APPENDIX I

Standard form and statistics of the Annual Directors' Remuneration Report, according to Circular 4/2013 issued by the Spanish Securities and Exchange Commission (CNMV)

STANDARD FORM ANNEX I OF THE ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

IDENTIFICATION DETAILS OF THE ISSUER

END DATE OF THE REFERENCE FINANCIAL YEAR 31/12/2020

Tax Identification Code (CIF): A28027944

Company name:

NH HOTEL GROUP, S.A

Registered office:

Calle Santa Engracia 120
28003, Madrid

ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

A THE COMPANY'S REMUNERATION POLICY FOR THE CURRENT FINANCIAL YEAR

A.1 Explain the current directors' remuneration policy applicable to the year in progress. To the extent that it is relevant, certain information may be included related to the remuneration policy approved by the General Shareholders' Meeting, providing that these references are clear, specific and concrete.

The specific determinations for the year in progress should be described, both the directors' remuneration in their positions as such and as a result of their executive duties carried out for the Board pursuant to the provisions in the contracts signed with the executive directors and the remuneration policy approved by the General Shareholders' Meeting

In any case, the following aspects should at least be reported:

- A description of the procedures and company bodies involved in determining and approving the remuneration policy and its terms and conditions.
- An indication and, where applicable, an explanation about whether comparable companies have been taken into account in order to determine the company's remuneration policy.
- Information on whether any external advisors took part in this process and, if so, their identity details.

A.1.1 General Principles and Grounds

The Directors' Remuneration Policy for NH Hotel Group S.A. (hereinafter referred to as "NH", the "Company" or the "Enterprise") for the three-year period 2021-2023 will be submitted to the General Shareholders' Meeting to be held in 2021, as a separate item on the agenda, according to the procedure stipulated in the Spanish Capital Companies Act. This Policy will be retroactively valid from 1 January 2021, providing this is allowed by the regulations in force on the date the General Shareholders' Meeting is held. Therefore, throughout section "A" of this Report, "Remuneration Policy" shall be deemed to mean the new Directors' Remuneration Policy that will be submitted for approval at the General Shareholders' Meeting in 2021.

This new Remuneration Policy continues along the same lines as the previous policy, including the same remunerative principles and components: however its contents will be adapted to the information required by Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement in listed companies, which is expected to be transposed into the Spanish legal system in 2021.

The fundamental aim of the Remuneration Policy is to reward the commitment, responsibility and talent of NH's directors, always taking into consideration the economic situation, the company's earnings, the Group's strategy and the best market practices.

According to the foregoing, the principles that will govern the Remuneration Policy are as follows:

- Alignment with the investors: The design of the Remuneration Policy is regularly reviewed to ensure its alignment between achieving profits and creating value for the shareholder.
- Proportionality: The remuneration is in a suitable proportion to the company's features and business model.
- Balance: The directors' remuneration must not be excessive nor be insufficient in order to discourage inappropriate risk-taking.
- Suitability: The Remuneration Policy is adapted to the composition of the Board and the amounts are sufficient to remunerate the directors' qualifications, their time spent and their responsibility, guaranteeing

their required loyalty and allegiance to the company, but without compromising the members' independence.

- Non-discrimination: NH's Remuneration Policy will be extremely respectful of non-discrimination due to gender, age, culture, religion or race.
- Alignment with the strategy: The Executive Directors' remuneration is aligned with the Group's strategic targets through two variable remuneration components, one short-term and the other long-term.
- Transparency: The information published about the remuneration is in line with the best corporate governance practices.

Regarding the remuneration items contained in the Remuneration Policy, pursuant to the provisions in Article 42 of NH's Articles of Association and Article 36 of the Board of Directors' Regulations, NH differentiates between the remuneration policy applicable to the Non-Executive Directors, in which their joint supervisory and decision-making duties are remunerated, and the policy for the Executive Directors, which rewards the senior management duties they perform, as shown below:

- Remuneration items for the Non-Executive Directors:
  - A fixed annual amount that depends on the post or posts the directors hold on the Board or on its committees.
  - Expenses for attending the Board of Directors' committee meetings. The total annual amount for this item will vary depending on the number of meetings held by each committee and the director attending them.
- Remuneration items for the Executive Directors:
  - Fixed remuneration, sufficient for their services and duties.
  - Short- and long-term variable remuneration linked to the company's results and creating value for the shareholder.
  - Remuneration in kind.

A.1.2 The procedures and bodies involved in determining and approving the Remuneration Policy

The company's main bodies involved in determining and approving the Remuneration Policy are as follows:

- The General Shareholders' Meeting:

  According to the Spanish Capital Companies Act, the General Shareholders' Meeting is competent for approving the following matters related to the Directors' remuneration:
  - The Remuneration Policy at least every three years.
  - Possible amendments to the Remuneration Policy in force from time to time.
  - The maximum amount of the annual remuneration payable to all the Directors in their positions as such.
  - The remuneration system, including the award of shares or stock options or share-linked remuneration.
  - The Annual Remuneration Report (advisory ballot).
- The Board of Directors:

  This is the competent body for proposing the Remuneration Policy to the General Shareholders' Meeting. The Board is also responsible for adopting decisions related to the directors' remuneration within the scope of the Articles of Association and the Remuneration Policy.

  Moreover, the Board of Directors determines the basic terms and conditions for the contracts, including the remuneration for the executives that directly report to the Board or any of its members.

The Board of Directors is informed of all the actions performed by the Appointment, Remuneration and Corporate Governance Committee, as explained below, providing it with the relevant documents in order to be informed of such actions to perform its duties.

As a precautionary measure, in order to avoid any conflict of interests, at the Board's meetings that deal with proposals related to the specific remuneration of the Directors, the latter may not be present nor take part in the deliberations or decision-making process.

- The Appointment, Remuneration and Corporate Governance Committee (hereinafter referred to by its initials in Spanish "**CNRGC**"):

This is the main body for determining and applying the Remuneration Policy. In this respect, the CNRGC is competent to propose the Directors' Remuneration Policy and the remuneration for those who perform senior management duties directly reporting to the Board, Executive Committees or Executive Directors, and the individual remuneration and other contractual terms and conditions for the Executive Directors, ensuring such terms and conditions are observed.

Specifically, the CNRGC performs the following duties:

- Determining the Policy:
  - It develops the contents of the Directors' Remuneration Policy and proposes its final approval to the Board of Directors.
  - It proposes to the Board of Directors the allotment, among the different items, of the maximum remuneration amount approved by the General Shareholders' Meeting for the Directors in their positions as such.
  - It determines and proposes to the Board of Directors the amount and, if need be, the adjustment of the Executive Directors' fixed salary.
- Application of the Policy
  - Every year it proposes to the Board of Directors the targets for the Annual Variable Remuneration and the relevant cycle for the multi-annual variable remuneration applicable to the Executive Directors.
  - It assesses achievement of the targets after the end of the measurement period for the variable remuneration and proposes to the Board of Directors the amount or number of shares to be received by the Executive Directors.
- Review of the Policy
  - It reviews the amount of the various remuneration components for the Directors in their positions as such; bearing in mind market practices, and submits its conclusions to the Board of Directors.
  - It reviews the structure and level of the Executive Directors' remuneration to ensure it is competitive.
- Transparency of the Policy
  - The CNRGC decides on the contents of the Annual Directors' Remuneration Report and proposes it to the Board of Directors for the final approval thereof.

For the current financial year (2021), it is estimated that the Committee will hold 4 meetings; however as many meetings as deemed necessary may be summoned apart from those initially planned. Up to the time this Report was approved, the CNRGC has discussed the following matters, among others:

- Approval of the assessment of the second cycle of the second long-term variable remuneration plan for the accrual period from 1 January 2018, which ended on 31 December 2020.
- Assessment and approval of the Executive Directors' annual variable remuneration based on the results achieved in 2020.

- Approval of the targets linked to the Executive Directors' annual variable remuneration for 2021.
- Proposal and approval of this Report.

A.1.3 External advisors and comparable companies taken into account

Willis Towers Watson regularly provides advice to the CNRGC on the following matters:

- Drawing up this Annual Directors' Remuneration Report.
- Study of the senior executives' salaries.

- Relative importance of the variable remuneration items vis-à-vis the fixed remuneration (remuneration mix) and the criteria and targets taken into consideration to determine them and to guarantee a suitable balance between the fixed and variable components of the remuneration. In particular, state the actions carried out by the company in relation to the remuneration system to reduce exposure to excessive risks and to adapt it to the company's long-term goals, values and interests, which must include, if any, the measures that have been adopted to guarantee that the company's long-term results are taken into account in the remuneration policy, the measures adopted in relation to the job categories of staff whose professional activities have a material impact on the company's risk profile and the measures that have been adopted to avoid conflicts of interest, if any.

  Furthermore, state whether the company has determined any period for the accrual or vesting of certain variable remuneration items in cash, shares or other financial instruments, any deferral period in the payment of amounts or the award of accrued and vested financial instruments or if there is any clause that reduces the deferred remuneration or that obliges the director to reimburse the remuneration received, when such remuneration has been agreed based on certain figures that have clearly been proven to be inaccurate.

A.1.4 The remuneration mix:

The Non-Executive Directors receive remuneration based on the best corporate governance practices. Such remuneration is only composed of a fixed amount and attendance expenses, with no amount being payable whatsoever for variable remuneration.

However, the total remuneration of the Executive Directors (CEO and COO) is mainly composed of (i) fixed remuneration, (ii) annual variable remuneration and (iii) multi-annual variable remuneration.

In this respect, the percentage that the (annual and multi-annual) variable remuneration represents of the total remuneration in 2021, in a situation in which 100% of the targets are achieved, is approximately 57% for the CEO and 47% for the COO.

In a situation in which the maximum targets are achieved, the variable remuneration percentage at risk regarding the total remuneration would amount to approximately 65% for the CEO and 56% for the COO.

A.1.5 Measures adopted to adapt the Remuneration Policy to the company's long-term goals, values and interests. Reference to the measures adopted to guarantee that the long-term results of the company are taken into account in the Remuneration Policy

The measures adopted by the company related to the remuneration system to reduce exposure to excessive risks and to adapt it to the company's long-term targets, values and interests are as follows:

a) Balance in the total remuneration:

The remuneration package of the Executive Directors includes short- and long-term variable parts, both parts being balanced. In this respect, the relative weight of the long-term variable remuneration, in annual terms, is equivalent to that of the short-term variable remuneration.

b) Formulating the variable remuneration targets:

The variable remuneration takes into account the financial quantitative targets included in the Group's strategic plan; hence contributing to creating a business model that promotes balanced and sustainable development.

On an annual basis, the CNRGC analyses the components of the short-term variable remuneration that it submits for the final approval by the Board of Directors. The variable components of the remuneration are designed with sufficient flexibility so that no amount whatsoever is paid if the minimum targets are not achieved.

In addition, there is a correction factor for the annual variable remuneration that defines the maximum amount payable based on the company's results ("The Group's EBITDA"). The correction factor limits the final percentage obtained for assessment of the targets depending on the level at which the Group's EBITDA, which may be 0 if the EBITDA achieved is lower than 90% (this took place, for example, in 2020, as explained in section "B" of this Report.

Regarding the multi-annual variable remuneration, it is ensured that the evaluation process is based on the company's long-term sustainable results and it may be adjusted depending on the company's economic cycle.

A.1.6 Actions carried out by the company to reduce exposure to excessive risks and avoid conflicts of interest and clawback clauses that reduce the deferred remuneration or oblige the director to reimburse the remuneration received.

a) Clawback formulae:

There are clawback formulae in the "Performance Shares Plan 2017-2022" that are in line with market standards and the recommendations of proxy advisors and institutional investors. The CNRGC is authorised to decide on proposing the cancellation or reimbursement of the multi-annual variable remuneration if any of the following situations arise: a) breach by the beneficiary of the internal code of conduct; b) material reformulation of the company's financial statements, when this is stipulated by an external auditor and it affects the level of achievement of the targets in the multi-annual variable remuneration plan, except when this is due to an amendment made to the accounting standards; c) the variable remuneration is payable or has been paid by applying inaccurate or erroneous information or data.

In addition, the CNRGC may propose to the Board of Directors adjustments of the elements, criteria, thresholds and limits of the annual or multi-annual variable remuneration, under exceptional circumstances caused by extraordinary internal or external factors or events. The details and justification for such adjustments are included in the relevant Annual Directors' Remuneration Report.

At present the CNRGC is working on the launch of a new Long-Term Bonus Plan 2021-2026 with similar features to the current 2017-2022 Plan, in which the measurement period for the first cycle begins on 1 January 2021. This Plan will include clawback formulae in line with those previously described.

b) Additional requirements for holding shares:

The Executive Directors must hold shares related to their multi-annual variable remuneration for a value equivalent to at least one year of their fixed remuneration and, when this obligation is fulfilled, the price is determined as the share price on the date the shares were acquired.

c) Minimum period for holding the shares:

However, the "Performance Shares Plan 2017-2022" specifies a minimum retention period for the assigned shares of at least one year for the Executive Directors and Executive Committee.

d) Measures to avoid conflicts of interest:

At the Board's meetings that deal with proposals related to the specific remuneration of the Executive Directors, the latter may not be present or take part in the deliberations or decision-making process.

Regarding measures to avoid conflicts of interest by the directors, according to the Spanish Capital Companies Act, Articles 29-33 of the Board of Directors' Regulations provide the obligations of the directors regarding their duties of diligence, faithfulness, secrecy, loyalty and prohibition of competition.

As mentioned above, the CNRGC is working on the design and subsequent launch of a new Long-Term Incentive Plan 2021-2026, continuing along the same lines as the last plan in force (Plan 2017-2022). This Plan will include suitable measures to reduce the exposure to excessive risks, in accordance with market standards and recommendations on corporate governance.

- **Amount and nature of the fixed components that are due to be payable in the year to the directors in their positions as such.**

The maximum amount of the remuneration that could be paid every year by the Company to all its Directors, in their positions as such is €800,000, which was approved by the Ordinary General Shareholders' Meeting held on 16 July 2020.

The remuneration system for the Non-Executive Directors for their supervisory and joint decision-making duties, as specified above in this Report, consists of an annual fixed amount and expenses for attending the meetings of the Board of Directors and its committees.

In this respect, the maximum planned amounts for the aforementioned items in 2021 will be as follows:

▪ Annual fixed amount:
  - Chairperson of the Board of Directors: €200,000. No amount will be payable for expenses to attend the meetings of the Board or the Committees.
  - Chairpersons of the Auditing Committee or the CNRGC: €90,000. No amount will be payable for expenses to attend the committee meetings that they chair.
  - The other members of the Board of Directors: €50,000 for each director.

▪ Attendance expenses:
  - Expenses for attending the Audit and Supervisory Committee Meetings: €1,000.
  - Expenses for attending the CNRGC Meetings: €1,000.

Nevertheless, the Proprietary Directors representing the shareholder, Minor International PLC, have waived payment of the aforementioned remuneration.

The amounts payable to the Non-Executive Directors may vary from year to year within the maximum amounts approved by the General Shareholders' Meeting with the prior approval of the Board of Directors. Similarly, due to the crisis caused by Covid-19, the Non-Executive Directors have voluntarily decided to reduce their remuneration by 20% for at least the first four months of 2021.

Moreover, the Executive Directors will not be entitled to receive the aforementioned remuneration.

- **Amount and nature of the fixed components that are payable in the financial year to the executive directors for performing senior management duties.**

According to the Articles of Association, the Executive Directors are entitled to be paid remuneration for the executive duties they perform, apart from their duties as Directors within the scope of their labour or commercial relationship with the Company. Such remuneration includes both their executive duties and their duties as Director.

The amount of the aforementioned fixed remuneration planned for each of the Executive Directors in 2021 is €700,000 for the CEO and €400,000 for the COO. As long as the company continues to apply the Furlough Scheme (*Expediente de Regulación Temporal de Empleo - ERTE*), the Executive Directors' fixed remuneration planned for 2021 and paid on a monthly basis will be reduced by 20%.

– **Amount and nature of any component of remuneration in kind that will be payable in the financial year, including but not limited to insurance premiums paid in favour of the director.**

The Directors do not receive any remuneration in kind for being members of the Board of Directors.

The Executive Directors are beneficiaries of a health care insurance policy for them and their first-degree relatives, a life and accident insurance policy and a company car. It is estimated that the cost for this remuneration in 2021 will amount to €45,000 for the CEO and €8.000 for the COO. However, the final amount could vary depending on the changes taking place in the prices or premiums of the aforementioned remuneration.

– **The amount and nature of the variable components, differentiating between those determined in the short- and long-term. Financial and non-financial parameters, including among the latter, social, environmental and climate change parameters selected to determine the variable remuneration in the current financial year, explaining the extent to which these parameters are related to the performance, both of the director and the company, their risk profile and the methodology, the term required and techniques established to determine the level of compliance with the parameters used in the design of the variable remuneration at the end of the year explaining the criteria and factors applied regarding the term required and techniques to verify that the performance or any other kind of conditions have been effectively met to which the accrual and vesting were linked for each variable remuneration component.**

State the range, in monetary terms, of the different variable components according to the achievement level of the targets and parameters determined and whether there are any maximum monetary amounts in absolute terms.

The Executive Directors are the only members of the Board of Directors that are entitled to be paid variable remuneration. The Executive Directors' variable remuneration is structured as additional and supplementary to their fixed remuneration and consists of a short-term annual variable and a long-term three-year variable. This remuneration is contingent and cannot be vested.

The main features of the variable remuneration components for the Executive Directors are described below:

ANNUAL VARIABLE REMUNERATION

The short-term variable remuneration is linked to achieving the corporate targets determined by the CNRGC and approved by the Board of Directors at the beginning of each financial year.

The functioning of the annual variable remuneration for NH's Executive Directors is the same as for the company's other employees. It is determined based on the Management by Objectives Programme (MBO) for the following purposes:

a. To compensate performance, bearing in mind the achievement of the company's quantitative targets.
b. To link the achievement of the annual targets set by the company to its medium- and long-term strategy.
c. To align the individual targets with those of the company.

The CNRGC approved the following targets with their corresponding weightings for the financial year 2021:

CEO:

- 50% Corporate Targets: The Group's EBITDA (25%) and Net Recurrent Profit (25%).
- 10% Performance assessment.
- 40% of strategic indicators related to the post.

COO:

- 50% Corporate Targets: The Group's EBITDA (25%) and Net Recurrent Profit (25%).

- 10% Performance assessment.
- 40% for strategic indicators related to the post.

The functioning of each of the aforementioned targets is described below, along with the specified scales of achievement:

a. The Group's EBITDA and Net Recurrent Profit: The initial target set for the Group's EBITDA and Net Recurrent Profit is compared with the Group's current and real EBITDA and Net Recurrent Profit, determining the following payment levels depending on the scale of achievement:

   - Achievement below 80% of the Group's EBITDA and Net Recurrent Profit target means a payment level of 0%.
   - If 80% to 120% of the Group's EBITDA and Net Recurrent Profit target is achieved, the following linear formula will be applicable:
     - Achievement below 100%: Each percentage point below the estimate implies a decrease of 5% in the payment level determined for 100% achievement (target level).
     - Achievement above 100%: Each percentage point above the estimate implies an increase of 2.5% in the target payment level. A maximum limit is determined of 150% of the target payment level, in the case of the maximum achievement of the targets (120%).

b. Performance assessment: The performance assessment system for the Executive Directors has the same structure as for NH's other employees.

   In order to promote the Company's sustainability, by evaluating the system and procedures apart from the results obtained, eight generic skills are assessed and each of them is measured based on a definition and key words. The skills on which the Executive Directors will be assessed in 2021 are as follows:

   - Technical skills
   - Customer focus
   - Profit orientation
   - Collaboration and influence
   - Business sense
   - Leadership
   - Strategic thinking
   - Change management

   These skills will be assessed according to the following scale, consisting of five levels: Low Performance, Needs Improvement, Good, Very Good and Excellent Work.

   An overall assessment will be conducted based on the evaluation of the eight skills, which will be equivalent to a percentage that the target is achieved, according to the following scheme:

   - "Low Performance". Equivalent to 0% achievement.
   - "Needs Improvement". Equivalent to 50% achievement.
   - "Good Work". Equivalent to 100% achievement.
   - "Very Good Work". Equivalent to 125% achievement.
   - "Excellent Work". Equivalent to 200% achievement.

c. Individual Targets (indicators related to the post): Maximum achievement is set for the rest of the targets, which could imply up to 125% of the payment level for this target.

The CNRGC determines the specific amount payable depending on the achievement level of the targets.

In addition, in order to guarantee that the annual variable remuneration is aligned with the company's results, a correction factor is applied based on the Group's EBITDA. In this respect, the variable remuneration finally payable will be the lowest amount between (i) the amount calculated according to the pre-determined metrics and weightings and (ii) the amount resulting from applying the correction factor of the Group's EBITDA to the target annual variable remuneration.

The correction factor functions as follows:

- If the level of achievement of the Group's EBITDA target is lower than 90%, no amount whatsoever is payable as annual variable remuneration.
- If the level of achievement of the Group's EBITDA target is 90%, a maximum of half the target annual variable remuneration is payable.
- If the level of achievement of the Group's EBITDA target is 100%, a maximum of the whole of the target annual variable remuneration is payable.
- If the level of achievement of the Group's EBITDA target is 110% or higher, a maximum of 120% of the target annual variable remuneration is payable.

When the achievement level of the target is between the specified values, the correction factor is calculated by linear interpolation.

Providing the Group's EBITDA target is equivalent to or higher than 100%, the correction factor will have no value for employees that obtain the maximum score in the performance evaluation ("Excellent") and that also obtain an average result in their individual targets equivalent to or higher than 100% achievement.

The target annual variable remuneration is set at 65% of the CEO's fixed remuneration (€455,000) and 45% of the COO's fixed remuneration (€180,000), providing 100% of the targets set by the Board of Directors are achieved.

The maximum amount the Executive Directors can choose, if the maximum score is obtained in the performance assessment and an extraordinary percentage is obtained in their individual targets, hence without applying the correction factor, is 143% for both directors, equivalent to €650,650 for the CEO and €257,400 for the COO.

If the aforementioned minimum targets are not achieved, the Executive Directors will not be paid any amount whatsoever as variable remuneration.

In order to calculate the amount of the annual variable remuneration, the CNRGC will first and foremost consider the individual level of achievement and weighting of each of the targets and subsequently the level of overall achievement of the targets as a whole, along with the correction factor of the Group's EBITDA. This assessment will be conducted based on the results audited by the company's external auditor. Both for determining the targets and assessment of their being achieved, the Committee also takes into consideration any associated risk and can rely on the support of the Audit and Supervisory Committee.

In this respect, any positive or negative economic impact caused by extraordinary events that could distort the findings of the assessment are disregarded and the quality of the long-term results and any associated risk in the proposal for annual variable remuneration is taken into consideration.

The annual variable remuneration is fully paid in cash, providing the targets set for such purpose are achieved. This remuneration will not be paid until the CNRGC has carried out the aforementioned actions in the first quarter of the year.

MULTI-ANNUAL VARIABLE REMUNERATION

The General Shareholders' Meeting held on 29 June 2017 approved the launch of a long-term bonus plan or "Performance Shares Plan 2017-2022". The plan will last a total of five years, divided into the following three overlapping cycles, each one lasting three years:

a. The first cycle 2017-2019, delivering the shares in 2020, (its assessment was submitted in the Annual Directors' Remuneration Report in the financial year 2019).

b. The second cycle 2018-2020, delivering the shares in 2021 (explained in section B.7).

c. The third cycle 2019-2021, delivering the shares in 2022.

Before the start of each of the cycles, the Board of Directors is authorised to decide on its effective implementation depending on the Group's economic situation at the time. On the date this Report is published, all the cycles have been approved by the Board of Directors.

In the first two months of 2020, the CNRGC was working on the design and launch of a new long-term incentive plan that will enable the company to continue ensuring a balanced remunerative mix between the short- and long-term fixed and variable components. This new incentive will have similar features to the current one and the first cycle of the Plan should have been launched with retroactive validity from 1 January 2020; however it was unable to be launched due to the health and economic crisis arising caused by Covid-19.

The main features of the third cycle of the "Performance Shares 2017-2022" Plan for the Executive Directors, which is the only one in force in 2021, are explained below:

1) Targets:

The number of shares to be delivered depends on the achievement level of the following four targets:

a. Relative TSR ("Total Shareholder Return") of NH's shares compared with the evolution of the STOXX® Europe 600 Travel & Leisure stock exchange index (weighting: 25%).

b. Revaluation of the share price (weighting: 25%).

c. Net Recurrent Profit (weighting: 25%).

d. The Group's Recurrent EBITDA (weighting: 25%).

Each target will have the scale of achievement explained below:

a) Net Recurrent Profit:

- Minimum threshold: Achievement of 80% of the target implies payment of 50% of the bonus. A level of achievement lower than 80% implies a payment level of 0%.
- Target: Achievement of 100% of the target implies payment of 100% of the target bonus.
- Maximum: Achievement of 120% or higher of the target implies payment of 150% of the target bonus.

When the level of achievement is between the minimum threshold and the target or between the target and the maximum, the payment level will be calculated by linear interpolation.

b) Recurrent EBITDA:

- Minimum threshold: achievement of 90% of the target implies payment of 50% of the bonus. A level of achievement lower than 90% implies a payment level of 0%.
- Target: achievement of 100% of the target implies payment of 100% of the target bonus.
- Maximum: achievement of 110% or higher of the target implies payment of 150% of the target bonus.

When the level of achievement is between the minimum threshold and the target or between the target and the maximum, the payment level will be calculated by linear interpolation.

c) Relative TSR:

- A position below the median of the comparison group implies a payment level of 0%.
- A position in line with the median implies a payment level of 40% of the target bonus.
- The top position implies a payment level of 150% of the target bonus level.

- The following linear formula will be applied to a position between the median and top position of the group:
  - A position in the 75th percentile implies a payment level of 100% of the target bonus.
  - If NH's position is below the 75th percentile, each percentile below 75 implies a decrease of 2.4% in the target bonus.
  - If NH's position is above the 75th percentile, each percentile higher than 75 implies an increase of 2.4% in the target bonus.

d) Revaluation of the Share Price:

- In order to reach the minimum achievement percentage for this target (100%), the average closing price per share in the 30 stock exchange business days immediately prior to 31 December in the last year of the cycle (inclusive) (adjusted by dividends or other similar items paid out to the shareholder during the whole period the plan is in force until the end of the measurement period of each cycle), must be the same as a pre-determined price. In this case, the payment coefficient will be 100% of the target bonus.
- For achievement below the minimum achievement percentage, the payment coefficient for this target will be 0%:
- Once this condition has been met, a linear scale will be applicable until a maximum average closing price is reached, which implies this target is achieved with a payment coefficient of 120%.

2) The amount for each cycle of the Plan:

If the overall achievement level of the targets is 100%, the Executive Directors will be entitled to receive the target bonus consisting of the following shares for the third cycle of the plan:

- 98,485 shares for the CEO, the benchmark value of which on the date awarded will be equivalent to 65% of the fixed remuneration.
- 48,864 shares in the third cycle for the COO, the benchmark value of which on the date awarded will be equivalent to 45% the fixed remuneration.

In this respect, the benchmark value is calculated as the average closing price of NH's shares in the last 10 stock exchange sessions before 31 December in the year prior to each cycle being launched.

The General Shareholders' Meeting held on 29 June 2017 adopted a resolution that under no circumstances may the value of the shares received by the CEO exceed €1,400,000 for all three cycles of the Plan.

The COO may not receive more than 142.5% of the assigned shares.

3) Payment:

The Executive Directors must remain in the Group on the date the third cycle of the Plan ends (31 December 2021) in order to receive the payment.

The resulting number of shares, depending on the achievement level of the targets, will be delivered in the first quarter of the financial year immediately after the financial year when the measurement period ends, applying a target assessment procedure similar to the one described above in the section related to the annual variable remuneration.

Once the three-year term of the cycle has ended, the benchmark value for assessment of the shares will be the closing price of NH's shares in the stock exchange session on the date the assessment of the targets for the Long-term Bonus is approved and the shares are delivered by the Board of Directors.

4) Clawback:

This plan includes a clawback clause, the basic conditions of which have been explained above.

5) Shareholding commitment:

The Executive Directors must continue holding a number of company shares resulting from having invested an amount equivalent to once their gross fixed remuneration in the purchase thereof. For such purpose, in the case of shares obtained from this Long-term Bonus Plan, these will have the value of the shares according to the price paid at the time of delivery or, in the case of shares previously acquired, according to the average weighted market price of the shares on the date this incentive regulation is approved.

The aforementioned investment level must be reached by the end of a five-year term counted from the date this incentive regulation is approved.

Once the required investment level has been reached, a period for holding the shares will remain in force for one year after the assessment of each of the Long-term Bonus Plan's cycles.

6) Adjustment Clause:

This Plan includes an adjustment clause, the basic terms and conditions of which are as follows:

If any of the following situations arise during the term of the Plan:

- A change in the par value of the shares;
- Any situation that could result in a dilution or concentration of the theoretical value of the Performance Shares;
- Any change in the Company's perimeter (acquisitions, mergers, spin-offs, etc.), change of control or any event that affects the measurement of the set targets.

NH will adopt the required measures to ensure the following:

- The economic value to be received by the Beneficiaries is equivalent to the amount they would have received if this special situation had not arisen;
- The performance targets are adapted to the situation that has arisen and that these are homogeneously measured.

If there is any change in the composition of the reference Group determined for the relative measurement of the TSR during the term of the Plan, NH will adopt the required decisions to adjust the calculation of the Relative TSR. These adjustments must be confirmed by the Audit Committee and approved by the CNRGC.

In addition, as previously mentioned, the CNRGC is working on the design and launch of a new Long-Term Bonus Plan 2021-2026 for which the target measurement period begins on 1 January 2021. This Plan will have similar features to the current 2017-2022 Plan; however certain modifications may be made such as those related to the targets, payment system or retention period.

- The main features of long-term savings schemes. Among other information, state the contingencies covered by the scheme, whether through defined contributions or benefits, the annual contribution that needs to be made to the defined contribution scheme, the benefits that the beneficiaries are entitled to receive in the event of defined benefit schemes, the conditions under which economic rights are vested for directors and their compatibility with any other type of payment or severance pay as a result of the early termination or dismissal of the director, or related to the termination of the contractual relationship, according to the terms stipulated, between the company and the director.

State if the accrual or vesting of any of the long-term savings schemes are linked to achieving certain targets or parameters related to the director's short- or long-term performance.

The company does not plan to undertake any obligation or commitment whatsoever with the directors in 2021 related to pensions, retirement or similar items.

- Any type of payment or severance pay for early termination or dismissal of the director, or related to the termination of the contractual relationship, according to the terms stipulated, between the company and the director, whether voluntary resignation by the director or dismissal of the director by the company, as well as any type of agreement reached, such as exclusivity, post-contractual non-competition, minimum contractual term or loyalty, which entitle the director to any type of remuneration.

The directors of the company, in their positions as such, are not entitled to any severance pay or compensation in the event of dismissal or resignation.

The terms and conditions included in the Executive Directors' contracts in this respect are described below:

- CEO: Under no circumstances will the CEO be entitled to any severance pay due to resignation or termination of his commercial relationship. However, the terms and conditions regulating his suspended labour relationship stipulate that the period of time in which the Executive Director holds his commercial relationship must be acknowledged as seniority for the purpose of possible severance pay due to termination of such labour relationship.

  In this respect, once the commercial relationship has been terminated, the labour relationship that was in force between the Company and the Executive Director will become valid again until he takes up his new position, unless gross and wilful breach of contract is ruled by the courts. If, at the time of termination of the commercial relationship and, apart from the aforementioned exception, the company refuses to reinstate the Executive Director in his previous labour relationship, this fact will be considered unfair dismissal. In such case, the Executive Director will be entitled to the relevant severance pay according to applicable labour regulations. In order to calculate the severance pay, the compensation basis will be determined according to the full salary paid and received thereby over the twelve months prior to the termination including, if any, those paid and received in his position as Executive Director.

  If the termination of the labour relationship is due to serious and wilful breach of the Executive Director's essential obligations and this is ruled by the competent court, all rights to receive any kind of severance pay will be deemed null and void.

- COO: He is not entitled to receive any severance pay whatsoever if the Company decides to terminate his contract by virtue of a resolution adopted by the General Shareholders' Meeting or Board of Directors, which implies the COO being dismissed from his post as Executive Director, regardless of the fact his seniority in the position is acknowledged for all purposes (even for the purpose of severance pay that could be implied in the event of termination) in the previous labour relationship between the parties, which will be resumed after the aforementioned termination of the commercial relationship.

  If the Company refuses to reinstate the COO in his previous labour relationship, the COO will be entitled to severance pay according to the applicable labour regulations and his acknowledged seniority, the Company undertaking to pay him severance pay at least equivalent to one year of his fixed salary and the last variable remuneration he was paid. However, if the termination of the commercial relationship between the parties is due to serious and wilful breach of the Executive Director's essential obligations and this is ruled by the competent court, all rights to receive any kind of severance pay will be deemed null and void.

  In order to calculate the severance pay that could be received by the COO in the event of termination of his ordinary labour relationship, the basis for the severance pay will be calculated regarding the whole remuneration payable and received thereby in the twelve months prior to such termination, even if it were payable by virtue of a commercial relationship.

- State the conditions that contracts must observe for those exercising senior management duties as executive directors. Among others, information should be provided on the term, limits in the amounts of severance pay, minimum contractual term clauses, notice periods and payment in lieu of these notice periods, and any other clauses relating to hiring bonuses, compensation and golden parachute clauses due to early termination of the contractual relationship between the company and the executive director. Include, among others, the clauses or

agreements on non-competition, exclusivity, minimum contractual term and loyalty and post-contractual non-competition, unless these have been explained in the previous section.

The contract of NH's Executive Directors is of a commercial nature and includes the duties and obligations they hold within the scope of their posts and their remuneration.

The most significant clauses in both contracts are described below:

- Permanent term.
- Full-time and non-competition: They may not perform the following duties without the company's prior consent during the period they render their services within the scope of their valid contracts:
  - Hold an indirect or direct stake of any kind in companies that perform activities that are in competition with or are similar or related to the company's activities or that are suppliers and/or customers of NH. Any part-time teaching activities that could be performed by the Executive Directors shall be deemed excluded from the previous point.

    This condition will remain in force, in the case of the CEO, until twelve months have elapsed after the termination of his commercial agreement or employment contract with NH, whatever the reason for such termination may be.

    The gross annual fixed remuneration of the Executive Directors already includes compensation for the non-competition clause.
- Both Executive Directors must provide at least two months' prior notice of their decision to terminate their commercial relationship with NH and may choose to renew their ordinary labour relationship.
- Severance pay: See the previous section.
- Confidential information: During the valid term of the commercial agreement and after the termination thereof for any reason, the Executive Directors must not indirectly or directly disclose or disseminate to third parties not associated with NH any commercial or industrial secrets, processes, methods, information or data related to the activities, business or finances of NH or any company in its Group.

- **The nature and estimated amount of any other supplementary remuneration payable to the directors in the current financial year in consideration for their services rendered other than those inherent to their posts.**

The directors have not received, nor is it planned they will receive, any other supplementary remuneration for services apart from those inherent to their posts and that have not already been described in this Report.

- **Other remunerative items such as those derived, if any, from the company granting the director advance payments, loans, guarantees or any other remuneration. The nature and estimated amount of any other planned supplementary remuneration payable to the directors in the current financial year that is not included in the previous sections, whether the amount is paid by the company or another company in its group.**

The directors have not received, nor is it planned they will receive, any other supplementary remuneration for services apart from those inherent to their posts and that have not already been described in this Report.

A.2 Explain any significant change in the remuneration policy applicable in the current financial year resulting from:

- A new policy or modification of the policy already approved by the General Shareholders' Meeting.
- Significant changes in the specific determinations established by the Board for the current financial year regarding the remuneration policy in force compared with those applied in the previous financial year.
- Proposals that the Board of Directors has agreed to submit to the General Shareholders' Meeting to which this annual report will be submitted and that are proposed to be applicable in the current financial year.

Due to the vacancy arising in 2020 because of the resignation of the company's previous Executive Director and CFO, the current COO was appointed as Executive Director by co-optation on 28 September 2020. This appointment will be submitted for ratification at the General Shareholders' Meeting held in 2021.

Section 5 of the Remuneration Policy regulated the remuneration system applicable to new directors. In this respect, it was determined that the remuneration system described for the CEO would be applicable to any director that could become a member of the Board of Directors who performs executive duties during the term of the Policy. Regarding the foregoing, the remuneration items determined for the COO have been described in the previous sections.

Moreover, a new Directors' Remuneration Policy, valid for the three-year period 2021-2023, will be submitted for approval at the General Shareholders' Meeting in 2021, as a separate item on the agenda.

Lastly, as already explained above, the CNRGC is working on the launch of a new Long-Term Bonus Plan in 2021 with similar features to the current 2017-2022 Plan, even though certain modifications could be made such as those related to the targets, payment system or retention period.

A.3 Provide the direct link to the document where the current company remuneration policy is posted, which must be available on the company's website.

The Remuneration Policy in force up to now can be accessed from the following link:

https://www.nh-hoteles.es/corporate/sites/default/files/files-accionistas/10.-_nh_politica_remuneraciones_consejeros_esp_09-05-18.pdf

The new Remuneration Policy for 2021 will be submitted for approval at the next General Shareholders' Meeting. The details of this Policy can be found in the documents related to the proposal for resolutions.

A.4 Explain, taking into account the data provided in Section B.4, the outcome of the advisory ballot of the shareholders at the General Shareholders' Meeting on the annual remuneration report for the previous financial year.

The last General Shareholders' Meeting held on 16 July 2020 approved the Annual Directors' Remuneration Report by 99.83% of the votes, the majority supporting the remuneration policy for the company's directors described above.

B OVERALL SUMMARY OF HOW THE REMUNERATION POLICY HAS BEEN APPLIED DURING THE PREVIOUS YEAR

B.1 Explain the process followed to apply the remuneration policy and determine the individual remuneration contained in Section C of this report. This information must include the role played by the remuneration committee, the decisions adopted by the Board of Directors and, if any, the identity and the role of the external advisors whose services have been used in the process of applying the remuneration policy in the previous year.

B.1.1 Process used to apply the Remuneration Policy

The main bodies for creating the company's Remuneration Policy are the General Shareholders' Meeting, the Board of Directors and the CNRGC.

B.1.2 The role played by the CNRGC

The CNRGC is the body competent for proposing the Directors' Remuneration Policy and the remuneration for those who perform senior management duties, directly reporting to the Board, Executive Committees or Executive Directors, and the individual remuneration and other contractual terms and conditions for the Executive Directors, ensuring such conditions are observed.

As explained in the Remuneration Policy, the CNRGC may hold meetings as often as (i) considered necessary by its Chairperson, (ii) required by the Board of Directors or (iii) requested by two or more of its members with voting rights, to correctly fulfil its duties. In 2020, the CNRGC held 5 meetings that all its members attended.

The items related to remuneration that were discussed by the CNRGC in 2020 are explained below:

- Proposal and approval of the Annual Directors' Remuneration Report for the financial year 2019.
- Proposal and approval of the assessment of the first cycle of the second long-term variable remuneration plan for the accrual period from 1 January 2017 that ended on 31 December 2019.
- Proposal and approval of the launch of a new long-term incentive plan.
- Proposal of a maximum amount of €800,000 for the annual remuneration payable to all the Non-Executive Directors.
- Assessment and approval of the annual variable remuneration for the CEO and CFO (Executive Directors) for the results achieved in 2019.
- Approval of the targets linked to the annual variable remuneration of the Executive Directors in 2020.
- Review of the CEO's salary
- Information about the CEO to the CNRGC on the assessment of the variable remuneration in 2019 for the Executive Committee, along with the targets linked to the annual variable remuneration in 2020.

The previous items were mentioned and discussed in the first two months of 2020. As we have explained above, the crisis that was caused by Covid-19 resulted in cancellation of a large number of projects that the company was carrying out, among others, the following:

- Launch of a new long-term incentive plan. This plan that should have begun on 1 January 2020 was cancelled due to the economic situation and the uncertainty caused by the pandemic.

B.1.3 Composition of the CNRGC

According to Article 47 of the Articles of Association, the Committee is comprised of a minimum of three and a maximum of six directors and solely consists of Non-Executive Directors appointed by the Board of Directors, at least two of which must be independent directors.

On 31 December 2020, the Committee was composed of three non-executive members, two of whom were independent directors:

- Mr. José María Cantero de Montes-Jovellar; Chairman and Independent Director since 21/06/2016.
- Mr. Alfredo Fernández Agras; Member and Independent Director since 10/04/2019.

- Mr. Stephen Andrew Chojnacki; Member and Proprietary Director since 07/02/2019.

B.2 Explain the different actions carried out by the company related to the remuneration system and how they have contributed to reducing exposure to excessive risks and adapting them to the company's long-term targets, values and interests, including a reference to the measures that have been adopted to guarantee the long-term results of the company have been taken into consideration in the remuneration payable and that a suitable balance has been achieved between the fixed and variable components of the remuneration, the measures that have been adopted related to the job categories of staff whose professional activities have a material impact on the company's risk profile and the measures that have been adopted to avoid conflicts of interest, if any.

The actions carried out by the company related to the remuneration system to reduce exposure to excessive risks and adapt it to the company's long-term targets, values and interests have been explained in sections A.1.5 and A.1.6 of this Report. It is explained below how these actions were carried out in 2020:

A) Claw-back formulae:

The claw-back clauses referred to in the previous section A.1.6. are applicable to the "Performance Shares Plan 2017-2022".

B) Minimum period for holding the shares:

The "Performance Shares Plan 2017-2022" determines a minimum period for holding the shares delivered as at least one year for the Executive Directors and Executive Committee.

C) Additional requirements for holding shares:

The Executive Directors must hold at least the equivalent of one year of their fixed remuneration in shares and, if this obligation has been fulfilled, the price must be the one determined as the share price on the date the shares were delivered.

D) Formulating the variable remuneration targets:

The targets set for the annual variable remuneration determined by the Board of Directors for the Executive Directors in 2020, as described in section B.7, according to a proposal made by the CNRGC, were in line with the company's strategic priorities. In addition, by assessing performance, the company's sustainability was promoted by evaluating the manner and procedures apart from the results obtained.

The correction factor for the company's variable remuneration was applied to the variable remuneration accrued in 2020, for which achieving the Group's EBITDA lower than 90% results in an assessment of 0%.

Regarding the multi-annual variable remuneration, the second and third cycle of the Performance Shares Plan 2017-2022 that were in force in 2020, targets were set in line with the company's long-term economic and financial targets and creation of value for the shareholder. No variable multi-annual plan was launched in 2020.

E) Balance of the total remuneration:

The remuneration package of the Executive Directors includes a short- and long-term variable part, both parts being balanced.

In this respect, the relative weight in the total remuneration, in annual terms, of the long-term variable remuneration target in 2020 was 42.7% for the CEO and 34.1% for the COO.

Moreover, the relative weight, in annual terms, of the short-term variable remuneration target was 0% in both cases due to the correction factor being applied.

B.3 Explain how the remuneration payable during the year fulfils the provisions contained in the current remuneration policy.

Furthermore, report on the relation between the remuneration obtained by the directors and the results or other performance measures of the company in the short- and long-term, explaining, if any, how the variations in the performance of the company have influenced changes in the directors' remuneration, including those payable when the amount thereof has been deferred, and how the latter contribute to the company's short- and long-term results.

The items included in the directors' remuneration package in the financial year 2020 are summarised below. Similarly, the details of these items can be found in the following paragraphs of this section B:

Remuneration of the Non-Executive Directors:

In 2020, the Non-Executive Directors' remuneration was affected by the worldwide crisis caused by Covid-19. This remuneration consisted of fixed amounts and expenses for attending the meetings as described in section B.5.

The Non-Executive Directors voluntarily waived 50% of their remuneration (both fixed and expenses) from 1 March until 31 December 2020.

The maximum gross annual amount payable to the directors in their positions as members of the Board of Directors observed the limit stipulated by the General Shareholders' Meeting held on 16 July 2020 (€800,000), a total of €224,167 being paid out as fixed remuneration and expenses.

The Executive Directors:

The Executive Directors voluntarily reduced their fixed remuneration from March until December, according to the limits imposed by the company's Furlough Scheme (*Expediente de Regulación de Empleo - ERTE)*, this reduction varying from 20% to 50%, depending on the month, with a total annual average of 28.75%.

The remuneration items of the Executive Directors in 2020 were as follows:

CEO:

- Fixed Remuneration: €498,750, with a voluntary reduction of 29% of €700,000.
- Short-term variable remuneration accrued in 2020: €0, bearing in mind a target achievement level of the corporate EBITDA target vs. Budget that was below the minimum threshold and therefore the correction factor was applied.
- Multi-annual variable remuneration (the second cycle of the second Performance Shares Plan 2017-2022 that began on 1 January 2018 and ended on 31 December 2020): 41,235 gross shares bearing in 81.92%.
- Other remuneration (company car, health care insurance policy and life and accident insurance policy): €43,312.

CFO:

Ms. Beatriz Puente, the former CFO, submitted her resignation on 28 September 2020. Therefore, the following amounts only correspond to the time accrued in 2020:

- Fixed Remuneration: €231,722.20.
- Other remuneration (company car, health care insurance policy and life and accident insurance policy): €7,751.

No annual or multi-annual variable remuneration was accrued or received since it is an indispensable condition to be working in the company on 31 December in the year the accrual of the variable remuneration ends in order to receive it.

COO:

On 28 September, the Executive Director, Rufino Pérez, was appointed as Chief Operations Officer (COO). His remuneration since such date is detailed below:

- Fixed Remuneration: €73,397, with a reduction of 29%.
- Short-term variable remuneration accrued in 2020: €0, bearing in mind a target achievement level of the corporate EBITDA target vs. Budget that was 0% and therefore the correction factor was applied.
- Multi-annual variable remuneration (the second cycle of the second Performance Shares Plan 2017-2022 that began on 1 January 2018 and ended on 31 December 2020): 18,693 gross shares bearing in mind the overall target achievement level of 81.92%.
- Other remuneration (company car, health care insurance policy and life and accident insurance policy): €5,260.

The details of the application of the correction factor to the annual variable remuneration and the second cycle of the second "Performance Shares" Plan are provided in section B.7.

As explained in the previous sections, the Executive Directors are not paid any additional remuneration for their positions as members of the Board of Directors.

56.52% (CEO) and 47.37% (COO) of their total salary is linked, as previously specified, to both short- and long-term variable remuneration. The aim of this remuneration mix is to reward the performance of both directors' bearing in mind the achievement of the company's quantitative targets, linking the achievement of the annual and multi-annual targets set by the company to its medium- and long-term strategy and aligning the individual targets with those of the company, creating value for the stakeholders. Similarly, it is endeavoured to reduce the exposure to excessive risks and to adjust it to the company's long-term targets, values and interests.

There is an example of this in the financial year 2020, in which the total remuneration (annual and multi-annual fixed and variable remuneration) was 54.1% for the CEO compared with his target remuneration and 56.9% for the COO.

B.4 Report on the result of the advisory ballot at the General Shareholders' Meeting on the annual remuneration report for the previous financial year, indicating the number of votes that may have been cast against the proposal:

	Number	% of total
Votes cast	371,957,676	94.84%

	Number	% cast
Votes against	644,279	0.17%
Votes in favour	371,310,571	99.83%
Abstentions	2,825	0.00%

Remarks

B.5 Explain how the fixed components payable to the directors during the financial year in their positions as such have been determined and how they have changed compared with the previous year.

The directors, in their positions as such, to whom fixed remuneration was payable in 2020 were Non-Executive Directors that do not represent the shareholder, Minor International PLC. The latter have waived all remuneration payable to them due to being members of the Board of Directors

At the beginning of the year, the amounts originally planned were the same as those determined for the financial year 2019.

However, due to the crisis caused by COVID-19 in 2020, the Non-Executive Directors voluntarily waived 50% of their originally planned remuneration (both fixed and expenses) from 1 March until 31 December. The remuneration effectively received in the financial year 2020 was as follows:

- Annual fixed amount:
  - Chairperson of the Board of Directors: €116,666.67 (compared with the amount of €200,000 received in 2019).
  - Chairpersons of the Audit Committee or the CNRGC: €52,500 (compared with the amount of €90,000 received in 2019).
- Attendance expenses of the members:
  - Expenses for attending the Audit and Supervisory Committee Meetings: €500 (compared with the amount of €1,000 planned in 2019).

B.6 Explain how the salaries were determined that were payable to each of the executive directors during the last financial year for performing management duties and how they have changed compared with the previous year.

The fixed remuneration paid to the CEO, due to performing senior management duties, amounted to €498,750 in 2020 resulting from a fixed salary of €700,000 that underwent some reductions in salary from March to December 2020, from 20% to 50% depending on the month. The average of such reduction percentages is a total annual reduction of 28.75%.

In the same way, the fixed remuneration of the COO, due to performing his senior management duties, amounted to €285,000 in 2020 resulting from a fixed salary of €400,000 that underwent some reductions in salary from March to December 2020, from 20% to 50% depending on the month. The average of such reduction percentages is a total annual reduction of 28.75%.

The percentages of the variable remuneration were not changed in either case compared with 2019; however, as explained above, no annual variable amount accrued in 2020 could be paid due to the correction factor being applied.

As mentioned above, the Executive Directors are not paid any remuneration whatsoever for their positions as directors.

B.7 Explain the nature and main features of the variable components of the remuneration systems payable in the previous year.
In particular:

- **Identify each of the remuneration plans that have determined the different types of variable remuneration payable to each of the directors in the previous year, including information on their scope, the date of approval, date of implementation, the periods payable and validity, the criteria used to assess performance and how this has affected the determination of the variable amount payable, as well as the measurement criteria used and the term necessary to be in a position to suitably measure all the stipulated conditions and criteria, explaining in detail the criteria and factors applied regarding the term required and techniques to verify that the performance or any other conditions have effectively been met to which the accrual and vesting of each component of the variable remuneration are linked.**

In the case of share options and other financial instruments, the general features of each plan must include information on both the conditions to acquire unconditional ownership (vesting) and to exercise these options or financial instruments, including the price and term for exercising them.

- Each of the directors, along with their category (executive directors, proprietary external directors, independent external directors and other external directors), who are beneficiaries of remuneration systems or plans that include variable remuneration.

- If need be, information must be provided on the periods payable or deferral of payment applied and/or the periods for holding/unavailability of shares or other financial instruments, if any.

Explain the short-term variable components of the remuneration systems

As explained above, the only directors entitled to payment of variable remuneration are those assigned executive duties.

After assessing the level that the targets were achieved, the Board of Directors, according to a proposal made by the CNRGC, adopted a resolution on 24 February 2021 on an overall achievement level for each of the two directors.

- CEO: 50%.
- COO: 50%.

1. Target achievement level

- CEO: The level that the targets were achieved was as follows:
  - EBITDA/Net Profit (weighting 50%): The level of achievement was below the minimum level.
  - Assessment of performance (weighting 10%): The level of achievement was positioned at the target level of 100%.
  - Individual targets (weighting 40%): The level of achievement was at the target level of 100%.
- COO: The level that the targets were achieved was as follows:
  - EBITDA/Net Profit (weighting 50%): The level of achievement was below the minimum level.
  - Assessment of performance (weighting 10%): The level of achievement was positioned at the target level of 100%.
  - Individual targets (weighting 40%): The level of achievement was at the target level of 100%.

2. Application of the correction factor

As we have pointed out in other sections of this report, the correction factor of the EBITDA was applicable in 2020 because achievement of the Group's EBITDA target was lower than 90%.

3. Determining the annual variable remuneration

Bearing in mind that the correction factor was applied due to the company's results obtained in 2020, no amount whatsoever will be paid for this item.

Explain the long-term variable components of the remuneration systems

As mentioned above, the General Shareholders' Meeting held on 29 June 2017 approved the launch of the Long-Term Bonus Plan or "Performance Shares Plan 2017-2022". The Plan has a term of five years, divided into three cycles of three years each one:

a. First cycle 2017-2019. Ended with delivery of shares in 2020.

b. Second cycle 2018-2020. Ended with delivery of shares in 2021.

c. Third cycle 2019-2021. In force with delivery of shares in 2022.

The main features of the second cycle of the 2017-2019 Plan applicable to both Executive Directors are described below:

1) Targets, weightings and achievement level:

The number of shares to be delivered will be subject to the level the following four targets are achieved:

a. TSR (“Total Shareholder Return”) related to NH’s shares compared with the changes in the STOXX® Europe 600 Travel & Leisure stock exchange index (weighting: 25%).

b. Revaluation of the price per share (weighting: 25%).

c. Net Recurrent Profit (weighting: 25%).

d. The Group’s Recurrent EBITDA (weighting: 25%).

Bearing in mind the corporate transaction carried out within NH in 2018 and the impact of such transaction on the share value, the Board of Directors adopted a resolution to neutralise the result of the metrics associated with the share value, (according to the provisions in the Remuneration Policy and the adjustment clause in the Plan’s Regulations explained in section A).

- Relative TSR
- Revaluation of the Price per Share:

The scales of achievement of the targets linked to the Group’s Recurrent Net Profit and Recurrent EBITDA are detailed below:

a) Net Recurrent Profit:

- Minimum threshold: Achievement of 80% of the target implies payment of 50% of the bonus. A level of achievement lower than 80% implies a payment level of 0%.
- Target: Achievement of 100% of the target implies payment of 100% of the target bonus.
- Maximum: Achievement of 120% or more of the target implies payment of 150% of the target bonus.

When the level of achievement is between the minimum threshold and the target or between the target and the maximum, the level of payment will be calculated by linear interpolation.

Finally, the achievement level for the Net Recurrent Profit target in each of the measurement years was as follows:

- 2018: Maximum achievement.
- 2019: Between the target level and the maximum level.
- 2020: Achievement below the minimum threshold.

b) Recurrent EBITDA:

- Minimum threshold: Achievement of 90% of the target implies payment of 50% of the bonus. A level of achievement lower than 90% implies a payment level of 0%.
- Target: Achievement of 100% of the target implies payment of 100% of the target bonus.
- Maximum: Achievement of 110% or more of the target implies payment of 150% of the target bonus.

When the level of achievement is between the minimum threshold and the target or between the target and the maximum, the level of payment will be calculated by linear interpolation.

Finally, the achievement level for the EBITDA target in each of the measurement years was as follows:

- 2018: Between the target level and the maximum level.

- 2019: Between the target level and the maximum level.
- 2020: Achievement below the minimum threshold.

2) Amount of the bonus:

If the target achievement level were 100%, the Executive Directors would be entitled to receive the target number of shares (50,336 shares for the CEO and 22,819 for the COO); the benchmark value of which on the date awarded would be equivalent to 60% and 40% of the fixed remuneration on such date respectively. In this respect, the benchmark value was calculated as the average closing price of NH's shares in the last 10 stock exchange sessions before 1 January 2018.

If the target achievement level were the maximum, the CEO and COO would be entitled to receive 75,503 and 34,228 shares respectively.

Bearing in mind the overall achievement level of 81.92%, the payment levels described and the number of performance shares awarded, the CEO will receive 41,235 gross shares and the COO 18,693 gross shares. Regarding the former CFO, no annual or multi-annual variable remuneration was accrued or paid because it is an indispensable condition to be working in the company on 31 December in the year that the accrual of the variable remuneration ends to receive it.

This number of shares is shown in table C.1.b) ii).

The benchmark value for tax purposes of the assessment of the shares will be the closing price of NH's shares in the stock exchange session on the date the assessment of the targets for the long-term bonus is approved and the shares are delivered by the Board of Directors

B.8 Specify whether certain variable components have been reduced or clawed back when, in the case of the former, payment has been vested and deferred or, in the case of the latter, vested and paid, on the basis of data that have subsequently proved to be inaccurate. Describe the amounts reduced or clawed back through the application of the reduction or claw-back clauses, why they were implemented and the years to which they refer.

No clause of this kind was applied in 2020.

B.9 Explain the main features of the long-term savings schemes where the amount or equivalent annual cost appears in the tables in section C, including retirement and any other survivor benefits that are partially or fully financed by the company, whether through internal or external contributions, indicating the type of plan, whether it is a defined contribution or benefits, the contingencies covered, the conditions for vesting economic rights for the directors and their compatibility with any type of severance pay for early termination or termination of the contractual relationship between the company and the director.

In 2020, the company did not undertake any obligation or commitment related to pensions, retirement or similar items.

B.10 Explain, when appropriate, the severance pay or any other type of payment related to early dismissal or early resignation, or the termination of the contract according to the terms provided therein, accrued and/or received by directors during the previous year.

The Executive Director, Beatriz Puente, resigned from her post as Executive Director and CFO of the company on 28 September 2020.

Such resignation was notified within the minimum two-month prior notice period. The company did not pay any amount whatsoever for severance pay or any other type of payment related to her early resignation.

B.11 Specify whether there have been any significant changes in the contracts of persons performing senior management duties, such as executive directors, and, if any, explain such changes. In addition, explain the main terms and conditions for the new contracts signed with executive directors during the year, unless these have already been explained in section A.1.

In 2020, no modifications were made to the Executive Director's contract. However, the commercial agreement of the COO, Rufino Pérez, was signed after the resignation of the previous Executive Director, Beatriz Puente, and his appointment as Executive Director. The terms and conditions of the commercial agreement with the COO have been described above in section A.1.

B.12 Explain any supplementary remuneration payable to the directors as consideration for services rendered that are unrelated to their posts.

The Remuneration Policy does not include any supplementary remuneration other than that previously specified.

On the date this Report is issued, there was no supplementary remuneration payable to the directors as consideration for services rendered other than those related to their posts.

B.13 Explain any remuneration related to advance payments, loans or guarantees granted, specifying the interest rate, their key features and the amounts possibly reimbursed, as well as the obligations undertaken as a guarantee.

The Remuneration Policy does not include any possibility to grant advance payments, loans or guarantees to the directors.

On the date this Report is issued, no advance payments, loans or guarantees have been granted to any of the directors.

B.14 Itemise the remuneration in kind received by the directors during the year, briefly explaining the nature of the different salary components.

The directors, in their positions as such, do not receive remuneration in kind.

Apart from the shares they receive related to the "Performance Shares" Plan, the Executive Directors accrued the following remuneration in kind for their executive duties:

- A health care insurance policy for each Executive Director and their first-degree relatives.
- A life insurance policy with insured capital of €2,100,000 (CEO), €1,200,000 (COO) and €1,290,000 (CFO until her resignation).
- An accident insurance policy with insured capital of €2,100,000 (CEO), €1,200,000 (COO) and €1,290,000 (CFO until her resignation).
- A company car in the case of the CEO and the CFO until her resignation. The COO has chosen to receive economic compensation instead of a company car.

The amount for such remuneration was €43,312 for the CEO, €5,260 for the COO (including the company car) and €7,751 for the CFO.

B.15 Explain the remuneration payable to the directors by virtue of amounts paid by the listed company to a third company to which the director renders services when these payments are aimed at remunerating the director's services to the company.

On the date this Report is approved, no amounts have been paid to third-party enterprises due to possible services being rendered by the directors.

B.16 Explain any other items of remuneration other than those mentioned in the previous sections, whatever their nature or the group company that settles the payment may be, particularly when this is a related transaction or its settlement distorts the true image of the total remuneration payable to the director.

On the date this Report is approved, there are no other items of remuneration apart from those explained in the previous sections.

C ITEMISED INDIVIDUAL REMUNERATION PAYABLE TO EACH DIRECTOR

Name	Type	Accrual Period Year 2020
Mr. KOSIN CHAN	Proprietary Director	From 01/01/2020 to 31/12/2020
Mr. WILLIAM ELLWOOD HEINECKE	Proprietary Director	From 01/01/2020 to 31/12/2020
Mr. EMMANUEL JUDE DILLIPRAJ RAJAKARIER	Proprietary Director	From 01/01/2020 to 31/12/2020
Mr. STEPHEN ANDREW CHOJNACKI	Proprietary Director	From 01/01/2020 to 31/12/2020
Mr. FERNANDO LACADENA	Independent Director	From 01/01/2020 to 31/12/2020
Mr. JOSÉ MARÍA CANTERO MONTES-JOVELLAR	Independent Director	From 01/01/2020 to 31/12/2020
Mr. ALFREDO FERNÁNDEZ AGRAS	Independent Director	From 01/01/2020 to 31/12/2020
Mr. RAMÓN ARAGONÉS MARÍN	Executive Director	From 01/01/2020 to 31/12/2020
Mr. RUFINO PÉREZ	Executive Director	From 28/09/2020 to 31/12/2020
Ms. BEATRIZ PUENTE	Executive Director	From 01/01/2020 to 28/09/2020

C.1 Complete the following tables regarding the individual remuneration of each director (including the remuneration paid for performing their executive duties) payable during the financial year.

i) Remuneration in cash (in thousands of euros)

Name/type/accrual period in year t	Salary	Fixed remuneration	Per diem expenses	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership of the Board's Committees	Severance Pay	Other items	Total in year t	Total in year t-1
RAMÓN ARAGONÉS	499	-	-	-	-	-	-	14	513	1,095
BEATRIZ PUENTE	232	-	-	-	-	-	-	5	237	671
RUFINO PÉREZ	73	-	-	-	-	-	-	4	77	-
ALFREDO FERNÁNDEZ AGRAS	-	117	-	-	-	-	-	-	117	288
FERNANDO LACADENA AZPEITIA	-	53	-	-	-	-	-	-	53	130
JOSÉ MARÍA CANTERO DE MONTES-JOVELLAR	-	53	3	-	-	-	-	-	56	126

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments

Name/type/accrual period in year t	Name of Plan and date implemented	Financial instruments at start of year 2020		Financial instruments granted during year 2020		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of year 2020	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent/vested shares	Price of the vested shares	Gross profit from shares awarded or vested financial instruments (in €)	No. of instruments	No. of instruments	No. of equivalent shares
RAMÓN ARAGONÉS	Performance Shares Plan (2018)	50.336	-	-	-	-	41.235	4,28	176.280	0		
	Performance Shares Plan (2019)	98.485									98.485	
RUFINO PÉREZ	Performance Shares Plan (2018)	22.819					18.693	4,28	79.914	0		
	Performance Shares Plan (2019)	45.455									45.455	

iii) Long-term saving schemes

Name/type/accrual period in year t	Contribution by the company during the year (in thousands of €)		Amount of accumulated funds (in thousands of €)	
	Year t	Year t-1	Year t	Year t-1
Director 1	0	0	0	0

iv) Details of other items

Name/type	Remuneration as advance payments, loans granted		
	Transaction interest rate	Essential features of the transaction	Amounts possibly refunded
Director 1	0	0	0

Name/type	Life insurance premium		Guarantees granted by the Company in favour of the directors	
	Year t	Year t-1	Year t	Year t-1
RAMÓN ARAGONÉS	29	27		
BEATRIZ PUENTE	3	3		
RUFINO PÉREZ	1	-		

b) Remuneration paid to the company's directors for being members on the boards of other group companies:

i) Remuneration in cash (in thousands of euros)

Name/type/accrual period in year t	Salary	Fixed remuneration	Per diem expenses	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership of Board's Committees	Severance Pay	Other items	Total in year t	Total in year t-1

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments

Name/type/accrual period in year t	Name of Plan and date implemented	Financial instruments at start of 2020		Financial instruments awarded in 2020		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of 2020	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent/vested shares	Price of the vested shares	Gross profit from shares awarded or vested financial instruments (in €)	No. of instruments	No. of instruments	No. of equivalent shares

iii) Long-term saving schemes

Name/type/accrual period in year t	Contribution by the company during the year (in thousands of €)		Amount of accumulated funds (in thousands of €)	
	Year t	Year t-1	Year t	Year t-1
Director 1				

iv) Details of other items

Name/type	Remuneration as advance payments, loans granted		
	Transaction interest rate	Essential features of the transaction	Amounts possibly refunded
Director 1	0	0	0

c) **Summary of remuneration (in thousands of €):**

The summary should include the amounts corresponding to all the remuneration items included in this report that are payable to each director (in thousands of €).

Name/type	Remuneration payable by the company				Remuneration payable by group companies				Total	
	Total cash remuneration	Amount for the shares granted	Gross profit of options exercised	Total year t company	Total cash remuneration	Amount for the shares granted	Gross profit of options exercised	Total year t group	Total year t	Total year t-1
RAMÓN ARAGONÉS	513	176	-	689	-	-	-	-	689	1.507
BEATRIZ PUENTE	237	-	-	237	-	-	-	-	237	863
RUFINO PÉREZ	77	80	-	157	-	-	-	-	157	-
ALFREDO FERNÁNDEZ AGRAS	117	-	-	117	-	-	-	-	117	288
FERNANDO LACADENA AZPEITIA	53	-	-	53	-	-	-	-	53	130
JOSÉ MARÍA CANTERO DE MONTES-JOVELLAR	56	-	-	56	-	-	-	-	56	126

D OTHER INFORMATION OF INTEREST

If there are any relevant issues related to the directors' remuneration that you have not been able to address in the previous sections of this report but that are necessary to provide more comprehensive information with full grounds on the company's remuneration structure and practices regarding its directors, list them briefly.

This annual remuneration report has been approved by the company's Board of Directors' Meeting held on 24/02/2021.

State whether any director has voted against or abstained from approving this report.

Yes □ No X □

Name or company name of the member of the Board of Directors that has not voted in favour of approving this report	Reasons (against, abstention, absence)	Explain the reasons