

**nh** | HOTEL GROUP

**ANNUAL REPORT 2017**  
**Corporate Responsibility Report**

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## OUR PRESENCE IN THE WORLD 2017\*



<b>380</b> HOTELS	<b>31</b> COUNTRIES	<b>58,926</b> ROOMS	<b>22,789</b> EMPLOYEES	<b>16</b> MILLION CUSTOMERS
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Spain • Germany • Italy • The Netherlands • Belgium • Austria • Switzerland • Portugal  
Czech Republic • France • Romania • Hungary • Luxembourg • United Kingdom  
Slovakia • Poland • Andorra • Colombia • Argentina • Mexico  
Dominican Republic • Venezuela • Chile • United States • Cuba  
Brazil • Uruguay • Ecuador • Haiti • South Africa • China

\*31<sup>st</sup> December 2017

1.

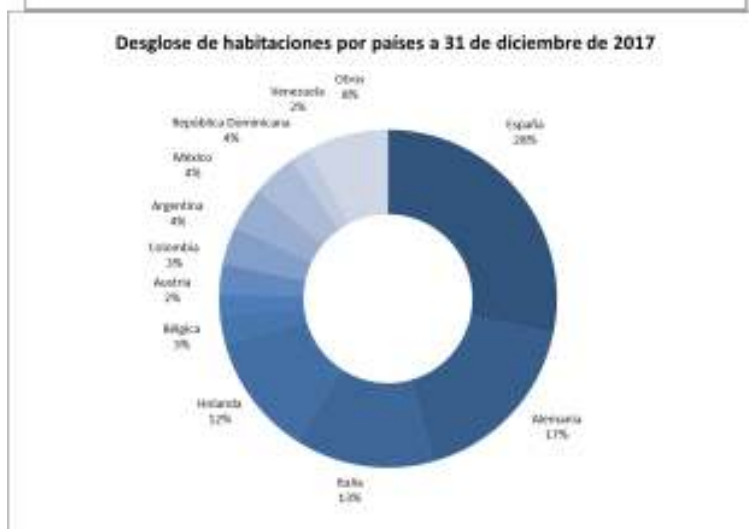
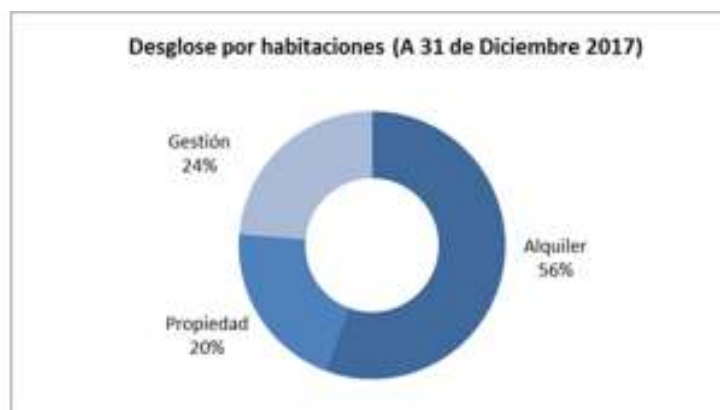
GRI Standards

2. NH HOTEL GROUP

PRESENCE

NH Hotel Group is a consolidated multinational operator and one of the leading urban hotel chains in the world. The Company is present in 31 countries and operates 380 hotels and 58,926 rooms in four continents (Europe, America, Africa and Asia), in cities such as Amsterdam, Barcelona, Berlin, Bogota, Brussels, Buenos Aires, Düsseldorf, Frankfurt, London, Madrid, Mexico City, Milan, Munich, New York, Rome or Vienna.

EUROPE	AMERICA	AFRICA	ASIA
313 hotels	65 hotels	1 hotel	1 hotel
47,243 ROOMS	11,407 ROOMS	198 ROOMS	78 ROOMS
17 COUNTRIES	12 COUNTRIES	1 COUNTRY	1 COUNTRY



## BREAKDOWN OF THE NH HOTEL GROUP PORTFOLIO IN 2017 (At 31 December 2017)

	TOTAL		ALQUILER		PROPIEDAD		GESTIÓN		FRANQUICIA	
	Hoteles	Habitaciones	Hoteles	Habitaciones	Hoteles	Habitaciones	Hoteles	Habitaciones	Hoteles	Habitaciones
<b>TOTAL NH HOTEL GROUP</b>	<b>380</b>	<b>58.926</b>	<b>222</b>	<b>32.830</b>	<b>75</b>	<b>12.162</b>	<b>74</b>	<b>13.128</b>	<b>9</b>	<b>806</b>

EUROPA	TOTAL		ALQUILER		PROPIEDAD		GESTIÓN		FRANQUICIA	
	Hoteles	Habitaciones	Hoteles	Habitaciones	Hoteles	Habitaciones	Hoteles	Habitaciones	Hoteles	Habitaciones
España	132	16.641	75	9.143	11	1.790	39	5.117	7	591
Alemania	57	10.261	52	9.261	5	1.000				
Italia	51	7.904	34	5.395	13	1.880	4	629		
Holanda	36	6.841	19	3.083	16	3.290	1	468		
Bélgica	11	1.619	3	502	8	1.117				
Austria	6	1.183	6	1.183						
Suiza	4	522	3	400					1	122
Portugal	3	278	2	171			1	107		
República Checa	2	577					2	577		
Francia	3	557	2	397			1	160		
Rumania	2	161	1	83			1	78		
Hungría	1	160	1	160						
Luxemburgo	1	148	1	148						
Reino Unido	1	121	1	121						
Eslovaquia	1	117					1	117		
Polonia	1	93							1	93
Andorra	1	60					1	60		
<b>TOTAL EUROPA</b>	<b>313</b>	<b>47.243</b>	<b>200</b>	<b>30.047</b>	<b>53</b>	<b>9.077</b>	<b>51</b>	<b>7.313</b>	<b>9</b>	<b>806</b>

AMÉRICA	TOTAL		ALQUILER		PROPIEDAD		GESTIÓN		FRANQUICIA	
	Hoteles	Habitaciones	Hoteles	Habitaciones	Hoteles	Habitaciones	Hoteles	Habitaciones	Hoteles	Habitaciones
Colombia	15	1.700	15	1.700						
Argentina	15	2.144			12	1.524	3	620		
México	15	2.402	4	581	4	685	7	1.136		
República Dominicana	6	2.503					6	2.503		
Venezuela	4	1.186					4	1.186		
Chile	4	498			4	498				
Estados Unidos	1	242			1	242				
Cuba	1	220					1	220		
Brasil	1	180	1	180						
Uruguay	1	136			1	136				
Ecuador	1	124	1	124						
Haití	1	72					1	72		
<b>TOTAL AMÉRICA</b>	<b>65</b>	<b>11.407</b>	<b>21</b>	<b>2.585</b>	<b>22</b>	<b>3.085</b>	<b>22</b>	<b>5.737</b>	<b>0</b>	<b>0</b>

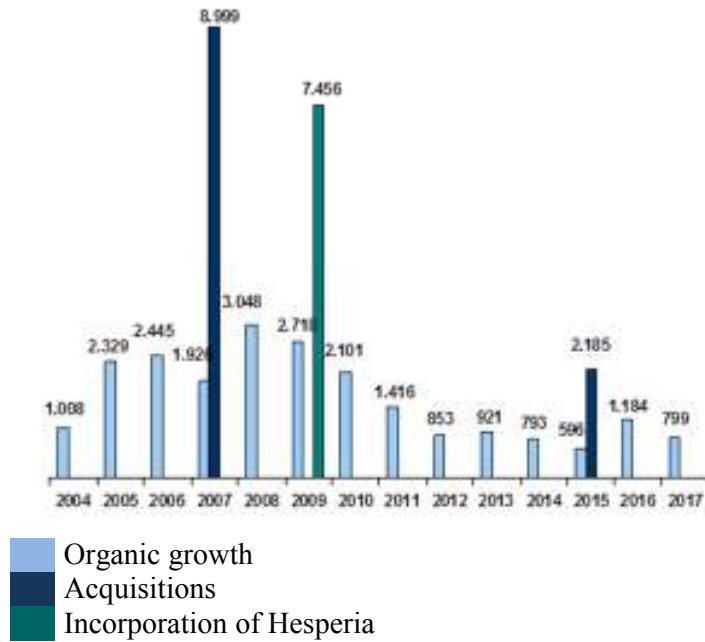
ÁFRICA	TOTAL		ALQUILER		PROPIEDAD		GESTIÓN		FRANQUICIA	
	Hoteles	Habitaciones	Hoteles	Habitaciones	Hoteles	Habitaciones	Hoteles	Habitaciones	Hoteles	Habitaciones
Sudáfrica	1	198	1	198						
<b>TOTAL ÁFRICA</b>	<b>1</b>	<b>198</b>	<b>1</b>	<b>198</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

ASIA	TOTAL		ALQUILER		PROPIEDAD		GESTIÓN		FRANQUICIA	
	Hoteles	Habitaciones	Hoteles	Habitaciones	Hoteles	Habitaciones	Hoteles	Habitaciones	Hoteles	Habitaciones
China	1	78					1	78		
<b>TOTAL ASIA</b>	<b>1</b>	<b>78</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>78</b>	<b>0</b>	<b>0</b>

## EXPANSION OF THE GROUP

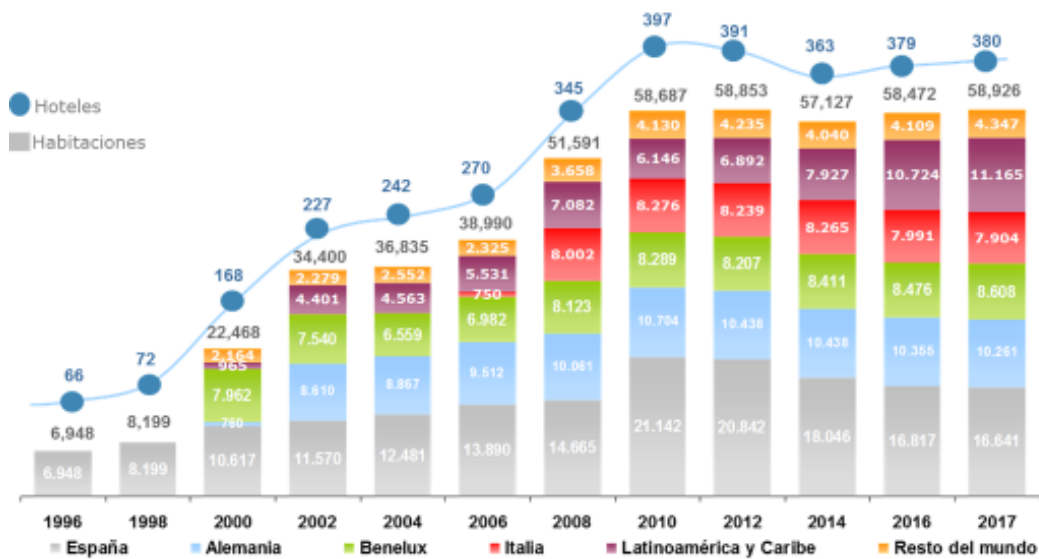
In 2017, the Group has continued with the significant improvement in the quality of the assets and destinations incorporated into the portfolio with the opening of 6 new hotels and 799 rooms during the year. Notable among these new hotels is the opening of the NH Collection Eindhoven Centre in The Netherlands, under the NH Collection premium brand.

**Evolution of number of openings and additions:**  
In number of rooms



**Continuous growth**

Number of rooms 1996-2017  
Compound average annual growth: 11%



## Room openings

6 hotels and 799 rooms opened between 1 January and 31 December 2017.

Hotel	City	Country	Rooms
NH Curitiba The Five	Curitiba	Brazil	180
NH Puebla Finsa	Puebla	Mexico	138
NH San Luis Potosí	San Luis de Potosí	Mexico	111
NH Collection Eindhoven Centre	Eindhoven	The Netherlands	132
NH Marseille Palm Beach	Marseille	France	160
NH Shijiazhuang Financial Center	Shijiazhuang	China	78
<b>Total rooms</b>			<b>799</b>

## Rooms signed

8 hotels with 1,924 rooms signed between 1 January and 31 December 2017.

City	Country	Rooms	Expected opening
Brussels	Belgium	305	2018
Brussels	Belgium	214	2018
Milan	Italy	150	2020
Valencia	Spain	47	2018
Cancun	Mexico	140	2019
Lima	Peru	265	2019
Frankfurt	Germany	416	2020
Frankfurt	Germany	375	2021
<b>Total rooms</b>		<b>1924</b>	

## Asset management

In 2017, 5 hotels with a total of 371 rooms left the Group.

Hotel	City	Country	Rooms
NH Brescia	Brescia	Italy	87
NH Pamplona El Toro	Pamplona	Spain	65
NH Belagua	Barcelona	Spain	72
NH Ciutat de Vic	Barcelona	Spain	36
NH Forsthaus Fürth Nürnberg	Nuremberg	Germany	111
<b>Total rooms</b>			<b>371</b>

## KEY FIGURES

### RESULTS AND EVOLUTION

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

In 2017, world economic activity grew at a pace of +3.5% (Data and estimates provided by the E.C. “European Economic Forecast – Autumn 2017” November 2017), greater than the previous year (+3.0%). More specifically in the Eurozone, the provisional growth rate for 2017 was 2.2% (+1.7% in 2016). Global growth has led to a positive cycle of trade and investment. Likewise, European economies continue to grow, although the recovery has not ended, which suggests there is room for further growth. In line with the above data, when comparing the growth rates of the four countries that bring together the largest proportion of revenues and results of the Group, it is observed that in Holland (+3.2% in 2017 vs. +1.7% 2016), Germany (+2.2% in 2017 vs. +1.9% in 2016), and Italy (+1.5% in 2017 vs. +0.7% in 2016) growth increased compared with the previous year, while in Spain (+3.1% in 2017 vs. +3.2% in 2016) growth was similar to the previous year.

According to the World Tourism Organization (“UNWTO”) in 2017, international tourist arrivals globally reached 1,322 million, representing an increase of + 7.0% over the previous year, a rate much higher than the sustained and constant trend of 4% or more which had been recorded since 2010 and represents the best result in seven years. More specifically, the arrival of international tourists to Europe reached 671 million in 2017, recording remarkable growth of 8% after a comparatively weaker 2016 which was headed by destinations in the Mediterranean. The growth was driven by the extraordinary results of Southern and Mediterranean Europe (+13%). Western Europe (+7%), Northern Europe and Central and Eastern Europe (both +5%) also posted solid growth. In this European context, Spain has established itself as the second tourist power in the world only behind France but ahead of the United States, and managed to break its record with 82 million foreign tourists due to an increase of 9% in the number of international arrivals.

In this context, in 2017, as a result of the favourable trend in the hotel business throughout the year and the effect of the initiatives it carried out, particularly the repositioning of its brands and hotels, the Group recorded a significant increase in price per room (“ADR”, average daily rate).

During 2017, the value of the price strategy continues to be enhanced, greater Group growth being obtained in the top cities compared to direct competitors, where there are market measures in place. The evolution of RevPar in our top destinations was superior to that of our competitors.

As part of its asset repositioning plan, NH Hotel Group invested almost 200 million euros from 2014 to 2017 to fully renovate or remodel its mid-range hotels with the greatest



potential for improvement. With the aim of continuing to improve the quality and strengthen the NH Collection brand, the repositioning investment phase in Germany which began in the previous year was completed during 2017, after the investment made in Benelux in 2016 and in Spain and Italy in 2015.

Additionally, new repositioning opportunities have been selectively identified for 2018 and 2019, where the Group will additionally have contributions from the owners of hotels that are leased by the Group.

Among the main milestones reached over the last years of transformation, the appearance of a new NH Hotel Group value proposition stands out based on the improvement of the quality, experience and the new brand architecture with the NH Collection, NH Hotel, nhow and Hesperia brands. In this vein, the Group improved the customer experience thanks to implementing a solid operational vision, including the new elements making up the hotels' basic product range, known as Brilliant Basics, which are already in place in all of the establishments and which are contributing to a better experience and higher average quality score of the customers.

The trend in quality indicators confirms the improvement in user ratings for the Group's hotels throughout 2017. At Group level, 35% of the portfolio is positioned in the top 10 of the city's TripAdvisor (45% for NH Collection hotels) (34% and 45% respectively in 2016) and 55% of the hotels are in the top 30 (63% for NH Collection hotels) (52% y 62% respectively in 2016), which demonstrates the highest levels of quality perceived by customers.

Meanwhile, in 2017, another 6 hotels began operating in Marseilles, Eindhoven, Curitiba, Puebla, San Luis de Potosí and Shijiazhuang with a total of 799 rooms, giving 380 hotels operating with 58,926 rooms at 31 December 2017.

In addition, in 2017 the Group signed 7 hotels with 1,762 rooms. All the signings were under lease and management contracts, many of them in the top brand segment and in primary cities (Frankfurt, Valencia, Lima, Brussels).

As a result, revenue in 2017 amounted to 1,546.1 million euros, representing growth of +6.8% (+98.1 million euros), well above the increase in operating costs. As a result of the operational improvement, the Profit for the year attributable to the Parent Company stood at 35.5 million euros compared to 30.8 million euros in 2016.

In this year gross indebtedness decreased from 861.8 million euros in December 2016 to 716.9 million euros in December 2017. At 31<sup>st</sup> December 2017, cash and cash equivalents amounted to 80.2 million euros (136.7 million euros at 31 December 2016). Additionally, this liquidity was complemented by credit lines at the end of the year amounting to 316.3 million euros, of which 250 million euros corresponded to a long-term syndicated credit line, compared to 308.9 million euros at 31 December 2016.

Likewise, as a consequence of these operations, the syndicated credit line signed in 2016 for a limit of 250 million euros will continue to be available in full, and its maturity will automatically extend to 2021.

This value optimisation of the Company has recently been reflected in the improvement of the corporate credit outlooks assigned by the main rating agencies. Fitch improved the

corporate rating outlook from "B with a stable outlook" to "B with a positive outlook" based on greater liquidity and operational improvement. In turn, Moody's improved the corporate rating outlook from "B2 with a stable outlook" to "B2 with a positive outlook", due to the operational improvement, the hotel repositioning plan which has allowed NH to increase its revenues and profitability, its cost saving plan and the significant improvement of its liquidity position. Additionally, Standard & Poors improved its opinion on the Group's business profile, mainly due to its successful repositioning plan which has resulted in improved sales and profitability.

On 28<sup>th</sup> September 2017, the Group presented its strategic plan for 2018-2019 to the investment community. After a phase marked by a strong investment in repositioning and improvement of the experience, NH Hotel Group is in a favourable position to face future growth in the coming years. The Company defined its priorities until 2019, focused on revenue management through a dynamic pricing strategy, a continued focus on efficiency and debt reduction, whilst, at the same time, taking advantage of its current strengths for new repositioning opportunities and organic expansion as a means of additional growth.

The results of the plan will be reflected in the significant improvement in the Company's cash generation and in the reduction of its financial indebtedness.

At the General Shareholders' Meeting in June 2017, shareholders approved the payment of an interim dividend from 2016 results amounting to 17 million euros, representing five cents per outstanding share (gross). Additionally, the Group has established a shareholder remuneration policy in line with its debt reduction plans, defining a medium-term shareholder remuneration close to 50% of the recurring net profit. In the short term, it foresees a dividend proposal of ten cents per share in 2018 and fifteen cents in 2019.

## 2. ETHICS AND CORPORATE GOVERNANCE

### COMPLIANCE SYSTEM

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

- Code of Conduct.
- Criminal Risk Prevention Model.
- Internal Rules of Conduct.
- Procedure for Conflicts of Interest.

### CODE OF CONDUCT

In line with its ethical commitment and the best practices of Corporate Governance, NH Hotel Group has carried out communication, awareness and training campaigns on Compliance since the last update of the Code of Conduct in 2015.

The responsibility for the approval of the Code of Conduct rests with the Group's Board of Directors.

This document affects all the people who work at NH Hotel Group, being applicable not only to employees, managers and members of the Board of Directors, but also, in certain cases, to other interest groups such as customers, suppliers, competitors or shareholders. , as well as the communities in which NH operates its hotels.

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

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

- Commitment to People
- Commitment to Customers
- Commitment from Suppliers
- Commitment to Competitors
- Commitment to Shareholders
- Commitment to Communities and Society
- Commitment to the assets, knowledge and resources of the group

- Obligations regarding fraudulent or unethical practices
- Commitment to the stock market

The Code of Conduct is published in 6 languages on the official website of NH Hotel Group, available to all stakeholders. In addition, since 2017, through the "My NH" App, NH employees can access the code of conduct from their mobile device. The staff of centers that operate under the NH Hotel Group brands also have a Practical Guide and a document of frequently asked questions.

## COMPLIANCE COMMITTEE

In 2014 NH Hotel Group set up the Compliance Committee, composed by members of the Management Committee and Senior Management. It is responsible for overseeing compliance with the Internal Rules of Conduct, the Procedure for Conflicts of Interest, the Code of Conduct and the Criminal Risk Prevention Model.

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

Five meetings of the Compliance Committee were held in 2017.

## COMPLIANCE OFFICE

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

The procedure for handling matters reported through the Whistleblowing Channel is specified in detail in the Code of Conduct. Confidentiality, respect and non-retaliation are guaranteed at all stages of the procedure.

In 2017, there have been 45 reports of alleged breach of the Code of Conduct and the pertinent disciplinary measures have been imposed and all 61 queries received have been answered.

Furthermore, in 2017 the Criminal Risk Prevention Matrix in Spain has been rationalized, with the aim of providing the Company with a more efficient model. Throughout the year, the Compliance Office has rolled out the Criminal Risk Prevention Model in the seven most important countries where the Group operates.

## **ELABORATION OF THE ANTI-CORRUPTION POLICY**

NH has defined its Anti-Corruption Policy, which focuses primarily on protecting the Company and all its representatives, from executives to employees, against their criminal liability in the event that corruption is committed in business within the company. In this way, it is an additional element to the Crime Prevention Model.

The Policy, which is part of the Company's Code of Conduct, was approved internally by the Compliance Committee and the Management Committee, in addition to being validated by the Audit and Control Committee in the month of December 2017, and presents to the Board of Directors for approval in 2018.

### **GENERAL PRINCIPLES OF THE ANTI-CORRUPTION POLICY**

- Zero tolerance for bribery and corruption in the private and public sector
- Behavior must be appropriate and legal
- Transparency, integrity and accuracy of financial information
- Periodic internal control
- Local legislation prevails in the case of being more restrictive

## **RISK MANAGEMENT**

Risk Management at NH Hotel Group reflects the Company's operations and culture, and affects the implementation of management actions, including the identification, approval and management of risks. The Board of Directors is responsible for defining the NH Hotel Group's Risk Management and Control Policy, and periodically oversees the Risk Management and Control System, through the Board's Audit and Control Committee.

### **RISK MAP APPROVED BY THE BOARD OF DIRECTORS**

In line with these principles, in 2017, for the third consecutive year, the Company has updated its Risk Map, which includes the principal risks facing the Company, by agreement with the 34 senior executives who participated in the definition process. It also reflects the threats of a changing environment like at present (terrorism, cyberattacks...). The Risk Map was reviewed and approved by the Board of Directors on 25 October 2017.

In addition, throughout the organization action plans have been implemented with the aim of mitigating the potential impact of risks, and indicators have been established to monitor the evolution of risks on a monthly basis.

### **CREATION OF THE RISKS COMMITTEE**

In 2017, NH Hotel Group has decided to create a Risks Committee which will meet at least three times a year. The responsibilities of this Committee are to:

- Validate and prioritize the risks identified
- Support implementation of initiatives and action plans
- Create a risk prevention culture

The Committee is made up of the Operations Director, the SVP of Legal Advising, the SVP of Consolidation and Internal Control, the SVP of Control and Strategic Planning, and the VP of Revenue Management.

### **LAUNCH OF APPLICATION FOR RISK REPORTING AND MONITORING: SAP GRC**

With the aim of improving and automating the Company's risk reporting and monitoring and control processes, in November 2017, following the training sessions for the employees involved, a new application was brought into use (SAP GRC; Governance, Risks and Compliance).

This application significantly reduces the time dedicated to the planning and assessment of risks and controls. Furthermore, to facilitate and simplify tasks within NH Hotel Group, it has become the sole reporting point in the Company, at global level, in relation to Risk Management and Internal Control.

### **NEW DATA PROTECTION PLAN**

In light of the mandatory application in the European Union, in May 2018, of the General Data Protection Regulation (GDPR), NH Hotel Group has implemented a plan to ensure compliance with the regulation, which is included in the Transformation Plan and aligned with it.

This new plan will have privacy in general established by default, so that all activities, applications, processes or projects of the Company will take privacy matters into account. The plan includes key initiatives such as effective management of personal data breaches, the data subject's explicit consent for the purposes of compilation and use of data, or a data destruction policy for both physical and virtual data formats. The plan also provides for the creation of Head of Data Protection within NH Hotel Group.

### 3. A RESPONSIBLE AND SUSTAINABLE COMPANY

#### CORPORATE RESPONSIBILITY PLAN 2017-2019: *RESPONSIBLE COMMITMENT PLAN*



NH Hotel Group carries out its hotel activity by creating shared value at the economic, social and environmental level wherever it is present. In 2017, with the aim of leading responsible commitment in

the industry, it has drawn up the Corporate Responsibility Strategic Plan 2017-2019, Responsible Commitment Plan, establishing the principal objectives and initiatives for the different responsible commitments defined by the Company.

The Plan, a key part of the Company's global strategy, includes its main commitments regarding responsibility, as well as the development of the lines of action in priority areas for the Company: commercial, commitment to employees, investment, brand purpose, corporate governance and supplier evaluation. It also provides for annual reporting of the Plan's progress, both consolidated and by business unit, to the Board and the Management Committee.

#### PILLARS AND COMMITMENTS OF THE PLAN

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





This pillar concerns people and NH Hotel Group’s commitments:

- **Employees:** promote a Responsible Culture that integrates Corporate Social Responsibility and the purpose in its daily actions.
- **Customer:** offer an excellent service and an innovative supply and involve them in NH Hotel Group’s responsible projects.
- **Community:** promote social projects in the communities where the Company is present, and promote positive local impact through the creation of responsible alliances with foundations and NGOs, the collaboration of employees as volunteers in responsible projects and support to culture.



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

This approach also contains a communication plan for the visibility of the actions carried out; an organization structure that drives the actions with main players throughout the Company; and a leadership team to monitor compliance of the key indicators.





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

## PEOPLE: EMPLOYEES



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

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

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

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

### THE HUMAN RESOURCES STRATEGY

This year, within the framework of the Company's Strategic Plan 2017-2019, the Human Resources strategy has continued, based on 3 main pillars:

- **GLOBAL LEADERSHIP AND TALENT MANAGEMENT**

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

- **TOP PERFORMANCE AND BEST PLACE TO WORK**

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

• **TRANSFORMATION AND REINVENTION**

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

All the above should be based on and firmly guarantee Operational Excellence in Human Resources and Internal Communication, with clear policies and processes, fulfilling promises in a proactive manner, continuing to support, develop and implement the NH Hotel Group’s operational model, and controlling staff costs and related budget items.

**EMPLOYEES BY BUSINESS UNIT**

<b>Business Units</b>	<b>2017</b>	<b>2016</b>	<b>Diff. (%)</b>
HQ and CRO	466	478	-2.6%
BU Central Europe	6,751	6,667	1.3%
BU Southern Europe	8,095	7,999	1.2%
BU America	7,477	5,761	29.8%
<b>Total</b>	<b>22,789</b>	<b>20,905</b>	<b>9.0%</b>

- Figures obtained of FTEs (Full Time Equivalents) for all kind of contracts (open-ended, temporary, extra, temping agency...) considering owned, managed and franchise hotels.
- The average number of employees in 2017 is 22,789
- The Northern and Southern Europe Business Units slightly increased the average number of employees in line with the increase in occupancy.
- Corporate offices decreased the number of employees as part of the efficiency improvement plan of the New Operating Model.
- The increase in America is due to the change in the calculation method in resorts in the Dominican Republic and the opening of new hotels.

**CULTURE OF DIVERSITY AND EQUALITY**

NH Hotel Group’s corporate culture is based on the pillars of diversity and equality. Thus, the Company’s 22,789 employees in 2017 are of 134 different nationalities, and 11.4% of them work in different countries from their country of origin.

Furthermore, 46.71% of the total number of employees are women, who hold 45.9% of the total management posts, considering the employees with all kinds of contract contemplated in the corporate people management tool. In the case of Spain, the percentage increases to 48.5%.

As far as age is concerned, in 2017 the percentage of employees between 25 and 40 years old was 49.6%, while those under 25 years old represented 14.8% and those over the age of 40 totalled 35.7%.

## NH UNIVERSITY

In 2017, NH University - NH Hotel Group's corporate university - has provided a total of 113,554 hours of both face-to-face training and e-learning with a total of 26,839 participants.

A total of 7,476 employees, representing 32.8% of the workforce, have received face-to-face training. During 2017 the Company has promoted online training, which has increased by 74% compared to the previous year.

Once again, NH University has opted to use the talent of its employees with more than 288 in-house trainers.

The total investment in training in 2017 was € 1,212,760.97.

## TRAINING BY BUSINESS UNIT

2017					
Training	Business Unit	Nº hours	Nº participants	Employees	Hours per trained employee
Classroom	Corporate	11.057	1.120	898	12,31
	BU Spain, Portugal & Andorra	18.435	2.390	1.712	10,77
	BU Benelux, UK, France & S. Africa	7.103	1.379	948	7,49
	BU Central Europe	15.661	2.062	1.094	14,31
	BU Italy	13.029	1.570	769	16,94
	BU America	30.806	5.894	2.055	14,99
<b>Total Classroom</b>		<b>96.089</b>	<b>14.415</b>	<b>7.476</b>	<b>12,85</b>
E-learning	Corporate	981	781	417	2,35
	BU Spain, Portugal & Andorra	9.998	5.170	2.564	3,90
	BU Benelux, UK, France & S. Africa	1.170	1.000	731	1,60
	BU Central Europe	3.416	3.283	2.607	1,31
	BU Italy	1.854	933	575	3,22
	BU America	1.287	1.257	144	8,94
<b>Total E-learning</b>		<b>18.706</b>	<b>12.424</b>	<b>7.038</b>	<b>2,66</b>
<b>Total</b>		<b>114.795</b>	<b>26.839</b>	<b>14.514</b>	<b>7,91</b>

### Nº de Horas / Empleado Formado

Horas por empleado formado (presencial)	12,85
Horas por empleado formado (e-learning)	2,66
Horas totales por FTE	5,04
Horas totales por empleado formado	7,91

## EMPLOYEE TURNOVER AND ABSENTEEISM

Unidades de Negocio	% Turnover 2017						
	Non Voluntary			Voluntary			Total
	Female	Male	Total	Female	Male	Total	
HQ Oficinas Centrales y CRO	7,39%	6,45%	13,84%	7,53%	5,38%	12,90%	26,75%
BU Norte Europa	3,49%	3,73%	7,22%	6,51%	5,19%	11,70%	18,92%
BU Sur Europa	9,43%	7,90%	17,33%	1,75%	2,18%	3,93%	21,26%
BU América	11,84%	13,82%	25,66%	3,33%	3,33%	6,66%	32,32%
<b>Total</b>	<b>7,29%</b>	<b>6,94%</b>	<b>14,22%</b>	<b>4,05%</b>	<b>3,64%</b>	<b>7,69%</b>	<b>21,91%</b>
Rotación Anual considerados hoteles en propiedad, gestión y franquicia							
No incluye la rotación asociada a Hoteles Royal, Rep. Dominicana y Venezuela							

Regarding the turnover indicator, it should be noted that due to the characteristics of the hotel business, NH Hotel Group considers it relevant to know and manage the turnover of employees under indefinite contracts. The table below shows the results obtained in 2017 in respect of such employees:

Unidades de Negocio	% Turnover 2017						
	Non Voluntary			Voluntary			Total
	Female	Male	Total	Female	Male	Total	
HQ Oficinas Centrales y CRO	2,33%	3,31%	5,64%	5,45%	3,11%	8,56%	14,20%
BU Norte Europa	1,20%	1,73%	2,93%	4,80%	4,01%	8,82%	11,75%
BU Sur Europa	1,88%	1,29%	3,17%	1,19%	1,61%	2,79%	5,96%
BU América	5,70%	6,47%	12,18%	3,70%	3,85%	7,55%	19,73%
<b>Total</b>	<b>2,19%</b>	<b>2,28%</b>	<b>4,48%</b>	<b>3,08%</b>	<b>2,90%</b>	<b>5,98%</b>	<b>10,46%</b>
Rotación Anual para empleados fijos considerados hoteles en propiedad, gestión y franquicia							
No incluye la rotación asociada a Hoteles Royal, Rep. Dominicana y Venezuela							

## ABSENTEEISM RATES

Absenteeism	2017 (%)	2016 (%)
Accident	0.13	0.17
Illness	2.27	2.54
Maternity	0.63	0.43
<b>Total Absenteeism</b>	<b>3.03</b>	<b>3.14</b>

Figures refer to permanent and temporary employees

## WORKERS' RIGHTS AND BASIC AGREEMENTS

### THE WORK OF THE EUROPEAN WORKS COUNCIL IN 2017

NH Hotel Group seeks to maintain responsible and positive employment relations based on the principles of dialogue, consultation and employee participation. That is why, in October 2015, the European Works Council (EWC) of NH Hotel Group was created as an initiative of the Company's international European employers association (EFFAT), at the request of the affiliates of Italy, Belgium and Spain.

The EWC covers all the Company's work places within the European Economic Area and is compliant with the provisions of Directive 2009/38/EC, as well as its transposition into the Spanish legislation. Its main goal is to establish a communication and social dialogue level that fosters mutual understanding on transnational issues affecting employees, in a climate of mutual trust. Two meetings of the EWC were held in 2017, one full meeting at which all members were present; and another meeting of the committee of a restricted nature. At these meetings, the posts on the Committee were updated and the Company's economic results were presented, and brief reference to the impact of the terrorist attack in Barcelona was made at the meeting in September. The new structure of Business Units in Europe was also explained, and it was agreed to create working groups to deal with specific matters.

## PEOPLE: CUSTOMERS



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

### NH EXPERIENCE

In the 2017-2019 Strategy, NH Hotel Group has identified the need to define a clear segmentation of its brand, believing in its intrinsic value. It therefore seeks to pursue maximum efficiency in media investments and an improvement in the customer experience with the development of the Guest Intelligence virtuous circle, detecting the “moment of truth” and providing support to a redesign and implementation experience and Acceptance Monitoring.

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

In 2016, with improvement in innovation and the NH experience, initiatives aimed at extending the products and services offered for each of the brands have been consolidated.

### GASTRONOMIC INNOVATION

NH Hotel Group is committed to offering high quality gastronomy and the latest trends within the sector to its customers. In this regard, the Company is continuously innovating and developing exclusive gastronomic standards and processes.

During 2017, NH Hotel Group has placed emphasis on improving the Company’s best-known food and beverage service: breakfast, with “home-made” approach.

The Company also favours high-quality products (oils, salts, cured meats...), artisanal products (gourmet pastries, organic yoghurts, ...) and personalized customer care and service. An example is the relaunch in 2017 of Kids Corner, where with the help of the characters Nico and Hanna, NH Hotel Group wants to promote the importance of a balance diet featuring health and nutritious foods among its youngest guests.

Haute cuisine is also part of NH Hotel Group, which has a total of 13 Michelin stars among gastronomic options with culinary ambassadors:

- Dabiz Muñoz, 3 Michelin stars with DiverXO at NH Collection Eurobuilding
- Paco Roncero, 2 Michelin stars with La Terraza del Casino
- Oscar Velasco, 2 Michelin stars with Santceloni at Hesperia Madrid
- Miguel Barrera, 1 Michelin star with Re Levante at NH Mindoro
- Chris Naylor, 1 Michelin star with Vermeer at NH Collection Barbizon Palace
- Jacob Jan Boerma, 3 Michelin stars in De Leest, with White Room at NH Collection Grand Hotel Krasnapolsky, which gained its first star in 2017.

## **PERFECT FIT**

In 2017, this project has reached a total of 143 gyms which now have state-of-the-art machinery and facilities adapted to the new Perfect Fit standard. With a view to the future, new openings with an area set aside for a gym will in all cases have the equipment and services defined as standard for the Company, in addition to the refurbishments that will be undertaken.

## **ENHANCED WI-FI**

True to its high quality standards, in 2017 the Company has improved its Wi-Fi connectivity services by extending lines, allowing it to offer double bandwidth at NH Hotels brand establishments and four times faster connection speed at NH Collection hotels. The bandwidth for premium connection in both brands has also been multiplied by four.

## **VIP DETAILS**

During 2017, the implementation of standards aimed at very special guests has continued. New VIP details have been designed and produced for the different NH Hotel Group brands.

## **“MOOD ROOM”**

A new type of room has been tested in 2017 – the Mood Room. This is a room which, thanks to domotics, is capable of transforming its atmosphere to adapt to the momentary needs of each guest. This room allows the user to select from 18 different moods with music, lighting, curtains and even a different temperature that adapts automatically to the guest's needs.

## **STATE-OF-THE-ART TECHNOLOGY AT NH MEETINGS**

The creation of memorable and inspiring events is part of the NH Experience, offering innovative technologies such as the Instant Booking Tool, a pioneering tool in online booking and payment of meeting venues or rooms for groups, with real-time availability



consultation, selection of equipment, F&B and other services; the SMART Room System™ for Microsoft® Lync® Online state-of-the-art video conferencing technology; or the use of holographic technology for holding all kind of events.

## **FAMILIES, WELCOME**

The “Families, Welcome” project has been launched in 2017, which consist of the implementation of an operational promise especially designed to improve the experience of the smallest guests and make NH Hotel Group the most welcoming chain for families.

The implementation of this project includes numerous initiatives such as the design of a space within breakfast rooms, Kids Corner, which offers a unique selection of products for children’s breakfast, together with fun tableware and activity books featuring the youngest ambassadors: Nico & Hanna.

## **QUALITY MANAGEMENT SYSTEM**

### **Evolution of quality measurement tools in 2017**

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

Notable among the main improvements in tools in 2017 is the inclusion of comments on the Company on Google which can also be responded to by the hotels through the tool, the introduction of a QPI evaluation graph (ratio compared to competitors) and the extension of accesses to QF.

The IriTrace app has continued to be the principal tool for carrying out quality controls in NH Hotel Group hotels through a smartphone. The main technical improvements including better performance and the creation of back-ups of data.

### **Impact on visibility and perception of Quality**

The overall perception of the Company’s quality has remained stable compared to last year, with a score of 8.4 backed mainly by the growth in online channels. These results have driven the Company’s visibility forward, with particular impact on TripAdvisor where many NH Hotel Group hotels have managed to position themselves among the best in their cities.

Thus, a total of 157 of the Company’s hotels were on the first page of the prestigious website at the end of the year, seven more than in 2016. These figures mean that 55% of the portfolio in cities with more than 20 hotels have a first-page position.

In turn, NH Collection continues to consolidate its success in terms of customer rating, quality perception and visibility. The hotels of this brand have managed to obtain an average rating of 8.9 between the Company's internal surveys and online ratings, while 45% are positioning in the Top 10 on TripAdvisor, and 63% have first-page placings which once again makes them the Company's best reference in 2017.

## **CUSTOMER LOYALTY AND CUSTOMER SERVICE**

### **New NH REWARDS programme**

In 2017 the NH Hotel Group's loyalty programme has been redefined with the aim of becoming one of the most generous in the industry, increasing the benefits for the most loyal customers to that they will perceive the added value of the new programme.

Currently, more than 8.4 million customers earn points and redeem them to get, for example free nights, room upgrades and a higher service level in the hotel depending on the membership category. NH Rewards members contribute 40% to NH Hotel Group's revenue and their frequency of use is 33% higher than other customers. In fact, in 2017 eight out of ten bookings through the NH Hotel Group website were made by loyalty programme members.

This programme also makes it possible to establish direct contact with customers. In this regard, almost 150 million e-mails have been sent to subscribers of the Company's global data base with an average of 27% openings and generating 7.2% of our web traffic.

To publicize NH Rewards, campaigns have been carried out to encourage customers to book through the direct channel, i.e. the NH Hotel Group website, as well as new preference-based communications, such as gastronomic newsletters, that give visibility to the restaurant portfolio. This is added to a plan that rewards customers of the NH Rewards programme especially with exclusive points promotions and preferential access to campaigns with discounts.

### **Improvement in direct sales channels**

The volume of business generated through the NH Hotel Group website in 2017 has broken a new record with an interannual growth rate of 11%, backed by the extraordinary results of Benelux (+18%) and America (+26%).

This growth has meant that the revenue billed through the website totalled 187 million euros, 18 million more than in 2016.

A historic record has also been achieved in relation to the web channel's contribution to the NH Hotel Group's revenue. Revenue per room in 2017 totalled 12.8%, which is 0.3 points higher than the rate recorded in 2016.

## PEOPLE: COMMUNITY



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

The commitment to the communities where NH Hotel Group operates is another of the pillars of the new Corporate Responsibility Strategic plan 2017-2019. The main goal is to maintain active relations with the community, contributing to local development and attending to the needs of each destination where it is present through the business itself. Local impact is achieved thanks to the creation of responsible alliances with foundations and NGOs, the collaboration of employee volunteers in projects and the promotion of culture.

### HOTELS WITH A HEART

This initiative, which reached its 15<sup>th</sup> anniversary in 2017, aims to help the families of children in hospital to cover their accommodation needs through foundations and NGOs. The fact that this initiative has been going on continuously for many years is a sign of NH Hotel Group's long-term commitment to Society.

With more than 15,000 hotel nights donated, the initiative was a finalist in the “Best CSR Programme” at the 2017 Business Travel Awards. It has also received numerous local recognitions, such as the award for Best Solidarity Project in the El Mundo Zen Adecco awards.

### GLOBAL AND LOCAL SOLIDARITY ALLIANCES

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

In 2017 a relevant milestone has been the signing of a strategic agreement with Make-A-Wish International through which NH Hotel Group will donate almost 600 rooms in hotels in more than 15 European cities to children with serious illnesses and their families so that they can travel outside their city of origin to fulfil the children's greatest wishes. The collaboration between the two entities started in 2005 in Spain, The Netherlands and Italy, offering every facility so that children from all over the world can make their dreams come true.

In Spain, NH Madrid Sur is a supportive partner and the hotel of reference for Menudos Corazones, a foundation with whose alliance the “Hotels with a Heart” programme was launched in 2004. In Benelux and Germany the Company collaborates with hospitals and foundations such as the Ronald McDonald Foundation, with which it also participates in programmes focused on the wellbeing of the families of sick children, providing them with a home when the foundation houses are full.

<b>HOTELS WITH A HEART</b>	<b>2016</b>	<b>2017</b>
Agreements with NGOs	108	40
Room Nights donated	1,996	1,192
Hotels involved	81	53

## **EMPLOYMENT PROGRAMMES**

Throughout 2017 NH Hotel Group has carried out different international training, work experience and job programmes for young people at risk of social exclusion and disabled young people in all its Business Units. In this way, the projects, which are part of the Social Action strategy, are also aligned to the Company’s commitment to Sustainable Development Goal 8 on “Decent Work & Economic Growth”.

Thus, in 2017 a total of 303 students had the opportunity to develop technical and personal skills with the direct help of volunteer employees of the hotels, who accompany, guide and instruct the young people. To multiply the impact of these employment programmes, the Company consolidates its international and local alliances that provide support and the necessary responses to the specific needs of each Business Unit.

## **GLOBAL AND LOCAL SOLIDARY PARTNERS**

### **Youth Career Initiative (YCI) in the America Business Unit**

This is a high-impact international initiative meant to fight against youth unemployment and NH Hotel Group is the only Spanish multinational company committed to this innovative project, together with other leading hospitality companies, such as Intercontinental, Marriott and Starwood.

Every year, more than 400 young people at risk of social exclusion receive training in 53 hotels around the world. In its tenth year, the seventh in which NH Hotel Group has taken part, the Company has offered 32 young people training courses over six months given by staff of the different hotel areas as well as work experience in the different departments. As of today, 15 of the participants have now embarked upon their careers as collaborators of NH Hotel Group Mexico. In the first few months of 2018 the programme is expected to start in Bogotá.

## Social and labour insertion in Spain

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

To this end, 29 NH hotels in Spain have been involved in different programmes with the help of more than 85 employees who have volunteered a total of 13,043 hours to train 96 young people. In developing this programme, collaboration with various social and labour insertion programmes is vital, through which the entrance into the job market of 7 people has been achieved. The Hesperia Tower hotel in Barcelona also carries out different initiatives to favour the entrance into the labour market of young people at risk of exclusion, in collaboration with the Joia Foundation and the Casal dels Infants Foundation.

## JINC “Track the Talent” in Benelux

Since 2009, NH Hotel Group and JINC have been collaborating to provide professional training to young people in the poorer districts of the country to help improve their employability. In 2017, a number of visits and workshops have been organized to at NH Conference Centre Leeuwenhorst with the participation of a total of 68 young people with whom 10 employee volunteers have wanted to share their enthusiasm for and experience in the hotel sector.

EMPLOYMENT PROGRAMMES	2016	2017
Students trained	651	119
Agreements with NGOs and institutions	62	61

## NH VOLUNTEERS!

With the aim of promoting employee involvement in the NH Hotel Group’s Social action, NH Volunteers! was created. The initiative is already an important facet of the Company which has become consolidated thanks to the commitment shown by its employees in the volunteering projects where they offer their skills and knowledge to people who need them. In 2017, 570 NH Hotel Group employee volunteers have taken part in training and apprenticeship programmes for vulnerable groups.

Furthermore, two editions of the Coach Project also took place in 2017 together with the Exit Foundation. This is a corporate volunteering initiative to improve the employability of young people at risk of social exclusion through coaching and mentoring. In this way, 10 employee volunteers have shown 10 young people how the business world operates, with the aim of helping them to discover their vocation and thus motivate them to continue their training.

## PLANET



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

Sustainability is a cross-over enabler of value in NH Hotel Group, with 3 fundamental commitments:

- We care for our guests
- We care for the destination where our hotels are located
- We care for the planet

The Sustainability Plan has defined six key targets and, on the basis of these, the Company makes wide-reaching decisions in order to achieve the targets set.

The sustainability targets set for 2017 in the Sustainability Plan were reached. Specifically, the objectives set for energy and water and average customer satisfaction in terms of sustainability were met.

Since the beginning of the II Strategic Plan 2013-2018, having its baseline in 2013, the carbon footprint per occupied room has been reduced by 35%, energy consumption by 12% and water consumption by 1.3%.

In turn, since the start of the Group's first Strategic Sustainability Plan in 2007, the carbon footprint per room sold has been reduced by 72%, energy consumption by 31% and water consumption by 34%.

## KEY ENVIRONMENTAL INDICATORS

Key Environmental Indicators	Baseline 2013	Real 2015****	Real 2016****	Real 2017	Improvement 13 vs 17	Objective 5 2017	Objective 2018
<b>Hotel with environmental certification</b>	75	126	129	132	59	146	150
<b>Energy ratio (kWh/RN)</b>	52,31	49,23	48,11	46,29	-11,55%	47,39	49
<b>Water ratio (m3/RN)</b>	0,301	0,299	0,299	0,297	-1,3%	0,298	0,298
<b>Carbon footprint ratio (Kg. CO<sub>2</sub>/RN)*</b>	15	5,28	6,94	6,00	-35,00%	5,50	8
<b>Average satisfaction with the hotel in terms of sustainability (out of 10)</b>	8	8,22	8,29	8,29	3,7%	8,2	8,3

Data reviewed internally and verified on 30.09.2017. Outstanding external verification 4th Quarter 2017\*Data analysed correspond to comparable consolidated hotels following the Company's comparability criteria. Source: SUSTAINFOCUS & KHALIX.

\*\*Energy savings compared to 2013.

\*\*\*Accumulated energy savings since 2013.

\*\*\*\*Energy, water and emissions ratios may undergo variations in future reports, depending on the availability of invoices and comparability criteria.

## ENERGY CONSUMPTION Kwh/RN

Business Units (BU)	Energy ratio (kWh/RN)			Total energy consumption (Kwh)		
	2016	2017	Difference 2016 vs. 2017	2016	2017	Difference 2016 vs. 2017
BU America	48.61	45.12	-7.2%	21,523,133	21,148,468	-1.7%
BU Benelux, UK, Africa, France	66.26	61.26	-7.5%	81,727,787	79,195,263	-3.1%
BU Central Europe	42.21	40.22	-4.7%	75,038,701	74,357,363	-0.9%
BU Italy	51.32	51.21	-0.2%	67,344,567	67,781,416	0.6%
BU Spain, Portugal and Andorra	40.48	39.90	-1.4%	86,774,430	88,190,355	1.6%
<b>Total</b>	<b>48.11</b>	<b>46.29</b>	<b>-3.8%</b>	<b>332,408,618</b>	<b>330,672,865</b>	<b>-0.5%</b>

Data reviewed internally and verified on 30.09.2017. Outstanding external verification 4th Quarter 2017\*Energy consumption data are taken from invoices and meter readings.

Analysed data refer to consolidated hotels and follow the Company's comparability criteria. Total 182 hotels.

\*\* Ratios are calculated in kilowatt hours per room and night.

## WATER CONSUMPTION m<sup>3</sup>/RN

Business Units (BU)	Water ratio (m <sup>3</sup> /RN)			Total water consumption (m <sup>3</sup> )		
	2016	2017	Difference 2016 vs. 2017	2016	2017	Difference 2016 vs. 2017
BU America	0.403	0.410	1.8%	61,611	65,244	5.9%
BU Benelux, UK, Africa, France	0.318	0.317	-0.1%	360,166	382,796	6.3%
BU Central Europe	0.245	0.240	-2.3%	309,948	313,746	1.2%
BU Italy	0.369	0.358	-3.0%	254,940	250,954	-1.6%
BU Spain, Portugal and Andorra	0.282	0.285	1.0%	262,811	275,013	4.6%
<b>Total</b>	<b>0.299</b>	<b>0.297</b>	<b>-0.9%</b>	<b>1,249,475</b>	<b>1,287,753</b>	<b>3.1%</b>

Data reviewed internally and verified on 30.09.2017. Outstanding external verification 4th Quarter 2017\* Water consumption data are taken from invoices and meter readings.

Analysed data refer to consolidated hotels and follow the Company's comparability criteria. Total 106 hotels.

\*\* Ratios are calculated in cubic metres of water per room and night.



### CARBON FOOTPRINT (scopes 1 and 2) kg CO<sub>2</sub>/RN

Business Units (BU)	Carbon footprint ratio (kg CO <sub>2</sub> /RN)			Total emissions (kg CO <sub>2</sub> )		
	2016	2017	Difference 2016 vs. 2017	2016	2017	Difference 2016 vs. 2017
BU America	15.65	14.05	-10.3%	6,932,109	6,583,493	-5.0%
BU Benelux, UK, Africa, France	15.79	9.63	-39.0%	19,477,543	12,451,133	-36.1%
BU Central Europe	5.11	5.10	-0.3%	9,089,392	9,424,737	3.7%
BU Italy	14.10	4.98	-64.7%	18,500,046	6,588,472	-64.4%
BU Spain, Portugal and Andorra	6.73	3.54	-47.5%	14,434,959	7,815,938	-45.9%
<b>Total</b>	<b>9.90</b>	<b>6.00</b>	<b>-39.4%</b>	<b>68,434,049</b>	<b>42,863,773</b>	<b>-37.4%</b>

Data reviewed internally and verified on 30.09.2017. Outstanding external verification 4th Quarter 2017

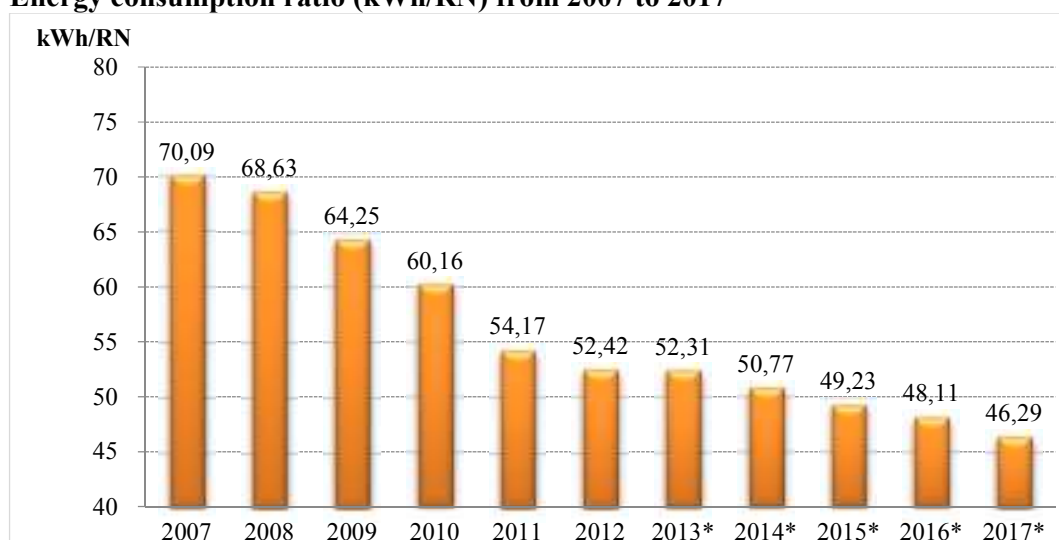
\*The carbon footprint is calculated according to the methodology defined in the GHG Protocol.

Analysed data are of consolidated hotels and following the Company's comparability criteria. Total 182 hotels.

\*\* Ratios are calculated in kilogrammes of carbon dioxide equivalent per room and night

### ENVIRONMENTAL INDICATORS

#### Energy consumption ratio (kWh/RN) from 2007 to 2017

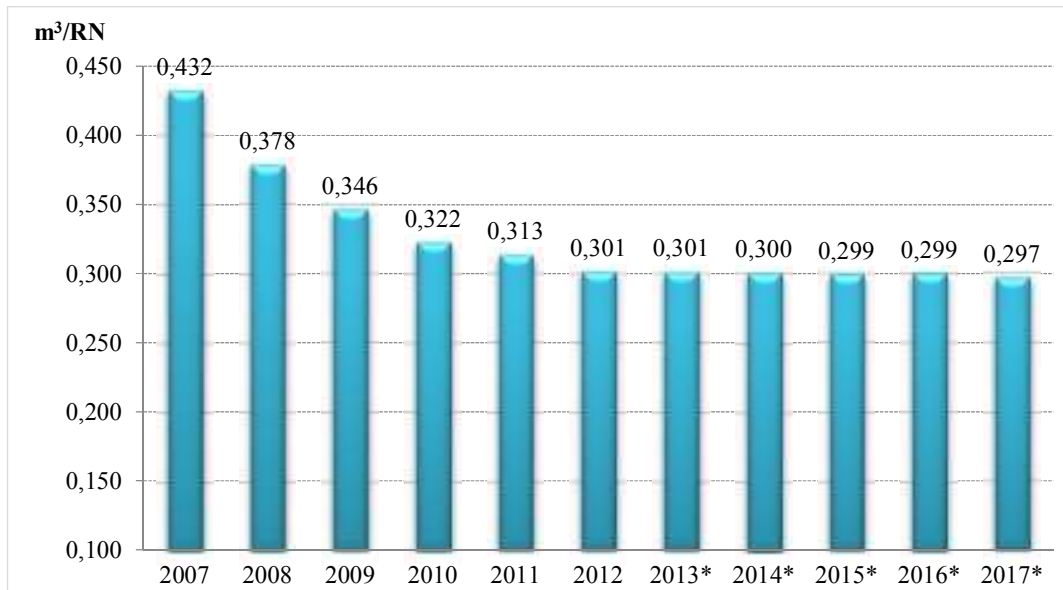


Data reviewed internally and verified on 30.09.2017. Outstanding external verification 4th Quarter 2017

\*Figures for 2007-2012 of comparable Hotels according to 2013 criteria.

\*Figures for 2013, 2014, 2015 and 2016: figures have been restated according to consolidated and comparable results.

**Water consumption ratio (m<sup>3</sup>/RN) from 2007 to 2017**

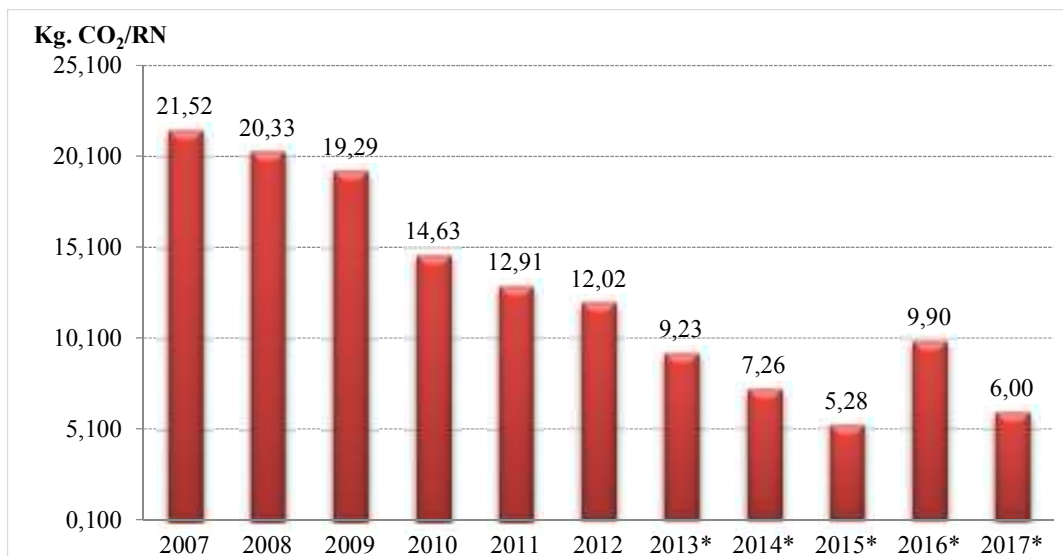


Data reviewed internally and verified on 30.09.2017. Outstanding external verification 4th Quarter 2017

\* Figures for 2007-2012 of comparable Hotels according to 2013 criteria.

\*Figures for 2013, 2014, 2015 and 2016: figures have been restated according to consolidated and comparable results.

**Carbon footprint ratio (kg CO<sub>2</sub>/RN) from 2007 to 2017**



Data reviewed internally and verified on 30.09.2017. Outstanding external verification 4th Quarter 2017

\* Figures for 2007-2012 of comparable Hotels according to 2013 criteria.

\*Figures for 2013, 2014, 2015 and 2016: figures have been restated according to consolidated and comparable results.

## RESPONSIBLE BUSINESS

### DIALOGUE WITH STAKEHOLDERS

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



In recent years, social media have become essential for relations with customers and society. For NH Hotel Group, other channels are also very important in assuring stable relations with its stakeholders, such as satisfaction surveys with customers and employees, and regular meetings and encounters with other stakeholders, such as shareholders, suppliers, employee's representatives and third-sector agents.

### RESPONSIBLE VALUE CHAIN

NH Hotel Group bases its business on a responsible value chain and on fluid communication with its stakeholders. In this regard, the Company's relations with its suppliers are based on a bilateral, transparent and effective dialogue that facilitates the development of tools and solutions that are both sustainable and innovative.

The Procurement Department of NH Hotel Group has met relevant goals set for 2017:

- Compliance with Procurement's commitment to the Operation, absorbing inflation in most countries. Where this milestone was not reached, increases were below 50% of inflation.
- TraNHsformation Plan. The Procurement Area is part of this strategic plan that affects some areas of the Company at global level, with the aim of improving processes, procedures and goals (Procurement to Pay Process).

### PROCUREMENT POLICY

The consolidation of NH Hotel Group's Procurement Policy has made it possible for all tender processes to be carried out based on the same criteria of equality of opportunity, transparency and rigour. The Awards Committee has participated in a total of 14 tender processes, mostly for hotel refurbishments.

<b>Number of suppliers by business unit</b>	
<b>BU Benelux, UK and South Africa</b>	3,209
<b>BU Central Europe</b>	3,723
<b>BU Spain, France, Portugal and USA</b>	4,713
<b>BU Italy</b>	1,668
<b>BU America</b>	1,686

*\*Variations 2016-2017 are the result of the volume of refurbishments/investment concentrated in 2016.*

*\*\*Figures for Spain include HQ (Corporate)*

## **SUPPLIER CERTIFICATION**

### **Code of Conduct**

During 2017, a total of 372 new suppliers at global level have adhered to the Code of Conduct. At December 2017, 1,496 Ethical Codes have been signed with active suppliers.

## **COPERAMA: CONSOLIDATION AND INTERNATIONAL EXPANSION**

Coperama is the central procurement centre for NH Hotel Group hotels, which has been driving the Company's growth since 2010. The consolidation of Coperama Italia, the creation of new Coperamas (Central Europe, Mexico and Colombia) and the start of the activity of Coperama Holding, have been the Company's main expansion actions in 2017.

With these new operations, the process of outsourcing all the NH Hotel Group Procurement departments which started in 2010 with the creation of Coperama Spain is now completed.

(BACK COVER)

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