



CORPORATE GOVERNANCE TAX POLICY

November 2015

I. Introduction

As evidenced in the Preamble to Law 31/2014, of December 3rd, amending the Corporations Act, corporate governance has become a matter of priority at a structural and permanent level in the agendas of regulatory bodies. Accordingly, companies and private institutions have incorporated it into their strategic plans.

This growing concern in good corporate governance is based on two fundamental principles:

- a) On the one hand, recognizing the utility provided by these business practices. Indeed, there is general consent that good corporate management contributes to shareholder value generation, particularly for publicly-listed companies.
- b) On the other, European Union and G-20 leaders agree that both the complexity of certain corporate governance structures, as well as the lack of transparency and inability to efficiently determine the chain of responsibility within the organization, are among some of the indirect and underlying causes of the recent financial crisis. As a result, corporate governance is experiencing a renewed impetus as a way to reduce or potentially eradicate this sort of risks.

In this context, the new regulations, which entered into force on January 1st, 2015, have introduced substantial modifications related to tax-related functions carried out by the Board of Directors and the Audit Committee of companies publicly-listed in Spain. For instance:

1. The Law places the Board of Directors directly in charge of the following tasks, among others:
 - Establishment of the company's risk control and management policy, including tax-related risks, as well as oversight of the company's internal reporting and control systems;
 - Approval of all sorts of investments and transactions which, due to their monetary amount or inherent characteristics, hold a particular strategic significance to the company or entail an important tax-related risk, notwithstanding any decisions which should be mandatorily approved through a general shareholder's meeting; and
 - Drafting of the company's tax strategy.

2. The Audit Committee shall at least hold the following functions:

- Oversight of the efficiency of the company's general internal controls, internal audit processes, and risk management systems, including tax-related risk management procedures; and
- Discussion with the auditors on the most significant weaknesses detected in the company's internal controls.

The Corporate Governance Annual Report will now have to incorporate a description of the company's risk management systems, including those procedures to control tax-related risks.

In this context, what follows is a description of the tax strategy followed by NH Hotel Group (hereinafter, the "Group").

II. Tax Policy

II.1 Description

The Board of Directors of NH Hotel Group, S.A. (hereinafter, the "Company"), considers that one of the main pillars of any group's business strategy should be avoiding or minimizing risks, including tax-related risks.

The Group's tax strategy seeks to comply with the tax legislation in any and all jurisdictions where NH Hotel Group conducts its business, by interpreting tax regulations according to their spirit and their ultimate purpose.

The Group considers that the aforementioned confirms the strategy followed to-date.

II.2 Principles

The Company's compliance with its tax obligations and its interaction with tax administrations shall be conducted according to the following principles:

1st – NH Hotel Group will make sure that it complies with tax legislation applicable in any and all jurisdictions in which it is present.

2nd – Tax-related decisions shall be taken based on a reasonable interpretation of the tax legislation, taking an approach that reflects both the spirit and ultimate purpose of the laws and regulations.

3rd – Significant tax-related risks must be prevented or mitigated, insisting that taxation follows an adequate relationship with the value generated in each country where the Group operates.

4th – Interactions with tax administrations in the countries where NH Hotel Group operates should be of a collaborative nature and should be based on a *bona fide* relationship, notwithstanding any legitimate controversies which may arise in the interpretation of applicable legislation with these administrations, while respecting the principles mentioned earlier and the company's legitimate defense of its business interests.

5th – The Board of Directors shall receive detailed information regarding the main tax implications of operations, transactions or other matters which are sent to this body for approval, particularly when they are essential in its decision-making.

6th – When interpreting and applying tax legislation, the Company shall specifically refer to the tax administration's decisions with respect to each and every operation, transaction, or tax-related matter. With respect to international taxation and transfer pricing issues, the Company shall refer to those conclusions reached by the OECD and G-20 Base Erosion and Profit Shifting ("BEPS") Project.

II.3 Good tax practices

The Company hereby undertakes to apply the following "good practices" on tax matters:

1st – Neither making use of artificial structures with the goal of minimizing the effective tax charge, nor conducting transactions with related parties with the purpose of eroding taxable bases or shifting profits to low-taxation territories.

2nd – Avoiding shell structures which could allow hiding from the competent administration(s) any taxable profits.

3rd – Not incorporating or acquiring entities in tax havens, unless there is a valid business purpose to justify these operations. To this end, unless there are extraordinary circumstances to the contrary, it shall be assumed that the economic exploitation of hotels owned, leased, managed, franchised, or otherwise legally-held, shall be deemed valid business purpose to this end.

4th – Following any and all recommendations included in the good tax practice guidelines which are implemented in those countries where the Group conducts its business, while bearing in mind the needs and circumstances of the Group.

Over the course of fiscal year 2015 in Spain, the Company shall subscribe to the “Good Tax Practice Guidelines” approved on July 20th, 2010 by the Forum of Large Enterprises (which was set up upon recommendation from the Spanish Tax Administration on July 10th, 2009 with the ultimate purpose of strengthening collaboration ties between business and the tax administration) and this will be included in the Corporate Governance Annual Report.

5th – Collaborating with the competent tax administrations in detecting fraudulent tax practices that are known to the Company, while actively searching for solutions.

6th – Comprehensively and timely providing tax-related information and documentation requested by tax administrations.

7th – In the event of controversy with the tax administration, and notwithstanding the Company’s right to defend its business interests, attempts will be made to reach an agreement with the tax administration. When possible, the Company will try to obtain advanced pricing agreements or other sort of agreements with tax administrations in order to reduce future controversies.

8th – Promoting a close collaborative and communicative relationship among the various functional departments of the Group. Those departments participating in investments or operations which, due to their large monetary amount or especial characteristics, may imply a special tax risk, should inform the tax department before proceeding, so that this last department can have the opportunity to analyze and assess their tax implications and duly inform the Board of Directors.

9th – Promoting a close collaborative relationship with external advisers such that they can assist in the Group’s compliance of tax rules and regulations.

10th – Approving a procedural handbook specific to the Group’s tax management, control, and oversight of internal reporting systems. Compliance with these procedures shall be mandatory for all Group employees and third-parties working alongside the Group, with the goal of putting together rules and regulations that should enable an efficient management and control of tax risks.

11th – The Group will approve general practice guidelines to be followed in the context of tax-related procedures before public bodies.

III. Control and follow-up

The Board of Directors shall, by means of its Chief Executive Officer and its other Executives, promote the Group's application of the principles and good practices contained in this document, and any additional ones which could be incorporated in the future. The Board shall allocate the necessary and qualified human and material resources to this end.

For these purposes, the Board of Directors shall be assisted by the Group's Audit Committee, which shall oversee the efficiency of the tax management and control systems implemented. The Audit Committee shall also periodically inform the Board on the following matters:

- Prior to the drafting of the consolidated annual accounts and filing of the consolidated Corporate Income Tax return, the Committee shall receive from the Group's head of tax information on the main tax criteria applied by the Group over course of the year, as well as on compliance with the Group's Tax Strategy, in order to duly inform the Board of Directors.
- Information on the creation or acquisition of participation in entities or special purpose vehicles resident in countries or territories deemed considered as tax havens.
- Information on investments, operations, or transactions which, due to their high monetary value or special characteristics, are of particular strategic importance to the group or hold a special tax risk. With respect to these operations, the Board shall be kept duly informed on their tax consequences when they become of special importance.

At the same time, the Board of Directors shall insist that the principles and rules described in this document are extended, as much as possible, to all Group entities, even in those where it holds a minority stake.

IV. Promotion of the tax policy and its contents

The Board of Directors shall, by means of its Chief Executive Officer and its other Executives, and in its organization, management, and coordination role held within the Group, hereby agrees to promote the contents of this document among the Group's employees and entities.

The contents of this document shall be communicated to the Group's employees through the corporate intranet ("internal promotion") and through inclusion in the corporate web site or any other means of communication with third parties ("external promotion").

Employees who have to take tax-related decisions or are members of the Group's tax management sector shall be required to expressly state that they have received, read, and agreed the Group's Tax Strategy described in this document.

The Corporate Governance Annual Report shall explain the Group's tax risk management systems and a report of effective compliance with the tax policy.

V. Approval and update of this document

This document shall be deemed of mandatory compliance. It has been approved on November 11th, 2015 and shall be enforceable for an undetermined period of time.

The Board of Directors shall periodically review compliance with the principles and good practices contained in this document; it shall also verify that its contents are duly updated according to the Group's future needs and with reference to the tax legislation in force at the time.