

Consolidated management report for the financial year ended at 31 December 2023

EVOLUTION OF BUSINESS AND GROUP'S SITUATION

NH Hotel Group is an international hotel operator and one of the leading urban hotel companies worldwide in terms of number of rooms. The Group operates 350 hotels and 55,626 rooms in 30 countries, and has a significant presence in Europe.

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, revenue management, reservations, marketing, human resources, financial management and systems development.

This flexible operational and financial structure has enabled the Group to overcome the huge challenges of previous years due to the low level of demand. In the medium term, the Group will continue to benefit from brand recognition, its excellent locations and strong market positioning in Europe. It should be pointed out that in 2023, according to the Brand Finance Hospitality study, we were recognised as the highest-value Spanish brand, the sixth in Europe and among the top 25 worldwide.

The recovery that began in 2021 after the economic crisis caused by the Covid-19 pandemic was consolidated during 2023. To this effect, the world economy grew 3.1%, compared to 3.5% growth in the previous year. More specifically, the eurozone had growth of 0.5% in 2023 (3.4% in 2022).[1].

The global economic recovery is proving surprisingly resilient in the wake of the COVID-19 pandemic, the Russian invasion of Ukraine and the cost of living crisis. Inflation is falling faster than expected after peaking in 2022 and is having less of an impact on employment and economic activity than expected thanks to favourable supply-side developments and policy tightening by central banks, which has kept inflation expectations anchored. However, high interest rates aimed at fighting inflation, coupled with the withdrawal of fiscal support in a context of high debt, are expected to dampen growth in 2024.

The four countries that bring the greatest proportion of the Group's sales and profits reduced their rates of growth in 2023: Spain (+2.4% in 2023 vs +5.8% in 2022), the Netherlands (+0.6% in 2023 vs +4.3% in 2022), Germany (-0.3% in 2023 vs +1.8% in 2022), and Italy (+0.7% in 2023 vs +3.7% in 2022). Meanwhile, growth in Latin America was +2.5% in 2023 vs +4.2% in 2022.

Inflation is falling faster than expected in most regions as supply-side problems dissipate and monetary policy tightens. Even though global inflation has fallen, this is mainly due to a fall in energy and food prices. Underlying inflation, however, which excludes such volatile components as energy and food, remains high in many countries. It is forecast that worldwide inflation will decrease from 9.2% in 2022 to 6.8% in 2023 and to 5.8% in 2024, levels which are far higher than the target and still higher than those seen prior to the pandemic (2017-2019) of around 3.5%.

According to UNWTO data, by 2023 international tourism will reach 88% of pre-pandemic levels, with an estimated 1.3 billion international arrivals. The release of remaining pent-up demand, increased air connectivity and further recovery of Asian markets and destinations are expected to support a full recovery by the end of 2024. Europe, the world's most visited region, reached 94% of the levels achieved in 2019, supported by intra-regional demand and travel from the United States. Africa recovered to 96% of pre-pandemic visitors, and the Americas to 90%. Asia and the Pacific reached 65% of pre-pandemic levels, following the reopening of several markets and destinations.

The latest UNWTO data also highlights the economic impact of the recovery. In 2023, according to preliminary estimates, international tourism receipts will reach USD 1.4 trillion, approximately 93% of the USD 1.5 trillion receipts from destinations in 2019. Preliminary estimates of tourism's economic contribution, measured in terms of direct tourism gross domestic product (GDP), point to USD 3.3 trillion in 2023, or 3% of global GDP. This indicates a recovery of the direct tourism GDP achieved before the pandemic, driven by strong growth in domestic and international tourism.

[1] Data and estimates from the IMF "World Economic Outlook" January 2024.

The rapid recovery in the Group's results should be noted. This can be explained by the operational and financial transformation undertaken in the years prior to the pandemic, as well as the measures adopted during the pandemic.

The excellent performance of the group in the years prior to the pandemic was the result of a complete transformation, particularly brand segmentation and increased positioning in the premium segment, portfolio optimisation, significant investment in repositioning and information systems for pricing strategy, the focus on efficiency and cost control, and the reduction of financial indebtedness.

This Plan prioritised boosting the Company's income, increasing its efficiency and, at the same time, taking advantage of its strengths for new repositioning opportunities and organic expansion as an additional path to growth.

With the entrance of Minor International into the share capital at the end of 2018, a new era of opportunity opened up with the creation of a global hotel platform operating on five continents. In this way, a new stage began where additional opportunities arose, such as:

- The possibility of increasing the current customer base, attracting the growing Asian demand to the European markets.
- Economies of scale with business partners, travel agencies and suppliers
- The ability to use a larger brand umbrella in new geographical areas, that is to say, take the NH brands into Minor geographical areas and vice versa.
- Access the luxury segment with new opportunities for brand change and opening and signing up new hotels in the segment.
- Boost the segment diversification strategy, integrating the resorts market into our cornerstones for growth
- Integration of Tivoli operations in Europe under the NH umbrella.
- Contact the best teams, driving an exchange of talent.

Continuous improvement to the customer experience was boosted in 2019 with the launch of various initiatives: "Fastpass", a combination of three innovative services - Check-in Online, Choose Your Room and Check-out Online - which gives customers full control over their stay. Also a new service, "City Connection", where you can enjoy the city without limits. Under the slogan "Stay in one hotel, enjoy them all", the NH Hotel Group offered a range of services that allow customers to enjoy them in any hotel in the city they are in, regardless of the hotel they are staying in for the duration of their stay..

In 2021, in order to adapt to the new trends among business travellers, the Group launched a series of initiatives:

- Extended Stay, with up to 35% discount on stays of more than 7 days for working away from home for an extended period.
- Smart Spaces, a new B2B offer, with exclusive spaces for working and organising small business meetings making the most of all the advantages of our hotels.
- Hybrid Meetings, to boost the value of events reaching a bigger audience from various destinations with a combination of in-person and virtual attendance.
- NH+, a new focus on the corporate segment towards SMEs, which were the first to resume business and have enabled us to extend this segment of corporate customers.

The lifting of mobility restrictions since the middle of 2021 was the key factor to the recovery of the hotel sector. The increase in the costs of supplies and operational costs, amongst which staff costs, energy costs and all costs linked to the CPI stand out, is playing an important role in the profitability of hotel businesses which is partly offset by the strategy to maximise prices.

Size continued to be an important factor as the economies of scale enable greater efficiency in operational management. The fragmentation of the hotel sector in Europe continues to be high and, therefore, opportunities will arise so that the concentration of the sector accelerates towards more efficient, sustainable business and management models with greater economies of scale.

Minor Hotels and NH Hotel Group have integrated their brands under a single corporate umbrella present in more than 50 countries around the world. In this way, a portfolio of more than 500 hotels under eight brands is organised: Anantara, Avani, Elewana, Oaks, NH Hotels, NH Collection, nhow y Tivoli, which completes a wide and diverse spectrum of hotel proposals connected to the needs and desires of global travellers. Both groups currently share their knowledge base and experience in the sector in order to materialise short-term opportunities, taking advantage of the complementarity of their hotel portfolios to define a global sales strategy, the implementation of economies of scale with a broader customer base, explore development pathways for all their brands in different geographical areas and access to shared talent.

Furthermore, NH Hotel Group proactively implemented a series of initiatives in 2021 to boost the Group's capital structure. These included a share capital increase, the refinancing and extension of interest-bearing debt maturity and the divestment of an important asset via a sale & leaseback operation. These milestones have enabled a recovery by the sector to be approached from the best possible financial position and have led to a rapid reduction in the financial borrowing that began in 2021 and continued until 2023.

During 2022, the NH Rewards loyalty programme became known as NH Discovery after the migration to the Global Hotel Alliance programme that Minor International is a part of. This enables us to take part in, and benefit from, a loyalty programme with more than 25 million members and more than 800 multi-brand hotels in more than 100 countries. The NH hotels and members are complementary to GHA's, which entails a huge advantage when it comes to gaining visibility on the main source markets and the various business segments.

Digitisation has been and will be key to the sector's evolution. The customer experience is improved and efficiency increased using technology and digitisation. The digital component is key in responding to travellers' security needs and experience. Technology is a facilitator that complements our employees' work, freeing them up from administrative tasks so they can give more personal attention to customers.

It is worth highlighting that the NH Hotel Group continues to be at the forefront of innovation. The Group's Digital Transformation has allowed processes and systems to be made more efficient, increasing the capacity to be different from the competition, and continue improving the Company's basic processes. One of the greatest achievements was, therefore, centralising all its properties and functions into a single integrated system. This allows the NH Hotel Group to have a fully-integrated digital platform: NH Digital Core Platform. A pioneering technological solution in the sector that has allowed all the Group's hotel's systems to be integrated which has become the basis for the NH Hotel Group to expand its customer knowledge, maximise its efficiency and innovate on a large scale in all its value areas.

When recovery after the pandemic started, hotel businesses experienced difficulties finding staff, which is why the sector must go back to attracting talent with attractive professional career plans that promote training and job flexibility.

Regarding its use of quality indicators, the NH Hotel Group focuses on measuring quality using sources of information and surveys with a high volume of reviews and number of assessments received. In this regard, its average score on TripAdvisor in 2023 was 8.5, compared to 8.4 in December 2022. Additionally, in 2023 the average Google Reviews score was 8.9, compared with 8.7 in December 2022. These average scores demonstrate the high levels of quality of NH Hotel Group perceived by customers, and the continued commitment to quality.

Furthermore, the Group began operating six new hotels in 2023; in Bern, Coimbra, Alvor, Frankfurt, Trieste and Tenerife, adding 1,521 more rooms. The Group, therefore, reached a total of 350 hotels with 55,626 rooms at 31 December 2023.

The Group also signed-up 8 new hotels with 1,143 bedrooms in 2023. These signings have been under management and rental formulas in Trieste, Helsinki, Paris, Guadalajara, Porto and Vienna. The sign-ups are under the NH, NH Collection, Tivoli and Anantara brands

Revenues in 2023 totalled 2,159 million euros, an increase of 25% (+436.6 million euros). The Profit for the year attributable to the Parent Company's shareholders was 128.1 million euros compared with 100.3 million euros in 2022. This increase is explained by the increase in downstream activity and the consolidation of the recovery during 2023.

In this year, gross indebtedness decreased from 610.7 million euros in December 2022 to 483.0 million euros in December 2023. At 31 December 2023, cash and cash equivalents amounted to 216 million euros (301.8 million euros at 31 December 2022). Furthermore, this liquidity is complemented by the syndicated credit line for 242.0 million euros (fully available at the close of the 2023 and 2022 financial years), and some credit lines at the close of the 2023 financial year of 62.0 million euros.

As a result of the business's strong recovery since the first part of financial year 2022, and the improvement to the financial position, NH Hotel Group's credit rating was favourably revised by the rating agencies in this year. On 27 April 2023, Fitch improved its stable outlook to positive, revising the individual rating of NH from "B" to "B+". Additionally, on 20 December 2023, Moody's improved the credit rating from "B2" to "B1", improving the outlook from stable to positive. It should be noted that both agencies have stated that NH is managing the recovery with satisfactory financial flexibility and deleveraging capacity, with a significant portfolio of owned assets.

As a result of the public offering on 31 October 2018 and the 30-day share purchase process in the market that concluded on 8 June 2023, Minor currently owns 417,728,222 shares in NH Hotel Group, S.A. representing 95.87% of its share capital. Since 2018, the two companies have begun to explore joint value creation opportunities for the coming years.

On 18 December 2023, NH Hotel Group announced the acquisition of five hotels in Portugal from Minor for 133 million euros. The operation complies with the provisions of the Framework Agreement entered into between the Company and Minor on 7 February 2019 with respect to the geographic areas of preference of each party. Through the operation, NH strengthens its presence in the Portuguese resort market by acquiring ownership of a portfolio of hotels that it has been operating since June 2019 under a management agreement with Minor, allowing it to leverage operational and commercial synergies through the NH platform in Southern Europe and to reinforce its current growth strategy in the resort segment. In addition, the NH Operation consolidates a portfolio of hotels representing an expected incremental contribution of approximately 11 million euros of EBITDA in 2024. It should be noted that the operation has been carried out at arm's length and with the validation of external advisors, with the result that the entire Minor business in Portugal now belongs to NH Hotel Group.

ETHICS

Compliance System

Since 2014, NH Hotel Group has deployed a Compliance unit whose scope includes the following key areas, amongst others:

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

NH Hotel Group currently continues to implement and reinforce measures to promote and place value on the culture of compliance and the importance of consolidating an ethical business culture, promoting awareness amongst all the employees about the relevance, not just of complying with the applicable regulations, but also of acting ethically and in accordance with the Company's principles and values.

Code of Conduct.

The impetus to compliance carried out by NH Hotel Group is based on the principles and values in its Code of Conduct, which is translated into seven languages and published on the corporate web site and intranet, and is applied in all the countries where NH Hotel Group does business. Also, since 2017, NH employees can use the "My NH" app to access the Code of Conduct from their mobile devices. The staff at centres operating under NH Hotel Group brands also have a handbook and an FAQs document.

The aim of the Code of Conduct is to determine the principles, values and rules governing the behaviour and actions of every one of the Group's professionals and directors, as well as the members of the management bodies of the companies making it up and the interest groups that interact with NH Hotel Group, such as customers, suppliers, competitors and shareholders, as well as the communities where NH runs its hotels.

In line with its ethical commitment and the best practices of corporate governance, NH Hotel Group periodically carries out communication, awareness and training campaigns on Compliance. The Group's Board of Directors is responsible for approving the Code of Conduct.

The Code of Conduct summarises the professional behaviour expected of employees, senior management and Board Members of the NH Hotel Group and its group of companies, who commit to acting with integrity, honesty, respect for the law and professionalism in the performance of their work.

The NH Group is committed to compliance with the laws and regulations of the countries and jurisdictions where it operates. This includes, amongst other things, laws and regulations on health and safety, discrimination, taxation, data privacy, human rights, competition, prevention of corruption and money laundering, and commitment to the environment.

The Code of Conduct is periodically reviewed by the Compliance Office in order to adapt and update its content in the event this is necessary. At the end of 2022, the Company's Board of Directors approved an update to the Code of Conduct to adapt the Code to recent legislative developments, comply with the new legal requirements and follow the standards and best practices referring to compliance, with the anonymisation of the Whistleblower Channel standing out. The head of Internal Audit manages the Confidential Whistleblower Channel. The procedure for managing complaints received via the Whistleblower Channel is detailed in the Code of Conduct and published on the website as a separate document. This procedure guarantees confidentiality and respect in every phase, and protects against retaliation.

In 2023 there were 65 reports of alleged breaches of the Code of Conduct received, all of which were investigated, with appropriate disciplinary measures being taken in the 38 cases received.

Compliance Committee

NH Hotel Group set up the Compliance Committee in 2014, and it is made up of certain members of the Management Committee who have appropriate knowledge about NH Hotel Group's activities and, at the same time, have the authority, autonomy and independence needed to ensure the credibility and binding nature of the decisions made. This body is empowered to supervise compliance in key areas of the Compliance System: the Group's Internal Rules of Conduct, Procedure for Conflicts of Interest, Code of Conduct and Criminal Risk Prevention Plan, among others.

The Compliance Committee supervises the work done by the Compliance Office and monitors all the internal processes and policies in place at the Company, their observance and compliance. It also has the power to propose disciplinary measures on employees in matters within its scope.

The Company has decided to roll out its crime prevention model to other countries, having consequently set up local Compliance Committees in the most representative business units. Furthermore, NH Hotel Group began to implement its own compliance programme in Portugal.

In 2023, there were three meetings of the Compliance Committee (in April, July and December).

Compliance Office

The Compliance Office, led by the Compliance manager, reports directly to the Chief Legal & Compliance Officer at NH Hotel Group and to the Compliance Committee. It is in charge of disseminating and supervising compliance with the Code of Conduct, regular monitoring and supervising of the Criminal Risk Prevention Plan, creating and updating corporate policies and monitoring compliance with them, and managing queries about the Code of Conduct, amongst other duties.

Anti-Corruption and Fraud Policy

NH Hotel Group has an Anti-Corruption and Fraud Policy, which was initially approved in January 2018 by the Board of Directors, amended in May 2019 and most recently updated in 2023 with regard to references to the Whistleblowing Channel. The general principles of the Anti-Corruption and Fraud Policy are:

- Zero tolerance of bribery and corruption in the private and public sectors
- Behaviour must be appropriate and legal
- Transparency, integrity and accuracy in financial information
- Regular internal control
- Local legislation shall take precedence if stricter

Anti-money laundering policy

NH's Code of Conduct reflects a commitment to respect the applicable regulations on anti-money laundering policy, with special attention to diligence and care in the processes of evaluating and selecting suppliers, and in payments and collections in cash. To this effect, the Compliance Committee meeting of 19 December 2018 approved a policy that reinforces NH Hotel Group's commitment to anti-money laundering and combating the financing of terrorism, with the aim of detecting and preventing NH Hotel Group, S.A. and its Group companies from being used in money laundering or terrorist financing operations. The Policy was approved by the Board on 13 May 2019, amended in 2022 and is subject to periodic review for updates as appropriate, to adjust the new threshold limits for cash payments, and the addition of a business identification form.

The aforementioned Policies have been duly communicated to all Group employees and the corresponding online training has been made available to ensure their disclosure and understanding.

RISK MANAGEMENT

Risk management governance

The Company's Board of Directors is responsible for overseeing the risk management system, in line with the provisions of Article 5 of the Regulation of the Board of Directors. As regulated by Section 3 of article 25 b) of the Regulation of the Company's Board of Directors, the Audit and Control Committee supports the Board of Directors in supervising the effectiveness of the internal control, internal audit and the risk management systems, including tax risks. In that regard, during 2023, a control and monitoring process of the Company's main risks has been carried out.

On the other hand, amongst other functions, the Company's Management Committee manages and controls risks based on risk tolerance, assigns ownership of the main risks, periodically monitors their evolution, identifies mitigation actions as well as defining response plans. For these purposes, the Executive Risk Committee, made up from members of the Management Committee and Senior Executives, supports the Management Committee in such oversight, as well as promoting a culture of risks in the Company. For this, the Company has an internal risk management manual that details the principles, processes and controls in place.

Risk Management, integrated into the Internal Audit department, is responsible for ensuring the risk management and control system in the Company functions properly and is linked to the strategic objectives.

As an additional guarantee of independence, Risk Management is independent of the business units and, as with Internal Audit, it maintains a functional reporting line to the Audit and Control Committee.

In line with the above, NH follows the Three Lines model published in July 2020 by the Global IIA:

- First line: carried out by each function (business and corporate units) that owns the risk and its management (Operations, Commercial, Marketing, etc.).
- Second line: performed by the functions responsible for risk supervision (Risk Management, Compliance, Data Protection, Internal Control, etc.)
- Third line: carried out by Internal Audit that affords independent assurance.

The NH Hotel Group's Corporate Risk Management Policy (approved by the Board of Directors in 2015), as well as the internal manual that implements it, aim to define the basic principles and the general framework of action to identify and control all types of risks that may affect the companies over which the NH Hotel Group has effective control, as well as ensuring alignment with the Company's strategy.

Risk management model

NH Hotel Group's risk management system, rolled out at Group level, aims to identify events that may negatively affect achievement of the objectives of the Company's Strategic Plan, providing the maximum level of assurance to shareholders and stakeholders and protecting the Group's revenue and reputation.

The risk management model is based on the integrated COSO IV ERM (Enterprise Risk Management) framework, and includes a set of methodologies, procedures and support tools that allow the NH Hotel Group:

1. To adopt adequate governance in relation to the Company's risk management, as well as promoting an appropriate risk management culture.
2. To ensure that the Company's defined objectives are aligned with its strategy and risk profile.
3. To identify, evaluate and prioritise the most significant risks that could affect achievement of strategic objectives. To identify measures to mitigate these risks, as well as establish action plans based on the Company's tolerance to risk.
4. To follow-up on the action plans established for the main risks, within a continuous improvement model framework.

The Group's Risk Map is updated annually and approved by the Board of Directors once reviewed and validated by the Audit and Control Committee. In 2023, the Company updated its risk catalogue (78 risks) and its Risk Map, which was approved by the Board of Directors at their meeting on 18 December 2023.

Each of the main risks on the Company's Risk Map is assigned a Risk Owner who, in turn, is a member of the Management Committee. Each risk owner is responsible for mitigation measures, either existing or in progress, for their risks and the implementation status of action plans. The Risk Owners periodically submit the status of the main risks they are responsible for and the mitigating controls and actions plans for the future to the Audit and Control Committee (for example, Cyberrisk was submitted on 13 December 2023).

Each year, coinciding with the update of the Risk Map, Risk Management is responsible for reassessing the risk catalogue, both financial and non-financial. The final catalogue is validated with the Senior Executives who take part in the process, as well as with the bodies involved in its validation (Management Committee, Executive Risk Committee and Audit and Control Committee) and approval (Board of Directors). Additionally, Risk Owners can report/suggest a new risk to the Risk Office during the year.

In general, the risks to which the Group is exposed can be classified into the following categories:

- a. Financial Risks: events that affect financial variables (interest rates, exchange rates, inflation, liquidity, debt, credit, etc.).
- b. Compliance Risks: arising from possible regulatory changes as well as non-compliance with internal and external regulations.
- c. Business Risks: generated by inadequate management of procedures and resources, whether human, material or technological.
- d. Risks from External Factors: arising from natural disasters, pandemics, political instability or terrorist attacks.
- e. Systems Risks: events that could affect the integrity, availability or reliability of operational and financial information (including cyber).
- f. Strategic Risks: produced by difficulty accessing markets and difficulties in asset disinvestment.

Apart from this classification, the Company has identified emerging risks and ESG risks that it particularly monitors (described in the annual non-financial information report).

SUSTAINABLE BUSINESS STRATEGY

The Company is aware of the effects of its activity on the environment, and works to prevent and anticipate possible environmental contingencies, and to integrate sustainability into all its processes, striving to reduce its negative impacts and maximise its positive impacts.

A noteworthy milestone was setting up the Sustainability Executive Committee in May 2022, whose main function is to support the Board of Directors in its work providing monitoring of NH Hotel Group's sustainability strategy. This committee is co-chaired by the Chief Assets & Development Officer and the Chief People & Sustainable Business Officer, and it is made up of members of the Company from different key areas with a direct impact on the NH Hotel Group strategy execution

Convinced it is moving in the right direction to achieve the next sustainability challenges, the Company is aligned with the Sustainable Development Goals (SDGs) to which it can contribute and undertakes to continue creating long-term and global value within the framework of the 2030 Agenda.

Information relating to performance of the Sustainable Business Strategy is published in the 2023 Non-Financial Information Statement, which is presented as a separate report and forms a part of this Consolidated Management Report.

NH Hotel Group runs its hotel business with the ambition of leading responsible behaviour, generating a positive social and environmental impact where it is present, conveying its human rights, ethical and corporate commitments in its way of working along its entire value chain: shareholders, customers, partners, suppliers and employees, while promoting responsible alliances with two pillars: UP FOR PLANET and UP FOR PEOPLE.

UP FOR PLANET

Through this pillar, the Company minimises the environmental impact by means of the design, construction, operations and refurbishment of its hotels. Efforts are focussed on reducing, reusing and recycling natural resources such as water and energy, greenhouse gases and waste, and replacing existing materials with alternatives that are more environmentally friendly, sustainable and innovative"

The Company's environmental strategy is channelled through UP FOR PLANET, in which a roadmap is defined to comply with the commitments made to fight climate change and advance towards decarbonisation, efficient management and responsible consumption, and to circulate resources and develop more sustainable products.

- **SUSTAINABLE PRODUCTS AND ASSETS**

At NH Hotel Group, the fight against climate change is a fundamental strategic value and this is why the NH Hotel Group continues working on its commitment to reduce its carbon emissions by 20% throughout its value chain by 2030, a target which is validated by the SBTi initiative. Setting this target marks NH Hotel Group's route map towards significant reduction of its activity's carbon footprint in the next few years, with the commitment to achieving status as a decarbonised company in 2050.

NH Hotel Group hotels operate with the ISO 14001 environmental management system and the ISO 50001 energy efficiency system, certified for accommodation, catering, meetings and events services. By the end of 2023, 65.48% of the hotels in Germany, Spain and Italy are ISO 14001 certified – a total of 96 hotels – and/or ISO 50001 certified – 33 hotels.

In addition to the ISO certifications, some of the Group's hotels also have other environmental certifications and qualifications, such as: BREEAM, LEED, Green Key, Green+Hotels, Biosphere and DGNB. The aim is to have an increasingly significant volume of hotels with globally recognised environmental certifications, specific to the tourism sector, and approved by the Global Sustainable Tourism Council, the largest benchmarking body. In 2023, 26 hotels achieved a sustainability label for the first time, bringing the total number of certified hotels to 184 out of 350 hotels in the portfolio.

Aware of the importance of operating in a decarbonised world, the Company has identified a line of work in its Sustainable Business strategy to adapt its real estate assets to the sector's best practices in terms of environmental sustainability. More information can be found in the Sustainable Hotels section of the 2023 Consolidated Non-Financial Information Statement.

- **OPERATIONAL PROCESSES AND STANDARDS**

A strategic pillar focussing on efficient management and responsible consumption of resources, prioritising the "4R" rule. Reduce, Reuse, Recycle and Replace while offsetting residual emissions and encouraging the evolution towards circular economy and the development of more sustainable products, but also the involvement of team members, suppliers, partners and customers as key players to achieve them.

To carry out an exhaustive and rigorous control of energy consumption, carbon footprint and water consumption measures, NH Hotel Group monitors energy and water consumption and cost indicators on a monthly basis through

an online system to which almost all of the Company's hotels have access, and which allows for the reporting, control, follow-up and traceability of the indicators.

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In addition, NH Hotel Group assumes a responsible commitment to the management of water as a resource. Aware that its provision and enjoyment must be carried out in a responsible manner, it has developed a series of measures and plans aimed at reducing the impact of its operations on the destinations in which it operates.

• **COMPRAS SOSTENIBLES**

With this pillar, NH Hotel Group strengthens its sustainable value chain, prioritising key alliances, increasing consumption from local producers and responsible organisations. NH Hotel Group's relationship with its suppliers is based on communication and transparency to promote the development of innovative, sustainable solutions.

NH Hotel Group seeks to guarantee a fair, transparent and ethical value chain, involving its suppliers from the first contact with the Group, always with a proactive attitude towards their needs and supporting them in the development of new capabilities. To this effect, in July 2023, the Sustainable Business Executive Committee approved a "Sustainable Procurement Commitment" applicable to the entire Group. This Commitment has been developed within the framework of the Company's Procurement Policy and is an annex to it.

These lines of action and commitments allow the NH Hotel Group to position itself as a sustainable and environmentally friendly Company, thereby increasing the value of its brands.

UP FOR PEOPLE

Under the UP FOR PEOPLE pillar, the company promotes the professional development of its team members, while creating a positive impact in the places and communities where it is present so it can offer its customers the best experience, making them participants in sustainable commitments. Under this pillar, the commitments of three of its stakeholders are managed:

• **TEAM MEMBERS**

Within NH Hotel Group's business strategy, corporate culture is key. The Company considers its team members to be its main asset and understands that to build a solid corporate culture it is essential to manage attracting and developing talent, and sustain their motivation and pride in belonging to the NH Hotel Group. To this end, the Company's People strategy focuses on the values developed in its Sustainable Business model such as leadership, equal opportunities, communication and innovation, with the aim of creating a homogeneous culture. This culture encourages responsible behaviour in all team members who are part of the NH Group.

During the financial year 2023, key projects in the People strategy were consolidated and the groundwork laid for the launch of strategic initiatives grouped into three main lines of action:

- Organisational commitment
- Talent attraction and management.
- Value proposition to team members.

In 2023, the redefined talent attraction and retention strategy was consolidated to meet the new market reality and the needs of NH Hotel Group. With this, the Company is making progress in promoting the internal mobility of team members and in promoting actions to attract external talent by strengthening the relationship with the network of academic institutions with which it has been collaborating for some time, and by incorporating new entities, all with the aim of supporting and promoting the hotel vocation of young people.

The number of FTEs employed by the Parent Company and consolidated companies during 2023 was 12,436 team members, located in 24 countries, where 51% are women and 49% are men.

NH Hotel Group's commitment to stable employment is shown by the high percentage of team members with permanent contracts, totalling 11,665. The policies and actions for recruiting, employing, training and internal promotion of team members are based on criteria of ability, skills and professional merit.

In this line, in 2023, 7,691 new staff were recruited, of which 50% are team members under 30 years old and 51% are women. By 2023, it had met the target of at least 51% women in the workforce, and 45% in management positions. Although the target has been achieved, recruitment and churn rate are monitored to ensure that parity is balanced.

Every year, the NH Hotel Group monitors the associated metrics in this area, enabling the correct management and measurement of diversity and equality. This is evidenced by the 150 different nationalities identified among the

12,436 team members of the Group in 2023. Of these, 24% work in countries other than their country of origin. In addition, 51% of the total workforce are women, who occupy 45% of all management positions.

NH Hotel Group uses its Code of Conduct to formalise its commitment to promoting non-discrimination due to the race, colour, nationality, social origin, age, sex, civil status, sexual orientation, ideology, political opinions, religion or any other personal, physical or social condition of its professionals, along with equal opportunities for all of them. The policies and actions for recruiting, employing, training and internal promotion of employees are based on criteria of ability, skills and professional merit.

In addition, the Company will continue to strengthen its commitment to its team members by creating optimal working environments to maximise their contribution.

The average number of people employed by the Parent Company and the companies consolidated through full consolidation in the year broken down by professional category was as follows:

	2023	2022
Group's general management	9	8
Managers and heads of department	1,537	1,454
Technical staff	1,047	929
Sales representatives	903	699
Administrative staff	138	135
Rest of workforce	8,802	7,770
Total	12,436	10,995

In calculating the average number of employees, the Group has not taken into account employees whose contracts have a duration of less than two days.

The breakdown of personnel at 31 December, by sex and professional category, is as follows:

	2023		2022	
	Males	Females	Males	Females
Group's general management	7	2	6	2
Managers and heads of department	886	694	864	647
Technical staff	522	582	514	493
Sales representatives	304	696	257	580
Administrative staff	53	100	49	94
Rest of workforce	4,754	5,018	4,321	4,624
Total	6,526	7,092	6,011	6,440

• CUSTOMERS

In its commitment to sustainability, NH Hotel Group seeks to integrate customers and make them participants in its sustainable initiatives, whether by creating opportunities for social contribution or by promoting responsible environmental behaviour

Based on the Customer Centric philosophy, the commercial strategy is based on the experience, specialisation and closeness that has been generated with customers over the years, in order to offer a service of the highest quality. This improves the ability to assess the real opportunity cost at any given moment, impacting the Company's global strategy and accelerating its growth.

The Company works on initiatives that improve quality and customers' experiences, while at the same time minimising the environmental impact of our hotels, such as, for example:

- FASTPASS, incorporating new technologies that enable services like biometrics and facial recognition.
- Tablets in reception, offering the best services to customers, enabling check in and check out using a tablet connected to a PMS.
- Chromecast: enables the customer to send content from their mobile, tablet or PC to the room's television.

- Mobile Guest Service: digitises information services and functions of the stay at the hotel.
- Sustainable product: alternative sustainable ideas for all the elements defined in our hotels' standards.

• COMMUNITIES

NH Hotel Group seeks to create a positive social and environmental impact in the communities we have a presence in via responsible alliances. NH Hotel Group drives different projects through which it impacts the communities in which it operates and contributes to reducing social inequalities. Consistent with the Company's values and with the approach of direct impact on the destinations in which it operates, NH Hotel Group works on social actions through three programmes that have a direct impact on hotel activity:

- Hotels with a Heart (HWH): free-of-charge accommodation programme for needy families with sick children, in collaboration with foundations and NGOs.
- Together with Love (TWL): the Company's worldwide corporate volunteering programme.
- Youth employability: employability programme for young people at risk of exclusion.

Thanks to these projects, NH Hotel Group has benefited more than 19,680 people and has indirectly contributed €406,701 in monetary terms.

Sustainability recognitions

NH Hotel Group has been included in the "Sustainability Yearbook 2024" published by S&P Global. For the fourth time, the Company voluntarily took part in the Corporate Sustainability Assessment (CAS) carried out by the sustainable investment agency S&P Global.

A demonstration of its commitment to gender equality, NH Hotel Group, for the fourth year running, was included on the Bloomberg GEI 2023 index, being the only Spanish hotelier in the 484 companies listed in the index. This reference index measures gender equality using five pillars: leadership and talent development, equality and parity of remuneration, inclusive culture, policies against sexual harassment and the brand image.

The NH Hotel Group has also reported its commitment to and strategy against climate change to CDP Climate Change since 2010 and received a B in its annual ranking. With this rating, the NH Hotel Group once again recognises its vision of placing sustainability as a strategic value of the corporation, which has acted as a lever of transversal value for the Group for over a decade.

Since 2013, the NH Hotel Group has been listed on the FTSE4GOOD index and renews its presence year after year thanks to the responsible management of the business and the improvements implemented.

SHARES AND SHAREHOLDERS

NH Hotel Group, S.A. share capital at the end of 2023 comprised 435,745,670 fully subscribed and paid up bearer shares with a par value of 2 euros each. All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

According to the latest notifications received by the Company and the notices given to the National Securities Market Commission before the end of every financial year, the most significant shareholdings at 31 December 2023 and 2022 were as follows:

	2023	2022
Minor International Public Company Limited ("MINT")	95.87 %	94.13 %

The aforementioned (indirect) shareholding of MINT in NH Hotel Group, S.A. is the result of the IPO made by MHG Continental Holding (Singapore) Pte Ltd. on 11 June 2018 for 100% of the shares that were part of the share capital of NH Hotel Group, S.A., the result of which was that MINT acquired, through its wholly owned subsidiary MHG Continental Holding (Singapore) Pte. Ltd., shares representing 94.13% of the share capital of NH Hotel Group, S.A.

In addition, on 8 May 2023, MINT announced its decision to begin a purchase process in the market for shares in NH Hotel Group over a period of 30 days. As a result, between 10 May and 8 June 2023, MINT purchased 7,544,225 shares and increased its position in NH Hotel Group to 417,728,222 representative shares or 95.87% of the share capital of NH Hotel Group.

The average share price of NH Hotel Group, S.A. in 2023 was 4.16 euros per share (3.25 euros in 2022). The lowest share price of 2.96 euros per share was recorded in January (2.27 euros in October 2022) and the highest share price of 4.84 euros per share in June (4.03 euros in June 2022). The market capitalisation of the Group at the close of 2023 stood at 1,825.77 million euros.

At 31 December 2023, the Group had 87,989 treasury shares (all referring to the liquidity contract), compared to 92,915 treasury shares at 31 December 2022. The reduction in treasury shares in the period is wholly explained by the liquidity contract operation.

Liquidity contract for treasury shares management

On 10 April 2019, the NH Board of Directors entered into a liquidity contract to manage its treasury shares with Banco Santander, S.A. The Contract became effective on 11 April 2019.

This contract is in accordance with the liquidity contract model in Circular 1/2017 of 26 April from the National Securities Market Commission on liquidity contracts for the purpose of its acceptance as a market practice.

The total number of shares allocated to the securities account associated with the Liquidity Contract at 31 December 2023 is 87,989 shares, and the amount allocated to the cash account is 346,009 euros.

The Liquidity Contract was agreed upon by the Board of Directors at the proposal of the Proprietary Directors on behalf of the shareholder Minor as a measure to encourage and favour the liquidity of the Company's shares taking the current market conditions into account.

Average period for payment

Below is the information required by Additional Provision Three of Law 15/2010 of 5 July and modified by the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, and Law 18/2022, of 28 September, on the creation and growth of businesses, on the information to be incorporated in the record of annual financial statements relating to the average period for payment to suppliers in commercial transactions of Spanish companies.

	2023	2022
	Days	
Average period for payment to suppliers	65	79
Ratio of paid transactions	65	80
Ratio of transactions pending payment	65	63
	Amount (Thousands of euros)	
Total payments made	367,428	315,527
Total payments pending	20,351	23,404

The above information on payments to suppliers of Spanish companies refer to those which by their nature are trade creditors due to debts with suppliers of goods and services. The table includes, therefore, the "Commercial Creditors and Other Accounts Payable" item in current liabilities of the consolidated statement of financial position.

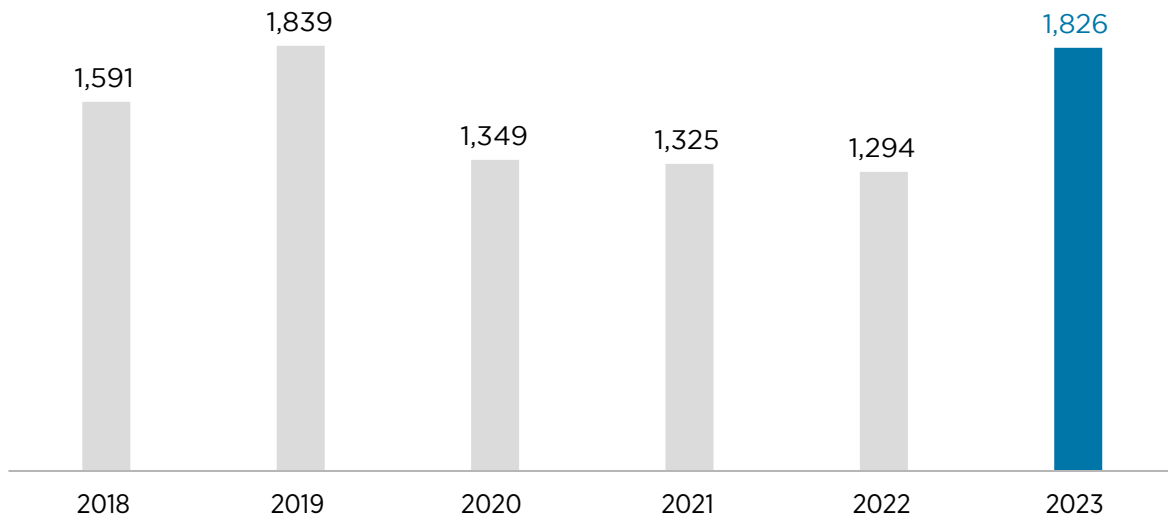
During 2023, the monetary volume of the invoices paid within the maximum limit provided for in the bad debt regulations was 204,704 thousand euros (139,876 thousand euros in 2022), representing 56% (44% in 2022) of the total monetary volume of the invoices. The number of invoices paid within the maximum limit provided for in the bad debt regulations was 110 thousand euros (66 thousand euros in 2022), representing 62% (41% in 2022) of the total volume of invoices;

The average period for payment to suppliers has been calculated using the weighted average of the two ratios explained below:

- Ratio of paid transactions: average payment period of transactions paid in each year weighted by the amount of each transaction.
- Ratio of transactions pending payment: average period between the invoice date and the end of the year weighted by the amount of each transaction.

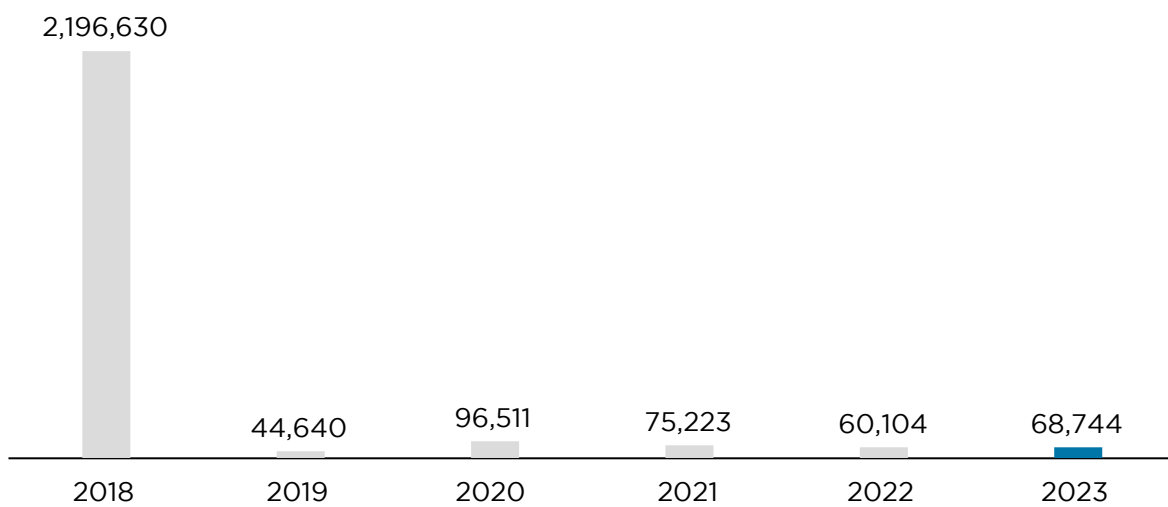
The Spanish Companies have significantly reduced the maximum payment period to trade suppliers compared to previous years. This is a result of various measures focused on resizing existing resources, as well as renegotiating contracts, implementing technological improvements in invoice processing and other actions in different areas aimed at recovering the legal ratio (set at 60 days), which are showing results compared to the previous year.

Capitalisation (at the end of each year in million euros)



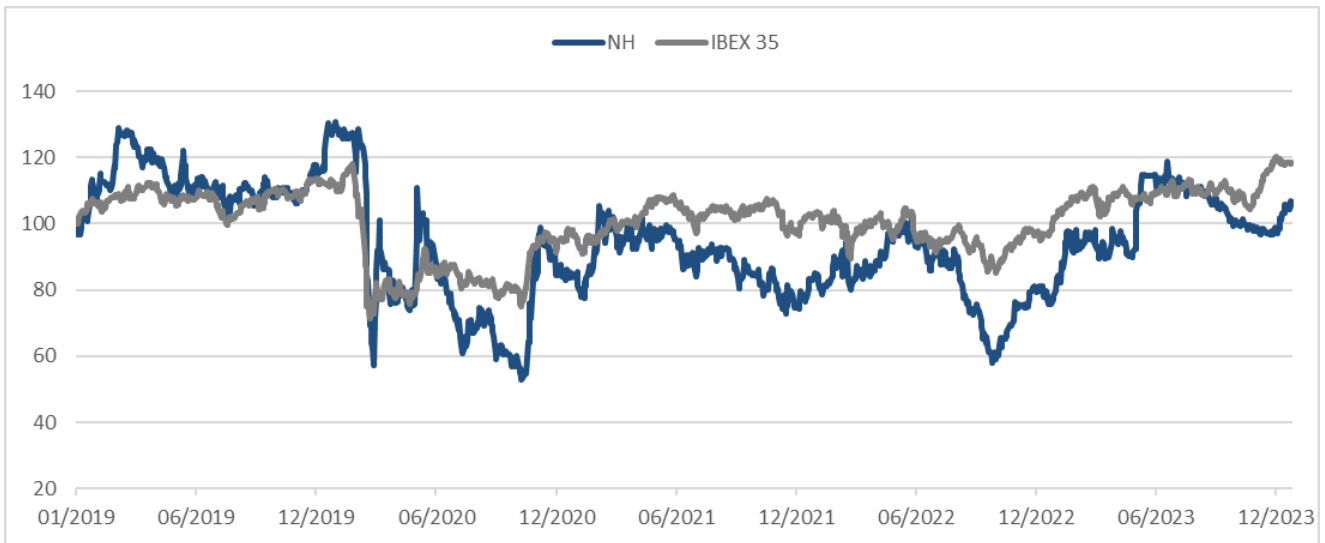
During 2023, 17,461,171 shares in NH Hotel Group, S.A. were traded on the Continuous Market (15,446,871 shares in 2022) with average daily share trading on the Continuous Market of 68,744 shares (60,104 shares in 2022).

Average daily trading (in titles)



EVOLUTION NH HOTEL GROUP vs. IBEX 35

31 JANUARY 2019 - 31 DECEMBER 2023



FUTURE OUTLOOK

It is anticipated that world growth, which was estimated at 3.1% in 2023, will remain at 3.1% in 2024 and increase slightly to 3.2% in 2025.

The forecast for 2024 is around 0.2 percentage points higher than previously projected, reflecting upwards revisions in China, the United States and major emerging market economies. However, the projection for global growth in 2024 and 2025 is below the historical annual average (2000-19) of 3.8%, due to tight monetary policies and the withdrawal of fiscal support, as well as low underlying productivity growth. In advanced economies, growth is projected to decline slightly in 2024 before picking up in 2025, in light of the recovery in the eurozone after slow growth in 2023 and slowing growth in the United States. In emerging market and developing economies, growth is expected to be stable in 2024 and 2025, albeit with regional differences.

These forecasts are based on the assumptions that fuel and other commodity prices will fall in 2024 and 2025, and that interest rates will decline in major economies. In 2024, annual average oil prices are projected to decrease by about 2.3%, while non-fuel feedstock prices projected to decrease by 0.9%. IMF staff projections indicate that policy rates at the US Federal Reserve, the European Central Bank and the Bank of England will remain at current levels until the second half of 2024, and then gradually decline as inflation approaches the target level. The Bank of Japan is expected to maintain a broadly accommodative monetary policy stance.

According to UNWTO forecasts, international tourism is expected to fully recover to pre-pandemic levels by 2024, with initial estimates pointing to a 2% growth from 2019 levels. These central UNWTO forecasts remain subject to the pace of recovery in Asia, and to the evolution of the current economic and geopolitical downturn.

The positive outlook is reflected in the latest UNWTO Tourism Confidence Index survey, according to which 67% of tourism professionals indicate a better or much better outlook for 2024 compared to 2023. About 28% expect similar results, while only 6% believe that tourism performance will be worse in 2024 than last year. The main considerations are:

- There is still plenty of scope for recovery across Asia. The reopening of several source markets and destinations will boost recovery in the region and globally.
- Outbound and inbound tourism is expected to accelerate in 2024, due to visa facilitation and improved air capacity. China is implementing a visa-free travel policy for citizens of Germany, Spain, France, Italy, Malaysia and the Netherlands for one year until 30 November 2024.
- All indications are that Europe will improve its performance again in 2024. In March, Romania and Bulgaria will join the Schengen free movement zone, and Paris will host the Summer Olympics in July and August.
- Growth in tourism from the United States, supported by a strong US dollar, will continue to benefit destinations in the Americas and beyond. As in 2023, strong source markets in Europe, the Americas and the Middle East will continue to drive tourism flows and tourism spending worldwide.

- The unfavourable economic and geopolitical situation will continue to pose considerable challenges to the sustained recovery of international tourism and confidence levels. Persistent inflation, high interest rates, volatile oil prices and disruptions to trade flows may continue to impact on transport and accommodation costs in 2024.
- In this context, it is expected that tourists will try to get the most for their money and travel to destinations closer to home. Sustainable practices and adaptability will also play an increasing role in consumer choices.
- Developments in the Hamas-Israel conflict may disrupt travel in the Middle East and have an impact on traveller confidence. Uncertainty in relation to the Russia-Ukraine situation, as well as other growing geopolitical tensions, continue to have an impact on confidence.

Non-financial Information Statement

The 2023 Consolidated Non-Financial Information Statement, issued by the Board of Directors on 08 February 2024, contains all the non-financial information required by Law 11/2018 of 28 December 2018. This document is presented as a separate report, is part of this Consolidated Management Report and is available on the corporate website of the NH Group (<https://www.nh-hoteles.com/corporate/>), within the section on Annual reports included in financial information in the shareholders and investors section and as an annex to this document.

Annual Corporate governance report

The Annual Corporate Governance report, which is a part of this consolidated management report, was prepared according to the provisions of article 49.4 of the Commercial Code. In addition, the report will be available from publication of these accounts on NH Group's corporate web site (<https://www.nh-hoteles.com/corporate/>) and on the CNMV web site (www.cnmv.es).

Annual directors' remuneration report

The annual directors' remuneration report for 2023, prepared by the Board of Directors on 08 February 2024, is presented as a separate report, forms a part of this Consolidated Management Report and is available as an annex to this document, as provided for in article 538 of Royal Legislative Decree 1/2010, of 2 July.

EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred since 31 December 2023.