



CORPORATE GUIDE FOR HUMAN RIGHTS DUE DILIGENCE

November 2020

Content

1. ABOUT THE CORPORATE GUIDE	3
1.1. What is the Guide?	3
1.2. General scope of application	4
1.3. Why are human rights important for NH Group?	4
2. KEYS TO ESTABLISHING HUMAN RIGHTS DUE DILIGENCE MEASURES AND MECHANISMS ..	6
KEY 1 – Territorial Context	6
1) Governance, applicable national laws and regulations	7
2) Infrastructure and resources	7
3) Demographic composition, cultural context and community values	7
KEY 2 – Identification of Social Actors	7
KEY 3 – Administration and distribution of responsibilities	8
KEY 4 – Prevent, mitigate and remedy	9
LEVEL 1 - PREVENT	10
LEVEL 2 - MITIGATE.....	10
LEVEL 3 – REMEDIATE	10
3. IMPLEMENTATION OF THE PHASES OF THE HUMAN RIGHTS PROTOCOL	10
1ª PHASE. Identification and Assessment of Human Rights Risks	11
RECOMMENDED STEPS FOR THE IMPLEMENTATION OF PHASE I OF THE HUMAN RIGHTS PROTOCOL	12
2ª PHASE. Prevention and Mitigation Measures	13
RECOMMENDED STEPS FOR THE IMPLEMENTATION OF PHASE II OF THE HUMAN RIGHTS PROTOCOL	14
COMPLAINT MECHANISMS	15
RECOMMENDED STEPS FOR THE DEVELOPMENT OF GRIEVANCE MECHANISMS.....	15
3ª PHASE. Response and Remediation Plan	16
RECOMMENDED STEPS FOR THE IMPLEMENTATION OF PHASE III OF THE HUMAN RIGHTS PROTOCOL	16
4ª PHASE. Monitoring and Reporting	18
RECOMMENDED STEPS FOR THE IMPLEMENTATION OF PHASE III OF THE HUMAN RIGHTS PROTOCOL	18
5ª PHASE. Dissemination and Accountability	21
RECOMMENDED STEPS FOR THE IMPLEMENTATION OF PHASE IV OF THE HUMAN RIGHTS PROTOCOL	21
4. APPLICATION OF THE HUMAN RIGHTS PROTOCOL IN TRADE RELATIONS	22
RECOMMENDED STEPS FOR THE IMPLEMENTATION OF THE HUMAN RIGHTS PROTOCOL IN TRADE RELATIONS	23

1. ABOUT THE CORPORATE GUIDE

1.1. What is the Guide?

The purpose of this Corporate Guide for the Protection of Human Rights (hereinafter, the Guide) is to provide Team Members in the different BUs of NH Hotel Group S.A. (hereinafter, "NH Group" or "the Company") with the guidelines for the correct understanding and application of NH Hotel Group's Corporate Human Rights Due Diligence Protocol (hereinafter, the Protocol). (hereinafter, "NH Group" or "the Company"), the guidelines for the correct understanding and application of the NH Hotel Group Corporate Human Rights Due Diligence Protocol (hereinafter, the HR Protocol).

Both the Guidelines and the HR Protocol reflect the commitments and principles of action included in the NH Hotel Group Human Rights Policy approved by the NH Board of Directors on 29 July 2020. The Company has also conducted a Global Human Rights Risk Analysis (hereinafter, the Global Risk Analysis), to define the context in which the different internal HR policies and guidelines must be applied.

FIGURE I.



Along these lines, as shown in Figure I, the Guide is presented as a tool that NH Hotel Group makes available to its Team Members to optimise the understanding of the scope, both internal and external, in which the Human Rights Due Diligence System (HR Due Diligence System) must be developed, whose bases and framework of application are established respectively in the HR Protocol and in the Global Risk Analysis.

Within the Guide, specific measures are defined to channel the prevention, mitigation and reparation of possible impacts on HR derived from NH Hotel Group's activity and to duly manage the complaints or questions that could be raised by potentially affected individuals and legal entities (classified in the HR Protocol under the term "Stakeholders").

Likewise, the Guide offers advice on how to:

The keys that define the context in terms of HR must be interpreted, which vary depending on the geographical location, the applicable legislation, the Social Actors involved and the socio-economic characteristics of the community in which it operates.

- o Compliance is guaranteed at the operational level (BU) of NH Hotel Group's corporate commitment to human rights through the development of the different phases of the Human Rights Protocol.
- o The suggested tools are developed and used to accurately address the risks and impacts identified in terms of HR.

1.2. General scope of application

The Guide is mainly oriented towards the BUs of NH Hotel Group. However, responsibilities must be established to ensure its comprehensive and effective management by all Team Members, within the different functional areas of the Company, given that all persons in relation to the Company have responsibility for the respect of HR.

In order to understand the usefulness of the Guide and to make the most of its contents, it is recommended to previously consult the contents of the following NH Hotel Group corporate documents:


- o NH HOTEL GROUP HUMAN RIGHTS POLICY
- o NH HOTEL GROUP CORPORATE HUMAN RIGHTS DUE DILIGENCE PROTOCOL
- o NH HOTEL GROUP BASE LIST OF POTENTIAL HUMAN RIGHTS RISKS
- o NH HOTEL GROUP HUMAN RIGHTS GLOBAL RISK ANALYSIS


The examples and measures presented throughout this Guide should be interpreted as a set of guidelines and recommendations addressed to the bulk of the Subjects Bound by the HR Protocol, being in any case orientative and susceptible to be dealt with in greater depth within the framework of specific operations.


For the correct application of the HR Protocol, in addition to the recommendations and guidelines included in the Guide, other relevant factors associated with the nature of NH Hotel Group's activities must be taken into account, as they are decisive when developing the Human Rights HR System.:


- o Its important social dimension: multinational company in the hotel and catering sector that attends to the needs and well-being of hundreds of people every day, so the possible impact on the respect and guarantee of human rights is imminent.
- o Its structure: highly diversified structure with hotels owned, rented, under management contract and franchised.
- o Employment characteristics: high levels of seasonality, informality, low skills, subcontracting and outsourcing.
- o Supply chains: multi-tiered, complex, extensive and globalised.

1.3. Why are human rights important for NH Group?

- 

The link between HR and its business model is complete and indivisible. The Company's raison d'être is people, the satisfaction of their needs and demands.
- 

Therefore, respect for their rights must be addressed as an essential issue at NH Hotel Group.
- 

The members of the Company are essential in promoting and guaranteeing respect for basic ethical and moral principles in the Company's operations.
- 

Society recognises the great influence that NH Hotel Group has on human rights. This drives the importance of establishing communication channels capable of understanding and resolving the needs of Stakeholders.

Human Rights, enshrined since 1948 in the United Nations Universal Declaration of Human Rights, are guarantees aimed at protecting all people against any act that undermines their freedom and dignity, through which obligations and responsibilities arise for States and companies as entities that exist for and on behalf of people.

The Universal Declaration of Human Rights of the United Nations establishes in its thirty articles the fundamental Human Rights that must be protected throughout the world.

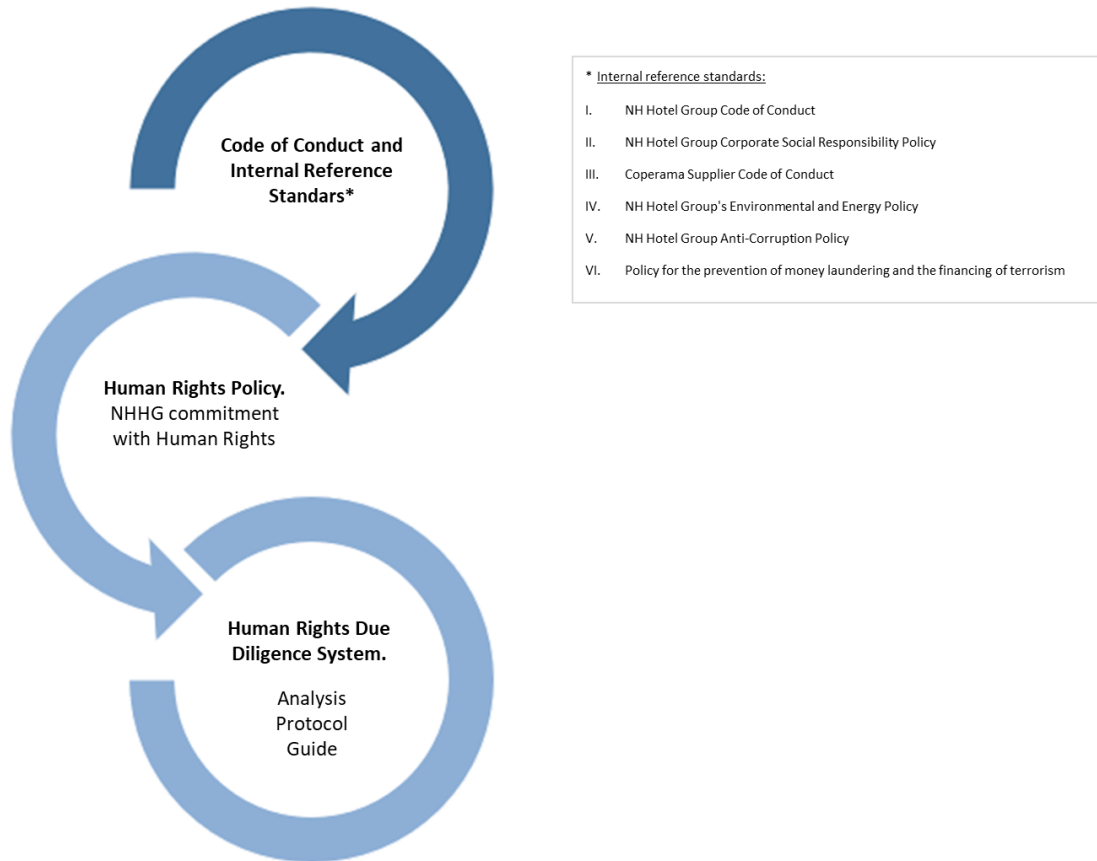
“Human rights are those inherent to all human beings, without distinction of nationality, place of residence, sex, ethnicity, colour, religion, language or any other status. We all have the same human rights, without discrimination of any kind. These rights are interrelated, interdependent and indivisible”.

Source: Office of the United Nations High Commissioner for Human Rights.

The United Nations Guiding Principles on Business and Human Rights (UN Guiding Principles) are the main source of global reference regarding the respect and promotion of HR in the business sphere, and establish obligations for both the public and private sectors.

As mentioned in the first section of the Guide, NH Hotel Group has developed and published multiple corporate rules and policies that govern the Company's commitment to the respect of HR, and whose observance is mandatory for its Addressees and Subjects Bound, among which Team Members are included.

Figure II shows a schematic representation of the different documents that make up NH Hotel Group's commitment to HR and the logical relationship between them.

FIGURE II. Commitment to Human Rights at NH Hotel Group

2. KEYS TO ESTABLISHING HUMAN RIGHTS DUE DILIGENCE MEASURES AND MECHANISMS

The objective of the Keys to establish HR due diligence measures and mechanisms is to introduce the information that will be indispensable to understand prior to the application of the 5 Phases of the HR Protocol that articulate the processes and guidelines to be followed to operate under a HR due diligence system and that will be addressed in detail in section 3 of this Guide.

KEY 1 – Territorial Context

The territorial context (countries or regions) presents risk factors for NH Hotel Group's business activities, which may require a more exhaustive treatment at the time of identifying and managing the impacts on HR linked to its operations in that territory, and/or the adoption of additional precautions to ensure that its activities do not exacerbate existing risk situations.

It is recommended to consider factors of governance, applicable national laws and regulations, as well as infrastructure, resources, demographic composition, cultural context and community values of the territories of operation of the country in question.

The Guide classifies and details the factors related to the territorial context in three categories:

1) Governance, applicable national laws and regulations



- Areas of weak governances, unstable governances or a failed states.
- A territory affected by war or other conflicts.
- National applicable law¹.

From a business perspective, there are different national laws and regulations that must be taken into account when developing their operations under a HR HR system. In this sense, we will find binding and non-binding legislation of an evolving nature, since in recent years there has been a progressive increase in this type of regulation, whether as a result of isolated national initiatives or as a result of commitments with international organisations.

2) Infrastructures y resources

- Areas at high risk of potential environmental and/or social impacts due to their rich cultural and/or environmental heritage.

Basic factors must be taken into account in relation to the environment where each operation is carried out in order not to alter the state of the natural resources and biodiversity of the environment in which they operate, since such alterations may result in the violation of the human rights of local communities or in the alteration of their right to access and use of basic goods and infrastructure (access to food, means of subsistence, water supplies, electricity and sanitation, among others).

In addition, each environment will have a different health and social security service, the accessibility and quality of which may require additional measures by the Company to avoid potential infringement of Team Members' rights to health and life. Such measures should also be considered in case of deficiencies in access to social security, education, public services, etc.

3) Demography comppsition, Cultural context and comunity values



- Territories inhabited by vulnerable local communities and/or protected minorities (e.g. indigenous peoples).
- Conflicts based on ethnicity, culture, nationality, religion and/or race, among others.

The relationship with local communities and their Stakeholders is a key process in understanding and considering their perspectives on respect for their HR, which involves dialogue and direct interaction between them and the Company, at different levels: dissemination of information, grievance mechanisms, partnership and collaboration.

KEY 2 – Identification of Social Actors

Based on the premise that HR exist by and for people, it is essential to identify those "human rights holders" that could be affected by the actions or omissions of the Company and by its relations with third parties. These "human rights holders", within the HR HR System, will be the stakeholders recognised as "Stakeholders".

Their identification is based on the following questions:

¹ In the Global Risk Analysis document (section 3.3.B. Human Rights Due Diligence Tables required of companies) and in Annex II of the NH Hotel Group Corporate Human Rights Due Diligence Protocol document, the regulations applicable in NH's countries of operation at the time of their preparation can be consulted.

Who is, or could be, negatively impacted by the Company's activity and its relationships with third parties?

Which third parties with whom the Company maintains a relationship could, through their actions or omissions, generate adverse impacts on HR?

A methodology for the identification, categorisation and prioritisation of Social Actors is presented below:

As a first step, distinguish categories that establish their distribution:

- ✓ Global
- ✓ Business area
- ✓ Regional, national y local

Subsequently, establish the degree of priority attention required by each Social Actor, assessing their degree of vulnerability and their capacity to influence the Company's territorial and operational context.

KEY 3 – Administration and distribution of responsibilities

The correct management of HR in the NH Group will require an exhaustive process of integration of HR issues in all activity processes, allowing all Team Members to understand and integrate these issues.

As an example, Figure III presents different functional areas of a company and identifies how HR issues could be integrated into their responsibilities:

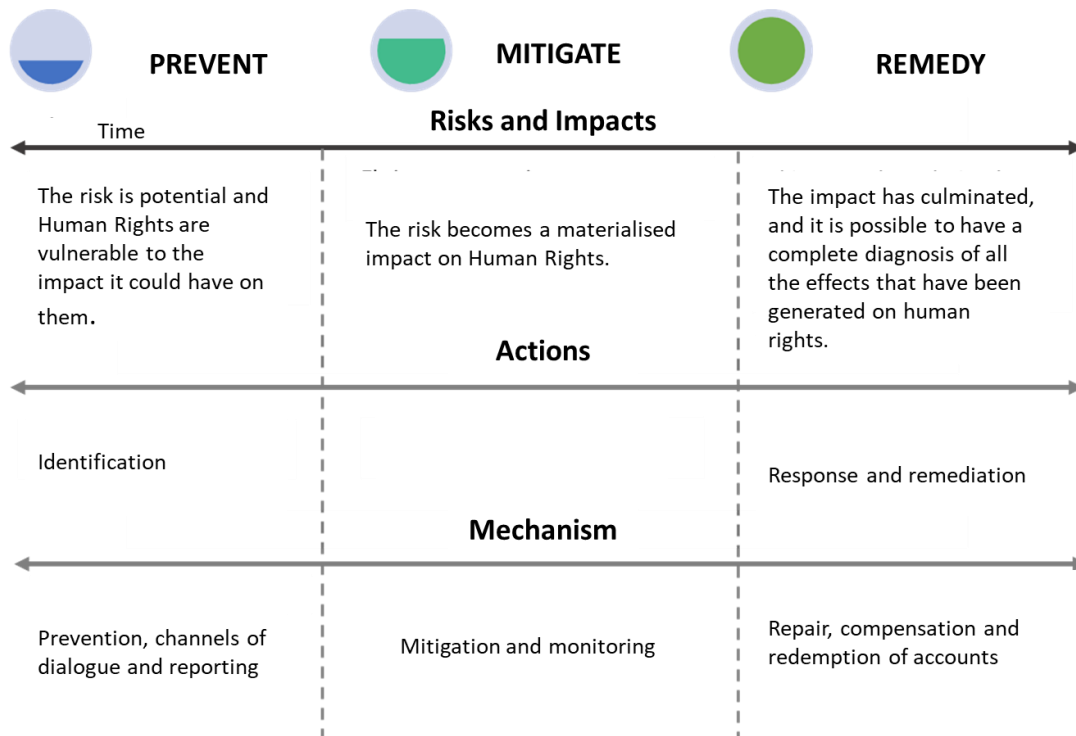
FIGURA III. Example of allocation of Human Rights responsibilities in the functional areas of a company

PROJECT MANAGER
<ul style="list-style-type: none"> • Can assign responsibility for overseeing strategic social investment initiatives • Can keep a "status summary" of the progress of all company functions in implementing human rights issues in their processes.
HUMAN RESOURCES
<ul style="list-style-type: none"> • Can address labour rights, diversity and discrimination issues in internal policies.
OPERATIONS
<ul style="list-style-type: none"> • It can increase the capacity of local businesses to respond to the opportunities presented by the company's activities. • It can address issues of land acquisition, population displacement, access to basic services and community engagement in its processes.
FINANCE
<ul style="list-style-type: none"> • It can allocate funds for mitigation and enhancement action plans, stakeholder engagement and grievance mechanisms, as well as provide funds for possible compensation claims.
PUBLIC RELATIONS AND COMMUNICATION
<ul style="list-style-type: none"> • It can monitor the relationship of social actors to business activity and changes in social norms at local, national and international levels.
SECURITY
<ul style="list-style-type: none"> • It can develop a human rights policy that extends to public and private security contractors.

KEY 4 – Prevent, mitigate and remedy

The diagram in Figure IV "flow of the HRD System" distinguishes three levels of HR management: prevention, mitigation and remediation, assigning actions and mechanisms that the Company must develop within its HRD System.

FIGURE IV. Flow of the Due Diligence System in Human Rights.



Having a system that covers the levels of prevent, mitigate and repair (described in the diagram in Figure IV), will allow the NH Group to manage its potential and current impacts on HR, from their identification to their possible materialisation. By following up on the necessary measures to be implemented in the event that the impact has materialised and proven its relation with it, taking into account the responsibilities at the internal level and in the value chain, as well as measuring the effectiveness of the measures implemented, through monitoring indicators.

NIVEL 1 - PREVENT

During the preventive level, the impact is potential, so actions should be focused on identifying the variables that would be involved in case the risk materialises, such as the type of activity, territory and Social Actors.

As for mechanisms, at this level, it is worth highlighting the importance of grievance channels, which are applicable at this level and transversal to the entire HRH System, as they not only allow identifying and preventing potential impacts on HR, but are also essential when minimising impacts, responding to affected Social Actors and repairing the adverse effects of a risk that has already materialised.

NIVEL 2 - MITIGATE

The mitigation level is activated at the precise moment when an identified risk materialises, acting to minimise its impact and the possibility of it materialising again.

They ensure that the impacts arising from the materialisation of a risk that could not be avoided at the preventive level are kept within acceptable levels, and also to mitigate/minimise the possibility of the materialised impact occurring again.

NIVEL 3 – REMEDY

Remediation actions and mechanisms are activated when the Company's relationship with the materialisation of the adverse impact has been proven and it is possible to have a diagnosis of the effects that the materialisation of the risk has generated on the HR of the Social Actors involved.

The Company may avail itself of response and remediation mechanisms depending on whether it is appropriate or not, repairing the damage when it is possible to restore the situation to pre-impact conditions or, if this is not possible due to the type of impact generated (such as irreversible damage to health), offering compensation measures.

Finally, accountability is key at the response and remediation level, both to repair damages and to work on the transparency and credibility of the Company's HR System.

3. IMPLEMENTATION OF THE PHASES OF THE HUMAN RIGHTS PROTOCOL

This section of the Guide deals individually with the five phases of the HR Protocol, developing the link between each one of them, the Global Risk Analysis and the NH Hotel Group's Base List of Potential HR Risks.

The five phases in which the HR Protocol reflects the bases and guidelines for the development of a Human Rights System in NH Hotel Group are:

- HUMAN RIGHTS RISK IDENTIFICATION AND ASSESSMENT
- PREVENTION AND MITIGATION MEASURES
- RESPONSE AND REMEDIATION PLAN
- MONITORING AND REPORTING
- DISSEMINATION AND ACCOUNTABILITY

1^a PHASE: Human Rights Risk Identification and Assessment.

* This phase contains references to the following corporate documents:

- CORPORATE HUMAN RIGHTS DUE DILIGENCE PROTOCOL, section 4.1.
- Global Risk Analysis, the entire document
- Base List of Potential HR Risks, the entire document

The first phase of the HR Protocol focuses on the identification and assessment of the effects that the NH Group's activity could have on the HR of the people (Social Actors) directly and indirectly involved in its operations and/or relations.

The BUs in charge of applying this phase have the Global Risk Analysis that NH Group has carried out with a global corporate approach and from which they must start when identifying and assessing the HR risks associated with their specific area of operation.

The Global Risk Analysis available at the corporate level offers methodology and results of:

- **Base list of potential risks of human rights violations:** it is made up of 19 vulnerable human rights, which present 46 risks of violation inherent to the activities carried out by the NH Group, identified within the global scope of the sector in which the Company carries out its activity and relates to third parties (direct activity and value chain of the hotel and catering sector).

- **Evaluation of the level of potential inherent risk (RPI):** the level of RPI or severity level of the identified risks, prior to the application of any measure aimed at their prevention or mitigation, is carried out following the variables of severity, scope, difficulty of repair, probability of occurrence and coverage in specialised media. As a result, the risks of the Base List are classified in three severity levels (high, medium and low) allowing for prioritising their management in the HRD System.

- **Identification of Stakeholders:** this section is related to KEY 2 of the Guidelines, they are complementary. Stakeholders are part of the Company's "interest groups" or "stakeholders", meaning all those persons or entities that may affect or be affected by the Company's activities and are therefore directly and/or indirectly involved in it. The Global Risk Analysis identifies 4 categories of Stakeholders, which are distinguished in turn into two large groups:

1. Natural and/or legal persons whose HR could be adversely affected by the NH Group's operations: employees, local communities and customers.
2. Natural and/or legal persons who maintain a relationship with the NH Group, within which the NH Group is likely to be associated or collaborate in the materialisation of adverse impacts on HR: Business Partners.

- **Territorial Framework Analysis:** NH Group, at a global-corporate level, has analysed the levels of protection, promotion and respect for HR existing at the date of the analysis in the countries of operation.

1. Level of protection: Global HR protection map, based on data from the United Nations High Commissioner for Human Rights, the map will serve as a tool at corporate level to identify the level of HR protection, according to the aforementioned variables, existing in the countries where the NH Group's activity is located.

2. Level of promotion: in the HR Due Diligence Tables required of the companies in this section of the Analysis, the National Action Plans and the applicable national legislation can be consulted, the year in which they were issued to find out how old they are and whether or not they are directly binding for the companies.

3. Level of respect: this section is related to KEY 1 of the Guide, they are complementary. This section identifies socio-political factors, specific to each country of operation, that potentialise the violation of HR; and that, therefore, the NH Group must take into special consideration when developing the HR System.

RECOMMENDED STEPS FOR THE IMPLEMENTATION OF PHASE I OF THE HUMAN RIGHTS PROTOCOL

BUSINESS UNITS (BU) - REVISIÓN Y ADAPTACIÓN AL INICIO DEL DESARROLLO DEL SISTEMA DE DD EN DDHH, DE:

- ✓ **Base List of BU Risks:** based on the Base List of the Global Analysis, each BU, from its operational experience, must modify and/or validate that all risks applicable to its operation are correctly identified and described, taking into account its specific operational context, and incorporating, if appropriate, new vulnerable HRDs and risks that were not reflected in the Global Base List and that, due to its experience, it considers relevant, following the Global Analysis methodology.
- ✓ **Nivel de RPI de la BU:** Starting from the RPI levels associated with the risks identified in the Base List of the Global Analysis and applying the corresponding methodology, each BU, based on its operational experience, shall modify and/or validate the RPI level (low, medium, high) associated with each of the risks in its Base List.
- ✓ **Actores Sociales de la BU:** Based on the identification provided by the Global Analysis, and taking into account the information provided in section KEY 2 of this Guide, each BU, from its operational experience, should ensure that all Stakeholders associated with its operation are correctly identified and described.
- ✓ **Analysis of the Territorial Framework (Protection) of the territories in the BU's area of responsibility:** Based on the Global Map of HR protection of the Global Analysis, each BU should check the congruence of the level of protection assigned to its territories of responsibility. It is recommended to review, in addition to the variables indicated in the Global Analysis methodology, other variables such as recognised global indices or resources from international and local organisations specialised in the sector and/or in HR.

- ✓ **Analysis of the Territorial Framework (Promotion) of the territories in the BU's area of responsibility:** Based on the Due Diligence Tables of the Global Analysis, each BU must review and update the available public information to integrate all the updated regulations applicable at the national and local level in the territories within its scope of responsibility, so that each BU knows the type of HR regulations it must comply with, and can integrate its requirements to the HR HR System processes according to the territory of operation.
 - ✓ **Analysis of the Territorial Framework (Respect) of the territories in the BU's area of responsibility:** Based on the tables of HR Risk Factors by country provided in the Global Analysis and taking into account the information gathered in section KEY 1 of this Guide, each BU should make sure that all the Risk Factors applicable to their territories of operation are reflected, incorporating, if appropriate, new Risk Factors that, due to their experience and specific context, they consider relevant.
1. **BUSINESS UNITS (BU) - ESTABLISH THE RELATIONSHIP BETWEEN YOUR RISK BASE LIST AND YOUR IDENTIFIED STAKEHOLDERS:**
 After obtaining their Risk Base List and identifying their Social Actors, BUs must define which Social Actors are likely to be affected by each risk, linking on their Base List each of the potential risks of HR violations to the corresponding Social Actors.
 2. **BUSINESS UNITS (BU) - HIERARCHISATION OF ITS SOCIAL ACTORS:**
 After verifying the HR risks to which each Social Actor is exposed, the BUs will be able to define the degree of attention required by each Social Actor, prioritising attention to those belonging to vulnerable population groups (disabled, minors, pregnant women, indigenous minorities, ethnic minorities and others) and establishing follow-up measures according to their categorisation and prioritisation.
 3. **CORPORATE + BU - PERIODIC REVIEW AND UPDATING (AT LEAST EVERY THREE YEARS) TO ENSURE THE VALIDITY AND TERRITORIAL AND TEMPORAL ADEQUACY OF:**
 - Base List of Risks.
 - Level of PRI of the risks.
 - Identification and prioritisation of Social Actors.
 - Territorial Framework (Levels of protection, promotion and respect).
 4. **CORPORATE + BU - SPECIFIC / ADHOC RISK ANALYSIS IN SPECIFIC PROJECTS AND/OR HIGH RISK SITUATIONS:**
 Mergers and acquisitions, construction of new facilities, starting operations in a new country/region and in areas rated as high risk in the Territorial Framework Analysis and in KEY 1 of this Guide.

 For the implementation of all the above steps, it is recommended:
 - To count on the support of expert and reference teams in HRDs.
 - To count on the direct participation of the Social Actors, both in the analysis and in its review. As this is a process based on analysing the adverse effects on people's HR that may arise from the Company's activity in its relationship with them.

2^a PHASE. Prevention and Mitigation Measures

* This phase contains references to the following corporate documents:

- CORPORATE HUMAN RIGHTS DUE DILIGENCE PROTOCOL, section 4.2.
- Base List of Potential HR Risks, the entire document.

The application of this phase, as established in the HR Protocol, requires "the integration of adequate and effective processes to guarantee HR Due Diligence in the development of the Company's operations and throughout its entire value chain".

Once the 1st HR Risk Identification and Assessment Phase has been developed, the next step consists of identifying the existing prevention and mitigation measures in the management and operation systems at corporate level and in the BUs, and developing additional measures if necessary, ensuring that there are measures in place for all identified risks.

RECOMMENDED STEPS FOR THE IMPLEMENTATION OF PHASE II OF THE HUMAN RIGHTS DUE DILIGENCE PROTOCOL

It is recommended that the prevention and mitigation measures associated with the HRD System within NH Group and its BUs comply with the following VAAAS characteristics:

- **Viable**, given the economic, human and time resources available to the company.
 - **Adopted** by all the BUs that make up the NH Group.
 - **Adaptable** to local conditions, taking advantage of the technologies and experience of the different BUs.
 - **Accepted** by the Social Actors; in accordance with local culture, traditions and religions.
 - **Based** on international standards and relevant national conditions.
1. It is essential that, building on the progress made in Phase I, the types of associated prevention and mitigation mechanisms are identified and categorised, as detailed in KEY 4.
 2. As part of the HR HRD System, first at the corporate level and then at the operational level by each BU, the existing prevention and mitigation measures and mechanisms associated to the risks of its Base List should be identified.
 - Mapping of the company's existing processes, measures and mechanisms that respond to the identified risks and impacts.
 3. With regard to modifications or creation of new mechanisms, as well as intervention in other associated organisations over which the Company exercises direct control, it is recommended that consideration be given:
 - The integration of HR aspects in policies, procedures and operational processes.
 - The establishment of a project review and categorisation system that includes HR criteria.
 - The establishment of measures to respond, monitor and report on HR risks that arise at any stage of the operation cycle.
 - The assignment of clear responsibilities (see KEY 3).
 - Information to operational staff on the results of human rights impact assessments.

In order to integrate HR into the Company's management systems, both at corporate and operational level, by the BU as a whole, it is recommended to develop a working culture that fosters awareness and training of all Team Members on HR issues.

4. The NH Group, through the different BUs, must identify the existing gaps within the management and operating systems when preventing and mitigating the risks identified in the Base List, as well as propose improvement plans, in order to correctly incorporate HRD in the Company's management and operating systems.
5. The NH Group must guarantee the existence of grievance mechanisms that allow for the proper handling of complaints about possible HR violations and redress adverse impacts on HR related to its business activities; grievance mechanisms/channels must be available at both the operational and global levels, and be accessible to all Stakeholders.

COMPLAINTS MECHANISMS

Before addressing the 3rd Phase of the HR Protocol, it is essential to know in greater depth the role of the grievance mechanisms (complaint or grievance channels).

These mechanisms are the most relevant measure within the Company's HR System, as their application is of a transversal nature, being useful both at the preventive level as well as in mitigation and redress, as they are active at all times to coordinate interaction with the different Social Actors, identify their needs and demands, and monitor the effectiveness of the HR System.

They are the direct link between the Company and the Social Actors and their use is key from the initial phase of risk identification to the final phase of remediation.

RECOMMENDED STEPS FOR THE DEVELOPMENT OF GRIEVANCE MECHANISMS

Grievance mechanisms enable companies to perform essential functions in relation to their responsibility to respect HR:

- **In a preventive manner**, they contribute to identify the negative consequences of their activity on HR, providing a channel for people directly affected by the Company's activity to express their concern when they consider that they could suffer negative consequences in the future.
- **From a mitigation perspective**, they can identify systemic problems and adapt their practices accordingly.
- **In terms of a response and remediation approach**, they allow the Company to address identified harms and remediate negative consequences early and directly, assessing first-hand the circumstances of affected Stakeholders, in order to avoid further damage or escalation of grievances.

The existing grievance mechanisms within the NH Group are mostly linked to compliance with the Code of Conduct and the Human Rights Policy. These are described in detail in section 4.3 of the Human Rights Protocol.

Local grievance mechanisms may be established where the risk profile of operations justifies it, so that local stakeholders can raise their concerns.

According to the UN Guiding Principles, to ensure their effectiveness, grievance mechanisms should be:

- Legitimate
- Accessible
- Predictable
- Equitable
- Transparent
- Compatible
- A source of continuous learning
- Based on participation and dialogue

The UN Guiding Principles establish that, as long as the above aspects are covered, any customary process that allows for raising claims and redressing HR violations related to business activities can be considered a grievance mechanism.

Examples could include:

- Confidential hotlines to receive complaints.
- Local community dialogue channels
- Operational-level complaint channels (anonymous, online, or physical mailboxes).

Mechanisms should be in place to provide follow-up, response and resolutions. In addition, to the extent possible, the NH Group shall work with its Business Partners to help them ensure that they have effective grievance mechanisms in place in their respective value chains.

3^a PHASE. Response and Remediation Plan

* This phase contains references to the following corporate documents:

- CORPORATE HUMAN RIGHTS DUE DILIGENCE PROTOCOL, section 4.3.

Remediation should be a substantive outcome that counteracts or redresses adverse impacts, and can take different forms as long as the criteria of transparency, equity, accessibility, compatibility and predictability are followed.

Likewise, the HR Protocol establishes that "In the event of a proven adverse impact, the NH Group will attend to the origin of the cause of the impact and the degree of influence that the Company has had on its materialisation, providing or cooperating in its remediation in those cases that require it, through a legitimate process".

RECOMMENDED STEPS FOR IMPLEMENTATION OF PHASE III OF THE HUMAN RIGHTS PROTOCOL

If during the development of the activity of any of the BUs, through the complaint channels or any other reliable source, a potential materialisation or the materialisation of an adverse impact

on HR (in short, a complaint) is reported, the Compliance Officer of the BU in question will agree with NH Hotel Group's Compliance Committee on the response and remediation measures and actions to be implemented in each case.

In order to determine such measures, the cause of the impact and the degree of relationship that the BU has with the Property/Team Member/Business Partner responsible for the impact shall be taken into account. Reviewing the three possible scenarios in accordance with the UN Guiding Principles:

If the actions or omissions of BU and/or its direct employees are the cause of the impact, BU shall cease or prevent the action or practice that has caused the impact and provide remediation of the damage.

1. If by its direct actions or omissions, BU and/or its direct employees have contributed to the impact, BU shall cease or prevent its contribution to the impact and provide or cooperate in the remediation of the damage.
2. If BU, within the scope of its relationships, has a direct association with the cause of the adverse impact, BU shall prevent or mitigate the possibility of recurrence of the adverse impact, without being obliged to provide remediation measures.

Scenarios 1 and 2 require each BU to provide or collaborate in the remediation of the damages derived from the adverse impact on HR.

Scenario 3 requires responding to adverse impacts occurring within a commercial, institutional or business relationship. The provision of an adequate response will depend on the influence and level of control that the corresponding BU and/or NH Group had at the time of the impact on the company or entity that directly generated the impact. Therefore, this will be taken into account:

1. Whether the BU, or failing that the NH Group, has the ability to control the company/person causing the adverse impact.
2. The terms of the contract between the BU (and/or NH Group), and the company/person causing the adverse impact.
3. The proportion of business that the company/person causing the adverse impact represents for the BU and for the NH Group.
4. The benefits to the company/person causing the impact of maintaining the relationship with BU and NH Group.
5. The reputational damage the company/person causing the impact would suffer if BU decided to unilaterally terminate the relationship.
6. The capacity of the BU, or failing that of the NH Group, to encourage the company/individual causing the adverse impact to improve its HR performance.

If an impact is difficult to categorise in one of the three scenarios above, this does not imply that actions should not be taken; a channel should be sought to respond and, if appropriate, remedy the harm to HR.

Remediation and compensation mechanisms

Once the NH Group's relationship with the adverse impact on HR has been confirmed and proven, the remediation mechanisms process

Should:

- **REMEDY:** either by repairing, restoring or reinstating the situation of the affected actors to one at least equivalent to that which they had before being affected by the impact.
- **COMPENSATE:** by activating compensation measures for loss, damage or inconvenience.

Examples of mechanisms for effective remediation include:

- An apology through an official statement.
- Compensation for damage caused.
- Cessation of a particular activity or business relationship.

4^a PHASE. Monitoring and Reporting

* This phase contains references to the following corporate documents:

- CORPORATE HUMAN RIGHTS DUE DILIGENCE PROTOCOL, section 4.4.

Once the risks have been identified, the prevention and mitigation measures and the response and remediation plans have been established, the tools included in the HR HRD System must be controlled and monitored to verify their effectiveness in guaranteeing respect for HR in NH Group's internal and external environment.

RECOMMENDED STEPS FOR IMPLEMENTATION OF PHASE III OF THE HUMAN RIGHTS PROTOCOL

1. Oversight role of the NH Group Compliance Committee

As established in the HR Protocol, among the functions of the Compliance Committee are the following tasks regarding the supervision of the due diligence processes on HR issues:

1. Ensure that the obligations to comply with HR are integrated as a set of processes that make up the HR-related Human Rights System within the NH Group.
2. Ensure that the policies, procedures and controls already existing in NH Group include the appropriate contents to comply with the obligations to respect HR.
3. Propose the incorporation of new policies, procedures and controls, or the modification of existing ones, to improve the detection, prevention and mitigation of HR risks.
4. Request and collect information from the BUs and other NH Group entities that must report on HR matters to the NH Hotel Group Compliance Committee.
5. Follow up on the correct implementation of the Protocol by the Obligated Parties and ascertain whether:
 - ✓ The potential risks of HR violations identified and the direct impacts that their materialisation could cause are covered.
 - ✓ Risk prevention and mitigation mechanisms are adequate.

- ✓ Social Actors potentially affected by the risks are protected, or at least, action is taken so that their HR are not violated.
 - ✓ The same guidelines are respected in Business Relationships.
6. Publicly report on the response and remediation measures adopted, in the event that adverse impacts on HR materialise.
 7. Authorise in writing, stating justifying reasons, the exceptions to the application of the Protocol requested.
 8. Periodically review the Protocol, taking into consideration the annual reports and suggestions of the Obligated Subjects.
 9. Requesting and following up on the accountability of the manager of the complaints handling system (SVP - Senior Vice President of Audit of the NH Group). As well as reviewing the reports and evidence resulting from the investigation of possible allegations/complaints in relation to the respect of HR.

2- Establish control and monitoring indicators

For an efficient, simple and manageable monitoring of the HR HRD System, the HR Protocol establishes the establishment of indicators, both at the NH Group corporate level and at the BU level.

An indicator is a variable that measures a specific aspect of reality linked to an objective or result. The indicator does not have the purpose of informing on why progress is or is not taking place, but it must be useful to observe and measure evolution.

The information provided by the indicators will make it possible to monitor the degree of effectiveness of the mechanisms developed for HR risk management, according to the bases established in the Protocol

The indicators should meet the following criteria:

- ✓ Relevant and reliable
- ✓ Be independent in the methods of data collection from the subjects observed
- ✓ Be comprehensive and useful on a universal scale
- ✓ Be focused on HR norms and anchored in the normative framework of rights
- ✓ Be simple and specific

The perfect indicator is one that follows the SMART criteria (Specific, Measurable, Achievable, Relevant, Time-bound).

1. The development of HR indicators in NH Group must contemplate who, inside or outside the BU, will be responsible for implementing and monitoring the identified actions and measures.
2. Along with the development of indicators, it will be necessary to determine the means of verification.

3. At the corporate level, the functions of evaluation and assessment of modifications to the existing indicators in the BUs that make up the NH Group must be aligned with the competencies of the Compliance Committee.

3. Monitoring function of NH Hotel Group's BUs

BUs should assign a team to carry out the function of supervising and monitoring compliance with the HR Protocol. This team will be responsible for the following activities:

- ✓ Develop/select process, outcome, activity, incident and third party rights impact indicators.
- ✓ Assess the level of compliance with the HR Protocol.
- ✓ Report to corporate levels on those exceptional situations that require urgent measures to ensure compliance with the HR Protocol.
- ✓ Establish and manage a system of redress or modification of indicators in case they are not effective or representative.

4. NH Hotel Group internal accountability

It is recommended that each BU prepare reports on compliance with the Human Rights Protocol to be submitted to corporate levels and evaluated by the NH Hotel Group Compliance Committee. Taking into account the following guidelines:

- ✓ Prepare biannual HR Compliance reports and report them to the Governing Body, Senior Management and the appropriate NH Group functions or departments, in order to enable preventive, corrective and remedial actions to be taken.
- ✓ Immediately inform the NH Group's Governing Body and senior management in case of relevant non-conformities detected in the BU in question, as well as serious or rapidly evolving non-conformities.
- ✓ Consolidate an annual report with information on operational HR Compliance reports, which will be reported to the NH Group's Governing Body and Senior Management.

5. Design of action and improvement plans

Based on the results obtained in the process of monitoring compliance with the HR Protocol, it is recommended that action and improvement plans be defined (at corporate, BU and/or specific properties of the Company) in order to show how the business activity can continue to be viable and provide the expected benefits, while at the same time complying with the HR Protocol.

It is recommended that the different BUs that make up the NH Group consult with their Stakeholders when developing action and improvement plans. This will allow them to take advantage of the knowledge and experience of the different stakeholders, as well as to create solutions that complement and supplement the local situation.

Each BU's action and improvement plans will be submitted to the Compliance Committee and, once approved, all Stakeholders will be informed of the decisions taken in relation to these plans.

5º PHASE. Dissemination and Accountability

- * This phase contains references to the following corporate documents:
- CORPORATE HUMAN RIGHTS DUE DILIGENCE PROTOCOL, section 4.5.

In this phase, it is necessary for the Company at the global level to establish a communication process to disseminate relevant information about its achievements and commitments in the area of HR to the outside world.

Likewise, it will be necessary to report annually on the HR impacts identified and the way in which these have been managed through the HRD System.

The dissemination of public information and accountability are useful when it comes to valuing the efforts made, as well as from the point of view of assuming responsibilities in relation to the negative effects that business activity may have generated.

As a reference to be taken into account, the OECD highlights the importance of disclosing clear and complete information to improve the public perception of the company and its interaction with society, aimed at its different audiences:

- Shareholders.
- Financial community.
- Team Members.
- Local communities.
- Special interest groups.
- Governments and society at large.

It is therefore recommended that information be provided on:

- Commitments to human rights.
- Performance of their risk management systems.
- General findings of adverse impacts on HR.
- The Company's risk prevention and mitigation strategy.
- Materialisation of impacts.

RECOMMENDED STEPS FOR THE IMPLEMENTATION OF PHASE IV OF THE HRDS PROTOCOL

1. Accountability

The accountability process refers to the way in which the Company provides information on the negative impacts that its activity has caused, causes and/or could cause on HR.

In the event of the materialisation of adverse impacts on HR in which the NH Group has taken part, and as established in the HR Protocol, the Compliance Committee must publicly report on the response and remediation measures adopted.

These communications shall be transmitted to the affected Stakeholders, to the competent authorities and/or publicly in such a way as to be accessible to society at large.

The information communicated must meet the following conditions:

- ✓ Their form and frequency must be clear and complete, to concisely reflect the consequences of the Company's activities on HR.
- ✓ Be accessible to Stakeholders and competent authorities.
- ✓ Not put the parties involved at risk, nor violate legitimate confidentiality requirements.
- ✓ Detail the way in which existing HR risks and impacts have been addressed and what processes have been adopted to deal with risks and impacts.
- ✓ They should provide sufficient information to assess whether the Company's response to their specific consequences on HR is adequate.

Affected Stakeholders should be informed periodically throughout the risk/impact cycle under management through the HRD System. Especially on emergency issues or those that have been brought into common, such as:

- ✓ Key decisions taken and changes made to business activity following the process and, in particular, adaptations related to concerns previously raised by affected Stakeholders, either during the engagement process or through the complaints mechanism.

2. Dissemination of Public Information

It is important for the Company to communicate, in a public and voluntary manner, periodic information on its performance in achieving its HR objectives, reporting, for example, on:

- The way in which it plans to incorporate HR aspects in its business model.
- The main lessons learned throughout the process.
- Annual action and improvement plans, achievements, objectives and other relevant events.

The dissemination of updated and regular public information indicates to Stakeholders that the Company is truly committed to respecting their HR and will reinforce confidence in the Company, encouraging the use of the available channels for dialogue and complaints.

Likewise, it is recommended to report annually on the HR risks identified as being of greater severity for the people involved in its activity, whether they have materialised or not, and on the efforts made by the company to manage these risks adequately, following the recommendations of the UNGP Reporting Framework.

4. A PPLICATION OF THE HUMAN RIGHTS PROTOCOL IN TRADE RELATIONS

* This phase contains references to the following corporate documents:

- CORPORATE HUMAN RIGHTS DUE DILIGENCE PROTOCOL, section 5

NH Group's activities require the establishment of relationships with Business Partners of different nature, e.g. relationships with contractors or suppliers.

Management owners, franchisees, customers, suppliers, contractors, shareholders and any other stakeholders who, although not specifically mentioned in this Guide, have direct links with NH Group sites or operations are classified as Business Partners to whom special attention must be paid to ensure that they comply with the provisions of NH Hotel Group's HR Protocol.

Each business partner, independently of the business relationship it has with the NH Group, has its own potential risks of adversely impacting people's HR and the duty to act with due diligence on them.

However, there will be occasions when they are considered to be acting on behalf of the NH Group, therefore, the Company may be implicated in HR violations if one of its Business Partners is found to have incurred in adverse impacts on HR. Therefore, the framework of ethical principles under which the operations of its Business Partners are carried out is fundamental and must be taken into account when defining the parameters of the joint operations.

RECOMMENDED STEPS FOR THE IMPLEMENTATION OF THE HUMAN RIGHTS PROTOCOL IN TRADE RELATIONS

In this sense, maintaining coherence with its HR commitments will require the NH Group, in accordance with the provisions of the HR Policy and Protocol, to extend its guarantees to respect and act with due diligence in the field of HR to its entire value chain in all its business relationships, through practices such as:

- Trainings on HR, presenting a unified voice of their importance in each function and making reference to international, local and/or sectorial standards.
- Clauses in contracts and inclusion of minimum requirements in joint operations
- Commercial and/or financial incentives for Business Partners to have HR due diligence in place, and cascade it within their own supply chains
- Periodic audits, accreditations and/or assessments
- Participation in sectoral and multi-stakeholder initiatives to jointly address systemic HR challenges within the sector's value chain.