

# Annual Report on Corporate Governance

Year 2019

## IDENTIFICATION OF ISSUER

Ending date of reference financial period: 31/12/2019

CIF: A78304516

Registered name: MELIÁ HOTELS INTERNATIONAL S.A.

Registered office: GREMIO DE TONELEROS, 24, POL. IND. SON CASTELLO (PALMA DE MALLORCA) BALEARES

## A. Capital Structure

A.1 Complete the following table on the company's share capital:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
25/04/2016	45,940,000.00	229,700,000	229,700,000

Remarks

Indicate whether there are different classes of shares with different rights attaching thereto:

YES

NO

Class	Number of shares	Nominal value per share	Number of voting rights per share	Vested rights and obligations

A.2 Provide details of direct and indirect holders of significant shareholdings in the company at year end, excluding directors:

Name or corporate name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
Hoteles Mallorquines Agrupados, S.L.	10.388%				10.388%
Global Alpha Capital Management Ltd	3.02%				3.02%

Remarks

Breakdown of the indirect holding:

Name or corporate name of indirect shareholder	Name or corporate name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights

Remarks

State the most significant changes in the shareholding structure during the year:

Most significant movements
Global Alpha Capital Management Ltd. 09/12/2019 Increase to above 3% of Share Capital

**A.3** In the following tables, list the members of the company's Board of Directors with voting rights attaching to shares of the company:

Name or corporate name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% of voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Mr. Juan Arena De La Mora	0.0004%				0.0004%		
Hoteles Mallorquines Asociados, SL	13.206%				13.206%		
Mr. Gabriel Escarrer Juliá		5.025%			5.025%		
Mr. Luis María Díaz de Bustamante y Terminel	0.0001%				00001%		
Hoteles Mallorquines Consolidados, S.L.	23.379%				23.379%		

Total percentage of voting rights held by the Board of Directors
41,61%

Remarks

Breakdown of indirect holding:

Name or corporate name of director	Name or corporate name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% of voting rights that can be transmitted through financial instruments
Mr. Gabriel Escarrer Juliá	Tulipa Inversiones S.A.	5.025%		5.025%	

Comments

A.4 Indicate, if applicable, any family, commercial, contractual or corporate relationships between significant shareholders to the extent they are known to the company, unless they are insignificant or result from the ordinary course of business, except those that are included in Section A.6:

Name or corporate name of related party	Type of relationship	Brief description
Hoteles Mallorquines Agrupados, S.L. / Hoteles Mallorquines Asociados, S.L. / Hoteles Mallorquines Consolidados, S.L.	Corporate	<p>According to that indicated in the Significant Event dated 11 October 2018 (registered with number 270438), the companies Hoteles Mallorquines Consolidados, S.L., Hoteles Mallorquines Agrupados, S.L. and Hoteles Mallorquines Asociados, S.L., for the sole purpose of complying with the notification requirements for significant shareholdings, jointly notified the total percentage of voting rights in Meliá Hotels International, i.e. 46.972 %, resulting from the sum of their direct and individual shareholding in Meliá Hotels International (23.379%, 10.388% and 13.206%, respectively).</p> <p>The said notification of significant shareholdings stated that the members of the Escarrer family continue to hold 100% of the share capital (namely, Mr. Escarrer Juliá, his wife and their six children) and that there is no controlling shareholder in any of the companies, although, they have the same shareholders.</p>

**A.5** If applicable, state the commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, unless they are insignificant or result from the ordinary course of business:

Name or corporate name of related party	Type of relationship	Brief description:

**A.6** Describe the relationships, unless insignificant for the two parties, between significant shareholders or shareholders represented on the Board and the directors, or their representatives, in the case of proprietary directors.

Explain, where appropriate, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders, or those linked to significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and position of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or corporate name of related director or representative	Name or corporate name of related significant shareholder	Name of the group company of the significant shareholder	Description of relationship / position
Mr. Gabriel Escarrer Juliá	Tulipa Inversiones 2018, S.A.		<p>Mr. Gabriel Escarrer Juliá notified the control of 5.025% of the voting rights in Meliá Hotels International, S.A. indirectly, through the company Hotels Exlux, S.L.U. (currently Tulipa Inversiones 2018, S.A.)</p> <p>It should be also noted that Mr. Gabriel Escarrer Jaume and Mr. Sebastián Escarrer Jaume, without exercising control, are likewise minority shareholders of the significant shareholders of the company (Hoteles Mallorquines Asociados, S.L., Hoteles Mallorquines Agrupados, S.L. and Hoteles Mallorquines Consolidados, S.L.). The company Hotels Exlux, SLU, was acquired by its</p>

			sole shareholder Majorcan Exhold SLU which in turn has been subsequently acquired by its sole shareholder, Tulipa Inversiones 2018, SA with effect date as at December 2018
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**A.7** State whether any shareholders' agreements affecting the company pursuant to Articles 530 and 531 of the *Ley de Sociedades de Capital* (Spanish Corporate Enterprises Act) have been reported to the company. If so, briefly describe them and list the shareholders bound by the agreement:

YES

NO

Parties to the shareholders' agreement	% of share capital affected	Brief description of the agreement	Date of termination of the agreement, if applicable

Remarks
<p>According to that indicated in the Significant Event dated 11 October 2018 (registered with number 270438), Mr. Gabriel Escarrer Juliá, Mrs. Ana María Jaume Vanrell and their six children (namely, Mrs. María Magdalena, Mrs. Ana María, Mrs. María Antonia, Mrs. María Mercedes, Mr. Sebastián and Mr. Gabriel Escarrer Jaume), in their capacity as direct or indirect shareholders of the commercial companies through which they hold interest in the share capital of Meliá Hotels International, S.A. (i.e., Hoteles Mallorquines Consolidados, S.L., Hoteles Mallorquines Agrupados, S.L., Hoteles Mallorquines Asociados, S.L. and Majorcan Hotels Exlux, S.L.U., (hereinafter, the "Commercial Companies"), notified the CNMV and the Company that a shareholders' agreement was executed on 5 October 2018, whose purpose was to reinforce, on a temporary basis, the majority system required to adopt a specific and limited number of resolutions by the General Shareholders' Meeting and the Board of Directors in Commercial Companies which affect some specific matters, with each of their signatories maintaining free vote and, therefore, without negotiation on the management of the Commercial Companies or Meliá Hotels International.</p> <p>In the signatories' opinion, the Shareholders' Agreement does not have the status of an 'agreement subject to disclosure' within the meaning of Articles 530 and 534 of the Spanish Corporate Enterprises Act, and its registration with the Commercial Register is not required, although, for the sake of transparency, the signatories sent a copy of the Agreement to both Meliá Hotels International and the CNMW.</p>

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

YES

NO

Parties to the concerted action	% of share capital affected	Brief description of the agreement	Date of termination of the agreement, if applicable:

Remarks
<p>According to that indicated in the Significant Event dated 11 October 2018 (registered with number 270438), as well as in the above remarks, after the execution of the said Shareholders' Agreement, there is no negotiation on the management of the Commercial Companies or Meliá Hotels International.</p> <p>The company Majorcan Hotels Exlux S.L.U was acquired by its sole shareholder, Majorcan Exhold S.L.U, which in turn has been subsequently acquired by its sole shareholder, Tulipa Inversiones 2018, S.A., effective as at December 2018.</p>

If any of the abovementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

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**A.8** State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the *Ley de Mercados de Valores* ("Spanish Securities Market Act"). If so, please identify them:

YES

NO

Name of individual or company

Remarks

**A.9 Complete the following tables on the company's treasury shares:**

At year end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
3,440,825	N/A	1.498%

Remarks
<p>By means of the Significant Event of 21 October 2019, registration number 282703, the agreement on behalf of its Board of Directors was communicated by the Company, to initiate a program of repurchase of own shares covered by (EU) Regulation No. 596 / 2014 of the European Parliament and its Council, of 16 April 2014, on market abuse and using the authorization granted by the General Meeting of Shareholders held on 4 June 2015, under item 12 of the Agenda.</p> <p>During the 2019 financial year, the following stock purchase transactions have been notified under the program of repurchase of own shares under the following Significant Events: no 282908 of 28/10/2019, no 283246 of 04/11/2019, no283483 of 11/11/2019, no283722 of 18/11/2019, no283880 of 25/11/2019, no284052 of 02/12/2019, no284277 of 09/12/2019 and no284517 of 16/12/2019.</p>

(\*) Through:

Name or corporate name of the direct shareholder	Number of direct shares
<b>Total:</b>	

Remarks

Explain any significant changes during the year:

Explain any significant changes

**A.10 Describe the terms and conditions and the duration of the authority currently in force given by the General Shareholders' Meeting to the Board of Directors in order to issue, repurchase, or dispose of treasury shares.**

The General Shareholders' Meeting held on 4 June 2015 adopted, among others, the following resolution:

Authorisation to the Board of Directors which, in turn, may delegate and empower, as it deems appropriate, the Directors it deems appropriate, to acquire and dispose of treasury shares in the Company by sale, exchange, allotment of shares, or any other manner permitted by law, to the extent permitted by law, for a price which shall be not less than 90% or more than 110% of the closing price of the previous day's meeting and for a period of five years from the date of adoption of this resolution. All this subject to the limits and requirements laid down in the Spanish Corporate Enterprises Act and in the Company's Internal Code of Conduct on matters related to the Securities Market.

By means of the Significant Event of 21 October 2019, registration number 282703, the agreement on behalf of its Board of Directors was communicated by the Company, to initiate a program of repurchase of own shares covered by (EU) Regulation No. 596 / 2014 of the European Parliament and its Council, of 16 April 2014, on market abuse and using the authorization granted by the General Meeting of Shareholders held on 4 June 2015, under item 12 of the Agenda.

#### A.11 Estimated free float:

	%
Estimated free float	
99,882,316 shares	43.48%

Remarks

**A.12** State whether there are any restrictions (bylaw, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those systems for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

YES

NO

Description of restrictions

**A.13** State whether the shareholders acting at a general shareholders' meeting have approved the adoption of measures to neutralise a takeover bid pursuant to the provisions of Law 6/2007.

YES

NO

If applicable, explain the measures adopted and the terms under which these restrictions will cease to apply:

Explain the measures approved and the terms under which these restrictions will cease to apply

**A.14** State whether the company has issued securities that are not traded on a regulated EU market.

YES

NO

If applicable, list the different classes of shares, if any, and the rights and obligations attaching to each class of shares.

List the different types of shares

**B. General Shareholders' Meeting**

**B.1** Indicate and, as applicable, describe any differences between the quorum established by the Spanish Corporate Enterprises Act (or "LSC" according to its acronym in Spanish) for General Shareholders' Meeting and that set by the company.

YES

NO

	% quorum different from that established in Article 193 LSC for general matters	% quorum different from that established in Article 194 LSC for the special circumstances described in Article 194 LSC.
Quorum required at 1 <sup>st</sup> call		
Quorum required at 2 <sup>nd</sup> call		

Description of differences
<p>Notwithstanding the above, article 24.4 of the Bylaws establishes that, in order that the General Shareholders' Meeting may validly approve the change in the object of the Company, the request for delisting of shares of the Company, or the transformation or winding up of the Company, shareholders representing FIFTY PERCENT (50%) of subscribed share capital with voting rights must be in attendance at the first call to the General Shareholders' Meeting, and at the second call, the attendance of shareholders representing TWENTY-FIVE PERCENT (25%) of the subscribed share capital with voting rights will suffice. The merger, as well as the demerger, either total or partial, segregation and global assignment of assets and liabilities of the Company will also require this quorum, except when such transactions involve companies that, either directly or indirectly, are majority owned by the Company, in which case the quorum required by the legislation in force at any given time for each case shall apply.</p>

**B.2** State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

YES

NO

Describe how it is different from that contained in the LSC.

	Qualified majority other than that established in Article 201.2 LSC for the cases set forth in Article 194.1 LSC	Other cases requiring a qualified majority
% established by the company for adoption of resolutions	0.00%	60.00%

Description of differences
<p>Pursuant to Article 28.2 of the Bylaws, in order that the General Shareholders' Meeting may validly approve the change in the Company's object, the request for delisting of the Company's shares, or the transformation or winding up of the Company, a favourable vote of SIXTY PERCENT (60%) of the share capital with voting rights present or represented at the General Shareholders' Meeting will be required, both at first and second call.</p> <p>Nevertheless, when, at second call, the Shareholders representing less than FIFTY PERCENT (50%) of the subscribed share capital with voting rights are in attendance, the resolutions mentioned in this section may only be passed with the favourable vote of TWO THIRDS (2/3) of the share capital present or represented at the General Shareholders' Meeting.</p> <p>The merger, as well as the demerger, either total or partial, segregation and global assignment of assets and liabilities of the Company will also require the favourable vote of the abovementioned qualified majority, except when said merger or demerger involves companies that, either directly or indirectly, are majority owned by the Company, in which case the general system provided for in Section 28.1 (simple majority of votes of shareholders present or represented at the meeting, except in those cases where the Law or the Bylaws require a higher majority) shall apply.</p> <p>On the other hand, Article 28.3 of the Bylaws states that in order to change Articles 3 (Registered Address), 7 (Accounting Register of Shares and Register of Shareholders), 8 (Legitimation of Shareholders), 24.3 (Quorum), 24.4 (Special quorum), 28 (Majorities for the approval of resolutions), 33 (Appointments to the Board of Directors) and 38 (Delegation of powers) of the Company Bylaws, a favourable vote of at least SIXTY PERCENT (60%) of the</p>

share capital with voting rights present or represented at the General Shareholders' Meeting will be required, both at first and second call.

**B.3 State the rules for amending the company's Bylaws. In particular, indicate the majorities required to amend the bylaws and any provisions in place to protect shareholders' rights in the event of amendments to the bylaws.**

According to Article 30.1.h) of the Bylaws, the General Shareholders' Meeting has the authority to approve any amendments to the Bylaws.

Pursuant to Article 24 of the Bylaws, the Ordinary or Extraordinary General Shareholders' Meeting shall be validly convened at first or second call when the shareholders in attendance or represented meet the legal and statutory minimum quorums regarding the percentage of share capital for the different matters on the Agenda according to current legislation.

Notwithstanding the foregoing, in order that the General Shareholders' Meeting may validly approve the change in the Company's object, the request for delisting of the Company's shares, or the transformation or winding up of the Company, shareholders representing fifty percent (50%) of the subscribed share capital with voting rights must be in attendance at the first call to the General Shareholders' Meeting. At the second call, the attendance of shareholders representing twenty-five (25%) of the subscribed share capital with voting rights will suffice.

According to Article 28 of the Bylaws, in order to approve the resolutions of the General Shareholders' Meeting, a simple majority of votes of shareholders present or represented at the Meeting will be required, except in the circumstances where the Law or the Bylaws provide for an increased majority. Therefore, in order that the General Shareholders' Meeting may validly approve the change in the Company's object, the request for delisting of the Company's shares, or the transformation or winding up of the Company, a favourable vote of sixty percent (60%) of the share capital with voting rights present or represented at the General Shareholders' Meeting will be required, both at first and second call. Nevertheless, when, at second call, shareholders representing less than fifty percent (50%) of the subscribed share capital with voting rights are in attendance, the resolutions mentioned in this section may only be passed with the favourable vote of two thirds (2/3) of the share capital present or represented at the General Shareholders' Meeting.

**B.4** Give details of attendance at General Shareholders' Meetings held during the year of this report and the two previous years:

Date of General Meeting	Attendance data					Of which, free float				
	% physically present	% present by proxy	% distance voting		Total	% physically present	% present by proxy	% distance voting		Total
			Electronic voting	Other				Electronic voting	Other	
18/06/2019	52.43%	10.37%	0.00%	14.03%	76.83%	0.02%	10.37%	0.00%	14.03%	24.42%
06/06/2018	52.38%	19.91%	0.00%	5.00%	77.29%	0.00%	19.91%	0.00%	5.00%	24.91%
08/06/2017	52.50%	35.15%	0.00%	0.00%	8.65%	0.00%	35.15%	0.00%	0.00%	35.15%

Remarks

**B.5.** Indicate whether any item on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason.

YES

NO

Items on the agenda not approved	% votes against (*)

(\*) If the non-approval of the item is for a reason other than the votes against, this shall be explained in the text part and "n/a" shall be placed in the "% votes against" column.

**B.6.** Indicate whether the Bylaws contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

YES

NO

Number of shares required to attend General Shareholders' Meetings	300
Number of shares required for distance voting	1

Remarks

An explanatory document regarding the exercise by the shareholders of information, attendance and representation rights at the General Shareholders' Meeting is available on the Company's corporate website:

[https://www.meliahotelsinternational.com/es/shareholdersAndInvestors/ShareholdersDocuments/2019/4.%20MHI\\_2019%20JGA\\_Documento%20informaci%C3%B3n%20derechos%20de%20informaci%C3%B3n%20voto%20a%20distancia\\_Eng.pdf](https://www.meliahotelsinternational.com/es/shareholdersAndInvestors/ShareholdersDocuments/2019/4.%20MHI_2019%20JGA_Documento%20informaci%C3%B3n%20derechos%20de%20informaci%C3%B3n%20voto%20a%20distancia_Eng.pdf)

**B.7.** Indicate whether it has been established that certain decisions other than those established by Law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting.

YES

NO

Explanation of the decisions that must be subject to the General Shareholders' Meeting, other than those established by Law

According to paragraph (j) of the article 30 of the Bylaws of the Company, the General Shareholders' Meeting has powers to "Approve the acquisition, disposal or contribution to another company of essential assets and transfer to subsidiary companies of essential activities carried out until then by the Company. Activities and assets are essential when the volume of the operation exceeds twenty-five per cent of the total assets in the balance sheet".

**B.8** State the address and method for accessing the company's website to find information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company's website.

Address for accessing the company's website is: [www.meliahotelsinternational.com](http://www.meliahotelsinternational.com), and the Company's corporate governance documentation is displayed by clicking on 'Shareholders and Investors' section, where the information on General Shareholders' Meetings is also included:

<https://www.meliahotelsinternational.com/en/shareholders-investors/corporate-governance>

## C. Structure of the Company's Management

### C.1 Board of Directors:

C.1.1. Maximum and minimum number of directors established in the Bylaws and the number set by the General Shareholders' Meeting:

Maximum number of directors	15
Minimum number of directors	5
Total number of directors set by the General Shareholders' Meeting	11

Remarks

C.1.2. Complete the following table identifying the members of the Board:

Name or corporate name of director	Representative	Director category	Position on the Board	First appointment date	Last appointment date	Election procedure	Date of birth
Mrs. Carina Szpilka Lázaro		Independent	Director	25/02/2016	23/06/2016	Resolution at General Shareholders' Meeting	13/12/1968
Mr. Fernando D'Ornellas Silva		Independent	Coordinating Director	13/06/2012	08/06/2017	Resolution at General Shareholders' Meeting	29/10/1957
Mr. Juan Arena De La Mora		Independent	Director	31/03/2009	06/06/2018	Resolution at General Shareholders' Meeting	23/09/1943
Hoteles Mallorquines Asociados SL	Don Alfredo Pastor Bodmer	Proprietary	Director	18/06/2019	18/06/2019	Resolution at General Shareholders' Meeting	30/09/1944
Mr. Gabriel Escarrer Juliá		Proprietary	Chairman	18/06/2019	18/06/2019	Resolution at General Shareholders' Meeting	02/03/1935
Mrs Cristina Henríquez de Luna Basagoiti		Independent	Director	18/06/2019	18/06/2019	Resolution at General Shareholders' Meeting	15/09/1966
Mr. Sebastián Escarrer Jaume		Proprietary	Director	07/02/1996	08/06/2017	Resolution at General Shareholders' Meeting	09/05/1966

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Mr. Gabriel Escarrer Jaume		Executive	Vice Chairman - CEO	07/04/1999	08/06/2017	Resolution at General Shareholders' Meeting	28/01/1971
Mr. Francisco Javier Campo García		Independent	Director	13/06/2012	08/06/2017	Resolution at General Shareholders' Meeting	01/05/1955
Mr. Luis M <sup>a</sup> Diaz de Bustamante Terminel		Independent	Secretary Director	30/11/2010	08/06/2017	Resolution at General Shareholders' Meeting	25/08/1952
Hoteles Mallorquines Consolidados S.L.	Mrs. María Antonia Escarrer Jaume	Proprietary	Director	23/10/2000	08/06/2017	Resolution at General Shareholders' Meeting	05/01/1963
Total number of directors					11		

State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name or corporate name of director	Director category at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
Mr Juan Vives Cerdá	Propietary	04/06/2015	18/06/2019	Auditing and Compliance Committee	NO
Mr Alfredo Pastor Bodmer	Other External	04/06/2015	18/06/2019	Auditing and Compliance Committee	NO

#### Reasons for leaving and other remarks

Mr Juan Vives Cerdá left the Board as Propietary Director of the company on 18/06/2019 when his last appointment expired and his position on the Board of Directors was not renewed.

Mr Alfredo Pastor Bodmer terminated in the Company as External Director “others” on 18/06/2019 at the expiration of his last appointment, on that date he was appointed as Propietary Director of the company at Hoteles Mallorquines Asociados SL, whose legal representative is Mr Alfredo Pastor Bodmer.

C.1.3 Complete the following tables regarding the members of the Board and their categories:

**EXECUTIVE DIRECTORS**

Name or corporate name of director	Position held in the company's organisation chart
Mr. Gabriel Escarrer Jaume	Vice Chairman and Chief Executive Officer
<b>Profile</b>	
<p>In 1993, Mr. Gabriel Escarrer Jaume graduated in Finance and Business Management from the prestigious Wharton School, University of Pennsylvania (USA). He then worked for 3 years in the International Corporate Finance Department at the Salomon Smith Barney Investment Bank in New York. From there, in 1996, he took part in the successful IPO of Meliá Hotels International, a company founded by his father, Mr. Gabriel Escarrer Juliá, which he joined immediately afterwards, simultaneously working on a tailored postgraduate degree in Business Administration at ESADE, one of the top ten business schools in Europe.</p> <p>Mr. Gabriel Escarrer Jaume led a strong advance in the Company's expansion and technological transformation, providing Meliá with greater corporate strength in an increasingly complex environment in the international tourism sector. As Chief Executive Officer -position to which he was appointed in 1999-, Gabriel Escarrer addressed another important challenge when he launched an extensive renovation plan of the hotel assets, and since then, he has never stopped striving to ensure that Meliá continues to be at the forefront in the Spanish and international hotel sector and its growing presence and international influence</p> <p>Escarrer combines a strong vision and financing approach, supported by its solid training and a career in the field that has led him to be appointed Chairman of the Advisory Council of BBVA in the Levante Region, with the vocation and concerns of a true "hotelier", such as customer focus, innovation in services and experiences, and he is a prescriber of the trends and digitalization that are transforming the industry and the general business environment.</p>	

As Vice Chairman and Chief Executive Officer of Meliá Hotels International since 2009, Gabriel Escarrer has consolidated his leadership through the Company's financial strengthening and the management of an unprecedented cultural and organisational transformation, including a successful digital transformation of the Group, which today is one of the keys to its competitiveness.

In 2016, after 60 years at the helm of the Company, the founder became Non-Executive Chairman, transferring his executive powers to Gabriel Escarrer Jaume with the unanimous support of the Board of Directors. As the Group's first executive, Escarrer Jaume retains the positions of Vice-Chairman and CEO.

As a leader of a responsible, family company, Gabriel Escarrer has always promoted the corporate responsibility and sustainability policy in the social, economic and environmental aspects, as well as the ethics and corporate values that support the performance of a Company which, as the leader and a reference in the industry, has greater public visibility and responsibility.

Thanks to all this, Meliá has been recognized by the agency of the responsible investments SAM, as the 2019 Most Sustainable Hotel Company in the world, as per the ranking established by the prestigious Dow Jones Sustainability Index, leader in Corporate Reputation in the tourism industry according to the prestigious MERCO ranking (a recognition it has achieved for 7 consecutive years). . Escarrer is currently one of the emerging business leaders in his country, where Forbes magazine ranks him in the top 20 Spanish CEOs.

In January 2019, Gabriel Escarrer was named Chairman of Exceltur, the Alliance for Tourism Excellence and one of the most important lobbies in the country. As proof of its commitment to the renewal of the sector and its adaptation to current demands, Escarrer has promoted some of the largest projects for the conversion and repositioning of mature tourist destinations in Europe, such as Magaluf, in Mallorca, or Torremolinos in Malaga, and the maritime façade of Palma, among others, after assuming in 2017 the management of the new and spectacular "Palacio de Congresos" in Palma.

As the only Group of the top-20 international hoteliers with a holiday background, Melia has consolidated its leadership in the resorts segment and its growing positioning in the urban leisure or "bleisure" segment, and maintains among its priorities an unprecedented boost of internationalization, with a

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special focus on the main holiday destinations in the world such as the Mediterranean, the Caribbean, Africa and Southeast Asia, where it is already among the leading hotel chains in countries such as Indonesia and Vietnam.

Total number of executive directors	1
% of the Board	9.09%

**EXTERNAL PROPRIETARY DIRECTORS**

Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment
Mr. Gabriel Escarrer Juliá	Tulipa Inversiones 2018, S.A.
<b>Profile</b>	
<p>In 1956 Mr. Gabriel Escarrer Juliá was only 21 years old when he founded what is now called the Meliá Hotels International group, by acquiring and managing a 60-room hotel on the island of Majorca, where he was born, and where he still maintains the headquarters of what has now become one of the most successful hotel companies in the world. Prior to that and for 6 years, Escarrer worked in tour operations, where he had access to the emerging tourism industry, of which he later became a visionary, pioneer and transforming entrepreneur.</p> <p>Over his six decades as Chairman, the Group consolidated its leadership in Spain, hub of the vacation travel in Europe, which later was extended to the American Caribbean and Southeast Asia, where today the Group is still growing and is considered as one of the reference companies in the hotel sector. Over these years, Escarrer built strategic alliances that strengthened the Group’s positioning in destinations such as Cuba and Indonesia, and in the 1990s, he extended the strategy to urban hotels in Spain, Europe, Asia and Americas, an approach that has led him to be considered one of the drivers of the internationalisation of the Spanish enterprise.</p> <p>One decisive event in the history of the company took place in the 80s, when the Group founded by Escarrer acquired two of the most important hotel chains at that time in Europe: Hotasa and Meliá, which represented the incorporation of nearly 70 hotels in just one year. Thanks to this acquisition, the Group founded by Escarrer achieved national and international presence, as well as a valuable brand recognition.</p> <p>In 1996, the Company’s IPO marked a new stage of growth which was strengthened by the Group’s strategic plans, and the debut of the second generation of family members in management, marking the beginning of a deep cultural transformation in the Group to address the challenges of the new business environment in the 21st century.</p>	

After emerging stronger from the financial crisis that shook the sector between 2008 and 2013, and after making sure that the Company was in safe hands, Mr. Gabriel Escarrer Juliá resigned its executive powers in December 2016, which were transferred to his son Mr. Gabriel Escarrer Jaume as Vice Chairman and Chief Executive Officer, with the founder becoming Non-Executive Chairman of the Board of Directors and the General Shareholders' Meeting.

As a result of its extensive experience in the tourism industry, Mr. Gabriel Escarrer Juliá has received numerous awards which demonstrate its important contribution to national and international hospitality. One of the most important for the founder of Meliá Hotels International was the granting of the Doctor Honoris Causa degree by the Universidad de les Illes Balears (UIB) in December 1988. In 1998 he received the "Personalidad Turística del Siglo" (Tourism Personality of the Century) award winning a large majority in a survey of 300 executives and professionals in the travel industry.

A year later, he obtained other 3 prestigious awards: "Mejor Empresario de la Construcción y Promoción Inmobiliaria" (Best Entrepreneur in Construction and Real Estate Promotion) awarded by the Máster en Dirección de Empresas Constructoras e Inmobiliarias (M.D.I.) and the 'Actualidad Económica' magazine; Corporate Hotelier of the World, awarded by the well-known American 'Hotels' magazine, and several Lifetime Achievement Awards from prestigious organisations such as the International Hotel Investment Forum, the World Tourism Organisation, or the European Hospitality Awards.

In May 2001, Escarrer was elected as member of the exclusive Hall of Fame of the British Travel Industry. His nomination was proposed and supported by some of the most important people in the international tourism industry, as well as relevant members of the Hall of Fame such as Martin Brackenbury (Federation of Tour Operators and Airtours), Richard Branson (Virgin), Michael Bishop (British Midland) and David Crossland (Airtours). That same year, the Chairman of Meliá Hotels International became member of the Hall of Honour at the Conrad N. Hilton of Hotel Management at the University of Houston (USA), sharing honours with Lynn & Ed Hogan (Pleasant Holidays), Alice Sheets Marriott (Marriott Corporation) and Marilyn Carlson Nelson (Carlson Companies.)

In 2002, Meliá Hotels International signed an agreement with the Universidad de las Illes Balears (UIB) for the creation of the "Cátedra Meliá de Estudios Turísticos" (Melia Chair in Tourism Studies) which, since then, organises an annual "Premio de Estudios Turísticos Gabriel Escarrer" (Gabriel Escarrer Tourism Studies Award).

Gabriel Escarrer received recognition to his professional career from the CIMET (Ibero-American Conference of Tourism Ministers and Entrepreneurs) and in 2006, coinciding with the 50<sup>th</sup> anniversary of the Company, he won the "Medalla de les Illes Balears" (Balearic Islands Medal), the highest distinction of

the autonomous community, in recognition of his work, and the “Medalla de la Cámara de Comercio de Mallorca, Ibiza y Formentera “ (Medal of the Chamber of Commerce of Majorca, Ibiza and Formentera). In 2011, Escarrer received the Lifetime Achievement Award at the European Hospitality Awards in London, also in recognition of his long career as the founder and promoter of the largest hotel chain in Spain and the third largest in Europe. In 2012 MKG also granted him a lifetime achievement award at the Worldwide Hospitality Awards in Paris, and he won the prestigious Ulysses Award from the OMT for his lifetime achievement. In 2016, Gabriel Escarrer received the Hall of Fame of the Hotel-E Investment Conference, one of the most important international hotel investment forums, and also received the distinction of Honorary Ambassador of Brand Spain.

Recognised as one of the key figures in the history of international tourism, Gabriel Escarrer, as Non-Executive Chairman of Meliá Hotels International and Chairman of the Board of Directors and the General Shareholders’ Meeting, is still contributing the expertise and know-how acquired over more than 60 years leading the company, and he is still dreaming about the transforming power of tourism in society, an industry that, in his words, “connects countries, crosses borders, and promotes people’s social and economic welfare”.

Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment
Hoteles Mallorquines Asociados SL legal representative Mr Alfredo Pastor Bodmer	Hoteles Mallorquines Asociados, S.L.
Profile	
<p>Bachelors Degree in Economic Sciences Ph D in Economics, Massachusetts Institute of Technology, Doctor in Economic Sciences. Professor of Economic Theory since 1976, he has held different positions since 1980 as Professor of Economics, Boston University (1980-1981), Country Economist, World Bank (1981-1983), Director in Planning , INI (1983-84), Director General, INI (1984-85), Chairman, ENHER (1985-90), Counselor of the Bank of Spain (1990-93), Director of the Family Business Institute (1992-93), Secretary of State for the Economy (1993 - 95), Director Instituto de la Empresa Familiar (IESE): Extraordinary Professor (1996-97) and Ordinary Professor (1997 - 2015); Chair of Spain, CEIBS (since 2000), Dean of CEIBS (China Europe International Business School), Shanghai, China (2001-2004), Chair of Emerging Economies, Banco Sabadell, 2009.</p> <p>He is currently a member of the Board of Directors of Meliá Hoteles International, Copcisa and Bansabadell Inversión, having previously been part of other Boards such as of Miquel y Costas e Hidroeléctrica del Cantábrico, among others. Author of multiple publications, he received in 2011 the Conde de Godó Award.</p>	

Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment
Mr. Sebastián Escarrer Jaume	Hoteles Mallorquines Agrupados, S.L.
Profile	
<p>Sebastián Escarrer is a member of Wharton Board of Overseers since 2013 and he was Chairman of Wharton Board for EMEA (Europe, Africa and Middle East) between 2009 and 2015. Chairman of the Spanish Executive Committee of the International Chamber of Commerce, as well as member of the Commission on Corporate Responsibility and Anti-Corruption and the Executive Board Policy and Commissions Committee. He was Vice-Chairman of Exceltur between 2012 and 2016 - the Spanish Tourist Lobby-, Chairman of APD Illes Balears and also member of the governing national board. Escarrer is a member of the Premium Brands Fund Advisory Board of the Swiss Bank Pictet and a member of the Advisory Board of Caixabank in the Balearic Islands.</p> <p>As a leader engaged in the fields of tourism, business ethics, education and social responsibility, he is committed to combating the current social and values crisis. Accordingly, he is an active member of various Foundations committed to the improvement of our society, such as the Fundación SERES and the “Fundación Princesa de Girona”, being a member of the Board of Trustees, the Audit Committee, the Executive Committee of the Board of Trustees and responsible for the Working Group on Education of the said foundation.</p> <p>He is graduate from ICADE and Master from Wharton of the University of Pennsylvania with three Majors: Business Strategy, Finance and Multinational Management. He worked for several multinationals in USA and London, such as Coca-Cola Corporation (Boston), IBM Corporation (New York), First Boston Corporation (New York and London) Hyatt International (London) or The Mac Gemini Group (Madrid).</p>	

Sebastián Escarrer is member of the Board of Directors of Meliá Hotels International with 19 years of experience as executive for the multinational, joining the family business in 1993. In 1994 he was appointed Chief Executive Officer, a position he held for 16 years while in 1997, he was appointed as Vice-Chairman of Sol Meliá for 15 years. During those years he led the refinancing of Sol Group, its transformation into Sol Meliá and the successful IPO of the Company in 1996. He also led various key processes for the growth and strengthening of the Company, such as the diversification of the business and the creation and incorporation of new brands.

Sebastián Escarrer has won several awards for his career in the tourism and financial industries, including his designation as one of the 100 leading businessmen of the 21<sup>st</sup> century by the 9 World Economic Forum in Davos. Also, in 1997 the prestigious American magazine ‘Travel Agent’ selected him as Personality of the Year in Latin America, and a year later named him Personality of the Year in Europe. In 2002, Sebastián Escarrer won the “Mejor Empresario de Baleares” (Best Entrepreneur of Balearic Islands) award granted by the magazine ‘Actualidad Económica’. In 2018 he received the award “Merchant of Peace” of the International Chamber of Commerce.

Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment
Hoteles Mallorquines Consolidados, S.L. Mrs. María Antonia Escarrer Jaume, natural person representative	Hoteles Mallorquines Consolidados S.L.
<b>Profile</b>	
<p>Mrs. María Antonia Escarrer Jaume studied in prestigious schools such as ESASDE, EADA and Cornell University, where he completed studies related mainly to Marketing and Human Resources. She specialised in the development of leadership and managerial competencies, promoting programmes of Management Development, Leadership, Marketing and Negotiation. Trained by the IE Business School as an executive coach and as an ontological Senior Coach by Newfield Consulting, she is ACC accredited by ICF (International Coaching Federation).</p> <p>Maria Antonia Escarrer held various positions at Meliá, innovating policies and business processes. From 1991 to 1994 she joined the General Directorate of Marketing, period in which she implemented the Communication, Loyalty and Market Research policy, as well as the introduction of Marketing plans into the business units.</p> <p>From 1996 to April 2000 she was in charge of the General Directorate of Human Resources, she was involved in the introduction of performance and competency-based management as well as the definition, implementation and development of the different aspects of the Company's remuneration policies. She participated in the design of training and career plans and the implementation and coordination of all aspects related to the organisational structure.</p> <p>Between 2005 and 2011, she was responsible for the General Directorate of Sustainability, developing the social action department towards a General Directorate of Sustainability and making sustainability as a strategic line of action within the Company. Since October 2000, she is member of the Board of Directors of Meliá Hotels International and the Appointments and Remuneration Committee.</p> <p>She is also an expert in Transpersonal Mindfulness by the Escuela Transpersonal.</p> <p>Currently and since 2012, she works as coach at an executive and personal level specialised in accompanying professionals in times of career change as well as in the development of managerial skills.</p>	

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Total number of proprietary directors	4
% of the Board	36.36%

Remarks

### EXTERNAL INDEPENDENT DIRECTORS

Name or corporate name of director
Mrs. Carina Szpilka Lázaro
Profile
<p>Degree in Economic and Business Sciences from ICADE E-2 and Executive MBA from Instituto de Empresa in Madrid.</p> <p>She has held positions at Santander Investment, Argentaria (currently, BBVA) and ING Direct between 1991 and 2013, being the CEO of ING Direct in France for the last five years and then in Spain.</p> <p>She has also developed her activity as volunteer as Vice-Chairman of Unicef Spain and as member of the Board of Trustees of Fundación Create.</p> <p>She is currently Independent Director of Abanca, Grifols and Meliá Hotels International; founding member and Chairman of K Fund Venture Capital and Chairman of ADigital.</p> <p>She has received numerous awards, including: “Mujer Directiva del Año” (Female Director of the Year) award, Fedepe (2011), “Premio a la carrera fulgurante” (The Brilliant Career Award), ICADE (2012), “Medalla de oro del forum alta dirección” (Gold Medal of Senior Management Forum) (2012), “Premio Emprendedores al Mejor Directivo del año” (Entrepreneurs Award to the Best Director of the Year) (2013), “Premio #ELTalento Cinco Días al Talento Ejecutivo” (Cinco Días #TheTalent Award for Executive Talent) (2014), “Premio a la Excelencia Profesional” (Award for Professional Excellence), ADigital (2014) and Eisenhower Innovation Fellow, (2014).</p>

Name or corporate name of director

Mr. Fernando D'Ornellas Silva

Profile

Degree in Law and Economics from ICADE-E and MBA from IESE in Barcelona (International Section), from 1983 to 1985 he worked as Deputy Financial Director at Johnson & Johnson Spain. Also, he has held several positions within the Bergé Group since 1985, Chief Financial Officer at Toyota Spain until 1992, Chief Executive Officer at Chrysler Spain from 1992 to 2004, Chairman of Chrysler Portugal from 1997 to 2012, Chairman of Chrysler Colombia from 2010 to 2012, Chairman of KIA for Argentina, Peru and Portugal from 2004 to 2012, Chairman at Mitsubishi Motor Peru from 2010 to 2012, Vice-Chairman of Mitsubishi Motors Chile from 2001 to 2012, Vice-Chairman of SKBergé Latin America from 2001 to 2012, Chairman of Bergé Automotive from 2004 to 2012 and Chief Executive Officer at Bergé Group from 2007 to 2012.

Since 2004 he has held, among others, the following positions: member of the Board of Directors, Chairman of the Remuneration Committee between 2007 and 2009, and Chairman of the Audit Committee of ENDESA S.A. in 2009. Member of the Board of Directors and Chairman of the Audit Committee between 2007 and 2009 and Director in charge of supervising the activities of subsidiaries in Peru, Colombia, Argentina and Brazil for ENDESA CHILE. Member of the Board of Directors (2013-2015) and Chairman of the Audit Committee (2014-2015) of DINAMIA. Vice-Chairman of the Asociación de Nacional de Importadores de Automóviles, Camiones, Autobuses y Motocicletas from 2004 to 2012. Founding member of the Fundación España-Chile and Fundación España-Perú in 2011 and 2012. Member of the Fundación Consejo España-China y España-Japón, Adviser for Mitsubishi Corporation in the acquisition of shares in Acciona Termosolar, S.A. in 2010 and 2011, and Vice-Chairman of the Real Club de la Puerta de Hierro between 2006 and 2010. He has been a member of the Advisory Board of WILLIS IBERIA between March 2013 and December 2017.

Currently, he is member of the Board of Directors since June 2012, Coordinating Director, Chairman of the Audit and Compliance Committee and member of the Appointments and Remuneration Committee at Meliá Hotels International S.A. He is member of the Board of Directors of Prosegur since April 2016, , Chairman of the Auditors and Compliance Committee (since April 2017) and Member of the Appointments and Remuneration Committee. Senior Advisor Spain and Latam for Mitsubishi Corporation since March 2013; Senior Advisor Spain and Latam for Lazard Financial Advisers S.A. since June 2013. Member

of the International Advisory Board of Hispanic Society of America and its representative for Spain, member of the Advisory Board of the Real Club de la Puerta de Hierro since 2010 and Vice-Chairman of the International Board of the Madrid Teatro Real since 2015 and member of the Executive Committee at the Fundación Board Spain-Japan since 2017.

Name or corporate name of director

Mr. Juan Arena De La Mora

Profile

Ph.D. in Engineering from ICAI, Mr. Juan Arena graduated in Business Science from ICADE, and also in Psychology, and he holds a diploma in Tax Studies and completed the AMP at Harvard Business School.

Member of the Board of Meliá Hotels International Chairman of the Professional Council of ESADE, member of the International Advisory Board of Everis and Advisory Board of Marsh; Operating Partner of Advent International Corporation, member of the Board of Directors of Deusto Business School.

Member of the Executive Committee of Fundación SERES and Chairman of its Governance Committee.

He has been a member of the Board and Executive Chairman of Bankinter, Board member of Ferrovial, and Almirall Laboratories of UBS España, TPI, Everis, Dinamia and Prisa, Chairman of the Advisory Council of Panda, Consulnor, member of the Board of Trustees of ESADE and of the Advisory Board of Spencer Stuart, Wold Advisory Board and professor of Harvard Business School and IESE.

He was awarded the “Gran Cruz de la Orden del Mérito Civil” (Grand Cross of the Order of Civil Merit) for his contribution to research and development of the Information Society.

Name or corporate name of director

Mr. Francisco Javier Campo García

Profile

Industrial Engineer from the Universidad Politécnica de Madrid, he began his career in 1980 at Arthur Andersen.

In 1985 he joined Día Group, where for 24 years he has held the position of World Chairman of the Dia International Group and he was also a member of the Carrefour Group's Global Executive Committee for 15 years.

Since 2009 until November 2014, he was Chairman of the Zena group, the leading multi-brand restaurant chain company in Spain. The group comprises five brands: Foster's Hollywood, La Vaca Argentina, Cañas y Tapas, Domino's Pizza and Burger King.

He has also been Chairman of the Cortefiel Group (Cortefiel, Springfield, WomenSecret) from 2014 to 2016. He is currently Chairman of AECOC (Association of Fast-Moving Consumer Goods Companies) which represents more than 20% of the Spanish GDP and has more than 29,000 associated companies. He is member of the Board of Directors of Bankia and Chairman of its Advisory Committee on Risks, he is also member of the Board of Directors of Meliá Hotels International, member of the Advisory Board of the Palacios Food Group, member of the Advisory Board of AT Kearney, and member of the Advisory Board of Azkoyen. He is also member of the Board of Trustees of Fundación ITER, honorary member of Fundación Carlos III, vocal member of Fundación Bankia and board member of A.P.D. (*Asociación para el Progreso de la Dirección*).

Name or corporate name of director

Mr. Luis M<sup>a</sup> Diaz de Bustamante Terminel

Profile

Born in Torrelavega (Cantabria, Spain) on 25 August 1952. Graduated in Law from the Universidad Complutense de Madrid. Practising lawyer since 1975 and Partner of the law firm Isidro D. Bustamante (since 1942 - 1980/2018).

His professional career is mainly focused on the areas and practice of civil, trade and civil procedural and international law, as well as on consultancy services for entrepreneurs and corporations.

Name or corporate name of director	
Mrs Cristina Henríquez de Luna Basagoiti	
Profile	
<p>Mrs. Cristina Henríquez de Luna Basagoiti has a Degree in Law and Economics from the University Pontificia de Comillas of Madrid (ICADE-2).</p> <p>At present she is Chairman and General Manager in Spain and Responsible for Iberia and Israel for GlaxoSmithKline (GSK), where in the past she has held several financial positions (SVP Finances).</p> <p>Before joining GSK she worked for Procter &amp; Gamble, where she held the post of General Director for Finances and Accounts, International Operations for Western Europe (2006 a 2010), as well as other financial positions since 1989, when she joined as financial analyst.</p> <p>She is also an independent Board Member of Applus Services since July 2016, and a member of the Auditors Committee of the same entity. Vice-Chairman of the Fundación Ciencias de la Salud and member of the Governance Board and Board of Directors of Farmaindustria.</p>	

Total number of independent directors	6
% of the Board	54.54%

Remarks

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

If applicable, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name or corporate name of the director	Description of the relationship	Statement of the Board

State any changes in category that have occurred during the period for each director:

Name or corporate name of director	Date of change	Previous category	Current category

Remarks
Mr Alfredo Pastor Bodmer terminated in the Company as External Director “others” on 18/06/2019 at the expiration of his last appointment, on that date he was appointed as Proprietary Director of the company at Hoteles Mallorquines Asociados SL, whose legal representative is Mr Alfredo Pastor Bodmer.

C.1.4 Complete the following table with information on the number of female directors at the close of the past four years, as well as the category of each.

	Number of female directors				% of directors for each category			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	1	1	1	1	25.00%	25.00%	25.00%	25.00%
Independent	2	1	1	1	33.33%	20%	20%	20%
Other External	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	2	2	2	1	27.27%	18.18%	18.18%	10.00%
Remarks								

**C.1.5.** State whether the company has diversity policies in relation to its Board of Directors on such questions as age, gender, disability and training and professional experience. In accordance with the definition set out in the Accounts Audit Act, small and medium-sized entities, will have to report at least the policy they have implemented in relation to gender diversity.

YES  NO  PARTIAL POLICIES

If so, describe these diversity policies, their objectives, the measures and way in which these have been applied and the results over the year. Also, indicate the specific measures taken by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, as well as the results achieved.

The Company has been implementing its Selection Policy for Directors, which was approved in 2017, according to the provisions of Recommendation 14 of the Good Governance Code and which is based on the following principles:

a. The composition of the Board of Directors at the time of execution of the corresponding proposal and the planning and structuring thereof will be carried out based on the expiration dates of the offices in force and must contain, at least:

i. The analysis of profiles and professional skills of the Directors who are already members of such decision-making body.

ii. The maintenance of a proper balance between the different experience and know-how the Directors contribute to the Company and its Group (knowledge of the sector or supplementary sectors operation, experience in internationalisation, digitalisation, etc.). This balance and the need to incorporate these different experiences and know-how will depend at every moment on the Company's activity.

b. The analysis of potential situations of conflict, prohibition or incompatibility, at the legislative and the company's internal policy levels.

**c. The assessment of potential candidates under the criteria of equality and objectivity, avoiding any kind of implicit bias that may involve discrimination.**

d. The time available for the potential candidate to properly perform his/her duties which guarantee added value to the Company's bodies.

e. The maintenance of a proper balance between the different categories of directors ensuring the correct representation of the total interests within the Board, especially according to the recommendations concerning Corporate Governance.

f. **The trend towards the progressive increase of the number of women on the Board of Directors**, always based on an unbiased assessment of skills, profiles, know-how, experiences and professional abilities, aiming insofar as is possible to ensure that by 2020 at least one third of the members of the Board of Directors are women.

For all the re-elections of directors made since the approval of this policy, the above principles have been taken into account in preparing reports and proposals subsequently submitted to the General Shareholders' Meeting, trying to promote diversity of knowledge, expertise and gender among the members of the Board of Directors.

During 2019 it has taken place the reelection of Mr Gabriel Escarrer Juliá as Proprietary Board Member and also the election as an independent board member of Mrs Cristina Henríquez de Luna Basagoiti, as well as the election of the company Hoteles Mallorquines Asociados SL as a Proprietary Board Member represented by Mr Alfredo Pastor Bodmer.

As a result of such election, the percentage of women on the Board has gone from an 18.18% to a 27.27% in the year 2019.

**C.1.6 Explain the measures taken, if any, by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors, and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates, and which makes it possible to achieve a balance between men and women.**

#### Explanation of measures

The Company acknowledges full equality of opportunities, without any discrimination, in all its activities. This criterion is assumed by the Appointments and Remuneration Committee when beginning the selection process for a new Director, ensuring that there is no implicit bias that might hinder the selection of female Directors.

During the selection procedures for Directors, the Appointments and Remuneration Committee objectively assesses the skills and experience of candidates, among other parameters, evaluating the profile of candidates and ensuring equal opportunities between women and men so that there is no discrimination based on gender.

In the selection of Board members, the profile of the candidate is assessed, including among potential candidates those women who meet the professional profile sought in order to increase the stock of knowledge and experience they can contribute in the performance of their functions as Directors. The selection procedures are focused on the search for specific skills, evaluating candidates based on these skills and their know-how, attitude and skills required, while guaranteeing equal treatment and opportunities and ensuring transparency throughout all processes. Likewise, in the selection of executives, internationally-renowned firms are entrusted with the search for potential candidates who fit the profile.

Specifically, the Selection Policy for Directors establishes the guiding principle to be observed during the processes: "The assessment of potential candidates based on criteria of equality and objectivity, avoiding any implicit bias that may involve any type of discrimination."

During the year 2019, it has taken place the selection process, according to the guidelines established by the Board of Directors Regulation as well as in the Policy for the selection process of Board Members, to cover for the vacancy of an external independent Board member.

The selection process of the different candidates was assisted by an independent external expert of recognized prestige in the matter, who was previously instructed, by the Appointments and Remuneration Committee, in the competences that wanted to be reinforced on the diversity of the Board of Directors itself and was veiled, at all times, so that the process it did not suffer from implicit biases that hindered the selection of women Directors.

This process led to the prescriptives: proposal of the Appointments and Remuneration Committee, report of the Board of Directors and proposed proposal contained in the agenda of the General Meeting of Ordinary Shareholders of June 18, 2019. Following the favorable adoption of the said proposal, by the Board, was determined, as an Independent External Director, of Meliá Hotels International, of Ms Cristina de Luna Henríquez Basagoiti.

In the event that there are few or no female directors in spite of any measures adopted, explain the reasons that justify such a situation:

Explanation of reasons

**C.1.7** Explain the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors. Particularly explain how said policy is promoting the goal that the number of female directors represents at least 30% of all members of the Board of Directors by 2020.

Explanation of conclusions
<p>During 2019, and in relation to the proposal on re-election of Directors subject to the approval of the General Shareholders' Meeting, an assessment of compliance with the Selection Policy for Directors was carried out by the Appointments and Remuneration Committee when preparing the legally enforceable Reports and Proposals, which were made available to the shareholders on the Company's website. In summary, they established that "... the Board of Directors must include among its members Directors who have extensive experience in various sectors and knowledge of the Company's operations, who respect the corporate values and have ability to adapt in a constantly-changing industry growing both geographically and technologically".</p> <p>Regarding the goal on the number of female directors by 2020, the Company's Selection Policy for Directors approved on 27 February 2017, includes, among others, the following principles:</p> <p>"f. The trend towards the progressive increase of the number of women on the Board of Directors, always based on an unbiased assessment of skills, profiles, know-how, experiences and professional abilities, aiming insofar as is possible to ensure that by 2020 at least one third of the members of the Board of Directors are women."</p> <p>Therefore, this will be one of the issues that must be assessed by the Appointments and Remuneration Committee in any appointment, ratification or re-election processes are carried out.</p> <p>With the new elections, during this year a percentage of 27.27% of female directors has been reached. Despite being below the recommendation of the CNMV in this regard (30%), Melia Hotels International is above the IBEX 35 average.</p>

**C.1.8** Explain, when applicable, the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name or corporate name of shareholder	Reason

State whether the Board has failed to meet any formal requests for presence on the board received from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. Where applicable, explain why these requests have been ignored:

YES

NO

Name or corporate name of shareholder	Reason

**C.1.9** State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name or corporate name of director or committee
Mr. Gabriel Escarrer Jaume
Brief description
<p>The Board of Directors has vested all delegable powers under the Law according to Article 34 of the Company's Bylaws:.</p> <p>To this effect and within this scope, the Board of Directors is responsible for acts or business activities including, but not limited to, the following:</p> <p>(a) To represent the Company before all types of individuals, organisations, authorities, public administration, Spanish General Savings Deposit and other entities, both private and official, both judicial and extrajudicial, absolving positions, compromising and desisting from all types of actions and procedures, and even ratifying said acts before the courts.</p> <p>(b) To pay debts and receive payments due of all types, including those with origin in national, regional, provincial or municipal authorities.</p> <p>(c) To prepare and execute all types of contracts, deeds and documents, public or private, of any type, in relation to capital assets, livestock, merchandise, insurance policies, transport and real estate, including the purchase, subscription, sale or exchange of all types of capital assets, both public and private, both Spanish and international.</p> <p>(d) To request, obtain, acquire, grant and exploit patents, brands, privileges, licences and administrative concessions, as well as performing any transactions regarding industrial property.</p>

- (e) To convene the General Shareholders' Meeting and execute and ensure compliance with resolutions adopted by the meeting.
- (f) To intervene in tenders and auctions, both judicial and extrajudicial.
- (g) To establish, monitor, liquidate, settle, and cancel current accounts, savings accounts and credit accounts with the Bank of Spain, and with any other banking organisation, savings bank, companies or other entities both in Spain and abroad.
- (h) To draw, endorse, accept, take, discount, negotiate and protest bills of exchange, financial and credit bills, cheques, promissory notes and money orders.
- (i) To request and obtain from banking, credit and financial organisations all types of credits, including mortgages, subscribing the appropriate policies and documents and employing and repaying the funds obtained.
- (j) To grant guarantees and deposits by any means for the obligations of third parties.
- (k) To provisionally approve inventories, balances and the Annual Report due for presentation to the General Shareholders' Meeting and in the public offices required by tax laws, as well as the distribution of profits.
- (l) To appoint and remove executives, employees and dependents of the Company, and establish categories, salaries and other remuneration that they must receive within applicable market or labour regulations.
- (m) To make and liquidate deposits of all kinds, including with banking or credit organisations, even the Bank of Spain and the Spanish General Savings Deposit.
- (n) To confer and revoke powers for court lawyers and attorneys and of any third parties so that they may represent the Company in all types of cases and, in particular, so that they may intervene in civil, criminal, administrative, economic administrative, litigious-administrative, governmental and labour jurisdictions.
- (o) To appoint one or more proxies, that may also be called Director, Manager or similar, if so authorised, to exercise the powers defined in each case, individually or jointly, and which may be delegated.
- (p) To decide the establishment of subsidiaries, agencies, deposits, delegations, and representations.
- (q) To accept, when appropriate, the resignation of the members that form part of the Board.
- (r) To set up, modify and wind-up all types of civil law and commercial companies, to intervene and vote in their General Shareholders' Meetings and accept or designate positions in the management and administrative bodies.

The Board of Directors has delegated the aforementioned powers in favour of Mr. Gabriel Escarrer Jaume by means of the Board decision dated June 8, 2017, and granted before the Notary Public on June 23, 2017 with number 2008 of protocol, duly registered in the Mercantile Registry of Mallorca.

**C.1.10** Identify, where appropriate, any members of the Board who are also directors, representatives of directors or officers in other companies that belong to the group of the listed company:

Name or corporate name of director	Corporate name of the group company	Position	Does the Director have executive functions?
Gabriel Escarrer Jaume	SOL MELIA VACATION NETWORK ESPAÑA S.L.	Chairman of the Board of Directors Joint Chief Executive Officer	Yes
Gabriel Escarrer Jaume	SOL MELIA VACATION CLUB ESPAÑA S.L.	Chairman of the Board of Directors Joint Chief Executive Officer	Yes
Gabriel Escarrer Jaume	SECURI SOL S.A.	Chairman of the Board of Directors General representative	Yes
Gabriel Escarrer Jaume	IDISO HOTEL DISTRIBUTION S.A.	General representative	Yes
Gabriel Escarrer Jaume	SOL MELIA FRANCE S.A.S.	Chairman	Yes
Gabriel Escarrer Jaume	MADELEINE PALACE S.A.S.	Chairman	Yes
Gabriel Escarrer Jaume	HOTEL ROYAL ALMA S.A.S.	Chairman	Yes
Gabriel Escarrer Jaume	HOTEL METROPOLITAN S.A.S.	Chairman	Yes
Gabriel Escarrer Jaume	HOTEL FRANÇOIS S.A.S.	Chairman	Yes

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Gabriel Escarrer Jaume	HOTEL COLBERT S.A.S.	Chairman	Yes
Gabriel Escarrer Jaume	HOTEL ALEXANDER S.A.	Chairman	Yes
Gabriel Escarrer Jaume	CADSTAR FRANCE S.A.S.	Chairman	Yes
Gabriel Escarrer Jaume	SOL MELIA LUXEMBOURG, S.À R.L.	Director	No
Gabriel Escarrer Jaume	MELIÁ HOTELS INTERNATIONAL UK.	Manager	Yes
Gabriel Escarrer Jaume	LONDON XXI.	Manager	Yes
Gabriel Escarrer Jaume	LOMONDO LTD.	Manager	Yes
Gabriel Escarrer Jaume	HOGARES BATLE S.A.	Chairman	Yes
Gabriel Escarrer Jaume	DESARROLLOS SOL S.A.	Chairman	No
Gabriel Escarrer Jaume	INVERSIONES AREITO,S.A.	Joint Administrator	YES
Gabriel Escarrer Jaume	HOTELES SOL MELIÁ S.L	Director	No
Gabriel Escarrer Jaume	SOL MELIÁ GREECE.	Director	Yes
Gabriel Escarrer Jaume	SOL MELIA ITALIA, S.R.L.	Sole Administrator	Yes
Gabriel Escarrer Jaume	INMOTEL INVERSIONES ITALIA S.R.L.	Sole Administrator	Yes

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Gabriel Escarrer Jaume	ADPROTEL STRAND, S.L.	Director (Chairman of the Board of Directors)	No
Gabriel Escarrer Jaume	ALTAVISTA HOTELERA S.L	Director (Chairman of the Board of Directors)	No
Gabriel Escarrer Jaume	AYOSA HOTELES S.L.	Director CO-Chief Executive Officer	No
Gabriel Escarrer Jaume	EVERTMEL,S.L.	Director CO-Chief Executive Officer	No
Gabriel Escarrer Jaume	GESTIÓN HOTELERA TURÍSTICA MESOL, S.A.	Sole Administrator	Yes
Gabriel Escarrer Jaume	KIMEL MCA, S.L.	Director CO-Chief Executive Officer	No
Gabriel Escarrer Jaume	MONGAMENDA, S.L.	Director CO-Chief Executive Officer	No
Gabriel Escarrer Jaume	PRODIGIOS INTERACTIVOS, S.A.	Director (Chairman of the Board of Directors) Chief Executive Officer	Yes
Gabriel Escarrer Jaume	TENERIFE SOL S.A.	Director (Chairman of the Board of Directors) Chief Executive Officer	Yes
Gabriel Escarrer Jaume	DESARROLLOS HOTELEROS SAN JUAN, B.V.	Director	No
Gabriel Escarrer Jaume	IMPULSE HOTEL DEVELOPMENT B.V.	Director (Chairman of the Board of Directors)	No
Gabriel Escarrer Jaume	MARKSERV B.V.	Director	No
Gabriel Escarrer Jaume	MELIA INVERSIONES AMERICANAS N.V,	Director CO- Chief Executive Officer	No
Gabriel Escarrer Jaume	SAN JUAN INVESTMENTS, B.V.	Director	No

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Gabriel Escarrer Jaume	SOL GROUP, B.V.	Director	No
Gabriel Escarrer Jaume	SOL MANINVEST, B.V.	Director	No
Gabriel Escarrer Jaume	SOL MELIA EUROPE, B.V.	Director CO- Chief Executive Officer	No
Gabriel Escarrer Jaume	SOL MELIA INVESTMENT, N.V.	Director	No
Gabriel Escarrer Jaume	FARANDOLE B.V.	Co-director	No
Gabriel Escarrer Jaume	COLÓN VERONA S.A.	Chairman of the Board of Directors	No
Gabriel Escarrer Jaume	APARTOTEL S.A.	Chairman of the Board of Directors/Chief Executive Officer	Yes
Gabriel Escarrer Jaume	INVERSIONES Y EXPLOTACIONES TURISTICAS, S.A.	Chairman of the Board of Directors/Chief Executive Officer	Yes
Gabriel Escarrer Jaume	REALIZACIONES TURISTICAS, S.A.	Chairman of the Board of Directors/Chief Executive Officer	Yes
Gabriel Escarrer Jaume	SOL MELIA BALKANS EAD	Manager, Member of the Board of Directors	No
Gabriel Escarrer Jaume	CASINO TAMARINDOS, S.A.	Chairman of the Board of Directors	No
Gabriel Escarrer Jaume	INVERSIONES HOTELERAS LA JAQUITA, S.A.	Chairman of the Board of Directors	No
Gabriel Escarrer Jaume	DORPAN, S.L.U.	Chairman of the Board of Directors + General attorney	Yes
Gabriel Escarrer Jaume	HOTELPOINT, S.L.	Chairman of the Board of Directors	No

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Gabriel Escarrer Jaume	SOL MELIA HOTEL MANAGEMENT (SHANGHAI) Co. Ltd.	Manager	No
Gabriel Escarrer Jaume	PT SOL MELIA INDONESIA	Chairman manager	No
Gabriel Escarrer Jaume	OPERADORA COSTARISOL	Secretary	No
Gabriel Escarrer Jaume	MELIÁ HOTELS USA, LLC	Manager	No
Gabriel Escarrer Jaume	BISOL VALLARTA S.A. DE C.V.	Chairman	No
Gabriel Escarrer Jaume	CALA FORMENTOR S.A. DE C.V.	Chairman	No
Gabriel Escarrer Jaume	CARIBOTELS DE MEXICO, S.A. DE C.V.	Chairman	No
Gabriel Escarrer Jaume	CORP. HOT. HISP. MEXICANA S.A. de C.V.	Chairman	No
Gabriel Escarrer Jaume	OPERADORA MESOL, S.A. DE C.V.	Chairman	No
Gabriel Escarrer Jaume	DETUR PANAMA S.A.	Manager	No
Gabriel Escarrer Jaume	SOL MELIA PERU, S.A.C	Chairman	No
Gabriel Escarrer Jaume	EL RECREO PLAZA & CIA,C.A.	Manager	No
Gabriel Escarrer Jaume	INMOBILIARIA DISTRITO COMERCIAL	Chairman	No
Gabriel Escarrer Jaume	INVERSIONES INMOBILIARIAS I.A.R.1997 C.A.	Chairman	No

Remarks

**C.1.11** List, where appropriate, any legal-person directors or representatives of legal-person directors of your company, who are members or representatives of legal-person members of the Board of Directors of other companies listed on official securities markets other than group companies, who have communicated that status to the company:

Name or corporate name of director	Name of listed company	Position
Mrs. Carina Szpilka Lázaro	Grifols S.A.	Director
Mr. Fernando D’Ornellas Silva	Prosegur S.A.	Director
Mr. Francisco Javier Campo García	Bankia S.A.	Director
Cristina Henríquez de Luna Basagoiti	Applus Services, S.A.	Director

Remarks
Mr. Juan Arena de la Mora was also director of Almirall S.A. until 25 February 2019.

**C.1.12** Indicate and, where applicable, explain whether the company has established rules on the maximum number of boards on which its directors may hold seats, identifying, where appropriate, where this is regulated:

YES

NO

Explanation of the rules and identification of the document where this is regulated
The Company’s Selection Policy for Directors establishes that the procedures for the selection of the members of the Board of Directors, as well as the proposals for appointment, ratification or re-election must be based on a prior and individualised analysis which shall meet, among others, the following guiding principle: “The time available for the potential candidate to properly perform his/her duties which guarantee added value to the Company’s bodies.”

**C.1.13** State the overall remuneration of the Board of Directors:

Board remuneration in financial year (thousand euros)	3,398.00
Amount of vested pension interests for current directors (thousand euros)	-
Amount of vested pension interests for former members (thousand euros)	-
Remarks	

**C.1.14** Identify senior management staff who are not executive directors and their total remuneration accrued during the year:

Name or corporate name	Position(s)
Mr. Gabriel Cánaves Picornell,	Chief Human Resources Officer
Mr. Mark Maurice Hoddinott	Chief Real Estate Officer
Mrs. Pilar Dols Company	Chief Financial Officer
Mr. Juan Ignacio Pardo Garcia	Chief Legal & Compliance Officer
Mr. Andre Philippe Gerondeau	Chief Operating Officer
Mr. Jose Luis Alcina Jaume	Internal Audit VP

Total senior management remuneration (thousand euros)	4,837
Remarks	

**C.1.15** State whether the regulations of the Board have been amended during the financial year:

YES

NO

Description of amendments
The Board of Directors of the company, in accordance with article 528 of the Law on Capital Companies and articles 3 and 4 of the Regulations of the Board of Directors, has proceeded, during the year 2019, to the modification of articles 14 and 15 of the Regulations of the Board of Directors, corresponding to the “Audit and Compliance Committee” and the

“Appointments and Remuneration Committee”, based on Recommendations number 50 and 53 of the Unified Code of Good Government for Listed Companies.

This modification was approved by the Board of Directors meeting on April 4, 2019; having been registered in the Mercantile Registry of Mallorca on April 26, 2019 in sheet PM-22603, Volume 2657, Folio 21, inscription 147. For this purpose, the Board of Directors prepared the corresponding informative document, on the modifications adopted in the Regulations of the Board of Director, which was presented to the General Meeting of Shareholders held on June 18 2019, within its Sixth Agenda Item.

The wording of articles 14 and 15 of the Regulations of the Board of Directors, corresponding to the “Audit and Compliance Committee” and the “Appointments and Remuneration Committee” is as follows:

[https://www.meliahotelsinternational.com/en/shareholdersAndInvestors/Documents/Reglamento\\_Consejo/MHI\\_Reglamento%20del%20Consejo\\_ENG%20\(2019\).pdf](https://www.meliahotelsinternational.com/en/shareholdersAndInvestors/Documents/Reglamento_Consejo/MHI_Reglamento%20del%20Consejo_ENG%20(2019).pdf)

**C.1.16 Specify the procedures for selection, appointment, re-election, and removal of directors. List the competent bodies, steps to follow and criteria applied in each procedure.**

According to Article 15 of the Regulations of the Board of Directors, the Appointments and Remuneration Committee must define and review the criteria to be followed for the composition of the Board of Directors and the selection of candidates, proposing to the Board as appropriate the appointment of independent directors as well as reporting proposals for other directors so that the Board may proceed with the appointment (in case of co-optation) or submit the decision to the General Shareholders' Meeting.

Directors are appointed for a period of four years and may be re-elected once or several times for periods of equal duration.

With regard to the removal of directors, the procedures provided for in current legislation as well as in the Company's Bylaws, are followed.

The criteria applied by the Company in each procedure are described in the Selection Policy for Directors, approved by the Board of Directors on 27 February 2017, and which is available on the company's website. Among others, these criteria include:

- An analysis of profiles and professional skills of Directors who are already members of such decision-making body.

- The maintenance of a proper balance between the different experience and know-how the Directors contribute to the Company and its Group.
- An analysis of potential situations of conflict, prohibition or incompatibility.
- The assessment of potential candidates under the criteria of equality and objectivity, avoiding any kind of implicit bias that may involve discrimination.
- The time that potential candidates may be available.
- The maintenance of a proper balance between the different categories of directors.
- The trend towards the progressive increase of the number of women on the Board of Directors, always based on an unbiased assessment of skills, profiles, know-how, experiences and professional abilities.

**C.1.17** Explain the extent to which the annual assessment of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

Description of changes
<p>Throughout the year 2018, the Board of Directors has monitored the actions and organisational changes at the highest level, which were announced and implemented in 2017. Such actions and changes have not given rise to significant changes in the internal organisation or to the usual procedures.</p> <p>Likewise, the Board of Directors, through the Audit and Compliance Committee, has driven several initiatives which involve a continuous adaptation of the information reported to the Board of Directors.</p> <p>The aim of these initiatives is to ensure the dynamic evolution of financial and non-financial reporting, including supervision and monitoring of the strategic objectives of the Company and its main risks.</p>

Describe the assessment process and the areas assessed by the Board of Directors with the help, if any, of external advisors, regarding the operation and composition of the Board and its committees and any other area or aspect that has been assessed.

Description of the assessment process and the assessed areas
<p>The Directors have carried out the assessment for 2019, by completing the relevant assessment questionnaires.</p>

The main areas that have been assessed are:

a) Regarding the Board:

- Operation of the Board
- Composition/Remuneration of the Board
- Information/Training of the Board
- Organisation
- Culture of the Board
- Committees of the Board
- Other aspects

b) Regarding the Chief Executive:

- Strategic vision and leadership
- Achievement of results
- Talent management
- Management style
- Relationship with the Board
- Innovation
- Culture

The questions include an extra field for Directors to add comments and/or suggestions as well as other issues to those raised that may improve the operation of the Board.

The results of these assessments are analysed by the Appointments and Remuneration Committee and, subsequently, they are presented by its Chairman to the Board of Directors in order to hold discussions and propose improvements, as appropriate.

The assessment carried out during 2019 has been carried out without the help of an external consultant, as it is foreseen that this system will be used every three years, as established in the recommendations of the Unified Code of Good Government.

**C.1.18** Describe, in those years in which the external advisor has participated in the assessment, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

N/A

**C.1.19** Indicate the circumstances under which directors are required to resign.

Directors' duties are regulated in Chapter VIII of the Regulations of the Board, including the obligation to act with the proper care of a dedicated professional and loyal representative, and in accordance with any other standard of diligence as required by law. In particular, Article 29

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of the Regulations of the Board establishes that directors must observe all regulations on behavior established in the applicable Stock market legislation and, particularly, those contained in the Internal Code of Conduct.

Failure to comply with any of these duties or obligations shall therefore be considered grounds for dismissal or resignation, as the case may be, of a Director.

**C.1.20 Are qualified majorities, other than those established by law, required for any specific decision?**

YES

NO

If so, describe the differences.

Description of differences

**C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors.**

YES

NO

Description of requirements
<p>According to Article 33.2 of the Bylaws, in order for a Director to be appointed as Chairman or Vice-Chairman of the Board of Directors, at least one of the following conditions must be met:</p> <p>a) to have formed part of the Board of Directors for at least the THREE (3) years preceding the date of said appointment; or</p> <p>b) to have previously held the position of Chairman of the Board of Directors, regardless of the duration of the term of office as Director.</p> <p>If a Director is appointed as Chairman or Vice-Chairman by a unanimous decision of SEVENTY-FIVE PERCENT (75%) of the members of the Board of Directors, the above-mentioned conditions will not be applied.</p> <p>Likewise, re-election as a Director of any members of the Board who hold the positions of Chairman and Vice-Chairman and, where appropriate, Coordinating Director, provided the legal requirements are met, will imply the automatic continuity in those positions.</p>

**C.1.22** State whether the Bylaws or the Regulations of the Board establish any limit as to the age of directors:

YES

NO

Remarks

**C.1.23** State whether the Bylaws or the Regulations of the Board establish any term limits for independent directors other than those required by law:

YES

NO

Additional requirements and/or maximum number of term limits

**C.1.24** Indicate whether the Bylaws or the Regulations of the Board establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of proxies that a director may hold, as well as whether any restriction has been established regarding the categories of directors to whom proxies may be granted beyond the restrictions imposed by law. If so, briefly describe such rules.

Remarks
Pursuant to Article 18.3 of the Regulations of the Board, representation by proxy shall be made in writing through a letter addressed to the Chairman for each particular meeting, including the relevant instructions, and must be in favour of another member of the Board. External Independent Directors may only be represented by another External Independent Director. There is no maximum number of proxies provided per director.

**C.1.25** Indicate the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Proxies granted with specific instructions shall be counted as attendance

Number of Board meetings	7
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Number of Board meetings without the chairman	0
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Remarks
During the year 2019, a total of 7 meetings of the Board of Directors have been held, six (6) of them face-to-face and one (1) in writing and without a session.

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings
0

Remarks
<p>The Coordinating Director (Mr Fernando d’Ornellas) is also Chairman of the Audit and Compliance Committee, and a member of the Appointments and Remuneration Committee.</p> <p>The sole Executive Director of the company (Mr Gabriel Escarrer Jaume) is not part of these commissions, although he occasionally attends as a guest to the Audit and Compliance Committee.</p> <p>Therefore, the Coordinating Director meets with some external directors without the assistance of the Executive Director, although such meetings take place within the framework of the Commissions sessions.</p>

Indicate the number of meetings held by each committee of the Board during the year:

Committee	No. of meetings
Number of meetings held by the Auditing and Compliance Committee	10
Number of meetings held by the Appointments and Remuneration Committee	8

**C.1.26** Indicate the number of meetings held by the Board of Directors during the year and the data on attendance by its members.

Number of meetings with on-site attendance of at least 80% of directors	6
% of on-site attendance over total votes during the year	87.87%
Number of meetings with on-site attendance or representations by proxy made with specific instructions of all directors	7
% of votes cast with on-site attendance and representations by proxy made with specific instructions of all directors	100%

Remarks
During the year 2019, a total of 7 meetings of the Board of Directors have been held, six (6) of them face-to-face and one (1) in writing and without a session.

**C.1.27** State whether the individual and consolidated financial statements submitted to the Board for approval are previously certified:

YES

NO

Identify, where applicable, the person(s) who certified the individual and consolidated financial statements of the company for preparation by the Board:

Name	Position
Mrs. Pilar Dols Company	Chief Financial Officer
Mr. Gabriel Escarrer Jaume	Vice Chairman and CEO

Remarks

**C.1.28** Explain any measures, if any, established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit report.

The Audit and Compliance Committee's duties include liaising with the external auditors to receive information related to the account auditing process and to have available all the communications laid down in auditing laws and technical auditing standards, conducting direct monitoring with the external auditors. In doing so, the Committee holds several meetings with the auditors throughout the year in order to monitor the performance of their work and to detect and resolve any incidents that may affect the annual accounts.

**C.1.29** Is the secretary of the Board also a director?

YES

NO

If the Secretary is not a director, fill in the following table:

Name or corporate name of the secretary	Representative

Remarks
Without prejudice to what is indicated in this question, the Company also has a Deputy Secretary who is not a member of the Board of Directors.

**C.1.30** State, if any, the specific measures established by the company to ensure the independence of its external auditors, as well as, where appropriate, the measures established to ensure the independence of financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

<p>The Audit and Compliance Committee's duties include liaising with the external auditors in order to receive information regarding such issues as may jeopardise the independence of the latter.</p> <p>In fact, there is a direct relationship between the members of the Committee and the external auditors, with the latter attending the meetings held by this Committee in person. As a general rule, in each meeting of the Audit and Compliance Committee, the Directors meet with the external auditor without the presence of the managers of the Company.</p> <p>Likewise, the Auditing and Compliance Committee annually prepares a report that deals with the independence of the external audit.</p> <p>Regarding the measures established to ensure the independence of financial analysts, it is worth noting that the company provides information requested by any analysts with no discrimination and offering the maximum transparency, the same thing happens in carrying out road shows.</p> <p>Likewise, at all times during the information exchange process, the Company avoids influencing the opinions or points of view of the analysts.</p>
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According to Article 34.4 of the Regulations of the Board of Directors, under no circumstances will any information be provided to financial analysts that could put them in a privileged or advantageous position compared to the rest of the shareholders.

**C.1.31** Indicate whether the company changed its external auditor during the year. If so, identify the incoming auditor and outgoing auditor:

YES

NO

Outgoing Auditor	Incoming Auditor
PricewaterhouseCoopers, S.L.	Deloitte, S.L.

Remarks
In the General Shareholders' Meeting held on 6 June 2018, in line with the proposal the Audit and Compliance Committee made to the Board of Directors, it was agreed to appoint the firm Deloitte, S.L. as the external auditor for the verification of the annual accounts and the management report of the Company and its consolidated Group for years 2019, 2020 and 2021.

If there has been any disagreement with the outgoing auditor, provide an explanation thereof:

YES

NO

Explanation of disagreements

**C.1.32** State whether the audit firm provides any non-audit services to the company and/or its group and, if so, the fees paid, and the corresponding percentage of total fees invoiced to the company and/or its group:

YES

NO

	Company	Group companies	Total
Amount invoiced for non-audit services (thousand euros)	150.28	48.50	198.78

Amount invoiced for non-audit services/total amount invoiced by the audit firm (in %)	39.55%	7.03%	18.58%
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Remarks
<p>Highlight that the Company has in place an approval process for services other than auditing provided by the statutory auditor. This process includes a list of prohibited services, as well as a procedure for the approval of services classified as permitted. Likewise, the list of services other than auditing, with the breakdown of fees, is presented annually to the Audit and Compliance Committee.</p> <p>The said process was revised and updated by the Auditing and Compliance Committee during the year 2019.</p>

**C.1.33** State whether the auditor’s report on the annual accounts for the preceding year contains a qualified opinion or reservations. If so, indicate the reasons given to shareholders by the chairman of the Audit Committee to explain the content and scope of such qualified opinion or reservations.

YES

NO

Explanation of reasons

**C.1.34** State the number of consecutive years the current audit firm has been auditing the individual and/or consolidated annual accounts of the company. Likewise, state the number of years audited by the current audit firm as a percentage of the total number of years that the annual accounts have been audited:

	Individuals	Consolidated
Number of consecutive years	1	1

	Individuals	Consolidated

Number of years audited by current audit firm/Number of years the company or its group have been audited (%)	0.043%	0.043%
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Remarks

**C.1.35** Indicate and, if applicable, give details of any procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time:

YES

NO

Explanation of procedure
<p>Although according to Article 17 of the Regulations of the Board, meetings shall be called a minimum of three days before the day on which the meeting is to be held and the call to meeting shall include the session's agenda along with the relevant information properly summarised and prepared, unless there are exceptional circumstances, the information shall be made available to Directors (8) eight days before the meeting is held.</p> <p>Furthermore, Article 22 of the Regulations of the Board establishes that Directors have the broadest powers to receive information on any aspect of the Company, to examine its books, records and documents and other evidence of the company's transactions and to inspect all its facilities.</p> <p>Exercise of the powers of information shall be channeled through the Chairman or the Secretary of the Board of Directors, who will attend to the requests of the director by providing him/her with the information directly, offering appropriate interlocutors at the appropriate level in the organisation or establishing such measures so as to enable him/her to conduct the desired examinations in situ.</p>

**C.1.36** State whether the company has established rules whereby directors must provide information and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:

YES

NO

Explain the rules

Article 31.2 of the Regulations of the Board expressly establishes that Directors should inform the Board, and where applicable, resign under any circumstances that may jeopardise the company’s standing and reputation and shall in any event report any criminal charges brought against them, and the status of any subsequent court or legal proceedings, and the Board of Directors shall examine the case as soon as possible and decide, in consideration of the specific circumstance, whether or not the Director in question should remain in office.

Likewise, in section 3.1.37 of this report it has been reported that no member of the Board of Directors has informed the company that it has been prosecuted or has been ordered to open a trial for any of the crimes indicated in Article 213 of the Capital Companies Law.

**C.1.37** State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the Corporate Enterprises Act:

YES

NO

Name of director	Criminal proceedings	Remarks

Indicate whether the Board of Directors has examined the case. If so, provide a justified explanation of the decision taken as to whether the director in question should continue to hold office or, if applicable, describe any actions taken or to be taken by the Board up to the date of this report, or which it intends to take.

YES

NO

Decision/action taken	Justified explanation

**C.1.38** List the significant agreements entered into by the company that come into force, are amended or are terminated in the event of a change of control of the company following a takeover bid, and their effects.

N/A
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**C.1.39** Identify individually for directors, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing compensation or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

**Beneficiary:** Chief Executive Officer

**Description of the agreement:**

In 2015, the Chief Executive Officer signed a contract with the Company for the provision of services pursuant to Article 249 of the Corporate Enterprises Act, which, in relation to compensation, provides:

- **Post-contract non-compete agreement**, for one year, with the Company's commitment to pay the Chief Executive Officer one year's total annual remuneration under the conditions in force at the time of termination of the contract.

If the Chief Executive Officer breaches the post-contract non-compete obligation, he must return to the Company any amounts received in this connection and compensate the Company with an amount equivalent to 150% of the amount received in this connection.

- **Termination of contract:** termination of service of the Chief Executive Officer shall take place in the cases contemplated in the Corporate Enterprises Act, in which case he must place his position at the disposal of the Board of Directors and, where appropriate, execute immediately his dismissal from office.
- **Compensation:** The Chief Executive Officer shall be compensated with an amount equal to one year's total annual remuneration, under the following circumstances:
- **Unilateral termination by the Chief Executive Officer:** due to serious and negligent breach by the Company of its contractual obligations under the contract or to a substantial modification of his functions, powers or service conditions for reasons not attributable to the Chief Executive Officer.
- **Unilateral termination by the Company:** not due to a serious and negligent breach by the Chief Executive Officer of the duties of loyalty, diligence or good faith or any of those established by law, according to which he must perform his function.

Also, following the recommendations of the United Code of Good Governance of the CNMV, during the year 2019 the aforementioned service provision contract was modified, in order to include a clawback clause.

State if these contracts have been communicated to and/or approved by the management bodies of the company or its group. If so, specify the procedures, expected events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising the clauses	Yes	No

	YES	NO
Are these clauses notified to the General Shareholders' Meeting?	Yes	

Remarks

## C.2. Committees of the Board of Directors

C.2.1. Give details of all committees of the Board of Directors, their members and the proportion of executive, proprietary, independent and other external directors that comprise them:

### AUDITING AND COMPLIANCE COMMITTEE

Name	Position	Category
Mr. Juan Arena de la Mora	Member	External Independent Director
Mr. Francisco Javier Campo García	Member	External Independent Director
Mrs. Carina Szpilka Lázaro	Member	External Independent Director
Mr. Fernando D'Ornellas Silva	Chairman	External Independent Director

% of proprietary directors	0%
% of independent directors	100%
% of other external	0%

Remarks

The Board of Directors in its session held on June 18, 2019, unanimously adopted the appointment of Mr Francisco Javier Campo García as a member of the Audit and Compliance Committee.

During fiscal year 2019, Mr Juan Vives Cerdá and Mr Alfredo Pastor Bodmer, ceased as members of the Audit and Compliance Committee for the expiration of their mandate as directors.

Explain the functions, including, where appropriate, functions other than those provided for by law, exercised by this committee, and describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, in the bylaws or other corporate resolutions.

The functions attributed to the Audit and Compliance Committee are regulated in Article 14 of the Regulations of the Board of Directors, and can be classified as follows:

**(a) In relation to the external auditor**

- Submit proposals to the Board for the selection, appointment, re-election and replacement of the Accounts Auditors, taking responsibility for the selection process, in accordance with what is established in current regulations, as well as the conditions of hiring and obtaining norms from it, information on the audit plan and its execution, in addition to preserving its independence in the exercise of its functions.
- Maintain a relationship with the External Auditors to receive information on those issues that may pose a threat to their independence and any others related to the process of developing the Audit of Accounts, and where appropriate, the authorization of services other than audit services in accordance with current legislation, as well as those other communications provided for in the Accounts Audit legislation and in the Technical Audit norms.
- Serve as a communication channel between the Board of Directors and the auditors (internal and external), evaluate the results of each audit and the management team's responses to its recommendations. Ensure that the External Auditor holds, at least once a year, a meeting with the Board of Directors in full to inform him of the work done.
- Receive annually from the External Auditors the declaration of their independence in relation to the entity or entities linked to it directly or indirectly, as well as the detailed and individualized information of the additional services of any kind provided and the corresponding fees received from these entities by the External

Auditor or by the persons or entities linked to it in accordance with the provisions of the applicable regulations.

- Issue annually, prior to the issuance of the Audit Report, a report expressing an opinion of the independence of the Auditor, in accordance with the Law.
- Supervise compliance with the Audit Contract.

**(b) Monitoring of the effectiveness of the Company's internal control and risk management systems**

- Supervise the effectiveness of the internal control of the Company, Internal Audit services and risk management systems, including tax, as well as discuss with the Accounts Auditor the significant internal control weaknesses detected in the development of the audit, all this without breaking its independence, being able to present recommendations or proposals to the Board of Directors and the corresponding deadline for compliance.
- Supervise and evaluate non-financial risks: operational, technological, legal, social, environmental, political and reputational, without prejudice to the functions entrusted and the work to be performed by the Appointments and Remuneration Committee in this area.

**(c) Monitoring financial and non-financial information:**

- Supervise the process of preparing and presenting mandatory financial and non-financial information and submit recommendations or proposals to the Board of Directors to safeguard their integrity.
- Review the designation or replacement of those responsible for the processes of financial, non-financial information, internal control systems of the Company and those of risk management. Ensure that the financial and non-financial information offered to the markets is prepared in accordance with the same principles, criteria and professional practices with which the Annual Accounts are prepared.
- Review the Accounts of the Company (including the Annual Corporate Governance Report) and monitor compliance with legal requirements and the correct application of generally accepted accounting principles, with the direct collaboration of External and Internal Auditors.
- Inform the Board of Directors about the related financial and non-financial information that the Company must publish periodically, ensuring its clarity, truthfulness and integrity.

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- Verify and coordinate the process of reporting non-financial information, in accordance with applicable regulations and international reference standards, without prejudice to the functions specifically entrusted and the work to be performed in this regard by the Appointments and Remuneration Committee in this subject.

**(d) Monitoring of the preparation and presentation of regulated financial information**

- Ensure the independence and effectiveness of the Internal Audit, Risk and Compliance functions.
- Supervise and evaluate the performance of the Internal Audit, Risks and Compliance areas, whose managers will report directly to the Commission on the incidents presented in their annual work plan and submit a report of activities at the end of each year.
- Review the annual working plan of the said areas and carry out the follow up of the same.
- Approve the annual budget of the Internal Audit, Risk and Compliance departments.
- Supervise the selection, appointment and dismissal of the person responsible for the Internal Audit, Risk and Compliance functions.
- Supervise the operation of the Company's Whistleblower channel (from employees and suppliers), receiving periodic reports regarding the operation of the channel, and in particular, on the number of complaints received, their type, results and proposals for action.

**(e) General Shareholders Meeting:**

- Report to the General Shareholders meeting on the issues raised by the shareholders in the matters of their competence and, in particular, on the result of the audit explaining how it has contributed to the integrity of the financial and non-financial information and the role that the Commission has played in that process.
- Prepare the annual report or report on the operation of the Commission to make it available to shareholders and other groups of interest.

**(e) Other functions:**

- Examine the compliance with the Internal Rules of Conduct in the Securities Markets, the Regulations of the Board of Directors, internal regulations and, in

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general, the rules of Corporate Governance of the Company and make the necessary proposals for improvement.

- Inform beforehand, to the Board of Directors of all matters provided for in the Law, the Bylaws and these Regulations and, in particular, on (i) the financial information that the Company must publish periodically; (ii) the creation and acquisition of interests in special purpose entities or domiciled in countries or territories that are considered tax havens, (iii) operations with related parties and (iv) operations of structural and corporate modifications of special relevance.
- Establish and monitor the existence of a crime prevention and detection model.

The activities carried out by the Audit and Compliance Committee in 2019, are described in the committee's activity report, published on the website of Meliá Hotels International.

Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairman of this committee was appointed.

Name of directors with experience	Mr. Fernando D'Ornellas Silva
Date of appointment of the chairman in office	23 June 2016

Remarks
According to the recommendations of the Uniform Good Governance Code and the Technical Guide 3/2017 of the CNMV, the Chairman of the Committee, Mr. Fernando D'Ornellas Silva, has extensive knowledge and experience in accounting and financial management as well as in audit matters.
As for Mrs. Carina Szpilka Lázaro, she has experience in the field of information technologies (IT), and she is the current chairman of the Asociación Española de la Economía Digital (ADigital).

**APPOINTMENTS AND REMUNERATION COMMITTEE**

Name	Position	Category
Hoteles Mallorquines Consolidados, S.L. (represented by Mrs. Maria Antonia Escarrer Jaume)	Member	External Proprietary Director

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Mr. Fernando D'Ornellas Silva	Member	External Independent Director
Mr. Luis María Díaz De Bustamante Y Terminel	Member	External Independent Director
Mr. Francisco Javier Campo García	Chairman	External Independent Director

% of proprietary directors	25%
% of independent directors	75%
% of other external	0%

Comments

Explain the functions, including, where appropriate, functions other than those provided for by law, exercised by this committee, and describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, in the bylaws or other corporate resolutions.

The functions attributed to the Appointments and Remuneration Committee are regulated in Article 15 of the Regulations of the Board of Directors, and can be classified as follows:

**(a) Appointment and re-election of directors:**

- Define and review the criteria to be followed for the composition of the Board of Directors and selection of candidates and in particular, evaluate the competencies, knowledge, capacities and experience necessary in the Board of Directors to define the necessary competences and aptitudes of the candidates that must fill the vacancies.
- Develop and, where appropriate, periodically update a matrix with the necessary powers of the Board that defines the skills and knowledge of the candidates for directors.
- To submit to the Board the proposals for the appointment of Independent Directors so that they may proceed directly to designate them (co-option) or make them their own to submit to the decision of the General Meeting, as well as their re-election or separation by the General Meeting.
- Inform the proposals for the appointment of the remaining directors so that the Board may proceed directly to designate them (co-option) or make their own to submit to the

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decision of the General Meeting, as well as their re-election or separation by the General Meeting.

- Propose to the Board of Directors the members that must be part of each of the Committees.
- Propose to the Board of Directors the Policy for the Selection of Directors and verify the compliance annually.

**(b) Appointment and removal of senior executives and the basic terms and conditions of their contracts:**

- Report any proposals for the appointment or removal of senior executives and the basic terms and conditions of their contracts.

**(c) Remuneration policy:**

- Propose to the Board the remuneration policy for Directors and Senior Managers or those who perform senior management functions under the direct supervision of the Board, Executive Committees or Chief Executive Officers, as well as individual remuneration and other contractual conditions for Executive Directors, also ensuring their observance.
- Regularly review the remuneration policy to ensure its appropriateness and performance. In particular, periodically review the evaluation of objectives or parameters that are part of the remuneration schemes of the executive director and senior management.
- Ensure the transparency of the remuneration, as well as the inclusion in the Annual Report on the Remuneration of Directors and in the Annual Report of the Corporate Governance information on the remuneration of directors, and sometimes to the Board for the approval of the Annual Report of Remuneration of Directors.

**(d) Examination and organization of the succession of the President of the Council and the First Executive and Senior Executives.**

- Examine and organize the succession of the President and the Chief Executive of the Company and, where appropriate, make proposals to the Board of Directors so that such succession occurs in an orderly and planned manner.

**(e) Evaluation of the Board of Directors and the specialized Committees:**

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- Lead the evaluation that periodically, and at least once a year, should be carried out on the structure, size, composition and performance of the Board of Directors and the specialized committees, making the recommendations it deems necessary and appropriate in each case.
- Periodically evaluate, and at least once a year, the suitability of the Board of Directors and its members, and inform the board of directors about it.

**(f) Conflicts of interest:**

- Report in relation to transactions that imply or may imply conflicts of interest and, in general, about matters related to the duties of directors, in accordance with this Regulation.
- Ensure that any conflicts of interest do not prejudice the independence of the external advice provided to the Commission.

**(g) Corporate Responsibility:**

- Supervise the Corporate Responsibility Policy, ensuring that it is oriented to value creation.
- Follow up on the strategy and practices of the said corporate responsibility and assess its degree of compliance. The environmental, social and reputational issues, recognition and visibility shall be understood as included in this aspect, as the competence of the Commission.
- Verify and coordinate the process of reporting non-financial information, in accordance with applicable regulations and international reference standards, in relation to the matters indicated in the previous paragraph.
- Receive from the corresponding department, at least once a year and whenever it considers it appropriate for the proper exercise of its functions, information on the responsibility policy and, specifically, on the following topics:
- Positioning of the Company in the existing measuring indexes in terms of sustainability and corporate responsibility.
- Monitoring of participation in institutions within the framework of the Philanthropy Policy.

(h) Diversity:

- Set the Company’s Diversity Policy applied in relation to the Board of Directors, management and specialized commissions, establishing, among others, representation objectives for the least represented sex, as well as developing guidelines on how to achieve the said objective.
- Ensure that in the selection processes diversity is favoured regarding issues such as age, gender, or disability or professional training and experience and do not suffer from implicit biases that may imply any discrimination.
- Supervise and evaluate the relationship processes with the different interest groups within the scope of their competence.
- Inform, beforehand, to the Board of Directors of all matters provided for in the Law, the Bylaws and these Regulations.
- Promote and monitor the training plan of the Board of Directors.
- Prepare the annual report or report on the operation of the Commission to make it available to shareholders and other interest groups.
- Lead the launch of employment climate and quality surveys and monitor the results and action plans.

The activities carried out by the Appointments and Remuneration Committee during fiscal year 2019 are detailed in the commission’s activities report, published by Melia Hotels International website.

**C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:**

	Number of female directors			
	Year 2019	Year 2018	Year 2017	Year 2016
Audit and Compliance Committee	1 (25%)	1 (20%)	1 (20%)	1 (20%)
Appointments and Remuneration Committee	1 (25%)	1 (25%)	1 (25%)	1 (25%)

Remarks

**C.2.3.** Indicate, where appropriate, the existence of regulation of the committees of the board, the place where they are available for consultation, and the modifications that have been made during the year. In turn, it will be indicated if an annual report on the activities of each commission has been voluntarily prepared.

#### Audit and Compliance Committee

The composition, functions and performance regime of the Audit and Compliance Committee of Meliá Hotels International, SA, are regulated in articles 39 Bis of the Bylaws and 14 of the Regulations of the Board of Directors. All this without prejudice to the provisions of the Capital Companies Law and other applicable regulations.

The Audit and Compliance Committee has prepared and approved its annual report of activities for the year 2019. This report will be published on the corporate website.

#### Appointments and Remuneration Committee

The composition, functions and performance of the Appointments and Remuneration Committee of Meliá Hotels International, SA, is regulated in articles 39 Ter of the Bylaws and 15 of the Regulations of the Board of Directors. All thus without prejudice to the provisions of the Capital Companies Law and other applicable regulations.

The Audit and Compliance Committee has prepared and approved its annual report of activities for the year 2019. This report will be published on the corporate website.

Both the Bylaws and the Regulations of the Board of Directors are available on the corporate website of Melia Hotels International SA.

[https://www.meliahotelsinternational.com/en/shareholdersAndInvestors/Documents/Reglamento\\_Consejo/MHI\\_Reglamento%20del%20Consejo\\_ENG%20\(2019\).pdf](https://www.meliahotelsinternational.com/en/shareholdersAndInvestors/Documents/Reglamento_Consejo/MHI_Reglamento%20del%20Consejo_ENG%20(2019).pdf)

During fiscal year 2019, articles 14 (Audit and Compliance Committee) and 15 (Appointments and Remuneration Committee) of the Regulations of the Board of Directors have been modified, by agreement of the Board of Directors dated April, 4 2019, also reported within the Sixth point of the Agenda to the General Meeting of Shareholders held on June, 18 2019 by making available to the shareholders the following informative document:

[https://www.meliahotelsinternational.com/en/shareholdersAndInvestors/ShareholdersDocs/2019/15.%20MHI\\_JGA\\_Documento%20informativo%20modificacion%20Reglamento\\_ENG.pdf](https://www.meliahotelsinternational.com/en/shareholdersAndInvestors/ShareholdersDocs/2019/15.%20MHI_JGA_Documento%20informativo%20modificacion%20Reglamento_ENG.pdf)

## D. Linked Operations and Intragroup Operations

### D.1. Explain, where appropriate, the procedure and competent bodies for the approval of transactions with related parties and intragroup.

In accordance with art.32.1 of the Regulations of the Board of Directors, the Board must know and authorize any transaction of the Company with its significant shareholders and Directors. Likewise, in accordance with article 32.2 of the Regulations of the Board of Directors, in no case shall the transaction be authorized if a report has not previously been issued by the Audit and Compliance Committee assessing the operation from the point of view of equal treatment of shareholders and market conditions, establishing art.32.2 of the Regulations of the Board of Directors that the Board will also ensure compliance with the legality and the duties of information and transparency that the Company must comply with regarding the communication of these operations.

### D2. Detail those significant transactions by their amount or relevant for their matter carried out between the company or entities of their group, and the significant shareholders of the company.

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (thousand euros)
Tulipa Inversiones 2018, S.A..	Meliá Hotels International, S.A.	Contractual	Reception of Services	317
Tulipa Inversiones 2018, S.A.	Infinity Vacations Dominicana	Contractual	Reception of Services	285
Tulipa Inversiones 2018, S.A.	Desarrolladora Hotelera del Norte	Contractual	Reception of Services	108
Tulipa Inversiones 2018, S.A.	Inversiones Areito S.A.S.	Contractual	Reception of Services	69
Tulipa Inversiones 2018, S.A.	Sol Melia Italia S.R.L	Contractual	Reception of Services	6
Tulipa Inversiones 2018, S.A.	Corporación Hotelera Hispano Mexicana S.A.	Contractual	Reception of Services	28

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Tulipa Inversiones 2018, S.A.	Desarrollos Sol, S.A.S.	Contractual	Operational lease contracts	185
Tulipa Inversiones 2018, S.A.	Desarrollos Sol, S.A.S.	Contractual	Reception of Services	407

Remarks

**D.3.** State any transactions that are significant because of their amount or relevant because of their subject matter, carried out between the company or its group companies, and the directors or managers of the company:

Name or corporate name of director or manager	Name or corporate name of the related party	Relationship	Type of transaction	Amount (thousand euros)
Mr. Juan Vives Cerdá	Meliá Hotels International, S.A.	Commercial	Provision of services	157.8
Mr. Juan Vives Cerdá	Prodigios Interactivos, S.A.	Commercial	Provision of services	108.24
Mr. Juan Vives Cerdá	Meliá Hotels International, S.A.	Commercial	Receipt of services	3.23
Mr. Juan Vives Cerdá	Prodigios Interactivos, S.A.	Commercial	Receipt of services	15.39

Remarks

**D.4** Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any case, list any intragroup transaction conducted with entities in countries or territories which are considered tax havens:

Name of the group company	Brief description of the transaction	Amount (thousand euros)
Sol Meliá Funding	Assignment of the customer portfolio of American companies in the vacation club segment to Sol Meliá Funding for its management	-91
Sol Meliá Funding	Modification of the inter-group loan agreement with the parent company, in line with the centralised cash management policy	-5,171

Remarks

**D.5** List any material transactions between the company or its group companies and other related parties, not recorded under the previous items.

Name of related party	Brief description of transaction	Amount (thousand euros)

**D.6** List the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

Directors are obliged to inform the Company of any situation of direct or indirect conflict which they might have with the interests of the Company, pursuant to Article 28 of the Regulations of the Board of Directors. Likewise, pursuant to Article 15.2. of the Regulations of the Board of Directors, the Appointments and Remuneration Committee must inform the Board of Directors of any transactions that involve or may involve conflicts of interest and propose, if applicable, any measures to be adopted.

**D.7** Is there more than one company in the group listed in Spain?

YES

NO

Identify the other companies that are listed in Spain and their relationship with the company:

Identity and relationship with other listed group companies

State if the respective areas of activity and business relationships between the listed companies have been defined publicly and precisely, as well as between the

subsidiary and other members of the group:

YES

NO

Describe the possible business relationships between the parent company and the listed subsidiary, and between the subsidiary and the other group companies

--

Identify the mechanisms established to resolve potential conflicts of interest between the listed subsidiary and other group companies:

Mechanisms established to resolve potential conflicts of interest

--

## E. Risk control and management systems

### E.1 Explain the scope of the Company's Risk Control and Management System, including the system for managing tax risks.

The Control and Risk Management System has not changed compared to previous years. The Company maintains a risk management model based on the Enterprise Risk Management (ERM) COSO II methodology and consists of the following stages:



This model works in an integral and continuous way, and allows obtaining the Group Risk Map from the consolidation of the Individual Risk Maps of the different Departments and Business Areas, through the periodic identification by the management team, of the risks that threaten the objective and strategy of the Group (Stage 1), and of the valuation of the said risks in terms of the variables of probability of occurrence and impact in case of materialization (Stage 2). The Group's Fiscal Risk Map is obtained and updated annually.

The company has a Risk Control Analysis and valuation Policy approved by the Board of Directors (last updated in 2017 and accessible through the web: <https://www.meliahotelsinternational.com/es>).

It is a policy of global application and establishes the basic principles that govern risk management, as well as the general framework for the control, analysis and assessment of risks, including tax. Those basic principles are:

- a. Promote an appropriate internal environment and a culture of risk awareness.
- b. Adapt the strategy to the risks identified.
- c. Ensure an appropriate degree of independence between the areas responsible for risk management (and their elimination or mitigation) and the area responsible for their control and analysis.
- d. Identify and evaluate the range of risks that affect the Group, ensuring their correct allocation.
- e. Ensure the appropriate management of the most relevant risks.
- f. Improve processes and decisions of risk response.
- g. Provide integrated responses to multiple risks.
- h. Report and communicate with transparency and in a consistent manner the Group's risks to the entire Organisation.
- i. Ensure that the Group acts at all times in compliance with current legislation, the Group's internal regulations and the Code of Ethics.

In order to develop this Policy, the Company also has an internal Control and Risk Analysis Standard whose objective is to ensure the operation of the Risk Control System, establishing the rules, guidelines and criteria that the process of updating the Map of Risks within the Group. The Regulations also define the basic responsibilities in risk management of governance bodies and the different areas within the organisation.

In the area of taxation, Meliá Hotels International has in place a Tax Strategy Policy -which has been approved by the Board of Directors. The Fiscal Strategy is governed by the following fundamentals:

- Regulatory compliance and responsible fiscal management.
- Cooperative relations with administrations and control and risk management system.
- Fiscal efficiency, effectiveness defense of our fiscal positions and transparency.

This fiscal strategy is in turn developed by an Internal Standard for Control and Management of Fiscal Risk.

## **E.2 Identify the company's bodies responsible for creating and executing the Risk Control and Management System, including the system for managing tax risks:**

The Board of Directors of Meliá Hotels International has the power to delegate, with the assistance, in those cases where it is necessary, of the Committees or Committees established within the Board, in particular and among others, the identification of the main risks of the Company, in particular, tax risks and those arising from operations with derivatives, and implementation and monitoring of adequate internal control and information systems. (Art. 5 of the Board of Regulations).

On the other hand, the Audit and Compliance Committee is responsible for supervising internal audit services and the financial reporting and internal control systems processes (Art. 14.2 of the Regulations of the Board).

- The effectiveness of the Internal Control and Risk Management Systems of the company.
- Financial and non-financial information.
- The functions of Internal Audit, Risks and Compliance
- The existence of a Crime Prevention and Detection Model.

The Risk Control & Compliance Department, which depends directly on the Audit Committee (although integrated into the Legal & Compliance Department) is responsible for ensuring Compliance with both the Policy and the Internal Standard related to Risk Management and Compliance, therefore, ensuring the operation and development of the Group's risk management and Criminal Crime Prevention and Detection models. In addition, it coordinates the process of prioritization of investments based on risk criteria.

Therefore, as a second line of defense it has assigned control and analysis functions, being the responsibility of risk management in the first line of defense, that is, directly in each of the different Departments and Business Areas that form the Group.

This Department reports on its activities to the Audit and Compliance Committee, both periodically and through an Annual Report established for this purpose.

Other bodies/departments with responsibilities and/or functions related to risk management:

- **Committees:**

Name	Specific risk function
Executive Committee	It has the duty to develop and promote control to improve the quality of corporate governance and risk management in the Group.
Strategic Planning Committee	Its tasks include the monitoring of the results and the level of compliance with the strategic plan and the alignment with the Risk Map
Expansion Committee	One of its functions consists of preparing and approving risk evaluation sheets for expansion projects.
Investment Committee	It ensures that part of the Group's annual resources is devoted to executing investments classed and prioritised according to risk criteria.

- **Committees:**

Name	Specific risk function
Internal Audit	The department in charge of verifying the proper operation of internal control systems, by ensuring that risks are identified, quantified and controlled, as well as verifying compliance with regulations.
Corporate Governance	Writes and updates the Group's policies and internal regulations
Fiscal	Coordinates and centralizes the actions of control and management of fiscal risks. Periodically reports to the Executive Committee, Audit and Compliance Committee and to Risk Control regarding the valuation of both fiscal risks and the validity of the controls established in this regard.
Credit and Insurance Management	It manages credit risk and the contracting of insurance policies at corporate level to cover certain risks, always under the guidelines set forth in the Internal Insurance Standard.
Health and Safety	Has responsibilities in matters of health and safety and risk prevention
Global Technical Services and Works	Identify and catalog risks in the facilities based on criteria that allow the prioritization of certain investments later and centrally

The bodies/departments responsible for the preparation and implementation of the Risk Management System have available the Code of Ethics, the Whistleblowing Channel, and the Internal Policies and Regulations of Meliá Hotels International as key tools for risk management.

**E.3** State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives.

Melia Hotels International is a hotel group with a strong international presence. It develops its activities in various countries and markets, with different socio-economic environments and regulatory frameworks. In this context, it is essential to identify, assess and control the risks that the Group faces in order to achieve its objectives and strategy.

The risks identified are classified in the following categories:

**1.Global Risks.** They go beyond the capacity for action of the Company itself and economic agents. Some examples are:

- Geopolitical risks
- Natural disasters or catastrophes
- Pandemics or health crisis
- Climate change

The Company has in place the relevant coverages required for this type of events, as well as the action protocols to ensure the health and safety of customers and employees, as well as the normal operation of business and, where appropriate, its protection and restoration.

**2.Financial Risks.** The risks that make it difficult for the Company to meet its financial commitments or make its assets liquid. For instance:

- Liquidity
- Credit
- Exchange rate
- Investment

The management of these risks lies mainly with the Finance and Administration Department.

**3.Business Risks.** They arise from changes in the variables inherent to the business, such as:

- Strategy
- Reputation
- Market
- Competition

**4. Operational Risks.** The result of possible deficiencies in internal processes, related to:

- Operations
- Clients
- Human Resources
- Equipment
- Internal control and processes

**5. Compliance Risks.** Risks derived from regulatory changes established both externally and internally, and/or its possible non-compliance. Include among others:

- Legal risks
- Fiscal risks
- Procedural compliance risks (internal and external)

The Company has a set of internal policies and standards, as well as the Code of Ethics and the Whistleblowing Channel which are some of the tools the Group has to mitigate this type of risk, and the Policy on Compliance Approved on by the Board of Directions in 2018, and through which Melia assumes the commitments of:

- Comply with the legislation and regulatory obligations (both internal and external).
- Ensure that internal regulations and actions carried out by its executives and managers are based on ethical standards which are aligned with the Company's principles and values, as well as its Code of Ethics.

**6. Information Risks** They are mainly caused by the inappropriate use, generation and disclosure of information. Mainly related to:

- Reporting
- Internal and external communication

In relation to fiscal risks and those derived from corruption, depending on the specific risk, they are included in any of the categories indicated above, mainly within the Operational or Compliance Risks.

In this regard, one of Melia Hotels International's global commitments established in its Code of Ethics is to act with rigor and forcefulness against any practice of corruption, fraud or

bribery. In this regard, the Group has an Anti-Corruption Policy approved by the Board of Directors in 2017 (available through the corporate website). This Policy establishes the commitments of:

- Act against any practice of corruption, fraud or bribery
- Reject gifts and attention from third parties if they exceed the fair value of mere courtesy
- Not accept from our suppliers any type of financial consideration, gift or invitation that, due to its value, may exceed the symbolic and mere courtesy

Both fiscal risk and corruption are part of the Crime Prevention and Detection Model that the Company has implemented, which was certified in 2019 according to UNE 19601:2017. Within that Model and related to fiscal and corruption risks, the company has implemented a series of controls that are evaluated annually.

The Internal Financial Information Control System (SCIIF) widely developed in section F of this report, deserves special attention.

#### **E.4 Identify whether the company has a risk tolerance level, including tolerance for tax compliance risk.**

Tolerance levels according to the different risk categories are established in the Risk Control, Analysis and Assessment Policy, which was updated in February 2017.

The 2 Stage of the model (Risk Assessment) is carried out at residual risk level, i.e., considering existing control mechanisms, and is based on probability and impact variables using quantitative and qualitative criteria (financial, operational, regulatory, reputational, strategic, etc.) whose different ranges constitute a standardised rating scale on the basis of which risks are prioritised and acceptable risk is set.

Once the Group's Risk Map is completed, an analysis is made by risk type at Group Area or Management level. All this information is included in an annual report submitted to the Audit and Compliance Committee and the Board of Directors.

The Risk Map is aligned with the Strategic Plan and the objective setting process. Every year we aim to ensure that measures for mitigating the most important risks are linked to annual objectives and/or the Strategic Plan. Therefore, monitoring and degree of achievement of objectives, as well as the Strategic Plan also define risk tolerance levels.

**E.5. Identify which risks, including tax compliance risks, have materialised during the year.**

**Global Risks: Geopolitical Risks**

The following risks should be noted:

- **Worsening relations between the governments of the United States and Cuba.** The measures taken by the Trump Administration such as the ban on cruise operations in Cuba, the elimination of travel licenses for educational programs for US citizens known as "People to People", the entry into force of Title III of the Helms Burton Law that has caused reactions among operators such as Trivago, which decided to withdraw numerous hotels from Cuba from its sales channels, and other measures that affected the shipping companies responsible for transporting fuel to Cuba, impacted the operation of the hotels.

In this context, some representatives of the Company have received a notification from the Department of State of the United States under Title IV of the Helms Burton Act.

- **Brexit.** Throughout the year 2019, the uncertainty generated by Brexit and the possible scenarios that were being considered (with agreement or without agreement) have had an impact on the Spanish hotel sector, which has a strong dependence on the British market.
- **Insecurity in certain destinations.** Destinations such as Mexico and Punta Cana have been impacted by this risk during 2019. In the specific case of Punta Cana, as a result of sensationalist information spread by some Media that was finally discredited it, caused a drop in the North American market confidence in that destination.

**Business Risks: Increase in Competition**

Emerging destinations such as Turkey, Egypt and Tunisia continue to recover and the German Tour Operators have opted for these destinations in 2019 negatively impacting the air traffic capacity of destinations such as the Canary Islands.

In this regard, both geopolitical risks and increased competition, the Company has implemented different strategies and commercial campaigns in the destinations affected by these risks that have helped to limit the potential impact on the operation.

**E.6. Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the Board of Directors responds to any new challenges that arise.**

As a first line of defense, each of the different departments/areas (business and support units) are responsible for managing their most important risks, including tax compliance risks. Therefore, this management is fully integrated into the day-to-day activities of the areas themselves and fully aligned with the strategy.

Once the Map of Risks of the Group is updated, the Executive Committee (SET) is whom assigns the responsibilities on the said and that define the action plans to be carried out throughout to mitigate the risks (Stage 3 of the model).

The Risk Control & Compliance Department, together with the affected parties, defines KRI's indicators (Key Risk Indicators) in relation to the main risks identified that allow them to be monitored and controlled (Stage 4 of the model). These indicators are part of the periodic reporting to the Executive Committee.

Within its responsibilities in relation to this matter, the Board of Directors and the Audit and Compliance Committee are periodically informed about the Company's risk management, which includes, among others, information on the results of the Risk Map, action plans and monitoring and control mechanisms and other possible derivative actions that allows the Board to know and respond to the challenges presented by the Company.

Throughout 2019, after the presentation of the Risk Map to the Board of Directors, reports and in-depth analysis have been reported to the Audit and Compliance Committee regarding the main risks that they include (Stage 5 of the model):

- A brief analysis of the context and evolution of the risks.
- The indicators defined for control and monitoring.
- The action plans carried out or planned for risk mitigation.

The Risk Control & Compliance Department is responsible for coordinating, supporting, controlling and monitoring all stages of the model and, due to its direct dependence on the Audit and Compliance Committee, reports on a recurring basis.

## **F. Internal Risk Control and Management Systems in connection with the Process of Publishing Financial Information (ICFR)**

Describe the mechanisms comprising the system of Internal Control over Financial Reporting (ICFR) of your company.

### **F.1 Company's control environment**

Specify at least the following components with a description of their principal features:

**F.1.1.** The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

The Internal Control System of Financial Information (hereinafter "SCIIF") of Melia Hotels International Group is part of its general internal control system and is configured as the set of processes that the Board of Directors, the Audit Committee and Compliance (hereinafter, "CAC") Senior Management and Group personnel, carry out to provide reasonable assurance regarding the reliability of the financial information published in the markets. The functions and responsibilities attributed to these bodies are the following:

#### Board of Directors

According to the provisions of article 529 ter of the Corporate Enterprises Act, the Board of Directors is directly responsible for determining the risk control and management policy, including tax compliance risks, and for monitoring internal reporting and control systems. In this sense, Article 5 of the Regulations of the Board of Directors gives the Board the responsibility, among others, to "Identify the most important risks for the Company, especially tax compliance risks and those arising from transactions with derivatives, and the implementation and monitoring of appropriate internal control and reporting systems."

#### Audit and Compliance Committee

Article 14 of the Regulations of the Board of Directors gives the Audit and Compliance Committee the responsibility, among others, to " monitor the effectiveness of internal control in the company, Internal Audit services and risk management systems, including tax compliance risks, as well as discuss with the auditor any significant weaknesses in internal control detected during the audit, all without prejudice to their independence, being able to submit recommendations or proposals to the Board of Directors and the corresponding deadline for compliance." and " monitor and evaluate the non-financial risks (operational, technological, legal, social, environmental, political and reputational) without prejudice of the duties to be carried out by the Appointments and Remuneration Committee (hereinafter "CNR") in this matter and "supervise the preparation and presentation of mandatory financial

preceptive information and recommendations or proposals to the Board of Directors designed to safeguard its integrity".

Among the attributes of the CAC that affect the Internal Audit Department are (i) ensure the independence and effectiveness of the internal audit function, (ii) approve the budget and annual audit plan (iii) receive periodic information on its activities and (iv) verify that Senior Management takes into account the conclusions and recommendations of its reports.

#### Senior Management

The Meliá Hotels International Group gives Senior Management the responsibility to design, implement and maintain the ICFR, with each Region or Department responsible for its area of influence. This responsibility thus affects the entire Organisation insofar as the financial information is based on the activity and the information generated by the business areas and by the rest of the support areas.

#### Internal Audit Department

The Group has an Internal Audit Department that depends hierarchically on the CAC and functionally to the Chief Legal & Compliance Officer, who in turn reports to the Group's Vice President and CEO. Among the responsibilities of the Internal Audit Department is to verify the proper functioning of the SCIIF, keeping the Board of Directors, through the CAC and Senior Management informed on whether the mechanisms enabled effectively mitigate the risk of errors with material impact on the financial information.

In order to ensure the independence of the Internal Audit Department with respect to the operations or areas that they audit and over which have no authority or responsibility, the internal auditors are not assigned other powers and functions other than those of internal audit. With the exception of the internal systems auditor, who in turn is part of the Data Protection Office and combines the two functions.

#### **F.1.2. Whether the following components exist, especially in connection with the financial reporting process:**

**The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clearly the lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the company.**

The definition and review process of the organisational structure is regulated by the Group's Human Resources Regulations and applies to all the Group companies. According to the provisions of such Regulations, which were approved by the Group's Senior Management in January 2012, the Human Resources Department is responsible for ensuring equity, balance

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and the optimisation of the Company's organisational structure and its periodic review. The heads of the different areas within the Group must ensure that the size of its staff is appropriate and optimal to address the department and business unit operations.

Any change in the organisational structure, as well as the appointment and dismissal of senior executives and their compensation, must be proposed by the Appointments and Remuneration Committee and approved by the Board of Directors.

Likewise, the Organisation area, which reports to the Human Resources Department, is responsible, together with the different areas within the Group, for the analysis and determination of processes, as well as the job descriptions, functions and responsibilities, including positions related to the preparation of financial reporting. The Human Resources Regulations and the Group's organisational chart duly updated are available to employees through the Employee Portal.

With regard to the process of preparing financial information, in addition to detailed organizational charts, there are rules and instructions that establish the specific guidelines and responsibilities of each closure in which the main tasks are explained, both at the corporate level and at the branch level.

**Code of conduct, the body approving it, degree of dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of reviewing breaches and proposing corrective actions and sanctions.**

The Meliá Hotels International Group has several documents relating to conduct of its employees, suppliers and other stakeholders:

Code of Ethics

The Meliá Hotels International Group has a Code of Ethics that was approved by the Board of Directors in 2012 and which has been updated in 2018.

The Code of Ethics is a set of principles of action that organise and give meaning to the values of the Company, helping to understand them and learn how they should be applied and prioritised. The Code of Ethics is the summit of the entire internal regulatory framework. It establishes the bases on which policies, regulations, processes and internal procedures are created.

This Code and all the information necessary for a proper understanding thereof, is available to the Group's employees through the Employee Portal, as well as to any stakeholder through the company's corporate website ([www.meliahotelsinternational.com](http://www.meliahotelsinternational.com)). The Code

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of Ethics is available in the following languages: Spanish, English, German, Italian, Portuguese, Chinese and Vietnamese.

The Code of Ethics is divided into five main areas:

1. Universal values.
2. Values and principles of action.
3. Commitments of Meliá Hotels International.
4. Principles of action for employees.
5. Operating systems.

Corporate values included in the Code of Ethics are proximity, excellence and consistency, commitment to service and innovation

Regarding commitments and principles, the Code of Ethics organises them depending on the different parties concerned: (i) Employees, (ii) Customers, (iii) Shareholders and investors, (iv) Owners and partners, (v) Suppliers (vi) Tourism sector and competition, (vii) Community, (viii) Environment, (ix) Public administrations, (x) Media

In particular, the Code of Ethics includes a section that regulates the principles applicable to the relationship with shareholders and investors, where the following commitments are expressly stated: i) ensuring maximum reliability and accuracy of accounting and financial records, ii) complying with the obligations regarding transparency in the stock markets, iii) maintaining a proactive attitude towards the identification, prevention and mitigation of financial and non-financial risks, and iv) providing the shareholders and investors with transparent, sufficient, accurate, timely and clear financial and non-financial information.

The responsibility for maintaining it operational lies with the Office of the Code of Ethics, which is an body created in order to resolve the queries that may arise in the ordinary operation regarding its content, interpretation and application.

In 2018, a mandatory internal training of three modules was launched, one of them related to the Code of Ethics. This training was sent to all corporate personnel worldwide and to the Directors, Deputy Directors and Headquarters in the different hotels and is still accessible through the Group's internal online training platform.

#### Supplier's Code of Ethics

In 2018, the Board of Directors approved the Supplier's Code of Ethics, which contains the principles and commitments expected from suppliers, including those providing services. This document reinforces the management and relationship model that the Company aims to promote globally, including the principles and commitments of the Company's Code of Ethics itself, and transmitting our commitments to the supply chain.

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Like the Code of Ethics, the Supplier's Code of Ethics is available on the corporate website of the Company. In November 2018, the CEO issued a release informing on its approval and implementation and prompting its dissemination among the suppliers of the Group. Currently, the Supplier's Code of Ethics is available in Spanish and English.

Internal Code of Conduct on Matters Relating to the Stock Market

This code is applicable to all members of the Board of Directors and the recipients defined in the subjective scope of application. Among other things, the code contains the procedures for the treatment of privileged information.

This code is communicated and delivered in writing to the people to whom it applies at the time of their recruitment and/or according to the provisions of the code, at the time they are considered as Recipients. It must be signed and accepted by Recipients. The Chief Legal & Compliance Officer is in charge of monitoring and controlling compliance with such code, reporting any matters in relation thereto to the Audit and Compliance Committee.

The Internal Code of Conduct in matters related to the stock market has been updated during the year 2019 and is available on the corporate website

Executive Behaviour Regulations and Human Resources Regulations

Meliá also has Executive Behaviour Regulations and Human Resources Regulations, (the first one) regulating the conduct of its executives and (the second one) of the Group's employees, in respect of certain matters.

The Management Behavior Regulations has been updated during the year 2019 and is available on the Employee Portal.

**Whistleblowing channel, which makes it possible to report any irregularities of a financial or accounting nature to the audit committee, as well as possible breaches of the code of conduct and irregular activities at the organisation, stating whether reports made through this channel are confidential.**

Employee Whistleblowing channel

On the occasion of the Code of Ethics in 2012, the Meliá Hotels International Group set up a Whistleblowing Channel for employees to register any complaints related to non-compliance with the contents of the Code of Ethics, especially business principles, current regulations, potential conflicts of interest or any other issue related to irregularities or potential or existing anomalous situations detected as a result of regulatory breaches, lack of internal control, financial irregularities or situations or events that may require the attention and immediate action of Senior Management. The procedure ensures, in every case, an independent and confidential analysis.

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The channels available for filing complaints are: Intranet (Employee Portal), Internet (corporate website) and regular mail addressed to the Ethics Committee. Likewise, in relation to the confidentiality and in compliance with the provisions of the Law on Data Protection and Digital Rights, anonymous complaints are also accepted in the Complaints Channel.

The Ethics Committee is the independent body in charge of receiving, managing and coordinating the complaints and investigation procedure, being the only body that will have access to the complaints received and thus guaranteeing their confidentiality. The ultimate responsibility lies with the Board of Directors itself, who through the Audit and Compliance Committee assumes the obligation to implement it.

The operation of the Employee Complaint Channel is described in the Regulations of the Employee Complaint Channel, published on the Employee Portal. At the end of 2019, a campaign to spread the Employee Complaints Channel was launched, which aim to reach all employees of the Group. As part of that campaign, a triptych was prepared in which the most relevant aspects related to it were informed, such as its objective, the types of complaints that can be presented along with some examples thereof, the procedure that follow a complaint and the existing mechanisms or ways to file them.

### **Supplier Complaints Channel**

Following the approval of the Supplier Code of Ethics, a Whistleblower Channel was enabled for suppliers through which those behaviors contrary to the aforementioned Supplier Code of Ethics can be communicated or reported. The Supplier Complaints Channel is managed by the Group Ethics Committee and can be accessed through the corporate website ([meliahotelsinternational.com](http://meliahotelsinternational.com)) or by regular mail addressed to the Ethics Committee.

The operation of the Suppliers Complaints Channel is described in the Regulations of the Supplier Complaints Channel, accessible by any provider through the platform for accessing the complaints channel.

**Training and refresher programmes for personnel involved in the preparation and review of the financial information, as well as in the evaluation of ICFR, which address, at least, accounting rules, auditing, internal control and risk management.**

Managers responsible for departments that prepare financial information must ensure that employees working in these areas have access to updated information and appropriate training.

Corporate team members who take part in the preparation and review of financial information receive specific training every year to update their knowledge in different matters related to

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their functions. During the year 2019, they took part in training sessions on the implementation of new international accounting standards, new requirements for the disaggregation of non-financial information and alternative performance measures, workshops on the prevention, detection and investigation of fraud and workshops on the evaluation of business processes.

The departments involved in training programmes and regular updates are: Internal Audit, Risk Control & Compliance, and Global Administration and more than 90 hours a year have been dedicated to such training programmes.

In particular, in 2019, the following training activities have been carried out, among others, (for the purposes of this report, the most relevant ones have been included):

Training activity	Duration (hours)	Date	Provider	Department
Guide for the successful on-going audit implementation (online)	4	05/02/2019	Instituto de Auditores Internos (IA)	Internal Audit
Scorecard and reporting of the internal audit activity	8	21/05/2019	Instituto de Auditores Internos (IA)	Internal Audit
Internal Audit of the non-financial information	16	22/05/2019	Instituto de Auditores Internos (IA)	Internal Audit
Course on Cybersecurity and Blockchain	8	12/02/2019	APD	Internal Audit
Criminal Responsibility for senior positions and its consequences in the company	3	07/03/2019	APD	Internal Audit
Course: Due diligence with business partners. 3M case	1.5	23/01/2019	ASCOM	Risk Control & Compliance
Conference: Corporate Responsibility in crimes against workers' rights	2	30/01/2019	ICAIB	Risk Control & Compliance

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Session: Criminal Responsibility of high positions and its consequences on the criminal responsibility of the company	2	07/03/2019	Garrigues - APD	Risk Control & Compliance /
Conference: Active Risk Management: A boost for companies	2	04/04/2019	CAEB	Risk Control & Compliance
Webinar: Crimes and Criminal Responsibilities affecting legal persons based on the recent Organic Law 1/2019	1	08/05/2019	IOC	Risk Control & _Compliance
IV Congress on International Compliance	16	27-28/05/2019	ASCOM	Risk Control & Compliance
I National Congress of Compliance Officers	8	13/06/2019	WCA	Risk Control & Compliance
Digital Management of Technological Risk and Third Parties	4,5	11/07/2019	Deloitte	Risk Control & Compliance
XIV Conference on Risk Management in the Tourism Sector	4	20/09/2019	Willis Tower	Risk Control & Compliance
Tax Compliance: fiscal crime and tax risk prevention	2	24/10/2019	Cuatrecasas	Risk Control & Compliance
V National Congress on Compliance	8	12/12/2019	Thomsons Reuters	Risk Control & Compliance
NIIF Meetings 2 <sup>nd</sup> Quarter	4	13/06/2019	EY	Global Administration
NIIF Meetings 3 <sup>rd</sup> Quarter	4	19/09/2019	EY	Global Administration
VI Conference on standardization and Accounting Law	4	07/05/2019	AECA	Global Administration
Course on accounting consolidation	12	20 & 21/06/19	AECA	Global Administration

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IFRS 15: One year later	1	26/09/2019	KPMG	Global Administration
IFRS Update end of year	1	21/12/2019	KPMG	Global Administration
RICAC project on revenue from contracts with customers for the sale of goods and services rendered	4	06/06/2019	AECA	Global Administration
Course on ESEF broadcasting	4.5	22/10/2019	CNMV	Global Administration
Practical solutions for NIIF 16 and NIIF 19	5	26/11/2019	EY	Global Administration
ESEF, standard format for ESEF Europe	5	25/11/2019	XBRL Association	Global Administration
Financial Instruments	7	25/06/2019	AECA	Global Administration

The Company also receives external advice to support the knowledge development of the team members involved, and also collaborates with IAI [Internal Audit Institute] and AECA [Spanish Accounting and Business Administration Association] as corporate partner.

Likewise, the Company is subscribed to the following publications:

Subscription	Frequency	Provider
Asociación Española de Contabilidad y Administración de Empresas	Weekly	Asociación Española de Contabilidad y Administración de Empresas (AECA)
Instituto Auditores Internos - Revista IAI (IAI Magazine)	Monthly	Instituto de Auditores Internos (IAI)
Breaking News	Monthly	KPMG

## F.2 Risk assessment in financial reporting

**F.2.1** Indicate what are the key features of the risk identification process, including error and fraud risk, with regard to:

- **Whether the process exists and is documented.**

The Meliá Hotels International Group has a global and permanent control, analysis and risk assessment model. This model is formalized in the following documents accessible to all employees through the Employee Portal:

- The Risk Control Analysis and Valuation Policy establishes the basic principles that will govern Risk Management and the general framework for the control, analysis and valuation thereof that the Group faces.
- Risk Control and Analysis Standard and that develops the previous policy and establishes the rules, guidelines or criteria that the Group Risk Maps update process must follow, as well as the operation of other mechanisms or tools used for the prevention and risk management.
- Fiscal Risk Control and Analysis Standard that aims to develop the Risk Analysis and Assessment Policy in the fiscal field.
- Process of elaboration of the Map of Risks that defines the flowchart of tasks for the design of the Map of Risks of the Group.

The Risk Control Department leads the process of periodically updating the Group's Risk Map and ensures the promotion of the definition of actions and assignment of responsibilities in order to mitigate the main risks. In in, the heads of all the departments and areas of the Group participate, identifying and assessing the different risks that affect them, including those related to financial information. Therefore, in addition to the Group's Consolidated Risk Maps, Risk Maps are also obtained from each of the different departments and areas that make up the organization.

- **Whether the process covers all financial reporting objectives (existence and occurrence, completeness, valuation, presentation, disclosure and comparability, and rights and obligations), and if it is updated and how often.**

In cooperation with the Internal Audit Department, every year the Risk Inventory is reviewed to detect which of the identified risks may affect the financial reporting objectives defined by the CNMV: existence and occurrence, completeness, valuation, presentation, disclosure and comparability.

Each of the risks identified in the process of preparing the consolidated financial statements is associated with the processes and the different financial lines considered significant.

- **A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc.**

For the purpose of identifying the scope of consolidation at all times, the Annual Accounts and Consolidation Department maintains an up-to-date corporate register that includes all of the Group's interests, whatever their nature.

The procedures for updating the scope of consolidation are defined in a manual which complements the provisions of Corporate and Joint Venture Regulations. The scope of consolidation is updated monthly according to the provisions of the International Accounting Standards and other local accounting regulations.

Regarding the possible existence of complex corporate structures, special purpose vehicles or holding companies, in general, prior approval of the Board of Directors is required for their creation.

Likewise, according to the provisions of the Tax Strategy Policy (as amended by the Board of Directors on 6 June 2018 and available on the corporate website), one of the guiding principles is “to avoid the creation of companies of opaque nature or residing in tax havens as interpreted by the European Union, unless their existence is motivated by economic or business reasons. It is reiterated that “the creation or acquisition of interests in special purpose vehicles or entities residing in countries or territories considered as tax havens” must be approved by the Board of Directors.

- **Whether the process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.**

The impact that risks may have on financial statements is considered in updating the Risk Map, regardless of the type of risk. The Meliá Hotels International Group has categorised risks as follows:

- Global Risks.
- Financial Risks.
- Business Risks.
- Operational Risks.

- Compliance Risks.
- Information Risks.
- **What governing body of the company is responsible for overseeing the process.**

The results obtained in the process of updating the Risk Map are reported to and reviewed by Senior Management, the Audit and Compliance Committee and the Board of Directors.

### **F.3 Control activities**

Please inform, indicating its main characteristics, if the Company has at least:

**F.3.1** Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the securities markets, stating who is responsible in each case and the documentation describing the flow of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

Meliá Hotels International provides securities markets with financial information for the consolidated group on a quarterly basis. This financial information is prepared by the Administration and Finance Department.

The Chief Financial Officer analyses the reports received, provisionally approving the financial information for submission to the Audit and Compliance Committee, which is then responsible for supervising the financial information that it receives. The Group submits the financial statements for the first half of the year to a limited review by the Company's external auditor. Thus, in the semi-annual accounting closings, the Audit and Compliance Committee has revised information by the Group's external auditors.

In the semi-annual closures, the Audit and Compliance Committee reports its conclusions to the Board of Directors on the financial information presented so that, once approved by the Board of Directors, it can be published in the securities markets. Likewise, two ad hoc meetings of the Audit and Compliance Committee have been established to approve the Intermediate Management Report for the first and third quarter. Once approved and for information purposes, the information is made available to the Board of Directors for approval.

The Meliá Hotels International Group has a procedure manual which defines the internal process for the preparation and submission of consolidated financial information. This covers the entire process of preparation, approval and publication of the financial information to be sent periodically to the CNMV.

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All the areas that potentially may affect in a significant manner the Group's Annual Accounts, have controls in the critical processes to ensure the reliability of financial information. These controls are included in internal procedures or in the IT systems used for the preparation of financial information.

Most of the processes considered as critical and the control activities associated with them have been systematically documented. This documentation is made up of descriptions and flowcharts of the processes and of risk and control matrices. Additionally, and throughout this process, possible fraud risks have been identified for which controls are also formalized to mitigate these risks.

The activities that are required to be formally documented are included in the processes within the areas of Administration, Tax, Treasury and Finance, Personnel Administration, Hotel Business and Vacation Club.

The different Departments are responsible for documenting and updating each of these processes, detecting possible control weaknesses, and defining appropriate corrective measures.

The critical judgements, estimates and projections needed to measure certain assets, liabilities, revenues, expenses and commitments recorded or disclosed in the Annual Accounts are carried out by the Administration and Finance Department with the support of the other Departments.

The annual accounts of the Meliá Hotels International Group report the most relevant areas in which there are elements of judgement or estimation, as well as the key assumptions related to them. The most important estimates relate to the valuation of goodwill, provision for taxes on profits, fair value of derivatives, fair value of property investment, pension contributions and the useful life of property, plant and equipment and intangible assets.

One of the documented processes is an accounting closure procedure which defines the closure, review and authorisation of financial information generated by the different units before all the information is consolidated.

**F.3.2 Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key processes of the company regarding the preparation and publication of financial information.**

The IT Department at the Meliá Hotels International Group has a set of security regulations and procedures designed to guarantee the control of access to business applications and systems to ensure the confidentiality, availability and integrity of information.

In 2017, the Board of Directors approved the Information Security Policy, which is available on the corporate website. In development of this Policy, the Information Security Standard has also been developed as well as the Systems Use Manual and the IT Security Framework.

The Meliá Hotels International Group has formalised procedures for changes to the financial management platform and a transaction development and maintenance process. These procedures establish the controls that ensure a proper development and maintenance of applications, evaluating the impact of changes and associated risks, and they also have processes to test changes before they are implemented in production systems.

There is a management model for access and authorisation based on the segregation of functions on the systems that support financial management processes, having defined the control procedures and avoiding users to be involved in the handling of such information.

Additionally, controls have been established for the appropriate management and monitoring of the assignment of special privileges in systems that support financial information.

**F.3.3 Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.**

Outsourcing is governed by the Regulation on Service Contract that regulates the approval by the General Management of the contracting area and the verification that the supplier has sufficient professional qualifications to deliver the contracted services and that, where appropriate, he/she is registered with the corresponding professional body. This Regulation is available to all employees on the Employee Portal.

Additionally, the Group has in place an Approval Process for services other than audit services carried out by the account auditor, under which the authorisation process for procurement of audit and non-audit services is established, related to the audit and services other than the audit performed by the account auditor. This process has been updated in 2019 in order to include, among other aspects, the prohibition of contracting tax services from the Group's auditor

When the Group uses the services of independent experts, it ensures their competence and technical skills by only hiring third parties with proven experience and prestige.

To validate the reports of independent experts, the Group has trained personnel capable of validating the reasonableness of the conclusions thereof, defining and managing the appropriate service levels in each case.

It is to be noted that the new Fiscal Strategy Policy establishes that “the Fiscal Department may rely on the advice of independent experts or recognized tax standing, with the exception of the auditor and/or audit firm that performs the audit of the Group’s financial statements.

## **F.4 Information and Communication**

Please inform, indicating its main characteristics, if the Company has at least

**F.4.1 A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining fluid communications with those responsible for operations at the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.**

The Annual Accounts and Consolidation Department is in charge of the definition and updating of accounting policies, as well as the interpretation thereof, and other accounting regulations that affect the financial statements of the Meliá Hotels International Group. Among others, the functions of this department are as follows:

- Definition of the Group’s accounting policies.
- Analysis of the operations and individual transactions carried out or to be carried out by the Group to determine their appropriate accounting treatment.
- Monitoring of the new regulations planned as well as the new rules approved by the International Accounting Standards Board (IASB) which are adopted by the European Union, and analysis of the impact that their implementation will have on the Group’s Consolidated Accounts.
- Resolution of any doubts of Group companies regarding the application of Group’s accounting policies.

The Meliá Hotels International Group presents its Consolidated Annual Accounts in accordance with the International Financial Reporting Standards adopted by the European Union. The company has an updated accounting policy manual that is reviewed whenever the accounting regulations applicable to the financial statements of the Group are modified in any significant respect. All personnel responsible for preparing the financial statements of the companies within the Group have access to this document through the Intranet.

There is a formal communication channel to coordinate doubts about the interpretation of the accounting policies, consisting of a general inbox for electronic mail managed by the Annual and Consolidated Accounts Department. Through which the different business areas can ask for advice on specific issues which, due to their specificity or complexity, may raise doubts about the way they should be registered in the Group's accounting books.

**F.4.2 Mechanisms for capturing and preparing financial information with consistent formats for application and use by all of the units of the company or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.**

The Meliá Hotels International Group has an integrated financial management tool to address the reporting needs of individual financial statements and which facilitates the subsequent consolidation and analysis process.

This tool centralises in a single system all the accounting information of the Group subsidiaries, which is the basis for the preparation of individual annual accounts and the consolidated annual accounts for the Group. The system is managed centrally from the Head Office.

**F.5 Supervision of system performance**

Please inform, indicating its main characteristics, if the Company has at least

**F.5.1 The activities of the audit committee in overseeing ICFR, as well as whether the entity has an internal audit function whose duties include providing support to the committee in its work of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.**

The activities of supervision of SCIIF carried out by the Audit and Compliance Committee in 2019 include:

- Regular meetings with external auditors, internal auditors and senior management to review, analyse and comment on the financial information, the applied accounting criteria, and, where applicable, any significant internal control identified weaknesses
- Review with the Internal Audit Department of the effectiveness of and compliance with the processes within the internal control system.

As indicated in section F.1.1. previously, it is the responsibility of the Internal Audit Department to verify the proper functioning of the Internal Control System, including the

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reliability of the Financial Information (SCIIF), keeping the Board of Directors, through the CACA and Senior Management informed about the existence, adequacy and effectiveness of existing methods, procedures, standards, policies and instructions, which are available to Group employees.

In this regard, the Internal Audit Department prepares an Annual Internal Audit Plan that includes various actions aimed at assessing the degree of compliance with internal control through audits of different types, mainly business or operational (hotels, vacation clubs and other businesses), computer systems audits, financial audits and evaluation of control activities associated with processes in corporate and regional areas of Administration and Finance, including those processes associated with SCIIF. The areas and processes to be audited, as well as the checklist of audit control points is renewed and updated annually.

The methodology of the activities carried out by the Internal Audit team in 2019 has mainly consisted of direct on-site evaluation by the Group's auditors, although continuous monitoring, massive data analysis and self-evaluations of controls have also been carried out. The use of new review models has allowed the Group to get a company-wide vision of the degree of alignment of processes and focus resources on situations potentially involving a risk for the organisation.

Additionally, regarding the control of the financial information in the business area, in 2019, two cycles have been audited (revenues cycle and inventories cycle), which contain eight processes, divided into twenty-five sub-processes, and two thousand and seven hundred and three control activities have been carried out.

According to the Auditing Regulations, if a review by the Audit Department detects control weaknesses in the audited area or process, these are reported to the Management of the audited area, and also to Senior Management and the Audit and Compliance Committee, if deemed appropriate. The heads of such areas must then respond to the weaknesses, either through corrective measures or the implementation of preventive plans.

Likewise, the external auditor, as mentioned in section F.7.1., annually issues a report of agreed procedures on the description of the ICFR carried out by the Group in which no outstanding aspects have been revealed.

**F.5.2 Whether there is a procedure by which the account auditor (as provided in the Technical Auditing Standards), the internal auditor and other experts may inform senior management and the audit committee or senior managers of the company of the significant internal control weaknesses detected during the review of the annual accounts or such other reviews as may have been entrusted to them. Information shall also be provided on whether an action plan is available for correcting or mitigating the weaknesses found.**

The Board of Directors, according to its Regulations, must meet at least six (6) times a year. Coinciding with these meetings, the Audit and Compliance Committee also meets, with the meetings being regularly attended by the internal and external auditors as guests, and also by Senior Management, when appropriate.

The external auditor must attend, at least, the Board meeting in which Annual Accounts are prepared and, additionally, any other Board meeting at which his/her attendance is required. The Internal Audit Department is in constant communication with Senior Management and periodically informs the Audit and Compliance Committee of any internal control weaknesses detected in internal audits.

Likewise, on an annual basis, the external auditor provides the Audit and Compliance Committee with a report detailing the internal control weaknesses detected. The action plans related to the weaknesses detected are implemented in the form of recommendations that follow the circuit of prioritization, assignment of responsible and follow-up.

#### **F.6 Other relevant information**

No additional aspects to be broken down have been identified.

#### **F.7 External auditor's report**

Report on:

**F.7.1 Whether the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.**

The information on the system of internal control of financial reporting included in the Annual Corporate Governance Report has been subject to review by an external auditor, whose report is attached to the Group's Management Report.

## G. Extent of Compliance with Corporate Governance Recommendations

1. That the Bylaws of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.

Complies  Explanation

2. That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:

- a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.
- b) The mechanisms in place to resolve possible conflicts of interest.

Complies  Complies Partially  Explanation  Not Applicable

3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors verbally informs shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, and in particular:

- a) Changes taking place since the last General Shareholders' Meeting.
- b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

Complies  Complies Partially  Explanation

4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.

And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies  Complies Partially  Explanation

5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies  Complies Partially  **Explanation**

The Company submitted to the General Shareholders' Meeting held on 4 June 2015 a proposal for delegation of powers allowing an increase capital and the issuance of bonds. Although the amounts subject to approval exceed the percentage indicated in the recommendation, as explained in the relevant reports (which are available to shareholders), this power was considered to be necessary to raise on the stock markets the funds necessary for the appropriate management of company interests, giving the Board the broadest capacity to respond. The possibility of exclusion of pre-emptive rights is a power that must be analysed and applied in each specific case, depending on the specific conditions for the issuance. Likewise, the approved authorisation is within the legal maximum.

Also, indicate that the Company has not made use of the aforementioned authorization and that for the General Meeting of Shareholders of the year 2020 the renewal of the same is foreseen, pending the date of issuance of this report the setting of the conditions (including the percentage of capital stock) of the delegation to be submitted for approval by the Board.

**6.** That listed companies which draft any reports listed below, whether under a legal obligation or voluntarily, publish them on their website with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

- a) Report on the auditor's independence.
- b) Reports on the operation of the audit committee and the appointments and remuneration committee.
- c) Report by the audit committee regarding related-party transactions
- d) Report on the corporate social responsibility policy.

Complies  Complies Partially  Explain

**7.** That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

Complies  Explanation

**8.** That the audit committee ensures that the Board of Directors presents the financial statements to the General Shareholders' Meetings without qualifications or reservations and that, in the exceptional circumstances in which qualifications may

appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

Complies  Complies Partially  Explain

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory manner.

Complies  Complies Partially  Explain

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

- a) Immediately distributes the additions and new proposals.
- b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.
- c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.
- d) Communicates a breakdown of the results of said additions or alternative proposals after the General Shareholders' Meeting.

Complies  Complies Partially  Explanation  **Not Applicable**

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establishes in advance a general policy of long-term effect regarding such payments.

Complies  Complies Partially  Explanation  **Not Applicable**

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

**Complies**  **Complies Partially**  **Explain**

13. That the Board of Directors is of an adequate size to perform its duties effectively and in a participatory manner, and that its optimum size is between five and fifteen members.

**Complies**  **Explanation**

14. That the Board of Directors approves a selection policy for directors that:

- a) Is concrete and verifiable.
- b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.
- c) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

**Complies**  **Complies Partially**  **Explain**

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

**Complies**  **Complies Partially**  **Explain**

16. That the percentage of proprietary directors divided by the number of non-executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

- a) In large cap companies in which interests that are legally considered significant are minimal.
- b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

**Complies**  Explanation

**17.** That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a large cap company with one shareholder or a group acting in a coordinated manner who together control more than 30% of the company's capital, the number of independent directors represents at least one third of the total number of directors.

**Complies**  Explanation

**18.** That companies publish and update the following information regarding directors on the company website:

- a) Professional profile and biography.
- b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- c) Category of directorship, indicating, in the case of proprietary directors, the shareholder that they represent or to which they are connected.
- d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.
- e) The shares and options they own.

**Complies**  Complies Partially  Explain

**19.** That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies  Complies Partially  Explanation  **Not Applicable**

**20.** That proprietary directors must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional manner, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors

representing this shareholder.

Complies  Complies Partially  Explanation  **Not Applicable**

21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Bylaws, unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

**Complies**  Explanation

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

**Complies**  Complies Partially  Explanation

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the

appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

**Complies**  **Complies Partially**  **Explanation**  **Not Applicable**

**24.** That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.

**Complies**  **Complies Partially**  **Explanation**  **Not Applicable**

**25.** That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

And that the Regulations of the Board establish the maximum number of company Boards on which directors may sit.

**Complies**  **Complies Partially**  **Explain**

The Company does not consider it necessary to establish a maximum number of company Boards on which directors may sit since, prior to the appointment or re-election of directors the availability of candidates is reviewed, as provided for in the Selection Policy for Directors. The Company considers that this availability analysis achieves the same objective pursued by Recommendation 25, i.e. to make sure that Directors will devote sufficient time to collect information, be aware of the reality of the company and the evolution of its business, and participate in Board meetings and Commissions of which they are members, if any.

In fact, no Director sits in more than two Board of Directors of public companies, as indicated in paragraph C.1.11 of this report.

**26.** That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.

**Complies**  **Complies Partially**  **Explain**

The Regulations of the Board of Directors establish a minimum of six meetings. In fiscal year 2019 it was not necessary to increase this number to meet the needs of the company, having taken place a total of SEVEN (7) meetings, one of them in writing and without a face-to-face session.

Likewise, Article 25 of the Regulations of the Board of Directors states that the obligations of Directors include asking persons with capacity to call meetings to call an extraordinary meeting of the Board or to include such items as they deem appropriate in the agenda of the next meeting to be held.

In any case, at the beginning of each fiscal year, the Board examines, proposes and approves the schedule of meetings for the next year, taking into account the needs of the Company.

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.

Complies  Complies Partially  Explanation

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.

Complies  Complies Partially  Explanation  Not Applicable

29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies  Complies Partially  Explanation

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require.

Complies  Explanation  Not applicable

31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

**Complies**  **Complies Partially**  **Explanation**

**32.** That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

**Complies**  **Complies Partially**  **Explanation**

**33.** That the chairman, as the person responsible for the efficient operation of the Board of Directors, in addition to carrying out his duties required by law and the Bylaws, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; should organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its operation; should ensure that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

**Complies**  **Complies Partially**  **Explanation**

**34.** That when there is a coordinating director, the Bylaws or the Regulations of the Board should confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.

**Complies**  **Complies Partially**  **Explanation**  **Not Applicable**

The Company considers that, given the absence of an Executive Chairman since December 2016, the figure of a Coordinating Director is not mandatory. Nevertheless, in line with current best practices, it decided to maintain the figure of a Coordinating Director, although the functions assigned to the Director do not entirely match the content in the recommendation, with the Director being especially empowered to: (i) request the convening of meetings of the Board of Directors or the inclusion of new items on the agenda for a meeting already convened, (ii) coordinate and arrange meetings with external directors, and (iii) lead, if appropriate, the periodic appraisal of the Chairman of the Board of Directors. These powers do not entirely match the powers included in the recommendation.

**35.** That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the

recommendations regarding good governance contained in this Good Governance Code and which are applicable to the company.

Complies  Explanation

36. The Board of Directors in full session should conduct an annual evaluation, adopting, when necessary, an action plan to correct weaknesses detected in:

- a) The quality and efficiency of the Board of Director's operation.
- b) The performance and composition of its committees.
- c) Diversity of membership and competence of the Board of Directors.
- d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.
- e) Performance and input of each director, paying particular attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Any business relationships between the external advisor or any member of the advisor's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies  Complies Partially  Explanation

37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.

Complies  Complies Partially  Explanation  Not Applicable

38. That the Board of Directors must always be aware of the matters discussed and decisions adopted by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies  Complies Partially  Explanation  Not Applicable

39. That the members of the audit committee, particularly its Chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management matters, and that a majority of its members be independent directors.

Complies  Complies Partially  Explanation

40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies  Complies Partially  Explanation

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

Complies  Complies Partially  Explanation  Not Applicable

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

With respect to information systems and internal control:

- a. Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.
- b. Ensure the independence and effectiveness of the unit charged with the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- c. Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

In relation to the external auditor:

- a. In the event that the external auditor resigns, examine the circumstances which caused said resignation.
- b. Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

c. Ensure that the company files a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

d. Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.

e. Ensure that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, the limits on concentration of the auditor's business, and all other rules regarding the auditor's independence.

**Complies**  **Complies Partially**  **Explanation**

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

**Complies**  **Complies Partially**  **Explanation**

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

**Complies**  **Complies Partially**  **Explanation**  **Not Applicable**

45. That the risk control and management policy identify at least:

- a) The different types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off-balance sheet risks.
- b) Fixing of the level of risk the company considers acceptable.
- c) Measures identified in order to minimise identified risks in the event they occur.
- d) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off-balance sheet risks.

**Complies**  **Complies Partially**  **Explanation**

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

- a) Ensure the proper operation of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.
- b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.
- c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.

Complies  Complies Partially  Explanation

47. That members of the appointment and remuneration committee - or of the appointments committee and the remuneration committee if they are separate - are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.

Complies  Complies Partially  Explanation

48. That large cap companies have formed separate appointments and remuneration committees.

Complies  Explanation  Not applicable

49. That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies  Complies Partially  Explanation

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

- a) Propose basic conditions of employment for senior management.
- b) Verify compliance with company remuneration policy.

- c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.
- d) Ensure that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.
- e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies  Complies Partially  Explanation

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies  Complies Partially  Explanation

52. That the rules regarding composition and operation of supervision and control committees appear in the Regulations of the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

- a) That they are comprised exclusively of non-executive directors, with a majority of them independent.
- b) That their chairmen be independent directors.
- c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.
- d) That the committees be allowed to avail themselves of external advice when they consider it necessary to perform their duties.
- e) That their meetings be recorded, and the minutes be made available to all directors.

Complies  Complies Partially  Explanation  Not Applicable

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:

- a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.

- b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.
- c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.
- d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.
- e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.
- f) Supervision and evaluation of the way relations with various stakeholders are handled.
- g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.
- h) Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.

Complies  Complies Partially  Explanation

54. That the corporate social responsibility policy includes principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:

- a) The objectives of the corporate social responsibility policy and the development of tools to support it.
- b) Corporate strategy related to sustainability, the natural environment and social issues.
- c) Concrete practices in matters related to shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.
- d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.
- e) Mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Communication channels, participation and dialogue with stakeholders.
- g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies  Complies Partially  Explanation

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.

Complies  Complies Partially  Explanation

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.

Complies  Explain

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged to sell in order to meet the costs related to their acquisition.

Complies  Complies Partially  Explanation

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and is not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.
- b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.
- c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies  Complies Partially  Explanation  Not Applicable

59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.

Complies  Complies Partially  Explanation  Not Applicable

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies  Complies Partially  Explanation  Not Applicable

61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.

Complies  Complies Partially  Explanation  Not Applicable

The Company understands that the recommendation intends to ensure the involvement of Executive Directors in the results of the Company and its performance.

In view of the specific situation and given that the Company is a family-owned business, the distribution of shares to the Executive Director is deemed unnecessary.

Notwithstanding the above, the new Remuneration Policy for Directors, "establishes that remuneration systems may be established that are referenced to the quoted value of the shares or that entail the delivery of shares or option rights over these".

62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.  
The forgoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.

Complies  Complies Partially  Explanation  Not Applicable

63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.

Complies  Complies Partially  Explanation  Not Applicable

64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.

Complies  Complies Partially  Explanation  Not Applicable

## H. Further information of interest

**H.1** If there is any aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which is necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe it briefly below.

N/A

**H.2** This section may also include any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

**H.3** The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other.

In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July 2010.

Meliá Hotels International adheres to the following ethical or best practice codes:

Code	Organisation	Scope	Year
ECPAT - Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism	The Code International	Global	2006
Principles of Global Compact	UN Global Compact	Global	2008
CSR Best Practices and Suitability	FTSE4 Good Ibex	Spain	2008
Global Code of Ethics for Tourism	UNWTO	Global	2011
Climate change	CDP - Carbon Disclosure Project	Global	2011
Social dialogue and employment rights	IUF-UITA International Trade Unions	Global	2013
Paris Agreements	United Nations Conference on Climate Change in Paris (COP21)	Global	2015
Corporate Responsibility and Anti-corruption Commission	International Chamber of Commerce (ICC)	Global	2016
World Travel & Tourism Council	WTTC	Global	2016

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Transparency, Governance and Integrity Cluster	Forética	Spain	2017
Climate Change Cluster	Forética	Spain	2017
Cluster Closinggap for the gender gap reduction	N/A	Spain	2019

Since 2018, Meliá Hotels International has strengthened its link with Global Compact as a signatory company.

The Meliá Hotels International Group has a Code of Ethics that was approved by the Board of Directors in 2012 and which has been updated in 2018.

The Company does not adhere to the Code of Good Tax Practices of 20 July 2010.

This annual corporate governance report has been approved by the Board of Directors of the Company, at its meeting held on February 26, 2020.

Indicate whether there have been directors who voted against or abstained in relation to the approval of this report.

YES

NO