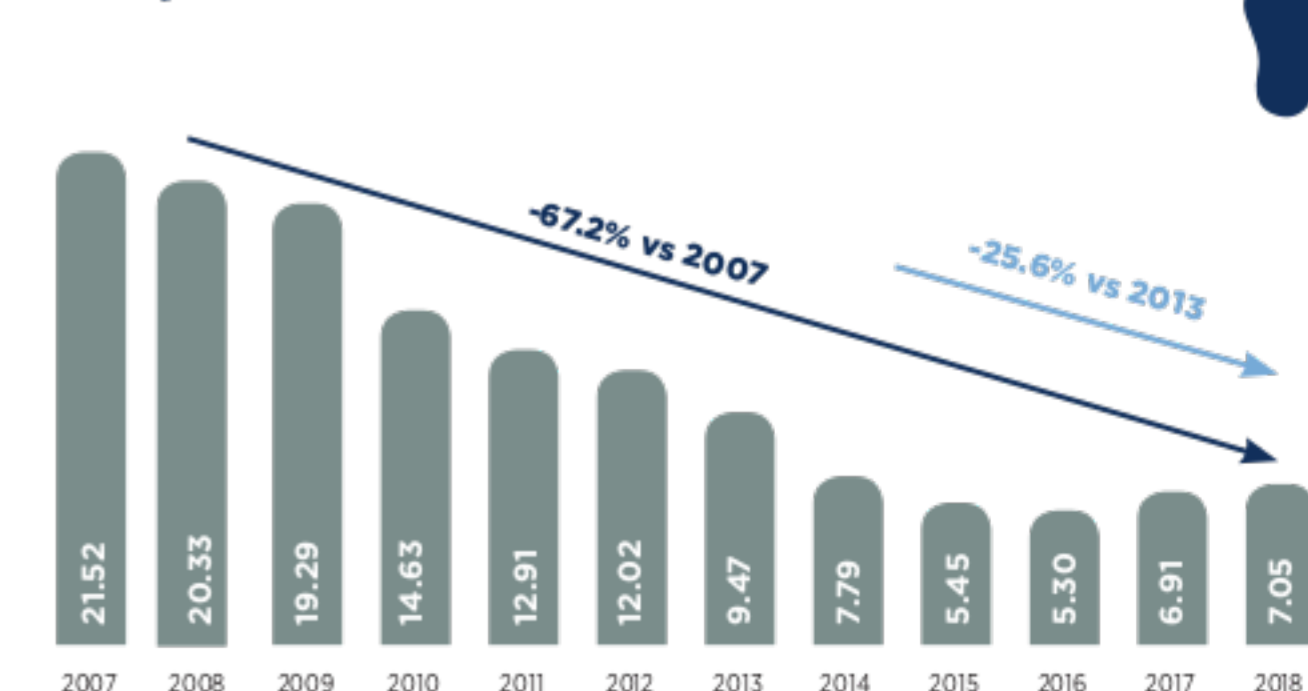


Data from 2007 to 2012 follow 2013 comparability criteria.

Data from 2013 to 2018 follow establishments in the consolidated perimeter.

### CARBON FOOTPRINT

kg CO<sub>2</sub>e/RN



Data from 2007 to 2012 follow 2013 comparability criteria.

Data from 2013 to 2018 follow establishments in the consolidated perimeter.

# AWARDS TO NH HOTEL GROUP IN 2018



# AWARDS FOR QUALITY AND EXCELLENCE

## BUSINESS TRAVELER & MICE AWARDS (THE NETHERLANDS)

NH Hotel Group has been awarded the prize for “Best hotel chain for business travelers” at the Business Traveler & MICE Fair, a prestigious event that brings together the leading professionals in the tourist industry in The Netherlands every year.



## BUSINESS TRAVEL IBTA AWARDS (SPAIN)

NH Hotel Group has been awarded the prize for “Best hotel chain for corporate travel” at the Business Travel Awards, which aim to recognize and value the specialization and professionalism of tourist services aimed at corporate customers.



PREMIOS  
BUSINESS TRAVEL  
IBTA

## ECCELLENZA AWARD (ITALY)

NH Hotel Group has been recognized as an “Excellent Company in the Hotel Sector in Italy”, thanks to the investment made in the country as, in just a few years, the Company has become the second-largest hotel chain in Italy with 51 hotels. These awards also recognize NH Hotel Group as a benchmark of excellence throughout the region.



EDIZIONE 2018

## BUSINESS TRAVELER AWARDS (UNITED KINGDOM AND GERMANY)

NH Hotel Group has been selected as one of the three best business hotel chains in Europe in the UK edition of the Business Traveler Awards. These awards are decided by readers of the prestigious magazines and have become a benchmark of excellence in the market.

NH Hotel Group has also been recognized as one of the three best business hotel chains worldwide at the German edition of the same awards.



Bar Hemingway  
NH Collection Suecia  
Madrid, Spain

# FINANCIAL AWARDS

## INSTITUTIONAL INVESTOR - 2018 ALL-EUROPE EXECUTIVE TEAM RANKINGS, SMALL&MIDCAP

For more than 30 years, Institutional Investor has recognized individuals and companies in the financial services industry for their excellence, becoming a worldwide benchmark in Investor Relations.

In the ranking published for 2018, NH Hotel Group has obtained the award for "Most Recognized Midcap Company in Spain".

Furthermore, Beatriz Puente, Chief Financial Officer of NH Hotel Group, has been chosen as "Best Chief Financial Officer in the Consumer: Leisure and Hotel Sector" in the small and midcap group.

Finally, NH Hotel Group received another recognition, in the same group, for the "Best Investor Relations Program in the Consumer: Leisure and Hotel General Sector".



## EUROFINANCE AWARDS

NH Hotel Group has received the prize for the "Best Digital Transformation in Treasury" at the prestigious Eurofinance forum. Every year, a panel of experts in finances and treasury recognizes specific achievements in the financial sphere through these awards.



# AWARDS AND RECOGNITIONS FOR HOTELS

## ITALIAN MISSION AWARDS (IMA)

The NH Milano Congress Centre was awarded the prize for "Best Location for Business Meetings and Events in the North of Italy" at the 2018 Italian Mission Awards for business travel. These recognitions are organized by Newsteca which publishes the newspaper MISSION.

In turn, the NH Collection Roma Vittorio Veneto was awarded the prize for "Best Business Hotel in Central and Southern Italy".



## CONDÉ NAST TRAVELER - READERS' CHOICE AWARDS 2018 (USA)

The NH Collection Grand Hotel Convento di Amalfi has been recognized as one of the "20 best hotels in Italy\*" by readers of the North American edition of Condé Nast Traveler, one of the most prestigious travel magazines in the world.



## WORLD LUXURY HOTEL AWARDS

This international recognition is awarded through users' votes to the best hotels in the luxury sector worldwide. In 2018, the prize for "Best Luxury Hotel for Events" was awarded to NH The Lord Charles (South Africa).



\* Not including Rome, Florence and Venice.

# CORPORATE RESPONSIBILITY REPORTING CRITERIA AND INDICATORS







# PRINCIPLES GOVERNING THE PREPARATION OF THE CORPORATE RESPONSIBILITY REPORT

This Report is the thirteenth edition of the Annual Corporate Responsibility Report of NH Hotel Group. It integrates the activity and main results of the 2018 fiscal year, explaining the Company's performance in the economic, environmental and social spheres.

## SCOPE OF THE INFORMATION

In this Report, NH Hotel Group publishes the global management results for the 2018 financial year broken down by Business Units and countries in which the Company operates, and areas in which homologous measurement systems are available. In some cases, information is reported only for comparable hotels in the corresponding fiscal year. In each case the scope of the information is detailed for more accurate and comparable information, together with the relevant explanation.

The Corporate Responsibility Report 2018 of NH Hotel Group has undergone independent external verification by KPMG. Their independent report on the Corporate Responsibility Report can be seen on page 97.

## BALANCE AND COMPARABILITY

The purpose of the Report is to publish a balanced, accurate and coherent report of the Group's performance, linked to the issues relevant to the Group, its strategic projects and its stakeholders. In this regard, the comparability of data and information regarding previous years is key as a tool for traceability and evolution of such information. This Report, as in previous editions, has been drawn up with the involvement and participation of the heads of business areas and dialogue with each stakeholder group, making it possible to align the reported information with the relevant aspects for the stakeholders and to respond to their expectations. This has involved an internal process of gathering and checking information against quantitative and qualitative measurement data and indicators of the sustainable management of NH Hotel Group.

## DEFINITION OF CONTENTS

The Group has different systems to dialogue with its stakeholders that are the source of analysis to define the relevant contents to be included in the report. The results of this communication ensure that the mechanisms to identify needs, as well as the most relevant aspects to be included in the Report and to monitor the commitments and successful completion of the challenges posed in the previous year, remain active. These processes allow the Materiality Analysis to be kept up to date, as an integration tool for the relevant business and stakeholder issues. On this basis, the key contents to be reported this year in the Report can be defined, including the main specific indicators they reflect. The Materiality Analysis is discussed in depth in A Responsible and Sustainable Company Chapter of this Report, under the 'Management Model' section.

# GRI STANDARDS CONTENT INDEX

This report has been prepared in accordance with the Core option of the GRI Standards.

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report



## GENERAL DISCLOSURES

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S) OR DIRECT RESPONSE	EXTERNAL REVIEW
GRI 101: Foundation 2016			
	<b>ORGANIZATIONAL PROFILE</b>		
	102-1 Name of the organization	Page 9	
	102-2 Activities, brands, products and services	Pages 9-12	
	102-3 Location of headquarters	Back cover	
	102-4 Location of operations	Pages 9-12	
	102-5 Ownership and legal form	Page 28	
	102-6 Markets served	Pages 9-12	
GRI 102: General Disclosures 2016	102-7 Scale of the organization	Pages 3; 13-17	
	102-8 Information on employees and other workers	Pages 58-59	
	102-9 Supply chain	Pages 49-50	
	102-10 Significant changes to the organization and its supply chain	Pages 9-16; 49-50	
	102-11 Precautionary Principle or approach	Pages 33-38	
	102-12 External initiatives	Pages 47-48; 80	
	102-13 Membership in associations	Pages 47-48; 80	
	<b>STRATEGY</b>		
GRI 102: General Disclosures 2016	102-14 Statement from senior decision-maker	Pages 6-7	
	102-15 Key impacts, risks, and opportunities	Pages 37-39	
	<b>ETHICS AND INTEGRITY</b>		
GRI 102: General Disclosures 2016	102-16 Values, principles, standards, and norms of behavior	Pages 34-36	✓
	102-17 Mechanisms for advice and concerns about ethics	Pages 34-36	✓
	<b>GOVERNANCE</b>		
	102-18 Governance structure	Pages 29-33	
	102-19 Delegating authority	Pages 30-33	
GRI 102: General Disclosures 2016	102-22 Composition of the highest governance body and its committees	Pages 29-33	
	102-23 Chair of the highest governance body	Pages 31; 33	
	102-24 Nominating and selecting the highest governance body	Pages 31-33	
	102-25 Conflicts of interest	Page 33	

## GENERAL DISCLOSURES

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S) OR DIRECT RESPONSE	EXTERNAL REVIEW
<b>STAKEHOLDER ENGAGEMENT</b>			
GRI 102: General Disclosures 2016	102-40 List of stakeholder groups	Pages 41-43	✓
	102-41 Collective bargaining agreements	Page 70	✓
	102-42 Identifying and selecting stakeholders	Pages 41-42	✓
	102-43 Approach to stakeholder engagement	Pages 46; 89	✓
	102-44 Key topics and concerns raised	Pages 44-45	✓
<b>REPORTING PRACTICE</b>			
GRI 102: General Disclosures 2016	102-45 Entities included in the consolidated financial statements	Pages 4; 89	✓
	102-46 Defining report content and topic Boundaries	Pages 44-45; 89	✓
	102-47 List of material topics	Page 45	✓
	102-48 Restatements of information	There are no restatements of information regarding previous years	✓
	102-49 Changes in reporting	No significant changes regarding previous reporting	✓
	102-50 Reporting period	Page 4	✓
	102-51 Date of most recent report	Last report published refers to previous tax year, 2017	✓
	102-52 Reporting cycle	Page 89	✓
	102-53 Contact point for questions regarding the report	Back cover	✓
	102-54 Claims of reporting in accordance with the GRI Standards	Page 90	✓
	102-55 GRI content index	Pages 90-96	✓
	102-56 External assurance	Pages 97-99	✓

## GENERAL DISCLOSURES - MATERIAL TOPICS

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S) OR DIRECT RESPONSE	EXTERNAL REVIEW
<b>MATERIAL TOPIC: ETHICAL COMMITMENT AND GOOD GOVERNANCE</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Pages 29; 35	✓
	103-2 The management approach and its components	Pages 29-36	✓
	103-3 Evaluation of the management approach	Pages 35-36	✓
NH Hotel Group's indicators	Percentage of employees trained in criminal risk prevention	Page 36	✓
<b>MATERIAL TOPIC: TRANSPARENCY AND FIGHT AGAINST CORRUPTION</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 35	✓
	103-2 The management approach and its components	Pages 35-36	✓
	103-3 Evaluation of the management approach	Pages 35-36	✓
<b>GRI 201: ECONOMIC PERFORMANCE</b>			
GRI 201: Economic performance 2016	201-4 Financial assistance received from government	Page 36	✓
<b>GRI 205: ANTICORRUPTION</b>			
GRI 205: Anticorruption 2016	205-2 Communication and training about anti-corruption policies and procedures	Pages 35-36	✓
<b>MATERIAL TOPIC: RESPONSIBLE ALLIANCES AND DIALOGUE WITH STAKEHOLDERS</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Pages 46	✓
	103-2 The management approach and its components	Pages 46-47; 71	✓
	103-3 Evaluation of the management approach	Pages 46-47; 71	✓
<b>MATERIAL TOPIC: PROTECTION OF HUMAN AND LABOR RIGHTS</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 46	✓
	103-2 The management approach and its components	Pages 46-47	✓
	103-3 Evaluation of the management approach	Pages 46-47	✓
<b>MATERIAL TOPIC: RESPONSIBLE VALUE CHAIN</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 49	✓
	103-2 The management approach and its components	Pages 49-50	✓
	103-3 Evaluation of the management approach	Pages 49-50	✓
<b>GRI 204: PROCUREMENT PRACTICES</b>			
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Page 49	✓
<b>GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT</b>			
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Page 50	✓
<b>GRI 414: SUPPLIER SOCIAL ASSESSMENT</b>			
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Page 50	✓

## GENERAL DISCLOSURES - MATERIAL TOPICS

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S) OR DIRECT RESPONSE	EXTERNAL REVIEW
<b>MATERIAL TOPIC: TALENT MANAGEMENT AND PROFESSIONAL DEVELOPMENT</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 58	✓
	103-2 The management approach and its components	Page 58	✓
	103-3 Evaluation of the management approach	Pages 58-59	✓
<b>GRI 401: EMPLOYMENT</b>			
GRI 401: Employment 2016	401-1: New employee hires and employee turnover	Pages 59; 69	✓
<b>GRI 404: FORMACIÓN Y ENSEÑANZA</b>			
GRI 404: Training and Education 2016	404-1: Average hours of training per year per employee	Pages 63-64	✓
	404-2: Programs for upgrading employee skills and transition assistance programs	Pages 63-64	✓
	404-3: Percentage of employees receiving regular performance and career development reviews	Pages 62-63	✓
<b>MATERIAL TOPIC: DIVERSITY AND EQUALITY CULTURE</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 59	✓
	103-2 The management approach and its components	Page 59	✓
	103-3 Evaluation of the management approach	Page 59	✓
<b>GRI 405: DIVERSITY AND EQUAL OPPORTUNITY</b>			
GRI 404: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Page 59	✓
	405-2 Ratio of basic salary and remuneration of women to men	Page 59	✓
NH Hotel Group's indicators	Number of hotels and rooms adapted to special needs (accessibility) in 2018	Page 53	✓
<b>MATERIAL TOPIC: EMPLOYEE COMMITMENT AND INVOLVEMENT</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 60	
	103-2 The management approach and its components	Pages 60-61	
	103-3 Evaluation of the management approach	Pages 60-63	
NH Hotel Group's indicators	Rate of employee participation in Employee Engagement Survey 2018	Page 60	
	Number of editions and hits of newsletter Tell The World in 2018	Page 61	
	Number of Town Halls organized in 2018	Page 61	
<b>MATERIAL TOPIC: CORPORATE VOLUNTEERING</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 74	✓
	103-2 The management approach and its components	Page 74	✓
	103-3 Evaluation of the management approach	Page 74	✓
NH Hotel Group's indicators	Number of Volunteers in 2018	Page 74	✓

## GENERAL DISCLOSURES - MATERIAL TOPICS

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S) OR DIRECT RESPONSE	EXTERNAL REVIEW
<b>MATERIAL TOPIC: CUSTOMER EXPERIENCE AND LOYALTY</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 51	
	103-2 The management approach and its components	Pages 51-57	
	103-3 Evaluation of the management approach	Pages 56-57	
NH Hotel Group's indicators	Brilliant Basics investment in 2018	Page 51	
	Overall perception of quality in 2018	Page 56	✓
	Volume of business generated through the NH Hotel Group website in 2018	Page 57	
<b>MATERIAL TOPIC: SUSTAINABILITY AWARENESS-RAISING IN CUSTOMERS</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 57	
	103-2 The management approach and its components	Page 57	
	103-3 Evaluation of the management approach	Pages 57; 81	
NH Hotel Group's indicators	Customer satisfaction with sustainability in 2018	Page 81	✓
<b>MATERIAL TOPIC: INNOVATIVE SERVICES</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 51	
	103-2 The management approach and its components	Pages 51-54	
	103-3 Evaluation of the management approach	Pages 51-54	
<b>MATERIAL TOPIC: POSITIVE IMPACT IN THE COMMUNITY</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 71	✓
	103-2 The management approach and its components	Pages 71-75	✓
	103-3 Evaluation of the management approach	Pages 71-75	✓
<b>GRI 413: LOCAL COMMUNITIES</b>			
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Pages 71-75	✓
<b>MATERIAL TOPIC: SUPPORT TO ART AND CULTURE</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 75	
	103-2 The management approach and its components	Page 75	
	103-3 Evaluation of the management approach	Page 75	

## GENERAL DISCLOSURES - MATERIAL TOPICS

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S) OR DIRECT RESPONSE	EXTERNAL REVIEW
<b>MATERIAL TOPIC: PROMOTING YOUNG EMPLOYMENT</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 73	✓
	103-2 The management approach and its components	Pages 73-74	✓
	103-3 Evaluation of the management approach	Pages 73-74	✓
NH Hotel Group's indicators	Key figures of employment programs in 2018	Page 73	✓
<b>MATERIAL TOPIC: ENERGY EFFICIENCY AND BET ON GREEN ENERGY</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Pages 77; 81	✓
	103-2 The management approach and its components	Pages 77-78; 81	✓
	103-3 Evaluation of the management approach	Pages 77-78; 81	✓
<b>GRI 302: ENERGY</b>			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Page 84	✓
	302-3 Energy intensity	Page 84	✓
	302-4 Reduction of energy consumption	Page 84	✓
<b>MATERIAL TOPIC: EFFICIENT WATER MANAGEMENT</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 76	✓
	103-2 The management approach and its components	Pages 76; 84	✓
	103-3 Evaluation of the management approach	Pages 76; 84	✓
GRI 303: Water and Effluents 2016	303-3 Water withdrawal by source	Page 84	✓
NH Hotel Group's indicators	Water consumption ratio in 2018 and reduction of consumption compared to previous years	Page 84	✓
<b>MATERIAL TOPIC: CARBON FOOTPRINT AND CLIMATE CHANGE</b>			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Page 79	✓
	305-2 Energy indirect (Scope 2) GHG emissions	Pages 79-80	✓
	305-3 Other indirect (Scope 3) GHG emissions	Pages 79-80	✓

## GENERAL DISCLOSURES - MATERIAL TOPICS

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S) OR DIRECT RESPONSE	EXTERNAL REVIEW
<b>GRI 305: EMISSIONS</b>			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Page 84	✓
	305-2 Energy indirect (Scope 2) GHG emissions	Page 84	✓
	305-3 Other indirect (Scope 3) GHG emissions	Page 84	✓
	305-5 Reduction of GHG emissions	Page 84	✓
<b>MATERIAL TOPIC: SUSTAINABLE HOTELS</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 78	✓
	103-2 The management approach and its components	Page 78	✓
	103-3 Evaluation of the management approach	Page 78	✓
NH Hotel Group's indicators	Number of certified hotels by 2018	Page 78	✓



# ANNEX - EXTERNAL ASSURANCE REPORT



KPMG Asesores S.L.  
Pº. de la Castellana, 259 C  
28046 Madrid

## **Independent Limited Assurance on Corporate Responsibility Report of NH Hotel Group, S.A, for the year 2018**

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

To the de NH Hotel Group, S.A. management:

We have been engaged by the Board of Directors of de NH Hotel Group, S.A. (hereinafter the Company) to provide limited assurance on the "Corporate Responsibility Report" for the year ended 31 December 2018 (hereinafter "the Report"). The information reviewed corresponds to the indicators referred in the chapter entitled "GRI STANDARDS CONTENT INDEX" with the "✓" symbol.

### **Company Management responsibilities**

Company management is responsible for the preparation and presentation of the Report in accordance with the *Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards)*, in its core option, of the Global Reporting Initiative, as described in point 102-54 of the GRI content Index of the Report. It is responsible for compliance with the Materiality Disclosures Service, obtaining confirmation from the Global Reporting Initiative on the proper application of these. Management is also responsible for the information and assertions contained within the report; for determining

Company's objectives in respect of the selection and presentation of sustainable development performance, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

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

### **Our independence and quality control**

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

We apply the International Standard on Quality Control 1 (ISQC1) and, in conformity with this Standard, maintain a comprehensive system of quality control including documented policies and procedures regarding the compliance with ethical principles, professional standards and applicable legal and regulatory requirements.

KPMG Asesores S.L., a limited liability Spanish company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.  
Paseo de la Castellana, 259C - Torre de Cristal - 28046 Madrid

Reg. Mer Madrid, T. 14.972, F. 53, Sec. 8, H. M-249.480, Inscip. 1.ª  
Tax identification number N.I.F. B-62498650



## Our responsibility

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Our responsibility is to carry out a limited assurance review and to express a conclusion based on the work performed, referring exclusively to the information corresponding to 2018. We conducted our engagement in accordance with International Standard on Assurance Engagements ISAE 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, and the Standard ISAE 3410, Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standard Board (IAASB); and with the Performance Guide on the revision of Corporate Responsibility Reports of the Instituto de Censores Jurados de Cuentas de España (ICJCE). These standards require that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatements.

## Procedures performed

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Our limited assurance engagement has been carried out by means of enquiries of management and persons responsible for the preparation of information presented in the Report, and the application of analytical and other evidence gathering procedures. These procedures included:

- Verification of Company's processes for determining the material issues, and the stakeholder participation therein.
- Verification, through interviews with management and relevant staff at group level and selected business unit level, of the presence of sustainability strategy and policies and corporate responsibility to attend to material issues, and the implementation of these across the business of Company.

- Assessment of the consistency of the description of the application of Company's policies and strategy on sustainability, governance, ethics and integrity.
- Risk analysis, including searching the media to identify material issues during the year covered by the Report.
- Review of consistency of information comparing the Universal Standards with internal systems and documentation.
- Analysis of the processes of compiling and internal control over quantitative data reflected in the Report, regarding the reliability of the information, by using analytical procedures and review testing based on sampling.
- Review of the application of the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards) requirements, in accordance with core option.
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of the Company
- Comparison between the financial information presented in the Report and those included in Company's Annual Accounts audited by independent third parties.

Our multidisciplinary team included specialists in dialogue with stakeholders, and social, environmental and economic business performance



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

### Conclusions

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Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Independent Assurance Report.

We believe that the evidences we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the procedures performed and the evidences obtained, nothing has come to our attention that causes us to believe that the Report has not prepared, in all material respects, in accordance with the Sustainability Reporting Standards of Global Reporting Initiative (GRI Standards), in its core option, as described in point 102-54 of the GRI content Index of the Report, including the reliability of data, adequacy of the reported information and the absence of significant deviations and omissions.

### Purpose of our report

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

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

KPMG Asesores, S.L.

*(Signed on original in Spanish)*

Patricia Reverter Guillot

12 April 2019

**nh** | HOTEL GROUP PART OF **MINOR**  
HOTELS



Santa Engracia, 120  
28003 - Madrid  
T: +34 91 451 97 18  
nh-hotels.com  
nhhotelgroup.com