MELIÃ HOTELS INTERNATIONAL

Herein is attached a translation of the individual and consolidated Annual Accounts and Management Report for 2019 financial year of Meliá Hotels International S.A. and its Consolidated Group, as well as the respective reports of the auditor.

These documents are a translation of a Spanish-language documents, and are provided only for information purposes. In the event of any discrepancy between the text of these translations and the Spanish-language documents, the text of the Spanish-language documents shall prevail.

Meliá Hotels International, S.A.
Palma de Mallorca, May 22nd, 2020

Meliá Hotels International, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2019 and Consolidated Directors' Report, together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Meliá Hotels International, S.A.,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Meliá Hotels International, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2019, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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C.I.F.: B-79104469. Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Adoption of International Financial Reporting Standard (IFRS) 16, Leases	
Description	**Procedures applied in the audit**
Notes 2.1, 2.3 and 3.12 to the accompanying consolidated financial statements for 2019 indicate that the Group has adopted International Financial Reporting Standard (IFRS) 16, Leases, with 1 January 2019 being considered to be the date of first-time application. The Group chose full retrospective application as the transition method, which increased the Group's assets and liabilities at 1 January 2019 by EUR 1,089 million and EUR 1,269 million, respectively, and reduced the Group's equity at that date by EUR 180 million. Therefore, the Group restated the figures in the consolidated financial statements for 2018 presented for comparison purposes. The adoption of IFRS 16 was one of the key matters in our audit since estimating the impacts to be recognised at the transition date entails the need for the Parent's directors to apply significant judgements and estimates in various areas, including most notably the determination of the term of the leases and of the discount rates to be used.	Our audit procedures included, among others, obtaining an understanding of the process followed by the Group to calculate and recognise the impacts relating to the adoption of International Financial Reporting Standard (IFRS) 16, Leases, evaluating the Group's compliance with the applicable regulatory financial reporting framework. We also performed substantive procedures, on a selective basis, to evaluate the reasonableness of the calculations and estimates made in relation to certain leases, as well as the consistency of the accounting records with the clauses and other provisions included in the leases entered into with the lessors. Also, we verified, in conjunction with our valuation specialists, the calculation made by the Parent's directors in relation to a sample of discount rates applied, and we involved our specialists in International Financial Reporting Standards to evaluate the reasonableness of the methodology used and the main assumptions considered in this methodology. Lastly, we checked whether the disclosures included in Note 18 to the accompanying consolidated financial statements in connection with this matter were in conformity with those required by the applicable accounting regulations.

Impairment test on assets associated with the hotel activity

Description	Procedures applied in the audit
As indicated in Note 1 to the accompanying consolidated financial statements, the Group carries on its activity through the management and operation of more than 326 hotels (owned, leased, under management and franchised) in 40 countries. The Group considers that the assets associated with the hotel activity include goodwill, property, plant and equipment, intangible assets, rights of use and investment property with a carrying amount of EUR 3,437 million at 31 December 2019. At each year-end management performs an impairment test in order to determine the recoverable amount of these assets. In order to calculate the recoverable amount of each cash-generating unit ("CGU"), Group management generally considers the calculation of the value in use of each of these units based on the estimate of future cash flows and applying growth rates and a discount rate adjusted for each country in which the Group operates. In this context, the circumstance described represents a key audit matter, given the significance of the carrying amount of the assets associated with the hotel activity in the consolidated balance sheet and because the valuation method used requires the use of significant estimates involving a significant degree of uncertainty, such as certain operating assumptions, the discount rate and the long-term growth rate.	Our audit procedures included, among others, evaluating the accounting policies for determining the recoverable amount the assets associated with the hotel activity described in Note 3.2 to the accompanying consolidated financial statements for 2019, in order to evaluate their consistency with the applicable regulatory financial reporting framework. We also retrospectively reviewed the predictions made in prior years, in order to identify possible bias in management's assumptions, and evaluated the historical achievement of the Group's budgets. Moreover, we obtained the impairment test performed by management of the Parent on the Group's hotel assets, and we verified its clerical accuracy and the appropriateness of the valuation methodology used, with the assistance of our internal valuation specialists. We also evaluated the reasonableness of the main operating assumptions applied for a sample of hotels by comparing them with trends observed in prior years. Additionally, we analysed the reasonableness of the discount rate and the long-term growth rate applied for a sample of hotels, also with the assistance of our internal valuation specialists, and we reviewed the sensitivity analyses performed in relation to these assumptions. Lastly, we evaluated whether the disclosures made by the Group in relation to these matters, which are included in Notes 9, 10, 11 and 18 to the accompanying consolidated financial statements, contained the information required by the applicable accounting regulations.

Recognition of vacation club revenue

Description

The Group sells timeshare rights for specific holiday complex units. The revenue recognised in the accompanying consolidated statement of profit or loss for 2019 arising from this vacation club activity amounted to EUR 91 million, and the amounts contracted but not yet recognised in profit or loss, which are recognised under "Grants Related to Assets and Other Deferred Income" in the accompanying consolidated balance sheet as at 31 December 2019, amount to EUR 324 million.

Although the recognition of revenue from the exercise of rights of use by customers, under the Group's habitual terms and conditions, is not complex, it does involve the consideration of specific circumstances associated with the various terms and conditions entered into with the customers and includes a manual recording process. Also, the Group recognises revenue arising from the club for customer rights not exercised on the basis of the customer's pattern of use, and provided that the probability of the customers exercising their remaining rights becomes remote, which requires the use of significant estimates and judgements by management.

Accordingly, this matter was a key audit matter in our audit.

Procedures applied in the audit

Our audit procedures included, among others, the review of the revenue recognition accounting policies of the Group's vacation club, which are described in Note 3.11 to the accompanying consolidated financial statements for 2019, in order to evaluate whether these policies are in conformity with the applicable regulatory financial reporting framework, as well as checking the design and implementation and the operating effectiveness of the relevant controls identified in the process of recognising revenue from the vacation club.

Also, we performed substantive procedures consisting of checking, for a randomly selected sample, the timeshare rights exercised in the year, whether the recognition for accounting purposes of the exercise of these rights is consistent with the related contractual documentation and the appropriateness of the recognition of the revenue for accounting purposes taking into consideration the contractual terms and obligations of the programme contracted by the customer of the club. Also, we obtained the calculation performed by management of the revenue recognised for the customer rights that had not been exercised, evaluating the clerical accuracy thereof and the most significant assumptions, especially the percentage of the rights not exercised, based on historical information.

Lastly, we evaluated the reasonableness of the disclosures contained in Note 17 to the accompanying consolidated financial statements on the revenue from the Group's vacation club.

Other Matter

The Group's consolidated financial statements for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those consolidated statements on 27 February 2019.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2019, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the information contained in the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels of responsibility in this regard:

a) A specific level that applies to the consolidated non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report (ACGR), as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the non-financial information described in section a) above was presented in the separate "consolidated non-financial information statement" report to which a reference was included in the consolidated directors' report, that the information in the ACGR, discussed in the aforementioned section, was included in the consolidated director's report and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2019 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Directors and Audit and Compliance Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit and compliance committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in the Appendix to this auditor's report. This description, which is on the following pages, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit and Compliance Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and compliance committee dated 26 February 2020.

Engagement Period

The Annual General Meeting of the Parent held on 6 June 2018 appointed us as the Group's auditors for a period of three years from the year ended 31 December 2018, i.e., for 2019, 2020 and 2021.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Pablo Hurtado-March
Registered in ROAC under no. 20408

26 February 2020

AUDITORES

DELOITTE, S.L.

Año 2020 Nº 13/20/00010
COPIA

Informe de auditoría de cuentas sujeto a la normativa de auditoría de cuentas española o internacional

Appendix to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.

- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit and compliance committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit and compliance committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit and compliance committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Consolidated Management report and annual accounts 2019

MELIÃ HOTELS INTERNATIONAL | Leisure at heart, business in mind

Consolidated Management Report 2019

MELIÃ HOTELS INTERNATIONAL

Leisure at heart, business in mind

Message from the Executive Vice President and CEO

GRI 102-14

Dear stakeholders,

2019 will be remembered by all those who form part of Meliá Hotels International as the year in which we were named the **most sustainable hotel company in the world** according to the Corporate Sustainability Assessment prepared by the sustainable investment agency SAM, recently acquired by S&P Global and an international market leader in ESG.

This acknowledgement is the culmination of one of our greatest aspirations, certifying the best performance in the industry and earning Gold Class classification after an analysis of issues related to corporate governance, social performance and environmental protection. There was also additional recognition with our qualification as ***industry movers***, after having recorded the best progress over the year, as recently indicated in the Sustainability Yearbook 2020.

In a global context dominated by the climate crisis, a fact that was apparent at the COP 25 summit held in December in Madrid (Spain) and several sessions at the Davos 2020 Forum, where there was an intense debate on the purpose of companies in the so-called fourth industrial revolution, the company is now immersed in a transformation which is a key strategic factor in allowing us to compete effectively in this new decade and face major global challenges.

As we anticipated in the presentation of last year's Report, in 2019 we saw even more intense social and technological change, accompanied by new challenges of an unprecedented global dimension and complexity within the context of the mentioned fourth industrial revolution.

Despite global growth above the average growth of the economy in general, the travel industry was affected in 2019 by circumstances such as the bankruptcies and closures of tour operators and airlines, as well as other factors causing instability that have a direct impact on some destinations where Meliá has hotels. To name a few, the geopolitical tensions in Cuba, the uncertainty generated by Brexit, the incipient slowdown in the world economy or the impact of climate change widely debated during the celebration of COP25.

This was accompanied by certain situations which, although temporary in nature, also had a significant negative impact on the international travel industry, such as the sargassum seaweed crisis on the Mexican Caribbean coast or the smear campaign that questioned traveller safety in the Dominican Republic, a key destination for the Group.

Despite this business context, the Meliá performance in 2019 was quite remarkable, managing to maintain recurring revenues at almost the same level as 2018 (-0.04%), generating EBITDA excluding capital gains of €470.9 million (-2.3%) and once again demonstrating the strength and resilience of our management model.

2019 was also a year in which we defined the strategic priorities that we will have to face as a multinational company in the coming years in a volatile and uncertain business environment. To successfully compete, companies must strengthen their ability to constantly reinvent themselves in a business environment that is changing at breakneck speed. Organisations are also being forced to build hybrid (human-machine) learning organisations and to master change management and take full advantage of human diversity.

To assimilate the technological and social changes that are ahead of us, we have designed a number of competitive drivers for this new three-year period from 2020 to 2022, among which I would like to highlight the following:

- ✔ A digital transformation based on an ambitious programme to integrate new technology and artificial intelligence and data systems
- ✔ To accelerate the evolution of a value proposition focused on differential experiences for customers
- ✔ To train our teams to adapt to this new decade, encouraging a more agile, dynamic and less hierarchical management model
- ✔ To continue to promote the creation of social value in addition to financial value, integrating social and environmental issues to generate greater trust among our stakeholders

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Below, I briefly describe the most outstanding milestones achieved in 2019 which are developed in greater detail in the different sections in this report:

First of all, I would highlight our constant openness to **innovation and digitalisation**. Meliá remains at the forefront of online distribution, and now makes 70% of all sales through our digital channels. This data confirms the growing propensity of customers to book directly, with an increase of +68% in direct sales through melia.com, +18% in sales through **MeliaPro** to travel professionals and distributors, and +175% growth in the number of users of the **Meliá app**. Our social media profiles have also seen a very positive evolution in their contribution to direct sales, and now channel 16% of all of the traffic to our website.

Our digital strategy has allowed us to enhance the diversification of the Group's business sources and helped us avoid the negative impact caused by the collapse of Thomas Cook, one of the world's leading tour operators.

Secondly, the strength of a **business model** which is increasingly focused on **hotel management**, with 58% of our rooms operated under management or franchise agreements, and a pipeline of hotels under construction or in the pre-opening stage of which 90% will be operated under management agreements.

This balance between hotel ownership and hotel management and our presence in more than forty countries reduces the cyclical nature of our business, and allows us to leverage our brand portfolio and the "Meliá System" to provide a differential competitive advantage to hotel owners and investors.

The resilience of the business is also bolstered by our growth and internationalisation, a strategy which is part of the Meliá DNA and which currently prioritises qualitative growth and the Asia Pacific region, representing 32% of our future hotel pipeline. Over the next year we are scheduled to open 23 new hotels in 17 countries, mainly in the upscale or premium segment and with more than 7,000 rooms.

The third area focuses on the human side of Meliá. We are a major employer, and **people and talent management** are therefore key factors in enhancing our competitiveness and ensuring the delivery of the brand promise in each of our brands.

This report reflects the progress we have made in this area, especially in regard to matters such as diversity and equality, reflected in the renewal of our Equality Plan and agreements with the IUF to combat sexual harassment. We are also focusing on employability through a number of strategic alliances with leading organisations, and especially on training and development, with highlights including major improvements to our online training programmes and a clear commitment to internal talent, which currently covers 70% of our critical talent needs.

I would like to end this message by referring once again to our **commitment to society and the planet**, in a year in which the global challenges defined in the 2030 Agenda have become even more relevant than ever. This commitment has been prevalent at Meliá ever since the company was founded, and has been a core component in all our strategic plans over recent years.

In 2019 we consolidated a commitment that began with the approval of our first Sustainability Master Plan more than ten years ago. Our record and capacity for change allowed us to stand out in 2019 in areas as diverse as combatting climate change, the defence of human rights or the integration of the Global Compact Principles, principles that we support and promote from our position as a signatory partner. We also made progress on dialogue with our stakeholders and the implementation of a management culture committed to ethics, compliance and risk management, the premises of which have also been included in our supply chain management to strengthen a more responsible and sustainable business model.

In this sense, we begin 2020 well aware that the current times and upheavals demand inspiring leaders, and Meliá Hotels International, as a leading company, has the responsibility of inspiring change towards greater sustainability in the travel industry.

Gabriel Escarrer Jaume
Executive Vice President and CEO

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

1 Company Introduction

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Essence of Meliá

GRI 102-16

Leisure at heart, business in mind

The combination of the exceptional hospitality we provide and our management excellence and rigour

Combining instinct with data, feelings with observations, intuition with analysis. At Meliá Hotels International we blur the lines between what we think and what we feel, because we represent holidays, getaway breaks, emotions and well-being.
We are leisure

But we are also about success, effort and teamwork.
We are business

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

We are faithful to our origins and ambitious about our future. Of the twenty largest international hotel groups, we are the company that has its origins in the resort hotel industry, an area in which we continue to lead innovation. We are also the ideal size to be able to offer efficient and open management to all of our stakeholders

We are a company with more than 60 years of history, defined by four attributes of our corporate identity which reach across all our brands...

Warmth and conviviality
Caring and nurturing
Little extras
Innovation

... which inspire the values of our organisational culture...

Proximity
Excellence and consistency
Service vocation
Innovation

... and which come alive in our day to day activities through our behaviour

Warm
Professional
Hospitable
Creative

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

All this defines a unique way of living, stemming from a feeling of belonging to a large family: our family. It is precisely this feeling that inspires the way we relate to our customers and our teams

Customer value proposition

Belonging Means More

We want to inspire loyalty and trust among our customers, continuing to surprise them every day with experiences wrapped in characteristic Spanish warmth and passion.

Belonging is about feeling special. That is why our programme offers a world of exclusive benefits to our most loyal customers and nurtures a sense of belonging to a large family that cares about their well-being.

Service culture

Belonging Begins Here

We are the result of a united and committed group, which shares a passion for everything it does. Together, we help nurture that sense of belonging every day, beginning with each and every one of us.

Employee value proposition

Starring You

At Meliá, everyone is the star of their own story. Together, we are building the future of this great family, where every achievement is a step forward we make together, and every success is the success of us all.

Leisure at heart, business in mind

Meliá Hotels International

This is what we are

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Key Indicators

FINANCIAL

- Consolidated revenue: **€1,800.7M** (-1.67%)
- EBITDA exc. capital gains: **€470.9M** (-2.33%)
- EBITDA margin exc. capital gains: **26.31 %** (-0.62 pp)
- Net debt/ EBITDA: **2.11 times** (Pre-IFRS16)
- Consolidated RevPAR: **€86.9** (+0.6%)
- Profit per share: **€0.49** (-26.62%)

BUSINESS

- Aggregated revenue: **€2,846M** (-3.39%)
- Aggregate RevPAR: **€69.9** (-0.7%)
- Aggregated occupancy: **65.2 %** (-1.5 pp)
- ARR aggregated: **€108.8** (+1.6%)
- NPS Customers: **46.5 %** (+0.6 pp)
- melia.com sales: **€582.2M** (+3.1 %)
- MeliáRewards members: **12.6 M** (+10.9%)

GOVERNANCE

- Board members: **11**
- Female board members: **27.27 %**
- Independent board members: **54.5 %** (+9.5 pp)
- CUBG compliance: **70.31 %** (3.12 pp)

PEOPLE

- Total employees: **45,717**
- Women: **44.6 %**
- Women directors: **26.9 %**
- Internal coverage: **70 %**
- Training hours per employee: **14.38**

ENVIRONMENT

- Carbon footprint: **581,524** $TnCO_2$
- CO2 emissions per stay: **-14.51 %**
- Water use per stay: **-8.51 %**
- Green energy: **59 %**
- Environmental investment: **€3.5M**

SOCIETY

- Local suppliers: **4,661** (+1%)
- Funds for the childhood: **€439K**
- Human rights self-assessment: **94 %** portfolio
- Social entities helped: **213**
- Beneficiaries: **20,569** estimated

CONSOLIDATED INCOME STATEMENT

Thousand €	2019	2018 *	Dif (%)
Total consolidated revenue	1,800,748	1,831,315	-1.67%
Total revenue (excluding capital gains)	1,789,538	1,790,166	-0.04%
EBITDAR	498,494	521,713	-4.45%
EBITDA	477,910	500,898	-4.59%
EBITDA (excluding capital gains)	470,900	482,137	-2.33%
EBIT/Operating revenue	222,794	258,871	-13.94%
Financial results	(72,786)	(68,989)	5.50%
RESULT BEFORE TAXES	**156,312**	**195,203**	**-19.92%**
CONSOLIDATED RESULT	**121,679**	**151,664**	**-19.77%**
Net profit attributed to parent company	112,898	147,094	-23.25%
EBITDA margin	26.54%	27.35%	- 0.81
EBITDA margin (excluding capital gains)	26.31%	26.93%	- 0.62

* On January 1, 2019 the new regulations on leases (IFRS 16) came into force and caused significant changes to the nature of the Group's assets and liabilities and the structure of the consolidated income statement.

At the date of closing, the company portfolio includes one hundred and one hotels operated by different subsidiaries under lease agreements, mainly located in European cities. All of these lease agreements are qualified under this new accounting standard, in addition to forty-two leases whose underlying assets are, essentially, offices and transportation.

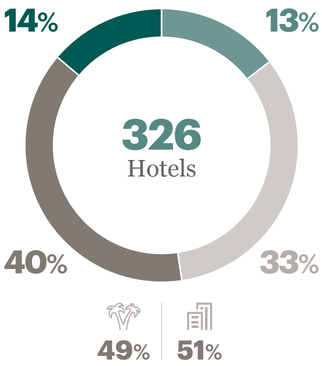
The company has adopted the standard for its 2019 financial statements retroactively, reconstructing the payment commitments in each of the lease agreements since the date they were signed. Note 2.3 of the Consolidated Annual Accounts details the re-expression of the consolidated balance sheets as of December 31, 2018 and January 1, 2018, as well as the 2018 income statement.

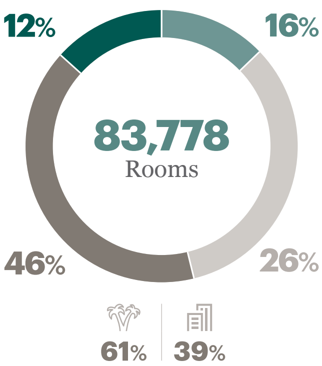
Location map

GRI 102-4; GRI 102-7; GRI 102-10

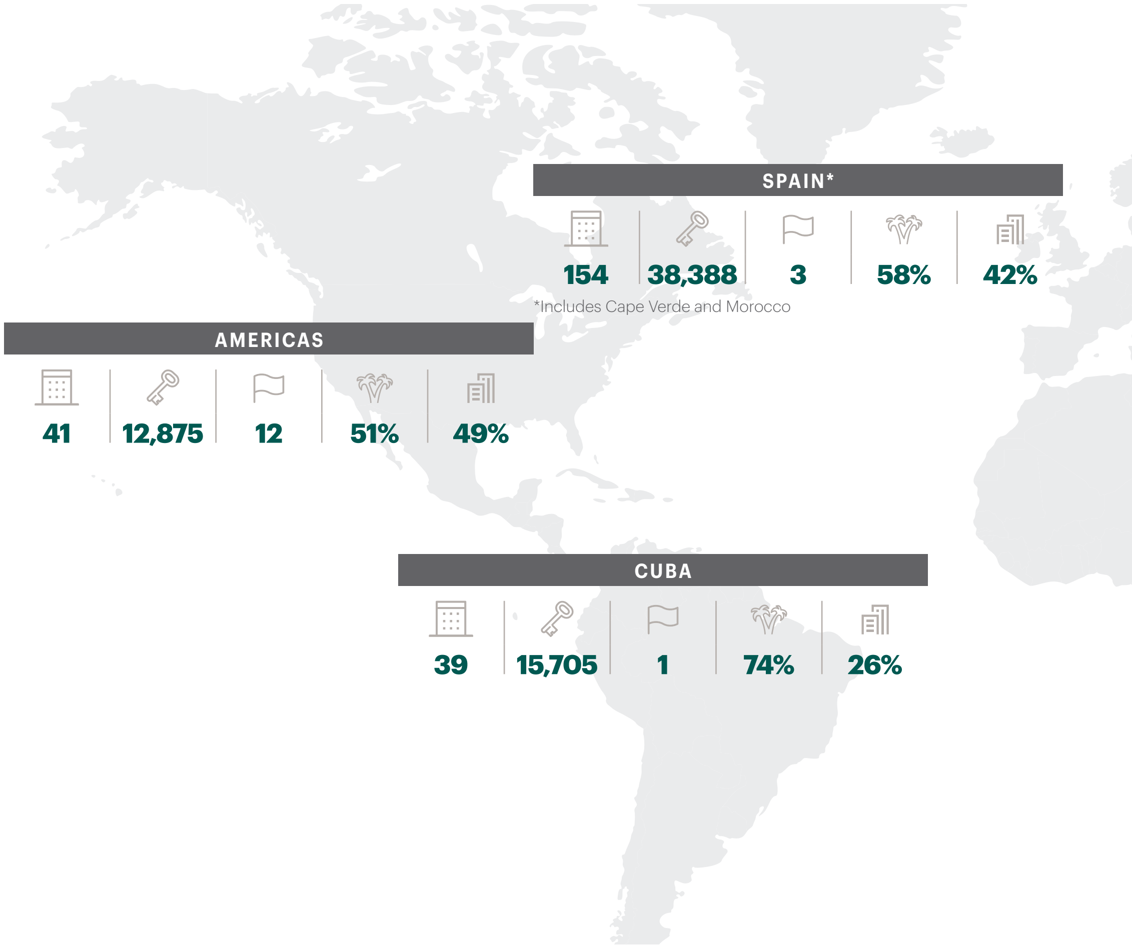
Active portfolio

388	99,162	42	49%	51%
Hotels	Rooms	Countries	Resort	City





Owned
Managed
Leased
Franchised



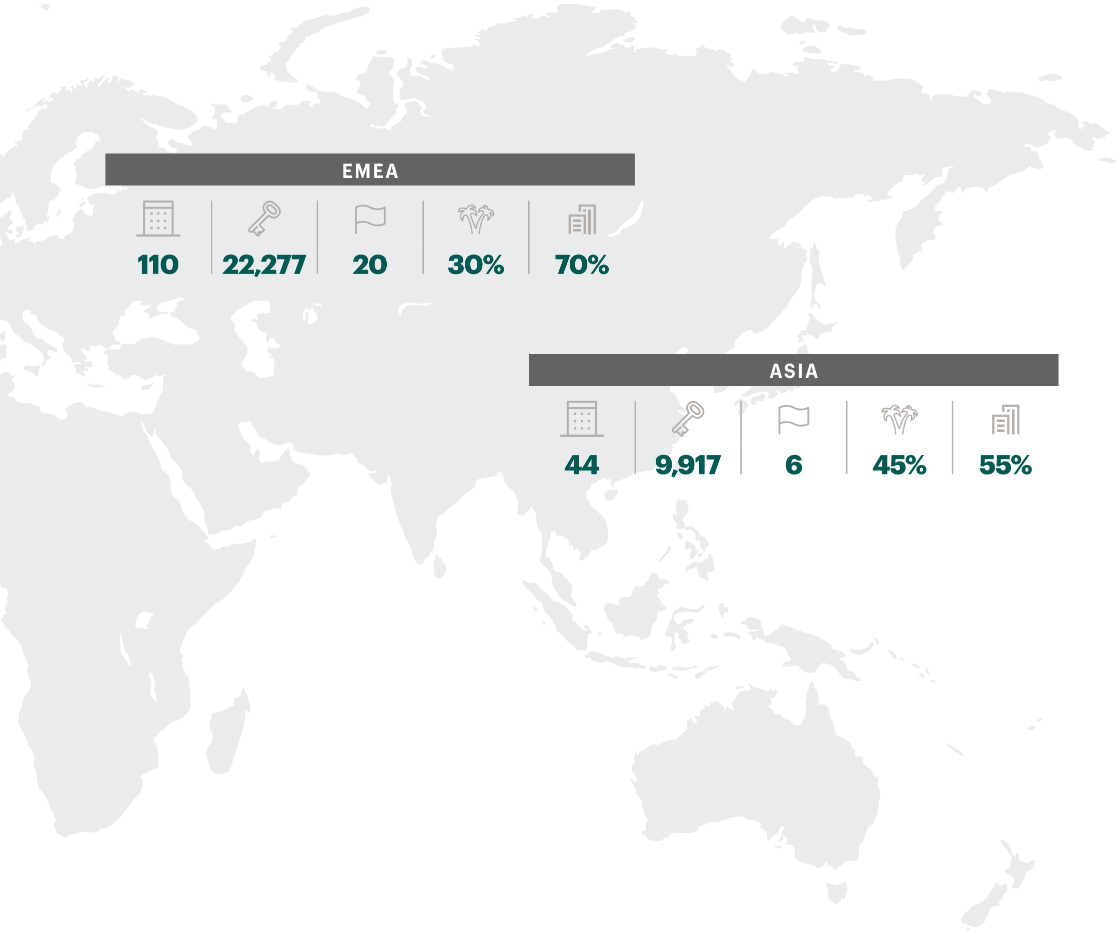
EVOLUTION 2019

In 2019, we opened 10 new hotels with more than 2,200 rooms in 8 countries, highlighting the opening of the INNSIDE Prague Old Town, which added a new destination to our portfolio. We also boosted our presence in relevant destinations such as Southeast Asia, with three new hotels in Vietnam and the first hotel in Shanghai, China, as well as a new opening in Cuba, increasing our portfolio on the island to thirty-five hotels.

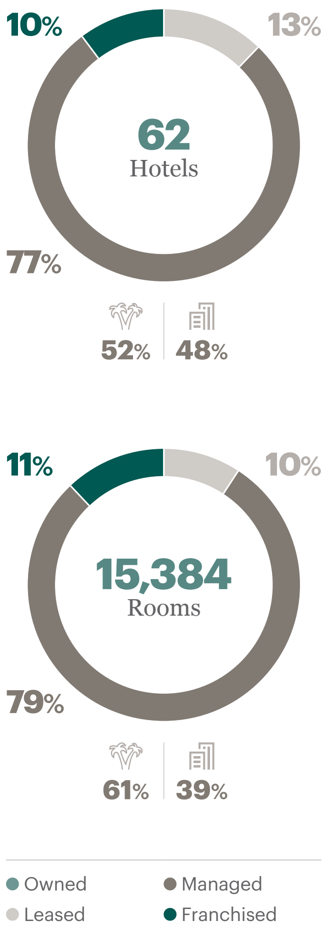
We are also moving forward with growth in major Italian cities, with the incorporation of the first Innside hotel in Milan (Innside Milano Torre Galfa), and also added a new hotel in Tanzania, giving greater visibility to our premium brand in the destination with the opening of a Gran Meliá hotel in Arusha.

In 2019 we also signed up 11 new hotels with 3,000 rooms to our pipeline, strengthening our leadership as a resort hotel chain with 80% of the new rooms in resort or bleisure destinations, all of them aligned with our firm commitment to quality and excellence, and with more than 80% to be operated under management or franchise agreements. Other highlights included agreements to operate a new hotel in both Albania and Montenegro, destinations with a high potential for future growth.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director



Pipeline



FUTURE EVOLUTION

Our future growth strategy will continue to strengthen our positioning as one of the leading hotel groups in upscale and premium hotels, strengthening our leadership in the most important holiday and bleisure destinations in alignment with criteria of excellence and sustainability. Over the next decade, Meliá Hotels International will focus its growth strategy on the top destinations and holiday resorts in the Mediterranean, Caribbean and Southeast Asia, to represent around 80% of all hotels.

At the end of the year, our pipeline comprised 62 hotels, mostly under asset-light management agreements (87%) and in our premium (23%) and upscale (70%) brands. We continue to strengthen our international presence, with 98% of our future additions outside Spain.

Meliá Hotels International remains committed to growth in Asia, where our current pipeline stands at 20 hotels (32%), strengthening our position in countries such as China, Indonesia, Malaysia, Thailand and Vietnam.

Over the coming year we expect to open 23 hotels with more than 7,000 rooms, highlighting the debut of the ME by Meliá brand in Dubai and Barcelona, and the new Paradisus resort in Playa Mujeres (Mexico).

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Milestones 2019

January

01

Meliá declares a policy of zero tolerance with regard to sexual harassment and reinforces its commitment with an international agreement with the IUF to prevent this type of violence

February

02

Silver Class award for Sustainability: the SAM 2019 Sustainability Yearbook (S&P Global) names Meliá for the first time one of the leading companies in the industry in sustainability after its first participation in the Corporate Sustainability Assessment 2018

March

03

Meliá signs two ESG-linked credit lines with BBVA and Santander, becoming the first hotel company in Spain to use sustainable financing and linking 50% of the amount in its credit lines to its performance in sustainability

April

04

After an investment of USD 110 million, The Grand Reserve at Paradisus Palma Real opens its doors: a benchmark hotel in sustainability with which Meliá reaffirms its commitment to the Dominican Republic, where it already operates seven hotels with almost 3,000 rooms

May

05

Meliá reinforces its distribution in China opening its own online store for the 300 million users of Ctrip, the largest online travel agency in a country in which the company continues to strengthen its positioning

June

06

Meliá launches the CO2PERATE project to improve energy efficiency in hotels, involving an investment of €4.5 million and aiming to reduce CO_2 emissions by more than 66,000 tons

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July

07

In collaboration with the UGT and CCOO unions, Meliá signs its second Equality Plan. Echoing the progress made in society in general, the plan updates and expands the provisions of the first plan published in 2011

August

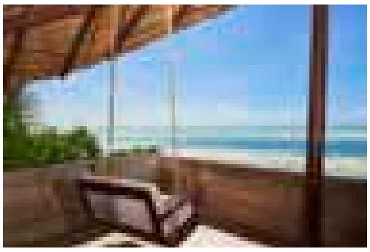
08

Opening of the INNSiDE Saigon Central, the first INNSiDE in Vietnam and the 7th hotel for the company in the country.

September

09

During the celebration of the New York Climate Summit, Meliá aligns itself with COP21 commitments and announces an objective to reduce CO2 emissions by 13% in scopes 1 and 2 before 2023, and by 51% before 2035, in addition to reducing scope 3 emissions by 6% and 21% before 2023 and 2035, respectively



October

10

Meliá is named the most sustainable hotel company in the world, after achieving the highest score in the industry in the Corporate Sustainability Assessment 2019 made by SAM (S&P Global), the world's leading organisation in corporate sustainability assessments

November

11

MeliáRewards, the company's loyalty programme, celebrates its 25th anniversary with a world tour and numerous awards

December

12

Meliá announces an agreement with Climatetrade to become the first hotel company in the world to apply environmental blockchain technology. MeliáRewards members can redeem points to offset the carbon footprint caused by their stays

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Awards & Recognition

Meliá strives to consolidate its position as a world leader in excellence, innovation and sustainability in the tourism industry. The awards and recognition achieved in 2019 are a reflection of our leadership and our commitment to continue to move forward along that path.

One of the most significant milestones of the year was recognition as the most sustainable hotel company in the world after the Corporate Sustainability Assessment 2019 carried out by the sustainable investment agency SAM (S&P Global). This recognition is a milestone in the history of the company, further reinforcing our firm commitment to sustainability and the promotion of responsible tourism.

GABRIEL ESCARRER

#26 Business Leaders with the Best Reputation in Spain. Merco Leaders.

Top 50 Most Influential Hotel Professionals. Hotelier Middle East's Annual Power 50 Ranking.

Top 20 Business Managers in Spain. Advice Business Success Report.

Tourism Personality 2019. Hosteltur.

REPUTATION AND LEADERSHIP

#21 Top 50 Most Valuable Hotel Brands. Brand Finance Annual Report.

#7 Top 10 Strongest Hotel Brands. Brand Finance Annual Report.

#19 Companies with the Best Reputation in Spain. Merco Companies.

#1 Hotels, rooms and presence in Spain. Hosteltur Major Hotel Chain Ranking.

Top 10 Companies that most help SMEs in Spain. Advice Business Success Report.

Top 10 Companies with the Best Reputation in Spain. Advice Business Success Report.

INNOVATION

Best Tourism Services App. The App Tourism Awards.

Innovation Award. Vocento Business Awards

Top 10 Leading Companies in Digital Transformation in Spain. Institute Coordinates of Governance and Applied Economics.

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EMPLOYMENT QUALITY AND EMPLOYER BRAND

#16 Company with Best Talent Attraction and Retention.
Merco Talent.

Most Attractive Hotel Company for Spanish University Students.
Most Attractive Employers

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

Gold Class & Industry Mover.
SAM Sustainability Yearbook 2020 S&P Global (CSA 2019).

#17 Company with best corporate responsibility and governance.
Merco Responsibility & Corporate Governance.

#B. Carbon Disclosure Project 2019

National Corporate Responsibility Award. Caixabank Hotels & Tourism Awards

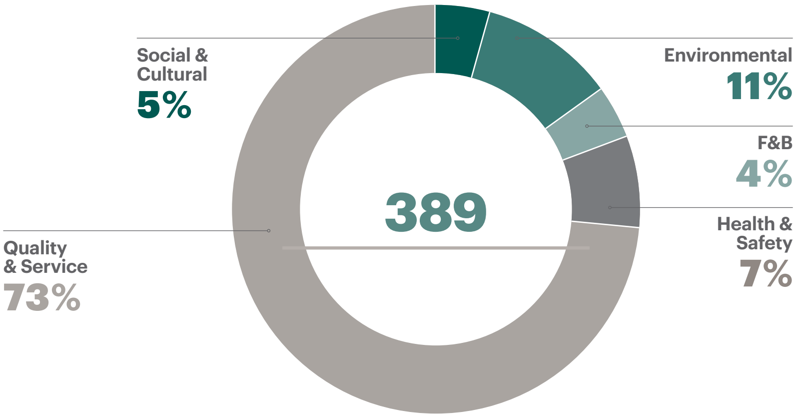
PRODUCT QUALITY, SERVICE & EXPERIENCE, AND BRANDS

Best Chain for Holidays Abroad. Travelranking awards.

185 Travelers' Choice awards. Tripadvisor

76 Hotels included in the Hall of Fame. Tripadvisor

AWARDS RECEIVED BY HOTELS



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2 Strategy

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Secretary and Independent Director

Tourism Industry Vision

GRI 102-15

TOURISM IN 2019

2019 has been a turbulent year for the tourism industry, but it continues to be one of the main drivers of growth in the world economy. Tourism GDP saw growth of 3.6% in 2019, slightly lower than the 3.9% achieved in 2018. Although the growth rate is lower than in previous years, we remain optimistic about the future, bearing in mind the transformation process that has to be undertaken to adapt to rapid change in the business environment.

Among many other factors, this slowdown is due to **geopolitical issues** such as the worsening of relations between the United States and China, which have affected practically all the other countries in the world, with real effects between neighbouring countries and regions; protests in Hong Kong and Latin America; political conflict in Catalonia; and the uncertainty caused by Brexit which still continues as the means in which it will be resolved remain unclear. All of this in a context in which the world economy is presenting the first signs of a slowdown and where we are also seeing the economic impact of climate change.

This situation has combined with other contingencies and events that have had a significant impact on the international tourism industry, such as the sargassum seaweed crisis on the Caribbean coast, the smear campaign that questioned security levels in the Dominican Republic or the collapse of the British tour operator, Thomas Cook, with important repercussions throughout the tourism industry value chain.

On the other hand, the so-called **Greta Thunberg effect** also went global in 2019, making climate change a priority issue on both public and private agendas and having an increasing impact on the decision-making process in companies, governments, investment funds and other key stakeholders in the tourism industry.

According to estimates by Exceltur, **tourist activity in Spain** ended 2019 with an increase of 1.5%, below the level of growth in Spanish GDP (2%), and the lowest figure since 2013, confirming the trend towards a progressive stabilisation in the industry. Despite this low growth, in 2019 the tourism industry maintained its capacity to generate employment, creating about 65 thousand jobs in Spain, 3.5% higher than the previous year and 1.2 percentage points above other industries in the economy.

	TOURISM GDP GROWTH	TOTAL CONTRIBUTION TO GDP	DIRECT CONTRIBUTION TO GDP	TOTAL CONTRIBUTION TO EMPLOYMENT
2019 PERFORMANCE	3.6%	10.8%	3.3%	10.3%
2029 OUTLOOK	3.5%	11.5%	3.5%	11.7%

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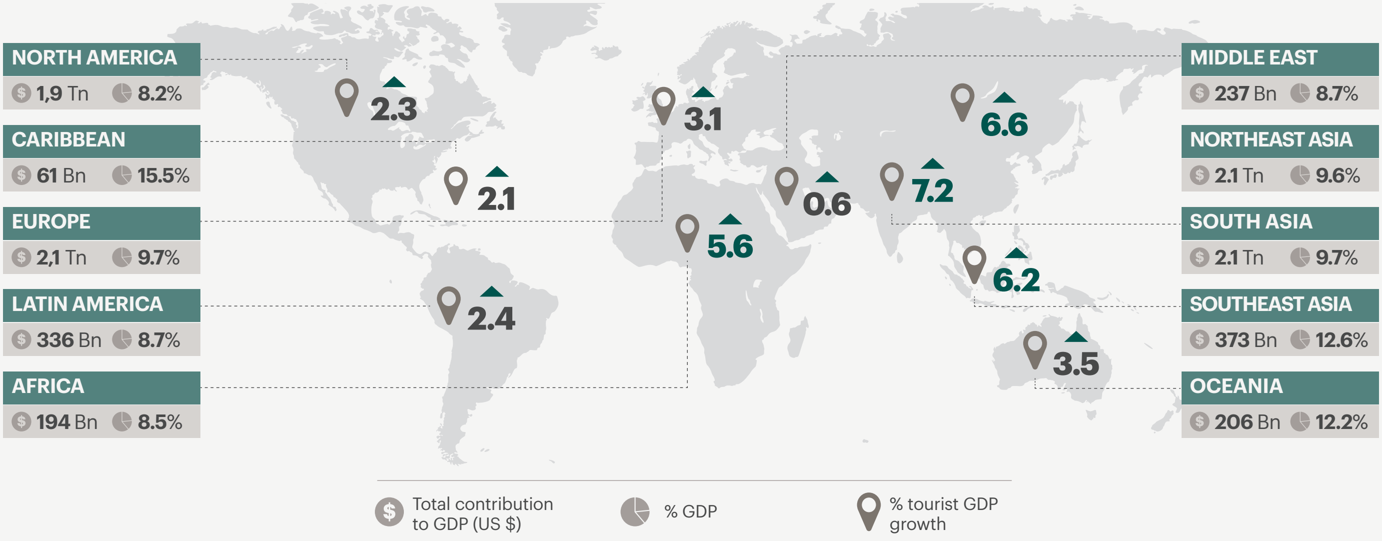
ECONOMIC CONTRIBUTION OF TOURISM IN 2019



*In green, if the increase is above the tourist GDP growth

FUTURE OUTLOOK

Despite the slowdown in the global economy, the outlook for the tourism industry in 2020 is favourable.

Forecasts point towards another good year for international tourist arrivals, which are estimated to grow by around 40 million, 3% higher than 2019 and getting closer to the 2024 forecast of 1,600 million trips. According to the World Travel & Tourism Council (WTTC), the economic contribution of tourism will grow by 3.5% in 2020, contributing USD 3 billion to the global economy.

Despite these huge numbers for tourism forecasts for 2020, it is important to note that international tourism continues to have significant potential for future growth. The proportion of the world population that take part in international tourism is estimated at only 3.5%.

Europe will continue to be the most visited destination in the world, with expected total arrivals at around 700 million in 2020 and an estimated growth rate of 3%, although this is below the world average and so will lead to a loss in market share.

East Asia and the Pacific will grow at a rate of 6.5% and surpass America, allowing it to reach a market share of around 25%.

We also expect employment in the travel industry to grow and that the industry will contribute **341 million jobs by 2020** compared to 323 million in 2018. This would consolidate the leadership of the travel industry as a generator of employment and driver of the world economy.

However, favourable forecasts for travel must also be accompanied by a vital transformation of the current tourism model in the face of global challenges that will drive the future of the industry towards a more profitable, responsible and sustainable model.

MAIN INDUSTRY CHALLENGES

- Geopolitical conflicts and security
- Technology
- Talent and future of employment
- Climate change
- The new traveller
- Ethics and reputation
- Creation of social value
- Sustainability

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Secretary and Independent Director

Materiality Analysis

GRI 102-21; GRI 102-29; GRI 102-31; GRI 102-44; GRI 102-46; GRI 102-47

In 2019, we reviewed and updated our materiality analysis to ensure alignment between the current expectations of stakeholders, the new 2020-2022 Strategic Plan and the company focus on objectives to respond to the key challenges, opportunities and trends in the business environment.

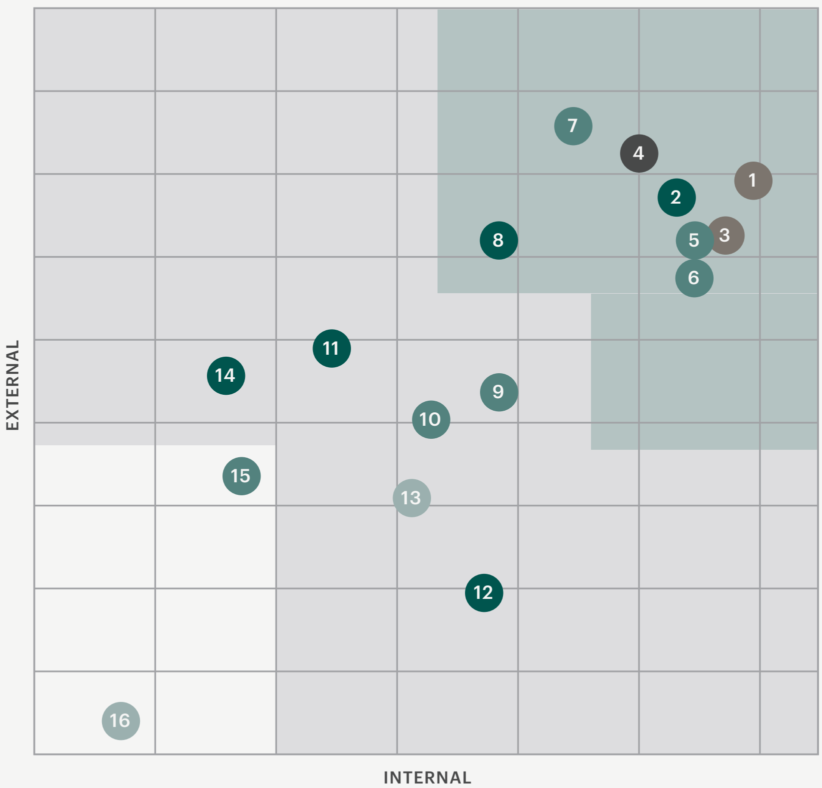
In this round of analysis, participation levels were above those of the previous analysis in 2017, attracting a response rate of 25%. The analysis also included for the first time a global and regional vision of the internal and external importance of material issues for all our global stakeholders.

The **identification** of 16 material issues was based on an analysis of the current business context, combining issues related to the business and its strategic vision, ESG criteria (environmental, social and governance), analysis of global trends, industry benchmarking, Global Reporting Initiative (GRI) standards and the United Nations 2030 Agenda itself.

The **prioritisation** of the issues followed a two-track analysis of their internal importance, assessed by the Board of Directors, Senior Management and executives with a prominent role in company decision making, and their external importance according to all the external stakeholders involved.

The **analysis** of the results took into account an internal and external weighting defined in line with the company stakeholder prioritisation map. The entire assessment and validation of the material issues was carried out with the greatest transparency and rigour to ensure the quality and accuracy of the results obtained.

MATERIALITY MATRIX



● CONTEXT ● GOVERNANCE ● CORPORATE RESPONSIBILITY ● OPERATIONS ● ENVIRONMENT

Prioritisation of material issues

Critical

1 Cybersecurity & Data protection
2 Human Rights
3 Business Ethics & Transparency
4 Regulatory Environment
5 Profitability & Solvency
6 Attractive business model
7 Customer experience
8 Health & Safety

High

9 Talent Management & Training
10 Innovation & Digitalisation
11 Diversity & Inclusion
12 Climate Change
13 Circular Economy & Responsible Consumption
14 Economic & social development in destinations

Medium

15 Geographical Presence
16 Biodiversity

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MATERIAL ISSUES: IMPORTANCE & SCOPE

Material issues	Importance for Meliá	SDG	GRI issue	GRI indicator
Cybersecurity & Data Protection	New technology and the transition to an increasingly digital environment is the most relevant material issue for our stakeholders. The mechanisms set up to protect our customers' personal data are a key factor in generating confidence		Customer privacy	418-1
Human Rights	Our internationalisation and presence in countries in which the defence of human rights requires support, requires that we create relationships and management frameworks that guarantee their defence in hotel operations and ensure a safe and fair environment for both our employees and customers		Non-discrimination Freedom of association and collective bargaining Child labour Forced or compulsory labour Rights of indigenous people Human rights assessment	406-1 407-1 408-1 409-1 411-1 412-1, 412-3
Business Ethics & Transparency	Stakeholders not only demand companies that are more responsible, sustainable and profitable, they also require companies to be ethical and transparent. A growing number of corruption cases require increased transparency from the company and its senior management		Ethics and transparency Governance Reporting practices Anti-corruption Anti-competitive behaviour	102-16, 102-17 102-18 to 102-39 102-45 to 102-56 205-1 to 205-3 206-1
Regulatory Environment	Constant changes in the environment generate new legal requirements that may affect normal operations		Environmental compliance Public policy Socio-economic compliance	307-1 415-1 419-1
Profitability & Solvency	Company growth and investment decisions require financial stability and strength		Economic performance	201-1 to 201-4
Attractive business model	To ensure a solid and reliable value chain, our business model has to be a source of both internal and external value creation		Management approach	103-1 to 103-3
Customer experience	In an industry as competitive as the hotel industry, the customer experience is a critical and differential factor to ensure satisfaction and loyalty		Customer health and safety Customer privacy	416-1, 416-2 418-1
Health & Safety	Guaranteeing a safe environment for our employees and customers is not only a legal requirement, but a priority for the company		Occupational Health and Safety	403-1 to 403-4
Talent Management & Training	In an environment in which talent shortages are expected, the ability to attract and retain talent is one of the strategic priorities for Meliá, where people are the heart of the organisation		Employment Training and qualification	401-1 to 401-3 404-1 to 404-3
Innovation & Digitalisation	The introduction of digital technologies and the encouragement of a culture of innovation are key factors in the identification of service improvements and process optimisation			
Diversity & Inclusion	Promoting diverse work teams and inclusive environments is one of the key commitments of Meliá		Diversity and equal opportunities Non-discrimination	405-1, 405-2 406-1
Climate Change	Global warming is a reality. Regulatory bodies and society in general demand greater involvement from companies and more innovative and sustainable management		Emissions	305-1 to 305-7
Circular Economy & Responsible Consumption	Promoting a responsible business model requires an efficient use of resources throughout the value chain, from the supply chain through to the responsible behaviour of our customers		Energy Water Discharges and waste Environmental assessment of suppliers Procurement policies	302-1 to 302-5 303-1 to 303-3 306-3 308-1 204-1
Economic & social development in destinations	The hotel industry has an important commitment to the socio-economic development of the location in which it operates and to compensate the impact of its operations		Indirect economic impacts Local communities	203-1, 203-2 413-1
Geographical Presence	Offering our customers a wide range of international destinations is one of the key priorities of the company growth strategy		Market presence	202-1, 202-2
Biodiversity	The conservation and protection of the natural environment in which we operate is a key factor in ensuring a sustainable business model		Biodiversity	304-1 to 304-4

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Secretary and Independent Director

Reflection on the Strategic Plan 2016-2018

As in previous periods, 2019 was a transition year for the company between the finalisation of its three-year strategic plan and the publication of its next strategic plan.

Throughout this report you can see the progress and results achieved during the year, the result of the strategy in place over the last four years. This section contains the key achievements that have made the company even better prepared for all the changes the new decade will demand from both the business world and humanity.

In line with the company's vision, the 2016-2018 strategic plan contained major objectives that acted as a beacon to everyone at Meliá Hotels International in driving the transformation processes that have prepared the ground for the new strategy.

Being seen as a world leader in excellence, responsibility and sustainability is our objective as a company, supported at the end of 2019 by our being named the most sustainable hotel company in the world.

The integration of ESG criteria in our business model is a major achievement, as it required the entire organisation to alter numerous processes in our value chain and include environmental and social factors in our decision-making process.

CONSOLIDATE THE CULTURAL TRANSFORMATION OF MELIÁ HOTELS INTERNATIONAL

A transformation process which focused on implementing projects as quickly as possible and ensuring changes were assimilated throughout the organisation. A management model where new technologies and tools allow management to make progress towards excellence and data management across the entire organisation.

In a similar fashion, the acquisition of new competencies and skills to face the new decade and, finally, the consolidation of our essence as a company, which allows our values to take root in new destinations and through the diversity of our team.

STRENGTHEN THE COMPANY'S GOVERNANCE MODEL

The progressive and orderly incorporation of recommendations on good governance has guided our activities over recent years. We have modified the regulations of our governing bodies, consolidated and strengthened our regulatory policies, aligned ourselves with the demands of our stakeholders, ensured a more company-wide culture to mitigate the impact of risks, and finally, appointed a Compliance Officer to help promote a culture of compliance that responds to global challenges.

LEADERSHIP IN RESORT AND BLEISURE HOTELS

Growth has consolidated our international presence, and we now operate in more than forty countries, with a portfolio of 388 business units and almost one hundred thousand rooms.

Our acknowledged experience in the resort hotel industry based on seven different brands, each with its own personality and each aimed at different customer types to respond to the expectations of increasingly demanding customer that seek new experiences that combine both business and leisure.

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Secretary and Independent Director

Strategic Plan 2020-2022

After the 2016-2018 Strategic Plan, and in an environment of increasing volatility, complexity and uncertainty, we faced two major challenges: on the one hand, to strengthen and optimise the basic drivers of value in the company, and on the other hand, to promote a growth model based on new premises.

2030 VISION

"We aspire to position ourselves among the leading hotel companies in the world in the midscale and upscale segments, strengthen our leadership in resort and bleisure hotels, and be seen as a world leader in excellence, responsibility, and sustainability".

To make this vision come true, we have taken on new commitments for the coming three years through a Strategic Plan that indicates the objectives we wish to achieve in 2022, as well as the key drivers and strategic areas where we need to act in order to achieve them.

The motto for the Strategic Plan has thus been defined as: **"Reinventing value"**, and the statement that defines its purpose as:

"To promote a transformation that makes the company more profitable and sustainable based on three fundamental drivers: the consolidation of our core values and strengths; efficiency, simplification and digitalisation; and a new strategy for responsible growth consistent with our vision."

The objective defined for 2022 is thus to provide differential value to our stakeholders, becoming a global benchmark in leisure and bleisure hotels through a profitable and agile business model focused on excellence and sustainability.

To achieve this, we will act in five key areas:

- ✔ The value we create for shareholders
- ✔ The digital transformation of the company seeking greater profitability and efficiency
- ✔ Evolution to offer experiences rather than mere hotel stays
- ✔ The value and development of our people
- ✔ Our ESG commitment (environmental, social and governance)

Each area contains a number of different projects that form the basis of our road map for the coming years, each being led by a multi-disciplinary and diverse work team with three key aims:

- ✔ Implement a new, coherent, profitable and responsible strategy which reinforces our core values and strengths
- ✔ To build a competitive operating model that guarantees the efficiency and professionalism of the services offered to our customers, business units and our other stakeholders through innovation, technology, more efficient processes and the commitment of our people
- ✔ To ensure our shareholders perceive the differential value this transformation brings to our business model

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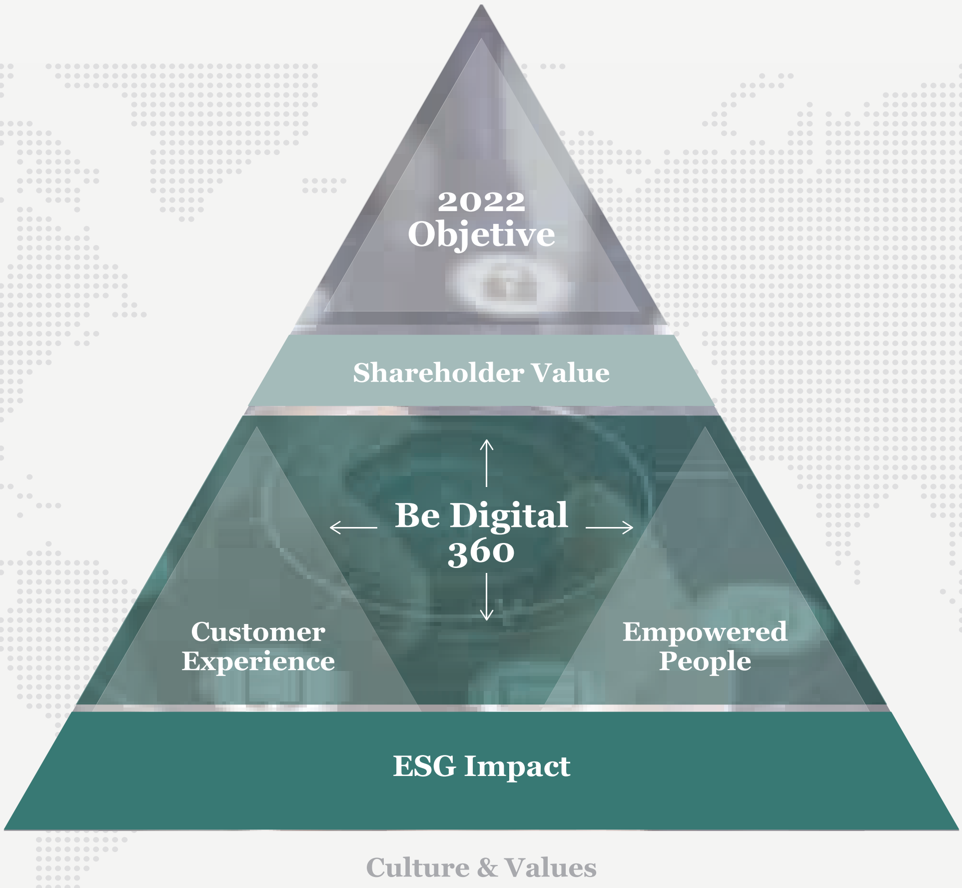
STRATEGIC AREAS



Shareholder Value

Ensure our shareholders perceive the internal transformation of the company as a differential value

Be Digital 360

To evolve towards a digitalised operating model that guarantees efficiency and professionalism in the services offered to business units and our other stakeholders through innovation, technology and more efficient processes

Customer Experience

To leverage our knowledge of destinations and the company's digital transformation to optimise our sales platform and generate experiences that add value and strengthen our bonds with customers to maximise company revenues

Empowering People

To develop and strengthen the abilities of all our people in a digital, versatile and constantly changing world, and create an environment of trust in which our leaders inspire and encapsulate our values, fostering a culture of innovation

ESG Impact

Consolidate an ethical, transparent and responsible management model, becoming a benchmark for the transformation towards a more sustainable tourism model which addresses the needs of the planet and economic and social development in our destinations

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Secretary and Independent Director

Committed to the 2030 Agenda

GRI 413-1

ESG IMPACT

"Consolidate an ethical, transparent and responsible management model, becoming a benchmark for the transformation towards a more sustainable tourism model which addresses the needs of the planet and economic and social development in our destinations."

COMMITMENT AND PREMISES

Our commitment to sustainability is a key feature in the development of our hotel activity, a competitive advantage and a differential factor that reinforces our relationships with our stakeholders.

In line with the new Strategic Plan 2020-2022, we have defined a Sustainability Master Plan aligned with the United Nations Sustainable Development Goals which is integrated throughout our entire value chain and whose ultimate goal is to generate shared value in the destinations in which we operate.

The plan includes projects already implemented and defines new developments that will respond to the challenges faced by society and the travel industry in regard to sustainability.

We are living through a paradigm shift that requires companies to take an active role, focused on protecting the planet and making a contribution to society. As a consequence, markets and society demand that companies effectively integrate within their strategies the drivers of solutions to global challenges.

At Meliá, we understand that this integration and the management of intangible factors are key drivers of our transformation, innovation and a 360-degree vision of our business. It will also allow us to reinforce the strategy with a long-term vision which is aligned with our purpose as a business: to move towards a more sustainable future from a more responsible present.

Our approach, commitments and progress in this area led to us being named **the most sustainable hotel company in the world** in the Corporate Sustainability Assessment 2019 carried out by the sustainable investment agency SAM, reinforcing the trust our stakeholders have in us as well as our leadership in an area that is of vital importance for an industry such as travel, which has proven to be a driver of economic and social development.

In order to respond to global challenges, market demands and the expectations of our stakeholders, our Sustainability Master Plan is based on the following premises.

1. Global challenges as a frame of reference
2. Social changes as guidelines for action
3. The sustainable transformation of the tourism model
4. A commitment to a unique VISION: sustainable and responsible hotel management
5. Social and environmental factors integrated with the management model
6. Sustainability as a driver of innovation and the generation of long-term shareholder value

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THE 2030 AGENDA IN THE ESSENCE OF OUR SUSTAINABILITY MASTER PLAN

The United Nations 2030 Agenda is our benchmark to help build a responsible tourism model and help face major global challenges. Since the adoption of the SDGs by the United Nations in 2015, we have made great progress in understanding them and including them in our sustainability strategy and defining specific objectives.

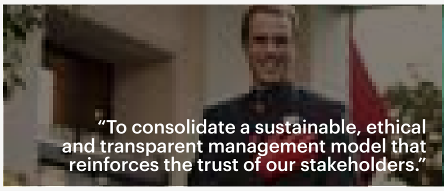
As the world's most sustainable hotel company, we therefore promote a responsible hotel management model that generates true value in the destinations in which we operate, with a special focus on those SDGs that are closest to travel and on which we can act directly.

The Master Plan also includes approaches that respond to issues our stakeholders consider of special relevance, as seen in the Materiality Analysis, thus ensuring that our actions respond to their concerns.

SUSTAINABILITY MASTER PLAN

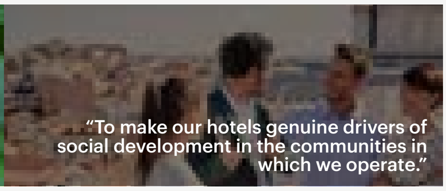
OBJECT

#Meliá4Trust



#Meliá4thePlanet

#Meliá4theProgress



MOTIVATION

"A Company with a solid governance structure and management criteria based on ethics and transparency"

"The transition to a competitive and sustainable economy, with low carbon emissions and resilience to adverse climatic conditions"

"A travel industry that generates opportunities and development for people and communities"

ACTION

GOVERNANCE

- 5 Strengthen the internal governance of sustainability
- 4 Consolidate our regulatory policies
- 3 Strengthen risk management in the light of ESG criteria
- 3 Promote an internal control model based on ESG criteria

ENVIRONMENT

- 12 Progress towards the decarbonisation of our activity based on scientific criteria (SBTi)
- 13 Focus on a circular hotel model that reduces waste and protects destinations
- 13 Promote responsible consumption and the appropriate use of resources in our destinations

PEOPLE

- 8 Strengthen our standards on occupational health and safety
- 9 Promote the development and training of our teams
- 11 Boost diversity to drive innovation and transformation
- 14 Strengthen value generation and local development

TRUST

- 3 Define objectives aligned with our public commitments
- 3 Make our communication and marketing more responsible and amenable
- 3 Advance towards a global and integrated reporting model (financial and non-financial information)

VALUE

- 7 Include sustainable attributes in our brands and products
- 7 Enhance the knowledge and behaviour of our customers in terms of sustainability
- 7 Encourage sustainable mobility
- 10 Involve customers in the protection of destinations

COMMUNITY

- 11 Stimulate an inclusive and diverse management model
- 2 Guarantee global and comprehensive human rights management
- 15 Measure the positive impact we have on destinations

STAKEHOLDERS

- 3 Redesign our dialogue model to allow closer relationships with stakeholders
- 3 Redefine our positioning strategy from a global perspective
- 3 Cooperate with strategic partners that share our commitments and vision

SUPPLIES

- 13 Employ a responsible and sustainable consumption model with a low environmental impact
- 13 Extend our ESG commitments to our supply chain
- 13 Identify opportunities that contribute to overcoming global challenges

"Working towards a sustainable future from a responsible present"

PRINCIPLES	Trust	Ethics	Transparency	Values	Sustainability	Alliances

● CONTEXT ● GOVERNANCE ● CORPORATE RESPONSIBILITY ● OPERATIONS ● ENVIRONMENT

The number refers to the related materiality issue.

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Secretary and Independent Director

3 Value creation

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Secretary and Independent Director

Modelo de Negocio

AN EXCELLENT AND SUSTAINABLE MANAGEMENT MODEL...

OWNED (13.2%)*
Meliá both owns and manages the hotel

LEASED (33.1%)*
Meliá is a tenant in the hotel and responsible for its management

MANAGED (39.3%)*
Meliá manages a hotel owned by a third party under one of its brands. Fees are charged for the management services

FRANCHISED (14.4%)*
The owner operates the hotel under a Meliá brand and uses our sales channels

(*) Active portfolio

OUR BRANDS

GRAN MELIÁ HOTELS & RESORTS
ME BY MELIÁ
PARADISUS BY MELIÁ
MELIÃ HOTELS & RESORTS
INNSiDE BY MELIÃ
SOL BY MELIÃ
TRYP BY WYNDHAM
CIRCLE BY MELIÃ

... WITH A VISION FOCUSED ON 5 STRATEGIC OBJECTIVES...

CULTURE & VALUES

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

... AND A STRONG COMMITMENT TO ACHIEVING THE SUSTAINABLE DEVELOPMENT GOALS...

WITH THE MAIN FOCUS ON...

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE PRODUCTION AND CONSUMPTION

13 ACTION FOR THE CLIMATE

16 PEACE, JUSTICE AND SOLID INSTITUTIONS

15 LIFE OF TERRESTRIAL ECOSYSTEMS

SUSTAINABLE DEVELOPMENT GOALS

RESOURCES

45,717
Employees

€3.5M
Investment in training and development

388
Hotels

83,778
Rooms

42
Countries

€16.7M
Investment in digitalisation and connectivity

€3.5M
Environmental investment

4,661
Local suppliers

RESULTS

€1,800.7M
Consolidated revenue

€470.9M
EBITDA excluding capital gains

€112.9M
Net profit attributed to the parent company

€9.18
Maximum share price

€266.8M
Tax payments

€192.8M
Shareholder and owner contribution

29.3M
Total stays

59%
Green energy use

€439K
Funds raised for children

VALUE CREATED

€2,846.7M
Aggregated revenue

44.6%
Female staff members

16
Merco talent

19
Merco reputation

46.5%
NPS customers

12.6M
Loyal customers

-14.51%
CO2 emissions per stay

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Asset Management Strategy

One of the key aspects of the new Strategic Plan 2020-2022 is the creation of shareholder value, in which the optimisation of our assets plays an important role, focusing on maximising the profitability of our owned and leased hotels through profitable and efficient asset management. To achieve this objective, the asset management strategy is based on four premises:

- ✔ **Contribution to results**, taking into account the portfolio of owned hotels and their contribution to company results
- ✔ **Competitive profitability**, focusing on the profitability of our assets (ROA)
- ✔ **Strategic alignment**, increasing the bleisure segment in city hotels and promoting the MICE segment in key destinations
- ✔ **Disinvestment in non-core assets**, selling assets considered non-strategic

Bearing in mind these premises, we have focused on three areas where results will lay the foundations for our positioning, with the objective of responding to the expectations of our shareholders.

1. ASSET MANAGEMENT

Asset management is based on several factors focused on **increasing the profitability and quality** of our assets:

- ✔ The monitoring of hotels **in ramp up** after their reopening or renovation
- ✔ Enhancing our **role as owners** in owned hotels, ensuring a focus on profitability and attending to their specific needs
- ✔ Maximising **profitability per m²**
- ✔ Enhancing the **proactive management of our partnerships**, adjusted to different investor profiles and the economic cycle

2. SMART PRODUCT INVESTMENT

Based on the current situation in the company's hotel portfolio, the benefits of **reform and transformation projects** for different assets are analysed with a view to opening up modern new spaces which also involve attributes to maximise their profitability and quality. These projects enhance value through different actions:

- ✔ Optimisation of obsolete or underused spaces
- ✔ Use of available building rights
- ✔ Addition of adjacent spaces purchased from or leased to third parties
- ✔ Creation of new spaces in appropriate rooftop areas

3. LEASED HOTEL PORTFOLIO MANAGEMENT

We aim to **maximise the profitability of the business model** in our portfolio of leased hotels. To achieve this, we have identified several areas in which to act:

- ✔ Analysis of contract maturities and definition of an action plan for hotels due to complete the term of their contracts in the coming years
- ✔ Definition of a roadmap for those hotels that may be subject to rebranding or disaffiliation
- ✔ Focus on assets with operating results that have room for improvement
- ✔ Proactive management with hotel owners

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

KEY REPOSITIONING & REFORM PROJECTS

GRI 203-1; GRI 203-2

Dominican Republic Master Plan

Among the largest real estate projects carried out over recent years, the project to build a new hotel and reform and reposition the rest of the hotel portfolio in the Dominican Republic, all of them owned by the company, stands out.

It should be noted that the value of the assets in the Punta Cana area represents up to 20% of the total value of Meliá's fully consolidated assets.

Between 2015 and 2020, the total investment in the project was approximately 150 million euros, focused on adapting the hotel portfolio to the expectations of our customers:

- ✔ Reform and repositioning of the former Meliá Caribe Tropical to create two separate hotels: **Meliá Punta Cana Beach Adults Only**, which aspires to become a benchmark in the wellbeing segment, and **Meliá Caribe Beach for everyone**, which includes a large water park to make it more attractive to family travel
- ✔ The opening of the luxurious **Grand Reserve at Paradisus Palma Real** to complete our portfolio in Punta Cana, positioning itself as the top-ranked hotel in the company for quality after only 6 months in operation
- ✔ Product improvement at **Paradisus Palma Real**, including rooms, public areas and the spa, among other areas

Our hotels in Punta Cana represent 20% of Meliá's total real estate asset value

150M

Total investment

Among the most important benefits of this project, we would highlight the following:

- **Bring new life to** our hotel portfolio and increase our exposure in the Dominican Republic, thus strengthening the positioning of the Meliá brand in America
- **Increase the** profitability and value of certain assets, allowing them to attract more niche markets
- **Maximise revenue** through a greater contribution from the different hotel areas and the addition of new commercial areas
- **Boost revenues** in other business areas such as the shopping mall, golf course or casinos
- **Leverage the** know-how acquired through the management of separate business units
- **Enhance integrated** management of the hotel business and **Circle by Meliá**, allowing the optimisation of inventory depending on demand cycles

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Katmandú Park Punta Cana

To enrich the experience of guests in Punta Cana, one of the most important resort destinations for the company, we have begun a tourism development project that consists of the construction of a theme park in the space currently occupied by the Palma Real Shopping Village. The new Katmandu Park Punta Cana will be a major entertainment centre, with a wide range of music, shopping, bars and restaurants, consolidating the leisure facilities in the area.

Katmandu Park Punta Cana will be a ***Joint venture*** project with both partners holding a 50% share: Meliá Hotels International and FunStuff, S.L. which is entirely owned by the Katmandu Group.

Since the opening in Mallorca in 2007 of the first Katmandu Park, the success of which has been widely acknowledged and praised by the market, the objective of the new project is to create a next-generation park that will open up opportunities for potential growth in other relevant destinations for the company.

INNSiDE by Meliá Zaragoza

Another major real estate project, involving an investment of approximately 23 million euros, was the conversion of the old Meliá Zaragoza to create the recently inaugurated **INNSiDE by Meliá Zaragoza**, an avant-garde hotel in a location near all the main attractions in the city and with a design that reinforces our commitment to sustainability.

The purpose of this project was to optimise the value of the building in a location suffering from an oversupply of hotels through the development of **mixed hotel-residential-retail facilities**. The hotel has 102 rooms with sustainable attributes enhanced by the materials used, the linen and the bathroom amenities, all with a low environmental impact, plus a real estate development with 68 functional homes with a design focused on energy eco-efficiency.

Once the hotel business has stabilised, the new Innside hotel is expected to significantly improve on the results of the former Meliá Zaragoza, despite having only 40% of the previous room inventory, thanks to a new pricing strategy and a more efficient cost structure.

Mixed project: hotel - residential - retail, committed to sustainability

€23M
Total investment

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Our Brands

GRI 102-2; GRI 102-6

BRAND PORTFOLIO & POSITIONING

Our experience in the resort hotel industry is expressed in all seven of our brands, each of them with its own distinctive personality, but all of them sharing the values and principles of the company.

Each of our brands focuses on clearly defined psychographic and demographic profiles, to respond to the different needs of modern travellers, adapting to changes and trends as the result of a constant review process that prioritises innovation and permanent evolution.

	+ DEMOGRAPHIC	+ PSYCOGRAPHIC
Upper *upscale* **10%** **4**% Gran Meliá Hotels & Resorts **2**% ME by Meliá **4**% Paradisus by Meliá	Paradisus by Meliá; Gran Meliá Hotels & Resorts	Gran Meliá Hotels & Resorts; ME by Meliá
Upscale **46%** **37**% Meliá Hotels & Resorts **9**% Innside by Meliá	Meliá Hotels & Resorts	Innside by Meliá
Midscale **38%** **22**% Sol by Meliá **16**% Tryp by Wyndham	Sol by Meliá; Tryp by Wyndham	

Other Hotels managed by Meliá **5%**

SUSTAINABLE BRANDS

Our hotel brands transmit the Meliá values with regard to public commitments we have made in environmental and social sustainability. Hotels actively participate in bringing these values closer to our stakeholders through their operations, involving actions such as promoting healthy, local cuisine, managing the hotel operation efficiently and respecting energy and water resources, or promoting social activities that involve the local community.

We are very much aware of the importance of sustainability in the tourism industry, and we are working on promoting specific sustainable attributes in each of our brands to respond to the growing concern, strengthening our value proposition according to the real social and environmental situation in each of the destinations in which we operate.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

GRAN MELIÁ
HOTELS & RESORTS

A life well lived

+ info

GRAN MELIÁ
HOTELS & RESORTS

BRAND POSITIONING

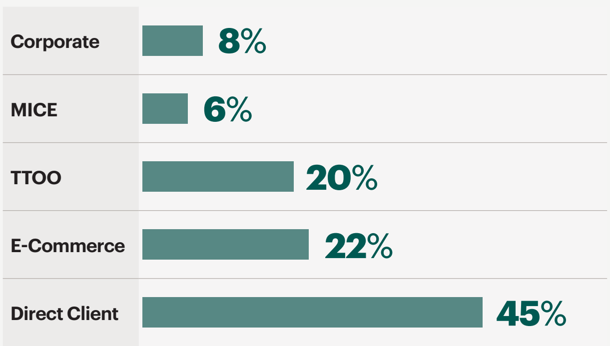
Gran Meliá evokes the essence of Spanish culture: simple pleasures, connection with the earth, respect for things well done and natural luxury.

This philosophy is materialised in each of the elements that shape the Gran Meliá experience. From the extraordinary architecture of the hotels and the quality of a cuisine that evokes local flavours, to the warm and respectful nature of the service.

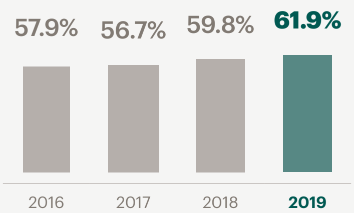
Each experience reveals a unique appreciation for the authenticity of the everyday, the creativity and talent of both local culture and our own. Even the smallest detail is deeply rooted in the Spanish life well lived. Genuine luxury.

KEY FIGURES

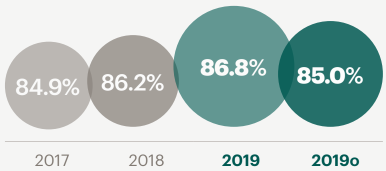
REVENUE SEGMENTATION



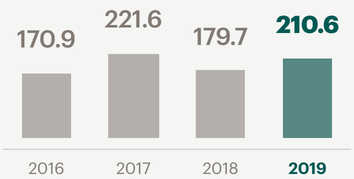
OCCUPANCY (%)



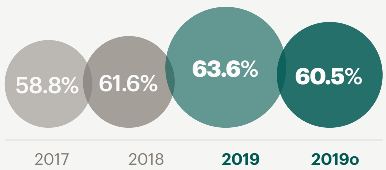
GUEST SATISFACTION SCORE (GSS)



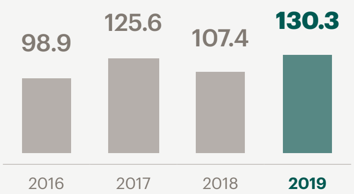
ARR (€)



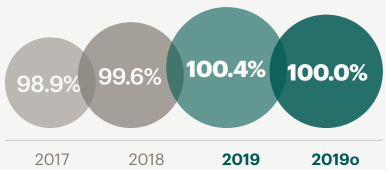
NET PROMOTER SCORE (NPS)



REVPAR (€)



QUALITY PENETRATION INDEX (QPI)



PRESENCE

	Hotels	Rooms	Countries
Operational	13	3,052	6
Pipeline	7	1,636	3

Stays	+ 1.1 million

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

ME

BY MELIÃ

HOTELS WITH EXPRESSION

+ info

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

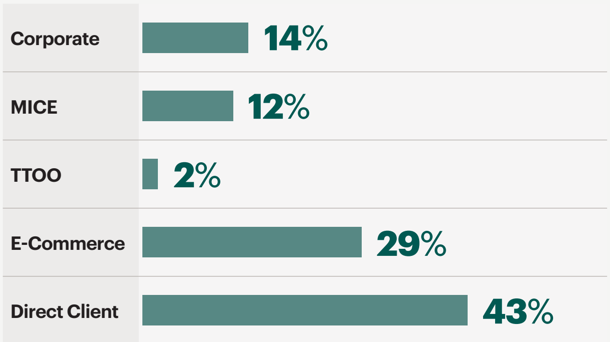
BRAND POSITIONING

Inspired by the cutting edge of Europe's contemporary scene, ME by Meliá gives guests a true taste of its destinations. Combining architecture, design, art and gastronomy with a bespoke service culture that anticipates the needs of each guest, ME ensures every stay is meaningful.

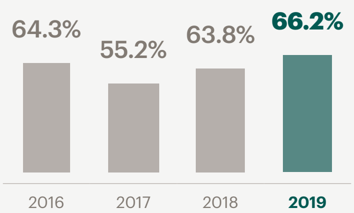
Channelling the individuality of our locations, we create a guest experience which encapsulates the best of the local scene, with each ME hotel a reflection of its destination. Through our strong cultural connections, we bring local and international talent into our hotels, working with artists, influencers and creative technologists to create social epicentres which buzz with energy and inspiration.

KEY FIGURES

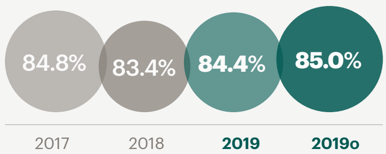
REVENUE SEGMENTATION



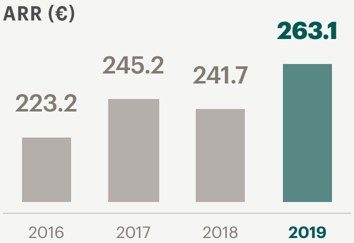
OCCUPANCY (%)



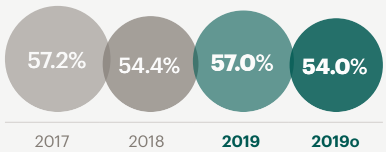
GUEST SATISFACTION SCORE (GSS)



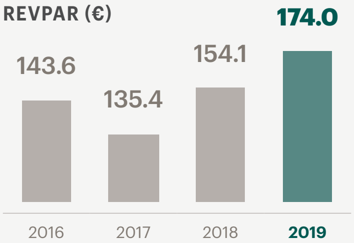
ARR (€)



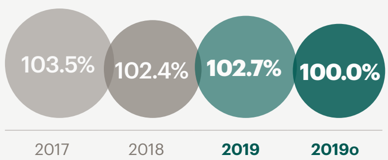
NET PROMOTER SCORE (NPS)



REVPAR (€)



QUALITY PENETRATION INDEX (QPI)



PRESENCE

	Hotels	Rooms	Countries
Operational	6	1,061	4
Pipeline	5	898	3

Stays	+ 0.3 million

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

PARADISUS

BY MELIÃ

EMBRACE YOUR NATURE

+ info

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

PARADISUS
BY MELIÃ

BRAND POSITIONING

Set against the most renowned and emergent resort hot spots around the world, Paradisus transports guests into a paradise that reflects the natural beauty of its destination.

Mindful of its presence within nature, Paradisus is committed to achieving balance with the environment around its properties.

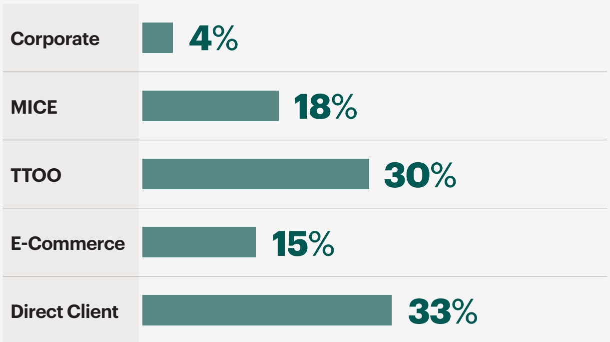
This narrative of being at one with the destination runs through each element

of the resort, from locally-inspired dinner menus to environmentally conscious in-room products.

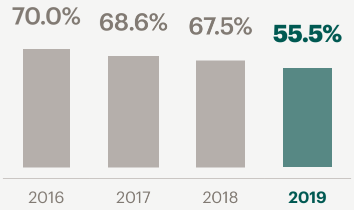
Guests can expect to be transported into a resort environment that perfectly balances the feel of luxury with an unpretentious atmosphere.

KEY FIGURES

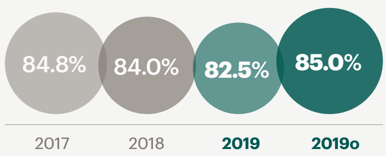
REVENUE SEGMENTATION



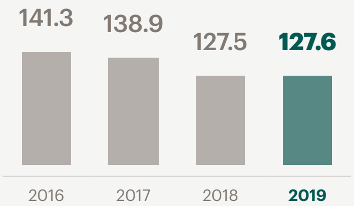
OCCUPANCY (%)



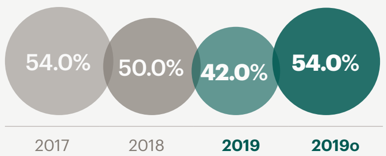
GUEST SATISFACTION SCORE (GSS)



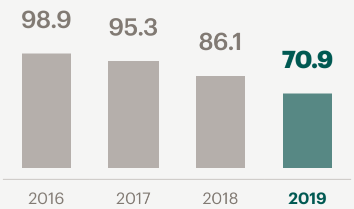
ARR (€)



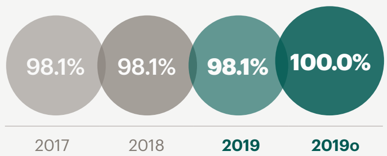
NET PROMOTER SCORE (NPS)



REVPAR (€)



QUALITY PENETRATION INDEX (QPI)



PRESENCE

	Hotels	Rooms	Countries
Operational	12	6,319	3
Pipeline	2	998	1

Stays	+ 2.4 million

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

MELIÃ
HOTELS & RESORTS

Soul Matters

+ info

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

BRAND POSITIONING

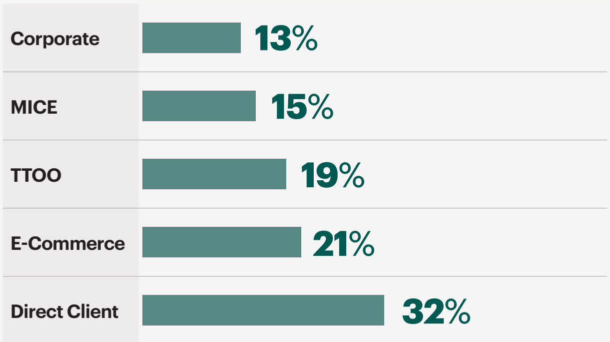
Meliá Hotels & Resorts is a welcoming brand that inspires a sense of security. With internationally renowned hotels, it is characterised by its passion for service and by the personalised care received by its guests.

With guest wellbeing its top priority, Meliá provides the warmth of Spanish hospitality through its personalised services and constant evolution to create new experiences to meet the needs and wishes of all kinds of guests, without exception.

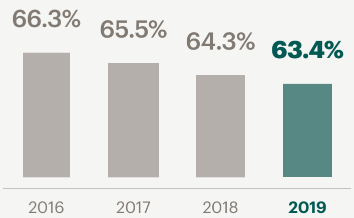
Unique culinary experiences adapted to the latest trends, rooms equipped to ensure the highest level of wellbeing, personalised and exclusive services through The Level, innovative meeting rooms with everything required to ensure maximum success, activity programmes that enrich and complement the guest experience, and kids' clubs to ensure every member of the family is happy. These are just some of the brand expressions that allow Meliá to guarantee it will meet the needs of its guests.

KEY FIGURES

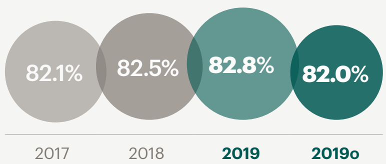
REVENUE SEGMENTATION



OCCUPANCY (%)



GUEST SATISFACTION SCORE (GSS)



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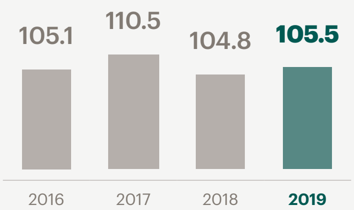
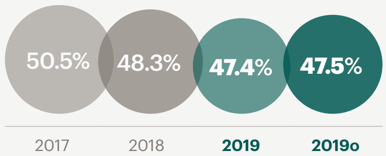


NET PROMOTER SCORE (NPS)



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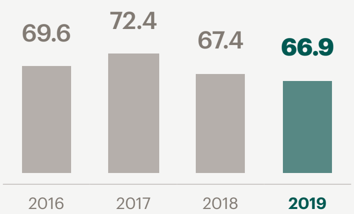
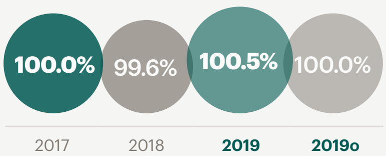


QUALITY PENETRATION INDEX (QPI)



PRESENCE

	Hotels	Rooms	Countries
Operational	121	35,126	34
Pipeline	29	8,279	3

Stays	+12.8 million

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

INNSiDE

BY MELIÃ

Stay Curious.

+ info

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

INNSiDE BY MELIÃ

BRAND POSITIONING

INNSiDE by Meliá hotels are design-led lifestyle and resort hotels that give guests the freedom to relax and explore, whether they are travelling for work or leisure.

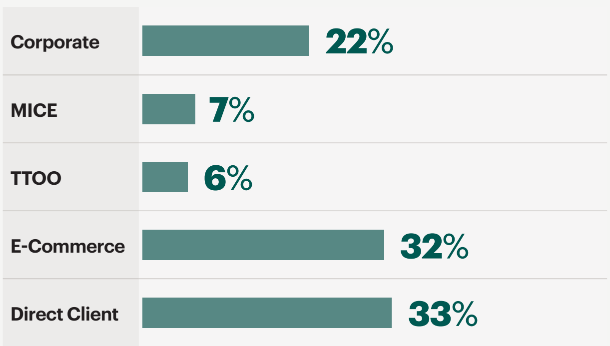
The brand embraces the local culture of each destination through an extensive events calendar, city guides, artwork and free bicycle hire to encourage guests to discover new neighbourhoods.

INNSiDE creates spaces to disconnect and relax both body and mind with modern fitness facilities, yoga classes and DJs in the pool and lobby. A hotel where guests can try local drinks without leaving their room and enjoy all the flavours of local cuisine during meals. In all of our INNSiDE hotels, the lobby is an open space for informal get-togethers and business meetings.

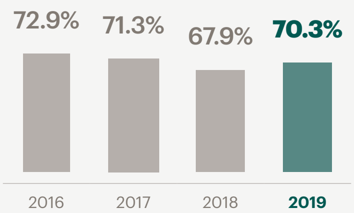
We have given a lot of thought to how to take better care of our planet, which is why we have reduced the use of paper and single-use plastics and ensured that room amenities, sheets and towels are all made with organic materials.

KEY FIGURES

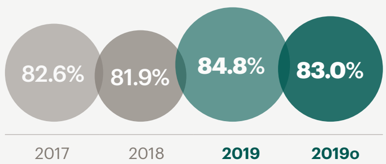
REVENUE SEGMENTATION



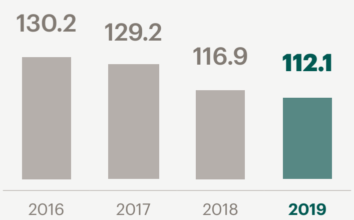
OCCUPANCY (%)



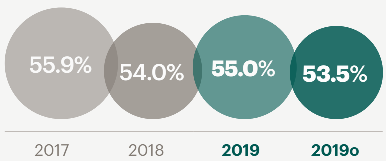
GUEST SATISFACTION SCORE (GSS)



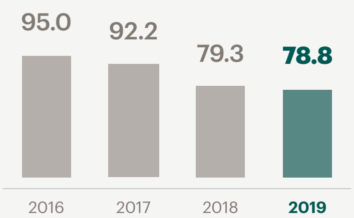
ARR (€)



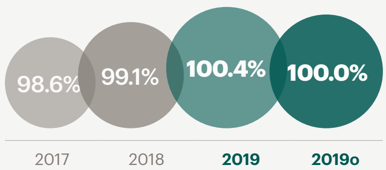
NET PROMOTER SCORE (NPS)



REVPAR (€)



QUALITY PENETRATION INDEX (QPI)



PRESENCE

	Hotels	Rooms	Countries
Operational	29	5,189	11
Pipeline	15	2,810	11

Stays	+ 1.8 million

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

SOL

BY MELIÃ

#LetYourSolShine

+ info

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

SOL
BY MELIÃ

BRAND POSITIONING

Sol by Meliá is dedicated to the most important type of holiday - the one you share with the people you love. A place where you feel the joy, fun and relaxation that are so vital during your time away, and where the memories created last a lifetime.

A new generation of resorts designed for new families and modern travellers that offer fantastic facilities for children and experiences geared towards adults.

Our design is colourful, vibrant and full of energy, as well as welcoming and homely, something that becomes clear in the service that we provide.

From the moment you arrive, we make the whole family feel right at home. A unique and unforgettable experience created through the hospitality and friendliness of the staff and the tiny details that make all the difference. A place in which to dream, jump and play.

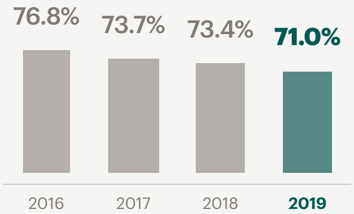
At SOL, our goal is to satisfy our guests, personalise their experience and anticipate their every need.

KEY FIGURES

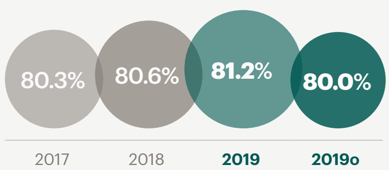
REVENUE SEGMENTATION

Corporate	4%
MICE	1%
TTOO	47%
E-Commerce	19%
Direct Client	29%

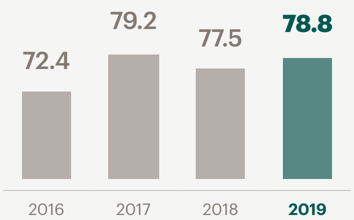
OCCUPANCY (%)



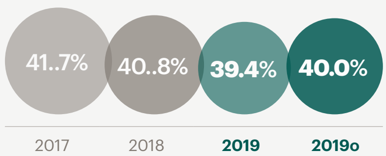
GUEST SATISFACTION SCORE (GSS)



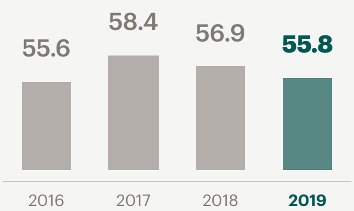
ARR (€)



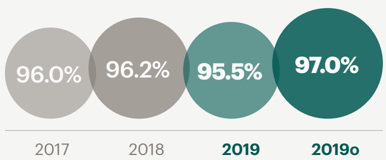
NET PROMOTER SCORE (NPS)



REVPAR (€)



QUALITY PENETRATION INDEX (QPI)



PRESENCE

	Hotels	Rooms	Countries
Operational	72	21,381	8
Pipeline	2	490	0

Stays	+ 7.2 million

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Dining Experiences

Meliá has made considerable efforts to boost its F&B strategy, introducing innovative dining concepts in our hotels and forming partnerships with market-leading partners such as renowned chefs and major catering groups to reinforce our positioning and help create synergies. F&B plays a fundamental role in our activity, representing 32% of total company revenues.

For us, our F&B services are a way to strengthen the bonds between guests and hotels, delivering unique sensory experiences in which technology and sustainability take centre stage.

"Our goal is to offer avant-garde dining options which encapsulate the local essence of the destination, encourage awareness about local cuisine and transmit the importance of a healthy, balanced and sustainable diet, creating concepts that become social epicentres in the destination."

INNOVACIÓN GASTRONÓMICA

Since 2016 we have been supporting innovation together with **Gastro Entrepreneurs** to make our hotels places of culinary reflection, open to entrepreneurs to pilot their projects and compare and contrast their ideas with mentors. This acts as a form of **gastro incubator**, designed to detect, develop and test innovative culinary projects based on their profitability, scalability and real impact on people's eating habits.

32%
of total revenues come from F&B services

Boost our corporate image as an innovative company and differentiate ourselves from competitors by generating visibility and through our commitment to society

Encourage Corporate Venturing, making our innovation processes more agile through partnerships with entrepreneurs and start-ups

Be fully aware of market trends and industry initiatives

Detect innovative dining projects in their early stages of development to facilitate their implementation and attract new customer segments

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FOOD HYGIENE

In food hygiene we use **self-control systems** as the most effective tool to ensure food health and safety. The general hygiene plans define operational procedures with regard to basic aspects of hygiene and particular activities. The correct design of procedures based on hotel needs, the reality of the business and practical implementation, allow hazards which often affect different phases of food management to be kept under control.

Verification of the self-control system based on HACCP principles (Hazard Analysis and Critical Control Points) is carried out in monthly external audits, including all the locations in the hotel where food is handled for human consumption.

The audit includes a visit to review compliance with food handling and hygiene best practices, the condition of the facilities, the implementation and monitoring of all prerequisites, the correct implementation and monitoring of control and surveillance registers, etc.

An audit report is then prepared detailing any breaches detected and suggesting possible corrective measures.

With regard to food safety, we have agreements in place to take care of specific groups of people (people with intolerances and allergies) and offer guests the confidence and security of knowing that rules for handling certain foods are respected.

HEALTHY AND SUSTAINABLE FOOD

Our commitment to protecting the planet and the well-being of our guests are key drivers of our food choices, and that is why we aim **to foster responsible, healthy and sustainable consumption.**

The growing interest in healthy diets and an increase in the demand for more environmentally responsible products are defining new trends in food consumption. To respond to the new requirements of our customers and strengthen our commitment to sustainability, we defined the following objectives:

1,385

F&B audits

Purchase products that follow guidelines and regulations regarding respect for the environment and animal welfare, obtained through integrated or agricultural production systems and excluding endangered species

Continue to boost the local economy through the acquisition of local, fair-trade and ecological products, reducing environmental impacts in production systems and supply logistics

Strengthen our dining experiences with an offer rich in vegetables, whole grain cereals, legumes and fruit, reducing the use of processed products and sugary fizzy drinks

Promote responsible, healthy and sustainable consumption among our customers and employees

MILESTONES 2019

2nd Edition of the Spanish Gastronomy Training Programme through an agreement with ICEX in which five of our chefs from Europe, Asia and America learnt more about Spanish culinary culture at the Basque Culinary Centre in San Sebastián, and also took a trip through the different regions of Spain to learn first-hand about the cuisine in each province.

OUTLOOK 2020

We will launch the **F&B Graduate Programme**, an internal F&B development programme aimed at highly qualified recent graduates or students in the final year of their university studies, with the objective of offering them a professional career as F&B Managers and/or Directors.

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Secretary and Independent Director

Business Case

In line with our commitment to reduce waste and stimulate the responsible consumption of raw materials, in 2019, together with **Leanpath**, we launched a project to reduce food waste using technology that allows the tracking of the entire process from beginning to end and can then act upon the data provided by the system.

Leanpath

What is the project about?

- ✔ Measure the food waste generated in buffet services and staff canteens by installing scales and devices with artificial intelligence placed in the waste bins
- ✔ Analyse all the information collected using a programme that helps visualise trends, patterns and frequencies in food waste
- ✔ Define waste reduction objectives, as well as automated alerts and recommendations
- ✔ Transform the data obtained into effective strategies
- ✔ Empower teams and raise awareness about minimising waste and maximising profits

Where has it been implemented?

The project is running in five pilot hotels to learn lessons which will enable a more effective launch in other hotels with the greatest opportunities for improvement over the next few years.

Spain: **1**. Melia Tamarindos **2**. Sol Lanzarote. **Punta Cana, Dominicana Rep.**: **3**. The Circle **4**. Melia Punta Cana Beach **Mexico**: **5**. Paradisus Playa del Carmen La Perla and Esmeralda

Investment

The investment depends on the need for the devices required for the correct implementation of the programme. The approximate total investment in the 5 pilot hotels has been 21,000 euros.

Benefits

Economic					Environmental	
Return on investment: for every €1 of investment there is a commitment to recover €7 in operating costs	Reduction of food waste by 50%	Reduction of between 2% and 8% of the direct food cost	Reduction of costs in waste management	Reduction of hours of work in preparation or processes that do not add value	Reduction of the carbon footprint of the hotel	Reduction in use of water related to food waste

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Sales Strategy

To achieve our goals, it is extremely important that we consolidate our sales transformation with a solid focus on reinforcing the customer relationship.

This sales strategy has been designed from a global perspective down to a local reality, where guidelines are defined at the global level for each business segment bearing in mind the particular characteristics of the regions and destinations where we operate and with the support of specialist teams in each segment.

This approach has enabled the Company to increase the profitability of the business.

✔ **Encourage a culture of total revenue management:**

Development of a Big Data platform to enhance revenue management

✔ **Maximise Average Room Rate (ARR) as the key driver of revenue:**

Dynamic pricing as a result of a profound awareness of customer or end consumer behaviour

Strategic optimisation of sales channels

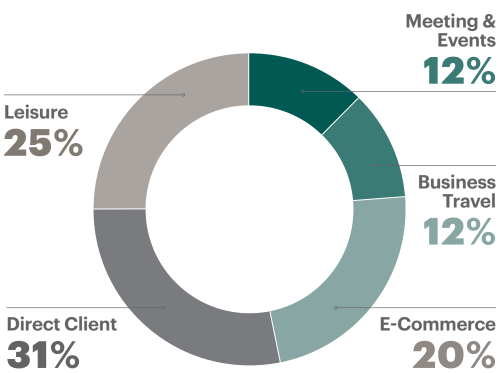
✔ **Positioning in high-growth segments:**

Strengthen regional strategy

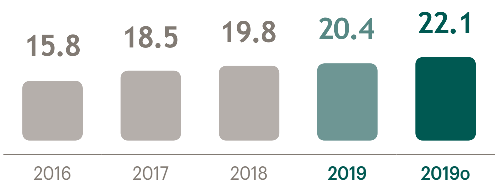
Focus on emerging markets

Development of strategic partnerships

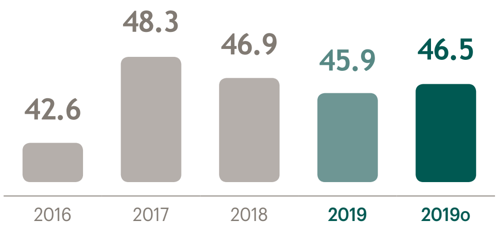
MELIA SYSTEM SOURCES



MELIA.COM CUSTOMERS (%)



CUSTOMER NPS (%)



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Direct Sales Channels

"Applying a Customer Centric strategy, the achievement of objectives is based on optimising the customer experience in our different channels."

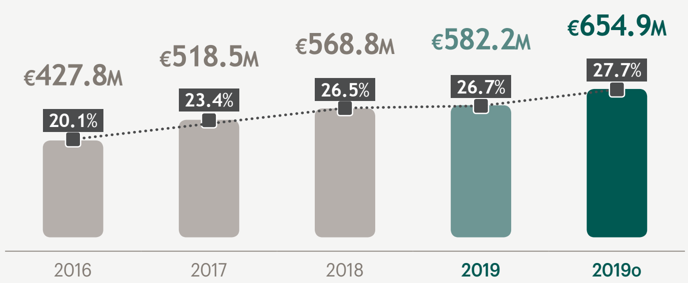
For several years Meliá has been a leader in online development in the industry, reinforcing our omnichannel presence both with end consumers (B2C) through melia.com and with travel professionals (B2B) through meliapro.com.

The melia.com website has become our most important sales channel, and is an essential driver of improvements in our performance and RevPAR, reaching levels of growth in recent years above those of competing international brands.

In 2019, we consolidated a Customer Centric strategy in which our sales performance is driven by increasing knowledge about customers, transforming the objective of selling a room into a different objective based on the customer experience, and optimising that experience in our contact centre and app channels as well as through a website more aligned with the strategic objectives of the company.

We generate more than 27% of our sales through our direct sales channels, our contact centre, melia.com, the Meliá app and the loyalty programme.

DIRECT SALES REVENUES



* Percentage calculated on aggregate income (room + meal plan)

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MELIÁREWARDS: "BELONGING IS CELEBRATING"

This year our market-leading MeliáRewards loyalty programme celebrated its 25th anniversary under the motto **"Belonging is celebrating"**.

We aim to continue to celebrate many more anniversaries and to build recognition of our brand worldwide. To help achieve this, we launched a special sales promotion called **"Meliá Wonder Week"** which broke all previous sales records, achieving more than €16 million in sales in the first wave and more than €20 million in the second. **MeliáRewards** is the umbrella brand used for all these campaigns.

Another successful campaign this year that beat all previous sales records was the **Black Friday** campaign. Over a ten-day period, the company achieved €40 million in sales through its direct channels, doubling the amount achieved in the previous year.

In 2019, and within the framework of COP25, we also became the first company in the world to announce, an agreement with Climatetrade, a Spanish start-up which is an international leader in environmental blockchain technology. The agreement allows our MeliáRewards members to compensate emissions online using a simple, direct, certified and secure platform, eliminating intermediaries and additional costs.

MELIAPRO "GOING FOR MORE"

The global sales team has consolidated one of its key objectives: the digital transformation of B2B segments. This transformation was made possible by the development of new functionalities and content for MeliáPRO, adapted to all of the different types of travel professionals.

The programme achieved growth of 18.51% in sales in 2019 through our direct channels.

We have also recently re-launched the booking portal for travel professionals such as travel managers, event organisers, travel agents and tour operators.

MeliaPRO allows users to manage and control their professional travel activity in a flexible way, with a wide range of hotels in major cities and resort destinations all over the world. Over time, the programme has evolved to become the umbrella brand for all of the different B2B segments.

The platform offers the guaranteed best rate to users and excellent discounts, as well as a simple booking process that helps professionals save time on a day-to-day basis and book more quickly and efficiently.

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Secretary and Independent Director

The new portal reinforces our commitment to digitalisation, making the booking process easier and reinforcing our relationship with each of the four different travel professional types. The benefits for each are the following:

MELIÁ PRO AGENTS

Travel agents can make bookings for their customers directly and choose net or commissionable rates. If the customer pays directly at the hotel, the agent receives the commission quickly and easily through our centralised commission payment system.

MELIÁ PRO CORPORATE

Corporate or business travellers can use the portal directly to manage their bookings, logging in with their company code and viewing their corporate rates or negotiated corporate discounts. The portal also provides travel managers in any company to organise trips for employees.

MELIÁ PRO-MEETINGS & EVENTS

For event organisers, the portal has a booking process through which they can make a request for proposal (RFP). The event request is automatically uploaded to the Melia Hotels International CRM system thanks to the integration of both platforms, with customers receiving a response from our Group Desk sales teams in less than 24 hours. It also allows registered event organiser to see all their historical data and the current status of all their requests.

MELIÁ PRO LEISURE

These specialist professionals have access to prices for tour operators in all our hotels to help make them more competitive and strengthen their loyalty to and knowledge about our hotels. Travel professionals also benefit from special promotions and have access to negotiated net discounts once they complete registration in the portal for wholesalers. These rates can then be booked in real time in all company hotels.

THE KEY DRIVERS OF MELIÁ PRO STRATEGY

MELIÁ REWARDS

Our well-known Meliá loyalty programme.

GROUP BOOKING TOOL

Free tool that allows users to create a personalised website for any event held in any of our hotels.

MEETING PACKAGES

Packages designed to make organising small meetings easier.

INNOVATIVE CUISINE

Experts available to the organiser to help take care of even the tiniest details.

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B2B INTERMEDIATION PROGRAMMES IN OTHER CHANNELS

Our indirect B2B sales channels are supported by an expert sales team and prestigious partners, helping us create unique competitive advantages.

- ✔ Global agreements with Global Key Accounts for the entire Meliá hotel portfolio
- ✔ Specialist global and regional teams
- ✔ Platform integrated with our CRS systems and available to our sales teams for managing negotiated rates for business travel and corporate discounts
- ✔ An award-winning digital platform that has enabled the launch of a new B2B strategy
- ✔ **Change Makers** training programme for sales teams in the use of new technology and awareness about internal systems. The programme also allowed an assessment of a series of digital skills defined in advance by the organisation
- ✔ Monitoring of bookings through the new meliapro.com and reduction of distribution costs
- ✔ A unique and rejuvenated MeliáRewards loyalty programme for every type of travel professional

MICE

As a strategic segment for the company and a vital segment for the profitability of our 1,300 event rooms with 180,000m2 of meeting space, we have implemented a number of actions and projects that have allowed us to extend our leadership and achieve conversion rates of 20%, far above the industry average (5%).

Below are some of the actions carried out in 2019:

- ✔ Integration of our CRS system with our group management systems, allowing full connectivity with the RFPs created on melia.com and with global partners
- ✔ New meliapro.com website with completely new and interactive content in the Melia Pro Meetings & Events section.
- ✔ MeliaPRO Rewards: a loyalty programme for meeting planners designed to respond to the specific needs of the segment
- ✔ Digital customer relationship model with Meetings & Events customers to influence the decision-making process
- ✔ Melia Group Booking Tool to allow event attendees to make their bookings directly online.
- ✔ Partnerships with key players in the meetings and events industry
- ✔ Direct integration of our CRM system with CVENT, the world's leading provider of RFPs for meetings and events
- ✔ Innovative brand concepts for meetings and events such as Power Meetings for Melia Hotels & Resorts or Big Idea Spaces for the Innside by Melia brand

HIGH END - WE AIM TO BE SO MUCH BETTER

As part of our commitment to strengthen strategic alliances, we have decided to widen our premium customer portfolio and designed a "High-End" concept with a dedicated global and regional sales team. The main features of this strategy are:

- Identification of the premium portfolio: Gran Meliá, ME by Meliá and Paradisus, with a clear focus on superior rooms with extra attributes, both for the brands mentioned above and for the Meliá brand
- Applicable in all global regions
- Strengthen cooperation with Leading Hotels of the World, adding new hotels to its portfolio and making the most of opportunities for distribution to its top luxury customers
- Maximise the current contribution of luxury networks with dedicated sales and marketing plans for each of them: Virtuoso, Amex FHR, Signature, Frosch or Ensemble among others
- Involve all global sales offices in the High End programme and define goals to ensure the success of the programme
- Consolidate a sales action calendar applicable to all regions and coordinate the participation of both hotel and global sales teams
- Ensure implementation at the hotel level of all related processes to ensure the attraction of high-value customers

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Digital transformation

As part of the new Strategic Plan 2020-2022, we are committed to creating a more agile operational model, standardising and digitalising all of our processes to improve efficiency and profitability and offer differential experiences for both internal and external customers.

In 2019, a year of transition between the Strategic Plan 2016-2018 and the new Strategic Plan, the Be Digital 360 programme was launched to consolidate Meliá's digital transformation, working with technology and people to design new operating models that optimise and simplify our processes and provide the company with an analytical capacity that adds value to the business.

In an initial phase, the programme is focused on two projects aimed at increasing process efficiency. On the one hand, reviewing and optimising the way things are done, and on the other hand implementing robotics, analytics and artificial intelligence technology to allow employees to focus on offering the best possible customer experience rather than on performing tasks that add little value.

BIG DATA

Understanding the customer purchase process and how marketing actions influence their behaviour is key to improving their experience and allowing Meliá to optimise its marketing investments. With this objective in mind, we have developed an attribution model based on **artificial intelligence** using a Big Data platform that allows us to analyse the true impact of all our campaigns throughout the customer journey.

The Big Data platform has also helped us create predictive algorithms that use relevant customer information in different channels to personalise the experience in real time with content tailored to their needs.

REVENUE MANAGEMENT SYSTEM

The digital transformation in revenue management is extremely important, allowing us to personalise our response to the needs of different markets, market segments and customer profiles in each of our brands. A new rate structure has been defined and implemented using a cloud-based system to operate the new revenue and demand management model for each destination or hotel, with the corresponding Revenue Management System also installed in all hotels. All combined with the use of artificial intelligence to allow planned decision making and a medium-term vision based on real-time demand.

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INTELLIGENCE EXPERIENCE CONTACT CENTER

The decision to make the Contact Centre a strategic channel and the implementation of **Meliá Assistant**, a virtual assistant that uses artificial intelligence to facilitate customer interactions, represent a turning point in improving service efficiency, channel profitability and agent productivity.

The implementation of the Meliá Assistant was a significant milestone for the company, becoming one of the first hotel chains to connect Google Dialog Flow technology with our CTI/Switchboard. In 2020 we will continue to work on using voice technology coherently across all customer contact channels and on personalising the Meliá Voice as an umbrella for the entire company Voice strategy.

WEBSITE AND APP TRANSFORMATION

After launching a new mobile app in 2018, 2019 was a year of spectacular growth in both sales and downloads, with three-digit percentage increases in both. We remain firmly committed to our mobile app as a tool for the most important interactions both during the booking and the hotel stay, as well as a source of inspiration, offering local guides to optimise the customer experience both inside and outside our hotels.

With melia.com, we worked on creating a much more efficient channel with numerous improvements in the user experience, allowing us to increase the conversion rate through greater personalisation and improved page download and transaction speeds. Greater speed was achieved through the migration of the website to a new technology platform, helping maximise agility, flexibility, scalability and the response to current demand from customers.

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Secretary and Independent Director

Social Media

GRI 102-12

> "In addition to being innovative and authentic, becoming an increasingly social company requires us to directly involve our stakeholders, allowing them to be take centre stage in a technological and social transformation in which we want them to play an active role"

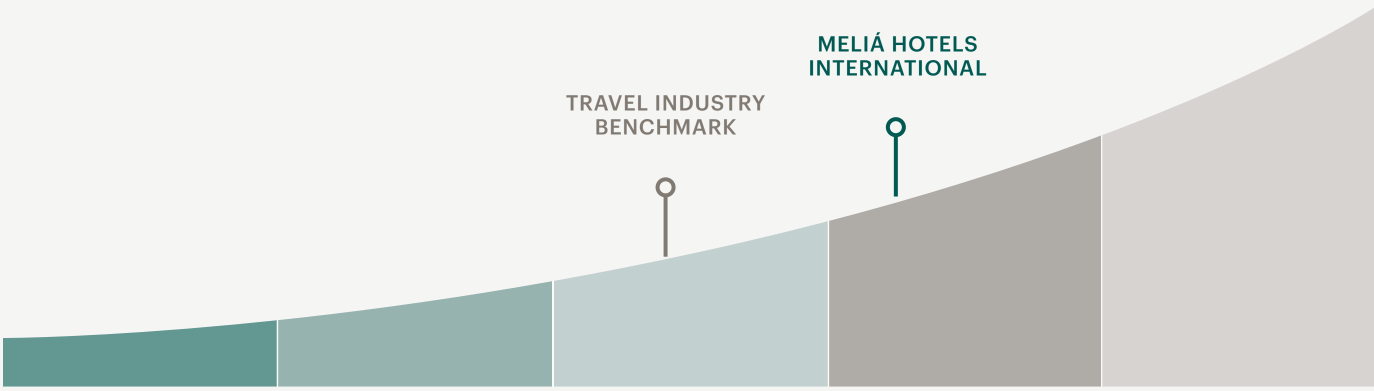
PROGRESS TOWARDS SOCIAL MATURITY WITH HOOTSUITE

Social media are now key channels in the digital transformation of Meliá Hotels International. In 2019 we developed a **"Social First"** model to allow the use of social media data to support decision-making in digital campaigns, the optimisation of social content and to enhance the degree of personalisation of the experience we aim to offer customers.

We have partnered with **Hootsuite** for this project to help us quantify the impact of the use of social media through a methodology named **Social Maturity Assessment**. This year we have assessed our maturity level, comparing ourselves with a benchmark based on other international travel companies.

The results of the analysis place us at the forefront of social media management, and led to use being named the **Most Influential Travel Company in Social Media**.

MELIÁ HAS BECOME A MARKET LEADER



FOUNDATIONAL
Development of marketing capabilities in social media such as publishing, engagement and reporting

TACTICAL
Coordination of marketing activities in social media between teams and departments using technology

STRATEGIC
Implementation of multiple approaches in social media, with measurement of the impact on target markets

LEADERSHIP
Focus on generating business through the use of social media across the organisation

TRANSFORMATIONAL
Differentiated user experiences and the achievement of business objectives through the use of social media

SOCIAL CEO #ASKCEOMELIA

The social media profile of our most important ambassador, our Executive Vice President & CEO, Gabriel Escarrer, was a fundamental milestone in our digital transformation, as well as an event that did not go unnoticed in the travel industry.

His participation, involvement and focus on content have made him one of the leading CEOs in the industry with regard to influence in social media.

In 2019, we increased the presence of our executives in social media by improving the company's digital reputation, the sense of pride and commitment of our employees, and the confidence of our audience in an increasingly social context in which companies have to manage their reputation, image and presence.

DRIVING INFLUENCE WITH OUR DIGITAL AMBASSADORS

The excellent results achieved in 2018 through the Hootsuite Amplify project led us to continue working on the digital ambassadors programme for employees throughout 2019. Access to attractive content that can be shared on our employees' social media profiles extends the reach of our social content, promotes collaboration and allows participants to receive access to digital training.

LinkedIn:	Instagram:	Facebook:	Twitter:
75M	**11M**	**9.5M**	**5.6M**

INFLUENCER MARKETING

Influencers are an essential group of people for Meliá. In 2019 we developed and consolidated a key part of our social media strategy: automation of the discovery, analysis, contact and management of our relationship with influencers together with Traack, a strategic partner in Influencer Marketing management.

The use of Traack has helped us improve selection, management and reporting in relation to the activity of the influencers with which we work. It has also allowed us to gather significant socio-demographic data on audiences, helping create greater affinity between our brand content and the content of our influencer partners.

USER GENERATED CONTENT (UGC)

One of the most valuable sources of content for Meliá to enhance the presence of hotels in social media is the actual experience of our customers. Their participation and interaction in social media extends and amplifies our content in a truly authentic way. This excellent feedback is managed through a platform called Flowics.

The platform allows the intelligent collection of user-generated content from their social media profiles, automating the permission management process, and allowing us to use the content in several online formats (website widgets, banners, email marketing, etc.) and offline supports (TV screens, M Style magazine and large-format screens) as well as supplying us with analytical data from these applications.

CEO PROFILE

TWITTER

+66.7% Followers

1.2M Impressions

16,666 Interactions

LINKEDIN

+120.5% Followers

28,826 Impressions

21,054 Interactions

UGC

15 UGC active projects

1.1 M Views

74.3k Interactions with UGC modules on the website

93% Of consumers consider UGC a key factor in their purchase process (Adweek)

INFLUENCER MARKETING

+14%	+93.38%	+167%	+134.1%	93%
Activation of influencers	Growth in total engagement in partnerships	Mentions by influencers	Potential reach through partnerships with influencers	of visits by new users coming from influencer profiles

AMPLIFY

300	74%	25%	48.525	101 M	67,300	28 M
Employees involved	Frequent users	Users sharing at least 1 post per month	Posts shared by digital ambassadors	Total reach of shared content	Applications	Impressions of job offers on LinkedIn

2019 RESULTS

519	7.6 Million	16%
Hotel and brand profiles in different social media	Total community of followers on social media	European traffic to melia.com from social media

"Most influential hotel chain in Spain"

according to "influencers.com"

FOLLOWERS IN SOCIAL MEDIA 2019

Facebook: **5,574,963*** (**+6.8%** vs 2018)	Instagram: **1,211,232** (**+71.1%** vs 2018)
Twitter: **345,345** (**+17.2%** vs 2018)	YouTube: **14,373**** (**+13.2%** vs 2018)

* In 2019, we reached 2.1 billion users and had 2.7 billion impressions through Facebook

** More than 151,000 hours of video were played on our YouTube channels

GROWTH BY BRAND

	GRAN MELIÁ HOTELS & RESORTS	ME BY MELIÃ	PARADISUS BY MELIÃ	MELIÃ HOTELS & RESORTS	INNSiDE BY MELIÃ	SOL BY MELIÃ	MELIÃ HOTELS INTERNATIONAL
Facebook	0.3%	8.8%	4.2%	15.7%	34.3%	62.9%	**19.9%**
Twitter	6.1%	0.8%	-0.5%	7.4%	2.3%	3.5%	**11.3%**
Instagram	7.8%	4.9%	17.5%	48.3%	160.3%	258.0%	**198%**
YouTube	12.3%	3.6%	4.9%	42.8%	6.9%	3.8%	**8.7%**

OUTLOOK 2020

- ✔ Consolidate our strategy, processes and systems for measuring the activity of different Meliá areas with an impact in social media to eventually reach the level of a Transformational Company
- ✔ Increase the commitment of our digital ambassadors
- ✔ Develop a programme for social executives
- ✔ Better understand consumer behaviour through the use of Social Intelligence tools
- ✔ Improve the customer service process in social media through automation and artificial intelligence
- ✔ Develop a specific strategy for new generations (Millennials and Generation Z)

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Cyber security

SECURITY CULTURE

Information security incidents are currently one of the biggest risks to which companies are exposed. This is reflected in our most recent materiality analysis, in which cyber security was considered the most relevant material issue for our stakeholders. At Meliá, we focus on strengthening information security mechanisms and protocols through policies, standards, procedures and employee training.

Training in cyber security, PCI and GDPR is focused on raising awareness about the different types of attacks and preventing risk, as well as promoting a culture of security in the company that will lay the foundations for the protection of both our confidential information and our customers, suppliers and other stakeholders.

3,835
Employees trained in cybersecurity

724
Employees trained in PCI

1,701
Employees trained in GDPR

GOVERNANCE AND ORGANISATION

In line with the Meliá commitment to address security risks, we have a strong regulatory system based on the *Information Security Policy*, the *Privacy Policy* and Security and Privacy Regulations.

Within the IT area, security is a company-wide issue covering different operational areas to guarantee effective risk management while taking into account the sensitivity and criticality of each different environment.

There are also key risk indicators (KRIs) for the most significant security issues which help define and implement action plans to reduce or eliminate the threats identified.

GUIDING PRINCIPLES OF DATA SECURITY POLICY

- Personal data protection
- Secure and responsible processing of credit card data and payment methods
- Unauthorised installation or use of IT assets that may undermine intellectual and industrial property
- Computer damage
- Business continuity
- Rights regarding privacy and unauthorised access

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

SUPPLY CHAIN SECURITY

When we sign contracts with suppliers, we carry out an analysis of security requirements based on their access to data and/or technological environments which focuses on ensuring compliance with the Meliá regulatory framework. We have also implemented a technological risk management framework with third parties to ensure visibility and allow the verification of the security of information and technological environments within the entire supply chain.

CLOUD

Cloud solutions comply with all the required security measures to guarantee technological alignment with data security, risk management and regulatory compliance.

Across the whole company, starting with the most critical areas, safety reviews of the different solutions are carried out in order to regularly and systematically evaluate the alignment of security controls in each environment, measure the risks detected, and define and implement action plans.

PAYMENT METHODS

As part of the company commitment to safeguard and correctly manage credit card information, in 2019 we guaranteed PCI DSS certification of the booking environment for the ninth consecutive year. Similarly, best practices in security are also applied to ensure proper use in the different means of payment offered to customers.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

4 Corporate Governance

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Corporate Governance

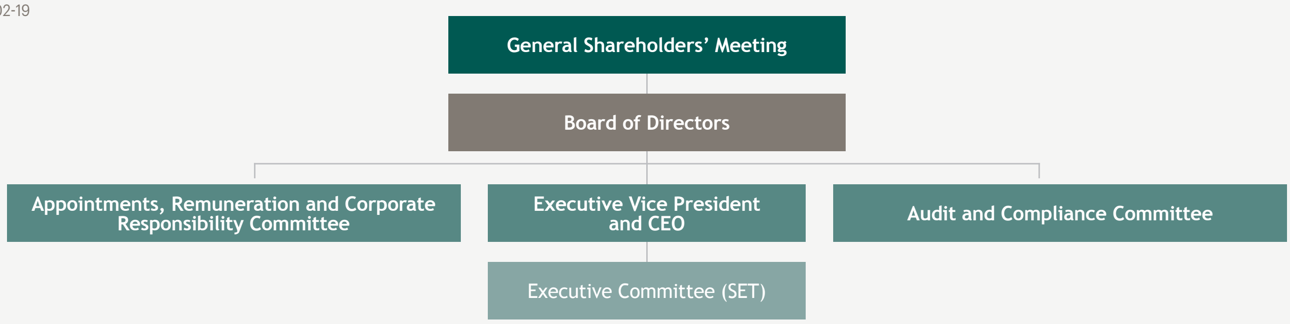
GRI 102-18

The Meliá Governance Model operates under principles of transparency, ethics, diligence and the separation of functions between managerial bodies, both in decision making and in implementation, control and monitoring.

Having a framework for adopting and implementing hierarchical, transparent and clearly defined decisions strengthens the company's vision in the medium and long term, ensuring business sustainability, compliance with the expectations of our stakeholders and the creation of both economic and social value based on commitment and our corporate values: service vocation, excellence, innovation, openness and integrity.

GOVERNANCE STRUCTURE

GRI 102-19



GENERAL SHAREHOLDERS' MEETING

€ 45,940,000	229,700,000	229,700,000	300	76.83%	18 June 2019
Shareholder equity	Ordinary shares	Number of votes	Minimum shares to attend meeting	Meeting quorum 2019	Date

The Ordinary General Shareholders' Meeting of June 18, 2019 adopted the following agreements:

Financial and non-financial information

- ✔ Approval of the **Annual Accounts and Management Report** of Meliá and its Group for the year ending December 31, 2018
- ✔ Approval of the consolidated **Non-Financial Information Statement** for the year ending December 31, 2018
- ✔ Approval of **company management by the Board of Directors** for 2018
- ✔ **Application of the 2018 year-end result.**

Appointments and re-elections

- ✔ Re-election for four (4) years as External Proprietary Director of **Mr. Gabriel Escarrer Juliá**
- ✔ Appointment for a term of four (4) years as External Proprietary Director of **Hoteles Mallorquines Asociados, S.L.** (representative Mr. Alfredo Pastor Bodmer)
- ✔ Appointment for a term of four (4) years as an Independent External Director of **Ms. Cristina Henríquez de Luna Basagoiti**
- ✔ Definition of the **number of members** for the Board of Directors

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Remuneration Policy

- ✔ Modification of the **Remuneration Policy** for Board Members for 2019, 2020 and 2021
- ✔ Advisory vote on the Annual Report on Board Member Remuneration

All agreements were adopted by a large majority of votes in favour, in all cases exceeding **97%** of the share capital in attendance.

In spite of the fact that the company's floating capital is lower than 45% (approx.), it should be noted that the quorum for the General Shareholders' Meeting was **76.83%** of the share capital with voting rights.

BOARD OF DIRECTORS
GRI 405-1;

11	**1** (9%)	**4** (36.4%)	**6** (54.5%)	**3** (27.3%)
Number of members	Executive Director	External proprietary directors	External independent directors	Women
100%	**11.18** years	**7**	**62** years	
Attendance at Board meetings[1]	Average membership of Board	Board meetings[2]	Average age of Board members	

1. Includes attendance in person and by proxy.
2. Includes face-to-face meetings, meetings in writing and unscheduled meetings.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

COMPOSITION OF THE BOARD OF DIRECTORS

GRI 102-23; GRI 102-24; GRI 102-26; GRI 102-27; GRI 102-28

Board member	Position	Age	Independent	Proprietary	Appointments and Remuneration Committee	Audit and Compliance Committee	Participation in share capital (%)	Date of first appointment	Board membership of other listed companies
Mr. Gabriel Escarrer Juliá	Non-Executive Chairman	84		X			5.025%	07/02/1996	N/A
Mr. Gabriel Escarrer Jaume	Executive Vice President and CEO	48		X			N/A	07/04/1999	N/A
Mr. Sebastián Escarrer Jaume	Member	53		X			N/A	07/02/1996	N/A
Hoteles Mallorquines Consolidados, S.L. (Rep. Ms. Maria Antonia Escarrer Jaume)	Member	56		X	X		23.379%	23/10/2000	N/A
Hoteles Mallorquines Asociados, S.L. (Rep. Mr. Alfredo Pastor Bodmer)	Member	75		X			13.206%	18/06/2019	N/A
Mr. Juan Arena de la Mora	Member	73	X		X	X	0.0004%	31/03/2009	N/A
Mr. Fernando D'Ornellas Silva	Coordinating Director	62	X		X	X	N/A	13/06/2012	Prosegur, S.A
Ms. Carina Szpilka Lázaro	Member	51	X			X	N/A	25/02/2016	Grifols, S.A.
Mr. Francisco Javier Campo García	Member	64	X			X	N/A	13/06/2012	Bankia, S.A.
Mr. Luis María Díaz de Bustamante y Terminel	Secretary	67	X		X		0.0001%	30/11/2010	N/A
Ms. Cristina Henríquez de Luna Basagoiti	Member	53	X				N/A	18/06/2019	Applus Services, S.A.

In 2019, the Appointments and Remuneration Committee agreed to carry out a self-assessment in order to create a competencies matrix for the Board of Directors. This process began as part of the self-assessment of Board members in November 2019 and the results were presented at the February 2020 meeting of the Board of Directors. The new matrix will be published in the first half of 2020.

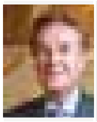
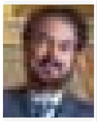
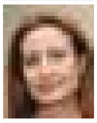
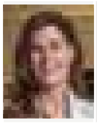
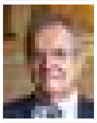
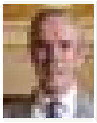
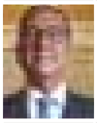
Functions of the Board of Directors

- ✔ Act as the company's maximum legal representative
- ✔ Define and approve company policies and strategies
- ✔ Make decisions regarding the appointment and remuneration of Senior Management
- ✔ Identify the main risks to which the company is exposed
- ✔ Supervise internal information and control systems
- ✔ Call General Meetings and ensure compliance with the agreements adopted by the company

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

GRI 102-23; 102-27; 405-1

Without prejudice to the above, a consolidated version of the competencies matrix is included below:

Board Members		Since	Experience								Committees	
			Leadership	Hotels	Banking & Finance	Technology	Industry	People	Legal	Retail & Mass Consumption	A&C	N&R
	**Mr. Gabriel Escarrer Julia** Non-Executive Chairman and External Proprietary Director *See CV*	1996	✓	✓								
	**Mr. Gabriel Escarrer Jaume** Vice President and CEO *See CV*	1999	✓	✓								
	**Mr. Sebastián Escarrer Jaume** External Proprietary Director *See CV*	1996	✓	✓								
	**Ms. Cristina Henríquez de Luna Basagoiti** External Independent Director *See CV*	2019	✓	✓	✓		✓					
	**Hoteles Mallorquines Consolidados, S.L.** External Proprietary Director Representative: Ms. Maria Antonia Escarrer Jaume *See CV*	2000	✓					✓				S
	**Hoteles Mallorquines Asociados, S.L.** External Proprietary Director Representative: Mr. Alfredo Pastor Bodmer *See CV*	2019	✓		✓							
	**Mr. Juan Arena de la Mora** External Independent Director *See CV*	2009	✓		✓						S	
	**Mr. Francisco Javier Campo García** External Independent Director *See CV*	2012	✓							✓	S	P
	**Mr. Fernando D'Ornellas Silva** External Independent Director Coordinating Director *See CV*	2012	✓				✓				P	S
	**Mr. Luis Mª Díaz de Bustamante y Terminel** Secretary and Independent External Director *See CV*	2010	✓						✓			S
	**Ms. Carina Szpilka Lázaro** External Independent Director *See CV*	2016	✓		✓	✓					S	

A&C	AUDIT AND COMPLIANCE	LEADERSHIP	INDUSTRY
N&R	APPOINTMENTS AND REMUNERATION	HOTELS	PEOPLE
V	MEMBER	BANKING & FINANCE	LEGAL
P	PRESIDENT	TECHNOLOGY	RETAIL & MASS CONSUMPTION

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

List of matters handled by the Board of Directors

A calendar of meeting with their dates and the issues to be dealt with at each of them for the following fiscal year is prepared every year by the Board of Directors in coordination with the Delegate Committees. The following are the main issues dealt with by the Board in 2019:

- ✔ Annual Integrated Report - Non-financial information
- ✔ 2018 Risk Map
- ✔ General Shareholders' Meeting: call, agenda, proposals for agreements and reports
- ✔ Annual budget for 2020
- ✔ Policies and internal regulations
- ✔ Annual assessment of the Board and the Chief Executive
- ✔ Modification of Board Regulations
- ✔ Remuneration Policy review: inclusion of clawback clause
- ✔ Cyber security
- ✔ Crime Prevention Model
- ✔ Fiscal strategy
- ✔ Share buyback programme
- ✔ New Strategic Plan 2020-2022

Assessment of the Board of Directors

GRI 102-28

The Board of Directors conducts an annual assessment of the operation and composition of the Board and Board Committees through a process approved and implemented by the Appointments and Remuneration Committee. The report on the results of the assessment was presented to the Board of Directors at the February 2020 meeting.

In relation to recommendation number 36 of the Unified Code of Good Governance for Listed Companies, no support was received in 2019 from external consultants due to the fact that their advice was already received in the 2017 assessment. In this regard, the company expects to have the support of an external consultant for next year's assessment.

A new feature with regard to previous years is that the assessment of the new Board competencies matrix has been included in the 2019 process.

Board Committees

In 2019 a review of the functions and competencies of the two committees of the Board of Directors was carried out, modifying articles 14 and 15 of the *Board Regulations*.

APPOINTMENTS, REMUNERATION AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

4	1	1	3	4	Independent Director	94%
Members	Women	External proprietary directors	External independent directors	Meetings 2019	President	Attendance in person

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

The Appointments, Remuneration and Corporate Social Responsibility Committee is responsible, among other things, for preparing proposals for the appointment and re-election of Directors and senior executives, as well as their remuneration and the basic conditions of their contracts. The committee also reports on transactions that involve or may involve conflicts of interest, and leads the periodic assessment of the structure, size, composition and performance of the Board of Directors and the Committees, making the recommendations it deems necessary and convenient in each case.

On the other hand, the Appointments, Remuneration and Corporate Social Responsibility Committee is the highest governance body in the company with functions and responsibilities in the areas of Corporate Responsibility and Diversity, including monitoring strategy and practices in both matters, assessment of compliance with environmental, social, reputational, recognition and visibility objectives, as well as the coordination and verification of the reporting process for non-financial information.

AUDIT AND COMPLIANCE COMMITTEE

4	1	0	4	10	Independent Director	86%
Members	Women	External proprietary directors	External independent directors	Meetings 2019	President	Attendance in person

Among other functions, the Audit and Compliance Committee supports the Board of Directors in monitoring the effectiveness of the company's internal control and risk management systems, acting as a communication channel with internal and external auditors. It also monitors the preparation and presentation of financial and non-financial information to the Board of Directors, as well as compliance with legal provisions and internal regulations.

EXECUTIVE COMMITTEE (SET)

The SET (Senior Executive Team) is the collegiate body that drives the day-to-day management of the business and the critical and continuous review of the business, ensuring compliance with the objectives defined by the Board of Directors and supporting the CEO in his management of the company.

The SET's key objectives are the day-to-day management of the business, ensuring the sustainable growth of its activity and the creation of value for shareholders, promoting the projects attributed to them, defining priorities and allocating the required resources while ensuring they achieve the objectives defined.

The SET is also responsible for providing the Board of Directors with updated, objective and sufficient information to allow the Board to carry out its supervisory functions.

REGULATORY SYSTEM

To strengthen the company's Governance Model, the Board of Directors has approved and updated several policies and regulations to improve transparency and ensure solid governance aligned with the requirements of our stakeholders.

In 2019 the following Policies and Regulations were updated:

- ✔ Investment and Financing Policy
- ✔ Human Resources Policy
- ✔ Regulation of the Employee Complaints Channel
- ✔ Regulation of the Supplier Complaints Channel
- ✔ Money Laundering Prevention Manual
- ✔ Internal Code of Conduct
- ✔ Regulation on Executive Conduct

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Policies	Year approved	Link	Description	Stakeholders						
				Shareholders & Investors	Shareholders	Suppliers	Employees	Partners & Owners	Local Communities	Institutions
Fiscal Strategy Policy	2018	See	This defines the principles and guidelines for the company's performance within the framework of its fiscal strategy	✓	✓					✓
Human Rights Policy	2018	See	This single document contains all the principles, guidelines and commitments that Meliá has assumed throughout its history regarding the protection and defence of human rights	✓	✓	✓	✓	✓	✓	✓
Philanthropy Policy	2018	See	This defines the principles of Meliá and its Group in relation to social or philanthropic activities		✓				✓	
Stakeholder Relationship Policy	2018	See	This defines the principles and guidelines that should govern relationships between Meliá and its Group with the different stakeholders with which they interact	✓	✓	✓	✓	✓	✓	✓
Privacy policy	2018	See	This defines the guidelines to be followed by Meliá and its Group in its own activities with regard to the generation, collection, treatment, storage and/or deletion of information	✓	✓	✓	✓	✓		
Procurement and Responsible Services Contracting Policy	2018	See	This defines the global guidelines and principles to be applied in the company's relationships with suppliers of goods or services			✓				
Occupational Health and Safety Policy	2018	See	This contains the objectives and commitments of Meliá with regard to the prevention of risk in the workplace				✓			
Anti-Corruption Policy	2017	See	This defines the principles that must govern the actions of all company executives and employees in order to prevent, that, according to applicable regulations, may detect, denounce and rectify any actions be considered corrupt or criminal	✓	✓	✓	✓	✓	✓	✓
Environmental Policy	2017	See	This defines the guidelines to be followed by Meliá and its Group in its activities, paying special attention to environmental issues and efficient, responsible and sustainable management.	✓	✓	✓	✓	✓	✓	✓
Human Resources Policy	2019	See	This defines the basic principles regarding respect for the labour rights of employees, the assurance of a satisfactory work environment, the prevention of occupational risk and talent management at the service of personal development				✓			
Corporate Responsibility Policy	2017	See	This defines the general principles that ensure an ethical, responsible and sustainable management model	✓		✓	✓	✓		
Data Security Policy	2017	See	This defines the information security framework for the activities of Meliá and its Group		✓	✓	✓	✓		
Director Remuneration Policy	2019	See	This defines the principles, criteria and competencies regarding the remuneration of members of the Board of Directors, including executive directors.	✓						
Director Selection Policy	2017	See	This defines the principles that must govern procedures for the selection and proposal of appointments, ratification and re-election of members of the Board of Directors of Meliá	✓						
Risk Control, Analysis and Assessment Policy	2017	See	This defines the basic principles that govern risk management and the regulation framework for the control, analysis and assessment of possible risks, including tax risks, faced by Meliá and its Group.	✓	✓	✓	✓	✓		
Corporate Governance Policy	2017	See	This defines the principles of corporate governance for Meliá and its Group to ensure the organisation has a governance model that in compliance with the pertinent regulations and recommendations, guarantees the proper segregation of duties, coordination, monitoring and control	✓	✓	✓	✓	✓		
Communication Policy with Shareholders, Institutional Investors and Voting Advisors	2017	See	This defines the principles that must govern Meliá's communication procedures with shareholders and investors and, insofar as is applicable, with other interested parties, such as financial analysts and proxy advisors, among others	✓						
Sales Policy	2017	See	This defines the guidelines that should govern sales contracting processes with third parties (customers, tour operators, travel agencies, etc.) by Meliá and its Group, as well as the guidelines to be respected in our relationship with our customers, our competitors and/or the travel industry		✓					
Treasury Stock Policy	2012		This defines the general framework to be respected when carrying out any operation that affects Meliá treasury stock, including the purchase and sale of shares by the company or any of the Group companies	✓						
Joint Venture Policy	2017	See	This defines the principles to govern the relationships of Meliá and its Group with its different partners	✓				✓		
Marketing, Advertising and Communication Policy	2017	See	This contains the guidelines and principles regarding Meliá's communication with its different stakeholders	✓	✓		✓			
Compliance Policy	2018	See	This defines the principles and commitments with regard to regulatory compliance	✓	✓	✓	✓			✓
Investment and Financing Policy	2019	See	This defines the principles to govern investment and financing projects of Meliá and its Group, in order to optimise the company's financial resources and maximise the value of the company, defining the general guidelines and criteria for the selection of investments	✓				✓		

Shareholders & Investors | Suppliers | Partners & Owners | Institutions
Shareholders | Employees | Local Communities

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

MONITORING OF RECOMMENDATIONS

GRI 102-20; GRI 102-22

On a recurring basis, the Board and the Committees monitor the recommendations in the CNMV Unified Code of Good Governance, as well as the Technical Guidelines published by the CNMV for the Board Committees, in addition to other sources such as the Spencer Stuart Index for Boards of Directors or the Corporate Sustainability Assessment of S&P Global.

In 2019, and after the publication of the Technical Guidelines 1/2019 by the CNMV for the Appointments and Remuneration Committee, the Committee analysed the recommendations and best practices applicable to the company, the details of which are included in the Activities Report by the Committee.

In relation to the recommendations of the Unified Code of Good Governance, the evolution in compliance over the last two years is indicated below:

	2019	2018	2017
COMPLIANT	75.00%	67.19%	70.31%
EXPLAIN	3.13%	7.81%	9.38%
N/A	17.19%	17.19%	14.06%
PARTIALLY COMPLIANT	4.69%	7.81%	6.25%
TOTAL	100.00%		

REMUNERATION OF BOARD OF DIRECTORS

GRI 102-35, GRI 102-36; GRI 102-38

The remuneration of the Board of Directors of Meliá Hotels International, S.A. is based on the Remuneration Policy, best practices in the market, and the pertinent applicable regulations and recommendations including, where appropriate, remuneration surveys prepared by external advisors.

The Remuneration Policy of the Board of Directors for 2019 to 2021 was approved by the General Shareholders' Meeting held on June 6, 2018 and amended by the Ordinary General Meeting held on June 11, 2019, in order to include the regulation regarding the inclusion of a clawback clause in the variable remuneration of the CEO.

In the same General Shareholders' Meeting, the remuneration of Directors in 2018 (Annual Remuneration Report) was approved with 97.28% of votes in favour.

69.95%
Approval Annual Remuneration Report
AGM 2017

94.88%
Approval Annual Remuneration Report
AGM 2018

97.28%
Approval Annual Remuneration Report
AGM 2019

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

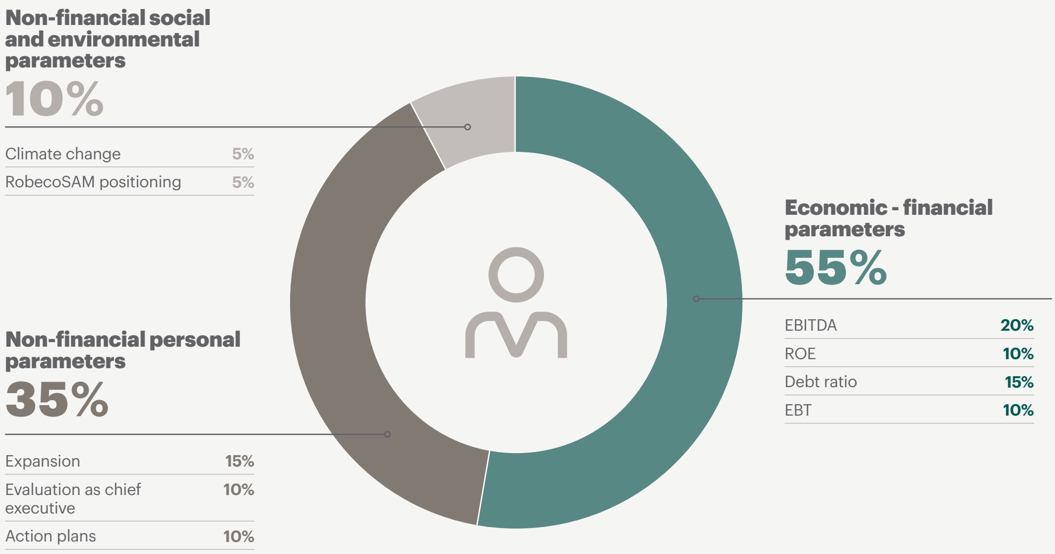
During preparation of the Annual Remuneration Report for 2019, the recommendations received from proxy advisors were taken into account during the preparation of the General Shareholders' Meeting (Glass Lewis and ISS), as well as certain aspects included in the Draft Law that modifies the Corporate Enterprises Act, as it reinforces obligations regarding transparency in both the Annual Remuneration Report and the Remuneration Policy.

In accordance with the provisions of article 15 of the Regulations of the Board of Directors, the Appointments, Remuneration and Corporate Social Responsibility Committee is the body that holds powers in terms of remuneration policy, being responsible for (i) proposing to the Board of Directors the criteria and conditions of the Remuneration Policy and (ii) ensuring the transparency of the same. The Board of Directors is responsible for approving the Remuneration Policy and proposing its approval to the General Shareholders' Meeting.

The remuneration model for the Board of Directors for 2019, as defined in the aforementioned Remuneration Policy, is structured as follows:

Concepts	Executive Directors	Non-Executive Directors
Fixed Remuneration	**€761,088** / year	**€21,636.46** / year
Attendance allowances	**€5,409.11** / Board session	**€5,409.11** / Board session **€3,000** / Committee session **€3,000** extra / Committee Chairman per session **€6,000** extra / Secretary to the Board per session
Short-term variable remuneration	**60%** of fixed remuneration	N/A
Variable long-term remuneration	One year's fixed salary as a target	N/A
Long-term savings systems	**€76,108.80** annual contribution	N/A

The following are the components of the short-term variable remuneration of the CEO:



Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Data in €k	2018						2019					
	Salaries	Fixed remuneration	Allowances	Short-term variable remuneration	Long-term variable remuneration	Total	Salaries	Fixed remuneration	Allowances	Short-term variable remuneration	Long-term variable remuneration	Total
CEO	761	22	32	481	N/A	**1,296**	761	22	32	434	1,251	**2,500**
NON-EXECUTIVE DIRECTORS	N/A	216	560	N/A	N/A	**776**	N/A	237	608	N/A	N/A	**845**
SENIOR EXECUTIVES	N/A	1,819	N/A	650	N/A	**2,469**	N/A	1,930	N/A	679	2,229	**4,838**
TOTALS	761	2,057	592	1,131		4,541	761	2,189	640	1,113	3,480	8,183

In 2019, the difference between the annual remuneration of the Executive Vice President & CEO and the average remuneration in the consolidated perimeter was a multiple of 61.85.
The average remuneration for Directors and Senior Executives (including the Internal Auditor) is €118,728 for women and €198,587 for men.

PROCESS FOR DETERMINING REMUNERATION POLICY AND THE INVOLVEMENT OF STAKEHOLDERS

The remuneration policy for Directors applicable from 2019 to 2021 was approved by the General Shareholders' Meeting held on June 6, 2018, with 96.329% of votes in favour.

The detail of the remuneration received by the Board of Directors in 2019, as well as the process and criteria for its determination, as well as information on the involvement of stakeholders, can be found in the *Annual Remuneration Report* and the *Integrated Annual Report 2018*.

MILESTONES 2019

Gender diversity

With the new appointments this year, **27.27%** of the members of the Board of Directors are now women. Despite being below the CNMV recommendation (30%), Meliá Hotels International is above the average for the IBEX 35 (23.9%).

Composition of the Board of Directors

The appointment of the new independent external director (Ms. Cristina Henríquez de Luna) also meant an increase in the number of independent directors, from 45% in 2018 to **54.5%** in 2019.

Similarly, the average period spent (rotation) as a member of the Board of Directors was reduced from 13.2 years in 2018 to **11 years** on average in 2019.

Following the changes in the composition of the Board, the Audit and Compliance Committee is now made up entirely of independent directors in 2019.

Commitment to sustainability

In 2019 the functions of the Board Committees were reviewed and updated, modifying the Regulations of the Board of Directors. The introduction of functions in regard to corporate responsibility and diversity in the Appointments, Remuneration and Corporate Social Responsibility Committee (art. 15.2 of the Board Regulations) should be noted.

At the date of publication of this report, the Appointments, Remuneration and Corporate Social Responsibility Committee has agreed to propose a change of denomination, taking into account the functions explicitly defined in the change to the Board Regulations, becoming known as "Appointments, Remuneration and Corporate Social Responsibility Committee".

Variable remuneration of the CEO

Following the recommendations of the CNMV Unified Code of Good Governance (recommendation No. 63), as well as best practices in the market, the Remuneration Policy and the CEO service contract have been modified, including the clawback clause regulation.

Also, the objectives linked to the short-term variable remuneration of the CEO now include non-financial parameters linked to the achievement of ESG objectives.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Digital Disconnection

Within the new regulations on the digital rights of workers, the *Human Resources Policy* was modified to include regulations on the right to digital disconnection.

CHALLENGES 2020

Diversity & Composition of the Board

Continue to increase the number of women on the Board of Directors, with the objective of reaching a third (33%) of members, as defined in the Director Selection Policy and in compliance with CNMV recommendation.

Work on Board Refreshment through the implementation of diversity policies and the development of a competencies matrix to identify the skills and aptitudes required on the Board of Directors.

Commitment to sustainability

Strengthen the inclusion of ESG criteria in decision-making through raising awareness and training the Board of Directors.

Implement measures derived from the transposition of Directive 2017/828 of the European Parliament and of the meeting of May 17, 2017, amending Directive 2007/36/EC with regard to the promotion of the long-term involvement of shareholders in the next General Shareholders' Meeting.

Variable compensation of Senior Executives

Further to the inclusion of the clawback clause in the CEO's service contract, to implement said clause in the variable remuneration of our senior management. Along the same lines, approve a remuneration policy for senior management.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

5 Risks, Ethics & Transparency

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Risk Management

GRI 102-30

E Meliá Hotels International has implemented a comprehensive risk management system considered a best practice in the industry according to the latest Corporate Sustainability Assessment made by the sustainable investment agency SAM (S&P Global). In addition to this, we constantly strive to foster a culture of control and risk management that provides confidence and transparency in our activities.

Our *Risk Control Policy*, approved by the Board of Directors and last updated in 2017, defines the basic principles and general framework for risk management. This Policy is further developed through Internal Regulations that define the rules, guidelines and criteria to be implemented in the Risk Management System to ensure its alignment with strategy.

RISK MANAGEMENT GOVERNANCE

Risk management is an activity that affects the entire company and is ultimately the responsibility of the Board of Directors and the Executive Committee, thus ensuring that all organisational units are involved and committed to risk management.

The company follows the Three Lines of Defence model to ensure effective risk management and control. According to this model:

Best in Class
88/100
SAM CSA
2019

LINES OF DEFENCE

GOVERNING BODIES
Board of Directors & Audit and Compliance Committee

Board of Directors: Responsible for approving the Risk Management Policy

Audit and Compliance Committee: Supervises internal control and risk management systems. The regular Committee meetings review detailed reports on the company's top risks.

EXECUTIVE COMMITTEE
Senior Executive Team

Guarantees the inclusion of risk management in critical processes, assigning ownership of risks and monitoring their evolution.

1st LINE OF DEFENCE
Business and organisational units

This includes all the functions that have ownership of the identified risks and how they are managed.

- Identify and assess risks
- Define and implement the measures required for risk management
- Use the Risk Map as a management tool

2nd LINE OF DEFENCE
Risk and Compliance Department

These are the functions that monitor risks. Among them, the Risk Control and Compliance Department is responsible for:

- Ensuring compliance with the policy and regulations
- Providing support to identify, analyse and assess risks
- Managing and monitoring key risks
- Defining standardised reporting, especially to the Executive Committee and Governing Bodies

3rd LINE OF DEFENCE
Internal audit

This refers to the Internal Audit, which as a third line of defence oversees the appropriate functioning of the Risk Management System and the Crime Prevention and Detection Model, systematically carrying out different types of audits on the first and second line of defence.

EXTERNAL ASSURANCE
External audit, regulators

As a guarantee of maximum independence, both the Internal Audit Department and the Risk and Compliance Department report

RISK MANAGEMENT MODEL

The Meliá Risk Management Model aims to ensure that the main risks that could affect the company's strategy and objectives are identified, analysed and assessed based on standardised criteria, and are managed and controlled systematically.

It is a company-wide model in which all the areas of the company are involved, and is aligned with the integrated framework of COSO Corporate Risk Management.

PROCESS STAGES

Identification

Of the risks or events that negatively affect strategy/objectives

Assessment

Of the probability of the risks occurring and their impact if they do occur based on standardised quantitative and qualitative scales

Response

Assignment of responsibilities and definition of the actions that effectively contribute to risk management

Monitoring and Control

Of the risks and the measures taken to mitigate them

Communication and Reporting

Regular and transparent reporting of the results obtained to governing bodies (Management Committee, Audit and Compliance Committee and Board of Directors)

RISK STRUCTURE

The Meliá Hotels International Group has identified a total of **103** risks in the following categories:

103
Risks

Information Risks: Related to events caused by the improper use, generation and communication of information.

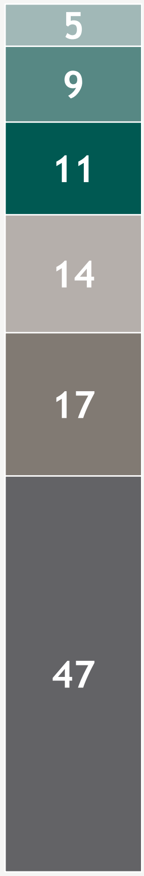
Global Risks: Resulting from events not related to the company's actions and for which management capacity is more limited, such as natural disasters, geopolitical risks, etc.

Compliance Risks: Consequence of regulatory changes defined by the different regulators and/ or non-compliance with applicable law, internal policies and regulations.

Financial Risks: Those that affect financial variables of the business such as liquidity, credit, debt, interest rates, etc.

Business Risks: Resulting from the variables inherent to the business, such as strategy, reputation, competition and the market.

Operational Risks: Relating to failures in internal processes and operations, human resources, customers, physical equipment or their inappropriateness.



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Secretary and Independent Director

The Risk Control Policy defines tolerance levels for the different risk categories.

In addition to these categories, the company uses other risk classifications to gather information and appropriately manage and monitor certain types of risk. In this sense, we may also consider:

EMERGING RISKS

The volatility, uncertainty and complexity of the current environment, together with other factors such as our operations in different countries, industries and markets, exposes us to new risks that are more difficult to anticipate and to quantify their impact or effect.

We consider these to be emerging risks and the company regularly analyses and monitors them in order to anticipate them as far as possible and/or ensure appropriate preparation to face them should they occur.

These emerging risks are linked to certain global changes such as:

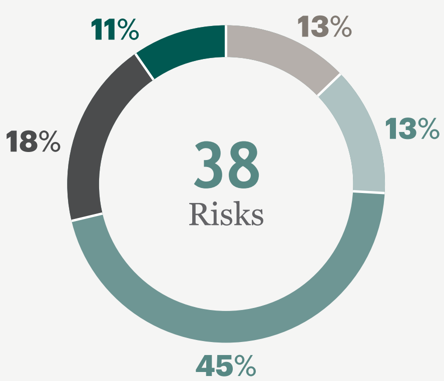
- ✔ **Geopolitical changes and trends** which involve political crises (Brexit, independence campaigns, radicalisation, terrorism, etc.), regulatory changes, trade wars, economic bubbles or general economic uncertainty.
- ✔ **Technological progress** that, among other risks, includes the growing threat of cyber attacks, the questionable use of technology or technological obsolescence.
- ✔ **Changes in the environment** that bring risks such as more frequent natural disasters, the depletion or scarcity of resources or a demand for environmental responsibility.
- ✔ **Socio-demographic trends** such as the ageing population, lifestyle changes, etc. that have an impact on consumer behaviour.

The company constantly monitors and analyses available information to identify cause-effect relationships with other types of risks and the effect they have had on the business when they have happened in the past, and also to define protocols and mechanisms to be implemented to mitigate the negative effect they could have on the business if they happened in the future.

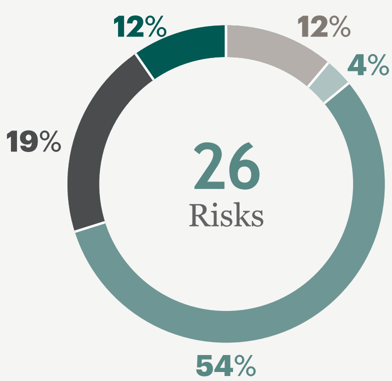
ESG Risks & Human Rights Risks

Of the 103 risks identified globally, two categories have been created to define those linked to ESG criteria (Environmental, Social & Governance) and those that have a potential impact on the commitments in our Human Rights Policy.

ESG RISKS



RISKS WITH AN IMPACT ON HUMAN RIGHTS



Global · Business · Operational · Compliance · Information

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Secretary and Independent Director

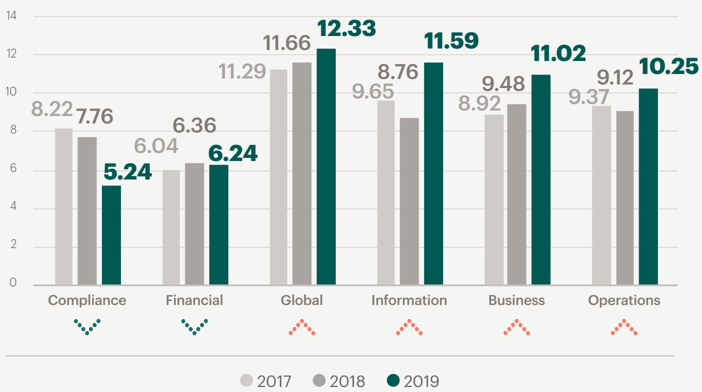
KEY RISKS

Any business or activity involves a series of risks. The Meliá Hotels International Risk Management model allows each organisational unit to identify and assess the risks it faces using a standard rating scale.

A total of **82 Directors** were involved in updating the Group's Risk Map, and a total of **95 Maps** were created.

AVERAGE RISK ASSESSMENT

AVERAGE ASSESSMENT BY RISK CATEGORY



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Secretary and Independent Director

Once the key risks to the company have been identified and prioritised, responsibilities are then assigned and the different teams begin work on identifying and defining actions and projects to mitigate the risks. The following are the key risks, as well as (schematically) the controls and actions the company has in place to mitigate them:

Category	Subcategory	Key Risks	Trend	Management and control measures
Global	Geopolitical risks	• Terrorism • Crisis or political insecurity in countries with operations • Wars, uprisings or rebellions		Continuity and development of actions defined in previous years: • Emergency crisis plans • Crisis Management Protocol according to the nature of the situation
	Economic uncertainty	• Economic uncertainty or crisis at national or international level		
	Catastrophes or natural disasters	• Hurricanes, earthquakes, volcanoes • Adverse effects of climate change		
Operations	Competition	• Increase in competition including illegal competition. Emergence of new competitors • Growth of collaborative platforms • Possible loss of leadership in certain areas		• Strategic Planning Committee to define, monitoring and control strategy • Constant analysis of the industry, competition and market trends to adapt products and services to customer needs • Expansion Committee for the approval, control and monitoring of projects. The expansion plan is focused, among other things, on retaining balance in the portfolio based on the objectives defined
	Portfolio distribution	• Concentration of hotels in certain areas • Dependence on certain regions / markets / segments		
	Reputation and brand	• Deterioration or damage to corporate or product brand • Lack of brand recognition		• Existence of a brand strategy developed by the Brand Strategy and Brand Management departments • Constant monitoring of the media to detect potentially harmful information • Creation of appropriate channels for fluid, direct and transparent communication with stakeholders
Operational	Talent and human resources	• Loss of key personnel • Difficulty attracting or capturing talent • Insufficiency of qualified personnel • Certain dependence on key personnel in some positions • Organisational structure		• Talent pools • eMelia online training platform • Global Employee Portal • Strengthening of the employer brand • Organisational analysis and capacity mapping to adapt structure to our strategic priorities • Constant implementation of measures to enhance work-family balance • Social benefits, adapted to the reality of each country
	Expansion risks	• Need for resource and capacity to keep up with the pace • Appropriate choice of areas, countries and partners • Competitiveness of the Management Model • Hotel management culture		• Expansion Committee for the approval, control and monitoring of projects • Creation of a risk analysis for each project
Information	Systems and information	• Diversity of systems and information sources • Reporting model • Non-financial information		• Strategic Digitalisation Plan
	Emerging technology risks	• Protection and security of information • Cybercrime • Cloud storage services		Continuity and development of the actions defined in previous years: • Strategic Digitalisation Plan • Standardisation of management systems • Cyber attack prevention plan • Training and awareness in cybersecurity • Annual Internal Audit Plan • Project to enhance the reporting process
Compliance	Legal or regulatory risks	• Legislative or regulatory changes • Excessive complexity and regulatory dispersion • Litigation		• Regulatory body that includes Code of Ethics, policies and internal regulations • Complaints channel for both employees and suppliers • Crime Prevention and Detection Model certified under UNE 19601 standard • Data Protection Office that ensures compliance with the GDPR • Constant monitoring and analysis of regulatory changes. Continuous collaborative relationship with regulatory bodies and public administration • Map of legal advisors. Relations with prestigious external consultants, according to needs
Financial	Exchange rate	• Exchange rate risk		• Financing in operating currency of the business
	Profitability and investment	• Investment process (execution, control and monitoring) • Profitability and viability of investments		• Existence of an Investment Committee to define, monitor and control the investment plan • Integration of risk criteria in the annual investment plan

NOTE: Identification of risks does not imply their materialisation during the year. Nevertheless, the Group works on implementing the mechanisms required for the management and control.

For more information, we recommend consulting section E. Control and Risk Management Systems in the *Annual Corporate Governance Report 2019*.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Ethics & Compliance

GRI 102-17; GRI 205-2

CODE OF ETHICS AND COMPLAINT CHANNEL

At the apex of the Meliá internal regulatory framework is our *Code of Ethics*, which was reviewed and updated in 2018. It contains all the principles and public commitments assumed by the company, as well as a series of principles on conduct that provide order and coherence to our values.

As stated in the Code of Ethics, one of Meliá Hotels International's global commitments is to "comply with applicable national and international legislation and regulatory obligations". Integrity is therefore one of our most fundamental principles and we are committed to doing business in a legal, fair and honest way, while expecting the same from our business partners.

The Code of Ethics is a framework to guide the conduct of Meliá employees which is the basis for the company's internal regulations. All employees must adhere to and assume the content of the Code to ensure the incorporation of Meliá principles, values and commitments on a day-to-day basis. It is expressly designed to guide the ethical relations and commitments which, as a Company, we have undertaken with our stakeholders.

The Code of Ethics is available in several languages on the employee portal and on the Meliá corporate website.

	CODE OF ETHICS OFFICE	COMPLAINTS CHANNEL	ETHICS COMMITTEE
MISSION	Acts as a Coordinating Committee for all activities that take place regarding the Code of Ethics. It is a channelling body which represents all the areas involved in the monitoring, implementation and operation of the Code.	Main communication tool for complaints related to observance of the Code of Ethics, current legislation, any issues relating to regulatory non-compliance and situations or events that could require the attention of senior management.	An independent collegiate body entrusted with managing and resolving complaints
DESCRIPTION	• Interpret and resolve doubts • Make timely updates • Provide support to all areas • Offer constant advice	• Guarantees the objectivity and privacy of the complaints received, the reception and safeguarding of which is managed by an independent third party • Complaints come directly to the President of the Audit and Compliance Committee and to the Compliance Officer	• Ensure the correct implementation and operation of the Complaints Channel • Manage all complaints received following the defined procedure, responding to the parties involved, and managing the appropriate corrective measures • Guarantee confidentiality • Analyse complaints, classifying them by relevance and type, and providing regular reports to the Audit and Compliance Committee.

The Ethics Committee has a regulation that defines the rules for the constitution, organisation and operation of the Ethics Committee itself and also defines its powers, functions, and the way the committee should proceed in making decisions. This Regulation was updated and approved by the Audit and Compliance Committee in July 2019.

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Secretary and Independent Director

The operation of the *Complaints Channel* is governed by the Complaints Channel Regulation, updated and approved by the Audit and Compliance Committee in July 2019. Among other aspects it defines the types of behaviour or irregularities that may be reported through the Channel, as well as the methods and mechanisms available to lodge complaints (post, employee portal or corporate website).

OPERATION OF THE COMPLAINTS CHANNEL

01 The party concerned lodges the complaint

02 The Ethics Committee decides whether or not to accept the complaint

03 The Committee appoints an investigator and the investigation process begins

04 The investigator submits a report and proposes courses of action

05 The Ethics Committee analyses and, where applicable, validates the proposal

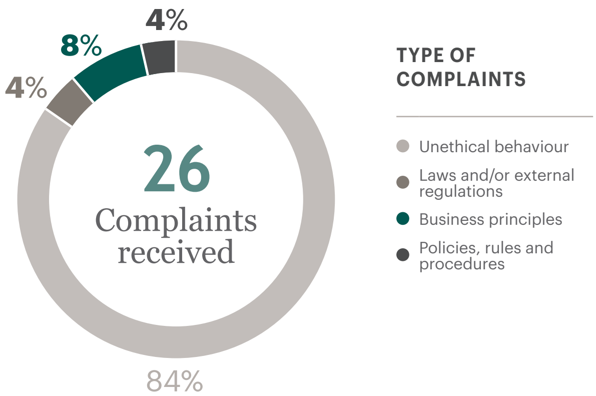
06 The Committee, if appropriate, informs the party concerned about the actions taken

If the complaint is rejected

How?

- Through Meliá Home (employee portal), in the "Code of Ethics" section, clicking on Complaints Channel.
- Through the Meliá corporate website: https://www.meliahotelsinternational.com/en/shareholders-investors/corporate-governance/code-of-ethics clicking on the Complaints Channel.
- Visiting the URL: http://melia.xperta.es/ incidencias/crear
- By courier or post
  To: Ethics Committee Meliá Hotels International, SA
  Gremio Toneleros, nº 24
  (Polígono de Son Castelló)
  07009 · Palma de Mallorca

In 2019, a total of 26 complaints were admitted, all related to Company employees and of the following types:



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Secretary and Independent Director

In order to raise awareness about the Employee Complaints Channel, in 2019 the company launched a campaign to communicate:

- ✔ What is the Complaints Channel?
- ✔ Why should it be used?
- ✔ What types of complaints can be lodged?
- ✔ What is the procedure that complaints follow?
- ✔ How can you lodge a complaint?

SUPPLIER CODE OF ETHICS

In 2018 Meliá approved the *Supplier Code of Ethics* which is now available on the corporate website. Like the company's own Code of Ethics, it aims to act as an instrument that brings together certain principles and values that the company aspires to be shared by all its suppliers.

This Code defines Meliá's commitments to its suppliers and also the commitments Meliá expects suppliers to make in areas such as:

- ✔ Professional ethics
- ✔ Human rights and child labour
- ✔ Safety, health and hygiene at work
- ✔ Product quality and service
- ✔ Environment and community
- ✔ Protection of information and assets

To enhance the operation of the Supplier Code of Ethics, Meliá has also made a specific Complaints Channel available to suppliers to report any behaviour that breaches the Code.

This Complaints Channel has the same operational model as the employee channel and its own Regulations (updated and approved by the Audit and Compliance Committee in July 2019).

COMPLIANCE POLICY

The company's *Compliance Policy*, approved by the Board of Directors in 2018, defines the principles with regard to regulatory compliance.

The most important aspects that ensure the appropriate implementation of the Compliance Model are:

- ✔ The Board of Directors, through the Audit and Compliance Committee, is responsible, among other things, for implementing and monitoring the company's internal control systems and supervision of their effectiveness

- ✔ The Risk and Compliance function is the responsibility of the Audit and Compliance Committee and reports to it through the Compliance Officer, responsible for, among other things, developing the Compliance Model and supervising the validity of controls, with a special focus on Criminal Compliance

- ✔ The existence of a Code of Ethics developed through a regulatory framework (collection of policies, rules, procedures, etc.) and the existence of a Supplier Code of Ethics

- ✔ The Ethics Committee guarantees the appropriate management of any incidents reported through the standard reporting channels

CRIME PREVENTION AND DETECTION MODEL

As a further development of the principles in the Compliance Policy, Meliá has prepared a rigorous Crime Prevention and Detection Model which, among other aspects, includes:

- ✔ Criminal Risk Map. Updated every year, this map identifies the criminal risks to which the company is exposed, currently numbering 22

- ✔ Inventory of controls for each crime. Every year this inventory is reviewed and updated. After the 2019 review, the model now has 344 controls

- ✔ Control verification system. Allows an assessment of the suitability of the controls identified, with the evidence from said controls appropriately documented

- ✔ Reporting Model. Reporting to the appropriate concerned parties, Executive Committee, Audit and Compliance Committee and Board of Directors

The Model is regularly updated, and at least once a year, to adapt to the evolution of the business, organisational changes that may affect it, and updates to regulations or new regulations.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

In 2019, the company Crime Prevention and Detection Model was audited by AENOR. As a result of the audit, the company obtained certification that its Criminal Compliance Management System complies with the UNE 19601:2017 standard.

One of the Criminal Risks to which the company is exposed is corruption. Meliá has an *Anti-Corruption Policy*, approved by the Board of Directors in 2017. The policy is available on our corporate website and employee portal, and includes the following commitments:

- ✔ Take action against any form of corruption, fraud or bribery
- ✔ Reject gifts or special attention from third parties if they exceed the fair value of simple courtesy
- ✔ Reject any kind of financial consideration, gift or invitation from our suppliers that because of its value might be considered something more than merely symbolic and courteous

85 controls have been identified with regard to corruption, and included in our Crime Prevention and Detection Model. They are all assessed annually as part of the verification system mentioned above.

The company also has a Hotel Internal Administration and Control Regulation (available on the employee portal) in which the accounts payable and treasury sections provide clear guidelines for avoiding corruption and fraud, among other things, in processes such as:

- ✔ Invoice receipt, validation and accounting
- ✔ Payments to third parties
- ✔ Cash movements and management
- ✔ Bank reconciliation
- ✔ Opening and management of bank accounts

Due to the currency exchange activity carried out in several hotels, the company is considered an obliged subject according to the Prevention of Money Laundering and Terrorist Financing Act.

Meliá therefore has a Money Laundering Manual (available on the employee portal) which, among other things, defines the due diligence procedures to be applied in hotels that offer currency exchange services.

As stated in the Manual, there is also a collegiate Internal Control Body that is ultimately responsible for the application of internal control procedures to prevent money laundering in the currency exchange activity.

48 controls have been identified with regard to Money Laundering and included in our Crime Prevention and Detection Model. They are all assessed annually as part of the verification system mentioned above.

In addition to control and monitoring carried out by the Risk Control & Compliance Department, as a third line of defence, the reviews made by the Internal Audit Department include both the Crime Prevention and Detection Model and the Internal Controls Over Financial Reporting (CIOFR), reviewing the appropriate implementation of the controls they contain. It therefore also audits the controls related to corruption and money laundering, and reviews the correct implementation in the business and corporate offices of the policies, standards and other manuals, processes and procedures, including those indicated above.

The Internal Audit Department carried out a total of 247 audits in 2019, with a global and company-wide reach in all the regions, areas and businesses within the Group. The audits detected no practices that may expose Meliá Hotels International to a crime of corruption or fraud.

TRAINING AND AWARENESS

At the end of 2018, a mandatory global internal training programme was launched for all corporate personnel, as well as Hotel General Managers, Assistant Managers and Heads of Department in hotels. It had 3 modules:

- ✔ **Code of Ethics and Complaints Channel**: To explain its content and purpose
- ✔ **Compliance**: with information on the nature of compliance, the functions and responsibilities of the Compliance Officer, and the compliance role and culture at Meliá
- ✔ **Most Important Crimes**: Referring to some of the most important criminal offences to which the company is exposed, explaining the crimes, the conduct or situations that may lead to them being committed and the mechanisms available to prevent and report them (among others, this includes Corruption and Money Laundering)

In addition to the content of each of the modules, all of them include an introductory video, supporting infographics and a test that has to be passed to complete the course.

At the end of 2019, more than 3,800 employees had taken the course or were currently taking it. By category, around 85% of the company's management team have now completed the training or are currently taking it.

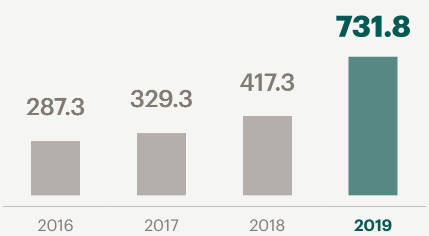
In order to raise awareness and in line with current best practices in compliance, in 2019 Meliá became a member of the Spanish Compliance Association (ASCOM), taking part in its criminal compliance workgroup. During the year, the Meliá Compliance Officer also became a member of the Board of Directors of the Institute of Compliance Officials.

TRANSPARENCY IN INSTITUTIONAL RELATIONS

Our industry leadership leads us to play an active role in several organisations and institutions to which we also allocate resources to allow constant improvement, knowledge and experience sharing and to enhance our influence, among other things. Sharing and making public our contribution is, among other things, consistent with our Philanthropy Policy and Code of Ethics, and also allows us to provide a direct response to our stakeholders in terms of business ethics, transparency and compliance.

+4,800
Employees with access to training

REPRESENTATION IN ORGANISATIONS & ASSOCIATIONS ANNUAL CONTRIBUTION (€K)



SIGNIFICANT CONTRIBUTIONS (2019)

Organisation name	Contribution (€)
Official Spanish Chamber of Commerce, Industry, Services and Shipping	75,000
Exceltur	27,000
World Travel & Tourism Council (WTTC)	37,208

* The list of 2019 organisations can be found in the Annexes.

RELEVANT ISSUES FOR MELIÁ (2019)

Subject	Contribution (€)
Sustainable tourism	139,061
Promotion of employment	94,121

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Secretary and Independent Director

Data Privacy

PRIVACY MANAGEMENT SYSTEM

Meliá Hotels International has a privacy management system implemented worldwide. Responsibility for the protection of personal data lies with the **Data Protection Office**, which reports functionally to the Risk Control & Compliance area, which in turn reports to the Audit and Compliance Committee.

In order to ensure compliance with privacy requirements, the Data Protection Office meets regularly, with meetings attended by representatives of the different corporate areas that are directly involved in the monitoring and control of personal data protection, and by representatives of the business areas affected depending on needs.

In order to minimise the impact of personal data losses or deterioration, as well as more easily detect and notify possible security breaches, the company has developed a **incident notification, management and registration** procedure which is available to all employees.

“At Meliá Hotels International we are fully committed to the privacy of our customers”

REGULATORY SYSTEM

The *Privacy Policy* approved by the Board of Directors in 2018 guarantees to our customers and partners that we will comply at all times with applicable laws and regulations, with a special emphasis on the protection of data entrusted to the Group and protection of the privacy of our different stakeholders. It defines guiding principles on mandatory conduct throughout the company, laying the foundations for a consistent application of a culture of privacy based on principles of legality, transparency, loyalty, security and the exercise of the rights of the interested parties.

In addition to compliance with the **General Data Protection Regulation** applicable in Europe, the implementation of a privacy management system across the entire company also allows us to increase our personal data protection and management standards in all the other regions where we provide services and meet the most exacting of our stakeholders' expectations.

“We apply criteria of transparency, legality and loyalty to enhance the digital confidence of our stakeholders”

The Privacy Regulation approved by the Executive Committee in July 2019 defines the framework for action, the roles and responsibilities of the different people that have access to personal data processing, the principles to be applied in that processing, and the implementation of the appropriate minimum requirements to achieve the principles contained in the Privacy Policy. It also includes the specific guidelines to be followed for the appropriate management of the right of interested parties to exercise their rights, notification and management procedures for possible contingencies, and the monitoring and control mechanisms required to ensure the effective implementation of the Meliá privacy management system. The Regulation also has a chapter on non-compliance which aims to promote a philosophy of zero tolerance with regard to any conduct that may involve breaches of legislation, regulations or internal processes.

INTERNAL CONTROL

To prevent and detect possible breaches in personal data protection, the Annual Audit Plan 2019 included tasks related to the supervision of appropriate compliance with the privacy management system. On the other hand, the Crime Prevention Model also foresees verification of the appropriateness of controls related to internal regulations on Personal Data Protection.

The most relevant aspects that are reviewed in the Internal Audit were:

- ✔ Training and awareness of employees in business units
- ✔ Control over logical access to personal data
- ✔ Appropriate, accurate and transparent information for customers
- ✔ Information on the mechanisms for exercising rights
- ✔ Collection of consent for personal data processing

Over the year, a total of 59 internal audits were carried out in this area in different business units.

RELATIONS WITH CONTROL AUTHORITIES

As stated in the privacy management system, one of the fundamental aspects is respect for and collaboration with the different authorities responsible for controlling privacy and supervising compliance with applicable legislation in the different regions where the company operates.

Thanks to the correct implementation of the management system, in 2019 no investigations were opened by any control authority, nor were any claims substantiated with regard to breaches of customer privacy.

"In 2019, no breaches or violations of customer privacy were recorded"

TRAINING & AWARENESS

In 2018 we focused on training and raising awareness in corporate areas and business units throughout Spain. In 2019, the reach of the training programme was extended to the assistant manager level in all business units worldwide and to general staff in the different company regions in Europe whose work means they may be involved in processing the personal data of customers and partners. At the end of the year, a total of 2,672 employees had received training in this area.

2,672
Employees trained in privacy protection

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

6 Performance

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Global Indicators

FINANCIAL INDICATORS

HOTEL BUSINESS INDICATORS	2019 M€	2018 M€	% Change
Owned and Leased Hotels	**1,545.4**	**1,554.2**	**-0.6%**
Owned	733.6	762.4	
Leased	811.8	791.8	
Of which room revenue	**996.1**	**989.7**	**0.6%**
Owned	403.0	410.4	
Leased	593.1	579.3	
EBITDAR	**405.6**	**426.9**	**-5.0%**
Owned	177.1	210.5	
Leased	228.5	216.4	
EBITDA	**385.2**	**407.6**	**-5.5%**
Owned	177.1	210.5	
Leased	208.1	197.1	
EBIT	**157.9**	**191.7**	**-17.7%**
Owned	108.9	142.8	
Leased	49.0	49.0	

MANAGEMENT MODEL	2019 M€	2018 M€	% Change
Revenue	**299.0**	**320.7**	**-6.8%**
Fees from third parties	49.1	50.8	
Fees from owned and leased hotels	93.7	95.2	
Other revenues	156.2	174.8	
EBITDA	**99.8**	**100.8**	**-1.0%**
EBIT	**94.0**	**92.4**	

OTHER HOTEL REVENUES	2019 M€	2018 M€	% Change
Revenue	**66.6**	**58.0**	**14.8%**
EBITDAR	6.1	3.9	
EBITDA	5.9	2.3	
EBIT	4.4	1.4	

KEY STATISTICS

	OWNED & LEASED						OWNED, LEASED AND MANAGED					
	Occupancy		ARR		RevPAR		Occupancy		ARR		RevPAR	
	%	Change (pp)	€	Change (%)	€	Change (%)	%	Change (pp)	€	Change (%)	€	Change (%)
Total Hotels	**70.8%**	**-1.2**	**€ 122.8**	**2.3%**	**€ 86.9**	**0.6%**	**65.2%**	**-1.5**	**€ 105.8**	**1.6%**	**€ 69.0**	**-0.7%**
Total Hotels Comparable Basis	**73.2%**	**-0.7**	**€ 124.3**	**0.7%**	**€ 91.1**	**-0.3%**	**66.8%**	**-0.6**	**€ 104.0**	**-0.1%**	**€ 69.4**	**-0.9%**
Americas	61.0%	-6.0	€ 119.0	2.5%	€ 72.5	-6.7%	60.7%	-2.7	€ 108.8	2.7%	€ 66.1	-1.7%
EMEA	73.8%	0.1	€ 139.5	1.5%	€ 102.9	1.5%	72.5%	-0.6	€ 141.0	2.0%	€ 102.2	1.2%
Spain	73.2%	0.1	€ 116.8	2.3%	€ 85.5	2.4%	71.7%	-0.2	€ 108.0	1.9%	€ 77.5	1.7%
Cuba	-	-	-	-	-	-	50.7%	-5.2	€ 79.9	-1.1%	€ 40.5	-10.3%
Asia	-	-	-	-	-	-	64.4%	4.4	€ 73.8	1.5%	€ 47.5	8.9%

* Available rooms 2019: 11,465.5 vs. 11,455.7 in 2018 in O&L. 24,095.8 vs. 23,472.2 in 2018 in O&L&M

PORTFOLIO & PIPELINE 2019

	OPERATIONAL PORTFOLIO				PIPELINE									
	2019		2018		2020		2021		2022		> 2022		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Total HOTELS	**326**	**83,778**	**329**	**83,253**	**23**	**7,074**	**13**	**2,762**	**20**	**4,601**	**6**	**947**	**62**	**15,384**
Managed	128	38,509	129	37,556	16	4,700	9	2,171	19	4,491	4	750	48	12,112
Franchised	47	10,048	47	9,714	2	1,083	3	468	1	110	0	0	6	1,661
Owned	43	13,128	45	13,735	0	0	0	0	0	0	0	0	0	0
Leased	108	22,093	108	22,248	5	1,291	1	123	0	0	2	197	8	1,611

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

New Regional Structure

In 2018, we optimised our regional structure to ensure a model which is better aligned with our strategic vision and the future growth of the company. The first action involved the inclusion of Brazil within the corporate structure of the Americas region. The addition of Brazil to the Americas region under the responsibility of the VP America also saw the incorporation of LATAM (Colombia, Chile, Argentina, Peru, Venezuela, Panama, Uruguay and Brazil) in order to make the most of all the available resources and enhance speed and agility from both a global and regional perspective.

The reorganisation was completed in 2019 with the merger of the Mediterranean and Spain regions under the same management structure, further centralising responsibilities in Spain under a single Regional VP and encouraging an organisational structure which is closer to the hotels and hotel operations.

This process and the operational consolidation of all the hotels, regardless of their brand or management model, has been carried out under the following premises:

- ✔ Create a multi-brand management structure in all regions, enhancing synergies and generating opportunities
- ✔ Improve profitability and minimise corporate costs
- ✔ Ensure a greater focus on the day-to-day management of the business in each region
- ✔ Avoid duplication and inefficiencies in the company in general
- ✔ Consolidate our presence and results in each region
- ✔ Provide Hotel Directors with greater autonomy and responsibility

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Secretary and Independent Director

Indicators by Region

Regional Spain

FINANCIAL INDICATORS

HOTEL BUSINESS INDICATORS	2019 M€	2018 M€	% Change
Owned and Leased Hotels	**770.8**	**770.7**	**0.0%**
Owned	267.3	276.4	
Leased	503.5	494.2	
Of which room revenue	**542.1**	**538.8**	**0.6%**
Owned	180.6	182.2	
Leased	361.4	356.6	
EBITDAR	**206.4**	**204.0**	**1.2%**
Owned	65.5	68.6	
Leased	140.9	135.4	
EBITDA	**193.0**	**191.8**	**0.6%**
Owned	65.5	68.6	
Leased	127.5	123.3	
EBIT	**67.8**	**70.7**	**-4.1%**
Owned	40.1	41.8	
Leased	27.7	28.9	

MANAGEMENT MODEL	2019 M€	2018 M€	% Change
Revenue	**73.6**	**85.6**	**-14.0%**
Fees from third parties	24.8	24.7	
Fees from owned and leased hotels	47.8	48.4	
Other revenues	0.9	12.5	

KEY STATISTICS

	OWNED & LEASED						OWNED, LEASED AND MANAGED					
	Occupancy		ARR		RevPAR		Occupancy		ARR		RevPAR	
	%	Change (pp)	€	Change (%)	€	Change (%)	%	Change (pp)	€	Change (%)	€	Change (%)
Total Hotels SPAIN	**73.2%**	**0.1**	**116.8 €**	**2.3%**	**85.5 €**	**2.4%**	**71.7%**	**-0.2**	**108.0 €**	**1.9%**	**77.5 €**	**1.7%**
Total Hotels SPAIN Comparable Basis	**74.6%**	**0.1**	**118.7 €**	**0.5%**	**88.6 €**	**0.7%**	**73.4%**	**-0.1**	**107.8 €**	**0.7%**	**79.1 €**	**0.6%**
City	72.2%	0.0	122.2 €	6.8%	88.2 €	6.8%	71.4%	0.4	118.7 €	6.5%	84.7 €	7.1%
Resort	74.3%	0.1	111.1 €	-2.5%	82.6 €	-2.3%	72.0%	-0.6	100.6 €	-1.6%	72.4 €	-2.3%

* Available rooms 2019 6,338.5 vs 6,451.9 in 2018 in O&L. 10,486.5 vs. 10,490.1 in 2018 in O&L&M

PORTFOLIO & PIPELINE 2019

	OPERATIONAL PORTFOLIO				PIPELINE									
	2019		2018		2020		2021		2022		> 2022		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
TOTAL SPAIN	**146**	**36,078**	**152**	**37,049**	**4**	**1,402**	**0**	**0**	**4**	**908**	**0**	**0**	**8**	**2,310**
Managed	43	13,176	44	13,480	3	1,238	0	0	4	908	0	0	7	2,146
Franchised	14	2,244	15	2,056	0	0	0	0	0	0	0	0	0	0
Owned	20	5,325	22	5,615	0	0	0	0	0	0	0	0	0	0
Leased	69	15,333	71	15,898	1	164	0	0	0	0	0	0	1	164

RevPAR (owned, leased and managed hotels) rose by **+1.7%** in 2019 compared to the previous year, despite the performance of resorts in Spain (**-2.3%**) compared to city hotels (**+7.1%**)

Total fee revenues ended the period in line with the previous year, with a slight reduction of **-0.6%** compared to 2018 due to a decrease in fees from owned and leased hotels.

Sales of the destination through melia.com grew by **+3%** compared to 2018.

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ECONOMIC CONTEXT

The moderate growth in Spain in 2019 is expected to continue through 2020 and 2021, with a growth rate of around 1.5% and moderate growth in employment and domestic demand accompanied by greater uncertainty with regard to investment. The balance of payments indicates lower export growth and changes in inflation are expected to be moderate.

Recent improvements in public finances have benefited from the favourable evolution of macroeconomic conditions, although Spain still has high public debt ratios and has to tackle pending issues such as low productivity, and improvements to skills and innovation as key drivers to improving its competitiveness.

In 2019, domestic demand was less dynamic than in recent years within a general context of increasing uncertainty. The constant creation of employment, wage increases and low inflation have boosted the real disposable income of households and their saving capacity.

The services sector, which represents approximately 70% of Spanish GDP, continues to evolve favourably, after 68 months of continued growth, although growth decrease with respect to previous trends and stands at around 1.1%.

The unemployment rate was around 13.7%, a percentage that unfortunately will not improve given the signs of economic slowdown that were already apparent in the final months of 2019. Business investment will be less dynamic, but may be boosted by favourable financing conditions.

Once the uncertainty caused by Brexit has been overcome, the value of the British pound is expected to increase (+1.6%) until the end of 2020, which will favour the spending capacity of travellers in Spain, although accompanied by reduced economic growth (+1.1%) and consumption by families (+1.3%).

PERFORMANCE

RevPAR compared to 2018 improved by +1.7% thanks increases in room rates, but weighed down by market developments in 2019 in the Canary Islands and Balearic Islands and the decrease in demand caused by the growing popularity of alternative destinations, adverse conditions in the German market, and a lower number of available flights.

The market evolution in the Canary Islands and Balearic Islands influenced the difference in performance between resort and city hotels, with resorts seeing a RevPAR decrease of -2.3% compared to growth of +7.1% in city hotels. Highlights by area or city include:

Northern Spain: Very positive RevPAR performance driven by Madrid and Barcelona. Madrid with growth of +9.87%, thanks to the impact of the Champions League Final and Eular, as well as the unplanned COP25 summit in December. Of note is the closure in stages of different floors at the Meliá Madrid Serrano, which meant there was a lower number of rooms available throughout most of the year. Barcelona grew by +11.82% thanks to a change in the trend in the hotel industry, achieving historic performance levels in 2019, highlighting the growth in RevPAR of the hotels in the centre of the city: Meliá Barcelona Sarriá, Meliá Barcelona Sky and the Hotel Barcelona Apolo.

Southern Spain: Hotels in the south saw RevPAR growth (+2.8%) in both city hotels (+3.4%) and resort hotels (+1.4%). The best performance was seen in hotels on the Costa del Sol, with excellent summer results, especially in August where stable occupancy was accompanied by qualitative growth in RevPAR. The best performance at the RevPAR level was achieved by city hotels due to the excellent performance of hotels in Seville (+3.44%) where the Hotel Colón and Meliá Sevilla stood out.

Balearic Islands: Despite the negative performance caused by a decrease in demand for the destination that negatively impacted RevPAR (-4.5%) in both city (-7.2%) and resort (-3.3%) hotels, an improvement was seen at the end of each four-month period, with the months of April, September, October and November being more positive. The positive results for these months were achieved through rate adjustments. The INNSiDE Calvia Beach and Meliá Palma Marina hotels performed well and with a positive ramp-up. The performance in Ibiza was negative (-4.9%) due to the appearance of new luxury competitors for the ME Ibiza and the decrease in the MICE segment at Sol Beach House Ibiza.

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Canary Islands: negative performance in general (-5.8%), mainly affecting the islands of Gran Canaria and Tenerife, due to a decrease in demand and a decrease in flights from the main feeder markets, damaging both the Tour Operator and direct sales segments.

PORTFOLIO AND PROJECTS

In 2019, no new hotels were added to the portfolio and six hotels were disaffiliated, two of them owned hotels after the sale of assets in Valencia (Tryp Azafata) and the Tryp Coruña. The other disaffiliated hotels were Tryp Zaragoza, Tryp Indalo (Almería), Tryp Valencia Feria and Tryp Salamanca Montalvo.

Highlights included the reopening of the Innside Zaragoza after a major reform and reconversion to create a mixed development with 68 homes between the fourth and tenth floors and a hotel area with 102 rooms. The project leveraged all the company's know-how in building rehabilitation and the redefinition of spaces, creating homes that are comfortable, spacious, built with high-quality materials and with easy access to the hotel services.

OPENINGS				DISAFFILIATIONS			
Hotel	City	Managed	Room	Hotel	City	Managed	Room
				Tryp Indalo Almería	Almería	Leased	186
				Tryp Zaragoza	Zaragoza	Managed	162
				Tryp Valencia Azafata	Manises (Valencia)	Owned	128
				Tryp Valencia Feria	Valencia	Franchised	127
				Tryp Salamanca Montalvo	Salamanca	Franchised	57
				Tryp Coruña	A Coruña	Owned	181

OUTLOOK 2020

Currently, and thanks in large part to the early booking sales campaigns on melia.com, there is an improvement in the booking for the first quarter of 2020 of a medium single digit, leading us to expect an improvement on the results for 1Q 2019.

This growth is mainly due to growth in occupancy. The positive impact was generated by city and ski resort hotels, as 39% of the available resort hotels are closed in the first quarter.

In the Canary Islands, although booking data shows some improvement over the previous year, the major positive impact is caused by the opening of Meliá Salinas, which was closed last year, and the major negative impact the delay in the reopening of Sol Jandía Mar. The decrease in flights to the Canary Islands due to the closure of the Ryanair base and the collapse of the tour operator Thomas Cook, has not been taken up by other travel companies and this may have an impact on results in 2020. A decrease in flight is also expected in the first two months of the year from both the United Kingdom and Germany.

The impact of the health crisis in China caused by the coronavirus could also significantly affect both leisure and business trips to Spain, also putting at risk certain international events which have already been scheduled.

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Secretary and Independent Director

EMEA Region

FINANCIAL INDICATORS

HOTEL BUSINESS INDICATORS	2019 M€	2018 M€	% Change
Owned and Leased Hotels	**383.1**	**368.6**	**3.9%**
Owned	107.2	104.1	
Leased	275.9	264.6	
Of which room revenue	**278.3**	**265.8**	**4.7%**
Owned	73.8	71.4	
Leased	204.5	194.4	
EBITDAR	**105.2**	**98.0**	**7.4%**
Owned	28.0	25.7	
Leased	77.2	72.2	
EBITDA	**101.0**	**94.5**	**6.9%**
Owned	28.0	25.7	
Leased	72.9	68.7	
EBIT	**40.0**	**40.8**	**-2.0%**
Owned	18.3	17.6	
Leased	21.7	23.2	

MANAGEMENT MODEL	2019 M€	2018 M€	% Change
Revenue	**29.3**	**31.4**	**-6.6%**
Fees from third parties	1.4	1.1	
Fees from owned and leased hotels	22.7	20.4	
Other revenues	5.3	10.0	

KEY STATISTICS

	OWNED & LEASED						OWNED, LEASED AND MANAGED					
	Occupancy		ARR		RevPAR		Occupancy		ARR		RevPAR	
	%	Change (pp)	€	Change (%)	€	Change (%)	%	Change (pp)	€	Change (%)	€	Change (%)
Total Hotels EMEA	**73.8%**	**0.1**	**€ 139.5**	**1.5%**	**€ 102.9**	**1.5%**	**72.5%**	**-0.6**	**€ 141.0**	**2.0%**	**€ 102.2**	**1.2%**
Total Hotels EMEA Comparable Basis	**73.4%**	**0.6**	**€ 141.3**	**2.5%**	**€ 103.7**	**3.3%**	**72.5%**	**0.4**	**€ 142.8**	**2.7%**	**€ 103.6**	**3.2%**
Germany	72.4%	0.3	€ 111.1	2.0%	€ 80.4	2.4%	72.4%	0.3	€ 111.1	2.0%	€ 80.4	2.4%
France	77.1%	-4.6	€ 165.2	-10.6%	€ 127.3	-15.6%	77.1%	-4.6	€ 165.2	-10.6%	€ 127.3	-15.6%
Italy	75.9%	0.2	€ 177.8	3.2%	€ 134.9	3.4%	71.3%	1.7	€ 220.9	3.3%	€ 157.6	5.9%
UK	71.8%	1.3	€ 216.5	2.4%	€ 155.4	4.2%	75.9%	0.3	€ 175.7	2.0%	€ 133.3	2.4%
Other EMEA	79.6%	1.1	€ 157.5	8.0%	€ 125.3	9.6%	65.9%	-5.3	€ 157.6	9.5%	€ 103.9	1.4%

* Available rooms 2019: 2,704.7 vs. 2,623.3 in 2018 in O&L. 2,949.7 vs. 2,813 in 2018 in O&L&M

PORTFOLIO & PIPELINE 2019

	OPERATIONAL PORTFOLIO				PIPELINE									
	2019		2018		2020		2021		2022		> 2022		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Total EMEA	**84**	**15,984**	**81**	**15,331**	**8**	**2,555**	**10**	**2,132**	**4**	**1,019**	**4**	**587**	**26**	**6,293**
Managed	9	858	8	615	2	345	6	1,541	3	909	2	390	13	3,185
Franchised	31	7,518	31	7,518	2	1,083	3	468	1	110	0	0	6	1,661
Owned	7	1,397	7	1,397	0	0	0	0	0	0	0	0	0	0
Leased	37	6,211	35	5,801	4	1,127	1	123	0	0	2	197	7	1,447

RevPAR (owned, leased and managed hotels) grew by **+1.2%** in 2019 compared to the same period in the previous year.

Fee income improved by **+12.5%** in 2019 compared to 2018, mainly due to the increase in property and rental commissions.

Sales through melia.com increased by **+ 8.2%** in 2019 compared to 2018.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

ECONOMIC CONTEXT

Germany

Over the last decade, Germany has kept up a solid economic performance, with an unemployment rate at historic lows and healthy public and private finances. However, the country's dependence on exports has seen it greatly affected by the slowdown in global demand, creating structural challenges in the medium term. At the same time, there are also certain external imbalances that may generate an unequal distribution of the wealth generated by growth.

United Kingdom

The uncertainty surrounding Brexit affected the entire year 2019. Progress with the Withdrawal Agreement and the extension to membership of the United Kingdom in the EU may put an end to uncertainty and restore confidence in the short term. The slowdown in global growth may also affect the growth of the United Kingdom and its commercial channels.

France

The current government must act to stimulate economic growth and provide solutions to the different social conflicts that have caused political and economic instability.

Growth may remain stable in 2020 due to strong domestic demand. Household spending is recovering thanks to tax cuts and a stricter labour market. Analysts estimate 1.2% growth in 2020, as long as the calendar defined for reforms is maintained. Foreign tourist arrivals for 2020 are estimated at 100 million.

Italy

Economic activity in 2019 confirmed the trend of recent years towards stable economic growth, with indicators close to 0.2% this year and low inflation rates (0.7%). The unemployment rate remained below 10% in 2019 and the number of people in employment has grown for the last 5 years.

The Italian economy is the eighth largest in the world, with GDP in 2019 of almost 2 trillion dollars, but with debt levels at 13% of GDP.

Tourism represents 12% of Italian GDP. Analysts estimate stable growth in 2020 of around 0.5%.

PERFORMANCE BY COUNTRY

Hotel performance in EMEA was moderately positive in 2019, with differing results by country and the following highlights:

In **Germany**, RevPAR increased by +2.4% in 2019, with 80% of the rise caused by an increase in the average room rate. In general, the business performed particularly strongly in Dusseldorf due to the greater number of trade fairs. Berlin was complicated in the first half of the year due to the lack of MICE business and irregular results from online sales. The situation in the second half of the year improved, allowing us to end the year with 2% growth, in line with the market in general, and setting a positive trend for Q1 2020. Frankfurt and Munich saw results lower than the previous year due to a lower number of trade fairs compared to 2018.

In the **United Kingdom**, RevPAR (in GBP) grew by +1.5% compared to 2018, in spite of 2019 being a year with several challenges, not only due to the uncertainty created by Brexit, the general election and low growth in travel to the destination, but also because we carried out a major renovation to improve facilities in both our flagship Meliá White House and the recently added Hotel Kensington, which has now been renamed Meliá London Kensington. Once again this year, the performance of ME London was of note, as it continued to grow at a higher rate than its direct competitors, positioning itself among the top luxury lifestyle hotels in the city.

In **France**, overall RevPAR in 2019 was negatively affected by the addition of the Innside Charles de Gaulle and the ramp-up process the hotel is experiencing to position itself in a very competitive market. The country began the year with protests and riots by the so-called yellow vests, and ended with a general strike. These events had a negative impacted on both Q1 and Q4.

However, given that it does not depend so heavily on the leisure travel market, the Meliá Paris La Defense strengthened its position in other segments and managed to end 2019 with RevPAR growth of +2%. Hotels in central Paris suffered from the negative trends in the market and a major impact from all the disturbances. Some hotels were fully or partially closed to carry out renovation work, leading to RevPAR decreases is in line with those for the city in general.

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Secretary and Independent Director

In **Italy**, 2019 was a good year, with RevPAR growth of +6%. Highlights included the performance of our hotels in Milan, with a double-digit percentage increase in RevPAR, almost entirely due to improvements in the average room rate. The key to this strong performance was in the diverse segmentations, as not only did online business grow, but we also saw great results in the major trade fairs in the destination and in the MICE segment in general, with a particularly strong impact on the Meliá Milano. Another highlight was the opening in December of the Innside Milano Torre Galfa, consolidating our presence in a lifestyle segment which is on the rise in the city of fashion. Meliá Genoa left the problems suffered in recent years behind, and after the return to normal in the city's road network, grew by +2%, a recovery that we hope to consolidate in 2020. A pending issue remains in Rome, where a decrease in demand caused a decrease of-5% in RevPAR.

PORTFOLIO AND PROJECTS

The region has been strengthened by four new hotels: Innside Charles de Gaulle, the first Innside hotel in France, our debut in Prague with the Innside Prague Old Town (Czech Republic), the Gran Meliá Arusha (Tanzania) and Innside Milano Torre Galfa (Italy). Only one hotel in Italy, the Meliá Campione, was disaffiliated. In 2020 we plan to open 8 new hotels.

OPENINGS				DISAFFILIATIONS			
Hotel	City	Managed	Rooms	Hotel	City	Managed	Rooms
Inside Paris Charles de Gaulle	Paris (France)	Leased	266	Meliá Campione	Campione (Italy)	Managed	40
Inside Prague Old Town	Praga (Czech Rep.)	Managed	89				
Gran Meliá Arusha	Arusha (Tanzania)	Managed	171				
Innside Milano Torre Galfa	Milan (Italy)	Leased	145				

OUTLOOK 2020

In Germany we continue to see the same trend as in the last quarter of 2019, and expect medium single-digit growth with the exception of Munich, affected again by the trade fair calendar. In the United Kingdom, in spite of the ongoing renovations in the Meliá White House and London Kensington, we expect to see continued moderate growth. The constant disturbances and strikes seen in France in 2019 make it difficult to estimate their impact on the first quarter of 2020. The strikes remain active, although popular support for them has significantly declined, and Paris is yet again showing its ability to return to normal even in very exceptional circumstances. In Italy the Gran Melia Rome will close in January for a few weeks in order to improve its facilities for 2020.

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Americas region

FINANCIAL INDICATORS

HOTEL BUSINESS INDICATORS	2019 M€	2018 M€	% Change
Owned and Leased Hotels	**391.5**	**414.9**	**-5.6%**
Owned	359.1	381.9	
Leased	32.4	33.1	
Of which room revenue	**175.7**	**185.1**	**-5.1%**
Owned	148.6	156.8	
Leased	27.2	28.3	
EBITDAR	**94.0**	**125.0**	**-24.9%**
Owned	83.6	116.2	
Leased	10.4	8.8	
EBITDA	**91.3**	**121.3**	**-24.7%**
Owned	83.6	116.2	
Leased	7.7	5.1	
EBIT	**50.1**	**80.2**	**-37.5%**
Owned	50.5	83.4	
Leased	-0.4	-3.2	

MANAGEMENT MODEL	2019 M€	2018 M€	% Change
Revenue	**43.7**	**51.4**	**-14.9%**
Fees from third parties	7.2	7.4	
Fees from owned and leased hotels	23.2	26.5	
Other revenues	13.3	17.5	

KEY STATISTICS

	OWNED & LEASED						OWNED, LEASED AND MANAGED					
	Occupancy		ARR		RevPAR		Occupancy		ARR		RevPAR	
	%	Change (pp)	€	Change (%)	€	Change (%)	%	Change (pp)	€	Change (%)	€	Change (%)
Total Hotels AMERICA	**61.0%**	**-6.0**	**€ 119.0**	**2.5%**	**€ 72.5**	**-6.7%**	**60.7%**	**-2.7**	**€ 108.8**	**2.7%**	**€ 66.1**	**-1.7%**
Total Hotels AMERICA Comparable Basis	**69.1%**	**-4.5**	**€ 119.5**	**-1.8%**	**€ 82.7**	**-7.8%**	**65.6%**	**-1.6**	**€ 105.8**	**-0.4%**	**€ 69.4**	**-2.8%**
Brazil	-	-	-	-	-	-	61.0%	4.1	€ 79.5	5.9%	€ 48.5	13.5%
Mexico	68.2%	-5.5	€ 121.0	4.2%	€ 82.5	-3.6%	68.2%	-3.6	€ 121.0	-1.3%	€ 82.5	-6.3%
Dominican Rep.	60.2%	-6.1	€ 107.5	-3.8%	€ 64.8	-12.5%	60.2%	-6.1	€ 107.5	-3.8%	€ 64.8	-12.5%
Others America	49.5%	-10.5	€ 139.2	11.8%	€ 68.9	-7.8%	55.0%	-5.7	€ 125.9	10.6%	€ 69.2	0.1%

* Available rooms 2019: 2,422.3 vs. 2,380.5 in 2018 in O&L. 4,084.2k vs 4,099 in 2018 in O&L&M

PORTFOLIO & PIPELINE 2019

	OPERATIONAL PORTFOLIO				PIPELINE									
	2019		2018		2020		2021		2022		> 2022		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Total AMERICA	**37**	**11,521**	**41**	**12,432**	**1**	**498**	**0**	**0**	**3**	**856**	**0**	**0**	**4**	**1,354**
Managed	17	4,280	22	5,020	1	498	0	0	3	856	0	0	4	1,354
Franchised	2	286	1	140	0	0	0	0	0	0	0	0	0	0
Owned	16	6,406	16	6,723	0	0	0	0	0	0	0	0	0	0
Leased	2	549	2	549	0	0	0	0	0	0	0	0	0	0

RevPAR in dollars (owned, leased and managed hotels) fell by **-7.1%** compared to 2018.

Fee revenue in dollars fell by **-22%** compared to the previous year due to the reduced Commission from owned and leased hotels.

Sales through melia.com fell by **-2.7%** in 2019 compared to the same period in the previous year.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

ECONOMIC CONTEXT

In **Mexico**, growth in 2019 slowed to only 0.4%, along with investment and private consumption due to uncertainty about economic policy, the decrease in global manufacturing activity, the migration conflict with the United States and rising borrowing costs. In 2020, projections point towards growth of up to 1.3% driven by a moderate recovery in domestic demand. Inflation has shown a downward trajectory and is expected to reach the goal set by the Central Bank by the end of the year. On the other hand, monetary policy has been eased in the face of weakening demand and easing also in the United States.

Growth forecasts for the **Dominican Republic** expect sustained growth of 5% in GDP from 2020 to 2022. However, there are many challenges to be faced to ensure this is achieved, such as improving fiscal balance, improving and increasing the ability of human capital to respond to technological progress and the demands of international markets, the creation of an appropriate business environment, better management of natural resources, greater resilience to disasters and risks related to climate change.

The economy in **Brazil** is recovering despite having ended 2019 with growth slightly above 0.8%. This slowdown in the economy and the increase in the value of the dollar were reflected in important reductions in the number of trips to Caribbean destinations such as Mexico or the Dominican Republic, with Brazil being an important feeder market for both countries.

Growth of 1.7% in 2020 and 1.8% in 2021 is estimated, largely due to the reform agenda planned by the Government. However, there are also other factors that may affect this growth, such as the slow decline in unemployment, the existence of numerous low-quality jobs and the submerged economy.

PERFORMANCE BY COUNTRY

In **Mexico**, and mainly in the area of Cancun and Playa del Carmen, geopolitical and environmental events have made it difficult to keep up the results seen in previous years. The damage caused by the sargassum seaweed, was exacerbated by insecurity in the tourist area of Cancun, leading to a loss of bookings and fall in the number of foreign visitors for the first time in seven years. Los Cabos, on the other hand, saw an increase of 6.6% in passenger arrivals (domestic and international) and a greater perception of security in the destination among domestic travellers. Average rates were lower than the previous year due, in part, to the growth in the number of hotels (7.3%) with the opening of more than 17,000 new hotel rooms.

In the **Dominican Republic**, Punta Cana faced a year with major challenges accompanied by a 5% increase in the number of hotels. In the first quarter of the year, arrivals saw slight growth, but from the second quarter, after the credibility and security crisis generated by the US media without any basis in fact, there was a drastic fall in the number of tourists that affected the rest of the year.

In **Brazil** it was a very positive year thanks to the celebration of numerous events and international trade fairs, mainly in Sao Paulo. Also of note is the improvement in results compared to 2018 in the MICE segment and direct sales.

CLUB MELIÁ & THE CIRCLE

2019 was the first full year of operation for our private resort for members of Circle by Meliá in the Dominican Republic, with the reputation and credibility of the brand having grown and greater membership sales compared to 2018, despite the price and occupancy challenges faced by Punta Cana over the year.

In the second half of the year, Circle by Meliá membership began to be sold in Mexico, replacing the sale of Meliá Club membership. This made a significant contribution to the achievement of sales objectives set by the region and helped to offset problems in destinations such as Cancun and Playa del Carmen due to the situation caused by the sargassum seaweed and security issues.

The main sales indicators showed a positive evolution, attracting 11% more families to our membership base in spite of the fact that there was a 25% decrease in the number of potential customers likely to buy our product in both regions, although mainly in Punta Cana, due to the reduced hotel occupancy caused by reduced international demand.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

The average price per contract remained at the same level as in 2018, the conversion rate of sales to both new customers and repeat members grew by 6.4%, and the sales revenue per customer visiting our sales rooms increased by 6.8%. In global terms, net sales grew by 11.2% compared to 2018.

In spite of the decrease in tourist numbers in Punta Cana (Dominican Republic), sales activity was effective both in attracting new customers and making new sales to existing members and their migration to the new product. We increased our membership by 4.3%, adding a total of 1,600 new families.

The average price per contract sold grew by 11.8%, leading to an increase in sales per customer visiting our Circle room of 12.7% and a 16.6% increase in net sales per customer.

Sales activity in Mexico also saw positive results supported by the introduction of the Circle by Meliá product to the country. This increased our audience of potential customers by 4.9% and allowed the addition of 19.8 % more customers to our membership base, a 14.2% increase in our sales conversion rate to both new customers and recurring members, and net sales growth of 1.4%.

2019 allowed us to consolidate Circle by Meliá sales in both countries, leading us to be optimistic about 2020, focused on efforts to optimise and improve our sales and service processes.

Together with the hotel teams, we will continue to enhance the experience of Circle members in Punta Cana and prioritise the optimisation of conversion opportunities among potential customers.

PORTFOLIO AND PROJECTS

In 2019, we added our second hotel in Colombia under a franchise agreement (Meliá Cartagena Karmairi). The company's commitment to growth through franchising has required a review and update of the contractual model to adjust to the new business environment.

A total of five hotels have been disaffiliated during the year. In Brazil, a country in which all the hotels are operated under a management agreement, the Tryp Sao Paulo Berrini, Tryp Sao Paulo Itaim and Tryp Sao Paulo Paulista were disaffiliated, along with the ME Miami and Meliá Coco Beach (Puerto Rico), the only disaffiliated hotel owned by the company.

Meliá Hotels International continues to adapt its hotels to the expectations of guests and carries out major reforms every year:

- ✔ Renovation of rooms at Paradisus Playa del Carmen
- ✔ Renovation of the restaurants and bars at Paradisus Palma Real, Meliá Caribe Beach and Paradisus Cancun, the YHI Spa at Meliá Punta Cana Beach and the El Cocotal clubhouse
- ✔ Another highlight was the investment made to create a new fire station at the Paradisus Palma Real to raise safety levels in the area

OPENINGS				DISAFFILIATIONS			
Hotel	City	Managed	Rooms	Hotel	City	Managed	Rooms
Meliá Cartagena Karmairi	Cartagena (Colombia)	Franchised	146	Tryp Sao Paulo Berrini	Sao Paulo (Brazil)	Managed	171
				Meliá Coco Beach	San Juan (Puerto Rico)	Owned	486
				ME Miami	Miami (USA)	Managed	129
				Tryp Sao Paulo Itaim	Sao Paulo (Brazil)	Managed	133
				Tryp Sao Paulo Paulista	Sao Paulo (Brazil)	Managed	148

OUTLOOK 2020

In the first quarter of 2020, the situation remains uncertain in Punta Cana, mainly due to the reduced number of flights, the absence of the MICE segment caused by the cancellations in the last two quarters of 2019, and the general decrease in the American market. Despite uncertainty about the behaviour of the American market, opportunities do exist to penetrate alternative markets and contract small, last-minute groups in Latin America and Europe.

A positive performance is expected in the group and MICE segments in Los Cabos (Mexico). In Brazil, as usual, the first quarter brings low occupancy as it coincides with holiday periods. Estimates from March onwards are positive, with improved demand and the confirmation of major events.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

APAC Region

FINANCIAL INDICATORS

HOTEL BUSINESS INDICATORS	2019 M€	2018 M€	% Change
Revenue	**NA**	**NA**	**-**
Owned			
Leased			
Of which room revenue	**NA**	**NA**	**-**
Owned			
Leased			

MANAGEMENT MODEL	2019 M€	2018 M€	% Change
Revenue	**6.9**	**7.6**	**-8.7%**
Fees from third parties	5.7	5.7	
Fees from owned and leased hotels	0.0	0.0	
Other revenues	1.2	1.9	

KEY STATISTICS

	OWNED & LEASED						OWNED, LEASED AND MANAGED					
	Occupancy		ARR		RevPAR		Occupancy		ARR		RevPAR	
	%	Change (pp)	€	Change (%)	€	Change (%)	%	Change (pp)	€	Change (%)	€	Change (%)
Total Hotels ASIA	-	-	-	-	-	-	**64.4%**	**4.4**	**€73.8**	**1.5%**	**€47.5**	**8.9%**
Total Hotels ASIA Comparable Basis	-	-	-	-	-	-	**65.7%**	**4.4**	**€71.6**	**1.3%**	**€47.0**	**8.6%**
China	-	-	-	-	-	-	71.1%	4.9	€65.1	-5.3%	€46.3	1.6%
Southeast Asia	-	-	-	-	-	-	62.3%	4.3	€77.0	3.6%	€47.9	11.3%

* Available rooms 2019: 1,734.8 vs. 1,681.4 in 2018 in O&L&M

PORTFOLIO & PIPELINE 2019

	OPERATIONAL PORTFOLIO				PIPELINE									
	2019		2018		2020		2021		2022		> 2022		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Total ASIA	**24**	**5,414**	**21**	**5,016**	**9**	**2,218**	**3**	**630**	**6**	**1,295**	**2**	**360**	**20**	**4,503**
Managed	24	5,414	21	5,016	9	2,218	3	630	6	1,295	2	360	20	4,503
Franchised	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Owned	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Leased	0	0	0	0	0	0	0	0	0	0	0	0	0	0

RevPAR in USD (management) increased by **+3.2%** compared to 2018.

Total commission revenues in dollars decreased by **-4%** compared to 2018.

Sales through melia.com rose by **+20.3%** compared to the same period in the previous year.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

ECONOMIC CONTEXT

The performance of the economies in the different countries in the region varied over the year, but all of them were affected in some way by the trade tensions between China and the United States. Despite being one of the most dynamic regions in the world and having a very strong economic outlook, it is also a region that depends to a large degree on the performance of the Chinese economy. The development in China of information technology, improvements to connectivity, investments in infrastructure and the emergence of a significant middle class, are all energising the region and making it one of the most important to the global economy.

Political stability in most of the countries in the region is also essential for development and the performance of the region as a whole. Despite this context, certain countries face significant challenges such as population ageing, geopolitical tension, some cyber security issues and the impact of climate change, situations for which policies are already being implemented to bring about improvements in the future.

China: In general, economic growth was moderate due to the impact of the trade conflict with the United States. Some international companies reduced their activities in the country or moved to other countries in Southeast Asia with more competitive costs. In China the market is so huge that domestic trade always guarantees a significant level of economic activity. The Belt and Road global development strategy adopted by the Chinese government implies investments and the development of infrastructure in almost 70 countries in Asia, Europe and Africa. The welfare of Chinese citizens is constantly growing.

Vietnam: In less than 40 years, the poverty rate in the country has decreased from 70% to 6%. Development over the last 30 years has been extremely important. In 2019, GDP suffered a slight slowdown, but the outlook for the coming years remains very positive. The most notable changes are demographic and social. Vietnam is a very young country, with life expectancy at over 70 and a rapidly emerging middle class. The Vietnamese government's spending on infrastructure has been remarkable and the country's educational performance is very strong.

Indonesia: The country is experiencing growth of more than 5% in GDP due to high private consumption and an economy driven by constant investment in infrastructure. It faces some challenges as a result of the increase in import prices. In general terms, the economy is growing at a healthy rate, especially after the re-election of the President, Joko Widodo.

Myanmar: Economy growing slowly and recovering stability after a volatile 2018, supported by falling prices and exchange rate fluctuations. Services are the key sector. Industrial activity is increasing so the outlook is positive for 2020 and 2021, although bringing only moderate growth. The country requires a large investment in infrastructure, especially in energy. There are still important economic and social differences between different parts of the country.

Malaysia: Malaysia has one of the most open economies in the world, although growth is slowing due to the impact of the trade war between China and the USA. Private consumption remains strong, but expectations are moderate. The economy is based on natural gas production, services and construction is experiencing slow growth that may be revived with several projects for major infrastructure improvements.

PERFORMANCE BY COUNTRY

Our hotels in **China** saw a slight fall in revenue. RevPAR (in USD) decreased by -3.6%, partly affected by the devaluation of the CNY against the USD in 2019, as well as by an increase in the number of hotels in some destinations.

In **Vietnam**, RevPAR (in USD) grew by +2.8%, with highlights including an increase of +3.8% in total operating revenue in the Meliá Hanoi. This growth occurred mainly in the first quarter of 2019 thanks to a series of international political events and meetings that boosted demand in Hanoi, such as the visit of the President of Argentina and the meeting between the governments of the United States of America and North Korea. In the second half of the year, in spite of the major reforms being carried out that have affected the MICE segment, the hotel continued to increase revenues. Something similar happened at the Meliá Danang Beach Resort, which despite reform and the decline in the Korean market, managed to achieve revenue growth. The Sol Beach House Phu Quoc also continued to show a strong performance, mainly due to the increase in demand for the island.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

In **Indonesia**, in general, all the hotels saw a positive performance in both revenues and profitability, especially in hotels that are ramping up operations such as the INNSiDE Yogyakarta, Sol House Bali Kuta and Sol House Bali Legian. We would like to emphasize the strong performance by Meliá Bali, especially considering that in the first quarter the destination was still recovering from the negative impact of the Agung volcano eruption. RevPAR (in USD) increased by +4.1%.

In **Myanmar**, despite the increase in competition in the area, Meliá Yangon continued to improve its revenues. Finally, in Malaysia the Meliá Kuala Lumpur ended the year with figures similar to the previous year despite the fall in demand in the city in the first quarter of the year.

PORTFOLIO AND PROJECTS

In 2019, we added 4 new hotels to our portfolio, all of them under management agreements. Three of them were in Vietnam (Meliá Ho Tram, INNSiDE Saigon Central and The Hoi An Historic Hotel, Managed by Meliá) and the other in China (Meliá Shanghai Parkside).

In the first quarter of the year, we expect to begin operations in Thailand with the opening of Meliá Koh Samui after having been closed for renovation for more than a year. During the rest of the year, nine more hotels will open, adding 2,200 rooms to the portfolio in the key destinations in the region: China, Vietnam, Indonesia, Malaysia and Thailand, with Vietnam and China adding up to three hotels each and the others a single hotel.

OPENINGS				DISAFFILIATIONS			
Hotel	City	Managed	Rooms	Hotel	City	Managed	Rooms
Meliá Ho Tram	Ho Tram (Vietnam)	Managed	77				
Meliá Shanghai Parkside	Shanghai (China)	Managed	88				
Innside Saigon Central	Ho Chi Minh (Vietnam)	Managed	69				
Hoi An	Hoi An (Vietnam)	Managed	150				

OUTLOOK 2020

The coronavirus crisis that originated in Wuhan and was declared an epidemic by the WHO at the beginning of the year, will condition the performance next year of both China and other nearby and more distant destinations. The Chinese authorities are implementing very important measures in the country, but as they coincide with the Chinese New Year holiday, the difficulty has been increased due to the millions of people travelling at this time of year.

The future evolution of the health crisis remains unknown. This first quarter will be significantly affected, strongly affecting February and probably also March, unless the general measures adopted by the Chinese government and other affected countries begin to produce the desired results.

In general, the travel industry in China is currently paralysed and waiting for the measures implemented to have the desired effect. If that occurs, the return to normal could be relatively quick based on the experience of similar outbreaks in the past.

Indonesia is not exempt from the impact caused by the crisis. However, our hotels have a broad customer segmentation from a geographical point of view, so the impact should be limited. The beginning of the year is in line with forecasts and we do not expect significant changes.

The consolidation of operations at the Innside Yogyakarta and Sol House Legian, the opening of Melia Fintan in the fourth quarter, the good performance of the Nusa Dua hotels in Bali, and the improvement of results at Gran Melia Jakarta will all help improve the profitability of operations in the region.

Vietnam will undoubtedly benefit from the renewal of the contract to operate the Meliá Hanoi and the consolidation of hotels opened last year. We expect especially good results from the Meliá Ho Tran. The country continues to good strongly, and the opening of Innside Halong Bay and Gran Melia Cam Ranh will further consolidate our leadership.

The recent opening of our regional office in Ho Chi Minh City will also allow us greater proximity to hotel operation in the country.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Cuba Region

FINANCIAL INDICATORS

HOTEL BUSINESS INDICATORS	2019 M€	2018 M€	% Change
Revenue	**NA**	**NA**	**-**
Owned			
Leased			
Of which room revenue	**NA**	**NA**	**-**
Owned			
Leased			

MANAGEMENT MODEL	2019 M€	2018 M€	% Change
Revenue	**12.1**	**14.4**	**-16.0%**
Fees from third parties	9.9	11.9	
Fees from owned and leased hotels			
Other revenues	2.1	2.4	

KEY STATISTICS

	OWNED & LEASED						OWNED, LEASED AND MANAGED					
	Occupancy		ARR		RevPAR		Occupancy		ARR		RevPAR	
	%	Change (pp)	€	Change (%)	€	Change (%)	%	Change (pp)	€	Change (%)	€	Change (%)
Total Hotels CUBA	-	-	-	-	-	-	**50.7%**	**-5.2**	**€ 79.9**	**-1.1%**	**€ 40.5**	**-10.3%**
Total Hotels CUBA Comparable Basis	-	-	-	-	-	-	**52.6%**	**-2.9**	**€ 77.5**	**-6.1%**	**€ 40.8**	**-11.0%**

* Available rooms 2019: 4,840.7 vs. 4,388.6 in 2018 in O&L&M

PORTFOLIO & PIPELINE 2019

	OPERATIONAL PORTFOLIO				PIPELINE									
	2019		2018		2020		2021		2022		> 2022		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Total CUBA	**35**	**14,781**	**34**	**13,425**	**1**	**401**	**0**	**0**	**3**	**523**	**0**	**0**	**4**	**924**
Managed	35	14,781	34	13,425	1	401	0	0	3	523	0	0	4	924
Franchised	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Owned	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Leased	0	0	0	0	0	0	0	0	0	0	0	0	0	0

RevPAR in USD (management) fell by **-15.6%** compared to 2018.

Total fee revenue in USD fell by **-22%** due to several factors that had a negative impact on our operations in the country.

The number of roomnights sold through melia.com remained in line with the previous year. Adding these direct sales to other online sales channels, revenue grew by **8.4%** and roomnights by **13.7%**, confirming the positive progress made in these segments. This growth was made possible by actions to enhance dynamic rate management, participation in all of the global, regional and individual campaigns in melia.com. and, especially, the contribution of the Meliá Internacional Varadero, a hotel that has had a remarkable performance in online sales since its opening.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

ECONOMIC CONTEXT

As a result of a combination of external factors, both political and economic in nature, tourism activity in Cuba in 2019 was subject to very strong tensions. On the one hand, increasing competition from alternative Caribbean destinations, and, on the other, the tightening of sanctions by the Trump Administration, resulting in a decrease in occupancy and average rates throughout the year.

At the beginning of June, the United States Government reinforced the blockade of the island, prohibiting cruises and eliminating general travel permits for educational exchanges for US citizens, known as the People to People programme, among others .

Another negative factor for Cuba was the collapse of the tour operator Thomas Cook, which affected hotel occupancy during the final quarter of the year.

This context led to a deterioration in average rates in USD of -7.6% compared to the previous year. The downward pressure on rates was most prevalent in Havana, Cienfuegos, Jardines del Rey and Santiago de Cuba.

The occupancy rate feel by -4.4 percentage points compared to the previous year, with Cayo Largo, Cayo Santa Maria, Varadero and Camaguey being most affected.

Results for the year were also damaged by the beginning of important renovation projects in several hotels, including the Paradisus Varadero, Sol Rio de Luna y Mares and Meliá Las Américas, as well as the continued renovation and extension of the Sirenas Hotel and Sol Santa Maria.

PORTFOLIO AND PROJECTS

Over the year we added the Meliá Internacional Varadero Hotel (946 rooms) and continue to modernise our hotel facilities and carry out reforms to enhance the positioning of hotels.

The Sirenas Hotel, along with Sol Varadero Beach, will reopen its doors in the first quarter of 2020 on completion of the renovation of its 356 rooms, restaurants and bars, introducing the adults-only concept in Cuba, representing an important opportunity for growth in the Varadero area.

OPENINGS				DISAFFILIATIONS			
Hotel	City	Managed	Rooms	Hotel	City	Managed	Rooms
Meliá Internacional Varadero	Varadero	Managed	946				

OUTLOOK 2020

The first quarter points to growth in sales compared to the same period in the previous year, mainly due to the addition of Meliá Internacional Varadero. We expect RevPAR to stabilise, with a slight fall in occupancy compensated by an increase in the average rate.

The decision of the new Argentine government to impose a 30% tax on overseas purchases, including flights and hotel accommodation, will have a negative impact on the arrivals from this important feeder market for Cuba in the coming months.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Real Estate Business

In 2019, two hotel assets in Spain were sold. The Tryp Azafata hotel (128 rooms) located in Valencia and the Tryp Coruña (181 rooms) located in A Coruña. The total amount generated by both operations was **€21.2 M**, leading to capital gains at the EBITDA level of €10.1m. We also registered an impairment of **€3.1M** as a result of the fair value adjustment of certain real estate investments.

During the third quarter of 2019, the **long leasehold** contract for the Meliá White House Hotel (London) was renegotiated. The contract was due to mature in 15 years. The new contract extends the maturity to 125 years and will involve an initial outlay (key money) of **90M GBP** by Meliá as well as an increase in rent. The impact of this operation on debt caused by the application of IFRS 16 amounts to **€215.4 M**, including the outstanding amount due for the **key money**.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Fiscal Transparency

Group *Fiscal Strategy* was approved by the Board of Directors on February 25, 2016 and updated on June 6, 2018, in accordance with the provisions of article 529 ter of the Corporate Enterprises Act and article 5 of the Regulations of the Board of Directors.

GUIDING PRINCIPLES OF TAX STRATEGY

- Regulatory compliance and responsible fiscal management
- Cooperative relations with tax administrations and the risk management system
- Fiscal efficiency, effective defence of our fiscal positions and transparency

Fiscal Strategy is also aligned with the vision, values and long-term business strategy of the company and with the *Corporate Responsibility Policy* in two dimensions: the first establishes that one of its objectives is to have a proactive attitude in identifying, preventing and mitigating financial and non-financial risks; and, the second has a guiding principle focused on complying with the legislation and regulations in effect in all the countries where the company operates, and with the company's own Code of Ethics which establishes an explicit commitment to the public administrations to respect the laws and regulations of the places where it operates, maintaining a relationship of transparency and maximum collaboration with all public administrations.

The Group has developed a Fiscal Risk Management System that operates on all the fiscal risks that are inherent to Group activities and processes, with particular emphasis on risks related to high-value investments and operations, the creation or acquisition of stakes in companies with a special purpose or domiciled in countries considered tax havens, and operations involving company board members or shareholders.

The Group has also begun to implement several tools that allow regular monitoring of its fiscal situation, to assist in risk management and to comply with tax obligations in each territory.

Within the framework of its commitment to a responsible tax policy, the Melia Group has a structure aligned with the business and appropriate to legal requirements, all within a transfer pricing policy framework aligned with value creation and the principles of free competition.

In 2019, the company received certification in the UNE19601 standard from AENOR. As part of the certification of the criminal compliance management system, 55 controls that Meliá has implemented to prevent and/or avoid tax crimes were analysed with favourable results.

TAX HAVENS

The creation or acquisition of a stake in companies with a special purpose or domiciled in countries or territories that are considered tax havens must be reported to and approved by the Board of Directors, with said approval constituting a non-delegable power. Similarly, any presence in tax havens must respond to legitimate economic motives.

At the close of 2019, the only Group company registered in a tax haven is Sol Meliá Funding, which is registered in the Cayman Islands. Its activity is residual and related to the former holiday club, and it applies the criteria and general procedures for management administration and control as the rest of the Group, cooperating with the administrations involved in providing whatever information they deem necessary regarding the activities carried out.

Company	Jurisdiction	Ownership	Total revenue (€M)	Result before tax (€M)	Company tax rate	Tax on profits accrued (€ M)
Sol Melia Funding	Cayman Islands	100%	895	-221	0%	0

TAX CONTRIBUTION

Meliá Hotels International is subject to taxes of various kinds on the profit it earns in the countries where it operates. Each tax has its own particular structure and rate.

Table A refers to the pre-tax results and contains the aggregated data combined for each jurisdiction and excludes dividends from other group companies, following the guidelines for drafting and submitting country-by-country reports issued by the OECD (Action 13 BEPS report).

TABLE A - RESULT BEFORE TAXES (2019)[1]

Country	€ thousand	Country	€ thousand
Germany	13,973	Indonesian	275
Argentina	716	Cayman Islands	(221)
Austria	1,984	Italy	5,329
Brazil	(9,207)	Luxembourg	2,140
Bulgaria	860	Mexico	37,570
Chinese	(91)	Panama	600
Costa Rica	(16)	Peru	997
Croatia	(58)	Puerto Rico	2,725
Cuba	4,764	United Kingdom	(11,212)
USA	(653)	Dominican Rep.	17,754
Spain	71,565	Switzerland	135
France	(369)	Venezuela	3,900
Greece	42	Vietnam	(22)
Total			**143,480**

(1) The above table groups together Group companies according to the country in which they have their effective address. This grouping is not the same as that of their registered office.

Taxes on companies satisfied or paid in 2019 are shown in Table B, broken down by jurisdiction.

TABLE B - TAXES PAID ON PROFITS (2019)

Country	€ thousand	Country	€ thousand
Germany	4,266	Italy	(18)
Argentina	20	Luxembourg	787
Bulgaria	100	Mexico	11,993
Costa Rica	57	Netherlands	(80)
Croatia	(385)	Peru	7
Cuba	398	United Kingdom	1,166
USA	(173)	Dominican Rep.	4,915
Spain	5,330	Switzerland	(251)
Indonesian	43	Venezuela	82
Total			**28,257**

The total amount of taxes paid appears in the Cash Flow Statement and the Consolidated Annual Accounts.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Shareholder Value

SHAREHOLDER DISTRIBUTION

Following the incorporation as a significant shareholder of Global Alpha Capital Management Ltd, as of December 31, 2019, the Meliá Hotels International shareholder structure is as shown in the graph on the right.

SHAREHOLDER REMUNERATION

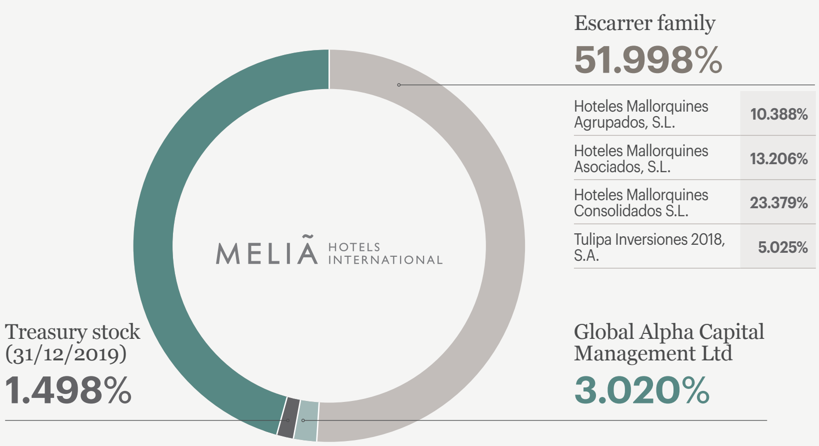
Shareholder remuneration policy aims to offer an attractive, predictable and sustainable dividend over time. This policy is compatible with the maximum priority of ensuring a sufficient amount of resources to guarantee investments for the future growth of the company and value creation.

In line with this policy, in July 2019 the dividend paid out for the 2018 fiscal year was 0.1830 euros per share, a 30% payout. This was an increase of 8.9% over the amount paid in 2017.

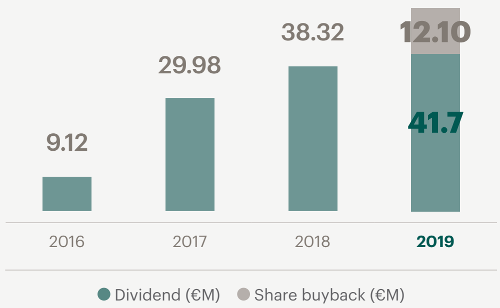
STOCK MARKET EVOLUTION

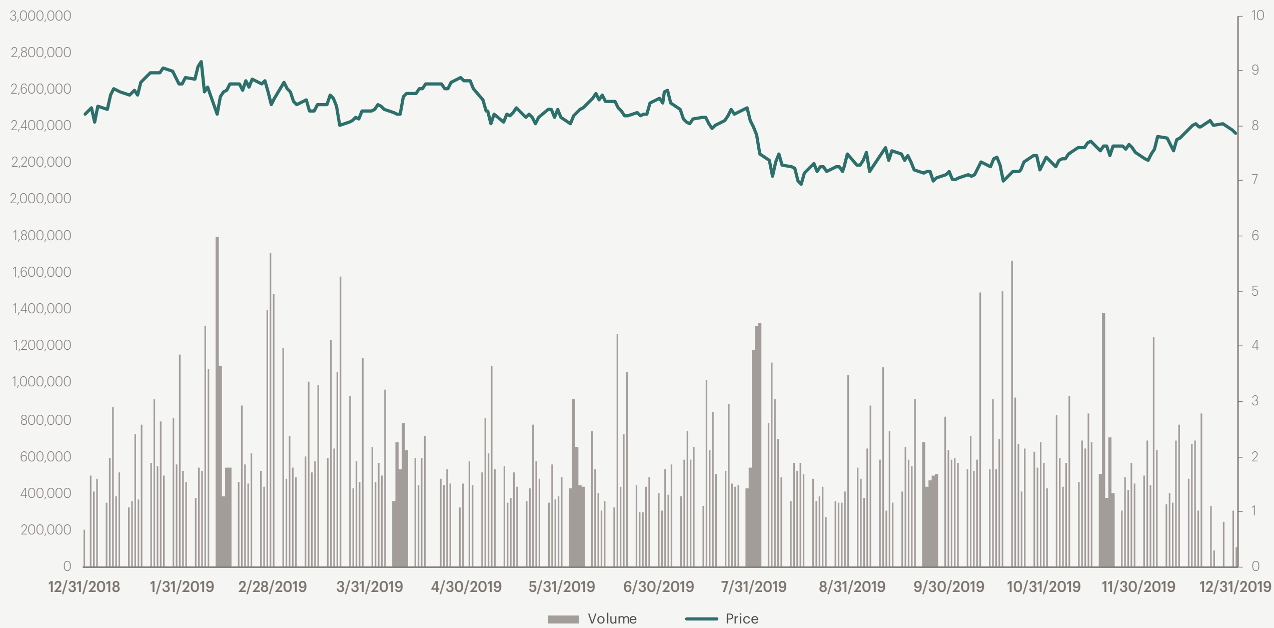
In 2019 our shares lost 4.3% of their value while the Ibex 35 grew by +11.8%.

SHAREHOLDER DISTRIBUTION



EVOLUTION OF SHAREHOLDER REMUNERATION (€ M)





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Secretary and Independent Director

MAIN STOCK MARKET INDICATORS

	2019	2018
Number of shares (millions)	229.70	229.7
Average daily volume (thousands of shares)	623.87	724.36
Maximum price (euros)	9.18	12.66
Minimum price (euros)	6.93	7.96
Final price (euros)	7.86	8.21
Market capitalisation (millions of euros)	1,805.44	1,885.84
Dividend (euros)	0.183	0.17

SHARE REPURCHASE PROGRAMME

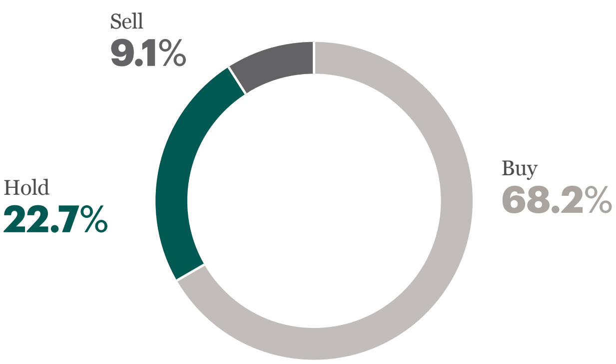
During its meeting of October 17, 2019, the Board of Directors of Meliá Hotels International S.A. agreed to buy back some of its own shares to reduce share capital subject to the capital reduction agreement adopted by the General Shareholders' Meeting held in the first half of 2020.

The programme is being carried out under the following conditions:

- ✔ Maximum amount allocated to the programme: € 60,000,000
- ✔ Maximum number of shares to be purchased: 8,500,000 shares, representing 3.70% of the company's share capital as of this date
- ✔ Duration: the repurchase programme will begin the day after the publication of this Relevant Information statement and will be valid until June 4, 2020. It may be terminated beforehand if the company has acquired the maximum number of shares authorised by the agreement of the Board of Directors has reached the maximum monetary amount allowed under the programme, or if any other circumstances advise its termination or interruption

At the end of 2019, the amount acquired under the programme stood at 12.1 million euros, representing 1,621,057 shares.

ANALYST RECOMMENDATIONS



Target price
€9.72
per share

22
Analysts cover us

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

7 Environmental & Social Performance

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Secretary and Independent Director

Environment

GRI 201-2; GRI 302-4; GRI 302-5;

“The tourism industry has to play a key role in helping mitigate the effects of climate change, assuming ambitious commitments with regard to the decarbonisation of its activity and promoting sustainable behaviour among travellers and tourists”

The current climate emergency requires companies to make ambitious commitments, as seen during the COP25 summit held in Madrid in December 2019.

Meliá is well aware that society not only requires us to provide first-class service, but also to provide a responsible and sustainable service committed to the preservation of the planet. We have therefore set ourselves the challenge of becoming an international benchmark for excellence, responsibility and sustainability.

Our commitment is especially relevant given the nature of our activity and the importance of tourism to the world economy, as well as our high level of dependence on social and environmental factors such as the climate and natural resources.

“Meliá achieved 100 points out of 100 in the SAM Corporate Sustainability Assessment made by S&P Global (CSA 2019) for its approach to climate strategy and its performance in this area”

In 2019, the top position achieved by Meliá in the Corporate Sustainability Assessment made by SAM (S&P Global), an international sustainability rating agency, placed us at the forefront of international efforts focused on sustainability.,

2019 was an intense year in regard to the adoption of measures and implementation of plans and actions that allow us to help combat climate change and its effects, following the public commitments we already made in 2015 after COP21 in Paris and in line with our own 360º Environmental Management Model.

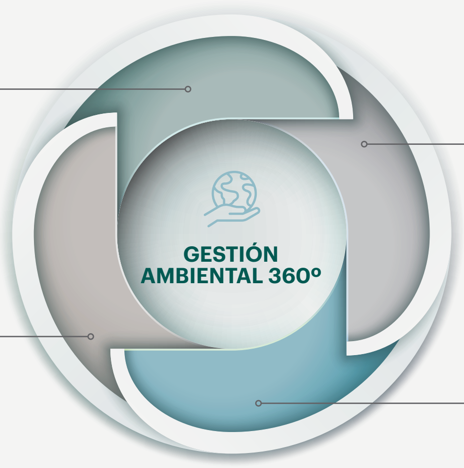
Integration of sustainable criteria

Sustainable design and construction

Universal accessibility criteria

Responsible investment

Strategic alliances with leading



Monitoring & Measurement

Monitoring of operations in terms of management and efficiency

Identification of opportunities for improvement in management

Awareness & Training

Active involvement of stakeholders

Industry leadership

Training in responsible business management

Standardisation & Innovation

New models, applicable product systems

Inclusion of best practices

Constant and active innovation

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

GRI 303-5

Our strategic approach to environmental matters also requires that we include clear plans related to the 2030 Agenda Sustainable Development Goals into our management, given the way our industry both contributes to and is affected by climate change in a major way. We aim to play a relevant role in the travel industry's response to this situation, inspiring the rest of the industry to play a leading role in the global response to climate change.

We are committed to a hotel management model that makes progress towards decarbonisation, energy and water efficiency, the circular economy, and the direct involvement of our stakeholders, with a model based on innovation and impact measurement supported by our *Environmental Policy*.

PROGRESS IN COMPLIANCE WITH THE 2020 SUSTAINABLE DEVELOPMENT OBJECTIVES

-8.81	**59%**	✓	**57%**	**-14.5%**
Reduction in water consumption	Green energy supply	Define the internal price of carbon	Selective waste collection	CO_2 emission reductions
vs Objective **8%**	vs Objective **70%**		vs Objective **50%**	vs Objective **-18.4%**
6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND NON-CONTAMINANT ENERGY	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE PRODUCTION AND CONSUMPTION	13 ACTION FOR THE CLIMATE

We are aware of the challenges we face and have therefore designed a roadmap with the following commitments:

- ✔ Promote a tourism model that moves towards carbon neutrality
- ✔ Continue to extend our purchasing of renewable energy
- ✔ To work towards a circular hotel industry as a means of reducing waste, encouraging its reuse and improving its management, reducing the impact of our activity on the destination
- ✔ Consolidate our commitment to innovation applied to environmental management of our activity, artificial Intelligence and impact measurement
- ✔ Increase the involvement of our stakeholders in achieving shared commitments and objectives, getting them involved and actively engaged

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

CLIMATE CHANGE: "TIME TO ACT"

Note: The structure of the following information follows the guidelines of the Task Force on Climate-Related Financial Disclosures (TCFD), an initiative designed to promote voluntary financial disclosure on a consistent, comparable, reliable and clear basis to provide useful information for decision making.

Leadership of the fight against climate change requires us to constantly observe our economic, social and environmental context, and the impact of our activity and the risks associated with climate change.

In recent years, the growing concern about the impact of human activity on the planet and the climate have become increasingly important. We have also seen how different media and scientific organisations are already talking about a climate emergency and the need to take immediate action.

The Report of the Intergovernmental Panel on Climate Change (IPCC) published in October 2018, declared an urgent need to take action and to extend the need for direct involvement to society as a whole. In fact, the motto of COP25 was precisely "Time to Act".

The main conclusion of the report was that the global temperature increase should be limited to 1.5 degrees Celsius in order to avoid risks arising from the increase in greenhouse gas emissions, emphasising how companies can contribute directly by moving forward with the transition to a carbon-neutral economy.

At the same time, financial markets are warning about the new context that the impact of climate change will bring to different areas. It is therefore increasingly necessary that we have appropriate, measurable and comparable information that will help influence future business and investment decisions.

1. Environmental commitment in the Meliá Governing Bodies

In order to reinforce and improve the management of non-financial information, and in line with the recommendations of the CNMV Unified Code of Good Governance, in April the functions of the Appointments Committee and Remuneration were extended to include, among others, the supervision and assessment of compliance with the Meliá **sustainability strategy**, mainly in relation to social, reputational and environmental issues.

Specifically, the Committee will reinforce the cultural transformation under way at Meliá with regard to the environment, strengthening the management of risks and opportunities associated with climate change, applied innovation, improvements in environmental management and investment, among other aspects.

Similarly, and following best practices, in November 2019 the Appointments and Remuneration Committee agreed to change its name to the **"Appointments, Remuneration and Corporate Social Responsibility Committee"**. This change will be formalised in the Regulations of the Board of Directors and in Bylaws in the first half of 2020.

2. Risks and opportunities of climate change

Nowadays, the impact of climate change is one of the most important aspects in assessing the performance of organisations, due to changes in the consumption of products or services and the growing expectation that companies should have a sustainable value proposition.

That is why Meliá is working on adapting our value proposition to these new patterns, also encouraging changes in the travel industry with regard to sustainability and converting the current context and new demands into opportunities by redesigning our current concepts or creating new sustainable concepts that will reinforce our brands and allow us to achieve our business objectives.

In 2019 we have carried out an analysis of the risks and opportunities that the effects of climate change could cause to our global operation. The analysis distinguishes whether these risks or opportunities are driven by regulatory changes, physical changes caused by the climate or other aspects related to climate. It also places a special emphasis on the climate changes in areas such as the Mediterranean or Caribbean, both areas in which the company has a greater exposure.

The analysis identified the short, medium and long-term risks resulting from the direct effects of climate change (physical risks) or from regulations and other expected changes (transition risks).

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

PHYSICAL RISKS

Temperature changes

With temperatures becoming more extreme in summer, particularly affecting areas such as the Mediterranean or Caribbean.

Climate degradation

Meliá understands serious physical risks as the loss of attractive tourist destinations due to significant changes in temperatures, rainfall and/or seasons and to climate degradation in areas previously attractive to tourists, which may result in loss of revenues for hotels located in these areas.

Physical damage to hotel facilities

Extreme weather events can greatly affect hotel assets, resulting in damage to facilities and equipment, inadequate supplies due to effects on the source of water, electricity, raw materials, etc., and/or the loss of business.

Shortage of energy/water

With the consequent risks to the supply of quality services to our customers. Similarly, they may also lead to increases in operating costs due to limited access to such resources.

Increase in biological risks in areas not typically affected

By vectors such as mosquitoes or other insects from more humid and temperate zones.

Food shortage

Caused by natural phenomena (floods, droughts, salinity of fresh water supplies, etc.), which generates an increase in operating costs for hotels located in the affected areas.

TRANSITION RISKS

Extension of the legal framework

on climate change and resource management

Extension of emission rights

in emerging markets or countries currently without a market in this area and/or transfer of these rights to our industry in a similar way to other sectors such as industry or energy, and thus raising energy costs.

Tax increases

on the carbon footprint of companies.

New certification standards

and/or certificates for products and services which show a company's commitment to environmental issues and which could place Meliá in disadvantage with regard to competitors.

Changes in customer behaviour

and in the demand for a business model which is more sustainable and responsible with the environment.

Reputation

Situations that may have an impact on the reputation of the company.

Legislation on energy efficiency

in buildings and facilities. The adaptation of existing buildings or the construction of new buildings may require significant investments to be made in a short space of time.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

In order to ensure optimum management of future risks, we understand that we have to act in advance and plan to reduce any impact that may affect our management. That is why we constantly monitor climate risks and how they can affect our activity and supply chain.

We are currently working on the following areas:

- ✔ Analyse possible regulatory changes that could be applicable in countries in which we operate in order to ensure early compliance and cost savings derived from adaptation and operation.

- ✔ Extend the implementation of the energy management system (EMS) and computerised maintenance management system (CMMS) in our hotels to achieve measurement objectives through constant monitoring and also control and minimise energy use.

OPPORTUNITIES IDENTIFIED

The analysis of the risks caused by climate change context and current trends in numerous associated dimensions allows us to detect new opportunities for the business.

- ✔ **Carbon Footprint Reduction**
  The application of taxes to carbon generation may imply significant operating costs. Implementing energy efficiency measures helps reduce financial costs by reducing emissions.

  The initiatives we have supported to reduce emissions caused by our activity, as well as the different actions taken to mitigate emissions are detailed in the section on Projects focused on mitigation and adaptation to climate change.

- ✔ **New regulations**
  Although new energy efficiency rules or regulations may require new investments or reforms in our assets, they may also create opportunities to improve or optimise operational processes and to achieve financial savings through even more efficient use of energy and water.

- ✔ **Temperature changes**
  Although new energy efficiency rules or regulations may require new investments or reforms in our assets, they may also create opportunities to improve or optimise operational processes and to achieve financial savings through even more efficient use of energy and water.

- ✔ **Certified management systems**
  Our focus on the certification of product and service management systems is currently a competitive advantage for our hotels. Having an external expert endorsement based on regulations or specific legislation reflects and confirms our tangible, rigorous, measurable and focused commitment to constant improvement. In a context in which travellers are more informed and aware about climate change, they can also have a positive influence on their purchasing decisions and behaviour during their stay. On the other hand, the positive impact on our reputation as a result of the rigour required for certification helps boost our position as a benchmark and driver of change in the industry and generate a greater degree of confidence.

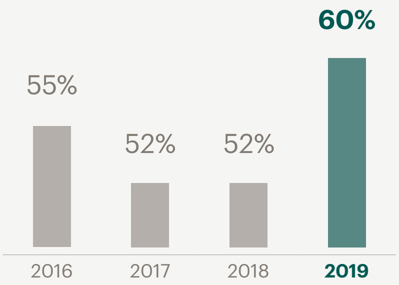
After the redefinition in 2018 of our sustainable tourism certification strategy, we now prioritise international certification bodies approved by the Global Sustainable Tourism Council (GSTC). Having external recognition provides consistency to our approach, verifies the progress made in meeting our goals and commitments, and gives us a suitable benchmark to continue finding areas for improvement.

In 2018, we consolidated the certification of our energy management system under the criteria of the ISO 50001 standard, validating our proposal for particular courses of action to take and targets to set, together with an exacting approach to monitoring energy and managing indicators to ensure both that we meet our objectives and that we identify corrective actions and aspects of continual improvement that need to be implemented.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

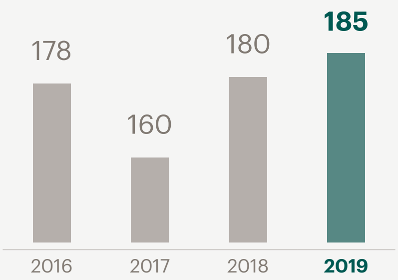
In 2019 we have taken another step forward and begun the certification of our Environmental Management System under ISO 14001 criteria. Making progress in this area will allow us to identify, prioritise and manage environmental risks in the hotel activity, optimising compliance processes and the use of raw materials, among others.

PORTFOLIO WITH SUSTAINABILITY CERTIFICATION [1]

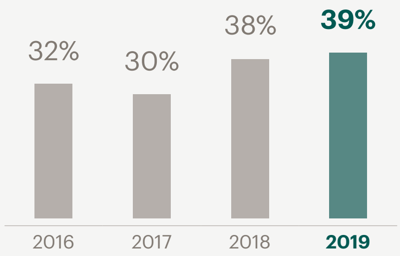


1. Does not include Cuba. 153 certified hotels, 32 hotels in process

SUSTAINABILITY CERTIFICATIONS



PORTFOLIO CERTIFIED UNDER GSTC CRITERIA [2]



1. Does not include Cuba. 153 certified hotels, 32 hotels in process

3. Economic impact of climate change

Our experience in this area is behind our constant analysis of the impact that the new context caused by climate change will have on our activity, allowing us not only to identify risks and opportunities, but also be in a position to quantify the economic and financial impact of different scenarios.

In 2020, we will review the main risks and opportunities we face based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), adding climate change variables to management and decision making and particularly focusing on areas with a special climate interest such as the Mediterranean or the Caribbean.

4. Commitment to mitigation and adaptation to climate change

We support practices that contribute to the efficient and responsible management of the impact of our activity, including training people and raising their awareness.

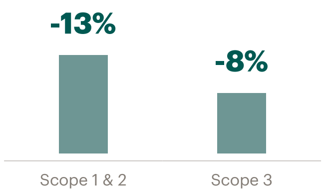
All the projects we have supported and described in this report have specific metrics to measure their environmental impact and define action plans to mitigate, reduce or manage the impact within the hotel activity itself.

✔ **Definition of emission reduction objectives using science-based targets (SBTi)**
As we are aware of the climate risks, we have decided to align our greenhouse gas (GHG) reduction objectives with climate science and the Science-Based Target (SBTi) initiative.

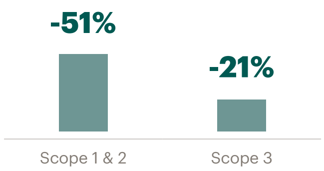
This is another step towards achieving the commitments made after COP21, reinforcing our leadership in combatting climate change, reducing GHG and helping ensure global temperatures do not rise by the more than 1.5°C agreed at COP21 in Paris.

GRI 103-2

OBJECTIVE 2023 (SBTi)



OBJECTIVE 2035 (SBTi)



Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

In 2019, SBTi has assessed and approved our greenhouse gas reduction objectives and endorsed our commitment to a low-carbon economy. The calculation methodology is based on the GHG Protocol (WRI & WBCSD), widely accepted internationally, and an audit of our Carbon Footprint Calculation in accordance with the ISO 14064-1 international standard.

The calculation limits included the recalculation of our emissions inventory and GHG emissions, having been verified by an external audit in accordance with the International *Standard on Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised).*

Since 2019, all the programmes designed to reduce Meliá's environmental impact include the calculations validated by SBTi in the definition of objectives and action plans.

✔ SAVE project

Since 2007 we have employed an energy management system that collects data on consumption in all of our hotels worldwide. The system is called SAVE, and has evolved in recent years to include the measurement of 76% of the consumption of hotels in our portfolio.

The project was designed by our in-house engineers and allows us to measure consumption in hotels, guaranteeing the identification of opportunities for improvement and monitoring progress towards objectives of energy and water use and waste management.

This data helps us define our Scope 1 and 2 GHG emission reduction strategy and adapt our action plans.

This year we have made progress in the project to measure Scope 3 emissions and provide information on all categories relevant to our activity, such as Purchased Goods and Services and Capital Goods.

✔ Green energy with certified origin

Increasing the use of renewable energy with a guarantee of origin is one of our objectives in the decarbonisation of our activity. 100% of the energy currently used in countries such as Spain, Italy, France, the United Kingdom and Germany is certified green energy.

✔ Pioneers in the application of environmental blockchain technology

The growing demand for more sustainable products and services led us to offer our MeliáRewards members the chance to get directly involved in emission compensation, **being the first hotel company in the world to do so**.

In 2019 we signed and announced during COP25 an agreement with ClimateTrade, a Spanish start-up company and international leader in **environmental blockchain technology**, which allows the online compensation of emissions in a simple, direct and certified way, eliminating intermediaries and extra costs and enhancing trust and security.

As of the first quarter of 2020, MeliáRewards members can thus redeem points for carbon credits certified under international standards and assign them to support sustainable projects that develop, protect and conserve natural ecosystems. These carbon credits and the projects for which they are used have the endorsement and certification of the highest authorities, the **UN CDM Registry and the Verified Carbon Standard (VCS)**.

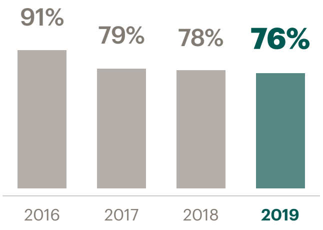
✔ Supporting sustainable mobility

We support sustainable mobility as an attribute that already forms part of our sustainability positioning, raising awareness among our customers and introducing them to this trend while also promoting responsible behaviour towards the environment from our hotels.

We have joined Audi in promoting the benefits that sustainable mobility provides, and several of our hotels already offer guests the chance to enjoy driving the new 100% electric Audi e-tron.

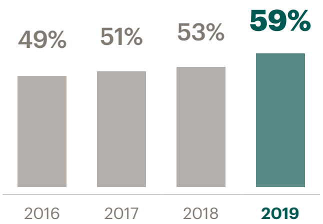
To facilitate the use of electric vehicles by customers, we will also continue to add new charging stations in our hotels in Spain to create a solid network of charging infrastructure that encourage this form of sustainable mobility and complements alternative services such as the rental of bicycles and electric scooters.

PORTFOLIO INVOLVED IN SAVE



According to the Meliá SGE, hotels with less than one year of consumption are not included

EVOLUTION OF GREEN ENERGY USE



CARBON FOOTPRINT

CONSOLIDATED	
Scopes (tCO_2)	**2019**
Scope 1	37,069
Scope 2	81,923
Scope 3	367,565
Total	486,557

AGGREGATED	
Scopes (tCO_2)	**2019**
Scope 1	50,262
Scope 2	120,386
Scope 3	410,887
Total	581,535

* Historical evolution in Annexes

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Energy resource management

The reduction of our environmental impact, sustainability and respect for the environment are present from the very beginning in all of our hotel projects to help contribute to combatting climate change at the operations level.

Raising our sustainability standards requires actions on different levels of technical and sustainable management, focusing on investments based on efficiency and financial impact to reduce emissions and ensure the economic and technical viability of our projects. To achieve this we increasingly rely on technology and digitalisation.

Digitalisation and technology in energy efficiency

As part of our digitalisation and process optimisation project, in 2019 we sought innovative technological solutions to monitor and digitise data related to all our energy and water use.

Within the framework of our SAVE energy management system, certified under ISO 50001 criteria, in 2019 we carried out an ambitious investment plan to optimise our hotels' energy resources.

Business Case

Based on artificial intelligence which uses algorithms and data on aspects such as outdoor temperature and occupancy levels, the **CO2PERATE Project** will provide hotels with technology that uses artificial intelligence to remotely monitor and control air-conditioning systems.

The project aims to improve the energy efficiency of our assets, improve coordination and cooperation between the areas involved in energy management and use and guarantee agility.

It involves monitoring 80% of our electrical energy installations to provide a constant analysis of their energy performance, allowing the identification of improvement opportunities and energy-saving measures, the prioritisation of their implementation and the subsequent verification of the savings achieved.

The objective of the action plan defined for **CO_2PERATE** is to guarantee constant improvement in our energy management system and feedback on investments in the company's management system.

5-YEAR PROJECTION
(110 HOTELS)

€2.6M
Investment

€2.9M
Costs

€17.0M
Saving

€14.1M
Net Savings
(after costs)

18 months
ROI

130.5 M kwh
Energy saving

66,043 Tn
Saving CO2 emissions

3.3 M
Saving in tree equivalent

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

WATER RESOURCES MANAGEMENT

Water is a unique resource that supports many of our services and activities. As a leading hotel company, part of our success depends on guaranteeing access to water, ensuring sustainable and efficient water management and responsible water use. We are very much aware that without water, tourism would not be possible.

The 2030 Agenda and SDG 6 are vital reference points that indicate the importance of supporting tourism that takes care of and protects the water resources that are fundamental for the maintenance and development of human activity.

In 2019, we carried out a water stress analysis, analysing the water cycle in our hotels to assess associated risks and opportunities, learn more about the impact of our activity, and define metrics that measure water use in our activity in order to drive more efficient and responsible consumption.

We used the WRI Acueduct tool to identify the hotels located in areas at risk of water stress and also to get relevant information on the quality and availability of water in these destinations. The result of the analysis shows that 28% of our portfolio is located in areas with high water stress.

This has therefore helped us to identify opportunities to create action plans that ensure best practices in water use, consumption and disposal in each of our hotels, with a special emphasis on those hotels located in areas with a high risk of water stress.

This exercise has also allowed us, for the first time, to take part in the Carbon Disclosure Project Water (CDP Water), enabling us to adapt our water management roadmap in the short, medium and long term.

Our ultimate goal is to be in a position to define a specific water management strategy based on a constant flow of information and action plans that guarantee a responsible water consumption model.

WASTE MANAGEMENT AND CIRCULAR ECONOMY

The generation of waste is one of the biggest problems related to the preservation of the planet, and is a direct cause of major environmental problems such as ocean pollution due to waste plastic. It is therefore an obligation that we ensure appropriate waste management.

Our objective is not only to manage the waste generated by our activity, but also to prevent it being generated, increasing recycling and reuse, and promoting a more circular economy and more prudent use of natural resources.

Our waste management practises are aligned with the guidelines defined by the European Commission on the circular economy, among which are:

- ✔ Encourage and promote the recycling and reuse of certain materials and waste
- ✔ Leverage technology to limit the consumption of certain materials and waste generation
- ✔ Use renewable, biodegradable or compostable raw materials
- ✔ Focus on the eco-design of our hotels, products and services to minimise their environmental impact

B
CDP Water

GRI 306-2

	2016	2017	2018	2019*
Total waste generated (Tn)	31,742	28,993	34,408	**34,549**
Total waste removed	20,886	15,476	15,098	**19,596**
Waste generation per stay (kgs)	1.45	1.33	1.54	**1.57**
Portfolio with selective waste collection (%)	34.2%	46.6%	56.2%	**56.7%**

* In 2019 Meliá updated the emission factors according to DEFRA (UK Government GHG Conversion Factor for Company Reporting).

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Technology applied to waste management

The optimisation of waste collection processes is an important challenge for society and can lead to significant savings in costs, resources and materials, with a positive impact on the environment.

In 2018, together with WDNA, a local start-up specialising in waste management technology, we set ourselves the challenge of monitoring the waste generation in our hotels to facilitate its reuse and recycling.

We have started a pilot programme in two hotels to monitor different types of waste. Containers for collecting glass, paper, cardboard and organic waste have been fitted with sensors that allow real-time measurement of variables such as weight, movement, temperature and internal and external waste volume to generate a number of different reports.

Analysis of this information will allow us to learn more about workflows related to hotel occupancy, adopting practical measures to improve the selective collection of waste and identify measures to reduce certain types of waste, such as, for example, food waste.

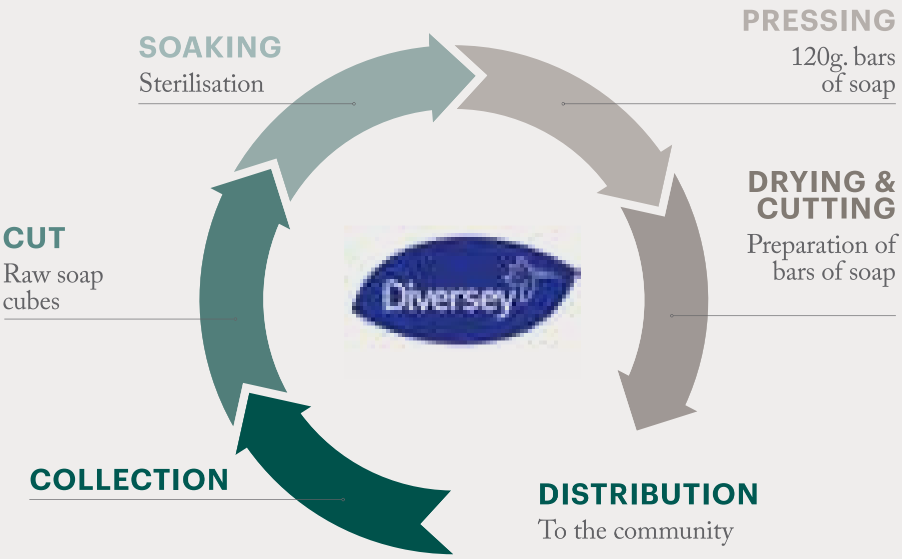
Business Case

SOAP4HOPE, A CIRCULAR ECONOMY PROJECT TOGETHER WITH DIVERSEY

Shared Commitments - Meliá and Diversey are strongly committed to sustainability to improve life in the communities in which they operate and generate shared value. We believe that co-operation with partners is a fundamental asset to make the world a better place.

The project - How do we achieve this objective? - Recycling soap residue allows it to be reused if properly handled. Recycling is taken care of by our partner, Diversey, a global hygiene and cleaning solutions company, following a special process that guarantees product hygiene with no water or energy use. The local community take part directly by working for the project. This means that in addition to reducing environmental impact and improving basic hygiene, the project also creates employment opportunities.

Key aspects of the project - Soap is collected from our hotels that take part in the Soap for Hope™ programme and taken to a centre where local workers process it using an innovative but simple cold press technique that requires no water or energy. This method uses a 120g or 500g soap press designed by Diversey to create the new bars of soap. All the processes are carried out by local NGOs which employ disadvantaged local community members to do the work, providing a livelihood to people who would otherwise have no opportunities.



18	6	7	45.9 Tn	+31.9 k
Hotels active since 2017	Countries in Asia & Caribbean	Hotels in process of implementation	Recycled soap	Direct beneficiaries

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Secretary and Independent Director

PROGRESS IN ELIMINATING SINGLE-USE PLASTIC AND REDUCING PAPER AND OTHER WASTE

Plastic is one of the world's biggest problems. The 2030 Agenda and our day-to-day experiences confirm this. Our industry is closely related to biodiversity and the sea, and can therefore not ignore this global problem. We have to make important changes to help reduce plastic pollution, especially in many key travel destinations that do not have sufficient or appropriate capacity and infrastructure to correctly manage, treat and eliminate plastic, and where social priorities are also different. This means that companies have to make an extra effort and special commitment to make a positive contribution not only to the elimination of plastic, but also to reduce their dependence on plastic.

In this respect, in 2018 we announced an ambitious roadmap to drastically reduce the amount of plastic waste generated by our activity. We defined a comprehensive global plan with direct action from the very beginning. Our suppliers have played a key role in this plan thanks to their capacity for innovation, the supply of appropriate alternative products, their adaptability to our requirements and the commitments they share with us.

Our global and operations teams have also made an excellent job of quickly defining new hotel and non-hotel products and brand attributes, making changes and proposing alternatives which are compatible with the guest experience we offer and also consistent with our commitment to reducing plastic pollution.

Without a doubt, this is a factor we consider critical given that the challenge had to involve our customers and guests. We sent them a very clear message about what we were doing and the reason that we had decided to act in this way. It is important for us that our customers are aware of and get involved in our commitments, which they also share, in views of the changes we are seeing in the patterns of domestic consumption worldwide.

Not only has acceptance been very positive, it has also allowed us to strengthen our management systems due to the urgent solutions we have had to find to problems we have encountered along the way, especially in destinations where progress is more difficult given the scarcity or total lack of suppliers able to respond to our needs. This challenge required a rigorous exercise of management, coordination and company-wide implementation to meet the public commitment we made in 2018. The evolution of the plan is generating very positive results that we will make public in the first half of 2020. There remains plenty of room for improvement, given that combating the excessive use of plastic in tourism is not just a fashion or a trend, but rather a necessity.

BIODIVERSITY MANAGEMENT

GRI 304-1; 304-2

Our activity can influence biodiversity in the destinations in which we operate. For this reason, and in line with SDG 15 in the 2030 Agenda, we have implemented mechanisms and projects within a biodiversity management model to reduce our impact and protect biodiversity. The 2018 Integrated Report describes the type of actions the model contains, with a special focus on the 50 hotels in our portfolio located in protected or endangered areas. The identification of these protected areas was carried out according to the criteria that Protected Planet defines in its World Database on Protected Areas, an open information platform for existing protected areas to enhance decision-making based on information, policy development and business planning and conservation, that companies can use to identify biodiversity risks and opportunities.

The model also includes negative aspects or risks that may affect the environment and the measures to be implemented to minimise their impact:

1. Support for the protection, conservation and sustainable use of natural capital
2. Preventative approach to the assessment of the environmental impact of new projects and the implementation of best practices throughout the life cycle of the asset
3. Involvement of stakeholders, considering their needs and expectations in action plans and working together on research projects.
4. Commitment to train, raise awareness and transmit the importance of biodiversity.

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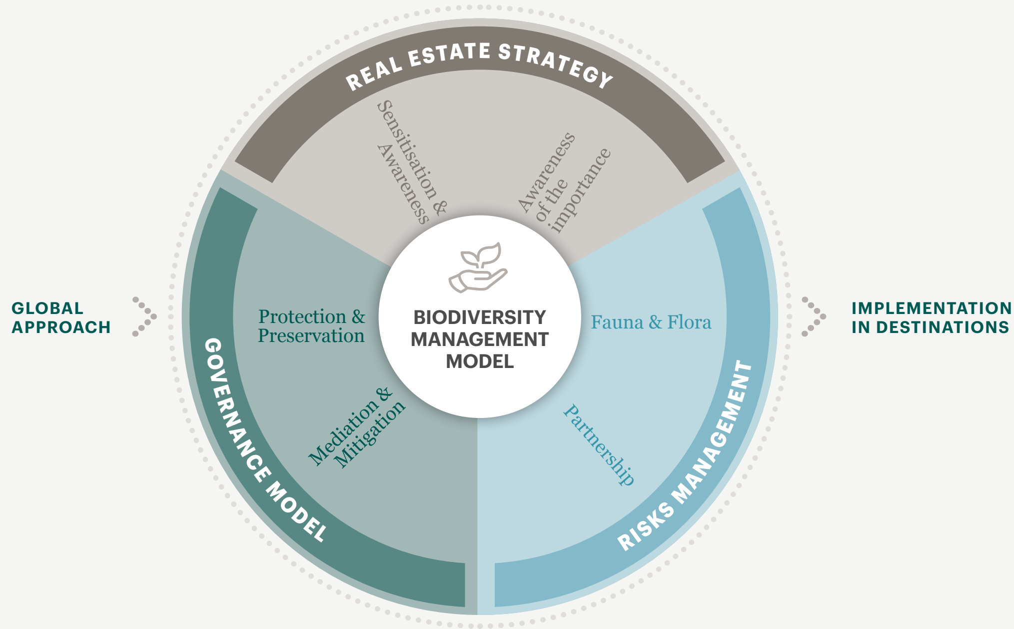
Secretary and Independent Director



Business Case

In 2019 we began a project with the Marine Fauna Recovery Centre run by the Palma Aquarium Foundation (Mallorca, Spain), managed by the Consortium for the Recovery of Fauna in the Balearic Islands, to help protect the loggerhead turtle (Caretta Caretta), an endangered species as a direct consequence of climate change and human activity. Meliá is particularly sensitive about this cause given the proximity of its hotel activities to the natural habitat of the turtle.

THE CAUSE OF THE PROBLEM

Global warming is strongly affecting sea turtles, causing their displacement to cooler areas for nesting. Spanish beaches are cooler than Caribbean beaches and have seen the number of nests double with a forecast that they will continue to increase in the future.

PROJECT OBJECTIVE AND MILESTONES

The project has focused on biological research on turtle behaviour in different locations where Meliá operates hotels: Caribbean and Cape Verde.

Meliá has financed the stay and training of a biologist from the Palma Aquarium Foundation in nesting areas in Cape Verde to allow him to later manage actions designed to safeguard nesting areas in the Balearic Islands and also combat the causes behind the loss of biodiversity.

The collaboration also includes turtle habitat clean-ups and the distribution of environmental information, as well as training by Palma Aquarium experts for employees and suppliers with regard to protocols and awareness-raising activity programmes

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IMPACTS & PREVENTIVE MEASURES

	Impact or risk	Preventive measures
Construction, renovation & operation	• Alterations to the natural environment such as changes in soil use, deforestation, changes to water resources, soil degradation, water deficit stress, contributing to the loss of coral reefs in the area, etc.	• Compliance with applicable urban planning and environmental regulations • Hotel design and construction manual with integrated sustainability criteria • Certified Energy Management System (ISO 50001) and Certified Environmental Management Systems (ISO 14001)
Use and management of consumables and natural resources	• Contamination of soil, subsoil and sea water due to poor management of chemicals, fertilisers, pesticides, waste or sewage	• Compliance with applicable urban planning and environmental regulations • Impact of inappropriate, excessive or unjustified use of natural resources in the destination • Responsible supply chain and acquisition of chemicals with low environmental impact • Training in waste management • Leakage management and safety protocols • Plastic reduction programmes • Investment in efficient energy and water equipment • Energy efficiency measures and raising awareness among employees and customers • Certified sustainable hotel management model
Emissions and externalities affecting the environment, flora and fauna	• Emission of pollutants that are toxic or harmful to the atmosphere, as well as chemical-based atmospheric pollutants • Sound, light or electromagnetic radiation pollution: artificial light, vibrations or noise generated by a hotel which can affect the life cycle of different species and their habitat. • Greenhouse gas emissions as a result of the hotel activity	• Compliance with applicable environmental regulations • Constant monitoring of energy resource consumption (SAVE) • Investment in efficient energy and water equipment, infrastructure and low-impact systems • Carbon footprint measurement • Efficient lighting systems with a low-energy and light impact • Customer awareness about respect for local flora and fauna
Flora & fauna	• Introduction of invasive exotic species which can cause serious damage or imbalances in the local ecosystem • Alteration of local flora and fauna due to the number of people and inappropriate behaviour in high-value biodiversity areas	• Design of gardens and wooded areas that respecting local diversity • No use of native animals or species as part of the hotel offer • Protection of local animals and plants and ecosystem recovery and cleaning actions • Customer and employee awareness about respect for local flora and fauna • Protection and conservation projects: partnership with Palma Aquarium

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Secretary and Independent Director

OUTLOOK 2020

Positioning and technology

- ✔ Digitalise waste measurement by waste type
- ✔ Certify our Environmental Management System, under ISO 14001 criteria
- ✔ Extend certification of our environmental management system (80 hotels)
- ✔ Enhance our sustainable mobility strategy
- ✔ Define a purchasing strategy with ESG criteria that minimizes waste at source
- ✔ Define a climate change strategy according to our risks and opportunities

Climate change and emissions

- ✔ Develop a Climate Change Policy
- ✔ Reduce our CO2 emissions per stay by 18.4%
- ✔ Analyse the economic impact of reducing CO_2 emissions

Waste management and circular economy

- ✔ Identify opportunities and define a roadmap for the management of MSW and hazardous waste
- ✔ Monitor waste globally
- ✔ Define more ambitious goals for selective waste collection
- ✔ Extend our fight against plastic
- ✔ Promote new circular economy projects with leading partners
- ✔ Continue with our commitments to raise awareness among stakeholders

Awareness and sensitisation

- ✔ Increase the scope of our use of environmental blockchain
- ✔ Boost awareness and education in biodiversity in family activity programmes

Energy and water efficiency

- ✔ Achieve 70% of energy consumption from certified renewable origins
- ✔ Extend the GMAO project from the current 177 hotels to 189 hotels in our portfolio
- ✔ Redefine our water-use objectives, having reached the 2020 target in 2018
- ✔ Prepare a Corporate Water Resources Management Policy
- ✔ Define action plans for moderate criticality levels (levels 1 to 4)
- ✔ Follow up on the risk and opportunity analysis in level 5 areas

2021-2023

- ✔ Define climate change adaptation and mitigation plans
- ✔ Prepare the road map to becoming a carbon-neutral hotel
- ✔ Prepare the Climate Risk Map according to our global presence
- ✔ Analyse the economic impact of the TFCD Climate Risk Map
- ✔ Reduce emissions by 13% in scopes 1 and 2 and 6% in scope 3
- ✔ Support the analysis of risks and opportunities of the water footprint in our value chain

2035

- ✔ Reduce emissions by 51% in scopes 1 and 2 and 21% in scope 3

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Responsible Supply Chain

GRI 102-9; GRI 308-2

Meliá Hotels International has a permanent commitment to promote responsible and sustainable supply chain management and build long-term relationships with suppliers based on ethics, transparency and trust.

Integrated supply chain management is based on a body of regulations comprising the Procurement and Responsible Services Contracting Policy, the Supplier Code of Ethics, the Procurement Regulation and other company policies and regulations.

Related SDGs		The Meliá contribution
MAIN FOCUS		
12 RESPONSIBLE PRODUCTION AND CONSUMPTION	**Objective 12:** Guarantee responsible consumption and production	Meliá ensures that its sustainability standards and requirements, including social, environmental and good governance criteria, apply to all of its suppliers. The company is therefore committed to innovative and comprehensive management of the supply chain to contribute to the development of a responsible business model.
SECONDARY FOCUS		
16 PEACE, JUSTICE AND SOLID INSTITUTIONS	**Objective 16:** Peace, justice and solid institutions	Meliá believes that sustainable development is only possible in a collaborative environment in which all the relevant players in the value chain work hand in hand with a relationship based on cooperation and transparency. We have strategic partnerships not only with suppliers, but also with other stakeholders such as public institutions and NGOs, among others.
17 ALLIANCES TO ACHIEVE OBJECTIVES	**Objective 17:** Partnerships to achieve objectives	

POSITIONING & STRATEGY

Our main objective is to promote a sustainable global supply model, minimising purchase, storage and distribution costs in all our hotels, while guaranteeing the quality standards defined by the company and our internal and external commitments. The **inclusion of ESG criteria** (environmental, social and governance) in the supply chain ensures operations which are responsible with the environment and strengthens our long-term relationship with suppliers.

The strategy is based on **five principles** which help us optimise performance and minimise the associated risks:

- ✔ To integrate supply chain strategy with corporate strategy
- ✔ To support the governance model and control and compliance through the proper formalisation of supplier agreements
- ✔ Promote the digital transformation of the management model based on quality, service, and sustainability, and guaranteeing a competitive and optimal model.
- ✔ To apply monitoring and control measures to ensure that all suppliers act according to Group standards and commitments
- ✔ Manage a centralised procurement system based on volume aggregation, operated under a flexible management model adapted to regional, local and brand needs.

ESG RISK ANALYSIS IN THE SUPPLY CHAIN

To assess the degree of risk that our main suppliers have in relation to environmental, social and governance criteria, we conducted an ESG risk analysis including issues related to human rights, occupational health and safety, talent, diversity, vulnerability, ability to adapt to climate change, availability of natural resources, biodiversity, institutional relations and corruption. The analysis gives us greater visibility on the risks to which we are exposed in countries where we operate and allows us to take the measures required to anticipate these risks should they ever occur.

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ESG RISK ANALYSIS PROCESS

Identification of issues/ indicators

Selection of specific issues and indicators that determine the degree of risk in the ESG issues identified

Assessment of each country

Analysis of the results for each of the indicators to obtain risk indicators for each country

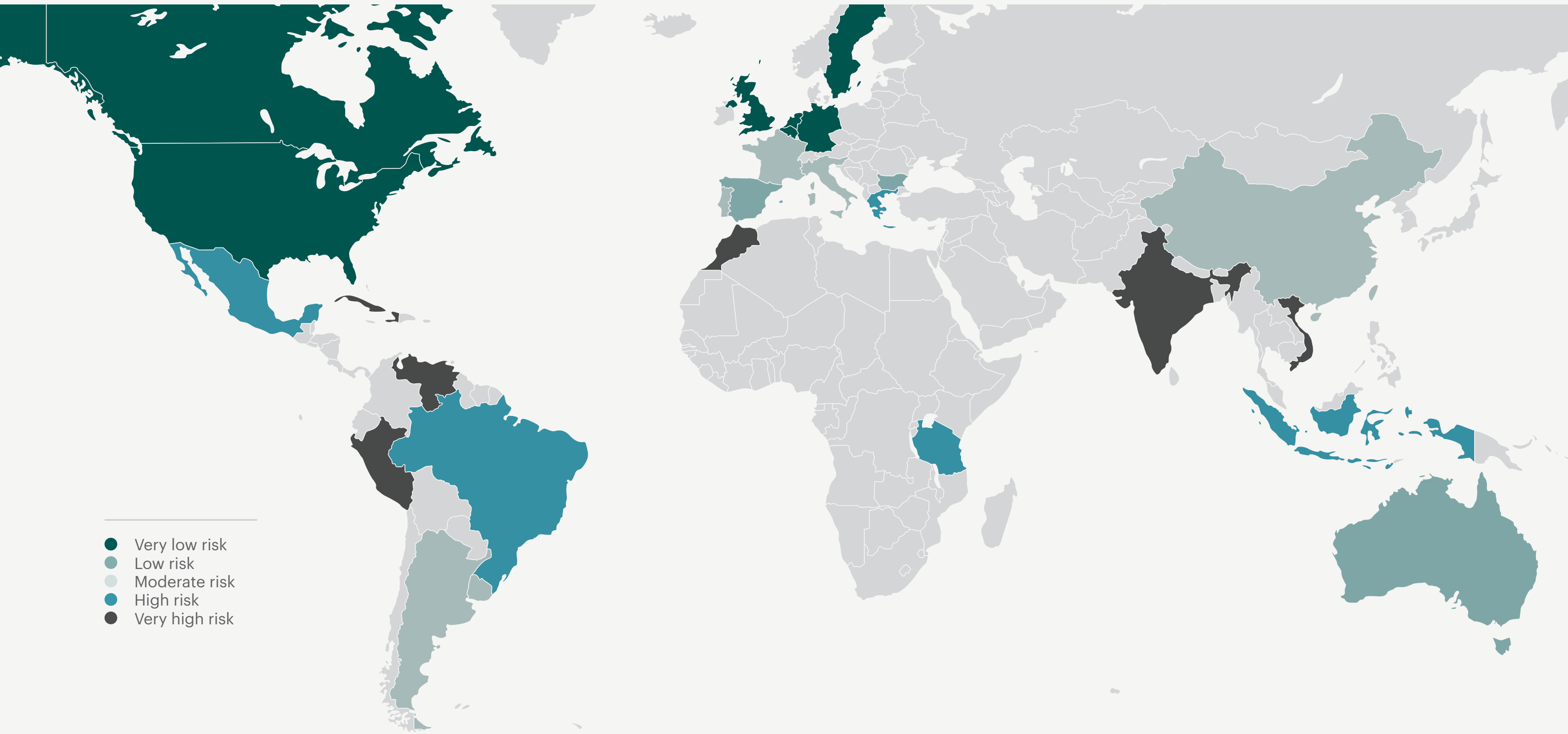
Weighting of risk level

In line with the Meliá principles and values, greater weight has been assigned to risks associated with human rights, occupational health and safety and corruption

Final risk determination

Application of percentiles to country risk levels to map countries depending on their risk

ESG SUPPLY CHAIN RISK MAP



IDENTIFICATION OF CRITICAL SUPPLIERS

Based on this analysis, a process for identifying critical suppliers has been defined based on three criteria: purchase volume (minimum 1% of total centralised purchases), ESG risk data by country (location of the main procurement centres) and product family (with the food and beverage family considered the most critical as the expiry of products may affect customer health).

5,211
Tier 1 Suppliers

43
Critical Tier 1 Suppliers

170
Critical Non-Tier 1 Suppliers

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Secretary and Independent Director

GRI 412-3; GRI 414-2

SELECTION OF SUPPLIERS WITH SUSTAINABLE CRITERIA

Supplier selection is based on technical, financial and sustainability criteria using a rigorous and transparent process which ensures the selection of the best possible suppliers, aligned with our principles, values and public commitments. All suppliers must also sign a specific clause recognising their awareness of our requirements and commitments and promising to support them, assuming the right of the company to audit their compliance and progress. All suppliers must also accept our Supplier Code of Ethics, or if they have their own Code, sign a Conformity Statement which guarantees alignment with the principles in our Code.

SUPPLIER CODE OF ETHICS COMMITMENTS

- Comply with legislation
- Do not tolerate slavery
- Prohibition of child labour
- Ensure safe working environments
- Do not tolerate abuse or coercion
- Fair wage
- Respect for the environment
- Non-discrimination
- Responsible supply chain
- Freedom of opinion and association

1,656 (31.8%)
Suppliers with signed Sustainability Clause

60%
2020 Objective Suppliers with signed Sustainability Clause

1,579 (30.3%)
Suppliers with signed/ accepted Code of Ethics

60%
2020 Objective Suppliers with signed or accepted Code of Ethics

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SUSTAINABLE PERFORMANCE ASSESSMENT

As part of the process to constantly improve supply chain management, Meliá carries out regular assessments of its suppliers to measure their sustainability performance. The main objective of the assessment is to evaluate the sustainable performance of suppliers, propose improvements to ensure alignment with our strategy and public commitments, and incorporate the results into our supplier selection and contract renewal review process.

We are supported in the process by EcoVadis, an international leader in ESG assessments, and responsible for carrying out the assessment with the appropriate due diligence. This assessment uses an online platform and questionnaires adapted according to the size of the company, the country or the industry in which it operates, following global standards such as the United Nations Global Compact.

At the end of the assessment process, EcoVadis prepares results which contain the rating, strengths and areas for improvement of suppliers, aiding the company to define corrective measures to guarantee sustainable supply chain management and alignment with our strategy. Meliá's performance in this area led us to be included in the Gold category by EcoVadis.

This process was previously carried out internally using a sustainability questionnaire that was completed by suppliers. From 2019 onwards, and in line with the company digitalisation process, the assessment will be carried out using this platform.

52
Suppliers assessed by EcoVadis in 2019

174
Suppliers assessed in the last 3 years*

50%
Target suppliers assessed 2020

(*) Includes suppliers assessed under the previous system (sustainability questionnaire)

Business Case

COMMITTED TO THE ELIMINATION OF SINGLE-USE PLASTICS

In 2019, Meliá Hotels & Resorts, the flagship brand of the Meliá Hotels International group, announced a new agreement with Rituals which made it the new supplier of bathroom amenities for hotels in Spain and EMEA. The partnership supports the responsible positioning of the company and the commitment of the brand to the well-being of customers, and foresees the elimination of all single-dose plastic containers for bathroom amenities and their replacement by 300ml eco-pump dispensers containing around ten times more product and using far less plastic.

This measure is estimated to avoid the use of more 33,600kg of plastic in bathroom amenities, equivalent to a reduction of 42% in plastic waste and avoiding the emission of more than 72,000kg of C02 into the atmosphere.

All the other bathroom articles (brushes, combs, etc.) have also been replaced by ecological alternatives made with 100% organic and compostable materials with packaging made of recycled cardboard. These products are provided on customer request should they wish to consumer more responsibly.

"We aim to improve our guests' experience with superior quality products that also help us reduce our environmental footprint. The partnership with Rituals is inspired by its innovative nature and commitment to the environment, thus meeting two fundamental Meliá criteria: sustainability and excellence"

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Secretary and Independent Director

In 2020, we plan to continue with our commitment to eliminate plastics in our **INNSIDE by Meliá** hotels, replacing all plastic packaging, not only in bathroom products, but also in food and beverage services, reducing consumption by more than 2,600kg, equivalent to 50% of current plastics use.

CENTRALIZED PURCHASES 2019

€429.2M

Purchase volume

€375.9M
90.97%*

Local purchase volume

5,211

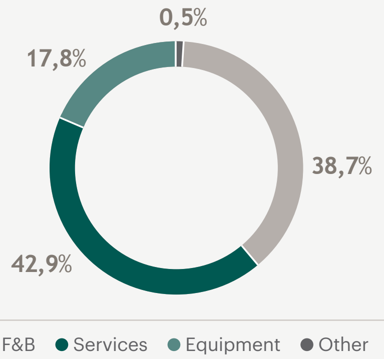
Supplier portfolio

4,661

Local supplier portfolio

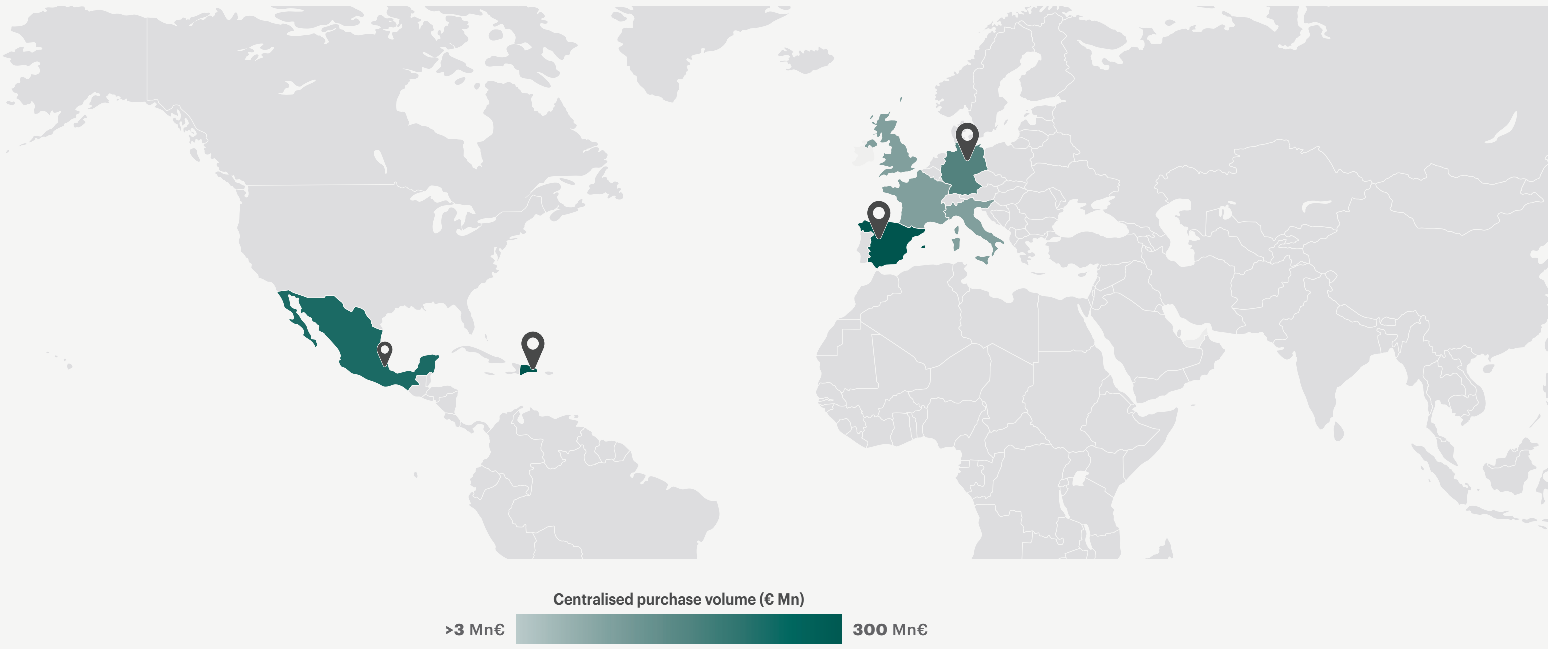
* The target for 2020 was 90%

CENTRALIZED PURCHASE PRODUCT FAMILIES



KEY SUPPLIERS

GRI 204-1



Spain	293,067,408	United Kingdom	11,916,068
Dominican Republic	63,143,026	France	5,388,466
Mexico	36,139,605	Italy	3,914,624
Germany	15,584,489		

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People

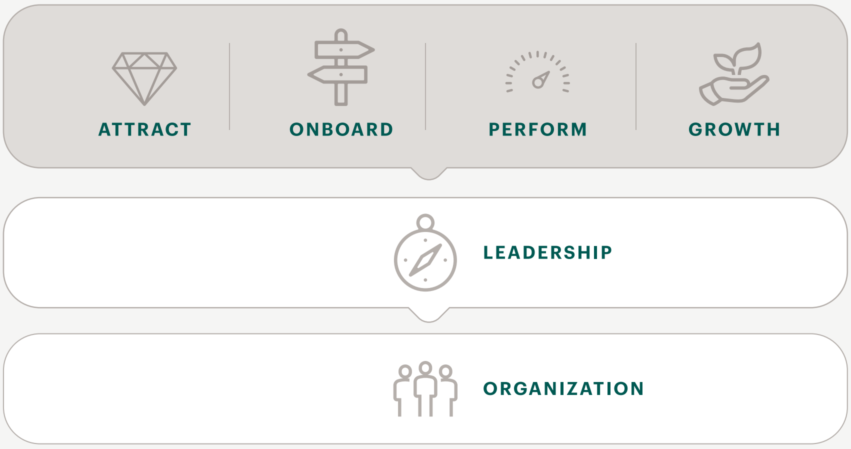
EMPLOYEE-CENTRIC: OUR PARTNERS IN THE EXPERIENCE CENTRE

Our employees are the fundamental drivers of unforgettable and unique customer experiences, delivered through excellent service, friendliness and warmth to help maintain our industry leadership. The professional development of our employees is therefore at the heart of our approach and, as a company, we aspire to assure we deliver to our employees the specific brand promise of each of our brands.

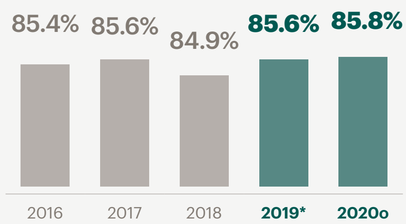
This commitment is reflected in our *Human Resources Policy*.

The company's previous Strategic Plan began a process of cultural transformation that has reinforced our comprehensive people management model, our efficiency, productivity and competitiveness, all driven by the commitment and pride of belonging of our people.

EMPLOYEE JOURNEY



COMMITMENT INDEX



* Participation rate: 90%

Since then, we have worked on achieving this objective, promoting internal talent, generating opportunities for development and improving skills and competencies in an increasingly digital context that requires us to introduce new roles and functions to ensure we are more competitive. This allows us to face new and increasingly demanding and variable trends in the best possible conditions, while also being able to respond to our employees' expectations.

The new digital age requires that we continue to make progress in integrating new tools and skills that allow our people to evolve and adapt to the new business environment. To optimise their performance in an ecosystem that requires new skills, we support our team and inspire them to understand the key role they play in this change process while responding to their needs for development and growth.

> "Meliá scored 97 points out of 100 for its human capital development model in the SAM Corporate Sustainability Assessment made by S&P Global (CSA 2019)"

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Secretary and Independent Director

GRI 404-2

THE MELIÁ ROLE MAP

Our new management model focused on flexibility and company-wide coordination includes the identification of key roles within Meliá and create company-wide proposals involving both global areas and business units to offer commitments to our people while also personalising the employee experience.

The project defines the basic architecture of the management model, placing each employee within the organisational context, and favouring the resource management and growth opportunities for each of our employees.

Every role defines the required responsibilities, knowledge and competencies that define each profile. The model has allowed us to identify 29 key roles in Meliá, grouped into three families. This has helped simplify people management, facilitating a transparent and transversal vision of development and training opportunities for each employee.

In 2019 we implemented the model in global areas and started implementation in business units, a process that will be extended throughout 2020.

MELIÁ STARRING YOU

In line with our corporate motto ***"Leisure at heart, business in mind"***, we have made progress in building a recognisable employer brand programme for employees.

In 2019 we launched several campaigns to attract talent (The Dream Chasers) in different areas, and also identify talent through job fairs, universities and social media, among others.

We also launched a new Onboarding programme for all new employees to support transversal training, using different physical and virtual media to allow us to reach all employees all over the world. This allows us to offer a comprehensive induction to Meliá and its values during the first few days of employment.

TALENT GROWTH AND DEVELOPMENT

We continue focusing on talent identification using tools such as the Talent Review and Talent Map. The Talent Review launched in 2019 involves talent strategy meetings with all Meliá areas, allowing us to analyse our needs and define a Talent Action Plan to respond to the following:

✔ Inter-departmental and global needs
✔ Definition of key groups
✔ Definition of critical roles

Throughout the year we also made progress in implementing our Talent Map, a tool for detecting internal talent with mobility and potential for assuming new roles in global or hotel areas. The deployment begun in 2018 in EMEA and America was completed in 2019 with implementation in Spain and Asia.

Inbound & Outbound Talent

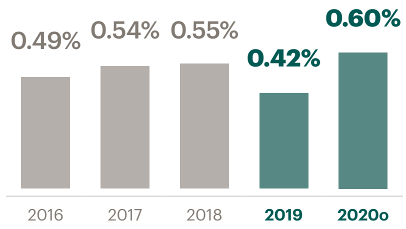
In 2019, we launched an ambitious project focused on the creating a shared talent bank. 130 hotels in Spain are currently involved, although the project has global ambitions. The pilot project showcases talent currently available in hotels to and brings greater visibility to job opportunities in the different business units, encouraging greater mobility and focusing on the needs real and opportunities detected within the company.

In parallel, we designed and implemented a pilot project in Spain, Cape Verde and Morocco to allow us to measure how our talent contributes to each hotel. Each hotel defines improvement goals to enhance the development and contribution of their teams based on multiple factors to improve development, aligning team development with development potential and company talent strategy.

Online training through our eMELIÁ platform

In an increasingly digital environment, eMeliá is even more relevant in providing employees with opportunities for professional growth, knowledge sharing and constant development with regard to essential Meliá content.

INVESTMENT IN TRAINING AND DEVELOPMENT *



* Investment in training/Personnel expenses

4,884
Employees trained on eMELIÁ

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Secretary and Independent Director

In January 2020, we launched a new technology called Cornerstone to allow us to reach more employees, especially in hotels, and improve efficiency in training management with more and better content, aligned with the current reality of our business and the present and future needs of our employees.

Specific training programmes: Graduate Programmes & Talent Pools

Designed to cover critical talent needs, these programmes aim to compensate the shortage of certain profiles in the labour market or their high demand within our organisation. They are aimed at two specific groups: general staff in the first year of their contract and interns.

In both cases participants have shown significant motivation with regard to opportunities to occupy positions of greater responsibility within the global organisation.

The two programmes launched in 2019 were:

- ✔ *Executive Graduate Programme*, focused on identifying general staff with hotel management potential to prepare them to occupy middle management positions after 18 months and possible future promotion to General Manager.

- ✔ *Finance and Revenue Graduate Programmes*, lasting 12 months, and with the objective of identifying and training internal talent to occupy operations committee-level positions with potential for promotion to the executive committee.

For training programmes in corporate areas, we continue to enhance talent pools for directors and managers, focused on meeting our internal talent needs and identifying the critical profiles we will need in the future.

The Change Makers

Designed in 2017, the project has involved more than 1,000 people in four groups with different training schedules. It began with a competency assessment in digital skills and continues with technical training adapted to each employee profile to support the digital transformation of our sales teams through empowering participants in bringing about change.

2018 saw the completion of the accompaniment and immersion phase, and in 2019 training of the entire group was completed.

Key to the success of this programme was managing to generate the necessary trust among participants to allow them to feel like participants in the change process and overcome their fear of using new technologies in their professional development.

The methodology used in the accompaniment of the entire group will be exported to other areas as part of the digital transformation process in which we are all immersed.

MELIÁHOME: THE NEW EMPLOYEE PORTAL

Enhancing our internal communication is essential in such a dynamic business environment. We have therefore launched a new global employee portal with more modern look and feel and adapted to different user profiles. The usability of the site allows our employees easy access using different devices to Meliá news, processes, manuals, personnel information, etc. and also allows decentralised content management.

The portal is also a work tool, and allows users to create communities to share best practices and knowledge and thus improve their own experience as an employee. In this 2019 we have launched two functional communities: Revenue Management, Sales & Marketing.

This is a digital internal communication tool that aims to be more participative, attractive, and more widely used, thus reflecting the increasing internationalisation and diversity of the company. An example of this was the launch of a new weekly "newsfeed" which has quickly become the key tool for distributing content. The newsfeed provides greater relevance and visibility to all the areas of interest to employees, presented once a week in a simple format and using simple language that reflects the company hospitality culture.

The company also launched the Communication and Accompaniment Plan for the new Strategic Plan, an essential tool in change management which aims to promote the knowledge and training required as well as constantly raising awareness and motivating employees to get involved throughout the different stages of the plan.

8
Executive Graduate Programme participants

15
Finance and Revenue Programme participants

65
Corporate Talent Pool participants

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Secretary and Independent Director

PEOPLE DATA

As part of the digital transformation process, and to allow real-time access to and management of information on our people, we have developed Glow Input. This is a tool which collects and monitors employee data in all hotels as a complement to our ERP systems.

After monitoring more than 200 hotels in 2019, the information the system provides allows us to better manage data and indicators, and make decisions quicker and more effectively, as well as being a great internal benchmarking tool for human resources management.

MANAGEMENT OF EQUALITY, DIVERSITY AND INCLUSION

Our diversity is one of the values which help us build loyalty and attract talent to a company in which different genders, cultures, generations, profiles and skills coexist. Meliá has employees with more than 155 different nationalities, the most prominent being Cuban (26.23%), Spanish (22.78%) and Dominican (10.92%). We have employees with many different profiles, including 138 people with disabilities in the consolidated perimeter and 199 in the aggregate perimeter.

To support diversity, we promote equal opportunities, with our *Code of Ethics* and Human Resources Policy explicitly prohibiting any kind of discrimination, at all times respecting applicable legislation and promoting best practices in people management to help make progress in global management in this area.

Universal accessibility

Meliá understands that disability management is something that has to be considered for both internal and external customers. Raising our sustainability standards requires us to act at different levels of technical and sustainable management. Our design and construction manuals include universal accessibility criteria such as motion sensors for lighting, wide lifts, ramps, pool lifts, public areas free of any obstacles and specially adapted guestrooms, among others.

The manuals provide our teams with design criteria and standards which must be applied to all renovation projects or new hotels, regardless of their location.

Equality Plan

In 2019 we published our second Equality Plan after cooperation with all with our major trade unions and applicable to the whole of Spain. The Plan is an update and enhancement of the 2011 Plan and includes commitments to defend equality in nine areas.

- ✔ Access to the company
- ✔ Recruitment
- ✔ Promotion
- ✔ Training
- ✔ Remuneration
- ✔ Occupational health
- ✔ Gender-based violence
- ✔ Communication
- ✔ Conciliation

The new plan highlights aspects such as balance and equality in the recruitment of people with disabilities and support for equal training opportunities at all levels of the company. We also have promised to publish the criteria behind different personnel remuneration concepts, introduce psychosocial assessment by gender, and consider gender variables in Occupational Risk Prevention.

The company is a signatory to an agreement with the IUF (International Trade Union for the travel industry) which aims to combat sexual and workplace harassment. We have therefore introduced improvements related to victims of gender violence in matters such as time off work and help in moving house, justification of absences and refuge in hotels, among others.

In terms of work-life balance, the plan improves access to training and promotion and extends facilities for people with children or other dependants, introducing greater flexibility so they can accompany children to school tutorials, visits to the doctor or hospital, greater flexibility in adjusting shifts and the possibility of reaching a mutual agreement with the company to change their working hours during the first year after the birth of a child without the need to reduce the number of hours.

Finally, we are also committed to enhancing communication with regard to diversity and equality. To achieve this, we have created a specific "Equality" section on the new Employee Portal.

44.6%
Women
(of the total workforce)

26.9%
Women in management positions
(of the total workforce)

41.9%
Women in junior management positions
(of total junior management positions)

22.5%
Women in senior management positions within 2 levels of the CEO
(of the total management positions)

59.1%
Women in management positions in sales positions
(of total managers)

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Responding to concerns transmitted by our teams in Corporate Offices in Spain with regard to improvements to work-life balance, in 2019 working hours were adapted to reduce the lunch break and make the start and end of the working day more flexible for employees who need it. Our hotels operations respect the work-life balance insofar as operations allow, defining shifts and holidays sufficiently in advance, respecting labour agreements and the working hours accepted in each of the countries in which we operate.

Bringing Meliá closer to the young: #BootcampUnder30

This pilot engagement programme for 37 employees aged under 30, 20% of the global corporate team of that age, with an excellent performance record and the potential to continue to grow with us.

The main objective is to provide them with a greater vision of the market and help them learn more about the company. Through subjects such as sustainability, their experience as an employee, teamwork, personal effectiveness or digitalisation, among others, we help them have a greater understanding of the reality of the company while also allowing us to share and collect their ideas, comments and feedback in an agile, dynamic and interactive methodology that involves them in the different challenges the company needs to face in the present.

Our goal is to extend the initiative to other regions and hotels worldwide over the coming year.

Encouraging digital disconnection

In 2019, the company reviewed its Human Resources Policy and added its commitment to move forward in this area bearing in mind the challenge this implies for the industry.

To the extent that business activity allows, Meliá recognises and respects employees' rights to digital disconnection outside of the working hours defined by law or convention, respecting rest periods, leave and holidays, as well as personal and family privacy.

Except for exceptional circumstances or reasons of force majeure, the company recognises the right of workers not to respond to emails or work-related messages outside of their normal working hours.

The company will also promote training and actions to raise awareness for all employees about the risks, challenges and best practices related to the use of digital tools.

Business Case

CLOSINGAP

COMBATTING THE GENDER GAP IN TRAVEL

In 2018 we joined a group of leading multinationals operating in Spain, including as Merck, Mapfre, Vodafone, Repsol, L'Oréal, Mahou San Miguel and Solán de Cabras, BMW, Bankia, PWC, ONCE Social Group and Kreab Spain

to build a Closingap cluster to help promote social transformation in the business world in terms of women and the economy involving close collaboration between the public and private sectors.

ClosinGap has its origin in Healthy Women, Healthy Economies, an initiative launched globally in 2014 by the leading science and technology company Merck, under the umbrella of the Asia Pacific Economic Cooperation Forum, with the objective of identifying and eliminating barriers that prevent women from developing their full potential in society. Spain is the first country that has adapted the project to extend the experience to circumstances in the European Union.

The platform was created to analyse the economic impact for society in general of women not having the same opportunities as men. Each of the participating companies analyses one of the gaps existing in areas as diverse as health, pensions, digital environment, conciliation and co-responsibility, leisure, tourism, consumption, mobility, education, rural areas or disabilities.

In 2019, six reports were published to provide a vision of the economic impact on Spanish GDP of gender issues and the opportunities that diversity generates for the Spanish economy.

Our participation involved us carrying out an internal survey on the gender gap in Spanish travel and tourism and the corresponding opportunity cost. The conclusions of the survey, among other things, are that gender is a differentiating factor in the effective demand for tourism services.

The report Opportunity cost of the gender gap in tourism was presented in November at an event open to the public at the Gran Meliá Victoria Hotel (Mallorca, Spain).

closingap

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

closingap

01

Female residents in Spain travel 6.9% less than men, although overnight hotel stays are similar.

90% of the trips by both women and men are domestic and hotels are chosen for 22% of overnight stays, followed by residential accommodation.

02

For every business trip a woman makes, men make three. The glass ceiling contributes to this gap, but is not the only cause.

If women made the same number of business trips as men, it would generate up to €2,350 million a year.

03

Female residents make 2.2 million more trips a year than men for personal reasons, in which their average daily expenditure is higher than men, especially because they prefer superior quality hotels.

If men chose hotels in the same way as women, the economic impact would be €258 million a year.

04

When making trips for personal reasons, women use more tourist services, use fewer private vehicles and more shared transport, organise their trips further in advance and use digital channels more frequently to make their bookings.

In addition, they also travel with companions rather than alone, regardless of their age.

COOPERATION WITH ACADEMIA

We believe it is essential to take nurture and develop our teams and bring in top talent wishing to join a company in constant growth with international development opportunities and a strong commitment to digitalisation.

We aim to attract the best and leverage our reputation, our value proposition and our brand strength to highlight opportunities to talent, wherever it may be.

To help achieve this, we work directly with the most appropriate academic bodies and platforms such as universities and educational centres specialising in areas that are strategic for us, allowing us to enrich our diversity and remain at the forefront of talent recruitment.

Although work directly with local entities is very important for us given the greater proximity to our hotels, we also prioritise long-term relationships with entities and universities that we consider strategic for different reasons.

Our links with universities also imply a commitment to transfer and share knowledge, with company experts keeping students up to date with industry trends. In 2019, we supported the Capstone project, a ten-month global project in which five young people trained at the Lausanne Hotel School, the Polytechnic in Hong Kong and the University of Houston, came to Spain for three months to complete their Master's degree final project working on a challenge set by Meliá to enhance hotel performance by combining revenue management and business intelligence (BI), with the support of the Meliá Revenue Management, Brands and Strategy teams.

+300
Academic agreements

+40
Presence at Trade Fairs and employment events

23
Strategic universities
(**95%** with cooperation agreement)

33%
Interns hired in global corporate areas

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

INTEGRATION OF PEOPLE AT RISK

Together with key partners we aim to generate shared value for society. We pay special attention to people at risk of exclusion within the framework of our global Corporate Responsibility strategy, one of the basic foundations of which is social employability.

Our strategy is aligned with the 2030 Agenda, which we aim to support by working directly on SDGs 4, 8, and 17, offering training opportunities to stimulate economic and social development in an egalitarian and non-discriminatory way together with partners who share our commitment.

The demand for employment can also find an excellent talent pool in the social sector which we aim to help support by working together with leading organisations to activate projects focused on boosting employability and the integration of people at risk through the improvement of their skills and abilities above and beyond technical and theoretical training.

We share our knowledge, spaces and a real learning environment with them and, for many of them, a real opportunity to work. Along these lines, we are working together with the La Caixa Foundation to integrate people at risk in the workplace through the Incorpora Programme.

Our partner is the leading foundation in Spain and the third largest in the world by asset volume, and an international leader in social and cultural management and research.

Since 2018 we have been working with them on the Incorpora Programme to offer job opportunities in hotel areas such as housekeeping, kitchens, food and beverage, engineering and maintenance, among others, as we believe that one of the best ways to help people develop is by offering them a job opportunity.

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

17 PARTNERSHIPS FOR THE GOALS

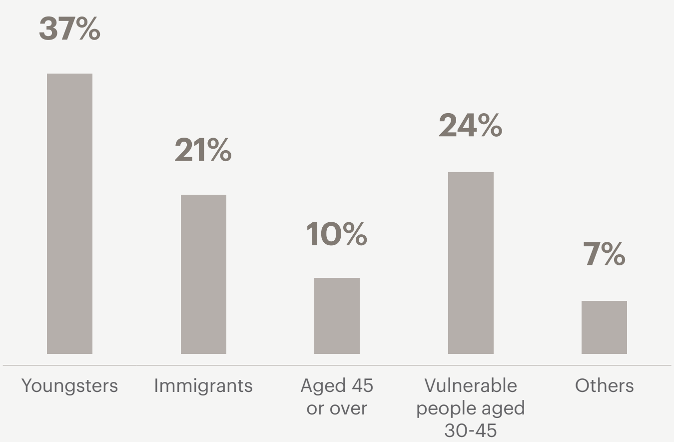
49
Hotels involved

22
Social bodies

+220
Contracts since the beginning

60%
Success rate in the selection process

PEOPLE BY TYPE 2019



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Occupational Health & Safety

GRI 416-1

In 2018, we took an important step in reinforcing preventive measures with the publication of our Occupational Health and Safety Policy, which places our people at the heart of preventative activity, promoting working methods that guarantee high levels of safety, health and well-being, and that support improvements in working conditions.

This policy completes the development we carry out through several occupational health and safety programmes and projects to improve work environments or nutrition, among others. This policy explicitly defines the guiding principles and commitments acquired by Meliá in regard to Occupational Health and Safety.

As it is our duty to ensure the health, well-being and protection of our employees in the workplace, we have prepared an Occupational Health and Safety Management System Manual based on the OH-SAS 18001 standard which also acts as a prevention plan, allowing the identification of requirements for ensuring the appropriate control of the risks to which our employees are exposed in their normal daily activity.

The Manual is also the basis of our preventative system and is adapted to our entire organisational structure, forming part of our general management system and also perfectly aligned with our quality and environmental systems. It also allows the progressive enhancement of current activities and procedures and correct organisational management in occupational health, defining the related functions, responsibilities and authority.

With regard to workplace health and safety procedures, the Manual defines twenty-five specific processes that, where appropriate, are also accompanied records and metrics such as the percentage of absenteeism, number of workplace accidents and their frequency, severity and average duration, and occupational diseases, all broken down by gender.

In addition, we also encourage healthy living habits among our teams, providing support, advice and activities that enable workplaces not only to comply with current regulations on prevention, but also encourage healthy lifestyles.

In 2019, we have made significant progress in this respect, having started the process of adapting our OHSAS 18001 occupational health and safety system to the criteria defined in the ISO 45001 standard, in parallel with certification under the World Health Organisation Healthy Work Environment Model. Meliá also forms part of the Spanish Association of Labour Prevention Services since 2019.

HEALTH, SAFETY AND WELFARE PROGRAMMES

Information for stress management

The Technical Area and Occupational Medicine Area, both part of the Occupational Health and Safety Department, define individual and collective health monitoring activities in order to define specific plans and actions that ensure the correct management of stress and gather stress management information.

The factors analysed include time spent at work, degree of independence, general workload, psychological pressures, work variety and content, participation and supervision, interest shown in the worker, performance of their role, relationships and social support.

Training for stress management

Various actions have been activated both in corporate areas and business units through the e-Melia My Health platform, offering various training and awareness modules focused on stress and time management. It is available in Spanish, English and Malay.

Specific actions have been programmed in business units for stress management training, focused on group development and techniques such as yoga, Pilates and mindfulness, among others.

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Secretary and Independent Director

Projects focused on a healthy work environment

GRI 416-1

ERGONOMIC WORK SPACES

Action focuses on the facility design and the furnishing required in all work areas. In corporate areas, requirements ensure a comprehensive approach to creating an appropriate ergonomic environment, including the heights of work surfaces, types of furniture and specific equipment, both in corporate offices and hotels.

LIGHTING

We analyse work spaces and workstations that may present health risks related to lighting, such as visual fatigue or accidents caused by poor lighting. Our objective is to assess the degree of risk related to insufficient lighting in the workplace based on the visual requirements of the duties carried out, activating preventative and corrective measures to ensure optimal work conditions for employees, respecting the needs for comfort and safety and also ensuring energy efficiency as we prioritise natural lighting combined with general or local lighting.

NOISE

On an annual basis, or whenever there are changes in working conditions, we perform an analysis of the noise levels in all workplaces in which noise might be harmful to our employees. For employees exposed to noise sources, we have specific medical protocols for health monitoring to ensure their physical protection.

We prioritise the selection and use of equipment that produces lower noise levels and also study the design and layout of workplaces to ensure the lowest possible exposure to noise. We also provide specific training on protection and technical reduction of noise levels.

INDOOR AIR QUALITY

At least once a year, we analyse air quality to determine the levels of carbon dioxide (CO2) and carbon monoxide (CO) in areas where they may be high. On the other hand, we constantly monitor CO levels in closed parking areas and with no natural ventilation. In work areas we measure CO2 levels to ensure appropriate interior air renovation. If we detect levels higher than those accepted in law, we analyse, plan and adopt the appropriate corrective measures.

RELATIVE HUMIDITY & TEMPERATURE

Taking into account the risks of exposure, we regularly analyse relative humidity levels in different workplaces to ensure they remain within a minimum of 30% and a maximum of 70%.

We also measure the temperature in workplaces, particularly in those places where exposure to extreme temperatures (cold or heat) may harm workers. On an annual basis, we carry out specific assessments and measure the periods in which workers may be exposed to certain conditions if necessary.

FITNESS FACILITIES OR CONTRIBUTIONS TO EXTERNAL FITNESS PROGRAMMES

In Spain, we have agreements with several external fitness centres.

Food and health

The Medical Services in the Occupational Health and Safety Department monitors our employees' individual and collective health, transmitting health improvement measures to encourage healthier lifestyles and habits through personalised preventive advice.

Preventive advice includes recommendations on weight loss, high cholesterol levels, diet and uric acid, and tympanites, among others. Measures are also promoted to reduce cholesterol, blood pressure, blood sugar, constipation and uric acid, to encourage physical activities and help people with back pain. Referrals to different speciality services such as cardiology, ophthalmology, urology, otolaryngology, respirators and internal medicine are available as well as specific campaigns to tackle alcoholism and smoking.

Employee benefits. MyBenefits

At Meliá we also aim to create stronger emotional bonds with our teams. We therefore offer them benefits to strengthen their relationship with what they see as a company that takes care of them and offers them flexibility.

Our MyBenefits programme provides employees with to a wide range of benefits simply for being a Meliá employee. The programme is currently implemented in Spain and the United Kingdom, allowing more than 12,500 employees access to benefits such as:

- ✔ **BeFlex**, a flexible remuneration programme which offers employees access to products and services including health insurance, childcare, transportation, training and daily meals with significant tax benefits.
- ✔ **Privilege**, an employee discount programme offering a wide range of discounted products and services for all employees, regardless of their place of work.
- ✔ **My Insurance**, with access to special coverage for vehicles, home, life, death, travel and overseas health.
- ✔ **My Finance**, with to access Bankinter financial products through a virtual office.
- ✔ **My Well-being**, to help promote a healthy lifestyle among employees, through an agreement with AndJoy, our teams in Spain and Italy have access to more than 1,000 gyms.

OUTLOOK 2020

Young talent

- ✔ Strengthen our relationship model with the educational world
- ✔ Promote internship programmes and degree scholarships for talented university students
- ✔ Strengthen our approach to on-the-job training in Spain, especially for operational positions
- ✔ Enhance the development of career paths for critical roles in operations, digital functions, analysts, big data specialists and technology
- ✔ Continue to develop the BootcampUnder30 programme at the corporate level and extend it to regions and hotels

Channels & Tools

- ✔ Use more technology in the recruitment process
- ✔ Strengthen our presence in social media
- ✔ Continue adding hotels to the Glow Input project
- ✔ Strengthen online access to My Benefits

Leadership & digital training

- ✔ Extend the Roles Map to business units
- ✔ Consolidate Meliá's cultural transformation by promoting a culture of innovation
- ✔ Promote the use of digital tools
- ✔ Implement Cornerstone, a new technology to enhance online training

Diversity & Equality

- ✔ Support the creation of a Diversity Committee
- ✔ Develop equality training plans
- ✔ Enhance internal communication through the Employee Portal
- ✔ Extend our cooperation in the Closingap cluster
- ✔ Implement the Decalogue on Equality outside Spain

Environments & Healthy Habits

- ✔ Promote training on well-being and healthy habits, adapting spaces in corporate offices so that training by internal trainers can be provided in health, wellness, relaxation, etc.
- ✔ Make baskets of fruit available to employees in different offices
- ✔ Provide employees in corporate offices with parking spaces for bikes and scooters

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Secretary and Independent Director

Human Rights

"Human rights are an essential part of the 2030 Agenda, and companies must assume responsibility for making their protection and defence a part of management and strategy. Progress in responsible management is not possible without having a clear focus on human rights"

Our values are the backbone of progress in incorporating ethical and responsible criteria to our management model and helping protect human rights. However, our presence in countries where the defence of human rights is something that still needs to be supported means that we have to have relationship and management frameworks that guarantee we defend and protect them in all our activity.

This approach is particularly relevant in the current business context as it is a key feature in the 2030 Agenda for Sustainable Development, with the large majority of the goals defined to measure progress on its 17 objectives having a direct relationship with human rights. At Meliá, we understand that we cannot move forward with the integration of the 2030 Agenda in our entire value chain without a firm commitment to the defence of human rights.

PROGRESS IN HUMAN RIGHTS MANAGEMENT

The management of the different dimensions that affect human rights is not something which is new to us. We have made considerable progress in the management of the different aspects of human rights, defining appropriate frameworks for the management of an issue that our stakeholders consider to be material.

This has led us to add the defence of human rights to the different corporate policies and the responsibilities of ethical bodies that, by their nature, confirm and reinforce our commitments, ensuring they are taken into account across the entire body of regulations.

We have a clear commitment to protect and respect human rights and mitigate any possible impact on them caused by our activity, as reflected in our Human Rights Policy and our evolution from signatory to partner of the Global Compact in 2018.

In addition to identifying and monitoring risks of a financial, operational, strategic or reputational nature, since 2018 our risk map also includes potential impacts our activity could have on human rights. Of the 103 risks identified in our risk map, 26 are considered to have a potential impact.

PROGRESS IN HUMAN RIGHTS AT MELIÁ

Up to 2018

Independent management of areas related to human rights

2006 Adherence to ECPAT

2008 Adherence to Global Compact

2011 Signature UNWTO Code of Ethics

2013 IUF Agreement

2016 ICC CR & Anti-Corruption Committee Members

2017 Transparency, Governance and Integrity Cluster (Forética)

2018

Unification of criteria

Approval of the Meliá Human Rights Policy

Review of Code of Ethics (2012)

Supplier Code of Ethics

Integration of ESG & human rights risks in the Risk Map #38 ESG / #26 HR

Start to participation in SERES HR Lab

Signatory of Global Compact

2019

Self-assessment

Detailed analysis

Definition of action plans

Working on training in Human Rights

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

SELF-ASSESSMENT IN HUMAN RIGHTS

After the approval in 2018 of the Human Rights Policy, in 2019 we took another step towards a greater awareness of the degree of alignment with understanding about human rights in hotel operations and the due diligence of management in the business units. So in 2019 we carried out a global Self-Assessment Control to identify potential risks linked to human rights and plan actions to mitigate them.

The analysis has involved 94% of the Company's hotel portfolio, excluding Cuba.

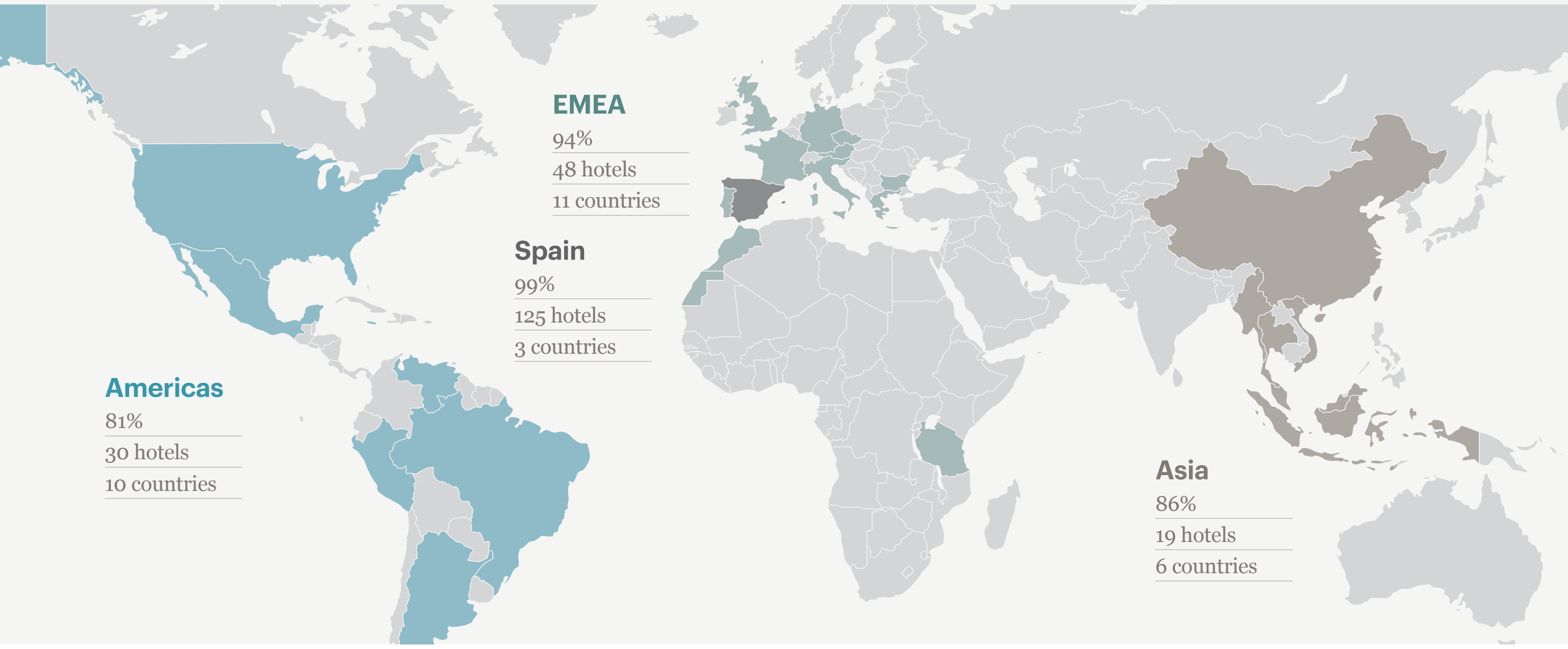
As a frame of reference for the self-assessment, we used the approaches defined by the Danish Institute for Human Rights, the Guiding Principles on business and human rights, the 10 Principles of the Global Compact, and the Modern Slavery Act, which are also the basis for the corporate Human Rights Policy.

The assessment includes 54 specific issues in nine different areas covering all the public commitments made by Meliá in matters related to labour rights, health and safety, environmental protection, people development, ethics and combatting corruption, among others.

94%
Portfolio assessed in human rights.

54
Human Rights matters assessed

PARTICIPATING HOTELS



Although this is the first self-assessment in human rights we have carried out, our company history and evolution mean that the nine areas analysed refer to areas of our activity that already have the support of a body of regulations in which principles such as ethics, transparency, anti-corruption, and the protection of people and the environment are very prominent.

Of particular note among them are the elimination of child labour, forced or compulsory labour, the rejection of any form of discrimination in access to employment or professional development, respect for freedom of association and access to appropriate channels for reporting direct violations of human rights and people.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

ISSUES

- Personal dignity, equality and a stable and safe work environment
- Forced labour, slavery and the prohibition of child labour
- Freedom of association and collective bargaining
- Fair and decent working and remuneration conditions
- Promotion of equal opportunity in development and internal growth
- Environment and spaces in which people live
- Society and stakeholders
- Training, information and ethical communi-cation and human rights
- Zero tolerance for corruption

The self-assessment process was coordinated by the Corporate Responsibility team with the direct involvement of thirteen different areas to ensure the correct adaptation of each dimension to the reality of the business and coverage of all the areas of hotel management that may have an impact on human rights.

> “Meliá scored 95 points out of 100 for its commitment and performance in human rights in the SAM Corporate Sustainability Assessment made by S&P Global (CSA 2019)”

SELF-ASSESSMENT RESULTS

Analysis of the results has not shown any significant risks of a negative impact on human rights, although it has allowed us to identify opportunities to enhance our internal controls in specific issues and in countries such as Jamaica, Bahamas, Morocco and the United States. We have also been able to identify opportunities for improvements in safety, efficiency and risk prevention protocols, areas for which in 2019 we already began to draw up action plans.

The fact that we did not identify any situations implying the violation of human rights in our operations confirms the effectiveness of our current management and control systems.

In addition to this confirmation, among other things, the assessment also allowed us to:

- ✔ Raise awareness among our teams about the importance of human rights in a structured and orderly way
- ✔ Bring the commitments the company has assumed publicly to our business units, making them closer to the day-to-day activities in hotels, simplifying the language used to make them more understandable and more closely linked with hotel activities
- ✔ Identify key issues, reinforcing our own materiality analysis in areas of potential risk and selecting key areas on which to work

SHARED LEARNING

One of our public commitments is precisely to provide greater visibility to this issue and share our experience. As a member company of the Working Group on Human Rights promoted by the SERES Foundation, an organisation for which we are patrons, that is why we took part in 2019 in two specific workshops to share our methodology and our learnings.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

GRI 414-2

HUMAN RIGHTS IN OUR SUPPLY CHAIN

In June 2019, together with EcoVadis, we launched an assessment process for a selection of key suppliers based on purchase volume, product family and country of origin.

The assessment focuses specifically on human rights and how suppliers manage related issues. The result of the assessment, aligned with the United Nations Guiding Principles on Business and Human Rights, will also help identify opportunities for improvement, management and the mitigation of potential risks in our supply chain.

After the review, no significant risks were identified regarding the violation of rights such as freedom of association, collective bargaining, and aspects related to child labour or forced labour.

CRITERIA ASSESSED

OUTLOOK 2020

- ✔ Develop a protocol to ensure policy implementation, with a special focus on high-risk countries
- ✔ Add internal controls to in-situ audit processes to allow the verification of issues included in the self-assessment
- ✔ Apply the self-assessment analysis to new hotels operated by Meliá
- ✔ Promote training in human rights among key personnel
- ✔ Make the progress made more visible in the forums in which we participate, sharing our knowledge and learnings

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Society

GRI 102-12; GRI 413-1

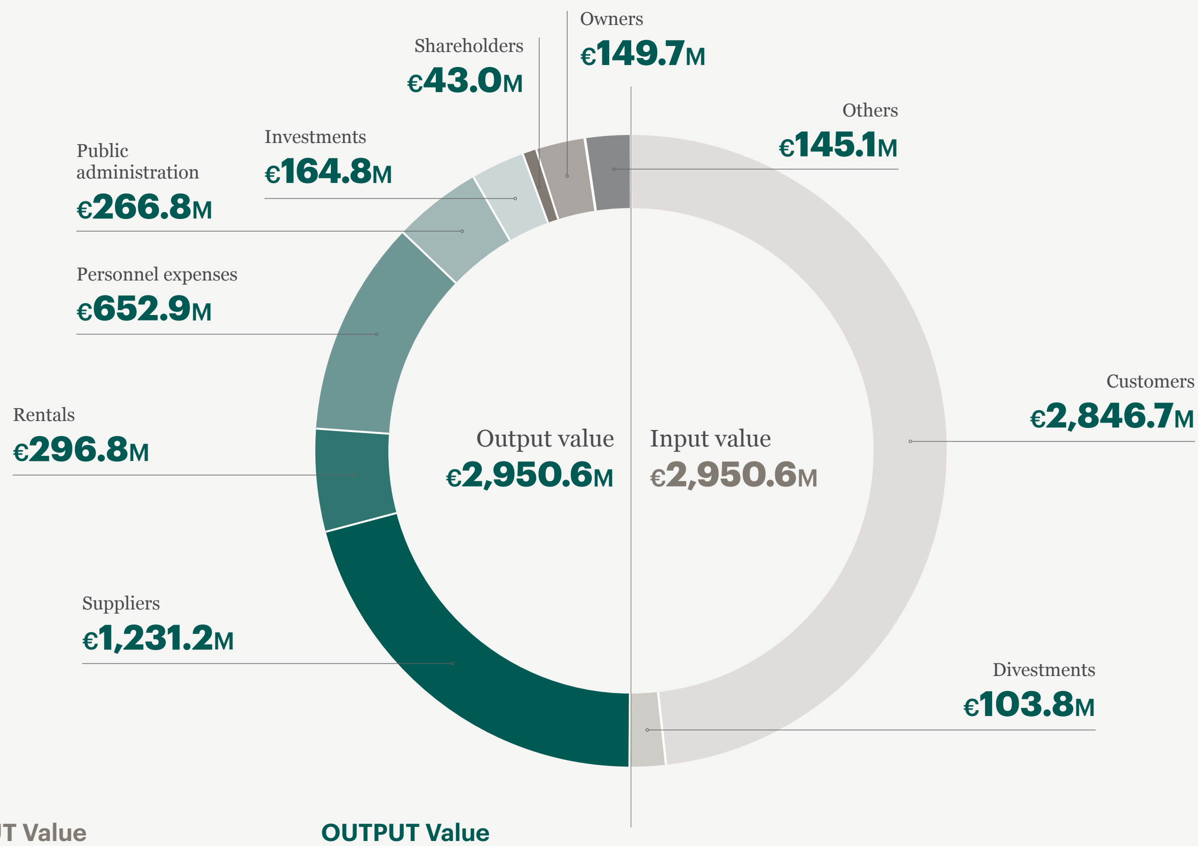
“We are active members of society in the destinations in which we operate, helping local organisations achieve their objectives by building a more just and equitable society”

GLOBAL SOCIAL CASH FLOW

Tourism significantly affects the economic, social and environmental fabric of destinations both directly and indirectly, with an impact on the supply chain, employability and workforce training, entrepreneurship, innovation and tax contributions, among others.

At Melia Hotels International we measure the wealth and positive impact generated by our activity in terms of the direct benefits to society as a whole, and to our stakeholders in particular.

In 2019, we generated wealth amounting to €2,846.7 million, ratifying the solid values on which our Company was founded and the importance of the travel industry as a driver of social and economic development.



INPUT Value

Customers
Income from hotel activities, other assets and businesses

Divestments
Income from real estate divestments, group companies, financial assets, etc.

OUTPUT Value

Suppliers
Payments to food and beverage suppliers, external services, transport, utilities, etc.

Rentals
Payments to owners of real estate assets used for hotel management and other activities

Employees
Payments to both corporate staff and owned and managed hotels

Public Administration
For taxes on profits, social security, taxes on business activity, etc.

Investments
Payments for investments made, maintenance or renovation of company assets

Shareholders, Owners and Others
Dividends to shareholders, payments to owners, financial expenses, exchange rate variations, loans to associated entities, etc.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

PROXIMITY, A KEY FACTOR IN OUR SOCIAL ACTION

Our family values are the foundations on which we directly activate our philanthropic activity through our hotels in all our destinations. Our business units are an active part of local life in the destinations in which we operate, and work together with social organisations to drive positive change through direct support or corporate volunteering.

We understand philanthropic activity to be a vital contribution to society that, although it has always been present in the way we understand hotel management, also needs to be managed with the greatest rigour and transparency.

After the approval of our *Philanthropy Policy* and formalisation of the Philanthropy Management System in 2018, that is why in 2019 we implemented the measures globally based on the guiding principles of our social action.

GUIDING PRINCIPLES OF MELIÁ PHILANTHROPY

Coherence and listening
between our activity and the social needs with which our hotels coexist

Priority
in the positive contribution in destinations in which we operate

Flexibility
to adapt to social reality and its changing needs

Selection
of entities that comply with criteria on transparency, diligence and legality

Value contribution
to society in line with our own commitments

Transparency, control and legality
to provide rigour and long-term vision in our relationships with social organisations, always respectful of the legality in each country

CORPORATE RESPONSIBILITY DATA MODEL

The launch of our Philanthropy Management System involved the development and global implementation of a tool to collect and measure information on our philanthropic, social and sustainability activities in our hotels

The system thus allows each hotel to have its own space to track information on its own actions, ensuring the alignment of actions and reporting both qualitative and quantitative information.

This control and management system makes it easy for us to bring together all the different projects and improve their management, know-how and impact:

- ✔ Visualise progress and report actions by hotels in this area
- ✔ Generate information to identify best practices and ensure alignment with the company's strategic positioning
- ✔ Promote more agile and effective communication between business units and the global Corporate Responsibility team
- ✔ Bring together all the projects in business units, filling in all the required information in order to assess their impact and the resources used
- ✔ Ensure compliance with the social action or philanthropy management systems and support other internal processes

Mr. Luis María Díaz de Bustamante y Terminel
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WORK AREAS

Given our family values, and the focus of our social positioning on protecting children's rights, we continue to work with UNICEF to defend the rights of the most vulnerable in our society.

However, this does not limit our philanthropic projects. In line with the principles in our Philanthropy Policy, we work in areas in which our business experience and assets allow us to make a positive contribution such as:

- ✔ Promotion of the rights and well-being of children and society, with a special focus on combatting the sexual exploitation and prostitution of children
- ✔ Support for initiatives to improve employability of people at risk of exclusion
- ✔ Support tourism training and education through cooperation with educational bodies, schools, universities and other institutions
- ✔ Awareness about environmental issues and protection of biodiversity
- ✔ Promotion and enhancement of the cultural heritage of destinations

€315,677
Corporate donations

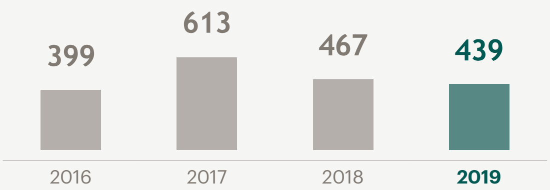
COMMITMENT TO CHILDREN

€439k
Funds raised

25
Participating countries

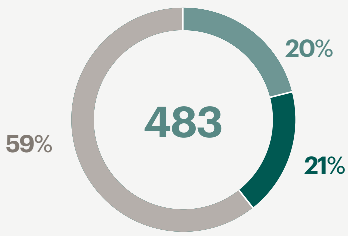
224
Hotels involved

FUNDRAISING FOR CHILDREN (€K)

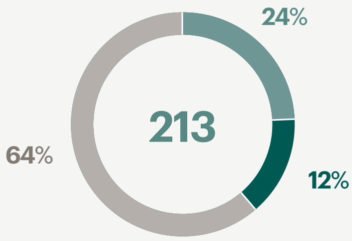


2016-2020 Objective: €1.6M

ACTIONS (A)

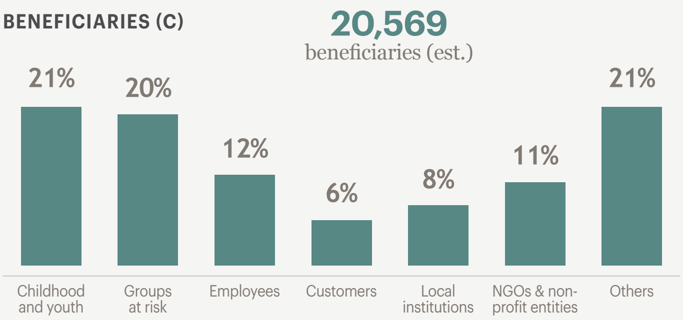


ORGANISATIONS HELPED (B)

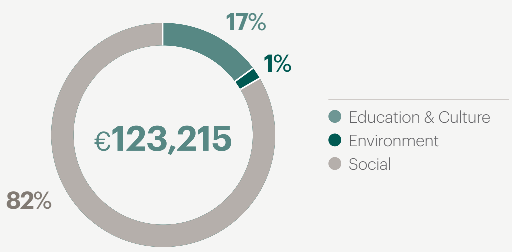


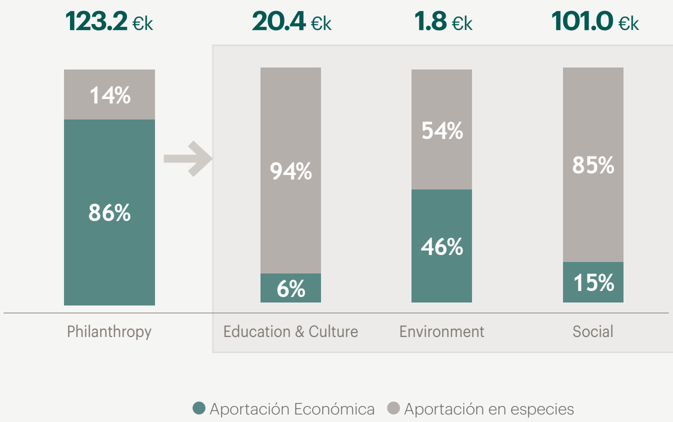
- Education & Culture
- Environment
- Social

BENEFICIARIES (C)



ECONOMIC VALUE (D)





(A) Projects developed within the framework of the CR strategy and Philanthropy Policy
(B) Support for non-profit institutions and entities aligned with Meliá's positioning and whose activity has been supported
(C) Supported groups
(D) Direct or in-kind economic value of local projects carried out

* NGOs and social institutions (75%), contributions and sponsorships (24%)

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Stakeholder relationships

GRI 102-12; GRI 102-42; GRI 102-43

Our proximity to our stakeholders, ensuring active listening to their expectations, needs and priorities, is one of our prime concerns. The Materiality Analysis includes a prioritisation of expectations in all matters that our stakeholders consider to be of special or material relevance.

The basis of our stakeholder dialogue is the *Stakeholder Relationship Policy*, approved in 2018 and based on the principles and commitments in Accountability AA-1000SES (2011). We understand this is a mechanism that allows us to offer an exhaustive and balanced response to any relevant questions, opportunities or risks in our relationship with our stakeholders.

- ✔ **Inclusion**
  Given that we understand that stakeholder involvement is key, we offer them the chance to participate directly in the development and achievement of our commitments
- ✔ **Relevance**
  In both our strategy and the information we transmit, we consider those matters that are material, transcendental and significant to them
- ✔ **Response**
  We adapt communication channels to ensure communication related to material issues and the concerns and needs expressed by our stakeholders

In 2019, we reinforced the parameters used for prioritisation based the influence and impact on the business, the degree of personalisation of the messages and the information they contain, and the degree of cooperation in joint actions.

Given our focus of growth through management agreements, hotel owners and the management of relationships with them is a key issue for the company. In 2019 our institutional website added a section for owners of hotels that we manage which will be progressively implemented over the first half of 2020.

It will be a private space to allow us to strengthen our bonds with owners and allow them access to all the relevant information about Meliá news, new openings, our portfolio, sustainability, corporate commitments etc. as well as specific information about their link with us in four specific areas:

- ✔ My Brand, with specific information on the brand under which their hotel operates
- ✔ My Reports, with monthly financial information
- ✔ My Communication, a space for direct communication
- ✔ My Melia Rewards, to access all the benefits the programme offers to owners

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Secretary and Independent Director

STAKEHOLDERS, COMMITMENTS AND COMMUNICATION CHANNELS

GRI 102-40; 102-42; 102-43

Stakeholder		Commitments	Channels
SHAREHOLDERS & INVESTORS	Institutional investors Minority shareholders Voting advisers Financial bodies Financial analysts Rating agencies Sustainability analysts	Transparency and rigour Good governance Profitability and value creation Reliability and compliance	Roadshows General Shareholders' Meeting Investor Relations Office Shareholder Forums Institutional website Newsletters Proxy advisers
OWNERS & PARTNERS	Asset owners Partners Joint ventures	Professional management Seriousness and trust Long term relationships	Governing bodies Hotel owners' office and portal Press office Corporate newsletters
SUPPLIERS	Suppliers of products and services Allies and partners Start-ups and innovators	Lasting business relationships Trust, respect and mutual benefit Objective selection criteria	Supplier Code of Ethics mailbox Newsletters Procurement centre Press and relations office
CUSTOMERS	B2C - Business to consumer Individual customers Corporate customers B2B - Business to business Travel agents Intermediaries, OTAs and Tour Operators	Personalised experiences Service excellence Quality and safety Honesty and ethics Safety and protection	Satisfaction surveys Melia.com Mobile applications Loyalty model Social media Quality and GEX service mailbox Advertising and campaigns
EMPLOYEES	Employees Trade unions	Health and safety Development opportunities Stability, strength and fairness	Code of Ethics mailbox Employee portal Internal journals Satisfaction surveys Internal communication Equality Committee Health and safety committees Spaces for collective bargaining and dialogue with unions
PUBLIC ADMINISTRATION	National, regional or local administrations Other public bodies	Cooperation Search for general social interest Transparency and accuracy Honesty and proximity Neutrality and impartiality	Institutional relations Institutional presence Forums and meetings
LOCAL COMMUNITY AND SOCIAL ENVIRONMENT	Media Neighbourhood associations Social entities NGOs and third sector Society	Cooperation Search for local social interest Transparency and accuracy Honesty and proximity Neutrality and impartiality	Institutional relations Institutional presence Forums and meetings Virtual press room
INDUSTRY & MARKETS	Regulatory bodies Professional or business associations Tourism industry Business world	Respect and transparency Listening and active collaboration Ethical competence Good faith and cordial relations Search for the general interest	Institutional relations Institutional presence Forums and meetings

INCIDENT MANAGEMENT

Customers can contact us through *myexperience@melia.com* to share information on any incidents, suggestion or thoughts about hotel and non-hotel products, customer service, food and beverage services or anything they wish related to the delivery of the brand promise. Our hotels must respond within a maximum of 48 hours.

4,309
Incidents in 2019

98.7%
Issues resolved

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Working towards a sustainable future from a responsible present

Soap 4 Hope Diversey and Meliá Hanoi

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Secretary and Independent Director

Corporate Responsibility

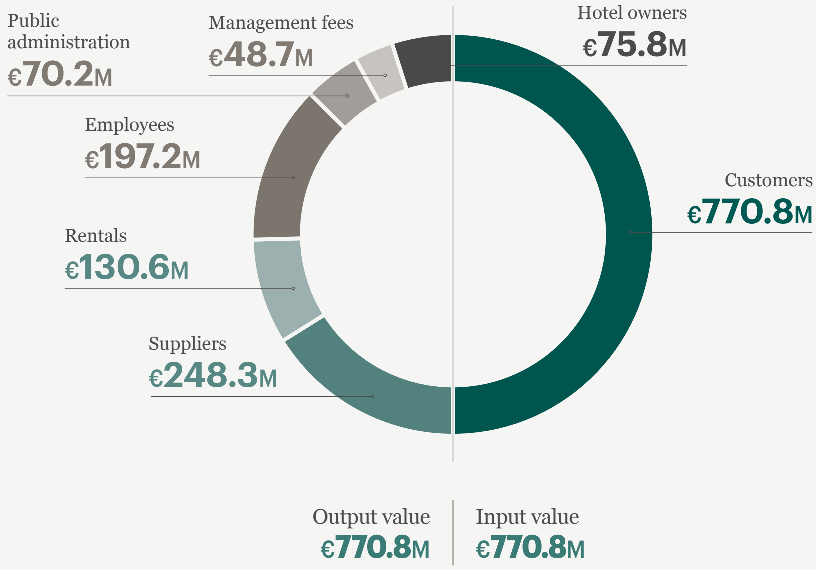
Our maturity in the face of constant progress in our approach to responsibility has been strengthened by having a greater link to the business to provide greater social value.

We thus implement our global strategy everywhere we operate, adapting to the context in each region, to social needs and to our own challenges, needs and priorities as a hotel group. Without doubt, an understanding of the regional context and the challenges in each area allows us to enrich the model to generate shared value in each area.

Our strategy is to ensure adaptability and flexibility in each situation to ensure the correct implementation in each country and generate a positive impact which responds to local needs.

Spain Region

VALUE GENERATION: SOCIAL CASH FLOW 2019



Employability & development of young talent

Enhancing the talent of people at risk, developing their skills and offering young people opportunities is one of the Group's commitments. We support projects that develop the employability of people who are in a position to be able to develop their potential, but require genuine opportunities to do so to be offered in the private sector.

2019 involved intense work in consolidating two major projects promoted by the regions with two leading partners. Firstly, the **First Professional Experience**, with the Pinardi Foundation. The project is now in its fifth year and has become a benchmark for how we can help reduce abandonment in education, opening up opportunities for talented and motivated youngsters without any apparent opportunities.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Together with Pinardi we continue to combine training in technical know-how and values with work experience in hotels in order to better prepare people who are more qualified to face their first opportunity and work experience.

Secondly, **Dual Training** together with the Amadip Professional School, an organisation we have been working with since 2016, with which we share a commitment to future talent with a long-term vision, providing technical and practical know-how with a two-track approach. We believe that this training model will become a true driver of competitiveness to combat high rates of unemployment and academic failure in Spain through a three-year training programme.

Circular economy and tourism

Encouraging our business units and teams to promote a circular economy model and showing how companies can contribute to this is an area in which we have cooperated intensively with two different and complementary approaches.

We have joined **Circular Hotels**, a public-private alliance supported in the Balearic Islands (Spain) to promote transition by the hotel industry towards a circular economy model involving better waste management and reintegration into the economic cycle, thus minimising the environmental impact of waste.

The project together with TIRME, a private company that manages urban waste in Mallorca (Spain), involves several hotel companies and the agricultural sector, and includes the full cycle of food production and consumption, defining solutions that contribute to environmental sustainability based on an economic and tourism model that operates with limited resources due to the fact that Mallorca is an island.

The project has a direct impact on ten of the Sustainable Development Goals defined by the UN, with particular relevance in innovation, sustainable communities, responsible production and consumption, climate action and partnerships to achieve objectives.

The Palma Convention Centre and Meliá Palma Bay Hotel, a leading venue for international events, has launched several projects to contribute to the paradigm shift in the hotel industry based on a sustainable growth model that aims to:

- ✔ Raise awareness among employees and customers about the correct separation and use of waste
- ✔ Quantify the amount of organic waste
- ✔ Reduce food waste
- ✔ Use organic waste to generate compost
- ✔ Make compost available to local agriculture
- ✔ Purchase agricultural production and thus return it to the supply chain.

Since 2018, we also support **Circular Seas**, a coast and seabed cleaning programme run by Coca Cola to encourage volunteer activities focused on the environment. The comprehensive and circular project is co-financed by **The Coca-Cola Foundation** and includes the recovery of natural spaces, citizen awareness campaigns and the scientific research and research on circular economies.

It is supported by the Spanish Ministry of Agriculture, Fisheries and Food through the General Secretariat of Fisheries, the Chelonia Association, Ecomar Foundation and Zero Discharges Association. It also has support from citizens through more than one hundred public and private organisations including local municipalities, social bodies, universities and associations.

Since then, we have taken part in seven volunteer days in which customers and employees had the chance to help collect plastic and micro-plastic waste on Spanish beaches in Sitges, Ibiza, Mallorca, Cadiz and Alicante.

Along with the help of significant business partners, this has helped us extend our commitment to protecting the environment and raise awareness among our customers and partners about the need to combat climate change and protect natural environments, essential for the development of more sustainable and responsible tourism.

7
beaches

143
volunteers from Meliá

1,042 kg
of waste collected

Business Case

CIRCULAR SEA, SUPPORTING A CIRCULAR ECONOMY WITH COCA COLA

We joined this coast and seabed cleaning programme in 2018, promoted by such a prestigious partner as Coca Cola, to encourage volunteer work focused on the environment.

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7 beaches

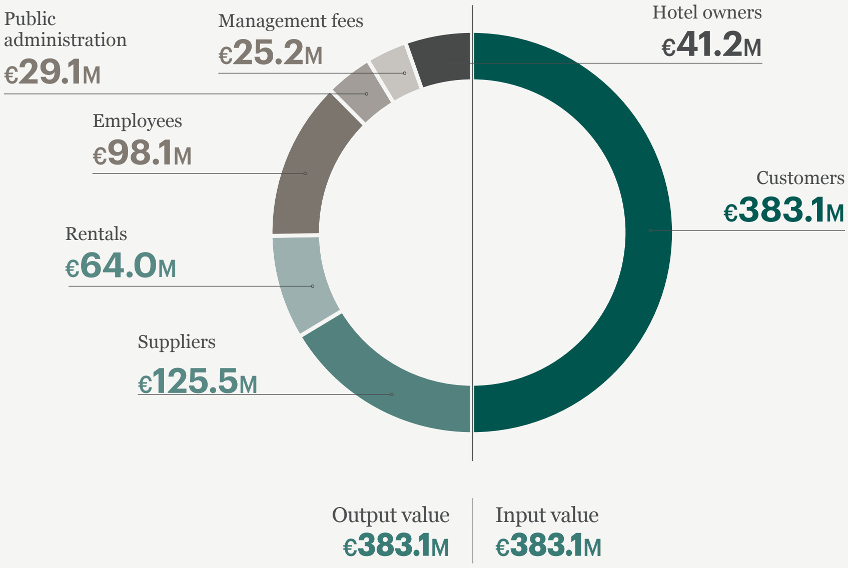
143 Meliá volunteers

1,042 kg of waste collected

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

EMEA Region

VALUE GENERATION: SOCIAL CASH FLOW 2019



People and their development at the heart

Training our teams is essential for our development as a company, which is why our hotels in the region carried out actions to enhance employability and development as part of a firm commitment to internal talent for filling vacancies or for promotion.

In this sense, the Innside Charles de Gaulle hotel, the first hotel in Paris operated under the Innside brand, has carried out a number of different training activities on Innside service culture, values and attributes.

ME London implemented the **Reveal ME** training programme on the brand and its attributes to enhance the development of employees on a personal growth programme. Hotel employees were asked to contribute their concerns and ideas in helping design the employee dining room menu during the renovation of the facilities. This was an important project given the large number of different nationalities and tastes that exist among the hotel team members.

Hotels in the region have spaces for celebrating special occasions such the International Housekeepers' Day, the International Working Women's Day or the World Day of the Fight against Breast Cancer.

In addition to the technical training teams receive, they also have spaces for meetings with managers for coaching sessions to help them with their professional development.

Digitalisation & innovation

Technology is playing an essential role in improving the customer experience and also helping support greater sustainability. That is one of the reasons why we have promoted our **Digital Newsstand Pressreader**, offering guests in countries such as France and Italy a digital alternative which is more respectful of the natural environment as it almost completely eliminates waste paper and also adapts our offer to guests to the growing trend of people reading their daily newspaper in digital format.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Our five boutique hotels in Paris and the Innside Paris Charles de Gaulle Hotel implemented Hmobile, a tool for improving internal communication between operating teams and enhancing productivity and efficiency while improving customer satisfaction. The tool has also had a positive impact on our teams by significantly reducing the number of telephone calls, emails and administrative work that adds little value.

Innside by Meliá Paris Charles de Gaulle also launched **YuCALL**, a digital programme available in all meeting rooms which attendees can use to request services whenever they need them.

In 2019, the UK financial team introduced **Docuware**. Docuware streamlines workflows for the online approval of documents or requests, depending on the level of responsibility, in addition to ensuring all information can be tracked at all times. Currently being applied to purchase orders, invoices and daily audit reports, the software accelerates the approval process and eliminates paper, improving efficiency and saving money.

Increasingly sustainable hotels

Meliá Paris La Defense has started a project to achieve certification as a sustainable building and achieve the "Haute" level for **Qualité Environnementale (HQE)**. Union Investment, the owner of the hotel, has started a process that evaluates fourteen objectives on the architectural and technical performance of the building and its operation. Certification consists of three main areas which may be certified individually; assessment of the building from the point of view of sustainability; the sustainable management of environmental quality; and sustainable use of the building including the practices implemented by tenants. We are working together with Union Investment on the following order of priorities: technical, organisational and functional aspects.

The circular economy, increasingly prevalent

Following the path begun in 2018 to eliminate plastic, all the hotels in the region have managed to replace all plastics used in rooms, personnel areas and public areas with recycled or reusable materials such as glass bottles, wooden pencils, minibar items using by glass or other materials.

At the same time, to encourage the reduction of food waste, Meliá France has carried out activities focused on waste management, selection, monitoring and recycling, as well as training on waste management.

Innside by Meliá Paris Charles de Gaulle and one of our main food suppliers, Transgourmet, implemented the **E-Qui-libre** programme to move towards food services with zero food waste. The programme is focused on responsible consumption and prioritises local, seasonal and organic products, offering healthier recipes with a lower environmental impact, and monitoring and carefully calculating the amounts of food required to reduce waste and optimise costs. Of course, we also continue to enhance the choice of healthy, local and seasonal products in our breakfast service.

With regard to waste management at source, highlights include the **Trio Green Wishes** project, through which Meliá Paris La Defense began sorting and recycling waste on a daily basis together with our partner Green Wishes, which then recovers the waste to transform it into reusable materials and also training our teams to ensure correct waste classification.

In a similar vein, the team in London is working with Veilia to recycle 70% of food, glass and cardboard waste. Food waste is used to produce electricity using natural fermentation and the compost it generate is delivered free of charge for the cultivation of the land.

Recycling was also present in fun initiatives such as the decorations made by our teams from recycled materials that decorated hotels at Christmas. ME London planted a **virtual Christmas tree** on the first floor which projected an animated scene using low-power LED light projectors.

In Paris, a free **Garage Sale** organised by Meliá Paris Tour Eiffel was held to sell all the old furniture before closing for renovation. The session was open to all Meliá employees in the city who were able to get their hands on second-hand furniture at a very symbolic price. The remaining furniture was delivered to different local social organisations.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Bringing sustainable consumption to our customers

Contributing to combatting climate change is one of our global commitments. In hotels under our Meliá Hotels & Resorts brand, our customers can activate an **On request** card to tell us what amenities they so we can provide them whenever they wish.

Innside by Meliá Paris Charles de Gaulle has eliminated the traditional dishes and replaced them with recyclable alternatives as part of a new room service concept called **Deliv'INN** a hybrid of traditional home delivery and a hotel room service experience.

Our hotels support diversity and inclusion

Teams located in Paris took part in the Vertigo race, which has been held since 2013 to raise funds to support Play International, an organisation that supports inclusion through sport. They also actively supported the Telethon, a charity event organised since 1987 by the French Muscular Dystrophy Association to finance research projects on genetic diseases.

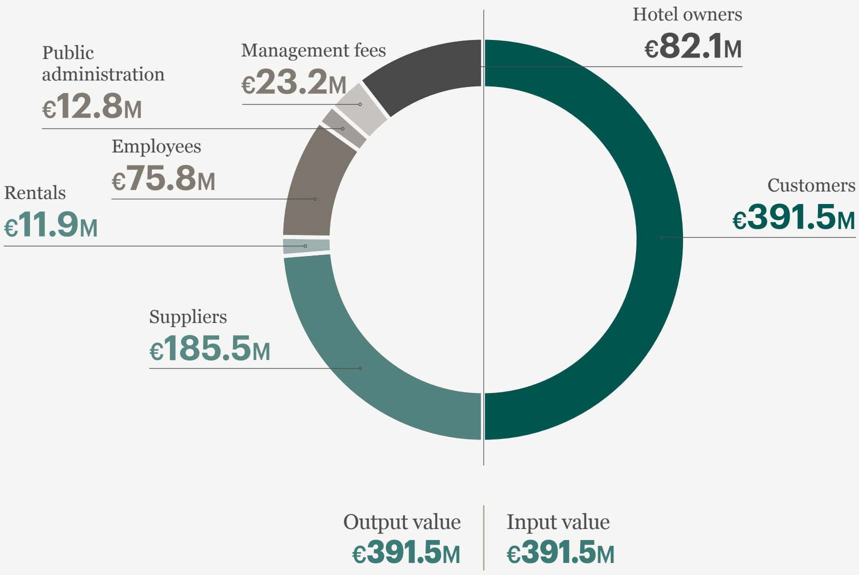
We feel close to the needs of children. And that's why all our hotels in Italy presented Christmas gifts to their teams purchased from a charity which supports **Dottor Sorriso** (Doctor Smile), an organisation that works with children in oncology departments to bring a little fun to the hospitals.

In Italy we also work closely with organisations specialising in disabilities. Hotels such as the Gran Meliá Rome Villa Agrippina, ME Milan Il Duca and Meliá Milano support the Italian Association of People with Down Syndrome. They also host work experience periods lasting three months and are also involved in the ValuAble project (www.valueablenetwork.eu) which aims to organise European internships three times a year supported by Erasmus for people with intellectual disabilities to help develop a sense of independence. The hotel team also received specific training and is now working on achieving gold level classification.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Americas Region

VALUE GENERATION: SOCIAL CASH FLOW 2019



More sustainable supply chain

Laws that promote the transition to a competitive and sustainable economy with low carbon emissions and resilient to the extreme weather events associated with climate change are already a reality in many of the countries in the region.

This global commitment of Meliá Hotels International has resulted in the reduction of 60 tons of single-use plastics with a consequent improvement to our profit and loss statement of 0.5 million dollars.

The introduction of ESG criteria in the supply chain has led to more than one thousand suppliers signing up to our Supplier Code of Ethics and being assessed according to the standards defined by the company.

This progress will continue into the new year in order to ensure that our supply chain meets the highest possible standards in terms of responsibility and sustainability.

Innovation & digitalisation

The digitalisation of processes and use of technology in the customer relationships is one of the key factors in company strategy. For example, the **Arpon** system has been implemented to make it easier to book many of the restaurants in our hotels. As Arpon is connected to our hotel systems, it also allows guests to connect to the room service from within the app itself.

Customer experience

The company is promoting the integration of sustainability criteria in all its different brands, through a model in which customers can see our commitment to sustainability and raising customer awareness while they enjoy a responsible experience.

Our goal is to design a sustainable, healthy and attractive proposal for our guests. Melia Punta Cana Beach therefore customers the Power Meetings with Wellness Breaks service, serving local products and healthy drinks in a sustainable format that reduces the use of plastic and waste.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

The Embrace Your Nature events offered by Paradisus hotels include group packages inviting guests to enjoy unique experiences through local culture or educational activities, emphasising the essence of the destination and making customers feel they are part of it.

A healthy diet and local products form part of the dining experience we provide to guests, as well as a range of alternatives adjusted to customer preferences (vegan, gluten-free, etc.). We have also enhanced our all-inclusive offer with a proposal focused on comprehensive health and well-being, designed to offer a wide range of activities and rituals in a wellness concept designed to guide and connect customers with their spiritual, emotional, social and personal development.

Committed to our teams

Under the motto **Think BIG**, **Start SMALL**, **Grow FAST**, we have implemented **Impact Hospitality V3ntures** to encourage our teams to propose new ideas or projects in a laboratory environment with an impact on business units and based on criteria of efficiency, productivity and profitability.

We have also launched a pilot experience that offers our team members visits, talks and the assistance of specialists to raise awareness about the importance of health and sport, disease and addiction prevention, healthy nutrition, weight control and vaccinations.

We protect and preserve the environment and its biodiversity

Several of our resorts in Cabo San Lucas (Mexico) and Bávaro (Dominican Republic) have received the international **Blue Flag** which recognises and guarantees customers fulfillment in regard to criteria such as environmental education, water quality, environmental management, security and services, the integration of people with disabilities and the creation of employment through related services.

In 2019 the Caribbean was also affected by the **sargassum** seaweed crisis. Our resorts were not immune to its effects, but they also wanted to actively contribute to mitigating its impact by protecting the destination and the customer experience by ensuring the beaches were clean and attractive. Over the year containment barriers were installed to protect the beauty of the beaches, prevent the loss of biodiversity and the erosion that manual cleaning may have generated.

The Caribbean is an area with **biodiversity** of an incalculable value that is also an essential part of its attractiveness to tourists. We have supported a number of projects to protect local wildlife such as the elegant tern or the leatherback, green and olive ridely turtles, giving our guests the chance to connect with the biological diversity in the destination.

Programmes such as the **Life-enriching** experiences in Los Cabos have allowed the protection of 540 nests and allowed the spawning of 1,254 turtle eggs and the release of more than 36,000 animals, as well as favouring births of terns on our beaches.

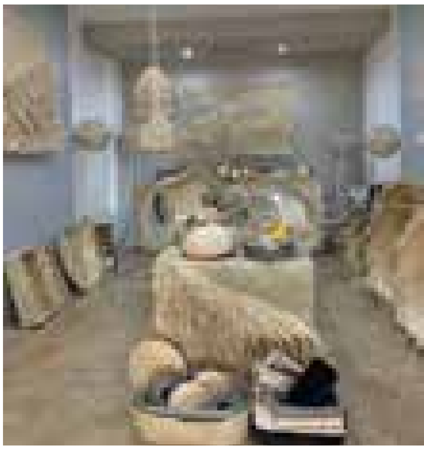
In addition to animal life, we also consider it vital to protect native flora. When we design our gardens, we prioritise the exclusive use of local flora and also ensure the efficient management of water resources.

Close to society, supporting the local community

We aim to be key players wherever we operate and help contribute to social development in our destinations. Business units support numerous social causes such as **Bottle Tops for Life**, an initiative that has allowed the delivery of 321,000 plastic bottle tops donated by local employees to the Bottle Top Bank to contribute to child chemotherapy treatments in the Los Cabos region.

Our commitment to children, and specially the most vulnerable children, has led to support for local projects such as **Donate toys and bring smiles**, allowing more than 130 toys to be donated to an organisations that serves breakfast and organises extracurricular classes for children with difficulties in the Los Cabos area.

Through our support for the **Beatriz Project**, we offer opportunities to local artisans to exhibit their products and crafts in our Paradisus hotels. In addition to letting more people know about their work, we also support the sustainability of local crafts and their creators, making it easier for customers to purchase their work directly.



PROYECTO BEATRIZ

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

APAC Region

Progress on waste management and disposal

The region suffers significant environmental problems and major pollution issues, especially in its largest cities. This means that companies need to support projects and activities that have an impact on the environment and the awareness of our customers.

The elimination of single-use plastic is a global company commitment, and hotels such as the Sol By Melia Phu Quoc or Meliá Balí have implemented projects to replace plastic with glass or ecological alternatives and plastic pots used for gardening with new pots made of natural materials.

Promoting a circular economy and leveraging the opportunities it creates is still a pending issue for many countries. In some hotels the selective collection of plastics has begun for the decoration of certain spaces in hotels, such as sculptures made of plastic which have a spectacular impact on guests.

Water management and responsible use

In many places water is a scarce resource that requires responsible consumption, especially in destinations with a high degree of water stress. To raise awareness among customer about the value of water, cards are placed in common areas and rooms urging guests to avoid irresponsible water use and grey water is also used for gardens after it has been chemically treated.

Customers and employees in several hotels in the region have also come together on a number of occasions to clean beaches and keep them in great condition.

People and the community at the heart

Our hotels take part in many projects to improve living conditions in their communities, as responsible members of the local society of which they form part. Meliá Kuala Lumpur is part of a community work group called the **Jom Bersih Bukit Bintang** Programme led by the Mayor of Kuala Lumpur and involving local schools and the city hall.

Meliá Jinan helps vulnerable people and is a very active participant in several charity projects, especially those which provide support for vulnerable children. The hotel and its team of volunteers have been recognised by The Caring Donation Association for its contribution to alleviating poverty.

The **"art of giving"** and **"giving art"** combine at the Meliá Koh Samui. Thai artists and entrepreneurs have designed a collection of gifts, the profits from which go to support young artists and promote Thai culture.

Innovation & digitalisation

The importance of **Wechat** in China has led to us designing wooden cards for our hotels with a QR code which are placed in the rooms. The code allows customers to quickly and easily access all of our hotels, activities and promotions on their mobile phones.

Our oldest hotel in the region, the Meliá Bali, offers customers a Radio App which allows them to choose the music they wish to listen to.

Customer experience

We offer our guests experiences that allow them to enjoy local culture and leisure activities. For example, on World Tourism Day Gran Melia Xian created a space to teach traditional Chinese calligraphy and Tang dynasty poetry and on World Yoga Day a space for yoga which attracted more than 60 people.

Malaysia is a very rich and diverse country, where many races, religions and cultures all live together. This rich cultural heritage is one of the main characteristics of the nation and everything it offers to customers. Employees at the Meliá Kuala Lumpur proudly wear their beautiful and elegant traditional costumes , on certain days of the week.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

8 Annexes

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

About this Report

GRI 102-48; GRI 102-49; GRI 102-53; GRI 102-54; GRI 102-55; GRI 102-56

CONTEXT

We operate in a context in which regulatory bodies, our stakeholders and the business environment in general require greater transparency. Following international standards and recommendations on reporting, we therefore assume the commitment to publish corporate information that reflects both our performance and the challenges and opportunities we face.

This report has been prepared in accordance with the criteria in the **Global Reporting Initiative (GRI)** and the International **Integrated Reporting Council (IIRC)**, allowing us to continue moving towards an Integrated Reporting model and ensure that the information we share with our stakeholders is consistent and transmits the alignment between our strategy, material issues, our governance model and our performance, both from a financial and non-financial perspective.

In preparing this report, Meliá has applied the principles and recommendations in the **Global Reporting Initiative (GRI)** and from the **International Integrated Reporting Council (IIRC)**. Meliá identifies its stakeholders and their expectations and interests, to which it **responds** by describing in detail its **issues** and **performance** throughout 2019.

With regard to the **content** of the report, Meliá shares its global commitments on **sustainability**, reflecting the most significant **impacts** of its activity on **social, environmental and economic matters**, as well as other impacts that may be of interest to or influence the decisions of its stakeholders. The preparation of the Materiality Analysis has allowed the company to **identify** the most relevant issues for each of its stakeholders, defining the areas or aspects considered essential in the preparation of this report and thus providing **coverage** of all the to allow an evaluation of **company performance** in these areas.

With regard to the **quality** of the information, Meliá aims to strike a **balance** between both the positive and negative aspects of its performance in 2019 in the key **material issues** identified. Meliá therefore **publishes** this information the most **precise, detailed, clear, comprehensible and reliable** way, offering stakeholders an assessment of the **evolution** over time of material issues to ensure **comparability** with other companies or industries.

Additionally, and in accordance with **Law 11/2018** of December 28 on non-financial information and diversity, and article 44 of the Commercial Code, we have incorporated into this report the Non-Financial Information Statement for 2019.

MATERIALITY AND STAKEHOLDER PARTICIPATION

Based on the principles in the GRI Standards, the Annual Integrated Report focuses on the material issues identified in the Materiality Analysis updated in 2019, whose preparation process and results are described in the chapter on Context & Strategy in this report.

INFORMATION SCOPE

This Integrated Report consists of:

- ✔ The Consolidated Management Report (from page 2 to page 187), prepared by the Board of Directors on February 26, 2020, and also including the Non-Financial Information Statement whose content can be found in the “Content of the Non-Financial Information Statement” table in the Annexes.
- ✔ The Consolidated Annual Accounts (from page 359 to page 448) prepared by the Board of Directors on February 26, 2020.
- ✔ The Annual Corporate Governance Report (in the Annex to the page 188 to page 358)

On the other hand, they are found in the following notes of the Accounts Annual Reports the contents of the Management Report related to:

- ✔ Alternative measures to performance: Note 2.4 of the Annual Accounts
- ✔ Treasury shares: Note 16.3 of the Annual Accounts
- ✔ Payment to suppliers: Note 23 of the Annual Accounts
- ✔ Subsequent events: Note 24 of the Annual Accounts

This report contains relevant information on the management approach, financial and operational results and all the Meliá Hotels International non-financial information. The information corresponds to a **control perimeter** aligned with the subsidiaries that are fully consolidated in the Annual Accounts. For some non-financial indicators, in addition to the consolidated perimeter, the **aggregated perimeter** is also reported, corresponding to companies in which Meliá Hotels International does not have operational control (consolidation by equity method or not consolidated in Annual Accounts). Throughout the report, the perimeter within which each data is reported is stated. In order to ensure the comparability of information and allow visibility of the evolution of the Meliá performance over time, the report also shows indicators with historical data and, where appropriate, with the objectives that were defined. Note that during the period of this report, there have been no significant changes in the size and structure of the company.

In order to ensure the comparability of information and allow visibility of the evolution of the Meliá performance over time, the report also shows indicators with historical data and, where appropriate, with the objectives that were defined. Note that during the period of this report, there have been no significant changes in the size and structure of the company.

VERIFICATION

In order to ensure the transparency and reliability of the information, since 2010 Meliá Hotels International has submitted its non-financial information report for verification by an external and independent body. The 2019 non-financial information has been verified by Deloitte, with a limited level of assurance, obtaining the attached independent review report, based on the GRI Standards: core option, which includes the objectives and scope of the process as well as the verification procedures used and their conclusions.

REQUESTS

If you have any question or suggestion related to this report, please use the following channels for direct contact:

Non-financial information
Investor Relations Department
(investor.relations@melia.com)

Non-financial information
Corporate Responsibility Department
(csr@melia.com)

Corporate Information and Contacts

GRI 102-3

CORPORATE HEADQUARTERS

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T (53 7) 204 0910

* The Sol Group Corporation is a separate corporation with an office in Miami that provides services to owners and/or operators of hotels located in the Americas that are affiliated with Meliá brands. Melia Hotels International SA does not have an office or otherwise conduct business in the United States of America.

CORPORATE DEPARTMENTS

Investor Relations

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Communication and Press

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Corporate Responsibility

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Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Institutional Relations

GRI 102-12; GRI 102-13

INSTITUTIONAL

- Balearic Family Business Association
- Association of Renowned Spanish Brands
- Management Progress Association
- Spanish Chamber of Commerce in Belgium and Luxembourg
- Lima Chamber of Commerce
- Peruvian-Chilean Chamber of Commerce
- Official Chamber of Commerce of Spain in Peru
- Official Chamber of Commerce of Spain in France
- Official Chamber of Commerce of Spain in Mexico
- Official Chamber of Commerce, Industry, Services and Navigation of Spain
- Official Spanish Chamber of Commerce in Brazil
- Chambre de Comerce Luxembourg
- Mallorca Economic Circle
- Exceltur
- Forética
- Impulsa Baleares Foundation
- Princess of Girona Foundation
- Seres Foundation
- IHK Chambers of Commerce and Industry in Germany
- Spanish Institute of Internal Auditors
- International Chamber of Commerce (ICC)
- Inverotel
- London Chamber of Commerce and Industry
- World Tourism Organisation
- Spanish Network of the Global Compact The Code (ECPAT)
- World Travel & Tourism Council

BUSINESS

- Balearic Islands Hotel Chain Association
- Alcudia Hotel Association
- Amtliche Spanische Handelskammer
- Sierra Nevada Business Association
- Costa del Sol Hotel Association
- Cozumel Hotel Association
- Los Cabos Hotel Association
- Hotel Association of Quintana Roo
- Riviera Maya Hotel Association
- Hotel Association and Eastern Tourism Projects
- Spanish Association of Congress Centres
- Business Association of Hospitality of Seville
- Benidorm Hotel Association
- Bizkaia Hotel Association
- Madrid Hotel Association
- Business Association Playas
- Cordoba Hotel Association
- Spanish Association of Business Travel Managers
- Lleida Hotel Association
- Menorca Hotel Association
- Palma de Mallorca Hotel Association
- Tenerife, La Palma, Gomera and El Hierro Hotel and Extra-Hotel Association
- Palmanova and Magaluf Hotel Association
- Puerto Vallarta Hotel Association
- Seville Hotel Association
- Huelva Hotel Association
- Alicante Hotel Association
- Val D'Arán Tourism Association
- Assolombarda
- Barcelona Forum District
- Bundesverband Mittelständische Wirtschaft
- Lima Convention and Visitor Bureau
- National Chamber of Commerce and Tourism Services of Cancun
- National Tourism Office in Peru
- South Tenerife Business Circle
- Business Circle of Torremolinos
- Extremadura Tourism Confederation
- Confederazione Generale Dell'industria Italiana
- Barcelona Convention Bureau
- Genova Convention Bureau
- Granada Convention Bureau
- Italy Convention Bureau
- San Sebastian Convention Bureau
- Seville Convention Bureau
- Sitges Convention Bureau
- Valencia Convention Bureau
- European Association of Communication Directors
- European Tourism Association
- Granada Hospitality and Tourism Federation
- Mallorca Hotel Federation
- Spanish Federation of Associations for the Professional Organisation of Congresses
- Federation Nationale des Hoteliers, Restaurateurs et Cafetiers
- Mallorca Tourism Promotion
- Forum Business Travel
- Business Travel Forum Palma 365 Tourism
- Foundation Sitges Hotel Association
- Barcelona Hotel Association
- Hamburg Convention Bureau Gmbh
- Handelskammer Bremen
- Hokla Nrw Gmbh
- Hospitality Technology Next Generation
- Ibiza Convention Bureau
- Industrie und Handelskammer IHK
- International Association of Convention Center
- International Congress and Convention Associations
- Investis Limited
- Mallorca Convention Bureau
- Manchester Hoteliers Association
- Meeting Planners International Association
- Oehv Oest. Hotelierverein
- Hotel Society of Peru
- Stiftung Juniorenkreis der Handelskammer-Bremen

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

PORTFOLIO CERTIFIED IN SUSTAINABILITY

Hotel	Brand	Country	EARTHCHECK (endorsed GSCT)	"TRAVELIFE (endorsed GSCT)	GREEN LEADERS	"OTHERS (endorsed GSCT*)
FRANKFURT NIEDERRAD	Inside by Meliá	Germany			GreenPartner	
MUNCHEN NEUE MESSE	Inside by Meliá	Germany			Gold	
DUSSELDORF DERENDORF	Inside by Meliá	Germany			Silver	
DRESDEN	Inside by Meliá	Germany			Gold	
DUSSELDORF	Meliá	Germany	Benchmarked Bronze			
MUNCHEN CITY CENTER	Tryp	Germany			GreenPartner	
BOCHUM- WATTENSCHEID	Tryp	Germany			Bronze	
DORTMUND	Tryp	Germany			Silver	
DUSSELDORF KREFELD	Managed by MHI	Germany			Silver	
CENTRO OBERHAUSEN	Tryp	Germany			GreenPartner	
WOLFSBURG	Tryp	Germany			Silver	
AACHEN	Inside by Meliá	Germany	In process			
LEIPZIG	Inside by Meliá	Germany	In process			
FRANKFURT OSTEND	Inside by Meliá	Germany	In process			
HAMBURGO HAFEN	Inside by Meliá	Germany	Benchmarked Bronze			
BERLIN	Meliá	Germany	Benchmarked Bronze		Gold	
BERLIN MITTE	Managed by MHI	Germany	In process		GreenPartner	
BUENOS AIRES	Meliá	Argentina			Bronze	
VIENNA	Meliá	Austria	Benchmarked Bronze			
Brazil 21	Meliá	Brazil			GreenPartner	
JARDIM EUROPA	Meliá	Brazil			GreenPartner	
PAULISTA	Meliá	Brazil			Silver	
SAO PAULO NACOES UNIDAS	Tryp	Brazil			Silver	
SAO PAULO TATUAPE	Tryp	Brazil			Silver	
SAO PAULO IGUATEMI	Tryp	Brazil			Gold	
SAO PAULO HIGIENOPOLIS	Tryp	Brazil			Gold	
CAMPINAS	Meliá	Brazil			Bronze	
SAO PAULO JESUINO ARRUDA	Tryp	Brazil			GreenPartner	
TORTUGA BEACH	Meliá	Cape Verde		Gold		
DUNAS BEACH RESORT & SPA	Meliá	Cape Verde		Gold		
DUNAS	Sol Resorts	Cape Verde		Gold		
LLANA	Meliá	Cape Verde	In process	In process		
SOUTH BEACH	Meliá	Spain	Benchmarked Bronze			
ME IBIZA	ME by Meliá	Spain	Benchmarked Bronze			
ATLANTERRA	Meliá	Spain	Benchmarked Bronze			
JARDINES DEL TEIDE	Meliá	Spain		In process		
PELICANOS - OCAS	Sol Resorts	Spain		Gold		
CALVIÁ BEACH	Meliá	Spain	In process			
BARBADOS	Sol Resorts	Spain	Certified Silver			
ALCUDIA	Inside by Meliá	Spain			Silver	
GUADALUPE	Sol Resorts	Spain	Certified Silver			
HOUSE THE STUDIO - CALVIA BEACH	Sol House	Spain	Benchmarked Bronze			
WAVE HOUSE ALL SUITES	Sol House	Spain	Certified Silver			
MADRID PRINCESA	Meliá	Spain	In process			
BARAJAS	Meliá	Spain			Bronze	
VALENCIA	Meliá	Spain			Bronze	

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Hotel	Brand	Country	EARTHCHECK (endorsed GSCT)	"TRAVELIFE (endorsed GSCT)	GREEN LEADERS	"OTHERS (endorsed GSCT*)
RECOLETOS	Meliá	Spain			Bronze	
BILBAO	Meliá	Spain	In process			
PALMA BELLVER	Managed by MHI	Spain	In process			
BARCELONA APOLO	Tryp	Spain			GreenPartner	
BARCELONA AEROPUERTO	Tryp	Spain			Bronze	
CADIZ LA CALETA	Tryp	Spain			Bronze	
JEREZ	Tryp	Spain			Silver	
CORDOBA	Tryp	Spain			GreenPartner	
SAN SEBASTIAN ORLY	Tryp	Spain			Silver	
LEON	Tryp	Spain			GreenPartner	
PALACIO DE LOS DUQUES	Gran Meliá	Spain	In process			
MADRID PLAZA Spain	Managed by MHI	Spain			Silver	
MADRID CENTRO	Managed by MHI	Spain			Silver	
MADRID ATOCHA	Tryp	Spain			Bronze	
GUADALMAR	Sol Resorts	Spain			Silver	
VALLADOLID SOFIA PARQUESOL	Tryp	Spain			Bronze	
PALMA BAY	Meliá	Spain	Benchmarked Bronze			
CALA D´OR	Meliá	Spain			Gold	
FUERTEVENTURA	Meliá	Spain	Benchmarked Bronze			
CALA D'OR APARTAMENTOS	Sol Resorts	Spain			Silver	
PALMANOVA - MALLORCA	Sol Resorts	Spain	Certified Silver			
PRINCIPE / PRINCIPITO	Sol Resorts	Spain		Gold		
DON PEDRO	Sol Resorts	Spain			Silver	
DON MARCO	Sol Resorts	Spain			Silver	
BEACH HOUSE IBIZA	Sol Beach House	Spain			Bronze	
ALICANTE	Meliá	Spain			Bronze	
VILLAITANA	Meliá	Spain	In process			
CASTILLA	Meliá	Spain			Bronze	ISO 14001*
PALMA CENTER	Innside by Meliá	Spain			Silver	
MELILLA PUERTO	Tryp	Spain			GreenPartner	
MADRID AIRPORT SUITES	Tryp	Spain			Silver	
PORT CAMBRILS	Sol Resorts	Spain			Bronze	
HACIENDA DEL CONDE	Meliá	Spain	In process			
VICTORIA	Gran Meliá	Spain	Certified Silver			
FENIX	Gran Meliá	Spain	Certified Silver			ISO 50001*
DON PEPE	Gran Meliá	Spain	Certified Silver			
COLON	Gran Meliá	Spain	Certified Silver			
TAMARINDOS	Meliá	Spain	In process			
BEACH HOUSE MENORCA	Sol Beach House	Spain	Benchmarked Bronze			
GRANADA	Meliá	Spain			Bronze	
MADRID SERRANO	Meliá	Spain	In process			
PALMA BOSQUE	Innside by Meliá	Spain	In process			
MADRID REINA VICTORIA	ME by Meliá	Spain	Certified Silver		Silver	
BARCELONA SKY	Meliá	Spain	Certified Silver		Platinum	
ATLANTICO - ISLA CANELA	Meliá	Spain		Gold	Bronze	
COSTABLANCA	Sol Resorts	Spain		In process	Silver	
FALCÓ ALL INCLUSIVE	Sol Resorts	Spain		Gold	Silver	
MARBELLA BANUS	Meliá	Spain	Benchmarked Bronze		Silver	
LEBREROS	Meliá	Spain	In process		Silver	
SEVILLA	Meliá	Spain	In process		GreenPartner	
SANCTI PETRI	Gran Meliá	Spain		Gold	Platinum	
BENIDORM	Meliá	Spain	Benchmarked Bronze	Gold		

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Hotel	Brand	Country	EARTHCHECK (endorsed GSCT)	"TRAVELIFE (endorsed GSCT)	GREEN LEADERS	"OTHERS (endorsed GSCT*)
COSTA DEL SOL	Meliá	Spain	Benchmarked Bronze		Platinum	
KATMANDU PARK & RESORT	Sol Katmandú	Spain	Certified Silver	Gold		
ZARAGOZA	Innside by Meliá	Spain	In process		GreenPartner	
DE MAR	Gran Meliá	Spain	Certified Silver		Bronze	
BARCELONA SARRIA	Meliá	Spain	Certified Silver		Gold	
CALA GALDANA MENORCA	Meliá	Spain		Gold	Gold	
SALINAS	Meliá	Spain		In process	Bronze	
CALABLANCA	Innside by Meliá	Spain	Certified Silver		Silver	
PALMA MARINA	Meliá	Spain	In process		Silver	
SITGES	Meliá	Spain	In process		Bronze	
PALACIO DE ISORA	Gran Meliá	Spain	Certified Gold	In process	Gold	
NEW YORK NOMAD	Innside by Meliá	USA			Gold	
PARIS CHAMPS ELYSÉES	Meliá	France			GreenPartner	
PARIS NOTRE - DAME	Meliá	France			GreenPartner	
PARIS TOUR EIFFEL	Meliá	France			GreenPartner	
VENDOME	Meliá	France			GreenPartner	
PARIS OPERA	Managed by MHI	France			GreenPartner	
ATENAS	Meliá	Greece			GreenPartner	
JAKARTA	Gran Meliá	Indonesia	Certified Gold			
PUROSANI	Meliá	Indonesia	Certified Gold			
BEACH HOUSE BALI BENOA	Sol Beach House	Indonesia	Certified Master			
BALI	Meliá	Indonesia	Certified Master	Gold		
ROMA	Gran Meliá	Italy	Benchmarked Bronze			
MILAN IL DUCA	ME by Meliá	Italy	In process			
GENOVA	Meliá	Italy	In process		Silver	
MILANO	Meliá	Italy	In process		Bronze	
LUXEMBOURG	Meliá	Luxembourg	Benchmarked Bronze		Gold	
KUALA LUMPUR	Meliá	Malaysia	Certified Platinum			
ME CABO	ME by Meliá	Mexico	Benchmarked Bronze			
LOS CABOS	Paradisus	Mexico	Benchmarked Bronze			
COZUMEL	Meliá	Mexico	In process			
CANCUN	Paradisus	Mexico	Certified Gold		Silver	
PLAYA DEL CARMEN LA PERLA	Paradisus	Mexico	Certified Gold		Platinum	
PLAYA DEL CARMEN LA ESMERALDA	Paradisus	Mexico	Certified Gold		Platinum	
LIMA	Meliá	Peru	In process			
WHITE HOUSE	Meliá	United Kingdom	Benchmarked Bronze		Bronze	
GRAND RESERVE AT PARADISUS PALMA REAL	Paradisus	Dominican Rep.	Certified Gold			
GRAND RESERVE - CIRCLE	Paradisus	Dominican Rep.	In process			
PUNTA CANA BEACH ADULTS ONLY	Meliá	Dominican Rep.	Certified Gold		Silver	
PUNTA CANA RESORT	Paradisus	Dominican Rep.	Certified Gold		Gold	
PALMA REAL GOLF & SPA RESORT	Paradisus	Dominican Rep.	Certified Gold		Silver	
THE RESERVE PARADISUS PALMA REAL	Paradisus	Dominican Rep.	Certified Gold		Silver	
THE RESERVE PARADISUS PUNTA CANA	Paradisus	Dominican Rep.	Certified Gold		Silver	
HANOI	Meliá	Vietnam	Benchmarked Bronze			
ZANZIBAR	Meliá	Tanzania	In process			"SAPLING Level Certified (Responsible Tourism Tanzania)"
TOTAL			76	17	88	3

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

GRI 102-8; 405-1

AVERAGE WORKFORCE BY REGION, PROFESSIONAL CATEGORY, CENTRE AND GENDER

AGGREGATED PERIMETER

REGION	GENDER	YEAR	SENIOR MANAGEMENT					MIDDLE MANAGEMENT					STAFF					GRAND TOTAL
			Club Meliá	Other Activities	Hotel	Corporate Offices	Total	Club Meliá	Other Activities	Hotel	Corporate Offices	Total	Club Meliá	Other Activities	Hotel	Corporate Offices	Total	
EMEA	Female	FTE 19			14.90	0.92	15.81		5.13	287.38	29.31	321.82		68.16	1,856.16	15.83	1,940.15	**2,277.78**
EMEA	Female	FTE 18			7.11	1.10	8.20		4.18	261.95	22.14	288.27		79.66	1,994.50	20.85	2,095.01	**2,391.49**
EMEA	Men	FTE 19		1.00	47.80	2.33	51.13		19.29	353.97	14.01	387.27		136.14	1,944.99	6.43	2,087.56	**2,525.96**
EMEA	Men	FTE 18			35.19	9.23	44.42		17.94	346.62	12.77	377.33		141.27	1,973.83	8.04	2,123.14	**2,544.89**
EMEA	**Total**	**FTE 19**		**1.00**	**62.70**	**3.25**	**66.95**		**24.41**	**641.36**	**43.31**	**709.08**		**204.30**	**3,801.15**	**22.26**	**4,027.71**	**4,803.74**
EMEA	**Total**	**FTE 18**			**42.30**	**10.33**	**52.63**		**22.12**	**608.58**	**34.91**	**665.61**		**220.93**	**3,968.33**	**28.90**	**4,218.15**	**4,936.39**
CUBA	Female	FTE 19				1.00	1.00			153.00	3.00	156.00		0.00	5,394.00	11.65	5,405.65	**5,562.65**
CUBA	Female	FTE 18								139.00	2.00	141.00			5,161.00	4.00	5,165.00	**5,306.00**
CUBA	Men	FTE 19			24.90		24.90			225.00	9.25	234.25			5,947.50	24.18	5,971.68	**6,230.83**
CUBA	Men	FTE 18			23.84	3.00	26.84			212.17	5.00	217.17			5,777.00	13.08	5,790.08	**6,034.08**
CUBA	**Total**	**FTE 19**			**24.90**	**1.00**	**25.90**			**378.00**	**12.25**	**390.25**		**0.00**	**11,341.50**	**35.83**	**11,377.33**	**11,793.48**
CUBA	**Total**	**FTE 18**			**23.84**	**3.00**	**26.84**			**351.17**	**7.00**	**358.17**			**10,938.00**	**17.08**	**10,955.08**	**11,340.08**
SPAIN	Female	FTE 19		0.83	41.71	41.07	83.61		16.81	605.60	154.25	776.67	1.00	113.03	4,751.84	402.36	5,268.24	**6,128.51**
SPAIN	Female	FTE 18		0.86	22.50	39.07	62.43		13.98	628.78	117.13	759.89	1.00	111.75	4,717.13	471.41	5,301.29	**6,123.60**
SPAIN	Men	FTE 19		5.16	100.06	67.84	173.06	1.00	26.01	843.05	161.99	1,032.04	1.50	164.33	4,245.01	212.76	4,623.59	**5,828.70**
SPAIN	Men	FTE 18	1.00	4.00	67.90	75.85	148.75		29.78	885.06	119.81	1,034.65	1.50	178.20	4,280.56	307.08	4,767.35	**5,950.74**
SPAIN	**Total**	**FTE 19**	**0.00**	**5.99**	**141.76**	**108.91**	**256.67**	**1.00**	**42.82**	**1,448.65**	**316.24**	**1,808.71**	**2.50**	**277.36**	**8,996.85**	**615.12**	**9,891.83**	**11,957.21**
SPAIN	**Total**	**FTE 18**	**1.00**	**4.86**	**90.40**	**114.92**	**211.18**		**43.76**	**1,513.84**	**236.94**	**1,794.53**	**2.50**	**289.95**	**8,997.69**	**778.49**	**10,068.63**	**12,074.34**
ASIA	Female	FTE 19			7.18	2.28	9.46			217.31	14.85	232.17			1,581.83	7.41	1,589.24	**1,830.86**
ASIA	Female	FTE 18			4.38	5.16	9.54			223.08	10.67	233.76			1,490.20	8.64	1,498.84	**1,742.13**
ASIA	Men	FTE 19			21.46	10.03	31.49			376.07	6.05	382.12			2,611.14	2.83	2,613.97	**3,027.59**
ASIA	Men	FTE 18			16.07	12.81	28.87			402.08	6.01	408.09			2,647.24	2.99	2,650.23	**3,087.19**
ASIA	**Total**	**FTE 19**			**28.64**	**12.32**	**40.95**			**593.38**	**20.91**	**614.29**			**4,192.97**	**10.24**	**4,203.21**	**4,858.45**
ASIA	**Total**	**FTE 18**			**20.44**	**17.97**	**38.41**			**625.17**	**16.68**	**641.85**			**4,137.44**	**11.62**	**4,149.06**	**4,829.33**
AMERICA	Female	FTE 19			13.78	8.78	22.56	11.21	4.00	313.75	42.99	371.95	142.85	74.59	3,959.42	22.45	4,199.31	**4,593.82**
AMERICA	Female	FTE 18	1.37		7.85	10.47	19.68	21.07	8.57	434.96	37.91	502.51	134.54	86.95	3,952.92	43.06	4,217.46	**4,739.65**
AMERICA	Men	FTE 19		2.07	38.51	16.71	57.29	14.18	13.00	469.10	45.04	541.32	170.02	257.23	6,665.72	19.42	7,112.40	**7,711.01**
AMERICA	Men	FTE 18	2.00	2.00	25.98	26.01	55.98	9.09	24.07	948.85	36.07	1,018.07	133.32	286.81	6,512.04	39.66	6,971.84	**8,045.89**
AMERICA	**Total**	**FTE 19**	**0.00**	**2.07**	**52.30**	**25.48**	**79.85**	**25.39**	**17.00**	**782.85**	**88.02**	**913.26**	**312.87**	**331.82**	**10,625.14**	**41.87**	**11,311.71**	**12,304.83**
AMERICA	**Total**	**FTE 18**	**3.37**	**2.00**	**33.82**	**36.47**	**75.66**	**30.16**	**32.64**	**1,383.81**	**73.98**	**1,520.58**	**267.86**	**373.76**	**10,464.96**	**82.72**	**11,189.30**	**12,785.55**
FINAL TOTAL		**FTE 19**	**0.00**	**9.07**	**310.30**	**150.96**	**470.32**	**26.39**	**84.23**	**3,844.23**	**480.74**	**4,435.59**	**315.37**	**813.48**	**38,957.61**	**725.33**	**40,811.80**	**45,717.71**
		FTE 18	**4.37**	**6.86**	**210.80**	**182.68**	**404.71**	**30.16**	**98.52**	**4,482.56**	**369.51**	**4,980.74**	**270.36**	**884.64**	**38,506.42**	**918.81**	**40,580.23**	**45,965.68**

Staff hired through the Cuban Employment Office: 25.60%

GRI 102-8; 405-1

AVERAGE WORKFORCE BY REGION, PROFESSIONAL CATEGORY, CENTRE AND GENDER

CONSOLIDATED PERIMETER

REGION	GENDER	YEAR	SENIOR MANAGEMENT					MIDDLE MANAGEMENT					STAFF					GRAND TOTAL
			Club Meliá	Other Activities	Hotel	Corporate Offices	Total	Club Meliá	Other Activities	Hotel	Corporate Offices	Total	Club Meliá	Other Activities	Hotel	Corporate Offices	Total	
EMEA	Female	FTE 19			11.40	0.92	12.32		5.13	217.67	29.31	252.10		68.16	795.70	15.83	879.69	**1,144.10**
EMEA	Female	FTE 18			5.90	1.10	7.00		4.18	213.37	22.14	239.69		79.66	986.70	20.85	1,087.22	**1,333.90**
EMEA	Men	FTE 19		1.00	33.14	2.33	36.47		19.29	220.79	14.01	254.09		136.14	837.51	6.43	980.09	**1,270.65**
EMEA	Men	FTE 18			26.25	8.82	35.07		17.94	236.33	12.77	267.04		141.27	957.03	8.04	1,106.34	**1,408.45**
EMEA	**Total**	**FTE 19**		**1.00**	**44.55**	**3.25**	**48.79**		**24.41**	**438.46**	**43.31**	**506.19**		**204.30**	**1,633.21**	**22.26**	**1,859.77**	**2,414.75**
EMEA	**Total**	**FTE 18**			**32.15**	**9.91**	**42.07**		**22.12**	**449.70**	**34.91**	**506.73**		**220.93**	**1,943.73**	**28.90**	**2,193.56**	**2,742.35**
CUBA	Female	FTE 19				1.00	1.00				3.00	3.00				11.65	11.65	**15.65**
CUBA	Female	FTE 18								15.00	2.00	17.00			63.00	4.00	67.00	**84.00**
CUBA	Men	FTE 19									9.25	9.25				24.18	24.18	**33.43**
CUBA	Men	FTE 18				3.00	3.00			9.00	5.00	14.00			45.00	13.08	58.08	**75.08**
CUBA	**Total**	**FTE 19**				**1.00**	**1.00**				**12.25**	**12.25**				**35.83**	**35.83**	**49.08**
CUBA	**Total**	**FTE 18**				**3.00**	**3.00**			**24.00**	**7.00**	**31.00**			**108.00**	**17.08**	**125.08**	**159.08**
SPAIN	Female	FTE 19			35.34	41.07	76.41		7.89	448.33	154.25	610.47	1.00	52.74	3,198.64	401.53	3,653.91	**4,340.79**
SPAIN	Female	FTE 18		0.86	20.58	39.07	60.51		6.90	473.80	117.13	597.83	1.00	58.21	3,239.41	470.41	3,769.03	**4,427.37**
SPAIN	Men	FTE 19		3.16	75.82	67.84	146.82	1.00	12.06	580.50	160.99	754.55	1.50	84.49	2,855.31	212.02	3,153.31	**4,054.68**
SPAIN	Men	FTE 18	1.00	2.00	55.85	75.85	134.70		16.68	615.71	119.81	752.21	1.50	109.68	2,921.49	306.08	3,338.75	**4,225.66**
SPAIN	**Total**	**FTE 19**		**3.16**	**111.16**	**108.91**	**223.23**	**1.00**	**19.95**	**1,028.82**	**315.24**	**1,365.02**	**2.50**	**137.22**	**6,053.95**	**613.55**	**6,807.22**	**8,395.47**
SPAIN	**Total**	**FTE 18**	**1.00**	**2.86**	**76.44**	**114.92**	**195.21**		**23.58**	**1,089.51**	**236.94**	**1,350.03**	**2.50**	**167.89**	**6,160.91**	**776.49**	**7,107.79**	**8,653.03**
ASIA	Female	FTE 19				2.28	2.28				14.85	14.85				7.41	7.41	**24.55**
ASIA	Female	FTE 18				5.16	5.16				10.67	10.67				8.64	8.64	**24.47**
ASIA	Men	FTE 19				10.03	10.03				6.05	6.05				2.83	2.83	**18.92**
ASIA	Men	FTE 18				12.81	12.81			0.25	6.01	6.26				2.99	2.99	**22.05**
ASIA	**Total**	**FTE 19**				**12.32**	**12.32**				**20.91**	**20.91**				**10.24**	**10.24**	**43.47**
ASIA	**Total**	**FTE 18**				**17.97**	**17.97**			**0.25**	**16.68**	**16.93**				**11.62**	**11.62**	**46.53**
AMERICA	Female	FTE 19			3.82	8.78	12.60	11.21	3.00	183.10	42.99	240.30	142.85	70.75	2,676.98	22.45	2,913.03	**3,165.94**
AMERICA	Female	FTE 18	1.37		1.85	10.47	13.68	21.07	8.57	291.62	37.91	359.18	134.54	86.95	2,601.87	43.06	2,866.42	**3,239.28**
AMERICA	Men	FTE 19		2.07	20.18	16.71	38.96	14.18	9.75	325.27	45.04	394.24	170.02	246.57	5,266.25	19.42	5,702.26	**6,135.47**
AMERICA	Men	FTE 18	2.00	2.00	12.75	26.01	42.76	9.09	24.07	767.46	36.07	836.68	133.32	286.81	5,083.09	39.66	5,542.89	**6,422.33**
AMERICA	**Total**	**FTE 19**		**2.07**	**24.01**	**25.48**	**51.57**	**25.39**	**12.75**	**508.37**	**88.02**	**634.54**	**312.87**	**317.32**	**7,943.23**	**41.87**	**8,615.30**	**9,301.40**
AMERICA	**Total**	**FTE 18**	**3.37**	**2.00**	**14.60**	**36.47**	**56.44**	**30.16**	**32.64**	**1,059.08**	**73.98**	**1,195.86**	**267.86**	**373.76**	**7,684.97**	**82.72**	**8,409.31**	**9,661.60**
FINAL TOTAL		**FTE 19**		**6.24**	**179.71**	**150.96**	**336.90**	**26.39**	**57.12**	**1,975.66**	**479.74**	**2,538.90**	**315.37**	**658.84**	**15,630.40**	**723.75**	**17,328.36**	**20,204.17**
		FTE 18	**4.37**	**4.86**	**123.19**	**182.27**	**314.68**	**30.16**	**78.35**	**2,622.54**	**369.51**	**3,100.55**	**270.36**	**762.58**	**15,897.61**	**916.81**	**17,847.35**	**21,262.59**

Staff hired through the Cuban Employment Office: 25.60%

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

GRI 102-8

AVERAGE WORKFORCE BY REGION, EMPLOYMENT TYPE AND GENDER
AGGREGATED PERIMETER

REGION	GENDER	YEAR	SENIOR MANAGEMENT			MIDDLE MANAGEMENT			STAFF			TOTAL GENERAL
			Full	Partial	Total	Full	Partial	Total	Full	Partial	Total	
EMEA	Female	FTE 19	15.81		15.81	308.85	12.97	321.82	1,840.26	99.89	1,940.15	2,277.78
EMEA	Female	FTE 18	8.20		8.20	275.00	13.27	288.27	2,004.73	90.29	2,095.01	2,391.49
EMEA	Men	FTE 19	51.13		51.13	385.91	1.36	387.27	2,027.34	60.22	2,087.56	2,525.96
EMEA	Men	FTE 18	44.42		44.42	377.24	0.09	377.33	2,079.48	43.66	2,123.14	2,544.89
EMEA	**Total**	**FTE 19**	**66.95**		**66.95**	**694.75**	**14.33**	**709.08**	**3,867.61**	**160.11**	**4,027.71**	**4,803.74**
EMEA	**Total**	**FTE 18**	**52.63**		**52.63**	**652.24**	**13.36**	**665.61**	**4,084.20**	**133.95**	**4,218.15**	**4,936.39**
CUBA	Female	FTE 19	1.00		1.00	153.00	3.00	156.00	5,157.65	248.00	5,405.65	5,562.65
CUBA	Female	FTE 18				138.00	3.00	141.00	5,013.00	152.00	5,165.00	5,306.00
CUBA	Men	FTE 19	24.90		24.90	227.25	7.00	234.25	5,695.68	276.00	5,971.68	6,230.83
CUBA	Men	FTE 18	26.84		26.84	209.17	8.00	217.17	5,586.08	204.00	5,790.08	6,034.08
CUBA	**Total**	**FTE 19**	**25.90**		**25.90**	**380.25**	**10.00**	**390.25**	**10,853.33**	**524.00**	**11,377.33**	**11,793.48**
CUBA	**Total**	**FTE 18**	**26.84**		**26.84**	**347.17**	**11.00**	**358.17**	**10,599.08**	**356.00**	**10,955.08**	**11,340.08**
SPAIN	Female	FTE 19	83.61		83.61	770.90	5.77	776.67	4,953.38	314.86	5,268.24	6,128.51
SPAIN	Female	FTE 18	62.43		62.43	753.25	6.64	759.89	4,970.90	330.39	5,301.29	6,123.60
SPAIN	Men	FTE 19	170.99	2.06	173.06	1,013.84	18.20	1,032.04	4,464.68	158.91	4,623.59	5,828.70
SPAIN	Men	FTE 18	147.52	1.23	148.75	1,014.80	19.85	1,034.65	4,597.55	169.79	4,767.35	5,950.74
SPAIN	**Total**	**FTE 19**	**254.60**	**2.06**	**256.67**	**1,784.74**	**23.97**	**1,808.71**	**9,418.06**	**473.77**	**9,891.83**	**11,957.21**
SPAIN	**Total**	**FTE 18**	**209.94**	**1.23**	**211.18**	**1,768.05**	**26.49**	**1,794.53**	**9,568.45**	**500.18**	**10,068.63**	**12,074.34**
ASIA	Female	FTE 19	9.46		9.46	232.17		232.17	1,588.46	0.78	1,589.24	1,830.86
ASIA	Female	FTE 18	9.54		9.54	233.76		233.76	1,498.84		1,498.84	1,742.13
ASIA	Men	FTE 19	31.49		31.49	382.04	0.08	382.12	2,612.64	1.33	2,613.97	3,027.59
ASIA	Men	FTE 18	28.87		28.87	408.09		408.09	2,650.23		2,650.23	3,087.19
ASIA	**Total**	**FTE 19**	**40.95**		**40.95**	**614.21**	**0.08**	**614.29**	**4,201.10**	**2.11**	**4,203.21**	**4,858.45**
ASIA	**Total**	**FTE 18**	**38.41**		**38.41**	**641.85**		**641.85**	**4,149.06**		**4,149.06**	**4,829.33**
AMERICA	Female	FTE 19	22.56		22.56	371.95		371.95	4,194.39	4.92	4,199.31	4,593.82
AMERICA	Female	FTE 18	19.68		19.68	501.91	0.60	502.51	4,208.86	8.61	4,217.46	4,739.65
AMERICA	Men	FTE 19	57.29		57.29	541.32		541.32	7,106.49	5.91	7,112.40	7,711.01
AMERICA	Men	FTE 18	55.98		55.98	1,018.07		1,018.07	6,961.89	9.94	6,971.84	8,045.89
AMERICA	**Total**	**FTE 19**	**79.85**		**79.85**	**913.26**	**0.00**	**913.26**	**11,300.88**	**10.83**	**11,311.71**	**12,304.83**
AMERICA	**Total**	**FTE 18**	**75.66**		**75.66**	**1,519.98**	**0.60**	**1,520.58**	**11,170.75**	**18.55**	**11,189.30**	**12,785.55**
FINAL TOTAL		**FTE 19**	**468.26**	**2.06**	**470.32**	**4,387.21**	**48.38**	**4,435.59**	**39,640.99**	**1,170.81**	**40,811.80**	**45,717.71**
		FTE 18	**403.48**	**1.23**	**404.71**	**4,929.29**	**51.45**	**4,980.74**	**39,571.55**	**1,008.68**	**40,580.23**	**45,965.68**

GRI 102-8

AVERAGE WORKFORCE BY REGION, EMPLOYMENT TYPE AND GENDER
CONSOLIDATED PERIMETER

REGION	GENDER	YEAR	SENIOR MANAGEMENT			MIDDLE MANAGEMENT			STAFF			TOTAL GENERAL
			Full	Partial	Total	Full	Partial	Total	Full	Partial	Total	
EMEA	Female	FTE 19	12.32		12.32	239.13	12.97	252.10	784.49	95.20	879.69	1,144.10
EMEA	Female	FTE 18	7.00		7.00	226.42	13.27	239.69	997.39	89.83	1,087.22	1,333.90
EMEA	Men	FTE 19	36.47		36.47	252.73	1.36	254.09	924.26	55.83	980.09	1,270.65
EMEA	Men	FTE 18	35.07		35.07	266.95	0.09	267.04	1,063.26	43.08	1,106.34	1,408.45
EMEA	**Total**	**FTE 19**	**48.79**		**48.79**	**491.86**	**14.33**	**506.19**	**1,708.74**	**151.03**	**1,859.77**	**2,414.75**
EMEA	**Total**	**FTE 18**	**42.07**		**42.07**	**493.36**	**13.36**	**506.73**	**2,060.65**	**132.91**	**2,193.56**	**2,742.35**
CUBA	Female	FTE 19	1.00		1.00	3.00		3.00	11.65		11.65	15.65
CUBA	Female	FTE 18				17.00		17.00	67.00		67.00	84.00
CUBA	Men	FTE 19				9.25		9.25	24.18		24.18	33.43
CUBA	Men	FTE 18	3.00		3.00	14.00		14.00	58.08		58.08	75.08
CUBA	**Total**	**FTE 19**	**1.00**		**1.00**	**12.25**		**12.25**	**35.83**		**35.83**	**49.08**
CUBA	**Total**	**FTE 18**	**3.00**		**3.00**	**31.00**		**31.00**	**125.08**		**125.08**	**159.08**
SPAIN	Female	FTE 19	76.41		76.41	606.16	4.31	610.47	3,467.82	186.09	3,653.91	4,340.79
SPAIN	Female	FTE 18	60.51		60.51	592.84	4.99	597.83	3,573.59	195.45	3,769.03	4,427.37
SPAIN	Men	FTE 19	144.90	1.91	146.82	741.37	13.18	754.55	3,071.85	81.46	3,153.31	4,054.68
SPAIN	Men	FTE 18	133.48	1.22	134.70	738.61	13.60	752.21	3,249.73	89.03	3,338.75	4,225.66
SPAIN	**Total**	**FTE 19**	**221.32**	**1.91**	**223.23**	**1,347.53**	**17.49**	**1,365.02**	**6,539.67**	**267.55**	**6,807.22**	**8,395.47**
SPAIN	**Total**	**FTE 18**	**193.99**	**1.22**	**195.21**	**1,331.45**	**18.59**	**1,350.03**	**6,823.31**	**284.47**	**7,107.79**	**8,653.03**
ASIA	Female	FTE 19	2.28		2.28	14.85		14.85	7.41		7.41	24.55
ASIA	Female	FTE 18	5.16		5.16	10.67		10.67	8.64		8.64	24.47
ASIA	Men	FTE 19	10.03		10.03	6.05		6.05	2.83		2.83	18.92
ASIA	Men	FTE 18	12.81		12.81	6.26		6.26	2.99		2.99	22.05
ASIA	**Total**	**FTE 19**	**12.32**		**12.32**	**20.91**		**20.91**	**10.24**		**10.24**	**43.47**
ASIA	**Total**	**FTE 18**	**17.97**		**17.97**	**16.93**		**16.93**	**11.62**		**11.62**	**46.53**
AMERICA	Female	FTE 19	12.60		12.60	240.30		240.30	2,910.69	2.34	2,913.03	3,165.94
AMERICA	Female	FTE 18	13.68		13.68	358.57	0.60	359.18	2,860.63	5.79	2,866.42	3,239.28
AMERICA	Men	FTE 19	38.96		38.96	394.24		394.24	5,699.13	3.14	5,702.26	6,135.47
AMERICA	Men	FTE 18	42.76		42.76	836.68		836.68	5,536.00	6.89	5,542.89	6,422.33
AMERICA	**Total**	**FTE 19**	**51.57**		**51.57**	**634.54**		**634.54**	**8,609.82**	**5.48**	**8,615.30**	**9,301.40**
AMERICA	**Total**	**FTE 18**	**56.44**		**56.44**	**1,195.26**	**0.60**	**1,195.86**	**8,396.62**	**12.68**	**8,409.31**	**9,661.60**
FINAL TOTAL		**FTE 19**	**334.99**	**1.91**	**336.90**	**2,507.08**	**31.82**	**2,538.90**	**16,904.31**	**424.06**	**17,328.36**	**20,204.17**
		FTE 18	**313.46**	**1.22**	**314.68**	**3,068.00**	**32.55**	**3,100.55**	**17,417.29**	**430.07**	**17,847.35**	**21,262.59**

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

GRI 102-8

AVERAGE WORKFORCE BY REGION, CONTRACT TYPE AND GENDER
AGGREGATED PERIMETER

REGION	GENDER	YEAR	SENIOR MANAGEMENT			MIDDLE MANAGEMENT			STAFF			TOTAL GENERAL
			Permanent	Temporary	Total	Permanent	Temporary	Total	Permanent	Temporary	Total	
EMEA	Female	FTE 19	14.31	1.50	15.81	306.82	15.00	321.82	1,762.84	177.31	1,940.15	2,277.78
EMEA	Female	FTE 18	8.20		8.20	235.01	53.27	288.27	1,260.69	834.33	2,095.01	2,391.49
EMEA	Men	FTE 19	50.20	0.93	51.13	367.76	19.50	387.27	1,920.29	167.27	2,087.56	2,525.96
EMEA	Men	FTE 18	42.17	2.25	44.42	301.10	76.24	377.33	1,378.15	744.98	2,123.14	2,544.89
EMEA	**Total**	**FTE 19**	**64.51**	**2.44**	**66.95**	**674.58**	**34.50**	**709.08**	**3,683.13**	**344.59**	**4,027.71**	**4,803.74**
EMEA	**Total**	**FTE 18**	**50.38**	**2.25**	**52.63**	**536.11**	**129.50**	**665.61**	**2,638.84**	**1,579.31**	**4,218.15**	**4,936.39**
CUBA	Female	FTE 19	1.00		1.00	147.00	9.00	156.00	3,834.65	1,571.00	5,405.65	5,562.65
CUBA	Female	FTE 18			0.00	141.00	0.00	141.00	3,814.00	1,351.00	5,165.00	5,306.00
CUBA	Men	FTE 19	24.90		24.90	230.25	4.00	234.25	4,437.68	1,534.00	5,971.68	6,230.83
CUBA	Men	FTE 18	26.84		26.84	217.17	0.00	217.17	4,483.08	1,307.00	5,790.08	6,034.08
CUBA	**Total**	**FTE 19**	**25.90**		**25.90**	**377.25**	**13.00**	**390.25**	**8,272.33**	**3,105.00**	**11,377.33**	**11,793.48**
CUBA	**Total**	**FTE 18**	**26.84**		**26.84**	**358.17**	**0.00**	**358.17**	**8,297.08**	**2,658.00**	**10,955.08**	**11,340.08**
SPAIN	Female	FTE 19	83.45	0.16	83.61	730.48	46.18	776.67	3,128.25	2,139.98	5,268.24	6,128.51
SPAIN	Female	FTE 18	62.43		62.43	705.95	53.94	759.89	3,059.25	2,242.04	5,301.29	6,123.60
SPAIN	Men	FTE 19	172.08	0.98	173.06	953.93	78.11	1,032.04	2,896.63	1,726.96	4,623.59	5,828.70
SPAIN	Men	FTE 18	148.42	0.32	148.75	937.03	97.62	1,034.65	2,926.45	1,840.89	4,767.35	5,950.74
SPAIN	**Total**	**FTE 19**	**255.53**	**1.14**	**256.67**	**1,684.42**	**124.29**	**1,808.71**	**6,024.88**	**3,866.95**	**9,891.83**	**11,957.21**
SPAIN	**Total**	**FTE 18**	**210.85**	**0.32**	**211.18**	**1,642.97**	**151.56**	**1,794.53**	**5,985.70**	**4,082.93**	**10,068.63**	**12,074.34**
ASIA	Female	FTE 19	9.46		9.46	226.82	5.34	232.17	1,587.58	1.65	1,589.24	1,830.86
ASIA	Female	FTE 18	9.54		9.54	233.32	0.44	233.76	1,498.25	0.59	1,498.84	1,742.13
ASIA	Men	FTE 19	30.79	0.70	31.49	382.12		382.12	2,613.78	0.19	2,613.97	3,027.59
ASIA	Men	FTE 18	28.87		28.87	408.09		408.09	2,650.23		2,650.23	3,087.19
ASIA	**Total**	**FTE 19**	**40.25**	**0.70**	**40.95**	**608.95**	**5.34**	**614.29**	**4,201.36**	**1.84**	**4,203.21**	**4,858.45**
ASIA	**Total**	**FTE 18**	**38.41**	**0.00**	**38.41**	**641.41**	**0.44**	**641.85**	**4,148.48**	**0.59**	**4,149.06**	**4,829.33**
AMERICA	Female	FTE 19	22.36	0.20	22.56	346.62	25.32	371.95	3,342.60	856.71	4,199.31	4,593.82
AMERICA	Female	FTE 18	19.68		19.68	472.90	29.61	502.51	3,243.73	973.73	4,217.46	4,739.65
AMERICA	Men	FTE 19	56.00	1.30	57.29	491.64	49.68	541.32	5,805.98	1,306.42	7,112.40	7,711.01
AMERICA	Men	FTE 18	54.16	1.82	55.98	966.17	51.90	1,018.07	5,341.34	1,630.49	6,971.84	8,045.89
AMERICA	**Total**	**FTE 19**	**78.36**	**1.50**	**79.85**	**838.26**	**75.00**	**913.26**	**9,148.58**	**2,163.13**	**11,311.71**	**12,304.83**
AMERICA	**Total**	**FTE 18**	**73.84**	**1.82**	**75.66**	**1,439.07**	**81.52**	**1,520.58**	**8,585.07**	**2,604.23**	**11,189.30**	**12,785.55**
FINAL TOTAL		**FTE 19**	**464.55**	**5.78**	**470.32**	**4,183.45**	**252.14**	**4,435.59**	**31,330.29**	**9,481.51**	**40,811.80**	**45,717.71**
		FTE 18	**400.32**	**4.39**	**404.71**	**4,617.73**	**363.02**	**4,980.74**	**29,655.18**	**10,925.05**	**40,580.23**	**45,965.68**

GRI 102-8

AVERAGE WORKFORCE BY REGION, CONTRACT TYPE AND GENDER
CONSOLIDATED PERIMETER

REGION	GENDER	YEAR	SENIOR MANAGEMENT			MIDDLE MANAGEMENT			STAFF			TOTAL GENERAL
			Permanent	Temporary	Total	Permanent	Temporary	Total	Permanent	Temporary	Total	
EMEA	Female	FTE 19	11.32	1.00	12.32	239.40	12.70	252.10	746.98	132.70	879.69	1,144.10
EMEA	Female	FTE 18	7.00		7.00	197.87	41.82	239.69	727.08	360.14	1,087.22	1,333.90
EMEA	Men	FTE 19	36.23	0.25	36.47	237.05	17.04	254.09	851.11	128.98	980.09	1,270.65
EMEA	Men	FTE 18	33.81	1.25	35.07	217.15	49.89	267.04	776.77	329.57	1,106.34	1,408.45
EMEA	**Total**	**FTE 19**	**47.55**	**1.25**	**48.79**	**476.45**	**29.74**	**506.19**	**1,598.09**	**261.68**	**1,859.77**	**2,414.75**
EMEA	**Total**	**FTE 18**	**40.81**	**1.25**	**42.07**	**415.02**	**91.70**	**506.73**	**1,503.85**	**689.71**	**2,193.56**	**2,742.35**
CUBA	Female	FTE 19	1.00		1.00	3.00		3.00	11.65		11.65	15.65
CUBA	Female	FTE 18				17.00		17.00	67.00		67.00	84.00
CUBA	Men	FTE 19				9.25		9.25	24.18		24.18	33.43
CUBA	Men	FTE 18	3.00		3.00	14.00		14.00	58.08		58.08	75.08
CUBA	**Total**	**FTE 19**	**1.00**		**1.00**	**12.25**		**12.25**	**35.83**		**35.83**	**49.08**
CUBA	**Total**	**FTE 18**	**3.00**		**3.00**	**31.00**		**31.00**	**125.08**		**125.08**	**159.08**
SPAIN	Female	FTE 19	76.25	0.16	76.41	578.99	31.48	610.47	2,186.85	1,467.05	3,653.91	4,340.79
SPAIN	Female	FTE 18	60.51		60.51	559.84	37.98	597.83	2,198.87	1,570.16	3,769.03	4,427.37
SPAIN	Men	FTE 19	145.84	0.98	146.82	701.21	53.33	754.55	2,002.72	1,150.60	3,153.31	4,054.68
SPAIN	Men	FTE 18	134.38	0.32	134.70	686.88	65.33	752.21	2,082.92	1,255.84	3,338.75	4,225.66
SPAIN	**Total**	**FTE 19**	**222.09**	**1.14**	**223.23**	**1,280.21**	**84.81**	**1,365.02**	**4,189.57**	**2,617.65**	**6,807.22**	**8,395.47**
SPAIN	**Total**	**FTE 18**	**194.89**	**0.32**	**195.21**	**1,246.72**	**103.31**	**1,350.03**	**4,281.79**	**2,826.00**	**7,107.79**	**8,653.03**
ASIA	Female	FTE 19	2.28		2.28	10.23	4.63	14.85	5.92	1.49	7.41	24.55
ASIA	Female	FTE 18	5.16		5.16	10.24	0.44	10.67	8.05	0.59	8.64	24.47
ASIA	Men	FTE 19	9.33	0.70	10.03	6.05		6.05	2.83		2.83	18.92
ASIA	Men	FTE 18	12.81		12.81	6.26		6.26	2.99		2.99	22.05
ASIA	**Total**	**FTE 19**	**11.61**	**0.70**	**12.32**	**16.28**	**4.63**	**20.91**	**8.75**	**1.49**	**10.24**	**43.47**
ASIA	**Total**	**FTE 18**	**17.97**		**17.97**	**16.50**	**0.44**	**16.93**	**11.04**	**0.59**	**11.62**	**46.53**
AMERICA	Female	FTE 19	12.40	0.20	12.60	217.84	22.47	240.30	2,081.61	831.42	2,913.03	3,165.94
AMERICA	Female	FTE 18	13.68		13.68	336.55	22.63	359.18	1,963.40	903.02	2,866.42	3,239.28
AMERICA	Men	FTE 19	37.67	1.30	38.96	349.64	44.59	394.24	4,433.84	1,268.42	5,702.26	6,135.47
AMERICA	Men	FTE 18	40.94	1.82	42.76	798.13	38.55	836.68	4,017.57	1,525.32	5,542.89	6,422.33
AMERICA	**Total**	**FTE 19**	**50.07**	**1.50**	**51.57**	**567.48**	**67.06**	**634.54**	**6,515.45**	**2,099.85**	**8,615.30**	**9,301.40**
AMERICA	**Total**	**FTE 18**	**54.62**	**1.82**	**56.44**	**1,134.67**	**61.18**	**1,195.86**	**5,980.97**	**2,428.33**	**8,409.31**	**9,661.60**
FINAL TOTAL		**FTE 19**	**332.32**	**4.58**	**336.90**	**2,352.67**	**186.24**	**2,538.90**	**12,347.70**	**4,980.67**	**17,328.36**	**20,204.17**
		FTE 18	**311.29**	**3.39**	**314.68**	**2,843.92**	**256.63**	**3,100.55**	**11,902.73**	**5,944.63**	**17,847.35**	**21,262.59**

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

GRI 405-1

WORKFORCE BY CATEGORY, AGE, REGION AND GENDER
AGGREGATED PERIMETER

AGE			SENIOR MANAGEMENT				MIDDLE MANAGEMENT				STAFF				TOTAL FINAL
REGION	GENDER	YEAR	< 30	30-50	> 50	Total	< 30	30-50	> 50	Total	< 30	30-50	> 50	Total	
EMEA	Female	FTE 19	0.37	13.57	1.87	15.81	56.55	239.30	25.96	321.82	943.76	885.72	110.68	1,940.15	**2,277.78**
EMEA	Female	FTE 18		7.20	1.00	8.20	44.33	222.68	21.26	288.27	1,109.11	890.29	95.61	2,095.01	**2,391.49**
EMEA	Men	FTE 19		32.76	18.37	51.13	44.88	299.52	42.87	387.27	916.70	1,046.58	124.28	2,087.56	**2,525.96**
EMEA	Men	FTE 18		26.12	18.30	44.42	44.40	301.04	31.90	377.33	1,012.69	1,000.63	109.82	2,123.14	**2,544.89**
EMEA	**Total**	**FTE 19**	**0.37**	**46.33**	**20.25**	**66.95**	**101.43**	**538.82**	**68.83**	**709.08**	**1,860.46**	**1,932.30**	**234.95**	**4,027.71**	**4,803.74**
EMEA	**Total**	**FTE 18**		**33.32**	**19.30**	**52.63**	**88.73**	**523.73**	**53.15**	**665.61**	**2,121.80**	**1,890.92**	**205.44**	**4,218.15**	**4,936.39**
CUBA	Female	FTE 19		1.00		1.00	12.00	107.00	37.00	156.00	1,641.37	3,025.28	739.00	5,405.65	**5,562.65**
CUBA	Female	FTE 18					12.00	89.00	40.00	141.00	1,470.00	3,077.00	618.00	5,165.00	**5,306.00**
CUBA	Men	FTE 19		15.90	9.00	24.90	14.00	159.25	61.00	234.25	1,668.00	3,147.06	1,156.62	5,971.68	**6,230.83**
CUBA	Men	FTE 18		16.84	10.00	26.84	10.00	154.17	53.00	217.17	1,375.00	3,336.08	1,079.00	5,790.08	**6,034.08**
CUBA	**Total**	**FTE 19**		**16.90**	**9.00**	**25.90**	**26.00**	**266.25**	**98.00**	**390.25**	**3,309.37**	**6,172.34**	**1,895.62**	**11,377.33**	**11,793.48**
CUBA	**Total**	**FTE 18**		**16.84**	**10.00**	**26.84**	**22.00**	**243.17**	**93.00**	**358.17**	**2,845.00**	**6,413.08**	**1,697.00**	**10,955.08**	**11,340.08**
SPAIN	Female	FTE 19	2.00	71.73	9.88	83.61	40.01	529.45	207.22	776.67	1,041.59	2,985.08	1,241.56	5,268.24	**6,128.51**
SPAIN	Female	FTE 18		54.01	8.41	62.43	44.62	513.79	201.47	759.89	1,115.22	2,968.68	1,217.38	5,301.29	**6,123.60**
SPAIN	Men	FTE 19	3.00	116.62	53.44	173.06	62.09	680.75	289.20	1,032.04	1,045.69	2,348.07	1,229.83	4,623.59	**5,828.70**
SPAIN	Men	FTE 18		94.46	54.29	148.75	62.81	679.05	292.78	1,034.65	1,043.26	2,438.79	1,285.29	4,767.35	**5,950.74**
SPAIN	**Total**	**FTE 19**	**5.00**	**188.35**	**63.31**	**256.67**	**102.10**	**1,210.19**	**496.42**	**1,808.71**	**2,087.29**	**5,333.16**	**2,471.39**	**9,891.83**	**11,957.21**
SPAIN	**Total**	**FTE 18**		**148.47**	**62.71**	**211.18**	**107.44**	**1,192.85**	**494.25**	**1,794.53**	**2,158.48**	**5,407.47**	**2,502.68**	**10,068.63**	**12,074.34**
ASIA	Female	FTE 19		7.46	2.00	9.46	39.09	174.38	18.70	232.17	714.57	765.39	109.28	1,589.24	**1,830.86**
ASIA	Female	FTE 18		7.54	2.00	9.54	43.22	174.51	16.02	233.76	678.62	715.95	104.26	1,498.84	**1,742.13**
ASIA	Men	FTE 19		27.28	4.21	31.49	32.11	295.21	54.79	382.12	930.50	1,353.61	329.86	2,613.97	**3,027.59**
ASIA	Men	FTE 18		26.11	2.76	28.87	47.43	307.53	53.13	408.09	939.17	1,414.99	296.07	2,650.23	**3,087.19**
ASIA	**Total**	**FTE 19**		**34.74**	**6.21**	**40.95**	**71.21**	**469.59**	**73.49**	**614.29**	**1,645.07**	**2,119.00**	**439.14**	**4,203.21**	**4,858.45**
ASIA	**Total**	**FTE 18**		**33.65**	**4.76**	**38.41**	**90.65**	**482.04**	**69.15**	**641.85**	**1,617.79**	**2,130.94**	**400.34**	**4,149.06**	**4,829.33**
AMERICA	Female	FTE 19		18.98	3.58	22.56	25.98	292.69	53.28	371.95	1,556.35	2,283.13	359.83	4,199.31	**4,593.82**
AMERICA	Female	FTE 18		15.86	3.82	19.68	73.93	371.75	56.83	502.51	1,628.48	2,240.16	348.83	4,217.46	**4,739.65**
AMERICA	Men	FTE 19		37.22	20.07	57.29	35.11	405.65	100.56	541.32	2,715.39	3,766.14	630.86	7,112.40	**7,711.01**
AMERICA	Men	FTE 18		30.58	25.40	55.98	88.85	771.77	157.45	1,018.07	2,894.15	3,532.73	544.96	6,971.84	**8,045.89**
AMERICA	**Total**	**FTE 19**		**56.20**	**23.66**	**79.85**	**61.09**	**698.34**	**153.84**	**913.26**	**4,271.74**	**6,049.27**	**990.69**	**11,311.71**	**12,304.83**
AMERICA	**Total**	**FTE 18**		**46.44**	**29.22**	**75.66**	**162.78**	**1,143.52**	**214.28**	**1,520.58**	**4,522.62**	**5,772.89**	**893.79**	**11,189.30**	**12,785.55**
FINAL TOTAL		**FTE 19**	**5.37**	**342.53**	**122.43**	**470.32**	**361.83**	**3,183.19**	**890.57**	**4,435.59**	**13,173.92**	**21,606.07**	**6,031.80**	**40,811.80**	**45,717.71**
		FTE 18		**278.72**	**125.99**	**404.71**	**471.60**	**3,585.31**	**923.83**	**4,980.74**	**13,265.69**	**21,615.30**	**5,699.23**	**40,580.23**	**45,965.68**

GRI 405-1

WORKFORCE BY CATEGORY, AGE, REGION AND GENDER
CONSOLIDATED PERIMETER

AGE			SENIOR MANAGEMENT				MIDDLE MANAGEMENT				STAFF				TOTAL FINAL
REGION	GENDER	YEAR	< 30	30-50	> 50	Total	< 30	30-50	> 50	Total	< 30	30-50	> 50	Total	
EMEA	Female	FTE 19	0.37	10.07	1.87	12.32	51.67	178.77	21.65	252.10	388.31	405.74	85.63	879.69	**1,144.10**
EMEA	Female	FTE 18		6.00	1.00	7.00	38.88	181.74	19.07	239.69	562.91	448.94	75.36	1,087.22	**1,333.90**
EMEA	Men	FTE 19		21.85	14.62	36.47	33.18	189.87	31.04	254.09	367.33	509.97	102.79	980.09	**1,270.65**
EMEA	Men	FTE 18		19.47	15.60	35.07	33.75	207.57	25.71	267.04	484.29	526.57	95.49	1,106.34	**1,408.45**
EMEA	**Total**	**FTE 19**	**0.37**	**31.93**	**16.50**	**48.79**	**84.85**	**368.65**	**52.69**	**506.19**	**755.64**	**915.71**	**188.42**	**1,859.77**	**2,414.75**
EMEA	**Total**	**FTE 18**		**25.47**	**16.60**	**42.07**	**72.63**	**389.31**	**44.79**	**506.73**	**1,047.20**	**975.51**	**170.85**	**2,193.56**	**2,742.35**
CUBA	Female	FTE 19		1.00		1.00		3.00		3.00	0.37	10.28	1.00	11.65	**15.65**
CUBA	Female	FTE 18						2.00		17.00		4.00		67.00	**84.00**
CUBA	Men	FTE 19						8.25	1.00	9.25		22.56	1.62	24.18	**33.43**
CUBA	Men	FTE 18		2.00	1.00	3.00		5.00		14.00		13.08		58.08	**75.08**
CUBA	**Total**	**FTE 19**		**1.00**		**1.00**		**11.25**	**1.00**	**12.25**	**0.37**	**32.84**	**2.62**	**35.83**	**49.08**
CUBA	**Total**	**FTE 18**		**2.00**	**1.00**	**3.00**		**7.00**		**31.00**		**17.08**		**125.08**	**159.08**
SPAIN	Female	FTE 19	2.00	64.54	9.88	76.41	33.91	429.00	147.56	610.47	737.03	2,117.18	799.70	3,653.91	**4,340.79**
SPAIN	Female	FTE 18		52.10	8.41	60.51	34.78	419.99	143.06	597.83	804.87	2,165.83	798.33	3,769.03	**4,427.37**
SPAIN	Men	FTE 19	1.58	101.95	43.29	146.82	43.24	508.91	202.39	754.55	755.54	1,650.67	747.10	3,153.31	**4,054.68**
SPAIN	Men	FTE 18		89.20	45.50	134.70	46.46	503.77	201.98	752.21	765.75	1,767.50	805.50	3,338.75	**4,225.66**
SPAIN	**Total**	**FTE 19**	**3.58**	**166.49**	**53.16**	**223.23**	**77.15**	**937.91**	**349.96**	**1,365.02**	**1,492.57**	**3,767.85**	**1,546.79**	**6,807.22**	**8,395.47**
SPAIN	**Total**	**FTE 18**		**141.30**	**53.91**	**195.21**	**81.24**	**923.76**	**345.04**	**1,350.03**	**1,570.62**	**3,933.33**	**1,603.83**	**7,107.79**	**8,653.03**
ASIA	Female	FTE 19		1.28	1.00	2.28	2.41	12.12	0.33	14.85	3.24	4.16		7.41	**24.55**
ASIA	Female	FTE 18		3.16	2.00	5.16	1.50	9.17		10.67	2.87	5.76		8.64	**24.47**
ASIA	Men	FTE 19		8.70	1.33	10.03		6.05		6.05	2.00	0.83		2.83	**18.92**
ASIA	Men	FTE 18		11.81	1.00	12.81		6.26		6.26	1.46	1.53		2.99	**22.05**
ASIA	**Total**	**FTE 19**		**9.98**	**2.33**	**12.32**	**2.41**	**18.17**	**0.33**	**20.91**	**5.24**	**5.00**		**10.24**	**43.47**
ASIA	**Total**	**FTE 18**		**14.97**	**3.00**	**17.97**	**1.50**	**15.43**		**16.93**	**4.33**	**7.29**		**11.62**	**46.53**
AMERICA	Female	FTE 19		10.02	2.58	12.60	13.76	192.29	34.25	240.30	1,190.58	1,569.00	153.45	2,913.03	**3,165.94**
AMERICA	Female	FTE 18		10.86	2.82	13.68	53.73	267.79	52.66	359.18	1,215.04	1,505.04	209.34	2,866.42	**3,239.28**
AMERICA	Men	FTE 19		24.16	14.81	38.96	27.43	294.24	72.58	394.24	2,176.46	3,051.70	474.10	5,702.26	**6,135.47**
AMERICA	Men	FTE 18		22.45	20.31	42.76	73.21	637.98	134.49	836.68	2,304.62	2,841.42	441.84	5,542.89	**6,422.33**
AMERICA	**Total**	**FTE 19**		**34.18**	**17.39**	**51.57**	**41.18**	**486.53**	**106.83**	**634.54**	**3,367.03**	**4,620.70**	**627.56**	**8,615.30**	**9,301.40**
AMERICA	**Total**	**FTE 18**		**33.32**	**23.12**	**56.44**	**126.94**	**905.77**	**187.16**	**1,195.86**	**3,519.66**	**4,346.46**	**651.18**	**8,409.31**	**9,661.60**
FINAL TOTAL		**FTE 19**	**3.95**	**243.57**	**89.39**	**336.90**	**205.59**	**1,822.51**	**510.80**	**2,538.90**	**5,620.86**	**9,342.10**	**2,365.40**	**17,328.36**	**20,204.17**
		FTE 18		**217.05**	**97.63**	**314.68**	**282.31**	**2,241.27**	**576.98**	**3,100.55**	**6,141.82**	**9,279.67**	**2,425.86**	**17,847.35**	**21,262.59**

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

GRI 401-1

NEW CONTRACTS: TYPE OF CONTRACTS BY GENDER, AGE AND PROFESSIONAL CATEGORY
AGGREGATED PERIMETER

	PERMANENT		TOTAL	TEMPORARY		TOTAL
	Female	Men		Female	Men	
MANAGEMENT	8.7%	91.3%	84.3%	28.4%	71.6%	15.7%
< 30	100.0%	0.0%	100.0%		0.0%	0,0%
> 50	0.0%	100.0%	83.0%	49.3%	50.7%	17.0%
30 - 50	10.0%	90.0%	84.4%	24.3%	75.7%	15.6%
MIDDLE MANAGEMENT	41.9%	58.1%	74.2%	45.9%	54.1%	25.8%
< 30	55.2%	44.8%	73.4%	30.5%	69.5%	26.6%
> 50	39.9%	60.1%	73.2%	49.6%	50.4%	26.8%
30 - 50	38.4%	61.6%	74.5%	50.0%	50.0%	25.5%
STAFF	40.7%	59.3%	54.2%	48.7%	51.3%	45.8%
< 30	40.7%	59.3%	58.6%	44.9%	55.1%	41.4%
> 50	39.7%	60.3%	37.5%	57.2%	42.8%	62.5%
30 - 50	40.7%	59.3%	49.4%	52.2%	47.8%	50.6%
TOTAL GENERAL	40.6%	59.4%	55.7%	48.5%	51.5%	44.3%

GRI 401-1

NEW CONTRACTS: TYPE OF CONTRACTS BY GENDER, AGE AND PROFESSIONAL CATEGORY
CONSOLIDATED PERIMETER

	PERMANENT		TOTAL	TEMPORARY		TOTAL
	Female	Men		Female	Men	
MANAGEMENT	0.7%	99.3%	72.5%	10.1%	89.9%	27.5%
< 30	100.0%	0.0%	100.0%		0.0%	0,0%
> 50	0.0%	100.0%	52.1%	49.3%	50.7%	47.9%
30 - 50	0.0%	100.0%	75.1%	0.0%	100.0%	24.9%
MIDDLE MANAGEMENT	36.1%	63.9%	52.7%	44.6%	55.4%	47.3%
< 30	61.2%	38.8%	48.8%	31.5%	68.5%	51.2%
> 50	3.5%	96.5%	58.8%	36.3%	63.7%	41.2%
30 - 50	30.8%	69.2%	53.7%	49.8%	50.2%	46.3%
STAFF	36.0%	64.0%	38.4%	47.4%	52.6%	61.6%
< 30	36.7%	63.3%	41.3%	44.1%	55.9%	58.7%
> 50	34.9%	65.1%	26.6%	56.0%	44.0%	73.4%
30 - 50	35.0%	65.0%	35.6%	50.6%	49.4%	64.4%
TOTAL GENERAL	35.8%	64.2%	39.3%	47.3%	52.7%	60.7%

GRI 401-1

NEW CONTRACTS: EMPLOYMENT TYPE BY GENDER, AGE AND PROFESSIONAL CATEGORY
AGGREGATED PERIMETER

	FULL-TIME		TOTAL	PART-TIME		TOTAL
	Female	Men		Female	Men	
MANAGEMENT	11.8%	88.2%	100.0%			0.0%
< 30	100.0%	0.0%	100.0%			0.0%
> 50	8.4%	91.6%	100.0%			0.0%
30 - 50	12.2%	87.8%	100.0%			0.0%
MIDDLE MANAGEMENT	42.7%	57.3%	99.4%	84.5%	15.5%	0.6%
< 30	47.8%	52.2%	98.1%	90.1%	9.9%	1.9%
> 50	42.5%	57.5%	100.0%			0.0%
30 - 50	41.3%	58.7%	99.7%	75.9%	24.1%	0.3%
STAFF	43.8%	56.2%	97.2%	63.3%	36.7%	2.8%
< 30	42.0%	58.0%	97.6%	59.1%	40.9%	2.4%
> 50	49.5%	50.5%	95.7%	76.5%	23.5%	4.3%
30 - 50	45.8%	54.2%	96.7%	66.0%	34.0%	3.3%
TOTAL GENERAL	43.6%	56.4%	97.3%	63.7%	36.3%	2.7%

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

GRI 401-1

NEW CONTRACTS: EMPLOYMENT TYPE BY GENDER, AGE AND PROFESSIONAL CATEGORY
CONSOLIDATED PERIMETER

	FULL-TIME		TOTAL	PART-TIME		TOTAL
	Female	Men		Female	Men	
SENIOR MANAGEMENT	3.3%	96.7%	100.0%			0.0%
< 30	100.0%	0.0%	100.0%			0.0%
> 50	23.6%	76.4%	100.0%			0.0%
30 - 50	0.0%	100.0%	100.0%			0.0%
MIDDLE MANAGEMENT	39.4%	60.6%	98.6%	88.9%	11.1%	1.4%
< 30	44.2%	55.8%	96.3%	90.1%	9.9%	3.7%
> 50	17.0%	83.0%	100.0%			0.0%
30 - 50	39.3%	60.7%	99.3%	86.9%	13.1%	0.7%
STAFF	42.2%	57.8%	96.2%	63.6%	36.4%	3.8%
< 30	40.4%	59.6%	96.7%	59.7%	40.3%	3.3%
> 50	48.9%	51.1%	94.5%	76.5%	23.5%	5.5%
30 - 50	44.1%	55.9%	95.7%	66.0%	34.0%	4.3%
TOTAL GENERAL	42.0%	58.0%	96.4%	64.1%	35.9%	3.6%

GRI 404-3

PERFORMANCE
AGGREGATED PERIMETER

	SPAIN		TOTAL	EMEA		TOTAL	AMERICA		TOTAL	ASIA		TOTAL	GRAND TOTAL
	Female	Men		Female	Men		Female	Men		Female	Men		
CORPORATE OFFICES	461	334	795	41	13	54	51	63	114	24	18	42	1,005
Management	37	58	95	1	2	3	6	13	19	2	10	12	129
Middle Management	140	146	286	25	8	33	33	40	73	13	6	19	411
Staff	284	130	414	15	3	18	12	10	22	9	2	11	465
HOTEL	402	548	950	203	247	450	229	295	524	65	104	169	2,093
Management	38	93	131	10	37	47	15	36	51	8	19	27	256
Middle Management	327	430	757	167	196	363	203	253	456	55	82	137	1,713
Staff	37	25	62	26	14	40	11	6	17	2	3	5	124
CLUB MELIÁ							5	12	17				17
Middle Management							4	8	12				12
Staff							1	4	5				5
OTHER ACTIVITIES	14	15	29		1	1	3	3	6				36
Management		3	3										3
Middle Management	9	10	19		1	1	3	3	6				26
Staff	5	2	7										7
Total general	877	897	1,774	244	261	505	288	373	661	89	122	211	3,151

GRI 404-3

PERFORMANCE
CONSOLIDATED PERIMETER

	SPAIN		TOTAL	EMEA		TOTAL	AMERICA		TOTAL	ASIA		TOTAL	GRAND TOTAL
	Female	Men		Female	Men		Female	Men		Female	Men		
CORPORATE OFFICES	460	334	794	41	13	54	51	63	114	24	18	42	1,004
Management	37	58	95	1	2	3	6	13	19	2	10	12	129
Middle Management	140	146	286	25	8	33	33	40	73	13	6	19	411
Staff	283	130	413	15	3	18	12	10	22	9	2	11	464
HOTEL	319	402	721	155	161	316	123	186	309				1,346
Management	32	70	102	8	25	33	5	20	25				160
Middle Management	253	307	560	125	125	250	111	162	273				1,083
Staff	34	25	59	22	11	33	7	4	11				103
CLUB MELIÁ							5	12	17				17
Middle Management							4	8	12				12
Staff							1	4	5				5
OTHER ACTIVITIES	10	8	18		1	1	3	2	5				24
Management		1	1										1
Middle Management	6	5	11		1	1	3	2	5				17
Staff	4	2	6										6
Total general	789	744	1,533	196	175	371	182	263	445	24	18	42	2,391

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

GRI 202-2

LOCAL DIRECTORS BY REGION

AGGREGATED PERIMETER

	GENDER	AMERICA	ASIA	CUBA	EMEA	SPAIN	TOTAL
FOREIGN	Female	12.01	7.46	1.00	5.75	6.03	**32.25**
	Men	31.31	21.72	14.49	18.26	16.3	**102.08**
	Total	43.32	29.18	15.49	24.00	22.33	**134.33**
DOMESTIC	Female	10.55	2.00		10.07	77.58	**100.20**
	Men	25.98	9.78	10.41	32.87	156.76	**235.80**
	Total	36.53	11.78	10.41	42.94	234.34	**335.99**
TOTAL		**79.85**	**40.95**	**25.90**	**66.95**	**256.67**	**470.32**

GRI 202-2

LOCAL DIRECTORS BY REGION

CONSOLIDATED PERIMETER

	GENDER	AMERICA	ASIA	CUBA	EMEA	SPAIN	TOTAL
FOREIGN	Female	11.60	2.28	1.00	3.00	5.19	**23.08**
	Men	24.73	8.03		5.94	13.68	**52.39**
	Total	36.34	10.32	1.00	8.94	18.88	**75.47**
DOMESTIC	Female	1.00			9.32	71.22	**81.54**
	Men	14.23	2.00		30.53	133.13	**179.90**
	Total	15.23	2.00		39.85	204.35	**261.43**
TOTAL		**51.57**	**12.32**	**1.00**	**48.79**	**223.23**	**336.90**

GRI 401-3

WORKFORCE ON PATERNITY MATERNITY LEAVE

AGGREGATED PERIMETER

	Employees who have received parental leave			Employees who have returned to work			Employees who remain in the company 12 months later			Return rate			Retention rate		
	Men	Female	Total	Men	Female	Total	Men	Female	Total	Men	Female	Total	Men	Female	Total
AMERICA	195	203	**398**	162	179	**341**	115	133	**248**	83%	88%	**86%**	59%	66%	**62%**
ASIA	94	25	**119**	90	25	**115**	86	25	**111**	96%	100%	**97%**	91%	100%	**93%**
EMEA	63	7	**70**	61	7	**68**	60	7	**67**	97%	100%	**97%**	95%	100%	**96%**
SPAIN	155	147	**302**	147	123	**270**	134	112	**246**	95%	84%	**89%**	86%	76%	**81%**
Total general	**507**	**382**	**889**	**460**	**334**	**794**	**395**	**277**	**672**	**91%**	**87%**	**89%**	**78%**	**73%**	**76%**

GRI 401-3

WORKFORCE ON PATERNITY MATERNITY LEAVE

CONSOLIDATED PERIMETER

	Employees who have received parental leave			Employees who have returned to work			Employees who remain in the company 12 months later			Return rate			Retention rate		
	Men	Female	Total	Men	Female	Total	Men	Female	Total	Men	Female	Total	Men	Female	Total
AMERICA	172	185	**357**	140	161	**301**	94	115	**209**	81%	87%	**84%**	55%	62%	**59%**
EMEA	56	7	**63**	54	7	**61**	53	7	**60**	96%	100%	**97%**	95%	100%	**95%**
SPAIN	136	131	**267**	129	110	**239**	118	101	**219**	95%	84%	**90%**	87%	77%	**82%**
Total general	**364**	**323**	**687**	**323**	**278**	**601**	**265**	**223**	**488**	**89%**	**86%**	**87%**	**73%**	**69%**	**71%**

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

VOLUNTARY ROTATION RATE TO AVERAGE WORKFORCE BY AGE, GENDER AND REGION
AGGREGATED PERIMETER

INDICATORS	AGE	AMERICA		ASIA		CUBA		EMEA		SPAIN		TOTAL
		Female	Men	Female	Men	Female	Men	Female	Men	Female	Men	
VOLUNTARY ROTATION	Total	30.8%	28.1%	3.8%	2.9%	13.7%	35.0%	16.1%	17.2%	5.9%	7.4%	17.1%
	< 30	40.3%	35.9%	5.0%	3.3%	13.8%	43.6%	18.0%	17.5%	9.0%	9.7%	22.8%
	30 - 50	7.1%	9.8%	5.2%	2.8%	15.5%	39.7%	9.6%	11.9%	3.5%	6.6%	16.5%
	> 50	26.7%	24.2%	2.4%	2.6%	6.1%	11.6%	14.8%	17.7%	5.5%	6.5%	13.1%
ROTATION	Total	43.3%	46.1%	18.3%	16.2%	13.7%	35.2%	28.3%	29.2%	51.8%	45.2%	38.2%
	< 30	53.5%	55.3%	25.5%	21.1%	13.8%	43.6%	32.2%	33.0%	72.0%	72.0%	48.1%
	30 - 50	14.8%	26.1%	15.7%	8.8%	15.5%	39.7%	21.5%	21.3%	30.9%	22.0%	25.9%
	> 50	39.3%	41.3%	12.0%	14.6%	6.1%	12.5%	24.9%	27.1%	51.4%	41.5%	36.3%
REGISTRATIONS	Total	26.1%	26.3%	26.9%	20.3%	22.8%	60.6%	29.4%	30.0%	26.7%	25.1%	29.2%
	< 30	37.3%	39.6%	35.5%	32.4%	28.8%	99.5%	38.2%	39.1%	41.9%	44.1%	43.1%
	30 - 50	6.2%	6.2%	8.5%	4.7%	23.2%	57.6%	19.8%	13.6%	12.7%	9.6%	24.9%
	> 50	20.3%	18.0%	21.3%	15.7%	8.2%	16.8%	21.2%	24.6%	25.7%	22.1%	20.9%

Rotation calculations not including Cuba and Meliá Castilla

GRI 401-1

VOLUNTARY ROTATION RATE TO AVERAGE WORKFORCE BY AGE, GENDER AND REGION
CONSOLIDATED PERIMETER

INDICATORS	AGE	AMERICA		ASIA		CUBA		EMEA		SPAIN		TOTAL
		Female	Men	Female	Men	Female	Men	Female	Men	Female	Men	
VOLUNTARY ROTATION	Total	38.3%	31.4%	9.7%	8.7%	21.1%	7.9%	23.3%	24.4%	4.9%	6.1%	18.7%
	< 30	46.5%	40.0%	0.0%	0.0%	0.0%	-	27.3%	27.5%	7.4%	7.7%	27.9%
	30 - 50	13.5%	11.1%	50.0%	0.0%	0.0%	33.3%	9.7%	13.0%	2.7%	5.0%	5.8%
	> 50	33.6%	26.8%	9.5%	10.5%	23.5%	5.7%	21.6%	24.2%	4.7%	5.7%	16.2%
ROTATION	Total	49.7%	49.8%	12.9%	13.0%	21.1%	13.2%	33.0%	34.7%	42.2%	36.3%	42.9%
	< 30	58.2%	59.3%	12.5%	0.0%	0.0%	-	37.8%	40.6%	56.7%	57.4%	55.7%
	30 - 50	22.4%	29.7%	50.0%	0.0%	0.0%	33.3%	22.9%	22.4%	25.0%	16.9%	22.4%
	> 50	45.0%	44.3%	9.5%	15.8%	23.5%	11.4%	30.1%	32.7%	42.4%	34.1%	40.2%
REGISTRATIONS	Total	29.6%	27.6%	19.4%	4.3%	5.3%	5.3%	33.4%	32.2%	21.1%	18.9%	24.7%
	< 30	39.7%	41.3%	62.5%	0.0%	100.0%	-	47.6%	44.0%	31.4%	33.0%	38.4%
	30 - 50	9.7%	6.4%	0.0%	0.0%	0.0%	0.0%	19.4%	13.5%	9.2%	5.1%	7.8%
	> 50	22.9%	18.7%	4.8%	5.3%	0.0%	5.7%	22.2%	27.1%	21.1%	17.8%	20.3%

DISMISSALS TABLE
CONSOLIDATED

People	Female	Men	Total
Management	2	10	12
30 - 50		6	6
> 50	2	4	6
Middle Management	23	46	69
< 30	1	2	3
30 - 50	19	36	55
> 50	3	8	11
Staff	151	315	466
< 30	50	168	218
30 - 50	79	125	204
> 50	22	22	44
TOTAL GENERAL	176	371	547

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

GRI 404-1

TRAINING
CONSOLIDATED PERIMETER

	TOTAL PARTICIPANTS	TOTAL HOURS	TOTAL AVERAGE WORKFORCE	HOURS / EMPLOYEE
MEN	38,701.00	141,821.75	8,691.02	16.32
FEMALE	34,170.00	148,714.76	11,513.15	12.92
SENIOR MANAGEMENT	1,571.00	6,035.70	336.90	17.92
MIDDLE MANAGEMENT	9,623.00	61,621.09	2,538.90	24.27
STAFF	61,677.00	222,879.71	17,328.36	12.86

Each participant on each course counts once.

GRI 405-2

GAP BY PROFESSIONAL CATEGORY & COUNTRY
CONSOLIDATED PERIMETER

FIXED REMUNERATION	Spain	Dominican	Mexico	Germany	France	Italy	United Kingdom	Brazil	Chinese	USA
BUSINESS										
HOTEL MANAGEMENT	0.79	0.73	0.93	0.62	0.90		1.10			
MIDDLE MANAGEMENT	0.93	1.12	1.16	0.94	0.96	0.98	0.90			
STAFF	0.98	1.05	1.04	0.72	1.08	0.98	0.99			
CORPORATE OFFICES										
TOP MANAGEMENT	0.84									
MANAGEMENT/EXPERT	0.93								0.78	0.78
MIDDLE MANAGEMENT/SPECIALIST	0.88	0.70	0.67	0.61	0.86	1.14	0.99	0.56	1.10	0.92
TECHNICIAN/COORDINATOR	0.92	1.10	0.86	0.89	0.86		1.67	1.07	0.52	1.08
STAFF	0.97	0.78	0.86	0.79						

TOTAL REMUNERATION	Spain	Dominican	Mexico	Germany	France	Italy	United Kingdom	Brazil	Chinese	USA
BUSINESS										
HOTEL MANAGEMENT	0.79	0.70	0.94	0.59	0.89		1.13			
MIDDLE MANAGEMENT	0.93	1.13	1.18	0.92	0.96	0.98	0.91			
STAFF	0.98	1.05	1.04	0.71	1.09	0.98	1.00			
CORPORATE OFFICES										
TOP MANAGEMENT	1.00									
MANAGEMENT/EXPERT	0.91								0.73	1.00
MIDDLE MANAGEMENT/SPECIALIST	0.89	0.68	0.67	0.61	0.86	1.12	1.03	0.57	1.07	0.91
TECHNICIAN/COORDINATOR	0.93	1.13	0.84	0.89	0.86		1.93	1.07	0.52	1.08
STAFF	0.97	0.78	0.86	0.78						

In the gap ratio, countries with a low workforce (Luxembourg, Austria, Peru, Croatia and Bulgaria) have not reported, but they are included in the gap calculations by age and by category. Venezuela is also not included due to the hyperinflation situation in the country.

GRI 202-1

MINIMUM SALARY PAID / MINIMUM SALARY FOR COUNTRY

INDICATOR	Spain	France	United Kingdom	Italy	Germany	Dominican Rep.	Mexico	Brazil
BASE SALARY / MINIMUM SALARY	1.07	1.00	1.00	1.01	1.00	1.00	1.00	1.43

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

GRI 405-2

AVERAGE REMUNERATION & GAP (BY PROFESSIONAL CATEGORY)

CONSOLIDATED PERIMETER

PROFESSIONAL CATEGORY	AVERAGE SALARY		GAP
	Female	Men	
SENIOR MANAGEMENT	88,241 €	115,645 €	0.76
MIDDLE MANAGEMENT	40,044 €	39,855 €	1.00
STAFF	15,936 €	12,877 €	1.24

GRI 405-2

AVERAGE REMUNERATION & GAP (BY AGE)

CONSOLIDATED PERIMETER

AGE RANGE	AVERAGE SALARY		GAP
	Female	Men	
<30	16,211 €	11,599 €	1.36
>50	22,404 €	27,280 €	0.86
>30 < 50	19,455 €	18,903 €	1.07

GRI 403-2

REPRESENTATION ON OCCUPATIONAL HEALTH & SAFETY COMMITTEES

CONSOLIDATED PERIMETER

	TOTAL WORKFORCE	REPRESENTED WORKFORCE	%
SPAIN	8,395.47	8,019.46	95.52%
EMEA	2,414.75	558.41	28.09%
ASIA	43.47	-	0.00%
CUBA	49.08	-	0.00%
AMERICA	9,301.40	3,803.71	55.41%
TOTAL GENERAL	**20,204.17**	**12,381.58**	**69.21%**

GRI 403-2

OCCUPATIONAL HEALTH INDEX

CONSOLIDATED PERIMETER

	INCIDENT INDEX						TOTAL		
	Female			Men					
	2019	2018	2017	2019	2018	2017	2019	2018	2017
AMERICA	76.00	76.69		31.64	60.68		46.18	66.10	
EMEA	61.84	43.48		121.85	43.31		93.05	43.09	
SPAIN	58.75	62.41	55.55	47.11	47.73	49.57	53.12	55.24	52.55
ASIA	0.00	0.00		0.00	0.00		0.00	0.00	
BRAZIL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

	FREQUENCY INDEX						TOTAL		
	Female			Men					
	2019	2018	2017	2019	2018	2017	2019	2018	2017
AMERICA	36.61	38.56		16.72	34.04		23.65	35.68	
EMEA	40.29	30.94		83.29	30.91		62.14	30.92	
SPAIN	33.09	38.02	31.21	26.25	26.64	27.57	29.77	32.19	29.37
ASIA	0.00	0.00		0.00	0.00		0.00	0.00	
BRAZIL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

	SEVERITY INDEX						TOTAL		
	Female			Men					
	2019	2018	2017	2019	2018	2017	2019	2018	2017
AMERICA	0.60	0.40		0.33	0.42		0.45	0.41	
EMEA	0.27	0.12		0.24	0.25		0.26	0.18	
SPAIN	0.52	0.61	0.49	0.43	0.50	0.43	0.48	0.55	0.46
ASIA	0.00	0.00		0.00	0.00		0.00	0.00	
BRAZIL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

In itinere accidents not included

Mr. Luis María Díaz de Bustamante y Terminel
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GRI 403-2

OCCUPATIONAL HEALTH INDEX
CONSOLIDATED PERIMETER

	AVERAGE DURATION						TOTAL		
	Female			Men					
	2019	2018	2017	2019	2018	2017	2019	2018	2017
AMERICA	16.39	10.30		22.14	12.23		19.03	11.47	
EMEA	6.75	3.79		2.93	7.98		4.15	5.94	
SPAIN	15.73	15.97	15.61	16.32	18.66	15.72	15.98	17.10	15.66
ASIA	0.00	0.00		0.00	0.00		0.00	0.00	
BRAZIL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

	ABSENCE DUE TO WORK ACCIDENT						TOTAL		
	Female			Men					
	2019	2018	2017	2019	2018	2017	2019	2018	2017
AMERICA	0.48%	0.32%		0.30%	0.33%		0.36%	0.33%	
EMEA	0.24%	0.12%		0.18%	0.15%		0.21%	0.13%	
SPAIN	0.42%	0.40%	0.39%	0.34%	0.49%	0.35%	0.38%	0.44%	0.37%
ASIA	0.00%	0.00%		0.00%	0.00%		0.00%	0.00%	
BRAZIL	0.00%	0.00%	0.00	0.00%	0.00%	0.00	0.00%	0.00%	

	ABSENCE DUE TO COMMON CAUSE						TOTAL		
	Female			Men					
	2019	2018	2017	2019	2018	2017	2019	2018	2017
AMERICA	s/d	s/d		s/d	s/d		s/d	s/d	
EMEA	s/d	s/d		s/d	s/d		s/d	s/d	
SPAIN	5.91%	4.74%	3.10%	3.76%	3.17%	2.37%	4.86%	3.94%	2.73%
ASIA		s/d			s/d			s/d	
BRAZIL	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

In itinere accidents not included

GRI 403-2

ABSENTEEISM TABLE

	ABSENTEEISM						TOTAL		
	Female			Men					
	2019	2018	2017	2019	2018	2017	2019	2018	2017
AMERICA	s/d	s/d		s/d	s/d		s/d	s/d	
EMEA	s/d	s/d		s/d	s/d		s/d	s/d	
SPAIN	6.32%	5.22%	3.49%	4.10%	3.57%	2.72%	5.25%	4.38%	3.10%
ASIA		s/d			s/d			s/d	
BRAZIL	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

In itinere accidents not included

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GRI 403-2

OCCUPATIONAL ILLNESS
SPAIN

GENDER	AVERAGE WORKFORCE	LOST DAYS	HOURS WORKED	LOST HOURS
Men	4,054.68	276.00	7,274,879.73	2,208
Female	4,340.79	1,638.00	7,706,356.25	13,104
TOTAL	8,395.47	1,914.00	14,981,235.98	15,312

Note: The estimate of effective annual hours of work takes into account applicable labour regulations in each country and, where appropriate, any applicable collective bargaining agreements.

GRI 403-2

COMMON CAUSE & WORKPLACE
SPAIN

	2012-2019 average
Men	298,472.29
Female	487,300.18
TOTAL	785,772.47

Includes absenteeism caused by accident at work and occupational diseases.

GRI 403-2

WORKPLACE CAUSE
REST

	2012-2019 average
Men	28,536.50
Female	25,971.00
TOTAL	54,507.50

Includes absenteeism caused by common illness (with or without hospitalisation) and non-work-related accidents.

GRI 403-2

OCCUPATIONAL ILLNESS
SPAIN

OCCUPATIONAL ILLNESS	GENDER	RESULT
	Men	0.27
	Female	1.04
Frequency rate	TOTAL	0.67
	Men	0.04
	Female	0.21
Severity Index	TOTAL	0.13

GRI 403-2

ABSENTEEISM DUE TO OCCUPATIONAL ILLNESS
SPAIN

GENDER	RESULT
Men	0.03%
Female	0.17%
TOTAL	0.10%

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CONSOLIDATED PERIMETER

EMISSION REDUCTION (SCOPE 1 + 2)

GRI 305-5	2012-2019 average	2012-2019 average vs 2007-2011	2007-2011 average
CO Emissions2 (Kg)	153,787,616.33	-7.69%	166,607,305.09
Emissions per Stay (Kg)	13.14	-14.46%	15.36

REDUCTION OF ENERGY USE

GRI 302-4	2012-2019 average	2012-2019 average vs 2007-2011	2007-2011 average
D. Cooling (kWh)	37,551,435.50	5776.04%	639,059.83
D. Heating (kWh)	25,066,006.02	92.88%	12,995,544.54
Propane (Kg)	2,718,236.30	-13.50%	3,142,649.92
Natural Gas (m3)	7,383,733.93	10.52%	6,680,960.32
Diesel (l)	2,868,154.65	-39.60%	4,748,333.33

REDUCTION IN WATER USE

GRI 303-5	2012-2019 average	2012-2019 average vs 2007-2011	2007-2011 average
Water Use (m^3)	6,336,515.11	-3.02%	6,533,699.38
Consumption per stay (m^3)	0.54	-10.12%	0.60

REDUCTION IN ELECTRICITY USE

GRI 302-4	2012-2019 average	2012-2019 average vs 2007-2011	2007-2011 average
Electricity Consumption (kWh)	232,447,289.40	-10.05%	258,427,221.93
Consumption per Stay (kWh)	19.86	-16.64%	23.82

CARBON FOOTPRINT GRI 305-1; 305-2; 305-3

Scopes (tCO_2)	2018	2019
Scope 1	36,698	37,069
Scope 2	148,143	81,923
Scope 3	38,535	367,565
TOTAL	223,376	486,557

Scope 1: Calculation of emissions for Spain extrapolated to the rest of the portfolio. Scope 3: The scope is extended to include products and services (1); capital goods (1); emissions derived from energy activities not included in S1 and S2; waste management (2); transport of employees to their workplaces and business trips. (For the consolidated perimeter, this may include emissions related to business trips and/or products and services in the aggregated perimeter as they cannot be separated)

(1) Category 1 and 2: The perimeter for the purchases used to calculate the emissions represent 98% of the total expense charged to the income statement.

(2) The data on waste is calculated based on an extrapolation of the data in 43% of the hotels in consolidated perimeter. The number of rooms and average occupancy rate for the year have been used to calculate the average waste generated in the hotel.

WATER GRI 303-5

Total water use (m^3)	2018	2019
Total fresh water use *	7,442,823	7,439,954

AGGREGATED PERIMETER

EMISSION REDUCTION (SCOPE 1 + 2)

GRI 305-5	2012-2019 average	2012-2019 average vs 2007-2011	2007-2011 average
CO Emissions2 (Kg)	213,860,844.25	-8.98%	234.962.507.60
Emissions per Stay (Kg)	12.62	-14.51%	14.77

REDUCTION OF ENERGY USE

GRI 302-4	2012-2019 average	2012-2019 average vs 2007-2011	2007-2011 average
D. Cooling (kWh)	37,551,435.50	5776.04%	639,059.83
D. Heating (kWh)	25,066,006.02	92.88%	12,995,544.54
Propane (Kg)	3,401,312.07	-13.64%	3,938,733.39
Natural Gas (m3)	9,594,794.62	18.27%	8,112,736.73
Diesel (l)	4,740,586.13	-43.43%	8,380,176.83

REDUCTION IN WATER USE

GRI 303-5	2012-2019 average	2012-2019 average vs 2007-2011	2007-2011 average
Water Use (m^3)	8,445,902.75	-2.96%	8,703,329.80
Consumption per stay (m^3)	0.50	-8.85%	0.55

REDUCTION IN ELECTRICITY USE

GRI 302-4	2012-2019 average	2012-2019 average vs 2007-2011	2007-2011 average
Electricity Consumption (kWh)	334,118,916.92	-9.69%	369,963,208.33
Consumption per Stay (kWh)	19.72	-15.17%	23.25

CARBON FOOTPRINT GRI 305-1; 305-2; 305-3

Scopes (tCO_2)	2016	2017	2018	2019
Scope 1	47,619	48,110	51,331	50,262
Scope 2	165,645	154,955	153,699	120,386
Scope 3	59,696	54,652	53,982	410,887
TOTAL	272,960	257,717	259,012	581,535

Scope 1: Calculation of emissions for Spain extrapolated to the rest of the portfolio. Scope 3: The scope is extended to include products and services (1); capital goods (1); emissions derived from energy activities not included in S1 and S2; waste management (2); transport of employees to their workplaces and business trips.

(1) Category 1 and 2: The perimeter for the purchases used to calculate the emissions represent 98% of the total expense charged to the income statement.

(2) The data on waste is calculated based on an extrapolation of the data in 43% of the hotels in consolidated perimeter. The number of rooms and average occupancy rate for the year have been used to calculate the average waste generated in the hotel.

WATER GRI 303-5

Total water use (m^3)	2016	2017	2018	2019	2019o
Total fresh water use **	10,697,788	10,825,071	10,595,067	10,740,348	10,814,746

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CONSOLIDATED PERIMETER

GRI 302-1

ENERGY USE AND SAVINGS

USE	Unit	2019	% increase	2018
Electricity from 100% renewable sources	MWh	182,897.40	13.51	161,130.27
	GJ	658,430.63		580,068.97
Electricity	MWh	275,095.05	-2.96	283,475.02
	GJ	990,342.20		1,020,510.09
Natural Gas	m3	8,529,411.48	3.80	8,216,861.88
	GJ	368,897,05		355,379.28
Propane	Tn	3,448.04	4.74	3,292.10
	GJ	156,885.72		149,790.46
Diesel oil	m3	1,880.15	-10.67	2,104.69
	GJ	71,953.33		80,546.37
District Heating	MWh	35,757.10	5.31	33,955.42
	GJ	128,725.55		122,239.50
District Cooling	MWh	41,806.36	-2.69	42,962.42
	GJ	150,502.88		154,664.70

Intensity (GK / stay)	0.1302

GRI 305-7

SOX & NOX EMISSIONS

	Unit	2018	2019
NOX	Kg	71,185	73,159
SOX2	Kg	9,136	8,427

ENVIRONMENTAL COSTS (€)

	2018	2019	Diff. %
Bacteriological analysis	763,571.30	820,393.47	13.07
Quality audit	23,750.48	-	-100.00
Environment	96,418.27	120,007.41	18.04
Sewer fee	1,449,468.72	1,264,144.05	-12.07
Waste	3,148,888.97	3,266,718.69	1.16
Water fee	1,500,709.63	1,500,693.12	2.76
TOTAL	6,982,807.37	6,971,956.74	-0.16

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AGGREGATED PERIMETER

GRI 302-1

ENERGY USE AND SAVINGS

USE	Unit	2019	% increase	2018	% increase	2017
Electricity from 100% renewable sources	MWh	247,481.64	7.52	230,182.58	2.96	223,561.35
	GJ	890,933.92		828,657.28		804,820.87
Electricity	MWh	418,156.97	-3.14	431,701.85	-0.53	434,011.96
	GJ	1,505,365.11		1,554,126.65		1,562,443.05
Natural gas	m3	11,325,334.62	1.61	11,145,634.52	9.53	10,175,988.51
	GJ	489,820.72		482,048.69		440,111.50
Propane	Tn	4,190.58	-4.81	4,402.52	-2.03	4,493.59
	GJ	190,671.34		200,314.50		204,458.19
Diesel oil	m3	3,188.82	-898	3,503.55	-7.05	3,769.15
	GJ	122,036.09		134,081.05		144,245.18
District Heating	MWh	35,757.10	5.31	33,955.42	1.92	33,316.42
	GJ	128,725.55		122,239.50		119,939.10
District Cooling	MWh	41,806.36	-2.69	42,962.42	-9.00	47,211.25
	GJ	150,502.90		154,664.70		169,960.51

Intensity (GK / stay)	0.118

GRI 305-7

SOX & NOX EMISSIONS

	Unit	2016	2017	2018	2019
NOX	Kg	92,364	95,643	98,141	96,017
SOX2	Kg	16,629	15,405	14,642	13,555

ENVIRONMENTAL COSTS (€)

	2018	2019	Diff. %
Bacteriological analysis	867,077.07	941,084.45	8.54
Quality audit	24,510.48	-	-100.00
Environment	113,891.43	134,565.19	18.15
Sewer fee	1,860,246.39	1,599,992.65	-13.99
Waste	3,643,240.26	3,791,865.19	4.08
Water fee	1,775,728.49	1,786,307.51	0.60
TOTAL	8,284,694.12	8,253,814.99	-0.37

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AGGREGATED PERIMETER

GRI 305-1; 305-2

CARBON FOOTPRINT

Direct GHG emissions (Scope 1)	Unit	2016	2017	2018	2019	2019 Objective
Total Direct GHG Emissions (Scope 1)	Tn CO2e metrics	47,619	48,110	51,331	50,262	50,920
Data coverage	% of portfolio	81.10	79.00	78.00	76.22	
Direct GHG emissions (Scope 2)	**Unit**	**2016**	**2017**	**2018**	**2019**	**2019 Objective**
Indirect GHG emissions of energy purchased and consumed (Scope 2)	Tn CO2e metrics	165,645	154,955	153,699	120,386	149,088
Data coverage	% of portfolio	81.10	79.00	78.00	76.22	

GRI 305-1; 305-2

SCIENCE BASED TARGET INITIATIVE (SBTI)

SBTi objective	Unit	Base Year (2018)	2019	2019 Objective
Total Direct GHG Emissions (Scope 1)	Metric tons of CO2e	65,304,563	64,603,328	64,782,127
SBTi objective	**Unit**	**Base Year (2018)**	**2019**	**2019 Objective**
Indirect GHG emissions of energy purchased and consumed (Scope 2)	Metric tons of CO2e	264,196,238	256,306,246	256,481,708

GRI 302-1

ENERGY USE

Total energy use	Unit	2016	2017	2018	2019	2019 Objective
a) Non-renewable fuels purchased and consumed	MWh	219,950	223,337	228,604	226,862	
b) Non-renewable electricity purchased	MWh	336,998	210,451	203,097	170,675	
c) Purchase of steam/heating/cooling and other (non-renewable) energies	MWh	84,211	80,528	77,533	77,563	
d) Total renewable energy. Energy purchased with green certification	MWh	22,306	223,561	230,183	247,482	
e) Total non-renewable energy sold *	MWh	-	-	-	-	
Total non-renewable energy consumption (A + B + CE)	**MWh**	**641,159**	**514,316**	**509,234**	**475,101**	**498,540**
Total cost of energy consumption	Currency (EUR)	62,805,081	61,467,817	64,602,536	78,812,082	
Data coverage	% of portfolio	81.10	79.00	78.00	76.22	

GRI 303-5

WATER USE

Water use	Unit	2016	2017	2018	2019	2019 Objective
a) Removal: Total municipal water supply (or other water services)	Millions of cubic meters	10,697,788	10,825,071	10,595,067	10,740,348	
b) Removal of fresh surface water	Millions of cubic meters	-	-	-	-	
c) Removal of fresh groundwater	Millions of cubic meters	-	-	-	-	
d) Discharge: water returned to the source with a quality similar or superior to the water extracted	Millions of cubic meters	-	-	-	-	
E. Total net freshwater consumption (A+B+C-D)	**Millions of cubic meters**	**10,697,788**	**10,825,071**	**10,595,067**	**10,740,348**	**10,814,746**
Data coverage	Percentage of hotels in the company portfolio	81.10	79.00	78.00	76.22	

GRI 306-2

WASTE

Waste generated	Unit	2016	2017	2018	2019	2019 Objective
a) Total waste generated	Tn metrics	31,742	28,993	34,408	34,549	
b) Total waste reused/recycled/sold	Tn metrics	10,856	12,517	19,310	19,596	
NET WASTE GENERATED (A-B)	**Tn metrics**	**20,886**	**16,476**	**15,098**	**14,953**	**14,967**
Data coverage	% of portfolio	81.10	79.00	78.00	76.22	
Recycling rate	%	34.20%	43.17%	56.12%	56.72%	

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GRI indicators

GRI code	GRI	Page	Comments / Omissions
GRI 102: General data			
Organisation profile			
102-1	Organisation name	180	Meliá Hotels International
102-2	Activities, brands, products and services	33-45	
102-3	Headquarters location	159	
102-4	Location of operations	11-12	
102-5	Ownership and legal entity	184	Note 1
102-6	Markets served	33-45	
102-7	Organisation size	11-12	
102-8	Information about employees and other workers	164-166	
102-9	Supply chain	123-126	
102-10	Significant changes in the organisation and its supply chain	11-12	
102-11	Precautionary principle or approach	184	Note 2
102-12	External initiatives	142-144; 148-156; 160	
102-13	Association membership	160	
Strategy			
102-14	Statement by senior executives responsible for decision making	3-4	
102-15	Main impacts, risks and opportunities	18-19; 77	
Ethics and transparency			
102-16	Values, principles, standards and rules of conduct	7-9	
102-17	Advisory mechanisms and ethical concerns	79-83	
Governance			
102-18	Governance structure	62	
102-19	Delegation of authority	62	
102-20	Executive-level responsibility for economic, environmental and social issues	69	
102-21	Consultation with stakeholders on economic, environmental and social issues	20-21	
102-22	Composition of the highest governance body and its committees	62-67	
102-23	Chair of the highest governance body	64-65	
102-24	Nomination and selection of the highest governance body	64; 184	Note 3
102-25	Conflicts of interest	184	Note 4
102-26	Role of the highest governance body in defining objectives, values and strategy	62-67	
102-27	Collective knowledge of the highest governance body	62-67	
102-28	Performance assessment of the highest governance body	62-67	
102-29	Identification and management of economic, environmental and social impacts	20-21	
102-30	Effectiveness of risk management processes	73-86	
102-31	Assessment of economic, environmental and social issues	20-21	
102-32	Role of the highest governance body in sustainability reporting	180	Preparation of the Integrated Report by the Board of Directors
102-35	Remuneration policies	68	
102-36	Process to determine remuneration	68	
102-38	Annual total compensation ratio	68	
Stakeholder participation			
102-40	List of stakeholders	144-145	
102-41	Collective bargaining agreements	180	At the consolidated level, 87% of our workers are subject to collective agreements. At the aggregated level, 56%
102-42	Identification and selection of stakeholders	144-145	
102-43	Approach to stakeholder engagement	144-145	
102-44	Key issues and concerns raised	20-21	

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GRI code	GRI	Page	Comments / Omissions
Reporting practices			
102-45	Entities included in the consolidated financial statements	181	Annex I Annual Accounts
102-46	Definition of the report content and coverage of issues	20-21	
102-47	List of material issues	20-21	
102-48	Restatement of information	158	
102-49	Changes in reporting	158	
102-50	Reporting period	181	January 1, 2019 to December 31, 2019
102-51	Date of most recent report	181	Annual Report 2018
102-52	Reporting cycle	181	Annual
102-53	Point of contact for questions about the report	158	
102-54	Declaration of report preparation in accordance with GRI Standards	158	
102-55	Table of contents GRI	158	
102-56	External verification	158	
GRI 103: Management approach			
103-1	Explanation of the material issue and its coverage	Operations: 20-61; 87-107 Corporate Governance: 62-72 Policies: 68 Corporate Responsibility: 147-156 Business environment: 18-20; 77-78 Natural environment: 109-122 Biodiversity: 120 Philanthropy: 142-146 Financial: 10; 87 - 107 People: 128-135	The pages indicated respond to the different management approaches to material issues
103-2	The management approach and its components		
103-3	Assessment of the management approach		
GRI 201: Economic performance			
201-1	Direct economic value generated and distributed	139	
201-2	Financial implications and other risks and opportunities due to climate change	106	The risks and opportunities arising from climate change are considered in the company's risk management model
201-3	Benefit plan obligations and other retirement plans	184	Note 4
201-4	Financial assistance received from the government	181	Annual subsidies amounted to €702,217.21 at the consolidated level and €958,468.83 at the aggregated level. A further €451,761.01 was received in training bonuses over the year at the consolidated level and €564,646.37 at the aggregated level. Governments are not part of the shareholding structure
GRI 202: Market presence			
202-1	Ratio of standard entry-level wage by gender compared to the local minimum wage	71	
202-2	Proportion of senior executives hired from the local community	173	
GRI 203: Indirect economic impacts			
203-1	Investments in infrastructure and support services	30-32	
203-2	Significant indirect economic impacts	30-32	
GRI 204: Procurement practices			
204-1	Portion of spending on local suppliers	181	90.97% of purchases in centralised hotels is from local suppliers.
GRI 205: Anti-corruption			
205-1	Operations assessed for corruption-related risks	181	In 2019, a total of 247 internal audits were carried out on a global level, including all the company's regions, areas and businesses. The audits have detected no practices related to corruption or fraud.
205-2	Communication and training on anti-corruption policies and procedures	79-83	All of the company's internal Policies and Regulations, including the Anti-Corruption Policy, are available on the employee website. There is also a mandatory training course on the code of ethics, compliance and criminal offences, including corruption.
205-3	Confirmed cases of corruption and measures taken	181	During the year there were no cases of corruption
GRI 206: Anti-competitive behaviour			
206-1	Legal action related to unfair competition and monopolies and contrary to free competition	181	On February 21, 2020, the European Commission announced the decision which ended the investigation Started in 2017, imposing a fine of 6.7 million euros on the company, an amount that was fully provisioned as of December 31, 2019.
GRI 302: Energy			
302-1	Energy consumption within the organisation	176-178	
302-3	Energy intensity	181	0.1302 GJ per stay in the consolidated perimeter and 0,1179 GJ per stay in the aggregated perimeter
302-4	Reduction of energy consumption	116; 176	
302-5	Reductions in the energy requirements of products and services	109-122	

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GRI code	GRI	Page	Comments / Omissions
GRI 303: Water			
303-5	Water use	110; 176; 179	
GRI 304: Biodiversity			
304-1	Operations centres in owned, leased or managed hotels within or next to protected areas or areas outside protected areas with high levels of biodiversity	120	
304-2	Significant impacts of activities, products and services on biodiversity	120	
GRI 305: Emissions			
305-1	Direct GHG emissions (Scope 1)	179	
305-2	Indirect GHG emissions (Scope 2)	179	
305-3	Other indirect GHG emissions (Scope 3)	176	
305-5	GHG emission reductions	176	
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant atmospheric emissions	177-178	
GRI 306: Effluents and waste			
306-2	Waste by type and disposal method	117; 182	The data on waste is calculated based on an extrapolation of the data in 43% of the hotels in consolidated perimeter. The number of rooms and average occupancy rate for the year have been used to calculate the average waste generated in the hotel.
306-3	Significant spills	182	There were no significant spills in 2019
GRI 307: Environmental compliance			
307-1	Breach of environmental laws and regulations	182	In 2019, a penalty for an equipment installation became a financial obligation due in 2020. There was also a financial penalty related to a wastewater leak. The owner of the managed hotel has signed a new local contract to renew the system involved.
GRI 308: Supplier environmental assessment			
308-1	New suppliers screened under environmental criteria	182	100% of our suppliers selected for centralised purchases
308-2	Negative environmental impacts on the supply chain and measures taken	123-127	
GRI 401: Employment			
401-1 (b)	New employee hires and employee turnover (partial)	168-169; 171	
401-3	Parental leave	170	
GRI 402: Labour relations			
402-1	Minimum notice periods regarding operational changes	182	Depending on the country and hotel, the minimum notice periods are met as stipulated by the applicable collective agreements or, in their absence, as stipulated in the corresponding legislation
GRI 403: Occupational Health and Safety			
403-2 (a)	Types and rates of accidents, occupational diseases, work days lost, absenteeism and number of work-related fatalities (partial)	173-175	
403-4	Worker participation, consultation and communication on health and safety at work	184	Note 5
GRI 404: Training and education			
404-1	Average hours of training per year per employee	172	
404-2	Programs to improve employee skills and transition assistance programmes	128-129	
404-3 (b,c,e)	Percentage of employees receiving regular performance and career development reviews (partial)	169	
GRI 405: Diversity and equal opportunities			
405-1	Diversity in governance bodies and employees	63; 66; 164; 167	
405-2	Ratio of basic salary and remuneration of women compared to men	175-176; 182	The final calculations do not include partial retirement, UK hourly wages, Venezuela and extra banquet revenues. The gap calculation takes into account the average salary of women compared to the average salary of men.
GRI 406: Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	182	In 2019, no discrimination incidents were detected.
GRI 407: Freedom of association and collective bargaining			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	182	Meliá Hotels International has an agreement with UIFUITA that includes these aspects
GRI 408: Child labour			
408-1	Operations and suppliers with significant risk of incidents related to child labour	183	There is no risk within the company. Meliá Hotels International has an agreement with UIF-UITA that includes these aspects, as well as an agreement with UNICEF. In 2018, specific clauses were added to the code of ethics, supplier code of ethics and human rights policy

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GRI code	GRI	Page	Comments / Omissions
GRI 409: Forced or compulsory labour			
409-1	Operations and suppliers with significant risks related to forced or compulsory labour	183	There is no risk within the company. Meliá Hotels International has an agreement with UIF-UITA that includes these aspects, as well as an agreement with UNICEF. In 2018, specific clauses were added to the code of ethics, supplier code of ethics and human rights policy
GRI 411: Rights of indigenous peoples			
411-1	Cases of violations of the rights of indigenous peoples	183	During the year there were no cases of violation of the rights of indigenous peoples
GRI 412: Human rights assessment			
412-3	Significant investment agreements and contracts that include human rights clauses or subject to human rights assessment	138-141	
GRI 413: Local communities			
413-1	Operations with local community engagement, impact assessments and development programmes	142-157; 161-163	
413-2	Operations with significant and potential negative impacts on local communities	183	No operations with a negative impact was detected in local communities
GRI 414: Supplier social assessment			
414-1	New suppliers screened using social criteria	183	100% of our suppliers selected for purchases in owned and leased hotels
414-2	Negative social impacts on the supply chain and measures taken	123-127	
GRI 415: Public policy			
415-1	Contributions to parties and/or political representatives	183	No political contribution was made during the year. Our code of ethics does not allow it
GRI 416: Customer health and safety Customer privacy			
416-1	Assessment of the health and safety impacts of products or services	123-127	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	183	During the year there were no incidents of regulatory non-compliance relating to the impacts of products and services on health and safety
GRI 417: Marketing and labelling			
417-2	Incidents of non-compliance concerning product and service information and labelling	183	During the year, there were no cases of non-compliance with regulations or voluntary codes related to information and labelling. Our code of ethics does not allow it
417-3	Incidents of non-compliance related to marketing communications	183	During the year, there were no cases of non-compliance with regulations or voluntary codes related to communication or advertising. Our code of ethics does not allow it
GRI 418-1: Customer privacy			
418-1	Substantiated claims regarding breaches of customer privacy and loss of customer data	183	During the year there were no complaints about violation of privacy or leakage of customer data
GRI 419-1: 2016 socio-economic compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	183	No significant fines (>30,000 euros) were received as a result of non-compliance with social and economic laws and regulations

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NOTE 1

Meliá Hotels International, S.A. (the Company) is an entity legally constituted in Madrid on 24 June 1986, under the corporate name of Investman, S.A. On 1 June 2011 the change of corporate name was approved, with the name being changed to Meliá Hotels International, S.A.
In 1998, the Company moved its registered office to Calle Gremio Toneleros 24, Palma de Mallorca.

Meliá Hotels International, S.A. (the Group) is the parent company of the Meliá Hotels International Group, which presents (in accordance with the requirements of the Commercial Code) consolidated annual accounts in order to show the Group's financial and asset-related position.

NOTE 2

In regard to the initiatives to mitigate the impact of our activity and taking into account the precautionary principle, the system of pre-openings includes a series of environmental criteria, which are reviewed before the opening of any hotel that is built or acquired from a third party.

The criteria reviewed are:
- Availability of the pertinent corporate environmental information
- Waste management
- Control of discharges to drains or direct discharges into the natural environment
- Energy and water efficiency
- Control of atmospheric emissions

NOTE 3

It is the obligation of the directors to inform the Company of any situation of direct or indirect conflict that they may have with the interest of the company, in accordance with the provisions in Article 28 of the Regulations of the Board of Directors. Likewise, the Nomination and Remuneration Committee, in accordance with the provisions in Article 15.2. of the Regulations of the Board of Directors, must inform the Board of Directors about transactions that involve or could involve conflicts of interest and proposing, where appropriate, the measures to be adopted.

NOTE 4

Post-employment benefits: the cost of defined benefit pension plans is determined by actuarial valuations. Actuarial valuations require the use of hypotheses about discount rates, the return on assets, salary increases, employee mortality and turnover tables, as well as the retirement age of employees entitled to these benefits. These estimates are subject to significant uncertainties due to the long term settlement of these plans.

The valuation of these obligations has been carried out by independent experts of recognised prestige, using actuarial valuation techniques.

Defined benefit pension plans: Pension plans that do not have the nature of defined contribution are considered defined benefit plans. Generally, defined benefit plans set out the amount of the benefits the employee will receive at the time of retirement, usually based on one or more factors, such as age, years of service and compensation.

The Group recognises on the balance sheet a provision with respect to the defined benefit premiums established in the collective agreements for the difference between the present value of the compensations paid and the fair value of the possible assets subject to the commitments with which the obligations will be settled, reduced, if applicable, by the amount of the costs for past services not yet recognised.

If an asset arises from the previous difference, its valuation cannot exceed the current value of the economic benefits available in the form of reimbursements from the plan or reductions in future contributions to the same.

The costs for past services are recognised immediately in the profit and loss account, except in the case of revocable rights, in which case they are charged to the profit and loss account on a straight-line basis in the remaining period until the rights for past services are irrevocable.

The present value of the obligation is determined by actuarial calculation methods and financial and actuarial assumptions that are unbiased and compatible with each other. The Company recognises directly in the statement of comprehensive income, the gains and losses arising from the variation in the present value and, where applicable, the assets affected by changes in actuarial assumptions or adjustments due to experience.

Certain collective agreements in force and applicable to some group companies establish that permanent staff who choose to terminate their contract with the Company after a certain number of years linked to it shall receive a cash award equivalent to a number of monthly payments proportional to the years worked. During the year, an assessment of said agreements was carried out using the actuarial assumptions of the Group's own employee turnover model, applying the calculation method known as Projected Unit Credit and demographic hypotheses corresponding to the PER2000P tables.

The balance of provisions, as well as the activation of payments for future services, cover these commitments acquired, according to an actuarial study carried out by an independent expert. More details on this valuation are provided in Note 17.2 of the Consolidated Annual Accounts.

With regard to pension commitments and obligations stipulated in collective agreements affected by the Ministerial Order of 2 November 2006, the Group has made the corresponding outsourcing. The assets affected by these outsourcing operations are presented by reducing the balance of the commitments acquired.

NOTE 5

Meliá does not maintain specific agreements with trade unions regarding safety and health beyond those included in collective agreements. These agreements include, where applicable, aspects such as health and safety training, insurance and safety equipment, among others. If these agreements do not include specific aspects on Health and Safety, ultimately, they shall meet at least the stipulations regarding health and safety legislation applicable in each country. In 2019, there were no negotiations within collective agreements.

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Content of the Non-Financial Information Statement

In compliance with Law 11/2018, of 28 December, which modifies the Commercial Code, we present below the traceability table where we link each point of the law with our GRI indicators and the pages of this report where you can find the relevant information. This table has a global scope and the concepts included in it are considered of a material nature.

CONTENT	RELATED GRI STANDARDS	DOCUMENT SECTIONS	PAGES	REPORTING SCOPE	EXTERNAL VERIFICATION
Business Model					
Description of the group's business model, including business environment, organisation and structure, markets in which it operates, objectives and strategies, and the main factors or trends that may	102-1	GRI Table	180	Aggregate	✔
	102-16	Essence of Meliá	7-9		✔
	201-1	Business Model	28-29		✔
	102-2; 102-6	Our Brands	33-45		✔
	102-15	Vision of the Environment	18.19; 77		✔
	from 102-18 a 102-20; from 102-22 a 102-27	Corporate Governance	62-72		✔
	102-4; 102-7; 102-10	Presence Map	11-12		✔
	-	Strategic Focus	23-24		✔
Environmental Issues					
Policies & Risks					
A description of the policies applied by the group, including due diligence procedures for the assessment, prevention and mitigation of risks and impacts, as well as the procedures for verification and control	103-2	Environment	109-122	Aggregate	✔
The main risks related to the group's activities, including how the group manages those risks and what procedures it uses to detect and evaluate	102-15;102-29; 102-30; 102-31; 201-2	Risk Management	18-19; 73-86		✔
Global Information					
Detailed information on the current and foreseeable effects of the company's activities on the environment, environmental assessment or certification procedures, resources dedicated to the prevention of environmental risks and the application of the precautionary principle	102-11; 102-29; 102-30; 307-1	Environmental management	109-122; 161-163	Aggregate	✔
Pollution					
Measures to prevent, reduce or repair carbon emissions taking into account any form of atmospheric pollution specific to an activity	302-4;302-5; 305-1 a 305-5; 305-7	Environmental management	109-122	Aggregate & Consolidated*	✔
Circular economy					
Measures for prevention, recycling, reuse, other forms of waste recovery and disposal	103-2	Environmental management	109-122; 149-150; 152; 156	Aggregate	✔
Actions to combat food waste	103-2	Culinary experiences	46-48		✔
Sustainable use of resources					
Water consumption	303-5	Environmental Management and Annexes	110-122; 176; 179	Aggregate & Consolidated*	✔
Consumption of raw materials and the measures taken to improve the efficiency of their use				This data is not reported as it is not a material issue for the company.	✔
Energy consumption and measures taken to improve energy efficiency and the use of renewable energy.	302-1; 302-3; 302-4; 302-5	Environmental Management and Annexes	109-122; 176-178	Aggregate & Consolidated*	✔
Climate Change					
The important elements of greenhouse gas emissions produced as a result of the company's activities	201-2; 305-1 a 305-5; 305-7	Environmental Management and Annexes	106-119; 176-178	Aggregate & Consolidated*	✔
Measures taken to adapt to the consequences of climate change	201-2; 305-5	Environmental management	109-122		✔
The reduction targets defined voluntarily in the medium and long term to reduce greenhouse gas emissions	103-2; 305-5	Environmental management	114		✔
Protection of biodiversity					
Measures taken to preserve or restore biodiversity and the impacts caused in protected areas	304-1; 304-2	Biodiversity	120	Aggregate	✔
Impacts caused by activities or operations in protected areas	304-1	Biodiversity	120		✔
Social and Personnel Issues					
Policies & Risks					
A description of the policies applied by the group, including due diligence procedures for the assessment, prevention and mitigation of risks and impacts, as well as the procedures for verification and control.	103-2	People	128-134	Aggregate	✔
The main risks related to the group's activities, including how the group manages	102-15;102-29; 102-30; 102-31	Risk Management	18-19; 73-86		✔
Employment					
Total number and distribution of employees by gender, age, country and professional classification	102-8; 405-1	Annexes	164	Aggregate & Consolidated	✔
Total number and distribution of employment contract types	102-8	Annexes	166		✔
Annual average of permanent contracts, temporary contracts and part-time contracts by gender, age and professional classification	102-8	Annexes	164-166		✔
Number of dismissals by gender, age and professional classification	401-1 (b)	Annexes	171		✔
Average remuneration and its evolution by gender, age and professional classification or equal value	405-2	Annexes	172-173	Consolidated	✔
Salary gap, remuneration for equal or average jobs in the company	405-2	Annexes	172-173		✔
Remuneration for equal or average jobs in the company	202-1	Annexes	71	Aggregate & Consolidated	✔
Average remuneration of directors and executives	102-28; 102-35 a 102-39	Corporate Governance	70-72	Aggregate	✔
Implementation of employee disconnection policies		People	130		✔
		Corporate Governance	72		✔
Employees with disabilities		People	131	Aggregate & Consolidated	✔

Aggregated - Owned, Leased & Managed / Consolidated - Owned & Leased of subsidiaries that are fully consolidated in Annual Accounts
* Meliá H.Orlando, LLC., INNSIDE Ventures, LLC., Inversiones AGARA, SA are excluded from the consolidated perimeter

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CONTENT	RELATED GRI STANDARDS	DOCUMENT SECTIONS	PAGES	REPORTING SCOPE	EXTERNAL VERIFICATION
Organisation of work					
Organisation of working hours	102-8 (c)	Annexes	132	Aggregate	✔
Number of hours of absenteeism		Annexes	176	Consolidated	✔
Measures designed to facilitate a work-life balance and encouraging joint responsibility by both parents.	401-3 (b,c,e)	Annexes	131-132	Aggregate & Consolidated	✔
Health and safety					
Health and safety conditions at work	103-2	Health & Safety work	135-137	Aggregate	✔
Work-related accidents, in particular their frequency and severity	403-2 (a)	Annexes	173-175	Consolidated	✔
Occupational diseases by gender	403-2 (a)	Annexes	173-175	España	✔
Social relationships					
Organisation of social dialogue	102-42; 102-43; 402-1	Relationship with Groups of interest	145-146	Aggregate	✔
Percentage of employees covered by collective agreement	102-41	GRI indicators	180	Consolidated	✔
The balance of collective agreements, particularly in the area of health and safety at work	403-4	GRI indicators	182	Aggregate	✔
Training					
Policies implemented	103-2 ; 404-2	People	128-134	Aggregate	✔
Total number of hours of training by professional category	404-1; 404-3	People	172	Consolidated	✔
Universal accessibility					
Universal accessibility for people with disabilities	103-2	Environmental Management	131	Aggregate	✔
Equality					
Measures taken to promote equal treatment and opportunities between women and men; equality plans, measures adopted to promote employment, protocols against sexual and gender-based harassment, integration and universal accessibility for people with disabilities; policy	103-2; 404-2; 405-1; 406-1	People	131; 137; 140	Aggregate	✔
Human Rights					
Policies & Risks					
Application of due diligence procedures in human rights					
A description of the policies applied by the group, including due diligence procedures for the assessment, prevention and mitigation of risks and impacts, as well as the procedures for verification and control.	103-2	HR	138-141	Aggregate	✔
The main risks related to the group's activities, including how the group manages those risks and what procedures it uses to detect and evaluate them	102-15;102-29; 102-30; 102-31	Risk Management	18-19; 73-86		✔
Human Rights					
Prevention of the risks of violation of human rights and, where necessary, the implementation of measures to mitigate, manage and redress possible abuses committed	414-2	Supply Chain and Human Rights	123-126; 138-141		✔
Complaints about violation of human rights	102-17; 411-1	Risk Management and GRI indicators	78-82; 183	Aggregate	✔
Promotion and compliance with the provisions of the fundamental conventions of the International Labour Organisation related to respect for freedom of association and the right to collective bargaining. The elimination of discrimination in employment and occupation. The elimination of forced or compulsory labour. The effective abolition of child labour	103-2; 406-1; 408-1; 409-1	People and Human Rights	128-131; 138-141		✔
Corruption and Bribery					
Policies & Risks					
A description of the policies applied by the group, including due diligence procedures for the assessment, prevention and mitigation of risks and impacts, as well as the procedures for verification and control	103-2	Corporate Governance	68	Aggregate	✔
The main risks related to the group's activities, including how the group manages those risks and what procedures it uses to detect and evaluate	102-15;102-29; 102-30; 102-31	Risk Management	18-19; 73-86		✔
Corruption and Bribery					
Measures taken to prevent corruption and bribery	205-1; 205-3	GRI indicators	184		✔
Measures taken to combat money laundering	103-2	Ethics and Transparency	79-83	Aggregate	✔
Contributions to foundations and non-profit organisations	102-12; 102-13; 201-1; 415-1	Society and GRI indicators	142-144; 160; 183		✔
Company					
Policies & Risks					
A description of the policies applied by the group, including due diligence procedures for the assessment, prevention and mitigation of risks and impacts, as well as the procedures for verification and control	103-2	Society	142-144	Aggregate	✔
The main risks related to the group's activities, including how the group manages those risks and what procedures it uses to detect and evaluate them	102-15;102-29; 102-30; 102-31	Risk Management	18-19; 73-86		✔
Commitments of the company to sustainable development					
The impact of company's activity on employment and local development	103-2; 413-1; 413-2	Responsibility and Strategy Corporate	147-156		✔
	202-2	People	128-134		✔
The impact of the company's activity on local populations and on the territory	204-1; 413-1; 413-2	Supply chain	123-127	Aggregate	✔
The relationships with people in the local community and forms of dialogue with these	102-43; 413-1	Relationship with stakeholders	145-146		✔
Partnership or sponsorship activities	102-13	Relations of Institutional	160		✔
Subcontracting and Suppliers					
Inclusion in the purchasing policy of social, gender equality and environmental issues	102-9; 103-2	Supply chain	123-127		✔
Consideration given to suppliers and subcontractors regarding their social and Environmental responsibility	308-1; de 407-1 a 409-1; 414-1	Supply chain	123-127	Aggregate	✔
Supervision and audit systems and their results	308-2; 414-2	Supply chain	123-127		✔
Consumers					
Measures taken for the health and safety of consumers;	416-1	Health & Safety at work	135-137	Aggregate	✔
Complaint systems, complaints received and complaints resolved	416-2; 417-2; 417-3; 418-1	GRI indicators	146; 183		✔
Fiscal Information					
Taxes paid on profits	201-1	Fiscal Transparency	104-105	Aggregate	✔
Public subsidies received	201-4	GRI indicators	181		✔
Other significant information					
Other information about the company profile	102-1; 102-3; 102-5	GRI indicators	180		✔
Identification of material issues	102-21; 102-44	Materiality Analysis	20-21	Aggregate	✔
About this report	102-14; 102-32; de 102-45 a 102-56	About this report	158		✔
Other information used in the preparation of the document	201-3; 206-1; 419-1	GRI indicators	180-183		✔

Aggregated - Owned, Leased & Managed / Consolidated - Owned & Leased of subsidiaries that are fully consolidated in Annual Accounts
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Secretary and Independent Director

Glossary

2019o	2019 Objective
2020o	2020 Objective
All-day dining	Casual meal throughout the day
APAC	Pacific Asia
ARR	Average rate per room occupied
B2B - Business to Business	Commercial activity between companies
B2C - Business to Customer	Commercial activity of a company with the end customer
Bleisure - Business + leisure	Tourism that combines business travel with leisure experiences
CAGR - Compound Annual Growth Rate	Annual compound growth rate
CDP - Carbon Disclosure Project	Organisation that disseminates the environmental impact of large corporations
COSO - Committee of Sponsoring Organizations of the Treadway Commission	Reference framework for the implementation, management and control of an adequate Internal Control System
CRM	Customer Relationship Management
CSA - Control Self-Assessment	Management and control system
CUBG	Unified good governance code
EBIT - Earnings Before Interest and Taxes	Result before interest and taxes
EBITDA - Earnings before Interest, Taxes, Depreciation and Amortization	Resultado antes de intereses, impuestos y amortización
EBITDAR - Earnings before interest, taxes, depreciation, amortization, and restructuring or rent costs	Result before interest, taxes, depreciation, amortisation and rents
E-commerce	Electronic commerce
EMEA	Europe, Middle East and Africa
ESG	Environment, Social & Corporate Governance
GDPR	General Data Protection Regulation
CMMS - Computer Aided Maintenance Management	Preventive & Corrective Maintenance Management

GOP	Gross Operating Result
GRI - Global Reporting Initiative	Global standard for the elaboration of sustainability reports that evaluates economic, environmental and social performance
GSS	Guest Satisfaction Score
GSTC	Global Sustainable Tourism Council
IAGC	Annual Corporate Governance Report
ICEX	Spanish Institute of Foreign Trade
Industry Mover	Best progress achieved
Aggregate Information	Integrates information on hotels in property, rental & management
Consolidated Information	Integrates information on hotels in property & rental
JV	Joint Investment Company
IFRS	International Financial Reporting Standards
NPS - Net Promoter Score	Customer Loyalty Indicator
SDG	Sustainable Development Goals
OHSAS - Occupational Health and Safety Assessment Series	Occupational Health & Safety Management System
PCI - Security Standards Council	Data Security Payment Cards
PMS -Property Management System	Hotel Management Tool
QPI	Quality Penetration Index
RevPAR	Average income per room available
RFP	Request for proposal
ROI	Return of investment
SBTI - Science Based Targets initiative	Science-based emission reduction initiative
ICFR	Internal Control Systems of Financial Information
IUF	International Union of Food Workers Associations, the Agriculture, Hotels, Restaurants, Tobacco and Allied

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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:

Mr. Luis María Díaz de Bustamante y Terminel
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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%

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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 2018 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	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). 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.

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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.		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.) 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

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			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

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
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. 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.

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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
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. 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.

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

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

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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
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. 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.

(*) Through:

Name or corporate name of the direct shareholder	Number of direct shares
Total:	

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.

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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

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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 1st call		
Quorum required at 2nd call		

Description of differences
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.

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.

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	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
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. 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. 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. 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

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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.

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

	Attendance data					Of which, free float				
Date of General Meeting	% 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

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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/ShareholdersDocs/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, 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

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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

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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 Mª 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

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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 Commitee	NO
Mr Alfredo Pastor Bodmer	Other External	04/06/2015	18/06/2019	Auditing and Compliance Commitee	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 Proprietary Director of the company at Hoteles Mallorquines Asociados SL, whose legal representative is Mr Alfredo Pastor Bodmer.

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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
Profile	
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. 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 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.	

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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 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%

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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.

Profile

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.

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.

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.

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.

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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 50th 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”.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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
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. 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.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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

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.

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 Auditing Committee, the Executive Committee of the Board of Trustees and responsible for the Working Group on Education of the said foundation.

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).

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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 21st 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.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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.
Profile	

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).

Maria Antonia Escarrer held various positions at Melia, 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.

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.

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.

She is also an expert in Transpersonal Mindfulness by the Escuela Transpersonal.

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.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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

Remarks

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

EXTERNAL INDEPENDENT DIRECTORS

Name or corporate name of director
Mrs. Carina Szpilka Lázaro
Profile
Degree in Economic and Business Sciences from ICADE E-2 and Executive MBA from Instituto de Empresa in Madrid. 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. 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. 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. 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).

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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 Auditing Committee of ENDESA S.A. in 2009. Member of the Board of Directors and Chairman of the Auditing 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 Auditing 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 Auditing 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.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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*).

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Name or corporate name of director
Mr. Luis Mª 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
Mrs. Cristina Henríquez de Luna Basagoiti has a Degree in Law and Economics from the University Pontificia de Comillas of Madrid (ICADE-2). 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). Before joining GSK she worked for Procter & 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. 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.

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

Remarks

Mr. Luis María Díaz de Bustamante y Terminel
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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.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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.

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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.

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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.

Mr. Luis María Díaz de Bustamante y Terminel
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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
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". 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: "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." 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. 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.

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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
The Board of Directors has vested all delegable powers under the Law according to Article 34 of the Company's Bylaws:.   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: (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.   (b) To pay debts and receive payments due of all types, including those with origin in national, regional, provincial or municipal authorities.   (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.   (d) To request, obtain, acquire, grant and exploit patents, brands, privileges, licences and administrative concessions, as well as performing any transactions regarding industrial property.

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(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

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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:

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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 "Auditing and Compliance Committee" and the

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"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 "Auditing 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

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
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. Likewise, the Board of Directors, through the Auditing and Compliance Committee, has driven several initiatives which involve a continuous adaptation of the information reported to the Board of Directors. 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.

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
The Directors have carried out the assessment for 2019, by completing the relevant assessment questionnaires.

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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 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
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: a) to have formed part of the Board of Directors for at least the THREE (3) years preceding the date of said appointment; or 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. 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. 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.

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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

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
The Coordinating Director (Mr Fernando d'Ornellas) is also Chairman of the Auditing and Compliance Committee, and a member of the Appointments and Remuneration Committee. 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 Auditing and Compliance Committee. 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.

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.

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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 Auditing 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.

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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.

The Auditing 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.

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 Auditing and Compliance Committee, the Directors meet with the external auditor without the presence of the managers of the Company.

Likewise, the Auditing and Compliance Committee annually prepares a report that deals with the independence of the external audit.

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.

Likewise, at all times during the information exchange process, the Company avoids influencing the opinions or points of view of the analysts.

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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 Auditing 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

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Amount invoiced for non-audit services/total amount invoiced by the audit firm (in %)	39.55%	7.03%	18.58%

Remarks
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 Auditing and Compliance Committee. The said process was revised and updated by the Auditing and Compliance Committee during the year 2019.

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

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

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
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. 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. 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.

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

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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.

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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

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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 Auditing and Compliance Committee.

During fiscal year 2019, Mr Juan Vives Cerdá and Mr Alfredo Pastor Bodmer, ceased as members of the Auditing 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 Auditing 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.

- 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 Wistleblower 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 Auditing 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

Mr. Luis María Díaz de Bustamante y Terminel
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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

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:

- 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.

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(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
Auditing and Compliance Committee	1 (25%)	1 (20%)	1 (20%)	1 (20%)
Appointments and Remuneration Committee	1 (25%)	1 (25%)	1 (25%)	1 (25%)

Remarks

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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.

Auditing and Compliance Committee

The composition, functions and performance regime of the Auditing 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 Auditing 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 Auditing 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

During fiscal year 2019, articles 14 (Auditing and Compliance Committee) and 15 (Appointments and Remueration 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

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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 Auditing 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:

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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

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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

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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:

1. **Identification of relevant risks**, including tax risks, through the compilation of internal and external information.

2. **Evaluation of those risks**, for each of the business areas and support the most relevant risks and obtaining the different Individual Risk Maps.

3. **Response to risk** through the allocation of responsibilities for the most relevant Risks and the definition of action plans to contribute effectively to their management.

4. **Regular monitoring and control** of risks, through indicators defined in respect of most of the relevant risks, the annual update of Risk Maps, and the monitoring of actions designed for their mitigation.

5. **Regular and transparent communication** of the results to Senior Management, the Auditing and Compliance Committee and the Board of Directors, providing feedback and thus contributing to the continuous improvement of the process.

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).

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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 Auditing 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 Auditing 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 priorization 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 Auditing 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:

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- **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
Development 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, Auditing 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 priorization 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.

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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

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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 Auditing 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.

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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 uncertainly 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.

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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 Auditing 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 Auditing 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 Auditing and Compliance Committee, reports on a recurring basis.

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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 Auditing and Compliance Committee (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."

Auditing and Compliance Committee

Article 14 of the Regulations of the Board of Directors gives the Auditing 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

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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.

<u>Senior Management</u>

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.

<u>Internal Audit Department</u>

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

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.

<u>Supplier’s Code of Ethics</u>

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 Auditing 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 Wistleblowing 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 Auditing 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 therof, the procedure that follow a complaint and the existing mechanisms or ways to file them.

<u>Supplier Complaints Channel</u>

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) 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	22/05/219	Instituto de Auditores Internos (IA)	Internal Audit
Course on Cibersecurity 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	Wiillis 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 2nd Quarter	4	13/06/2019	EY	Global Administration
NIIF Meetings 3rd 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

IFRS 15: One year later	1	26/09/2019	KPMG	Global Administration
IFRS Update end of year	1	21/12/2019	KPMG	Global Adminsitration
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 EEFF 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

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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 Policty 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.

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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.

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- 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 Auditing 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 Auditing 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 Auditing and Compliance Committee has revised information by the Group’s external auditors.

In the semi-annual closures, the Auditing 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 Auditing 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.

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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.

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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.

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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 Auditing 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 sevend 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.

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The Board of Directors, according to its Regulations, must meet at least six (6) times a year. Coinciding with these meetings, the Auditing 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 Auditing and Compliance Committee of any internal control weaknesses detected in internal audits.

Likewise, on an annual basis, the external auditor provides the Auditing 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 priorization, 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.

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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.

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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

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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

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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.

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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 by duly recorded in the minutes.

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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

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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 ☐

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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.

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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.

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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 ☐

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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.

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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 ☐

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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 Closingap 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 ☒**

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ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

IDENTIFICATION OF ISSUER

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

CIF: [A78304516]

Registered name:

[**MELIA HOTELS INTERNATIONAL S.A.**]

Registered office:

[GREMIO DE TONELEROS,24 POL.IND. SON CASTELLO (PALMA DE MALLORCA) BALEARES]

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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

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

[ ] Yes
[√] No

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.	10.39	0.00	0.00	0.00	10.39
GLOBAL ALPHA CAPITAL MANAGEMENT LTD	3.02	0.00	0.00	0.00	3.02

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

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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
DON JUAN ARENA DE LA MORA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DON GABRIEL ESCARRER JULIA	0.00	5.03	0.00	0.00	5.03	0.00	0.00
DON LUIS Mª DIAZ DE BUSTAMANTE TERMINEL	0.00	0.00	0.00	0.00	0.00	0.00	0.00
HOTELES MALLORQUINES CONSOLIDADOS S.L.	23.38	0.00	0.00	0.00	23.38	0.00	0.00
HOTELES MALLORQUINES ASOCIADOS, S.L.	13.21	0.00	0.00	0.00	13.21	0.00	0.00

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

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 2018 S.A.	5.025%		5.025%	

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

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

[ ] Yes
[√] No

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

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		1,49

(*) Through:

Name or corporate name of the direct shareholder	Number of direct shares

A.11. Estimated free float:

	%
Estimated free float	43.48

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

[ ] Yes
[√] No

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B. 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:

	Attendance data					Of which, free float				
Date of General Meeting	% 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%

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

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

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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

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
MS. CARINA SZPILKA LÁZARO		Independent	DIRECTOR	25/02/2016	23/06/2016	Resolution at General Shareholders' Meeting
MR.FERNANDO D´ORNELLAS SILVA		Independent	COORDINATING DIRECTOR	13/06/2012	08/06/2017	Resolution at General Shareholders' Meeting
MR. JUAN ARENA DE LA MORA		Independent	DIRECTOR	31/03/2009	06/06/2018	Resolution at General Shareholders' Meeting
MR. GABRIEL ESCARRER JULIA		Proprietary	CHAIRMAN	07/02/1996	04/06/2015	Resolution at General Shareholders' Meeting
MR.SEBASTIAN ESCARRER JAUME		Proprietary	DIRECTOR	07/02/1996	08/06/2017	Resolution at General Shareholders' Meeting
MR. GABRIEL ESCARRER JAUME		Executive	VICECHAIRMAN CEO	07/04/1999	08/06/2017	Resolution at General Shareholders' Meeting
MR. FRANCISCO JAVIER CAMPO		Independent	DIRECTOR	13/06/2012	08/06/2017	Resolution at General Shareholders' Meeting

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MR. LUIS Mª DIAZ DE BUSTAMANTE TERMINEL		Independent	SECRETARY DIRECTOR	30/11/2010	08/06/2017	Resolution at General Shareholders' Meeting
HOTELES MALLORQUINES CONSOLIDADOS S.L.	MS. MARIA ANTONIA ESCARRER JAUME	Proprietary	DIRECTOR	23/10/2000	08/06/2017	Resolution at General Shareholders' Meeting
MS. CRISTINA HENRÍQUEZ DE LUNA BASAGOITI		Independent	DIRECTOR	18/06/2019	18/06/2019	Resolution at General Shareholders' Meeting
HOTELES MALLORQUINES ASOCIADOS, S.L.	MR. ALFREDO PASTOR BODMER	Proprietary	DIRECTOR	18/06/2019	18/06/2019	Resolution at General Shareholders' Meeting

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 CERDA	Proprietary	04/06/2015	18/06/2019	Auditing and Compliance Commitee	NO
MR. ALFREDO PASTOR BODMER	Other External	04/06/2015	18/06/2019	Auditing and Compliance Commitee	NO

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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	Profile
MR. GABRIEL ESCARRER JAUME	Vice Chairman and Chief Executive Officer	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. 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 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 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.

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CONSEJEROS EJECUTIVOS		
Name or corporate name of director	Position held in the company's	Profile
		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 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	Profile
MR. GABRIEL ESCARRER JULIA	TULIPA INVERSIONES 2018, S.A.	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.

EXTERNAL PROPRIETARY DIRECTORS		
Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment	Profile
		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. 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. 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. 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. 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.

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EXTERNAL PROPRIETARY DIRECTORS		
Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment	Profile
		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 50th 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).

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EXTERNAL PROPRIETARY DIRECTORS		
Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment	Profile
		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".

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CONSEJEROS EXTERNOS DOMINICALES		
Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment	Profile
MR. SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS S.L.	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. 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. 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). 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 21st 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

CONSEJEROS EXTERNOS DOMINICALES		
Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment	Profile
		"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.
HOTELES MALLORQUINES CONSOLIDADOS S.L.	MS. MARIA ANTONIA ESCARRER JAUME	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). Maria Antonia Escarrer held various positions at Melia, 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. 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. 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. She is also an expert in Transpersonal Mindfulness by the Escuela Transpersonal. Currently and since 2012, she works as coach at an executive and personal level specialised in accompanying professionals in times of career change

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HOTELES MALLORQUINES ASOCIADOS, S.L.	MR. ALFREDO PASTOR BODMER	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. 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.

Total number of proprietary directors	4
% of the Board	36,36

EXTERNAL INDEPENDENT DIRECTORS	
Name or corporate name of director	Profile
MS. CARINA SZPILKA LÁZARO	Degree in Economic and Business Sciences from ICADE E-2 and Executive MBA from Instituto de Empresa in Madrid. 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. 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. 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. 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).
MR. FERNANDO D´ORNELLAS SILVA	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,

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Name or corporate name of director	Profile
	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.
MR. JUAN ARENA DE LA MORA	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.

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MR. FRANCISCO JAVIER CAMPO GARCIA	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	Profile
MR. LUIS Mª DIAZ DE BUSTAMANTE TERMINEL	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.
MS. CRISTINA HENRÍQUEZ DE LUNA BASAGOITI	Mrs. Cristina Henríquez de Luna Basagoiti has a Degree in Law and Economics from the University Pontificia de Comillas of Madrid (ICADE-2). 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). Before joining GSK she worked for Procter & 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. 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.

Total number of independent directors	6
% of the Board	54,55

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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

OTHER EXTERNAL DIRECTORS			
The other external directors will be identified and the reasons why they cannot be considered proprietary or independent and their links, whether with the company, its directors, or its shareholders, will be detailed:			
Name or corporate name of the director	Reasons	Company, manager or shareholder with whom it maintains	Profile

Número total de otros consejeros externos	N.A.
% sobre el total del consejo	N.A.

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

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

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 2019	Year 2018	Year 2017	Year 2016	Year 2019	Year 2018	Year 2017	Year 2016
Executive					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	20.00	20.00	20.00

	Number of female directors				% of directors for each category			
	Year 2019	Year 2018	Year 2017	Year 2016	Year 2019	Year 2018	Year 2017	Year 2016
Other External					0.00	0.00	0.00	0.00
Total	3	2	2	2	27.27	18.18	18.18	18.18

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
MS. CARINA SZPILKA LÁZARO	GRIFOLS S.A.	DIRECTOR
MR. FERNANDO D´ORNELLAS SILVA	PROSEGUR S.A.	DIRECTOR
MR. FRANCISCO JAVIER CAMPO GARCIA	BANKIA S.A.	DIRECTOR
MS. CRISTINA HENRÍQUEZ DE LUNA BASAGOITI	APPLUS SERVICES, S.A.	DIRECTOR

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

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

Board remuneration in financial year (thousand euros)	3,398
Amount of vested pension interests for current directors (thousand euros)	
Amount of vested pension interests for former members (thousand euros)	

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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
MS. PILAR DOLS COMPANY	CHIEF FINANCIAL OFFICER
MR. JUAN IGNACIO PARDO GARCIA	CHIEF LEGAL & COMPLIANCE OFFICER
MR. ANDRE PHILIPPE GERONDEAU	CHIEF OPERATING OFFICER
MR. MARK MAURICE HODDINOTT	CHIEF REAL ESTATE OFFICER
MR. JOSÉ LUÍS ALCINA JAUME	Internal Audit VP

Total senior management remuneration (thousand euros)	4,837

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

[√] Yes
[ ] No

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

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

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
Number of Board meetings without the chairman	0

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

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

Number of meetings held by the Auditing and Compliance	10
Number of meetings held by the Appointments and Remuneration Committee	8

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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	100.00

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

[√] Ys
[ ] No

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

Nombre	Cargo
MS. PILAR DOLS COMPANY	CHIEF FINANCIAL OFFICER
MR. GABRIEL ESCARRER JAUME	VICECHAIRMAN AND CEO

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

[√] Ys
[ ] No

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

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.

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

[√] Yes
[ ] No

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	48	198
Amount invoiced for non-audit services/total amount invoiced by the audit firm (in %)	39.55	7.03	18.58

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

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 (%)	0.04	0.04

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

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Explanation of procedure

S 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.

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.

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.

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.

Nº Beneficiary:	1
Beneficiary	**Description of the agreement:**
CEO	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.

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	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
Are these clauses notified to the General Shareholders'	√	

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
MS. CARINA SZPILKA LÁZARO	MEMBER	Independient
MR. FERNANDO D´ORNELLAS SILVA	CHAIRMAN	Independient
MR. JUAN ARENA DE LA MORA	MEMBER	Independient
MR. FRANCISCO JAVIER CAMPO GARCIA	MEMBER	Independient

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external	0.00

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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	23/06/2016

Appointments and Remuneration Committee		
Name	Position	Category
MR. FERNANDO D´ORNELLAS SILVA	MEMBER	Independient
MR. FRANCISCO JAVIER CAMPO GARCIA	CHAIRMAN	Independient
MR. LUIS Mª DIAZ DE BUSTAMANTE TERMINEL	MEMBER	Independient
HOTELES MALLORQUINES CONSOLIDADOS S.L.	MEMBER	Propietary

% of executive directors	0.00
% of proprietary directors	25.00
% of independent directors	75.00
% of other external	0.00

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	
	Number	%	Number	%	Number	%	Number	%
Auditing and compliance Committee	1	20.00	1	20.00	1	20.00	0	0.00
Appointments and Remuneration Committee	1	25.00	1	25.00	1	25.00	1	25.00

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D. LINKED OPERATIONS AND INTRAGROUP OPERATIONS

D.2. 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 Meliá 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
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

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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 CERDA	Meliá Hotels International S.A.	Commercial	Provision of services	158
MR. JUAN VIVES CERDA	Meliá Hotels International S.A.	Commercial	Receipt of services	3
MR. JUAN VIVES CERDA	Prodigios Interactivos S.A.	Commercial	Provision of services	108
MR. JUAN VIVES CERDA	Prodigios Interactivos S.A.	Commercial	Receipt of services	15

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

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 the group company	Brief description of the transaction	Amount (thousand euros)
		N.A.

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

[ ] Yes
[√] No

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

G. EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of monitoring of the company with respect to the recommendations of the Code of good governance of listed companies.

In the event that any recommendation is not followed or partially followed, a detailed explanation of its reasons should be included so that shareholders, investors and the market in general have sufficient information to assess the company's behavior. General explanations will not be acceptable.

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 [X] 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 [X]

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 [X] 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 [X] Complies Partially [ ] Explanation [ ]

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Secretary and Independent Director

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 [X]

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 [X]   Complies Partially [ ]   Explanation [ ]

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

Complies [X]   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 [X]   Complies Partially [ ]   Explanation [ ]

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Secretary and Independent Director

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 [X] Complies Partially [ ] Explanation [ ]

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:

Immediately distributes the additions and new proposals.

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.
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.
Communicates a breakdown of the results of said additions or alternative proposals after the General Shareholders' Meeting.

Complies [ ] Complies Partially [ ] Explanation [ ] Not Applicable [X]

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 [X]

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 [X] Complies Partially [ ] Explanation [ ]

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 [X]   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 [X]   Complies Partially [ ]   Explanation [ ]

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 [X]   Complies Partially [ ]   Explanation [ ]

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:

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

Complies [X]   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 [X] Explanation [ ]

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

Professional profile and biography.
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.
Category of directorship, indicating, in the case of proprietary directors, the shareholder that they represent or to which they are connected.
The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.
The shares and options they own.

Complies [X] Complies Partially [ ] Explanation [ ]

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 [X]

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 [X]

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Secretary and Independent Director

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 [X]   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 [X]   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 [X]   Complies Partially [ ]   Explanation [ ]   Not Applicable [ ]

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Secretary and Independent Director

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 [X]

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 [X] Explanation [ ]

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 [X] Explanation [ ]

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 [X] Complies Partially [ ] Explanation [ ]

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Secretary and Independent Director

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 [X] 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 [X] 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 [X] 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 by duly recorded in the minutes.

Complies [X] 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 [X] 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 [X] Complies Partially [ ] Explanation [ ]

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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 [X] 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 [X] 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:

The quality and efficiency of the Board of Director's operation.
The performance and composition of its committees.
Diversity of membership and competence of the Board of Directors.
Performance of the chairman of the Board of Directors and the chief executive officer of the company.
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 [X] Complies Partially [ ] Explanation [ ]

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Secretary and Independent Director

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 [X]

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 [X]

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 [X] 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 [X] 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 [X] 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 [X] 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 [X] Complies Partially [ ] Explanation [ ]

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Secretary and Independent Director

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 [X] Complies Partially [ ] Explanation [ ] Not Applicable [ ]

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

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.

Fixing of the level of risk the company considers acceptable.

Measures identified in order to minimise identified risks in the event they occur.
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 [X] 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:

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.
Actively participate in the creation of the risk strategy and in important decisions regarding risk management.
Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.

Complies [X] 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 [X] Complies Partially [ ] Explanation [ ]

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Secretary and Independent Director

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

Complies [ ] Explanation [ ] Not Applicable [X]

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 [X] Complies Partially [ ] Not Applicable [ ]

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:

Propose basic conditions of employment for senior management.
Verify compliance with company remuneration policy.
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.
Ensure that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.
Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies [X] Complies Partially [ ] Not Applicable [ ]

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 [X] Complies Partially [ ] Not Applicable [ ]

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Secretary and Independent Director

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 [X]

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 [X] Complies Partially [ ] Explanation [ ]

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Secretary and Independent Director

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 [X] 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 [X] 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 [X] Explanation [ ]

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 [X] 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 [X] 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 [X] 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 [X] 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 [X] 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”.

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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 [X]

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 [X]   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 [X]   Complies Partially [ ]   Explanation [ ]   Not Applicable [ ]

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

[ ] Yes
[√] No

We state that the data included in this statistical annex coincide and are consistent with the descriptions and data included in the annual corporate governance report published by the company.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Consolidated Annual Accounts 2019

MELIÃ HOTELS INTERNATIONAL

Leisure at heart,
business in mind

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Consolidated Balance Sheet

(Thousand €)	Note	31/12/2019	31/12/2018 (Restated)	01/01/2018 (Restated)
NON-CURRENT ASSETS				
Goodwill	9	72,267	67,999	60,714
Other intangible assets	9	73,408	76,372	67,660
Property, Plant and Equipment	10	1,923,267	1,851,194	1,676,072
Right of use	18	1,251,255	1,064,130	1,172,344
Investment property	11	116,267	149,437	135,900
Investments measured using the equity method	12	212,711	197,817	229,644
Other non-current financial assets	13.1	168,281	140,551	172,835
Deferred tax assets	20.2	297,298	302,555	285,383
TOTAL NON-CURRENT ASSETS		**4,114,756**	**3,850,054**	**3,800,552**
CURRENT ASSETS				
Non-Current Assets Held for Sale	14		56,081	
Inventories	15.1	29,260	26,492	34,079
Trade and other receivables	15.2	194,077	249,076	270,967
Current tax assets	20.2	39,577	28,870	54,961
Other current financial assets	13.1	49,046	41,097	48,684
Cash and other cash equivalents	15.3	328,944	312,902	331,885
TOTAL CURRENT ASSETS		**640,904**	**714,519**	**740,577**
TOTAL GENERAL ASSETS		**4,755,660**	**4,564,573**	**4,541,129**
EQUITY				
Share capital	16.1	45,940	45,940	45,940
Share premium	16.1	1,107,135	1,119,301	1,120,303
Reserves	16.2	443,037	431,873	392,882
Treasury shares	16.3	(28,191)	(16,025)	(15,023)
Retained earnings	16.4	(325,355)	(430,458)	(456,488)
Translation differences	16.5	(110,515)	(133,101)	(145,638)
Other measurement adjustments	16.5	(2,558)	(2,148)	(1,704)
Profit/(loss) for the year attributed to parent company	8	112,898	147,094	123,923
NET EQUITY ATTRIBUTED TO THE PARENT COMPANY		1,242,392	1,162,477	1,064,194
Non-controlling shareholdings	16.6	43,638	41,935	17,972
TOTAL NET EQUITY		**1,286,030**	**1,204,412**	**1,082,166**
NON-CURRENT LIABILITIES				
Bonds and other negotiable securities	13.2	33,951	33,835	
Bank loans	13.2	786,923	719,949	644,515
Lease liabilities	18	1,264,282	1,126,410	1,268,926
Other non-current financial liabilities	13.2	12,212	14,961	9,414
Capital grants and other deferred income	17.1	350,593	368,535	387,039
Provisions	17.2	29,805	40,199	33,456
Deferred tax liabilities	20.2	221,888	203,239	190,295
TOTAL NON-CURRENT LIABILITIES		**2,699,654**	**2,507,127**	**2,533,645**
CURRENT LIABILITIES				
Bonds and other negotiable securities	13.2	172	51,526	71,610
Bank loans	13.2	100,343	115,066	209,482
Lease liabilities	18	172,012	151,006	123,107
Trade creditors and other payables	19.1	424,472	452,823	422,893
Current tax liabilities	20.2	7,675	7,066	17,496
Other current liabilities	13.2	65,301	75,546	80,731
TOTAL CURRENT LIABILITIES		**769,976**	**853,034**	**925,318**
TOTAL GENERAL LIABILITIES AND NET EQUITY		**4,755,660**	**4,564,573**	**4,541,129**

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Consolidated Income Statement

(Thousand €)	Note	2019	2018 (Restated)
Operating income		1,789,538	1,819,505
Results from assets sale		11,211	11,810
Total Operating income and Results from assets sale	**7.1**	**1,800,748**	**1,831,315**
Supplies	7.2	(199,035)	(190,785)
Staff costs	7.3	(523,918)	(526,644)
Other expenses	7.4	(579,301)	(592,173)
Total Operating expenses		**(1,302,255)**	**(1,309,602)**
EBITDAR (*)		**498,494**	**521,713**
Leases	18.2	(20,584)	(20,815)
EBITDA (*)	**6.1**	**477,910**	**500,898**
Depreciation and impairment	7.5	(122,329)	(117,378)
Depreciation Right of use	7.5	(137,713)	(124,270)
Bargain purchase	7.6	4,926	(379)
EBIT (*)		**222,794**	**258,871**
Exchange differences		(12,753)	(8,935)
Borrowings		(33,069)	(31,762)
Financial expense leases		(41,381)	(43,515)
Other financial income		14,417	15,223
Net financial income	**7.7**	**(72,786)**	**(68,989)**
Profit /(Loss) from companies carried by the equity method	**12**	**6,303**	**5,320**
NET INCOME BEFORE TAX		**156,312**	**195,203**
Income Tax	20.6	(34,632)	(43,538)
CONSOLIDATED NET INCOME		**121,679**	**151,664**
a) Attributed to the parent company	8	112,898	147,094
b) Attributed to minority interests	16.6	8,781	4,570
BASIC EARNINGS PER SHARE IN EUROS	8	0.50	0.65
DILUTED EARNINGS PER SHARE IN EUROS	8	0.50	0.65

** Definitions in Note 2.4*

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Consolidated Statement of Comprehensive Income

(Thousand €)	Note	2019	2018 (Restated)
Net consolidated income		**121,679**	**151,664**
Other comprehensive income:			
Items that will not be transferred to results			
Other results attributed to equity		632	(15,266)
Equity consolidated companies	12	4	(4,584)
Actuarial gains and losses in post-employment plans	17.2	(1,165)	(1,962)
Total Items that will not be transferred to results		**(529)**	**(21,812)**
Items that may be subsequently transferred to results			
Translation differences	16.5	18,289	14,910
Cash flow hedges	13.3	(1,028)	75
Equity consolidated companies	12	(306)	55
Tax effect	20.2	257	(19)
Total ittems that may be transferred to results		**17,212**	**15,022**
Total Other comprehensive income		16,683	(6,790)
TOTAL COMPREHENSIVE INCOME		**138,362**	**144,875**
a) Attributed to the parent company		133,563	139,222
b) Attributed to minority interests	16.6	4,799	5,652

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Consolidated Statement of Changes in Equity

(Thousand €)	Note	Capital	Share Premium	Other Reserves	Treasury Shares	Retained Earnings	Measurement Adjustments	Net Income of Parent Company	To
NET EQUITY AT 31/12/2017		**45,940**	**1,120,303**	**392,882**	**(15,023)**	**(277,383)**	**(147,342)**	**123,923**	**1,**
Changes Effect in Accounting Policies	2.3					(179,106)			(
Adjusted opening balance		**45,940**	**1,120,303**	**392,882**	**(15,023)**	**(456,489)**	**(147,342)**	**123,923**	**1,**
Total recognised income and expenses				**(1,393)**		**(18,572)**	**12,093**	**147,094**	**1**
Distribution of dividends				(38,333)					(
Operations with treasury shares	16.3		(1,002)	1,002	(1,002)				
Other operations with shareholders and owners	5.2					(1,573)			
Operations with owners and shareholders		**0**	**(1,002)**	**(37,331)**	**(1,002)**	**(1,573)**			**(**
Distribution 2017 net income	16.4			77,070		46,853		(123,923)	
Other variations				645		(677)			
Other variations in net equity		**0**	**0**	**77,715**	**0**	**46,176**	**0**	**(123,923)**	
NET EQUITY AT 31/12/2018		**45,940**	**1,119,301**	**431,873**	**(16,025)**	**(430,458)**	**(135,249)**	**147,094**	**1,**
Total recognised income and expenses				**(1,002)**		**(510)**	**22,176**	**112,898**	**1**
Distribution of dividends	8					(41,705)			(
Operations with treasury shares	16.3		(12,166)	12,166	(12,166)				(
Other operations with shareholders and owners	5.2					80			
Operations with owners and shareholders			**(12,166)**	**12,166**	**(12,166)**	**(41,625)**			**(**
Distribution 2018 net income	16.4					147,094		(147,094)	
Other variations						143			
Other variations in net equity				**0**		**147,237**		**(147,094)**	
NET EQUITY AT 31/12/2019		**45,940**	**1,107,135**	**443,037**	**(28,191)**	**(325,355)**	**(113,073)**	**112,898**	**1,**

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Consolidated Cash Flow Statement

(Thousand €)	Note	2019	31/12/2018 (Restated)
1. OPERATING ACTIVITIES			
Net Income before tax		156,312	195,203
Result adjustments:			
Depreciation and impairment	9, 10, 18	260,041	241,648
Profit/(loss) from companies carried by the equity method	12	(6,302)	(5,320)
Net Financial Income	7	72,786	68,988
Negative differences in consolidation	5	(4,926)	379
EBITDA		477,911	500,898
Other result adjustments		(42,600)	24,475
Trade and other receivables		1,248	31,429
Other assets		(2,196)	(1,222)
Trade creditors and other payables		(23,137)	12,960
Other Liabilities			18,611
Income taxes paid		(28,257)	(15,784)
Total net cash flows from operating activities (I)		**382,970**	**571,367**
2. INVESTMENT ACTIVITIES			
Financial income		2,388	9,393
Investment (-):			
Investments in associates and joint ventures			(67,842)
Business combination	5	(29,148)	(34,160)
Loans to associates and joint ventures		(26,132)	(1,151)
Property, plant and equipment, intangible assets and investment property	9,10,11	(107,966)	(230,107)
Non-current financial investments		(1,600)	(15,710)
Divestments (+):			
Business combination		514	
Loans to associates and joint ventures		12,294	
Property, plant and equipment, intangible assets and investment property	9,10,11	25,839	76,145
Non-current Assets Held for Sale	14	46,409	
Current financial investments		18,821	12,822
Total net cash flows from investment activities (II)		**(58,580)**	**(250,608)**
3. FINANCING ACTIVITIES			
Dividend payments (-)		(43,040)	(38,324)
Treasury stock	16.3	(12,166)	(1,002)
Change in investment		(1,000)	
Debt interest paid (-)		(30,824)	(28,805)
Debt issue	13.2	235,155	204,804
Debt redemption and repayment	13.2	(253,796)	(287,292)
Leases	18.2	(190,475)	(174,372)
Other financial liabilities (+/-)		(1,317)	
Total net cash flows from financing activities (III)		**(297,463)**	**(324,991)**
4. GROSS INCREASE/ DECREASE IN CASH OR EQUIVALENTS (I+II+III)		**26,927**	**(4,232)**
5. Effect of exchange rate changes in cash or equivalents (IV)		**(10,679)**	**(14,751)**
6. Effect of changes in the scope of consolidation (V)		**(206)**	**0**
7. NET INCREASE/ DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III-IV+VI)		**16,042**	**(18,983)**
8. Cash and cash equivalents at the beginning of the year		**312,902**	**331,885**
9. Cash and cash equivalents at the year end (7+8)		**328,944**	**312,902**

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Secretary and Independent Director

Notes to the Consolidated Annual Accounts

Note 1. Corporate Information

The parent or controlling company, Meliá Hotels International, S.A., is a Spanish public limited company that was incorporated in Madrid on 24 June 1986 under the registered name of Investman, S.A. On 1 June 2011 the General Shareholders' Meeting approved the change of name to Meliá Hotels International, S.A. In 1998 the Company moved its registered address to Calle Gremio Toneleros, 24, Palma de Mallorca.

Meliá Hotels International, S.A. and its subsidiaries and associates (hereinafter, the "Group" or the "Company") form a Group comprising companies that are mainly engaged in tourist activities, in general, and more specifically, in the management and operation of hotels under ownership, lease, management or franchise arrangements, as well as in vacation club operations. The Group is also engaged in the promotion of all types of businesses related to the tourist and hotel industry or leisure and recreational activities, as well as the participation in the creation, development and operation of new businesses, establishments or companies, in the tourist and hotel industry or any other leisure or recreational business. Likewise, some companies within the Group carry out real estate activities by taking advantage of the synergies obtained in hotel development as a result of the massive expansion process undertaken.

In any event, all those activities that special laws reserve for companies which meet certain requirements that are not met by the Company are expressly excluded from the corporate purpose; in particular, the activities that the law restricts to Collective Investment Institutions or to Stock Market intermediary firms are excluded.

With over 60 years of history, Meliá Hotels International has consolidated its international presence with more than 326 hotels in more than 40 countries. With a solid experience in seven brands to attend the different demands of its customers, which asserts its leadership in vacation hotel industry and leisure, Meliá Hotels International aims to position itself amongst the world's leading hotel groups in the upper-medium segment, as well as to be recognised as a world leader in terms of excellence, responsibility and sustainability.

Note 2. Basis of Presentation of the Consolidated Annual Accounts

The Meliá Hotels International Group presents its consolidated annual accounts in accordance with the International Financial Reporting Standards (IFRS) and their interpretations (IFRIC) in force at 31 December 2019, published by the International Accounting Standards Board (IASB) and adopted by the European Union.

These consolidated annual accounts are formulated by the Board of Directors of the parent company and are pending approval by the General Shareholders' Meeting, and they are expected to be approved without changes.

The figures on the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, and the accompanying Notes to the accounts, all of them in consolidated form, are stated in Euro, rounded to thousands, except where otherwise indicated.

The Group's consolidated annual accounts have been prepared on a historical cost basis, i.e. the fair value of the consideration given or received for goods and services; except for those items listed under the headings 'investment property', 'derivative financial instruments' and 'financial assets at fair value through profit or loss', which are measured at fair value (see Note 4.6). It should be mentioned that the balances from the Venezuelan Group companies have been restated at current cost, in accordance with IAS 29, since Venezuelan economy is considered as hyperinflationary (see Note 3.15).

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2.1. Changes in Accounting Policies, Estimates, and Errors.

Changes in EU-IFRS

This fiscal year, the Group has adopted the standards approved by the European Union whose application was not obligatory in 2018.

- ✓ IFRS 16 “Leases”.
- ✓ Amendment of IFRS 9: “Prepayment features with negative compensation”.
- ✓ IFRIC 23 “Uncertainty over income tax treatments”.
- ✓ Amendment of IAS 28: “Long-term interest in associates and joint ventures”.
- ✓ Amendment of IAS 19: “Plan amendment, curtailment or settlement “.
- ✓ Annual improvements of IFRS (2015-2017 cycle): changes affect IFRS 3, IFRS 11, IAS 12 and IAS 23.

The accounting policies applied are consistent with those of the previous year, considering the adoption of the standards and interpretations mentioned in the paragraph above and, except as described below regarding IFRS 16 and IFRIC 23, they have no greater impact on the consolidated financial statements or the financial position of the Group.

IFRS 16 “Leases”

On 1 January 2019, the new regulations on leases (IFRS 16) entered into force, which have significant impacts on the composition of assets and liabilities and on the structure of the consolidated income statement of the Group, as well as on the cash flow statement.

IFRS 16 introduces new requirements in relation to the accounting for leases and significant changes therein, thereby removing the distinction between operating and finance leases, and requiring the recognition of a right of use and a lease liability on the date of commencement of all the leases (with exceptions regarding terms of less than one year and low value of the underlying asset). In contrast to the accounting for the lessees, the requirements for the accounting by the lessor remain without significant changes.

The Group’s portfolio, at the year end, includes 102 hotels operated by various subsidiaries under lease, mainly in European cities; as well as 42 agreements, the underlaying assets of which are mainly offices and vehicles.

The Company has adopted the standard for its 2019 financial statements under the retrospective approach, which involves the recovery of the payment commitments undertaken under each of the lease agreements concluded from their respective dates of signature. For such recovery, the Group has calculated an incremental financing rate by homogeneous contract portfolio, based on the commencement or renewal date, country and term. The average of such rates used on the date of initial implementation was 3.4% in Spain, 2.65 % in EMEA and 3.12% in America.

Note 2.3 includes details of the restatement of the consolidated balance sheets as at 31/12/2018 and 01/01/2018, as well as the consolidated income statement and consolidated cash flow statements. The accounting policies, estimates and criteria established by the Company for the implementation of this Standard are broken down in Note 3.12.

Note 18 provides information about the balances and changes of right-of-use assets, as well as lease liabilities. Moreover, mention is made to those payments made which are not included in the discount calculations, such as variable payments based on the hotel performance or payments linked to short-term agreements or low value.

IFRIC 23 “Uncertainty over income tax treatments”.

This standard is effective for years beginning after January 1, 2019 and provides clarification on how to apply the requirements of recognition and measurement of IAS 12 “Income Taxes” when there is uncertainty about the income tax treatments. In these circumstances, the entity will reflect the effect of the uncertainty when determining the taxable profit (tax loss), tax bases, unused tax losses and unused tax credits and tax rates. The Company has analysed the possible uncertain tax treatments and the implementation of this interpretation has not had significant impact on the consolidated annual accounts except for classification purposes (see Note 2.3).

The standards issued prior to the formulation date of these consolidated annual accounts and which will enter into force in subsequent dates are the following:

- ✓ Amendment of IFRS 10 and IAS 28: “Sale or contribution of assets between an investor and its associates or joint ventures”.
- ✓ IFRS 17 “Insurance contracts”.
- ✓ Amendment of IFRS 3: “Definition of a business”.
- ✓ Amendment of IAS 1: “Classification of liabilities as current or non-current”.

It is not expected that the adoption of the abovementioned standards will have significant impacts on the Group’s financial statements.

2.2. True image

These consolidated Annual Accounts have been prepared on the basis of the internal accounting records of the parent company, Meliá Hotels International, S.A., and the accounting records of the rest of the companies included in the scope of consolidation as detailed in Annex 1 and Annex 2, duly adjusted according to the accounting principles established in the IFRS; and fairly present the equity, financial position and results of operations of the Company.

2.3. Comparability

These consolidated annual accounts include the figures for year 2019 and, for comparison purposes, those for year 2018, of each of the items in the balance sheet, income statement, statement of comprehensive income, statement of changes in equity and the cash flow statement. The comparative amounts for 2018 regarding the quantitative information appearing in the notes to the consolidated annual accounts are also included.

As stated in Note 2.1, in 2018 there have been changes in the accounting policies applied by the Meliá Group which require the restatement of the comparative information related to year 2018, due to the entry into force of IRFS 16 and IFRIC 23.

The tables below reflect the impacts of such restatements on the consolidated financial statements drawn up for 2018, in relation to the comparative information presented in this fiscal year.

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As for the consolidated balance sheet, the reconciliation as at 1 January and 31 December 2018 is broken down as follows:

(Thousand €)	01/01/2018	IFRS 16	IFRIC23	01/01/2018 (Restated)	31/12/2018	IFRS 16	IFRIC23	31/12/2018 (Restated)
NON-CURRENT ASSETS								
Goodwill	60,714			60,714	67,999			67,999
Other intangible assets	102,194	(34,533)		67,660	107,588	(31,217)		76,372
Property, Plant and Equipment	1,682,040	(5,968)		1,676,072	1,856,801	(5,608)		1,851,194
Right of use		1,172,344		1,172,344		1,064,130		1,064,130
Investment property	135,900			135,900	149,437			149,437
Investments measured using the equity method	229,644			229,644	197,817			197,817
Other non-current financial assets	173,550	(716)		172,835	141,217	(665)		140,551
Deferred tax assets	220,291	65,092		285,383	239,781	62,774		302,555
TOTAL NON-CURRENT ASSETS	2,604,332	1,196,220		3,800,552	2,760,640	1,089,414		3,850,054
CURRENT ASSETS								
Non-Current Assets Held for Sale					56,081			56,081
Inventories	34,079			34,079	26,492			26,492
Trade and other receivables	270,967			270,967	249,076			249,076
Current tax assets	54,961			54,961	28,870			28,870
Other current financial assets	48,684			48,684	41,097			41,097
Cash and other cash equivalents	331,885			331,885	312,902			312,902
TOTAL ACTIVO CORRIENTE	740,577			740,577	714,519			714,519
TOTAL GENERAL ASSETS	3,344,908	1,196,220		4,541,129	3,475,159	1,089,414		4,564,573

(Thousand €)	01/01/2018	IFRS 16	IFRIC23	01/01/2018 (Restated)	31/12/2018	IFRS 16	IFRIC23	31/12/2018 (Restated)
EQUITY								
Share capital	45,940			45,940	45,940			45,940
Share premium	1,120,303			1,120,303	1,119,301			1,119,301
Reserves	392,882			392,882	431,873			431,873
Treasury shares	(15,023)			(15,023)	(16,025)			(16,025)
Retained earnings	(277,383)	(179,106)		(456,488)	(251,352)	(179,106)		(430,458)
Translation differences	(145,638)			(145,638)	(133,570)	469		(133,101)
Other measurement adjustments	(1,704)			(1,704)	(2,148)			(2,148)
Profit/(loss) for the year attributed to parent company	123,923			123,923	140,079	7,016		147,094
NET EQUITY ATTRIBUTED TO THE PARENT COMPANY	1,243,300	(179,106)		1,064,194	1,334,097	(171,620)		1,162,477
Non-controlling shareholdings	26,556	(8,584)		17,972	50,107	(8,172)		41,935
TOTAL NET EQUITY	1,269,856	(187,690)		1,082,166	1,384,204	(179,793)		1,204,412
NON-CURRENT LIABILITIES								
Bonds and other negotiable securities					33,835			33,835
Bank loans	644,515			644,515	719,949			719,949
Lease liabilities		1,268,926		1,268,926		1,126,410		1,126,410
Other non-current financial liabilities	9,414			9,414	14,961			14,961
Capital grants and other deferred income	387,039			387,039	368,535			368,535
Provisions	42,507	(3,694)	(5,358)	33,456	57,293	(3,168)	(13,927)	40,199
Deferred tax liabilities	184,938		5,358	190,295	189,312		13,927	203,239
TOTAL NON-CURRENT LIABILITIES	1,268,412	1,265,233		2,533,645	1,383,885	1,123,242		2,507,127
CURRENT LIABILITIES								
Bonds and other negotiable securities	71,610			71,610	51,526			51,526
Bank loans	209,482			209,482	115,066			115,066
Lease liabilities		123,107		123,107		151,006		151,006
Trade creditors and other payables	443,275	(20,382)		422,893	474,009	(21,186)		452,823
Current tax liabilities	17,496			17,496	7,066			7,066
Other current liabilities	64,778	15,953		80,731	59,402	16,144		75,546
TOTAL CURRENT LIABILITIES	806,640	118,678		925,318	707,070	145,964		853,034
TOTAL GENERAL LIABILITIES AND NET EQUITY	3,344,908	1,196,220		4,541,129	3,475,159	1,089,414		4,564,573

There follows the reconciliation of the income statement for year 2018:

(Thousand €)	2018	IFRS 16	2018 (Restated)
Operating income	1,819,505		1,819,505
Results from assets sale	11,810		11,810
Total Operating income and Results from assets sale	**1,831,315**		**1,831,315**
Supplies	(190,785)		(190,785)
Staff costs	(526,644)		(526,644)
Other expenses	(594,237)	2,065	(592,173)
Total Operating expenses	**(1,311,667)**	**2,065**	**(1,309,602)**
EBITDAR	**519,648**	**2,065**	**521,713**
Leases	(193,122)	172,307	(20,815)
EBITDA	**326,526**	**174,372**	**500,898**
Depreciation and impairment	(120,600)	3,222	(117,378)
Depreciation Right of use		(124,270)	(124,270)
Bargain purchase	(379)		(379)
EBIT (*)	**205,548**	**53,323**	**258,871**
Exchange differences	(8,935)		(8,935)
Borrowings	(31,762)		(31,762)
Financial expense leases		(43,515)	(43,515)
Other financial income	15,223		15,223
Net financial income	**(25,473)**	**(43,515)**	**(68,989)**
Profit /(Loss) from companies carried by the equity method	**5,320**		**5,320**
NET INCOME BEFORE TAX	**185,395**	**9,808**	**195,203**
Income Tax	(41,158)	(2,380)	(43,538)
CONSOLIDATED NET INCOME	**144,236**	**7,428**	**151,664**
a) Attributed to the parent company	140,079	7,016	147,094
b) Attributed to minority interests	4,158	412	4,570

The following table shows the impacts on the cash flow statement:

(Thousand €)	31/12/2018	IFRS 16	31/12/2018 (Restated)
Total net cash flows from operating activities	396,329	175,038	571,367
Total net cash flows from investment activities	(249,943)	(665)	(250,608)
Total net cash flows from financing activities	(150,618)	(174,373)	(324,991)
GROSS INCREASE/ DECREASE IN CASH OR EQUIVALENTS	**(4,232)**	**0**	**(4,232)**

2.4. Alternative performance measures

The main alternative performance measures (APM) used by the Company are listed below, as well as the basis on which they are calculated, such measures being regarded as the measures of future or past financial performance, financial position or cash flows.

Key financial indicators:

The Group uses various subtotals from the EBIT. These subtotals are broken down in the consolidated income statement, where their reconciliation in relation to the EBIT can be observed, as well as their comparative values.

- ✓ EBITDAR: Earnings Before Interest, Tax, Depreciation, Amortisation, & Rent. EBIDTAR allows comparability among the hotel business units operated by the Group, regardless of the method through which the operation rights were acquired (ownership or lease).

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- ✓ EBITDA: Earnings Before Interest, Tax, Depreciation & Amortisation. It offers an estimate of the net cash flow from operating activities. To this end, this indicator is also reported as a subtotal in the consolidated cash flow statement.

Other financial indicators

- ✓ EBITDAR and EBITDA without capital gains: The purpose of this indicator is to offer a measurement of the Company's operating income, excluding certain results from the property segment mainly related to asset rotation. Revenues and expenses derived from those activities are excluded from the calculation of EBITDA without capital gains, giving rise to revenues without capital gains, measurement used to calculate margins without capital gains.

  The reconciliation of EBITDAR and EBITDA without capital gains for year 2019, in relation to the subtotals reported in the consolidated income statement, is as follows:

(Thousand €)	Revenues	Expenses	EBITDAR	Leases	EBITDA
Consolidated Income Statement	**1,800,748**	**(1,302,255)**	**498,494**	**(20,584)**	**477,910**
Results from assets sale	(11,211)	1,068	(10,142)		(10,142)
Investment property valuation results		3,132	3,132		3,132
Without capital gains	**1,789,538**	**(1,298,054)**	**491,483**	**(20,584)**	**470,900**

  For comparison purposes, the calculation for year 2018 is shown below:

(Thousand €)	Revenues	Expenses	EBITDAR	Leases	EBITDA
Consolidated Income Statement	**1,831,315**	**(1,309,602)**	**521,713**	**(20,815)**	**500,898**
Results from assets sale	(11,810)	5,031	(6,780)		(6,780)
Investment property valuation results	(12,557)	6,063	(6,494)		(6,494)
Results related to non-current assets held for	(16,782)	11,294	(5,487)		(5,487)
Without capital gains	**1,790,166**	**(1,287,214)**	**502,952**	**(20,815)**	**482,137**

- ✓ EBITDAR and EBITDA margin without capital gains: The margin offers a percentage ratio of the revenues the Company may recognise in the income statement. For the operational decision-making of the Company, the abovementioned revenues and results without capital gains are taken into consideration. The calculation summary of the EBITDAR and EBITDA margin without capital gains for 2019 and 2018 is shown below:

(Thousand €)	2019	2018
Income without capital gains	1,789,538	1,790,166
EBITDAR without capital gains	491,483	502,952
EBITDAR margin without capital gains	**27.46%**	**28.10%**
EBITDA without capital gains	470,900	482,137
EBITDA margin without capital gains	**26.31%**	**26.93%**

- ✓ Net Debt: This indicator is used to measure the financial leverage. It is calculated as the difference between debt with credit entities, short- and long-term securities issues and lease liabilities less Cash and cash equivalents. The reconciliation of this indicator with the different headings in the consolidated balance sheet for 2019 and 2018 is shown below:

(Thousand €)	31/12/2019	31/12/2018
Bonds and Other Negotiable Securities (Non-Current)	33,951	33,835
Bank Loans (Non-current)	786,923	719,949
Bonds and Other Negotiable Securities (Current)	172	51,526
Bank Loans (Current)	100,343	115,066
Lease liabilities	1,436,294	1,277,416
Cash and other cash equivalents	(328,944)	(312,902)
Net Debt	**2,028,739**	**1,884,890**

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- ✓ Net debt ratio over EBITDA: This indicator is usually used by financial analysts, investors and stakeholders related to the Company. This is the ratio between the Company's payment commitments (Net Debt) and its capacity to generate cash flows from the transaction (EBITDA without capital gains). Figures for 2019 and 2018 are as follows:

(Thousand €)	2019	2018
Net Debt	2,028,739	1,884,890
EBITDA without capital gains	470,900	482,137
Net Debt over EBITDA	**4.31**	**3.91**

- ✓ GAV (Gross Asset Value) and NAV (Net Asset Value): The Company periodically carries out a valuation of its assets through an independent expert.

  The Gross Asset Value (GAV) is the aggregated sum of the result of such valuation for all the assets owned by the Group, and the assets owned by associates weighted by the Group's percentage of interest in such companies.

  The Net Asset Value (NAV) is the result of reducing the GAV by the amount of the Group's Net Debt and the net debt of the associates owning the valued assets weighted by the Group's percentage of interest on the date of the asset valuation.

Financial indicators "prior to IFRS 16"

The entry into force in 2019 of IFRS 16 "Leases" has had very significant impacts on the composition of financial liabilities of the Company (see Notes 2.1 and 2.3). Given the importance of certain indicators, during the transition period, the Company finds it relevant to provide information on what the outcome of such indicators would have been with the calculation methodology used prior to the entry into force of the standard.

(Thousand €)	2019	2018
EBITDA without capital gains	**470,900**	**482,137**
Leases	(187,967)	(172,307)
Other expenses	(2,508)	(2,065)
EBITDA without capital gains pre IFRS 16	**280,425**	**307,765**

(Thousand €)	2019	2018
Net Debt	**2,028,739**	**1,884,890**
Lease liabilities	(1,436,294)	(1,277,416)
Net Debt pre IFRS 16	**592,445**	**607,474**

(Thousand €)	2019	2018
Net Debt pre IFRS 16	592,445	607,474
EBITDA without capital gains pre IFRS 16	280,425	307,765
Net Debt over EBITDA pre IFRS 16	**2.11**	**1.97**

Hotel management stats

The hotel industry uses basic statistical data to analyse how the hotel establishments can generate revenues and how they evolve over time.

The indicators broken down below only affect the hotel business shown as a segment in the consolidated annual accounts.

- ✓ Occupancy rate: The percentage ratio obtained by dividing the occupied rooms by the available rooms. Available rooms means the number of physical rooms multiplied by the number of days the room has been ready to be occupied. Likewise, occupied rooms (sold) are calculated as the number of days the physical rooms have been effectively occupied during the period.

  This indicator offers a measurement of the use of the available capacity of the hotels, which is used by the management team to calculate the demand for a specific hotel or group of hotels in a specific time frame. Likewise, it is also used to set the average price per room, depending on whether the demand for rooms increases or decreases.

The calculation details of the occupancy rate of hotels operated under lease and under management by the Group in 2019 and 2018 are broken down as follows:

(Thousand €)	2019	2018
Available Rooms	11,465,508	11,455,751
Occupied Rooms	8,112,529	8,246,993
Occupancy Rate	**70.8%**	**72.0%**

- ✓ RevPar (Revenue Per available room): Revenue per available room is the result of dividing the total room revenue (see Note 7.1) by the number of available rooms. The management team uses this indicator to evaluate the business performance, since it is correlated with the key indicators of the operations of a hotel or group of hotels: the occupancy rate and the average price per room. Likewise, the RevPAR is used to measure and compare the performance in comparable periods between similar hotels.

  The result of the RevPAR calculation for 2019 and 2018 is as follows:

(Thousand €)	2019	2018
Room Income	996,082	989,734
Available Rooms	11,465,508	11,455,751
RevPAR (euros)	**86.88**	**86.40**

- ✓ ARR (Average room rate): The average room rate is calculated by dividing the total room revenue (see Note 7.1) by the occupied rooms. It measures the average price per room reached by a hotel in a specific time frame and provides valuable information as for price dynamics and type of customers of a specific hotel or group of hotels. Thus, this measurement is widely used in the industry and by the management team in order to estimate the prices the Company can charge based on the type of customer. Likewise, the changes applied to the average price per room have a different impact on revenues as well as on the business profitability in comparison with those applied to the occupancy rate.

  The result of the ARR calculation for 2019 and 2018 is as follows:

(Thousand €)	2019	2018
Room Income	996,082	989,734
Occupied Rooms	8,112,529	8,246,993
ARR (euros)	**122.78**	**120.01**

2.5. Consolidation

Subsidiaries

Subsidiaries are the companies over which the Group exercises effective control, generally accompanied by more than half of the voting rights.

In addition to the shareholding percentage, when assessing whether a controlling interest is held in a company, the Group considers the following aspects:

- Influence over the investee, giving the Group the ability to manage its significant activities.
- Right to the variable returns from its shareholding in the investee.
- Ability to use its influence over the investee to have an impact on the amount of the returns obtained.

According to the full consolidation method, the financial statements of subsidiaries are consolidated as from the date on which control is transferred to the Group and are excluded from the consolidation as from the date on which such control ceases to exist. Intra-group balances and transactions are eliminated in full.

Associates and Joint Ventures

Associates are all companies over which the Group exercises significant influence but not control. Significant influence generally includes between 20% and 50% of the voting rights and means the power to participate in the financial and operating policy decisions of the investee company.

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Joint ventures are joint agreements in which the parties that hold joint control under such agreements hold rights over the net assets thereof. The unanimous consent of the parties sharing control is required under these agreements.

Associates and joint ventures are consolidated using the equity method. According to this method, the carrying value of the investment is recognised initially at cost, and is increased or decreased to recognise the Group's interest in the results and in the income and expenses directly recognised in equity of the associate or joint venture after the date of acquisition. The Group's investment in associates and joint ventures includes goodwill identified on acquisition.

The Group's share in profit or loss after the date of acquisition of associates and joint ventures is recognised in the income statement, and its share in movements in other comprehensive income is directly recognised in equity, including the relevant adjustment to the carrying value of the investment.

Where the accumulated losses incurred by an associate or joint venture result in a negative equity, the Group adds the amount of any other item that may be considered to be greater in value than the net investment until said investment is reduced to zero. From that moment on, the Company takes into account any additional losses by recognising a liability, only to the extent that it has incurred legal or constructive obligations or has made payments on behalf of the investee company or joint venture.

The Group does not currently participate in joint ventures that must be included using the proportional consolidation method.

Consistency in terms of timing and measurement

All subsidiaries included in the scope of consolidation close their fiscal year on 31 December, so the relevant annual accounts for 2019 and 2018 have been used for consolidation purposes or, if the annual accounts have not yet been prepared, the corresponding accounting records, once the appropriate measurement adjustments to ensure compliance with the relevant IFRS have been carried out.

Business combinations

When the Group first adopted the IFRS, it did not apply IFRS 3 retrospectively to the business combinations that took place before the date of transition, benefiting from the exemption included in IFRS 1 "First-time Adoption of International Financial Reporting Standards", therefore, the goodwill existing under Spanish regulations as at 31 December 2003, net of accumulated amortisation up to that date, was recorded as goodwill, under the heading Intangible Assets.

In business combinations after the date of transition, the excess between the cost of the business combination and the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as Goodwill, under the heading Intangible Assets.

The excess between the acquirer's interest, where appropriate, after reassessing the identification and valuation of the identifiable assets, liabilities and contingent liabilities, and the cost of the business combination, is recognised in the income statement for the year.

If the business combination is achieved in stages, the carrying value on the acquisition date of the interest in the acquiree's equity previously held by the acquirer is remeasured at fair value on the acquisition date, and any loss or profit arising from this new measurement is recognised in the income statement for the year.

Purchase of non-controlling interests

Once control is obtained, any subsequent operations in which the controlling company acquires more non-controlling interests, or sells interests without losing control, are accounted for as transactions with equity instruments. It follows from the above that:

- Any difference between the amounts by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in net equity and attributed to the owners of the controlling company.
- The carrying value of the goodwill is not adjusted, and no gains or losses are recognised in the income statement.

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Sale of controlling interests

When the Group ceases to have control over a subsidiary, any retained interest is recognised at fair value at the date when control is lost, and the change in the carrying amount is recognised in the income statement for the year. In the case of companies owning hotels, the result is recognised in operating revenues, in the real estate income item (see Note 3.11). The fair value is the initial carrying amount for the purposes of the subsequent recognition of the interest retained as associate, joint venture or financial asset.

Loss of significant influence

If the Group no longer exercises significant influence over the associate or joint venture, it measures and recognises the investment maintained at fair value. Any difference between the carrying value of the associate at the time significant influence is lost and the fair value of the investment maintained plus the income obtained on the sale is recognised in the income statement.

Elimination of inter-company transactions

The inter-company balances for inter-company transactions relating to loans, leases, dividends, financial assets and liabilities, sale and purchase of inventories and fixed assets and provision of services, have been eliminated. Regarding the sale and purchase transactions, the unrealised profit margin with regard to third parties has been reversed so that the corresponding assets are stated at cost, thus adjusting the depreciations carried out.

Non-controlling interests

The proportional part of equity corresponding to the Group's non-controlling interests, calculated in accordance with IFRS 10, is recorded under this heading of the balance sheet.

Profit or loss attributed to non-controlling interests

This relates to the share in consolidated profit or loss for the year corresponding to the non-controlling interests.

Translation of the annual accounts of the foreign companies

All the assets and liabilities of companies with a functional currency other than the euro and which are included in the scope of consolidation, are translated to euro at the exchange rate existing at year end.

Items in the profit and loss account have been translated at the exchange rates existing on the dates on which the relevant transactions were carried out.

The difference between the amount of the foreign companies equity, including the Consolidated Balance Sheet and Consolidated Statement of Comprehensive Income calculated according to the previous paragraph, translated at the historical exchange rate, and the net equity position resulting from the translation of assets and liabilities as mentioned in the first paragraph, is recorded with a positive or negative sign, as appropriate, in the net equity of the Consolidated Balance Sheet, under the Translation differences heading, net of the portion of such difference corresponding to non-controlling interests, which is recorded under the Non-controlling interests item in equity in the Consolidated Balance Sheet.

Goodwill and fair value adjustments of the Consolidated Balance Sheet items upon the acquisition of interests in a foreign company, are recognised as assets and liabilities of the company acquired and, therefore, translated at the exchange rate existing at year end, and the exchange differences that may arise are recognised under the Translation differences heading.

Upon total or partial disposal or reimbursement of contributions of a company with a functional currency other than the Euro, cumulative translation differences since 1 January 2004 (date of transition to IFRS) relating to said company, recognised in equity, are taken to the Consolidated Statement of Comprehensive Income as a gain or loss on disposal.

2.6. Accounting valuations and estimates

Directors have prepared the Group's consolidated annual accounts using judgments, estimates and assumptions which have an effect on the application of the accounting policies described in Note 3, as well as on the balances of assets, liabilities, income and expenses and the breakdown of contingent assets and liabilities at the issuance date of these consolidated annual accounts.

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Such estimates and assumptions are based on historical experience and other factors considered reasonable and relevant under the circumstances. The carrying amount of assets and liabilities, which is not readily apparent from other sources, has been established based on these estimates. These estimates and assumptions are periodically reviewed; the effects of the reviews on the accounting estimates are recognised whether in the year in which they are realised, if they have an effect solely on such period, or in the period under review and future periods, if the review affects both periods. However, the uncertainty inherent in the estimates and assumptions could lead to results that may require an adjustment to the carrying amounts of assets and liabilities affected in future periods.

The estimates made are detailed, where appropriate, in each of the explanatory notes of the balance sheet captions. The estimates and judgment that have a significant impact on the amounts recognised in the consolidated financial statements and may involve adjustments in future years are set out below:

Estimated impairment loss on goodwill and other non-financial assets

The Group verifies annually whether there is an impairment loss in respect of goodwill and other non-financial assets, in accordance with Notes 3.1, 3.2 and 3.12. The recoverable amounts of cash-generating units are calculated from its value in use. These calculations are based on reasonable assumptions in accordance with past yields obtained and future production and market development expectations.

Corporate income tax

The calculation of income tax requires the interpretation of the tax legislation applicable to the countries in which the Group companies operate. There are also several factors related mainly, but not exclusively, to changes in tax laws and changes in the interpretation of tax laws currently in force that require the use of estimates by the directors of the parent company.

Directors of the parent company must carry out significant estimates to determine the amount of the deferred tax assets that can be recognised, by considering the amounts and the dates on which future taxable profits will be obtained and the reversal period of the taxable temporary differences.

Where there is an uncertainty in relation to the income tax treatments, the Group assesses whether a tax authority is likely to accept an uncertain tax treatment. If it concludes that the tax authority is not likely to accept an uncertain tax treatment, the effect of the uncertainty on the taxable profit (tax loss), tax bases, unused tax losses and unused tax credits or the corresponding tax rates is reflected. The effect of the uncertainty is reflected using the method that, in each case, better foreshadows the resolution of the uncertainty: the most probable amount or the expected value. In each case, the Company makes an assessment of whether each uncertain tax treatment must be considered separately or jointly with another or several uncertain tax treatments, in line with the approach that better foreshadows the resolution of the uncertainty.

The calculation of income tax is detailed in Note 20.

Fair value of derivatives

The fair value of derivative financial instruments that are not traded in an active market is determined using measurement techniques, as specified in Note 3.5. The Group uses a variety of methods and makes assumptions that are based mainly on market conditions at the consolidated balance sheet date. Most of these measurements are obtained from the financial institutions with which the instruments were contracted.

Fair value of investment property

The Group uses the fair value method in measuring investment property. The estimation of this fair value is mainly carried out based on the appraisals undertaken by independent experts using valuation techniques such as expected discounted cash flows from such assets, as well as regular updates of the Company based on such studies.

Post-employment benefits

The cost of defined benefit pension plans is calculated using actuarial valuations. Actuarial valuations require the use of assumptions on discount rates, asset yields, salary increases, mortality tables and rotation, as well as the retirement age of employees with right to these benefits. These estimates are subject to significant uncertainties due to the long-term settlement of these plans.

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These commitments have been valued by reputable independent experts using actuarial valuation techniques. Note 17.2 gives details of the assumptions used to calculate these commitments.

Inflation and exchange rate to be applied to the consolidation of Venezuelan subsidiaries

In August 2018, Venezuela replaced the Bolívar fuerte (VEF), which was applied until such date, with the Bolívar soberano (VES), by dividing the value of the new currency by 100,000 (VES 1 = VEF 100,000).

However, from fiscal year 2017 and due to the ongoing complex political and economic situation in the country, the Company considers that the different official exchange rates do not reflect the economic situation of the country and, therefore, decided to internally estimate the exchange rate that is most appropriate for the consolidation of the financial statements of its subsidiaries in Venezuela.

This estimated exchange rate, based on the high inflation to which the price of goods and services of the country are subjected, has been calculated based on the last official exchange rate of 2014, updated according to the corresponding inflation rate in each period from then on. An exchange rate of VES 631,558 per US dollar has been obtained from such update at the end of the year, resulting in a devaluation of 16,291% compared to the previous year. At year-end 2018, the estimated exchange rate was VEF 3,853.14 per US dollar.

The inflation considered for this calculation in 2019 has been 16,291%, 1,222,085% in 2018. Although the Central Bank of Venezuela has published inflation figures for 2019 (9,585%), the Company considers that the reports supported by the independent expert are still the best reference when presenting the true image of the accounting and economic reality of its subsidiary companies in the country.

The Group will continue to assess the political and economic situation in the country in order to adopt any change in the exchange rate which may be applicable for the consolidation of its Venezuelan subsidiaries.

2.7. Cash Flow Statements

The Cash flow statement includes the cash movements during the fiscal year, calculated by the indirect method. The expressions used in the cash flow statements have the following meanings:

- Cash flows: inflows and outflows of cash or other cash equivalents, these being understood to be investments for a period of less than three months with high liquidity and low risk of changes in value.
- Operating activities: These are the activities that constitute the main source of ordinary income of the Group, as well as other activities that cannot be classified as investment or financing.
- Investment activities: The acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: Activities that result in changes in the size and composition of the net equity and of liabilities of a financial nature.

Cash flows from operating activities include the capital gains generated by asset rotation activities, while the net carrying amount of the assets disposed of is recognised under the heading Investment activities.

In relation to lease payments, the total amount of the cash flows paid in each fiscal year is divided between principal (included in financing activities) and interest (included also in financing activities).

Note 3. Accounting Policies

3.1. Intangible Assets

Goodwill

Goodwill generated on consolidation represents the difference between the acquisition price of fully consolidated subsidiaries and the Group's interest in the market value of identifiable assets and liabilities of subsidiaries.

Goodwill generated in acquisitions prior to the date of transition to IFRS is recorded in the consolidated balance sheet at the net value recorded as of 31 December 2003.

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Goodwill is not amortised. Instead, goodwill review studies are carried out annually to identify any impairment losses. Impairment losses are recognised if the recoverable value, determined based on the current value of future expected cash flows of the cash-generating units associated with goodwill and discounted at a rate which considers the specific risks of each generating unit, is lower than the amount initially assigned. Impairment losses recognised for goodwill shall not be reversed in subsequent periods. These measurements are carried out internally. Note 9 includes details regarding their calculation.

Other Intangible Assets

Other intangible assets relate to several software applications, as well as transfer rights and industrial property.

Software applications are valued at cost price and amortised using the straight-line method over their estimated useful life of 5 to 10 years. Software maintenance-related expenses are recognised as an expense when incurred.

The investments in technological innovation incurred by the Group in producing identifiable and unique software programmes controlled by the Group are included under this heading. In addition, these comply with the following conditions:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The Company intends to use or sell the intangible asset.
- The Company can use or sell the intangible asset.
- It can be demonstrated how the intangible asset will generate probable future financial benefits.
- Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset.
- The expenditure attributable to the intangible asset during its development can be reliably measured.

The directly attributable costs that are capitalised as part of the software programmes include the labour cost of the staff developing the programmes and a suitable percentage of general costs.

Transfer rights relate mainly to the acquisition costs of operating and management rights for various hotels and are amortised using the straight-line method over the term of the agreements related to these rights.

Investments carried out in trademarks, which are initially recognised at cost, are not amortised as their useful life is indefinite and are subject to impairment tests. The remaining items included in industrial property are amortised on a straight-line basis over a five-year period.

3.2. Property, Plant and Equipment

Property, plant and equipment is stated at cost, including transaction costs, plus the financial expenses directly attributable to the acquisition, construction and renovation incurred to bring the assets into operating conditions, less accumulated depreciation and any impairment losses.

The repairs which do not extend the useful life or the production capacity of the assets and the maintenance expenses are charged directly to the consolidated profit and loss account. Costs that extend or improve the useful life of the assets or can only be used with the item of property, plant and equipment are capitalised as an increase in their value.

The Group depreciates its property, plant and equipment by the straight-line method over the years of estimated useful life, as follows:

Buildings	40-50 years
Technical facilities	15-18 years
Machinery	10-18 years
Furniture	10-15 years
Computer software	3-8 years
Vehicles	5-10 years
Other fixed assets	4-8 years

The useful life and residual value of property, plant and equipment are reviewed at each consolidated balance sheet date. Land is not subject to systematic depreciation since it is considered to have an indefinite useful life, however it is subject to impairment tests.

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The Other fixed assets heading includes the amount of replacement inventories which are stated at average cost as per the stocktaking carried out in the different hotel centres at the year end. Breakages and losses are recorded as Disposals.

Impairment of property, plant and equipment

Regularly, the Group obtains valuations of its owned hotel assets carried out by independent experts. In 2018, a valuation of the Group's owned assets was carried out. The valuation of the majority of such assets was conducted by the worldwide firm Jones Lang Lasalle Hotels, which specialises in hotel investment and consulting services. The valuation dated 30 July 2018 covered 60 owned assets, including 8 properties classified as Investment Property in the consolidated balance sheet. Additionally, the valuation also included 37 assets owned by associates and joint ventures.

When determining the value of the assets, the valuation criterion most used by Jones Lang LaSalle was the discounted cash flow, since hotel investments are generally valued according to the potential future income. In certain cases, other valuation methods were used, such as the comparables method or the residual value method. The latter method was mainly used to value plots and land. Regardless of the valuation criterion, the result of the valuation was checked by comparing it with other elements such as stable returns, price per room or the leveraged IRR.

At the end of the years in which such valuations are not obtained, the Group assesses whether there is an indication that its tangible assets may be impaired. If such indication exists, or when annual impairment test for an asset is required, the Group estimates the asset's recoverable amount on the basis of the methodology used in the last valuation carried out by the independent expert for the relevant asset or cash-generating unit. An asset's recoverable amount is the higher of an asset's fair value less costs to sell or cash-generating unit and value in use, and is determined individually for each asset, unless the asset does not generate cash inflows that are independent of those from other assets or groups of assets.

For owned hotels, the Group considers whether there is any indication that they have suffered an impairment loss mainly based on the operating result of the various cash-generating units, as well as observable external sources of information revealing that the value of the asset during the period has decreased more than expected as a consequence of the passage of time or its normal use, due to changes that may have occurred in the environment in which the hotel operates. In addition, other factors such as geo-political circumstances, economic situation or natural disasters that may affect the recoverable amount of such assets are taken into account.

In assessing value in use, the Group projects future cash flows by considering the budget approved by the governing bodies of the Company for 2020, and applying growth assumptions that are consistent with the market in which the asset operates and its historical performance for a period of 5 years and estimating a residual value according to a long-term growth rate not higher than the expected growth of the economy and the sector in which the asset operates. Estimated future cash flows are discounted using a discount rate before taxes which reflects changes in the value of money over time in the current market and the specific risks of the asset which have not been adjusted in the estimated future cash flows, mainly the risks of the business and the country in which the asset is located.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and its carrying value is reduced to its recoverable amount. Losses due to impairment of ongoing activities are recognised in the income statement in the expense category in accordance with the function of the impaired asset.

An assessment is made each year end as to whether there is any indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in previous years. This reversal is recognised in the income statement for the year. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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3.3. Investment Property

The investments carried out by the Group to obtain lease income or capital gains and which generate cash flows independently of the other assets held by the Group, are recorded under this heading.

After the initial recognition made for the total amount of the costs related to the asset acquisition transaction, the Group has chosen the application of the fair value model, therefore, all investment properties are recognised at fair value and any change in value occurred is included in the consolidated income statement.

At each year end, the Group updates the fair value assessment of each property, either through the valuation made by an independent expert, or by contrasting the main variables used in the last available valuation made by the expert with updated information. The best evidence of the fair value is the current prices in an active market for similar properties. Where this information is not available, future discounted cash flows are estimated, on the basis of the budget approved by the governing bodies of the Company for the next year, and applying growth assumptions in line with the market in which such asset operates.

3.4. Segment Reporting

Information on operating segments is presented according to the internal information as provided to key decision-makers within the Group. Key decision-makers means the Senior Executive Team (SET), which is responsible for allocating resources and evaluating performance of operating segments. The SET is a collegiate body consisting of the Chief Officers of each General Management and the CEO (Chief Executive Officer).

3.5. Financial instruments

The Group recognises financial assets or financial liabilities in its statement of financial position when it becomes party to the contractual clauses of the related instrument.

Financial assets

Financial assets within the scope of IRFS 9 are classified, according to the valuation criteria, as financial assets at amortised cost, financial instruments at fair value through other comprehensive income, and at fair value through profit and loss. The classification in one category or another will depend on the characteristics of the financial asset's contractual cash flows and on the management model of the Company used to manage such assets.

Financial assets are initially measured at fair value, except for trade receivables, which are measured at their transaction price if they do not have a significant financial component.

Financial assets at amortised cost

This classification includes the amounts recorded under the Trade and other receivables heading, and all the collection rights included in headings Other non-current financial assets and Other current financial assets.

Such assets are subsequently recognised at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or are impaired, as well as through the amortisation process.

Non-current deposits and guarantees are measured at amortised cost using the effective interest rate method. These assets are not discounted.

These assets are maintained in order to obtain contractual cash flows and they only give rise to principal and interest payments on the outstanding principal amount.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include held-for-trading financial assets acquired for the purposes of selling them mainly in the short term, as well as unlisted equity instruments of companies over which no control or significant influence is exercised.

Assets in this category are recognised in the consolidated balance sheet, under the Other current assets heading if they are expected to be settled in the short term or in Other non-current assets if in the long term.

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Operations involving the assignment of financial assets

The Company derecognises an assigned financial asset when it assigns the contractual rights to receive the cash flows generated by the asset or, even when retaining such rights, it assumes a contractual obligation to pay them to the assignees and the risks and rewards associated with the ownership of the asset are substantially transferred.

In case of assignment of assets in which the risks and rewards associated with the ownership of the financial asset are substantially retained, the assigned financial asset is not derecognised in the balance sheet and a related financial liability is recognised for an amount equal to the consideration received, which is subsequently measured at amortised cost. The assigned asset continues to be measured by the same criteria as those used before the assignment. The income derived from the assigned asset and the expenses derived from the related financial liability are recognised in the consolidated income statement without offset.

Impairment of financial assets

The Company applies a simplified approach when calculating the expected credit losses of financial assets at amortised cost and, where appropriate, a value adjustment for the expected credit losses over the entire life of the asset is recognised at each closing date. To do that, the Group has established a matrix of provisions based on its history of credit losses, adjusted by the prospective factors specific for such assets.

Due to the characteristics of the main sector in which the Company operates, the customers of the hotel segment have minimal risk of insolvency.

In relation to the Vacation Club customers, the Company can terminate the contracts, therefore, the impact of the cancellation of such receivable would also imply the derecognition in the accounts of liabilities pending to be executed.

Financial liabilities

Financial liabilities within the scope of IFRS 9 are classified, according to the valuation criteria, as financial liabilities at amortised cost. These liabilities are initially recognised at fair value adjusted for directly attributable transaction costs. All non-derivative financial liabilities of the Group are included within the category Financial liabilities measured at amortised cost.

Issuance of bonds and other negotiable securities

Debt issues are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. They are subsequently measured at amortised cost applying the effective interest method. Bonds with a maturity exceeding twelve months are classified as non-current liabilities, while those with shorter maturity than that are included under current liabilities. In the event of issuing convertible bonds, these are recorded as hybrid or combined financial instruments, according to the terms of the issue in question.

In determining whether a preferred share is a financial liability or an equity instrument, the Group assesses the particular rights attaching to the share in each case to determine whether it exhibits the fundamental characteristic of a financial liability. If a financial liability is identified, it is measured at amortised cost at the year-end using the effective interest method, taking into consideration any issue costs.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received, net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Bank loans and credit facilities

Loans are initially recognised at the amount received, net of transaction costs. After initial measurement, they are carried at amortised cost using the effective interest rate method.

This heading includes debts originated with the acquisition of assets financed by leasing contracts.

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Trade creditors and other payables

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Lease liabilities

Note 3.12 provides information on the valuation method and accounting policies regarding this type of liabilities.

Other financial liabilities at amortised cost

The remaining financial liabilities that relate to payment obligations as detailed in Note 13, are also measured at amortised cost using the effective interest rate method. However, financial liabilities with short-term maturities and which have no contractual interest rate are measured at their face value provided the effect of not adjusting the cash flows is not material.

Combined financial instruments

Combined financial instruments are non-derivative financial instruments that include liability and equity components simultaneously. Both components are presented separately.

At initial recognition, the liability component is measured at the fair value of a similar liability that is not connected with an equity component, and the equity component is measured by the difference between the initial amount and the value assigned to the liability component. The costs arising from this operation are divided between the liability component and the equity component in the same proportion resulting from the assignment of the initial value.

After initial recognition, the liability component is measured at amortised cost using the effective interest rate method.

Hybrid financial instruments

These are financial instruments that include two different components: a non-derivative host contract and an embedded derivative.

The Company recognises, measures and presents the host contract and the embedded derivative separately, when the following circumstances simultaneously take place:

- ✓ The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
- ✓ A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
- ✓ The hybrid instrument is not measured at fair value through profit or loss.

In such cases, the embedded derivative is recognised at fair value through profit or loss and the host contract is recognised based on its nature, usually at amortised cost according to the effective interest rate method. Calculations of the fair value of these embedded derivatives are carried out by independent experts outside the Group.

Derivative Financial Instruments

Derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss or as accounting hedges. In both cases, derivative financial instruments are initially recognised at fair value on the date on which they are arranged, and such fair value is regularly adjusted. Derivatives are carried as assets, under the heading Other financial assets, when the fair value is positive and as liabilities, under the heading Other financial liabilities when the fair value is negative.

Accounting Hedges

The Company has opted to continue to apply the requirements on accounting hedges under IAS 39, in accordance with paragraph 7.2.21 of IRFS 9.

The Company applies hedge accounting to those operations in which the hedge is expected to be highly effective; that is, when the changes in the fair value or in the cash flows of the items covered by the hedge are offset by the changes in the fair value or cash flows of the hedging instruments with an effectiveness comprised between 80% and 125%. In addition, at the inception of the hedge, the relationship between the hedged item and the derivative financial instrument designated for that purpose is formally documented.

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The Group has various interest rate swaps classified as cash flow hedges. Changes in the fair value of these derivative financial instruments are reflected in net equity, under the heading Other measurement adjustments, being allocated by the part considered an effective hedge to the profit and loss account insofar as the item being hedged is also settled. The fair value is entered in the accounts according to the date of trade.

The fair value of interest rate swaps is determined through the discounted cash flow measurement technique according to the characteristics of each contract, such as the face amount and the collection and payment schedule. The discount factors used to obtain said value are calculated based on the curve of the zero-coupon rates obtained from the deposits and rates listed in the market on the date of measurement. The resulting fair value is adjusted for the own credit risk and that of the counterparty, according to IFRS 13. These values are obtained from studies carried out usually by the financial institutions with which the Group has contracted these instruments.

Derivatives not qualifying for hedge accounting

Any profit or loss arising from changes in the fair value of derivatives which do not qualify to be classified as hedging instruments are directly recognised in the net profit or loss for the year. The fair value of these derivative financial instruments is obtained from studies carried out by independent experts.

3.6. Non-current assets held for sale and discontinued operations

If there are assets whose carrying value is expected to be recovered through a sale rather than by means of their continued use, such assets are recorded under the heading Non-current assets held for sale.

They are recognised at the lower of their carrying amount and fair value less costs to sell. The company recognises an impairment loss for initial or subsequent write-down of the asset to fair value less costs to sell. The company recognises a gain for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognised.

In the income statement, income and expenses from discontinued operations are presented separately from the income and expenses from continued operations, under profit/(loss) after taxes. Assets held for sale are not depreciated/amortised.

The non-current assets that are for sale, within the asset rotation segment, but which are still operated by the Group until their sale, are not reclassified under this balance sheet heading and are maintained in the balance sheet according to their nature.

3.7. Inventories (commercial inventories, raw materials and other supplies)

Raw and ancillary materials are measured at their average acquisition cost, which is generally lower than their realisable value, any necessary measurement adjustments being made in case their estimated realisable value is lower than their cost. The acquisition price includes the amount included in the invoice plus all additional expenses incurred until the goods are stored in the warehouse.

3.8. Treasury shares

Treasury shares are presented as a decrease in the Group's net equity and are stated at cost without carrying out any measurement adjustments.

Gains and losses obtained on disposal of treasury shares are recorded directly against equity.

3.9. Government grants

Government grants are recognised at fair value only when there is a reasonable certainty that the conditions for receiving the grant will be fulfilled and such grants will be effectively received.

Where the grant relates to an expense item, it is taken to the income statement over the period necessary to match the grant, on a systematic basis, with the costs to be offset by the grant.

Where the grant relates to an asset, the fair value is recognised as deferred income and is taken to the income statement based on the expected useful life of such asset.

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3.10. Provisions and contingencies

Provisions are recognised when the Group:

- Has a present obligation, legal or implicit, because of a past event.
- It is probable that an outflow of funds including economic benefits will be required to settle the obligation.
- A reliable estimate can be made of the amount of the obligation.

Provisions are carried at the present value of the best possible estimate of the amount needed to settle or transfer to a third party the obligation. Adjustments due to updating the provision are recognised as a financial expense as they accrue. Provisions maturing in one year or less with a non-significant financial effect are not discounted.

Provisions are reviewed at each consolidated balance sheet date and are adjusted to reflect the current best estimate of the liability at such date, taking into account the risks and uncertainties relating to the obligation.

On the other hand, contingent liabilities are the possible obligations, arising from past events, the materialisation of which is subject to the occurrence of future events which are not entirely under the Group's control, and those present obligations, arising as a result of past events, that are not likely to give rise to an outflow of resources for their settlement or which cannot be measured with sufficient reliability. These liabilities are not recognised in the accounts, but are disclosed in the notes to the annual accounts (see Note 22).

Post-employment benefits

Post-employment plans are classed as defined contribution plans or defined benefit plans.

Defined contribution pension plans

Defined contribution plans are those plans under which the Group makes fixed contributions to an independent entity and does not have any legal, contractual or implicit obligation to make additional contributions if the independent entity does not hold sufficient assets to satisfy the commitments assumed.

Contributions are recognised as employee benefits when they accrue.

Defined benefit pension plans

Pension plans that are not defined contribution plans are considered as defined benefit plans. In general, defined benefit plans fix the amount of the benefit that the employee will receive on retirement, usually based on one or more factors such as age, number of years of service and remuneration.

The Group recognises in the balance sheet a provision for defined benefit awards established in collective bargaining agreements in an amount corresponding to the difference between the present value of the committed benefits and the fair value of any assets linked to the benefit commitments which will be used to settle the obligations, less any past service costs still not recognised, if any.

If an asset results from the above-mentioned difference, its valuation may not exceed the current value of the economic benefits that may be available in the form of reimbursements from the plan or reductions in future contributions to the plan.

Past service costs are recognised immediately in the consolidated income statement unless they involve non-vested rights, in which case they are taken to the income statement on a straight-line basis over the period remaining to the vesting of the past service rights.

The current value of the obligation is determined using actuarial calculation methods and unbiased financial and actuarial assumptions that are mutually compatible. The Company recognises directly in the Statement of comprehensive income, the profits and losses arising from the change in the current value, and, where applicable, the plan assets, as a result of the changes in actuarial assumptions or adjustments made on the basis of experience.

Certain collective bargaining agreements in force and applicable to some Group companies establish that permanent staff for a specified number of years employed by the Company who opt to terminate their employment contract will be entitled to a cash award equal to a number of monthly salary payments which is proportional to the number of years of service. During the fiscal year, an assessment of these commitments has been performed in accordance with the actuarial assumptions contained in Group's own rotation model, by applying the calculation method known as the Projected Unit Credit Method and the population assumptions corresponding to the PER2000P tables.

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The balance of provisions, as well as the capitalisation of payments for future services, cover these acquired commitments, based on an actuarial analysis prepared by an independent expert. This valuation is detailed in Note 17.2.

The Group has duly externalised the pension commitments and obligations stipulated in collective bargaining agreements subject to the Ministerial Order of 2 November 2006. Assets related to these externalisation operations are recognised as a reduction in the balance of the acquired commitments.

3.11. Revenue recognition

The operating revenues arising from contracts with customers are recognised as the obligations undertaken with such customers are met by the Company.

When recognising such revenues, the 5-stage analysis included in IFRS 15 is carried out, in order to determine the amount and the moment of revenue recognition for each of the contracts with customers of its operating segments:

- Identification of the customer’s contract
- Identification of the performance obligations
- Determination of the transaction price
- Allocation of the price to the various performance obligations
- Revenue recognition according to the fulfilment of each obligation

Such revenues are shown net of discounts, refunds and value added tax. The Group bases its return estimates on past results, having regard to the type of customer, the type of transaction and the specific circumstances of each agreement.

Sale of rooms and other related services

Revenues deriving from the sale of rooms are daily recognised based on the services provided by each hotel establishment and including “in-house" customers, i.e. those that are still lodged at the hotel at the time daily production is closed. For this type of contracts, the only execution obligation identified is that of the own hotel service, which includes making available the hotel rooms to the customers.

Where the hotel rate includes services such as food and beverage (breakfast, half board or full board), an additional execution obligation is identified, to which a differentiated price is allocated on the basis of the expected cost plus a margin approach. It is worth mentioning that in hotels marketed only under all-inclusive regime (mainly located in America), this is not considered as a differentiated service, however, for the purposes of breakdown, a percentage of the rate is allocated to item ‘revenues for food and beverages’.

In any case, the execution obligations undertaken with hotel customers are considered as fulfilled over time, during the stay of the customer in the establishment, and the Group recognises the daily revenues corresponding to the services consumed by the customer on that date.

Within the hotel business segment, the Company manages the customer loyalty programme “Meliá Rewards”, which consists of rewarding customers that stay in hotels or use services provided by associates, through a series of points that are exchangeable for rewards such as, among other things, free stays in hotels managed by the Group.

If a hotel customer is member of the loyalty programme and accumulates points for his/her stays, a differentiated performance obligation is identified, to which an amount is allocated depending on the fair value of such points, and will be met at the time the member of the programme uses the points obtained, by deferring until such time the recognition of revenues in the consolidated income statement of the Group, for the amount allocated to such obligation.

Additionally, other services provided directly by the hotels, such as rent of rooms, organisation of events, rent of commercial premises to third parties, etc... are included under heading ‘Other business revenues’ in the table included in Note 7.1 of these consolidated notes to the accounts and are recognised depending on the IRFS applicable at the time in which the service is rendered.

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Provision of hotel management services

With regard to contracts with hotel owners for the management of their establishments, there are several performance obligations identified in each of the contracts. The main obligation of the Group in such contracts is to provide hotel management services for these establishments. The consideration for these services is established as a percentage of the amount of the total revenues and the gross operating profit (GOP) generated by the management of the Group. Every month, the Company recognises the corresponding revenues in the consolidated income statement depending on the progress of both magnitudes for each of the hotel management contracts, according to the contractual terms and conditions set out in each of them.

The other performance obligations differentiated in the hotel management contracts relate to services linked to such management, such as fees for reservations made through the own channels of Meliá Group, or licences for use of own software applications. The Company recognises the revenues from the provision of these services as these obligations are met and are included under heading 'Other revenues' in the table of Note 7.1 of these consolidated notes to the accounts.

Sale of vacation club units

With regard to the contracts for the sale of vacation club units, the Group has identified as a performance obligation the provision of the marketed units to Club customers in their corresponding weeks. Regardless of the contract term, such obligation is considered to be met when the customer uses such weeks, moment in which the revenues are recognised in the consolidated income statement. The Group distributes the consideration received in proportion to the number of weeks included in the contract, deferring the revenue recognition until the moment of use and recognising the amount of non-used weeks under heading 'Capital grants and other deferred income' in liabilities of the consolidated balance sheet.

The consideration agreed in most of these contracts with customers of the vacation club includes the payment of interest derived from the deferred payments agreed in such contracts. The Group recognises the revenue from such interest over time when the right to receive it is generated, since the customers have the possibility to pay in advance the outstanding amounts.

Fixed assets capital gains

The Company actively manages its real estate assets portfolio. In general, these are sales transactions for asset rotation which can be organised through the direct sale of the asset or through the company owning such asset. The net income of such transactions is shown under heading Operating revenues as Fixed assets capital gains and is calculated as set out in paragraph 71 of IAS 16, by deducting from the fair value of the consideration received the carrying amount of the assets disposed of.

Likewise, this operating segment of the Company includes sales transactions and/or the contribution of hotels to joint ventures and associates for the purposes of maximising present and future cash flows of this portfolio. These transactions involve the derecognition of the hotels in the consolidated accounts and the recognition of the consideration received, whether in cash or the retained interest, or a combination of both.

The Group recognises the retained residual interest in such hotel businesses at fair value, taking any change in the carrying value to the income statement, as detailed in Note 2.5. Therefore, the recognised capital gains tally with the obtained capital gains.

Lease income

Income deriving from leases in investment properties is recognised on a straight-line basis over the term of the lease and is included as operating revenues under the asset management segment.

Interest income

Interest income is recognised using the effective interest rate method for all the financial instruments measured at amortised cost. The effective interest rate is the rate that exactly discounts payments made and received in cash estimated over the expected life of the financial instrument. Interest income is recognised as financial income in the consolidated income statement.

Dividends

Income from dividends is recognised when the right of the Group to receive the corresponding payment is established.

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3.12. Leases

The Group assesses at inception of an agreement whether the agreement contains a lease. If this is the case, the corresponding lease liability and right of use are recorded. Otherwise, the lease payments are recognised as an operating expense as the economic benefits of the leased assets are realised.

The lease liability is initially calculated as the present value of the fixed or substantially fixed lease payments which have not been disbursed on that date, discounted by using an incremental rate during the minimum non-cancellable period, and considering the extension options that can reasonably be exercised and the periods with option to terminate that are not reasonably possible to exercise.

The initial recognition of the right-of-use asset includes the initial measurement of the liability, including the payments made before the start of the lease and the initial direct costs, discounting the rewards received. It is a common practice to establish clauses in hotel lease agreements that require some payments to improve the asset by the lessee. In such circumstances, usually, these improvements are not specific and are included as further payments to be discounted, affecting both the liability and the right of use.

Subsequently, the right of use is measured at cost less any accumulated depreciation and impairment losses. The depreciation period is the lease term or the useful life of the underlying asset, whichever occurs first. Additionally, the value is adjusted if new measurements of the liability are made due to circumstances affecting the amounts of the payments or the lease term. Some of these changes require a review of the discount rate used.

The Group applies IAS 36 in order to determine whether a right-of-use asset is impaired and recognises any impairment losses identified according to Note 3.2.

The Company has applied the following accounting policies, estimates and criteria:

Scope:

The Company applies the low-value exemption for lease agreements whose underlying assets do not exceed USD 5,000 and the short-term exemption for lease agreements with a duration of less than one year. Lease and non-lease components are not separated in those assets in which these components are not likely to affect the total lease value.

The Company considers that the hotel management agreements are not within the scope of IRFS 16 application and, therefore, management revenues are recognised under IFRS 15 (see Note 3.11).

Minimum lease payments

Most hotel lease agreements include a contingent payment based on the consumer price index of the country in which the asset is located which usually is reviewed every year. The index value at the date of lease inception is applied in the calculation of the minimum lease payments.

In case of variable rate lease agreements under which a minimum lease payment is set for defined periods, this amount is considered in the initial calculation, with the amount of the variable rate exceeding such minimum lease payment being recognised as an expense in the income statement.

Lease term

Regardless of the date of execution of the agreement, for the purposes of recognition in the Group's financial statements, the initial date of the agreement is considered to be the date on which the hotel is effectively occupied, and which corresponds to the opening date.

The Company considers the minimum non-cancellable term as the initial term set forth in the lease agreement, without including the potential extensions if they are unlikely to be exercised. In order to determine whether an extension will be exercised with reasonable certainty, some key features have been defined and taken into account by the Group to determine whether there are economic rewards that justify such exercise: rates not adjusted to market conditions, investments to be made and the particularity of the hotel asset, among others.

Discount rate

Given the difficulty in setting the interest rate implicit in hotel lease agreements, the Group has decided to calculate the incremental borrowing rate as applicable to each agreement. The model for the calculation of incremental rates is based on a risk-free rate, the asset's economic context risks (country) and the risk inherent in the Company, all this weighted by the temporary value of cash flows as determined in the schedule of minimum lease payments stipulated in each lease agreement.

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Lease liabilities with banks (leasing) are initially recognised using the interest rate implicit in the agreement. These liabilities are shown under heading 'Bank borrowings' of the consolidated balance sheet.

Impairment of right-of-use assets

In general, right-of-use assets do not generate separate cash inflows, therefore, their impairment assessment must be made as part of a cash-generating unit and, consequently, the Group adjusts the calculation of the recoverable amount of such cash-generating unit as described in this Note. In this respect, the Group excludes from the carrying amount of the cash-generating unit the lease liabilities and also excludes from the calculation of the value in use the payments linked to such liabilities. By contrast, the Group includes in the calculation of the value in use the variable payments since they are not included in the lease liability, as well as the lease renewal payments when the term thereof is shorter than the cash flow projection period of the cash-generating unit.

In assessing value in use, the Group projects future cash flows by considering the budget approved by the governing bodies of the Company for 2020, and applying growth assumptions that are consistent with the market in which the asset operates and its historical performance for the remaining period, until a period equal to the lease term is completed. The discount rates used in determining the recoverable amount are also adjusted in a way consistent with the underlying cash flows and the corresponding cash-generating unit.

3.13. Corporate income tax

The corporate income tax expense for the year is calculated as the sum of the current tax in each of the subsidiary companies included in these consolidated annual accounts, excepting the existing 4 consolidated tax groups, whose parent companies are: Meliá Hotels International, S.A., Sol Meliá France S.A.S., Inversiones Explotaciones Turísticas, S.A. and Inmotel Inversiones Italia S.r.l., that are treated as one unit each.

This calculation arises from the application of the corresponding tax rate to the tax base for the year, after applying the existing tax credits and deductions, plus the change in deferred tax assets and liabilities recorded. This amount is recognised in the consolidated income statement, unless the tax relates to items recognised directly in equity, in which case the corresponding tax expense is also recognised in equity.

Current tax assets and liabilities are the estimated amounts payable to or receivable. The tax rates used are those in force at the consolidated balance sheet date.

Deferred tax assets and liabilities are calculated for all the temporary differences existing at the consolidated balance sheet date as the difference between the carrying amounts of the assets and liabilities and their tax bases.

Deferred tax assets and liabilities are only offset if there is a legally enforceable right to offset the current tax assets with current tax liabilities and when they relate to income taxes levied by the same tax authority and on the same taxable entity, or different taxable entities which intend to settle current tax liabilities and assets on a net basis.

Deferred tax liabilities are recognised for all taxable temporary differences, unless the temporary difference arises from goodwill for which amortisation is not deductible for tax purposes, or from the initial recognition of other assets and liabilities in a transaction, except in the case of a business combination, which affects neither accounting nor taxable profit or loss.

Likewise, deferred tax liabilities are recognised for all taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except when the following conditions are jointly met: the parent company is able to control the timing of the reversal of the temporary difference; and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that they will be recovered by the generation of sufficient taxable profits against which the deferred tax asset and carry-forward of unused tax credits and unused tax losses can be used, excluding the deductible temporary differences arising from the initial recognition of an asset or liability in a transaction, except in the case of a business combination, which affects neither accounting nor taxable profit or loss.

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Likewise, deferred tax assets for all taxable differences arising from investments in subsidiaries, associates and joint ventures, are only recognised when the following conditions are jointly met: it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be used.

At each balance sheet date the recovery of the deferred tax assets is reviewed and adjusted to the amount which is expected to be recovered based on the taxable profit available, calculated according to prudence criteria and excluding the potential profits deriving from the disposal of properties, given the uncertainty concerning their realisation dates, which depend on market conditions, and the different tax consequences depending on the nature of the transactions carried out.

Deferred tax assets and liabilities are measured based on their expected materialisation and on the tax legislation and tax rates approved, or substantively approved on the consolidated balance sheet date.

3.14. Transactions in foreign currency

Debit and credit balances in foreign currency are measured at the exchange rate in force on the transaction date and at the end of the year are translated at the exchange rate then in force.

Exchange differences are treated as income or expenses in the year in which they occur, except for those arising from financing transactions granted to subsidiaries abroad which have been considered as an increase in the value of the net investment in such businesses since the settlement of such transactions is not foreseen or likely to occur, as provided for in IAS 21 “The Effects of Changes in Foreign Exchange Rates.”

3.15. Functional currency and hyperinflationary economies

The Euro is the presentation currency of the Group and its parent company Meliá Hotels International, S.A.

The functional currency of each of the companies within the Group is the currency of the main economic environment in which the company operates. At the end of 2019 and 2018, the Venezuelan economy was classified as hyperinflationary, since it meets the characteristics of the economic environment laid down in IAS 29 “Financial Reporting in Hyperinflationary Economies”.

Consequently, the balance sheets of the Venezuelan companies in the scope of consolidation have been restated based on a current cost approach that reflects the effects of changes in the price indices on their non-monetary assets and liabilities.

Likewise, the increase or decrease in purchasing power resulting from the application of the change in the price index to the net monetary position is taken to the profit or loss account of these companies. The restatement effect on the current monetary unit of the remaining items of the profit and loss account of Venezuelan companies is also included in the income statement.

As explained in Note 2.1 of the consolidated Annual Accounts for 2018, for the purposes of enhancing the true image of the consolidated financial statements and given the obvious economic link between the recognised impacts due to hyperinflation and the devaluation which are recorded in the country in recent years, the Group presents the two effects in the consolidated net equity, by recognising both the effect of the restatement of non-monetary items and the effect of the differences arising from the conversion into euros, directly under the heading Retained earnings in net equity.

The accumulated impacts of both magnitudes broken down separately for 2019 and 2018 are shown below:

(Thousand €)	2019	2018
Asset Revaluation	279,742	218,384
Retained earnings decrease	(454,721)	(393,213)

According to certain studies conducted by independent experts, hyperinflation stands at around 16,291%. In 2018, the inflation rate rose to 1,222,085% (see Note 2.6).

There are no other companies within the scope of consolidation which are considered as hyperinflationary economies at the end of 2019 and 2018.

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Note 4. Financial Risk Management Policies

The Board of Directors of Meliá Group approved in 2011 the General Policy for Risk Control, Analysis and Management, which establishes the risk management model, which is aimed at minimising the potential adverse effects of any risks on the consolidated annual accounts. Such policy is reviewed and, where appropriate, updated each year.

In geopolitical terms, the Group considers the outcome of Brexit negotiations to be one of the main geopolitical risks, and therefore, it develops contingency plans and business strategies intended to limit the impact of the UK's withdrawal from the European Union. In this respect, it is worth mentioning that in January 2020, Brexit has moved from being an uncertainty to being a reality, however, the impacts of such event are expected to take place by the end of 2020. The Company will follow up the negotiations that will arise throughout the year and, particularly, the changes in the exchange rate of the GBP against the EUR.

Nevertheless, the United Kingdom remains the primary source of tourists for Spain, with a total of 18.1 million of visitors, however, this figure represents a slight decrease in comparison with 2018 (2.4% less), according to the data published by the National Statistical Institute (data from the Survey of Tourist Movements on Borders - Frontur).

Likewise, the Group's activities are exposed to different financial risks: market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The policies pursued by the Group try to minimise the potential adverse effects on its consolidated financial statements.

4.1. Interest rate risk

The Group's consolidated annual accounts include certain items subject to fixed and variable interest.

It is a policy of the Company to provide partial hedge against changes in interest rates by contracting different financial derivatives that allow it to contract a fixed rate for a specified period that it applies to financing transactions with variable rates.

The structure of the debt as at 31 December 2019 is as follows (these amounts do not include unpaid interest due):

(Thousand €)	Fixed Interest	Variable Interest	Total
Simple Bonds	30,000		30,000
Other negotiable securities		5,000	5,000
Bank loans	432,535	188,158	620,693
Mortgage-backed loans	183,275	85,238	268,513
Credit facilities		1	1
Bank lease liabilities		2,007	2,007
TOTAL DEBT	645,810	280,405	926,215

Variable interest rate debts are basically tied to Euribor and USD Libor.

As at 31 December 2019, the Group has various interest rate swaps contracted which are classed as cash flow hedging instruments. The bank loans and mortgage-backed loans at a variable rate covered by these swaps are shown in the Fixed Interest column for the part of capital hedged. Additional breakdowns are included in Note 13.3.

In addition, the Company has various guarantees and deposits for different transactions, and which are broken down in Note 22.1.

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For comparison purposes, information for year 2018 is as follows:

(Thousand €)	Fixed Interest	Variable Interest	Total
Simple Bonds	30,000		30,000
European Commercial Papers (ECP)	51,400		51,400
Other negotiable securities		5,000	5,000
Bank loans	390,439	86,462	476,901
Mortgage-backed loans	191,828	167,571	359,399
Credit facilities		125	125
Bank lease liabilities		3,308	3,308
TOTAL DEBT	633,667	262,465	926,132

The sensitivity, in thousand euro, of 2019 and 2018 profit or loss to interest rate variations (in base points) is as follows:

Variation	2019	2018
+ 25	(643)	(644)
- 25	643	644

The above sensitivity analysis has been carried out considering an average increase/decrease throughout the year in the base points indicated in the table. The effect of the interest rate swaps included in Note 13.3 has been considered in this calculation.

4.2. Foreign exchange risk

The Group operates internationally and, therefore, is exposed to exchange rate risks on transactions in foreign currencies.

Foreign exchange risk arises from commercial, financial and investment transactions, as well as from the translation of the financial statements of subsidiaries which are denominated in a functional currency other than the presentation currency of the Group.

It is a policy of the Management to require the Group companies to manage any foreign exchange risks in relation to their functional currency. Additionally, despite not having financial instruments contracted (swaps, foreign exchange insurance), in order to mitigate these potential risks, the Group develops policies aimed at maintaining a balance between cash collections and payments of assets and liabilities denominated in foreign currencies.

An analysis of the sensitivity to the US dollar, Mexican peso, Dominican peso and British pound exchange rates has been carried out, since the Group has a major volume of business in such currencies.

The table below includes the effect of foreign exchange fluctuations on pre-tax profit or loss and on equity of relevant subsidiaries, assuming that all other factors remain the same:

	Profit & Loss			
	2019		2018	
(Thousand €)	+10%	-10%	+10%	-10%
Dominican Peso	1,061	(1,061)	1,741	(1,741)
Mexican Peso	4,157	(4,157)	5,064	(5,064)
US Dollar	1,591	(1,591)	3,538	(3,538)
British Pound	(503)	503	254	(254)
	Equity			
	2019		2018	
(Thousand €)	+10%	-10%	+10%	-10%
Dominican Peso	7,181	(7,181)	7,502	(7,502)
Mexican Peso	11,947	(11,947)	13,307	(13,307)
US Dollar	(7,616)	7,616	(7,462)	7,462
British Pound	467	(467)	1,841	(1,841)

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61% of the Group's financial debt is denominated in Euros (73% in 2018), with 39% of the debt being denominated in other currencies (27% in 2018), thus adjusting to the cash generation in different currencies.

This allows the Group to manage a natural coverage of its debts, given the cash generation in those currencies.

4.3. Liquidity Risk

Exposure to adverse situations experienced by debt or capital markets may prevent or hinder the coverage of financing needs required for the appropriate development of Meliá Group's activities.

The liquidity policy applied by the Group ensures that payment obligations acquired will be met without having to obtain funds under burdensome terms. To do that, the Company uses different management procedures, such as the maintenance of credit facilities committed for sufficient amount and flexibility, the diversification of the coverage of financing needs through the access to different markets and geographic areas, and the diversification of the maturities of the issued debt.

The table below summarises the maturities of the Group's financial liabilities as at 31 December 2019, based on face amounts by maturity:

(Thousand €)	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Simple Bonds				30,000	30,000
Other negotiable securities			5,000		5,000
Loans	12,335	87,361	535,723	253,788	889,206
Credit facilities		1			1
Lease liabilities	145,858	159,073	600,073	1,447,717	2,352,721
Bank lease liabilities	260	676	1,071		2,007
TOTAL	158,454	247,110	1,141,867	1,731,505	3,278,936

The Company considers that the amount of flows generated, the borrowing policies applied, the debt maturity dates, the cash situation, and available credit facilities ensure the Group's capacity to settle the commitments in force as at 31 December 2019.

The average interest rate on these financial liabilities in 2019 is 3.11%. In 2018, the average interest rate was 3.20%. The rates used for Lease Liabilities are excluded from this average interest rate.

Likewise, the Company has an active management policy for the maintenance of the average maturity periods of the borrowings, as well as the recurrent renewals of short- and medium-term credit facilities.

For comparison purposes, the maturities at the 2018 year end were as follows:

(Thousand €)	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Simple Bonds				30,000	30,000
European Commercial Papers (ECP)		51,400			51,400
Other negotiable securities			5,000		5,000
Loans	11,906	99,690	439,948	284,757	836,300
Credit facilities		125			125
Lease liabilities	45,737	137,211	597,649	670,450	1,451,047
Bank lease liabilities	428	872	2,007		3,308
TOTAL	58,071	289,297	1,044,604	985,207	2,377,179

4.4. Credit risk

The credit risk arising from the default of a counterparty (customer, supplier, or financial entity) is mitigated by the Group's policies regarding the diversification of customer portfolios, source markets, oversight of concentration and on-going in-depth debt control. In addition, in some cases the Group carries out other financial operations which allow the reduction of credit risks, such as assignments of receivables.

The Group's receivable periods range between 21 and 90 days; the average period of collection of receivables in 2019 was 29.03 days, 31.22 in 2018. The age of trade receivables at the year end is included in Note 15.2.

4.5. Capital management policy

The main objectives of the Group's capital management is to guarantee financial stability in the short and long term, appropriate profitability rates on investments, positive evolution of the Meliá Hotels International S.A.'s share value, appropriate remuneration to shareholders through the distribution of dividends, as well as to ensure the appropriate and adequate financing of the investments and projects to be made and to maintain an optimal capital structure.

In terms of liquidity, the Group has EUR 328.9 million in cash and short-term deposits, allowing it to secure compliance with its payment commitments for the next year.

The financial position is also backed by the strong support of the banks and the Company's asset base. At present, 29% (38.8% at the 2018 year end) of the total debt is secured by the Group's assets, leaving a significant margin for the acquisition of new financing, even at average loan-to-value ratios (relation between the amount borrowed and the value of the asset) or with discounts on the last valuation of assets carried out in June 2018 by an independent expert.

In 2019, the Company's net debt was EUR 2,028 million, the evolution of such ratio being as follows:

(Thousand €)	2019	2018
Debt	2,357,684	2,197,793
Cash	328,944	312,902
NET DEBT	2,028,740	1,884,891

The amount of the Debt includes lease liabilities and its change in comparison with the previous year is largely motivated by the renegotiation of the lease agreement of Meliá White House hotel (see Note 18).

4.6. Estimation of fair value

Fair value means the amount that may be received on the sale of an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

Regarding assets and liabilities recognised at fair value in the consolidated balance sheet, the following hierarchy levels have been established in accordance with the variables used in the different measurement techniques:

Level 1: Based on prices quoted in active markets
Level 2: Based on other observable market variables, either directly or indirectly.
Level 3: Based on non-observable market variables.

The amounts of assets and liabilities recognised at fair value as at 31 December 2019 according to the hierarchy levels are as follows:

(Thousand €)	31/12/2019			
	Level 1	Level 2	Level 3	Total
Investment property			116,267	116,267
Financial Assets at fair value:				
Trading portfolio	492			492
Unlisted equity instruments			4,060	4,060
TOTAL ASSETS	492		120,327	120,819
Financial liabilities at fair value:				
Hedging derivatives		3,143		3,143
Trading portfolio derivatives		2,435		2,435
TOTAL LIABILITIES		5,578		5,578

Financial instruments included in Level 1 are measured through observable prices in active markets. They mainly relate to equity instruments in listed companies.

Financial instruments included in Level 2 are measured by financial institutions using measurement techniques, mainly, discounted cash flows, based on observable market data. They mainly relate to interest rate swap financial derivatives.

Investment property included in Level 3 is measured through discounted cash flow techniques supported by studies from independent experts and their internal updates. As mentioned in Note 11, this heading includes investments made by the Group to obtain rental income or capital gains, such as interest in three apartment owners' associations in Spain, one shopping centre in America and other properties in Spain.

For the purposes of estimating future cash flows, expected growth rates are considered, both in lease prices and hotel operations, as appropriate, as well as other variables not directly observable.

Unlisted equity instruments are detailed in Note 13.1

For comparison purposes, the balances recorded in the different hierarchies at the end of 2018 are included below:

(Thousand €)	31/12/2018			
	Level 1	Level 2	Level 3	Total
Investment property			149,437	149,437
Financial Assets at fair value:				
Hedging derivatives		10		10
Trading portfolio	203			203
Unlisted equity instruments			4,036	4,036
TOTAL ASSETS	203	10	153,472	153,685
Financial liabilities at fair value:				
Hedging derivatives		1,963		1,963
Trading portfolio derivatives		3,514		3,514
TOTAL LIABILITIES		5,477		5,477

Note 5. Scope of Consolidation

The companies that comprise the Group present individual annual accounts, according to the regulations applicable in the country in which they operate.

Details of the companies included in the scope of consolidation as at 31 December 2019 are included in Annex 1 and Annex 2, which are classified as subsidiaries, joint ventures and associates.

Meliá Brasil Administraçao, whose corporate purpose is the hotel management, operates various hotels under management. As the hotels under management are properties in joint ownership and are not legally authorised to carry out operating activities, Meliá Brasil Administraçao has assumed the operation of such hotels on behalf of the joint owners, given the requirements of local regulations. Income and expenses arising from the operation of these establishments are not included in the consolidated income statement, since the risks and revenues arising therefrom are returned to the joint owners. Only income arising from the management of these establishments is included in the consolidated income statement.

The Tunisian company, Tryp Mediterranee, in which Meliá Hotels International, S.A. holds an 85.4% stake, is in dissolution process and therefore, is excluded from the Group's scope of consolidation since, currently, the Group has no control or significant influence over this company during such process.

The Group holds a 19.94% stake in the Venezuelan companies El Recreo Plaza C.A. and El Recreo Plaza & Cia C.A. through the direct stake of 20 % held by its subsidiary holding company Meliá Exhold, S.A. and, therefore, the equity method is applied since the Group has significant influence.

The companies Ayosa Hoteles S.L., S'Argamassa Hotelera, S.L. and Meliá Hotels Orlando, LLC. are fully consolidated, although only 50% or less of the voting rights are held. This is because the Group considers that it has the capability to influence the variable yields of such companies through the hotel management contracts that the Group has entered into with them.

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5.1. Business combinations

Cibanco, S.A. IBM Fideicomiso El Medano (Me Cabo)

During the first half of 2019, the Group has become the holder of 100% of the company Cibanco, S.A. IBM Fideicomiso el Medano (formerly called Banamex, S.A. Fideicomiso El Medano). The consideration paid for 69.72 % of the shares acquired in the transaction amounted to USD 33.4 million (EUR 29.1 million).

Cibanco, S.A. IBM Fideicomiso el Medano is a Mexican company, which owns and operates the hotel ME Cabo, located in Los Cabos (Pacific coast). With this acquisition, the Group aims to improve its position in Los Cabos, a luxury destination in Mexico, generating synergies with other hotels that the Company operates in the same area.

The carrying amount of the previous 30.28% shareholding amounted to EUR 5.9 million. According to paragraphs 41 and 42 of IRFS 3, the Company has reassessed the shareholding previously held in this company using the new fair value at the date of taking control, recognising the capital gains obtained in the consolidated income statement for the year in the amount of EUR 4.9 million (see Note 7.6). According to IFRS 3, paragraph 32, the difference of the business combination has been recognised as goodwill in the amount of EUR 4.2 million (see Note 9).

The valuation of this business combination is final and includes assets in the amount of EUR 66.5 million (including property, plant and equipment in the amount of USD 73.5 million) and liabilities in the amount of EUR 30.6 million, which include a deferred tax liability in the amount of EUR 14.7 million, due to the difference between the fair value of the hotel and the tax value of the property. The only revalued asset in the business combination is Me Cabo hotel. Such revaluation has been carried out based on the valuation carried out by the independent expert Jones Lang Lasalle in July 2018. The Group has internally reviewed and accepted the validity and effect of the valuation carried out by the independent expert since the assumptions and the market constraints have not changed significantly.

The amounts of the business combination of the company Cibanco, S.A. IBM Fideicomiso el Medano, are broken down below:

(Thousand €)	Net Fair Value
ASSETS	
Non-current Assets	**64,166**
Tangible asset	64,166
Current Assets	**2,297**
Inventories	**575**
Trade and other receivables	1,552
Cash and other cash equivalents	170
TOTAL ASSETS	**66,463**
LIABILITIES	
Non-current Liabilities	**23,153**
Non-current bank loans	8,485
Deferred tax liability	14,668
Current Liabilities	**7,491**
Other current liabilities	7,491
TOTAL LIABILITIES	**30,644**

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For comparison purposes, information relating to the business combinations recognised in 2018 is included below:

Adprotel Strand, S.L.

In July 2018, the Group acquired 50% of the company Melcom Joint Venture, S.L. through the subscription of a capital increase in the amount of EUR 47.4 million. The total payment made by Meliá amounted to EUR 84.3 million, since it included a shareholder loan granted to Melcom Joint Venture in the amount of EUR 36.9 million. The said company owns:

- 50% of the company Adprotel Strand, S.L., current owner of Me London, a hotel which is considered by Meliá as a strategic asset, located in London, United Kingdom, with 157 rooms and which is operated under management by the Group since 2012. At the time of acquisition of shares in Melcom, Meliá was already direct holder of the other 50% of shares in Adprotel Strand, S.L.

- The hotels Sol Pelícanos Ocas (794 rooms, located in Benidorm, Spain) and Palma Bellver by Meliá (384 rooms, located in Palma, the Balearic Islands). Meliá continues to manage both hotels through operating leases contracts.

For the proper distribution of the combination cost, the Group entrusted the valuation of the hotel assets included therein to an independent expert. As a result of such valuation, 50 % of the company Melcom Joint Venture S.L. was given a value of EUR 36.9 million, for which the Group paid an amount of EUR 47.4 million in the form of a capital increase.

Following such purchase, the Group acquired significant influence on the companies Melcom Joint Venture, S.L., Sistemas Ribey Cloud, S.L., Pelicanos Property, S.L. and Bellver, Property, S.L., over which it has joint control, while in the company Adprotel Strand, S.L. the Group acquired a total shareholding of 75% (previously, the Group held 50% in such company which until that moment was accounted for using the equity method), which means that it controls it and, therefore, the company became fully consolidated.

The shareholding in companies accounted for using the equity method was recorded as assets in the consolidated balance sheet in the amount of EUR 13.3 million, which corresponds to 50% of the value of its net assets.

The remaining amount of the price paid, i.e., EUR 34.1 million, was allocated as the purchase price of 25% indirect shareholding in the company Adprotel Strand, S.L., for the accounting record of the business combination.

The valuation of this business combination included assets in the amount of EUR 240.7 million (including property, plant and equipment in the amount of GBP 195 million) and liabilities in the amount of EUR 146.1 million (including a bank debt of GBP 60.7 million).

The amounts of the business combination of the company Adprotel Strand, S.L., which at the end of this year is regarded as final, are broken down below:

(Thousand €)	Net Fair Value - 2018 July
ASSETS	
Non-current Assets	**239,439**
Tangible asset	219,681
Other non-current assets	19,758
Current Assets	**1,216**
Trade and other receivables	952
Cash and other cash equivalents	264
TOTAL ASSETS	**240,655**
LIABILITIES	
Non-current Liabilities	**139,515**
Non-current bank loans	63,235
Other non-current financial liabilities	68,963
Deferred tax liability	7,317
Current Liabilities	**6,625**
Current bank loans	5,384
Other current liabilities	1,240
TOTAL LIABILITIES	**146,140**

At the time of the transaction, the shareholding previously held in this company was reassessed using the new fair value at the date of taking control, recognising the capital gains obtained in the income statement for the year in the amount of EUR 4.6 million (see Note 7.6).

The difference of the business combination was calculated as follows:

(Thousand €)	(Thousand €)
(+) Paid additional 25%	34,126
(+) Non-controlling shareholdings at fair value	25,458
(+) Prior investment at fair value (50%)	47,257
(-) Net identifiable assets	(94,515)
Difference	**12,327**

It was estimated that EUR 5,010 thousand of such amount were not recoverable and, therefore, such amount was recorded as loss in the consolidated income statement (see Note 7.6), since this is considered to be a premium paid for the acquisition of the control of a strategic asset for the Group (Me London).

The remaining amount of the difference calculated was considered as goodwill and recorded in the corresponding heading of the consolidated balance sheet (see Note 9).

The Company recorded the value of the non-controlling shareholdings according to their fair value on the date of the business combination, calculated based on the asset valuation carried out by the independent expert, adjusted by the other assets and liabilities recognised in the acquired company, the value of which amounted to EUR 25.5 million.

5.2. Other scope changes

In 2019, the following changes have also been made to the scope of consolidation:

Additions

In 2019, the company Meliá Vietnam CO, Ltd., 100% owned by the Group, has been incorporated. Its corporate purpose consists of the hotel management of establishments located in the country. This transaction has not involved significant impacts on the Group's consolidated annual accounts.

Disposals

In 2019, the company Sol Meliá Croacia has been liquidated, which was 100% owned by the Group. The hotel management contracts entered into with such company were previously assigned to other Group companies, therefore, such liquidation has not involved significant impacts on the Group's consolidated annual accounts.

The company Idiso Hotel Distribution, S.A., has merged with Prodigios Interactivos S.A., both companies 100% owned by the Group. Finally, the company Almeldik, SRLAU has been liquidated. Both transactions have not involved significant impacts on the consolidated annual accounts.

Sale of controlling interests

The Group has sold to a third party for a total of EUR 0.3 million the option to purchase it held on 49% of the company Sierra Parima, S.A., which operates one shopping centre in the Dominican Republic. Such option was included in liabilities in the consolidated balance sheet at its exercise value in the amount of EUR 9.9 million (see Note 13.2).

Additionally, 1% of the shareholding in such company has been sold in the amount of EUR 0.2 million, the Group now holding 50% of the shareholding, with the resultant loss of control.

The value of the net assets derecognised from the consolidated balance sheet at the time of the sale amounted to EUR 27.4 million, and mainly related to one shopping centre recorded as investment property (see Note 11).

As a result of this transaction, the value of the net assets has been reviewed in order to record the shareholding held at fair value according to IFRS 10, paragraph B27. The result of such valuation, made by the independent expert Towers Capital Group, is based on the discounted cash flow method and without considering the bank debt, giving an amount of EUR 33.6 million. Therefore, 16.8 million has been recorded as the value of the shareholding held in this company.

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On the other hand, the Group has recognised as negative translation differences in the consolidated income statement the translation differences accumulated until the moment of loss of control in the amount of EUR 4.8 million (see Note 7.7).

The positive difference resulting from this transaction is recorded under heading Other financial income in the amount of EUR 4.6 million (see Note 7.7).

Acquisition of minority interests

The Group has acquired the remaining 15% of the company Apartotel Bosque, S.A. in the amount of EUR 3 million, and has derecognised the non-controlling stake, as reflected under heading 'Other transactions with shareholders or owners' in the consolidated Statement of Changes in Equity.

Acquisition of additional stake in companies accounted for using the equity method

The Group has increased its stake by 0.33% in the owners' association of Meliá Costa del Sol hotel through the purchase of apartments. This transaction has not involved significant impacts on the consolidated annual accounts.

In addition, the Group acquired 0.14% additional stake through the purchase of one apartment in the owners' association of Meliá Castilla hotel.

Likewise, the Group has acquired an additional stake in the company Plaza Puerta del Mar, increasing its stake by 0.2% and without significant impacts on the consolidated annual accounts.

For comparison purposes, changes in 2018 were as follows:

Additions

Following the transaction mentioned in Note 5.1., the Group became the owner of 50% of shares in the company Melcom Joint Venture, S.L. and its subsidiaries Sistema Ribey Cloud, S.L., Pelicanos Property, S.L. and Bellver Property, S.L. As from July, these companies were accounted for using the equity method.

In addition, in December 2018 the parent company of the Group acquired 20% of the company Mosaico B.V. (Netherlands) which indirectly owns 50% of shares in a Cuban joint venture that is building a hotel in the city of Trinidad (Cuba).

Disposals

In 2018, the company Grupo Sol Services, 100% owned by Meliá Hotels International, S.A., was dissolved.

The company Moteles Andaluces, S.A. was also dissolved.

The abovementioned disposals did not have significant impacts on the Group's consolidated annual accounts.

Acquisition of minority interests

In the first half of 2018, the Group acquired the remaining 25% of the company Idiso Hotel Distribution, S.A. which, before that date, was owned by minority shareholders, in the amount of EUR 7.3 million. Such transaction had a negative impact on the net equity attributable to the controlling company in the amount of EUR 1.3 million.

Acquisition of additional stake in companies accounted for using the equity method

The Group acquired an additional stake through the purchase of apartments in the owners' association of Meliá Costa del Sol hotel, increasing its stake by 0.16%, and in the owners' association of Meliá Castilla hotel, increasing its stake by 0.14%, with no significant impacts on the consolidated annual accounts for 2018.

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5.3. Name changes

In 2019 the following name changes have been carried out:

- ✓ Meliá Inversiones Americanas N.V. has been renamed MIA Exhold, S.A.
- ✓ Sol Meliá Investment, N.V. has been renamed Sol Meliá Investment Exhold S.L.
- ✓ San Juan Investments B.V. has been renamed San Juan Investments Exhold S.L.
- ✓ Desarrollos Hoteleros San Juan B.V. has been renamed Desarrollos Hoteleros San Juan Exhold S.L.
- ✓ Banamex S.A. Fideicomiso el Medano has been renamed Cibanco S.A. IBM Fideicomiso el Medano.

In 2018, no name changes were carried out.

Note 6. Segment Reporting

The segments included below make up the organisational structure of the company and their results are reviewed by the key decision-makers within the Group:

- Hotel management: this relates to the fees received for operating hotels under management and franchise agreements. It also includes the intra-group charges to the Group's hotels that are under ownership or under lease, as well as other services, such as commissions.

- Hotel business: the results obtained from the operation of hotel units owned or leased by the Group are included in this segment. Likewise, income generated by the food & beverage business is also included since this activity is considered to be fully integrated into the hotel business due to the majority sale of packages whose price includes room and board, and therefore, a real segmentation of the associated assets and liabilities would be unfeasible.

- Other business linked to hotel management: this segment includes additional income from the hotel business, such as casinos or tour-operator activities.

- Real Estate: this segment includes the capital gains on asset rotation, and real estate development and operation.

- Vacation club: it includes the results deriving from the sale of shared rights of use of specific vacation complex units.

- Corporate segments: these relate to structural costs, results linked to the intermediation and marketing of room and tourist service reservations, as well as corporate costs of the Group which cannot be assigned to any of the abovementioned three business divisions.

The segmentation of Meliá Hotels International is due to the diversification of operations existing in the Company based on hotel management, hotel operation, real estate and vacation club.

Certain headings included in the business and geographical segmentation tables are presented in an aggregate manner, due to the impossibility of splitting them into the various specified segments.

The policies for the determination of transfer prices applied by the Company in transactions between Group companies are similar to those applied in transactions with third parties.

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6.1. Information by operating segments

The segmentation for 2019 of the consolidated income statement and the items in the consolidated balance sheet relating to operations is as follows:

(Thousand €)	Hotel							
	Hotel Management	Hotel Business	Other business with hotel management	Real Estate	Vacation Club	Corporate	Disposals	Balance 31/12/19
INCOME STATEMENT								
Operating income and Results from assets sale	299,012	1,545,374	66,596	20,844	91,305	124,883	(347,267)	1,800,748
Operating expenses	(199,261)	(1,139,747)	(60,526)	(7,646)	(78,336)	(163,990)	347,250	(1,302,255)
EBITDAR	**99,751**	**405,627**	**6,071**	**13,198**	**12,969**	**(39,106)**	**(16)**	**498,494**
Leases		(20,406)	(195)				17	(20,584)
EBITDA	**99,751**	**385,221**	**5,876**	**13,198**	**12,969**	**(39,105)**		**477,909**
Depreciation and impairment	(5,743)	(227,344)	(1,457)	(223)	(864)	(19,486)		(255,116)
EBIT	**94,008**	**157,877**	**4,419**	**12,975**	**12,105**	**(58,591)**		**222,794**
Net financial income								(72,786)
Associates net income		3,607		(68)		2,764		6,303
Profit before tax								**156,311**
Tax								(34,632)
CONSOLIDATED NET INCOME								121,679
Minority interests								(8,781)
NET INCOME ATTRIBUTED TO PARENT COMPANY								112,898
ASSETS & LIABILITIES								
Property,plant and equipment and intangible assets	43,801	1,771,496	11,606	14,716	85,680	141,642		2,068,942
Right of use	1,995	1,234,165	2,585			12,510		1,251,255
Investments in associates		55,664		16,984		140,064		212,711
Other non-current assets								581,847
Current operating assets	172,711	127,161	7,832	6,073	100,507	172,519	(363,466)	223,337
Other current assets								417,567
TOTAL ASSETS								4,755,660
Borrowings								921,389
Other non-current liabilities								614,498
Current operating liabilities	110,230	241,271	12,564	2,973	122,940	240,456	(305,962)	424,472
Other current liabilities								72,976
Lease liabilities	2,350	1,418,593	2,913			12,438		1,436,295
TOTAL LIABILITIES								3,469,630

Within income from the Hotel Management segment, EUR 142.8 million of management fees are recorded, of which EUR 11.4 million relates to associates. The remaining income mainly relates to sales commissions.

On the other hand, Other business associated with hotel management heading mainly includes income and expenses associated with the tour-operator activity of the company Sol Caribe Tours, which amount to EUR 39.5 million and EUR 37.5 million, respectively (see Note 7.1).

Operating revenues in the Real Estate segment (or Asset management), includes capital gains derived from the sale of the hotels Tryp Azafata and Tryp Coruña in the amount of EUR 11.2 million. Likewise, it also includes income from the leasing of real estate for commercial purposes of the shopping centres in America, as well as from other provision of services. On the other hand, Operating expenses heading includes an impairment loss in the amount of EUR 3.1 million as a result of the adjustment of the fair value of certain investment properties.

Property, Plant and Equipment, within the hotel segment, includes an increase in the amount of EUR 64.2 million as a result of the business combination of Cibanco, S.A. IBM Fideicomiso el Medano, as detailed in Note 5.1. Moreover, additions for works and reforms were recognised in the total amount of EUR 74.7 million.

Eliminations during the year included the inter-segment invoicing for management fees and commissions totalling EUR 205.9 million. The provision of services to vacation club amounted to EUR 32.2 million.

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The segmentation for 2018 of the income statement and the items in the balance sheet relating to operations is as follows:

(Thousand €)	Hotel							
	Hotel Management	Hotel Business	Other business with hotel management	Real Estate	Vacation Club	Corporate	Disposals	Balance 31/12/18
INCOME STATEMENT								
Operating income and Fixex capital gain	320,743	1,554,187	57,992	51,482	75,850	145,270	(374,208)	**1,831,315**
Operating expenses	(220,022)	(1,127,244)	(54,139)	(27,951)	(68,267)	(186,185)	374,206	**(1,309,602)**
EBITDAR	**100,720**	**426,943**	**3,854**	**23,530**	**7,583**	**(40,915)**	**(2)**	**521,713**
Leases	45	(19,330)	(1,517)			(14)	2	**(20,815)**
EBITDA	**100,765**	**407,612**	**2,337**	**23,530**	**7,583**	**(40,929)**		**500,898**
Depreciation and impairment	(8,402)	(215,884)	(942)	807	(1,970)	(15,637)		**(242,027)**
EBIT	**92,363**	**191,729**	**1,395**	**24,337**	**5,613**	**(56,566)**		**258,871**
Net financial income								**(68,989)**
Associates net income		3,200				2,120		**5,320**
Profit before tax								**195,202**
Tax								**(43,538)**
CONSOLIDATED NET INCOME								**151,664**
Minority interests								(4,570)
NET INCOME ATTRIBUTED TO PARENT COMPANY								**147,094**
ASSETS & LIABILITIES								
Property,plant and equipment and intangible assets	45,083	1,665,656	11,916	17,172	114,089	141,649		**1,995,565**
Investments in associates		59,662				138,154		**197,817**
Right of use	2,970	1,025,438	1,520			34,202		**1,064,130**
Other non-current assets								**592,543**
Non-current Assets Held for Sale								**56,081**
Current operating assets	160,585	140,661	10,233	5,592	127,113	125,115	(293,730)	**275,568**
Other current assets								**382,870**
TOTAL ASSETS								**4,564,573**
Borrowings								**920,376**
Other non-current liabilities								**626,933**
Current operating liabilities	116,416	299,061	11,223	5,662	121,680	201,757	(286,833)	**468,967**
Other current liabilities								**66,468**
Lease liabilities	3,491	1,260,527	1,827			11,572		**1,277,417**
TOTAL LIABILITIES								**3,360,161**

Within income from the Hotel Management segment, EUR 146 million of management fees was recorded, of which EUR 11.9 million related to associates. The remaining income mainly related to sales commissions.

On the other hand, Other business associated with hotel management heading mainly included income and expenses associated with the tour-operator activity of the company Sol Caribe Tours, which amounted to EUR 35 million and EUR 33.1 million, respectively (see Note 7.1).

Operating revenues in the Real Estate segment (or Asset management), included restatements of property assets in the amount of EUR 12.6 million and capital gains derived from the sale of the hotels Meliá Sevilla, Sol La Palma and Sol Jandía Mar in the amount of EUR 11.8 million. Likewise, it also included income from the leasing of real estate for commercial purposes of the shopping centres in America, as well as from other provision of services, in the amount of EUR 2.5 million. (See Note 11).

Main movements included in Property, Plant and Equipment were generated in the hotel business segment and related to the inclusion of the company Adprotel Strand, S.L., in the amount of EUR 219.7 million (see Note 5.1).

Eliminations in 2018 included the inter-segment invoicing for management fees and commissions totalling EUR 224.1 million. The provision of services to vacation club amounted to EUR 25.3 million.

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6.2. Information by geographic areas

Information by operating segments is the best format to represent the Group's financial information due to it provides a better understanding of the yield obtained as well as the annual monitoring. Likewise, the different geographic areas are broken down by revenues and assets according to the countries in which the cash-generating units are located and in which the Group operates (see Note 1):

(Thousand €)	SPAIN	EMEA (*)	AMERICA	ASIA	Disposals	31/12/2019
Operating income and Results from assets sale	1,040,897	382,786	619,623	5,512	(248,071)	1,800,748
Total Assets	2,243,296	1,249,176	1,268,589	5,740		4,766,800

(*) EMEA (Europe, Middle East, Africa) :

Includes regions of Africa, Middle East and rest of Europe, excluding Spain

Turnover among the different geographical segments amounted to EUR 248 million, of which EUR 194.7 million related to Spain, EUR 28.4 million to EMEA, and EUR 24.8 million negative to America.

Regarding operating revenues by country, some noteworthy countries were Mexico, with EUR 251 million and the Dominican Republic with EUR 238.9 million in the America segment. In EMEA segment, Germany contributed EUR 167.9 million.

Likewise, under the item Total assets, it is worth underlying the Mexico's contribution in the amount of EUR 533.8 million, and the Dominican Republic's contribution in the amount of EUR 422.2 million, under the America heading. With respect to EMEA segment, noteworthy is the contribution of the United Kingdom in the amount of EUR 547.4 million, due to the renewal of the lease agreement of Meliá White House hotel (see Note 18).

For comparison purposes, the balances corresponding to the previous year are as follows:

(Thousand €)	SPAIN	EMEA (*)	AMERICA	ASIA	Disposals	31/12/2018
Operating income and Results from assets sale	1,095,267	367,039	596,456	5,572	(233,020)	1,831,315
Total Assets	2,269,800	974,091	1,316,712	3,970		4,564,573

(*) EMEA (Europe, Middle East, Africa) :

Includes regions of Africa, Middle East and rest of Europe, excluding Spain

Turnover among the different geographical segments amounted to EUR 233 million, of which EUR 208.9 million related to Spain, EUR 28.6 million to EMEA, and EUR 4.6 million negative to America.

Regarding operating revenues by country, some noteworthy countries were Mexico, with EUR 213.6 million and the Dominican Republic with EUR 239.90 million in the America segment. In EMEA segment, Germany contributed EUR 162.9 million.

Likewise, under the item Total assets, noteworthy was the contribution of Mexico in the amount of EUR 442.7 million, and of the Dominican Republic in the amount of EUR 504.3 million, under the America heading. With respect to EMEA segment, noteworthy was the contribution of the United Kingdom in the amount of EUR 298 million, thanks to the inclusion of Me London hotel (see Note 5.1).

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Note 7. Other Income and Expenses

7.1. Operating revenues and fixed assets capital gains

The breakdown of the balance of this caption in the income statement for 2019 and 2018 is as follows:

(Thousand €)	2019	2018
Room sales	996,082	989,734
Food and beverages	434,225	451,244
Other business revenues	103,104	100,236
Hotel management revenues	49,137	50,786
Sale of vacation club units	59,147	50,504
Real estate income	10,621	39,803
Results from assets sale	11,211	11,810
Other revenues	137,222	137,199
TOTAL	1,800,748	1,831,315

In Other revenues, it should be highlighted the amount of EUR 39.5 million of the company Sol Caribe Tours, S.A., deriving from its tour-operator activities. In 2018, the contribution was EUR 35 million.

In Fixed assets capital gains item, the net revenues derived from the sale of fixed assets are included (see Note 10).

7.2. Supplies

The breakdown of the balance of this caption in the income statement for 2019 and 2018 is as follows:

(Thousand €)	2019	2018
Food and beverages consumption	127,164	131,976
Ancillary goods consumption	32,666	33,836
Vacation club sales consumption	654	201
Sundry consumption	38,551	24,772
TOTAL	199,035	190,785

7.3. Staff costs

Staff costs are broken down as follows:

(Thousand €)	2019	2018
Wages,salaries and equivalent	408,011	409,758
Social security	90,247	89,972
Other social expenses	19,568	20,636
Allowances	6,092	6,278
TOTAL	523,918	526,644

The average number of employees of Meliá Hotels International, S.A. and its subsidiaries over the last two fiscal years and broken down by job category is as follows:

	2019			2018		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Management staff	232	105	337	228	86	315
Middle management	1,418	1,121	2,539	1,876	1,224	3,101
Core staff	9,863	7,466	17,328	10,049	7,798	17,847
TOTAL	11,513	8,691	20,204	12,154	9,109	21,263

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7.4. Other expenses

The breakdown of the balance of this caption in the consolidated income statement for 2019 and 2018 is as follows:

(Thousand €)	2019	2018
Sundry rentals	11,256	15,432
Maintenance and repairs	65,393	55,745
External services	123,762	115,583
Transport and insurance	19,310	16,350
Banking expenses	20,784	21,843
Advertising and promotions	45,343	49,112
Supplies	84,159	82,952
Travel and ticketing expenses	6,427	10,399
Activity tax	29,148	33,872
Various external services	155,620	152,710
Other expenses	18,100	38,175
TOTAL	579,301	592,173

7.5. Depreciation/amortisation and impairment

The breakdown of the balance of this caption in the consolidated income statement for 2019 and 2018 is as follows:

(Thousand €)	2019	2018
Amortisation charge, intangible assets	20,225	17,223
Depreciation charge, property, plant & equipment	102,104	100,156
Amortisation charge, right of use	136,588	124,270
Impairment of property, right of use	1,126	(526)
TOTAL	260,042	241,123

Depreciation charge, property, plant & equipment item includes EUR 11.9 million relating to the impact of the accelerated depreciation of assets consisting of hotels operated under operating leases to adapt their useful lives to the term of such lease agreements. In 2018, this impact amounted to EUR 8 million.

7.6. Bargain purchase

The bargain purchase for 2019 and 2018 is broken down below:

(Thousand €)	2019		
	Revaluation previously held interest	Purchase Benefit / Loss	Total
Cibanco S.A. IBM Fideicomiso el Medano	4,926		4,926
Total	4,926	0	(4,926)

In 2018 the bargain purchase arising from the inclusion of Adprotel was recorded:

(Thousand €)	2018		
	Revaluation previously held interest	Purchase Benefit / Loss	Total
Adprotel Strand, S.L.	4,630	(5,010)	(379)
Total	4,630	(5,010)	(379)

The details of the calculation of the two business combinations are explained in Note 5.

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7.7. Financial income and expenses

The breakdown of financial income and expenses included in the consolidated income statement in 2019 and 2018 is as follows:

(Thousand €)	2019	2018
Dividend income	418	702
Interest income	7,604	6,988
Other financial income	2,644	8,432
Disposal of financial assets income	4,578	
Total Financial Income	**15,244**	**16,121**
Interest expenses	(31,172)	(29,889)
Financial expense leases	(41,381)	(43,515)
Other financial expenses	(2,099)	(1,901)
Surplus bad debt provision	(23)	(18)
Change in fair value of financial instruments	(603)	(852)
Total Financial Expenses	**(75,278)**	**(76,175)**
Exchange differences (Net Value)	(12,753)	(8,935)
NET FINANCIAL INCOME	**(72,786)**	**(68,989)**

The amount of EUR 2.4 million is included in Other financial income and relates to the results from the restatement of balances which include the impact of hyperinflation on the net monetary assets of the Venezuelan subsidiaries. In 2018 this amount amounted to EUR 7.9 million.

In addition, in 2019 an income has been generated due to the loss of control of Sierra Parima, S.A., which has been included in Result from disposal of financial assets in the amount of EUR 4.6 million (see Note 5.2).

In 2019, the US dollar appreciated against the euro by 2.31%, the Mexican peso by 6.86% and the British pound by 6.01%, leading to a negative impact due to the excess of liabilities over assets denominated in US dollars, Mexican pesos and British pounds. On the other hand, Exchange differences (net value) heading includes 4.8 million of negative exchange differences due to the transfer of the translation differences to the consolidated income statement due to the loss of control of the company Sierra Parima, S.A. (see Note 5.2).

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Note 8. Earnings per Share

Basic earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders by the average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to equity holders of the Parent by the average number of ordinary shares outstanding during the year. Both variables are adjusted by the effect of dilutive potential shares. At the end of 2019 and 2018, there were no potential ordinary shares and, therefore, there was no need for such adjustment.

The table below shows the calculations made in 2019 and 2018 for both variables:

(Thousand €)	BASIC		DILUTED	
	2019	2018	2019	2018
Net income attributed to the parent company	112,898,102	147,094,478	112,898,102	147,094,478
Results correction				
Adjusted results	112,898,102	140,078,784	112,898,102	140,078,784
Number of ordinary shares	229,700,000	229,700,000	229,700,000	229,700,000
Average weighted treasury shares	(2,025,124)	(1,736,468)	(2,025,124)	(1,736,468)
Total number of shares	227,674,876	227,963,532	227,674,876	227,963,532
Earnings per share	0.50	0.65	0.50	0.65

The amount of earnings per share in 2018 prior to the application of IFRS 16, was EUR 0.54 for both basic earnings and diluted earnings.

The Board of Directors will propose to the Shareholders' General Meeting the payment of a gross dividend of EUR 0.1475 per share by using a maximum amount to be distributed of EUR 33.87 million.

For fiscal year 2018, the Shareholders' General Meeting approved the payment of a gross dividend of EUR 0.1830 per share, for which the amount of EUR 41.7 million was made available during the second half of 2019.

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Note 9. Intangible Assets

The breakdown of the cost and accumulated amortisation of intangible assets is as follows:

(Thousand €)	Balance 31/12/18	Depreciation 2019	Additions	Disposals	Scope Variations	Exchange Differences	Balance 31/12/19
GROSS VALUE							
Goodwill	67,999				4,175	93	72,267
Transfer rights	30,563		662			172	31,397
Computer software	186,089		16,718	(194)		37	202,650
Other intangible assets	7,209			(7)		85	7,287
Total Gross Value	**291,860**		**17,380**	**(201)**	**4,175**	**388**	**313,602**
ACCUMULATED DEPRECIATION							
Transfer rights	(7,815)	(989)	(22)			(220)	(9,046)
Computer software	(134,578)	(19,229)		194		(120)	(153,732)
Other intangible assets	(5,095)	(7)		7		(53)	(5,148)
Total Accumulated amortisation	**(147,489)**	**(20,225)**	**(22)**	**201**		**(393)**	**(167,927)**
NET CARRYING VALUE	**144,371**	**(20,225)**	**17,359**	**(0)**	**4,175**	**(5)**	**145,675**

The amount of EUR 11.7 million included in section Additions of Computer software relates to the technological innovation project carried out by the Company for the creation of a new framework for hotel management, by means of which the Company seeks to improve the technological services provided to its customers. In addition, other additions in software projects have been carried out in the amount of EUR 5 million.

The additions in Scope variations of goodwill relate to the business combination of Me Cabo (see Note 5.2).

For comparison purposes, the breakdown of these movements in 2018 was as follows:

(Thousand €)	Saldo 31/12/17	Depreciation 2018	Additions	Disposals	Scope Variations	Diferencias cambio	Balance 31/12/18
COSTE							
Goodwill	60,714				7,317	(32)	67,999
Transfer rights	25,744		6,774	(945)		(1,010)	30,563
Computer software	165,805		21,039	(790)		35	186,089
Other intangible assets	7,163		19			27	7,209
Total Gross Value	**259,425**		**27,831**	**(1,735)**	**7,317**	**(979)**	**291,860**
ACCUMULATED DEPRECIATION							
Transfer rights	(6,380)	(1,521)				86	(7,815)
Computer software	(119,628)	(15,656)	149	561		(4)	(134,578)
Other intangible assets	(5,043)	(46)				(7)	(5,095)
Total Accumulated amortisation	**(131,051)**	**(17,223)**	**149**	**561**		**75**	**(147,489)**
NET CARRYING VALUE	**128,374**	**(17,223)**	**27,980**	**(1,174)**	**7,317**	**(904)**	**144,371**

Value in Goodwill heading increased as a result of the inclusion of the company Adprotel Strand, S.L.U., see Note 5.1.

The additions recorded under item Transfer rights mainly related to the acquisition of rights to operate one hotel under management in the United Kingdom and three in Spain. The disposals mainly related to the termination of rights to operate one hotel under management in Qatar.

The amount of EUR 12.3 million included in section Additions of Computer software related to the technological innovation project carried out by the Company for the creation of a new framework for hotel management, by means of which the Company seeks to improve the technological services provided to its customers.

On the other hand, the impact of Exchange differences arose from the depreciation of the British pound and the Brazilian real due to their impact on the Group's Transfer rights on hotels in the United Kingdom and Brazil.

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Goodwill

The amounts resulting from business combinations are recognised in the balance of goodwill, according to Note 2.5. The net carrying values of goodwill existing prior to the adoption of the IFRS are also included.

The amounts concerned by company are as follows:

(Thousand €)	31/12/2019	31/12/2018
Apartotel, S.A.	504	504
René Egli, S.L.U.	1,708	1,708
Hotel Metropolitan, S.A.S.	1,181	1,181
Cadstar France, S.A.S.	813	813
Ihla Bela de Gestao e Turismo, Ltd.	927	927
Lomondo, Ltd.	5,305	5,211
Hotel Alexander, S.A.S.	8,496	8,496
Operadora Mesol, S.A. de C.V.	465	465
Cibanco SA IBM Fideicomiso CIB/2950	4,175	
Sol Maninvest, B.V.	886	886
Prodigios Interactivos, S.A.	14,780	14,780
Inmotel Inversiones Italia S.R.L.	25,711	25,711
Adprotel Strand, S.L.	7,317	7,317
TOTAL	72,267	67,999

Changes in the fiscal year derive from the new goodwill generated as a result of the inclusion of the company Cibanco SA IBM Fideicomiso, as well as the exchange differences generated in the company Lomondo, Ltd.

The goodwill recorded at year end has been subject to impairment tests based on the expected cash flows of the cash-generating units for each of the related companies.

Such units are shown in the following table:

Company	Cash Generating Units (C.G.U.)
Apartotel, S.A.	Hoteles Meliá Castilla, Meliá Costa del Sol y Meliá Alicante
Hotel Metropolitan, S.A.S.	Hotel Meliá Paris Vendôme
Cadstar France, S.A.S.	Hoteles Meliá Paris Notre-Dame, Paris Opera y Meliá Paris Tour Eiffel
Ihla Bela de Gestao e Turismo, Ltd.	Hoteles Melia Península Varadero, Meliá Las Dunas, Tryp Cayo Santa María, Meliá Cayo Santa María, Tryp Habana Libre y Tryp Cayo Coco.
Lomondo, Ltd.	Hotel Meliá White House
Hotel Alexander, S.A.S	Hotel Meliá Paris Champs Elysées
Operadora Mesol, S.A. de C.V.	Hoteles Meliá Cozumel, Meliá Puerto Vallarta, Paradisus Cancún Resort, Paradisus Los Cabos, Meliá Azul Itxapa
Sol Maninvest, B.V.	Hoteles Sol Aurora, Sol Garden Istra, Meliá Coral, Sol Polynesia, Sol Stella, Sol Umag, Adriatic, Sipar y Park Umag.
Prodigios Interactivos, S.A.	Plataforma distribución hotelera
René Egli, S.L.U.	Centro deportivo
Inmotel Inversiones Italia S.R.L.	Hotel Meliá Milán
Adprotel Strand, S.L.	Hotel Me London
Cibanco SA IBM Fideicomiso	Me Cabo

Cash-generating units mainly relate to hotels operated or managed.

The risk factors taken into account by the Company are the expected exchange rates for the currencies in which cash flows are generated by each cash-generating unit and the risk-free interest rates in each of the geographic areas in which the cash flows are generated.

Cash flow included in the measurement includes business and competition risks. The method used is the EBITDA multiple, which is applied to the actual average EBITDA for the year and the previous year of the various cash-generating units, without assuming increases in income when considering future cash flows.

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Multiples used, aggregated by geographic areas, are as follows:

EBITDA multiples	2019	2018
Spain	9.98 - 10.24	9.98 - 10.24
Rest of Europe	10.24 - 118.49	10 - 21.23
Latin America	6.0 - 8.0	6.0 - 8.0

Note 10. Property, Plant and Equipment

Movements in the different headings of property, plant and equipment and their accumulated depreciation during the year are as follows:

(Thousand €)	Balance 31/12/18	Depreciation 2019	Additions	Disposals	Transfers	Scope Variations	Exchange Differences	Balance 31/12/19
GROSS VALUE								
Land	447,074		16,068	(1,893)	(378)	24,487	7,586	492,944
Buildings	1,456,717		45,118	(19,994)	5,820	41,206	17,673	1,546,539
Plant and Machinery	478,279		19,363	(11,458)	1,879	(1,645)	76	486,494
Other fixed assets	492,355		34,702	(30,094)	6,060	7,222	(4,326)	505,919
Works in progress	20,269				(13,381)		193	7,081
Total Gross Value	**2,894,693**		**115,251**	**(63,439)**	**(0)**	**71,270**	**21,201**	**3,038,977**
ACCUMULATED DEPRECIATION								
Buildings	(421,950)	(34,135)	(1,250)	8,543		(4,525)	(2,819)	(456,136)
Plant and Machinery	(318,110)	(35,363)	(118)	11,773		463	(373)	(341,728)
Other fixed assets	(303,439)	(32,606)	(1,407)	11,967		(5,214)	12,853	(317,845)
Total Accumulated Depreciation	**(1,043,499)**	**(102,104)**	**(2,775)**	**32,283**	**0**	**(9,276)**	**9,661**	**(1,115,710)**
NET CARRYING VALUE	**1,851,194**	**(102,104)**	**112,476**	**(31,156)**	**0**	**61,994**	**30,863**	**1,923,267**

Among the additions in the fiscal year it is worth mentioning the investments made in the Dominican Republic in the amount of EUR 25.2 million as well as additions in Spain in the amount of EUR 42.2 million as a result of various reforms and investments made in the Balearic Islands, Madrid and the Canary Islands.
Land heading includes the acquisition of a plot adjacent to Me Cabo hotel in the amount of EUR 15.6 million.

On the other hand, additions of EUR 3.3 million of net carrying value (EUR 6.1 million of cost less EUR 2.8 million of depreciation) for the revaluation of assets located in hyperinflationary economies (Venezuela) are also included. This increase has been offset by the exchange differences shown in the relevant column as a result of the application of a new exchange rate calculated based on the inflation rate of the country, as explained in Note 2.6.

Main disposals in the year relate to the sale of the hotel Tryp Coruña, located in Galicia, and the hotel Tryp Azafata, located in Valencia, for a net carrying value of EUR 9.9 million (EUR 26 million of cost and EUR 16.1 million of accumulated depreciation). These sales have generated a net capital gain of EUR 10.1 million.

Regarding Scope Variations column, the balances broken down relate to the acquisition of control of the company Cibanco S.A. IBM Fideicomiso el Medano and the loss of control of the company Sierra Parima, S.A.S, which now is accounted for using the equity method. (see Notes 5.1 and 5.2).

The Exchange differences generated during the fiscal year, mainly relate to the devaluation of the Venezuelan bolivar and the Dominican peso. Such effect has been offset by the appreciation of the Mexican peso and the British pound.

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For comparison purposes, the information for year 2018 is shown below:

(Thousand €)	Balance 31/12/17	Depreciation 2018	Additions	Disposals	Transfers	Transfer to Disposal Group	Scope Variations	Exchange Differences	Balance 31/12/18
GROSS VALUE									
Land	403,284		2,989	(10,933)		(5,030)	58,849	(2,085)	447,074
Buildings	1,485,647		106,285	(106,697)	2,639	(167,302)	143,303	(7,159)	1,456,717
Plant and Machinery	451,046		55,734	(25,974)	416	(27,228)	24,844	(560)	478,279
Other fixed assets	513,796		67,183	(83,412)	880	(2,630)	47	(3,509)	492,355
Works in progress	41,843		13,909	(835)	(7,810)	(25,085)		(1,753)	20,269
Total Gross Value	**2,895,617**	**0**	**246,100**	**(227,851)**	**(3,874)**	**(227,275)**	**227,042**	**(15,065)**	**2,894,693**
ACCUMULATED DEPRECIATION									
Buildings	(493,900)	(37,091)	(6,064)	45,423	3,874	61,504		4,303	(421,950)
Plant and Machinery	(374,970)	(31,404)	(1,072)	27,448		71,504	(7,327)	(2,289)	(318,110)
Other fixed assets	(350,676)	(31,661)	(6,952)	79,860		2,023	(35)	4,000	(303,439)
Total Accumulated Depreciation	**(1,219,545)**	**(100,156)**	**(14,087)**	**152,731**	**3,874**	**135,031**	**(7,361)**	**6,014**	**(1,043,499)**
NET CARRYING VALUE	**1,676,072**	**(100,156)**	**232,012**	**(75,120)**	**(0)**	**(92,244)**	**219,681**	**(9,051)**	**1,851,194**

Main disposals in 2018 related to the sale of the hotels Meliá Sevilla, Sol La Palma and Sol Fuerteventura Jandía, located in Seville, Tenerife and Fuerteventura, respectively, for a net carrying value of EUR 60.5 million (EUR 108.6 million of cost and EUR 48.1 million of accumulated depreciation). This sale generated a net capital gain of EUR 6.8 million.

The hotels were sold to the investment property company ATOM HOTELES SOCIMI, S.A. (ATOM), owned, among others, by Bankinter, S.A. According to the agreements reached with ATOM, the hotels continue to be operated by the Company under variable rent lease agreements.

Regarding the Scope Variations column, the balances broken down related to the inclusion of the company Adprotel Strand, S.L., owner of the Me London hotel, as stated in Note 5.1.

The investments carried out in the Dominican Republic stood out among the additions of 2018, including EUR 64 million in the company Infinity Vacations Dominicana, incorporated in 2017, and which concluded the development of the new The Grand Reserve at Paradisus Palma Real hotel, a project liked to the new product Circle.

Additions in the fiscal year also included EUR 62.5 million as a result of various reforms and investments made in hotels in Spain, mainly in the Balearic Islands, Madrid, Catalonia and the Canary Islands.

The Transfer to Disposal Group column included the disposal from property, plant and equipment of the net carrying amount of the hotel assets that the Group owned in Puerto Rico and which at the end of the previous year were in the process of being sold (see Note 14).

On the other hand, additions of EUR 18.3 million of net carrying value (EUR 29.9 million of cost less EUR 11.7 million of depreciation) for the revaluation of assets located in hyperinflationary economies (Venezuela) were also included. The increase was offset by the exchange differences shown in the relevant column, in the amount of EUR 18.3 million negative, as a result of the application of a new exchange rate calculated based on the inflation rate of the country, as explained in Note 2.6.

The Exchange differences generated during the fiscal year mainly related to the devaluation of the Venezuelan bolivar, as abovementioned, as well as of the British pound and the Brazilian real. On the other hand, the appreciation of the Mexican peso and the US dollar had certain effect.

Other considerations

There are 10 owned properties that have been mortgaged to secure several loans at the end of 2019, and their net carrying value amounts to EUR 572.10 million; in 2018 the total number of properties was 16 and their net carrying value amounted to EUR 609.14 million.

As at 31 December 2019 and 2018 the Directors consider that there was sufficient insurance coverage for their assets.

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Net capital gains derived from the revaluation of assets carried out by the parent company, based on various legal regulations and voluntary revaluations prior to 1997, in order to correct the effects of monetary inflation, were as follows:

(Thousand €)	
Restatement of budgets for 1979	24,848
Restatement of budgets for 1980	28,852
Restatement of budgets for 1981	1,197
Restatement of budgets for 1982	26,480
Voluntary restatement before 1990	3,146
Restatement under R.D.L. 7/96	53,213
TOTAL	137,736

Asset valuation

In 2018, Meliá Hotels International S.A. commissioned the valuation of the Group's owned assets. The valuation of most of the assets was conducted by the worldwide firm Jones Lang Lasalle Hotels (JLL), which specialises in hotel investment and consulting services. Such valuation determined their market price at 30 June 2018 and included the assets recorded in the consolidated Financial Statements using the full consolidation method.

The valuation of such assets resulted in a global amount of EUR 3,758 million. Within the global figure eight assets recorded under Investment Property heading of the consolidated Balance Sheet were included (see Note 11). At the end of 2019 no significant differences were found compared to the values of the assets valuated in 2018.

Note 11. Investment Property

The balance of investment property includes the net carrying value of investments made by the Group to obtain rental income or capital gains, such as interest in three apartment owners' associations in Spain, one shopping centre in America and other properties in Spain.

Movements recorded in 2019 according to the type of assets included under this heading, are detailed in the following table:

(Thousand €)	Balance 31/12/18	Additions	Disposals	Exchange Differences	Balance 31/12/19
Apartments in Spain	91,252	169	(575)		90,846
Shopping Centres in America	42,350		(31,341)	308	11,317
Other properties in Spain	15,834		(1,731)		14,104
TOTAL	149,437	169	(33,647)	308	116,267

The main movement during the year was a disposal in the amount of EUR 30.5 million due to the loss of control of the company Sierra Parima, S.A., which now is accounted for using the equity method (see Note 5.2). Such company owns one shopping centre in Punta Cana (the Dominican Republic).

In addition, disposals in the amount of EUR 3.1 million are included due to the review of the fair value of the investment properties carried out during the year. Such value adjustment is recorded as operating expense in the consolidated income statement.

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The breakdown of net income generated by investment properties in the Group's consolidated income statement is as follows:

(Thousand €)	Apartments Spain	Shopping Centres America	Other Properties Spain	Total
Operating income		1,022	68	1,089
Operating expenses		(1,006)		(1,006)
EBITDA		15	68	83
Depreciation		(133)		(133)
Net Financial Income	219	1,653		1,872
Net Income in Associates	3,095			3,095
Tax		(91)		(91)
CONTRIBUTION TO GROUP NET INCOME	3,314	1,444	68	4,826

The contribution of the apartments in Spain relates to dividends collected from companies in which the Group has no significant influence and the proportional part of the results for the year of the companies which are accounted for using the equity method. Such apartments relate to establishments which are operated by the Group under management through associates, and which generate income in the amount of EUR 5.9 million, not included in the above table.

The contribution of the shopping centres in America relates to the part in the profit and loss account of the operating companies corresponding to such investment properties. This includes revenues from the lease of premises, as well as from other service provisions in the amount of EUR 1 million.

The contribution of other properties in Spain relates to the lease of one establishment located in Madrid.

For comparison purposes, the information for year 2018 is shown below:

(Thousand €)	Balance 31/12/17	Additions	Disposals	Exchange Differences	Balance 31/12/18
Apartments in Spain	78,424	12,828			91,252
Shopping Centres in America	47,749	20	(6,063)	644	42,350
Other properties in Spain	9,726	6,108			15,834
TOTAL	135,900	18,956	(6,063)	644	149,437

Movements in the previous year included additions in the amount of EUR 12.6 million and disposals in the amount of EUR 6 million for fair value adjustments made on the net carrying amount of property investments, as a result of the asset valuation made by independent experts (see Note 10).

Likewise, an addition was included in the amount of EUR 4.4 million for the transfer of certain offices located in Madrid from property, plant and equipment to investment property, since these became operated under lease.

The breakdown of net income generated by investment properties in the Group's consolidated income statement in 2018 is as follows:

(Thousand €)	Apartments Spain	Shopping Centres America	Other Properties Spain	Total
Operating income		2,418	66	2,484
Operating expenses		(2,406)		(2,406)
EBITDA		12	66	78
Depreciation		(193)		(193)
Net Financial Income	199	3,809		4,008
Net Income in Associates	3,129			3,129
Tax		2,092		2,092
CONTRIBUTION TO GROUP NET INCOME	3,328	5,720	66	9,114

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The contribution of the apartments in Spain related to dividends collected from companies in which the Group has no significant influence and the proportional part of the results for the year of the companies which are accounted for using the equity method. Such apartments relate to establishments which are operated by the Group under management, and which generated income in the amount of EUR 5.9 million in 2018, not included in the above table.

The contribution of the shopping centres in America related to the part in the profit and loss account of the operating companies corresponding to such investment properties. This included revenues from the lease of premises, as well as from other service provisions in the amount of EUR 2.4 million.

The contribution of other properties in Spain related to the lease of one establishment located in Madrid.

Note 12. Investments Measured Using the Equity Method

The financial investments relating to shareholdings in associates and joint ventures have been measured using the equity method.

Balances and movements of this heading are as follows:

(Thousand €)	%	Balance 31/12/2018	Net Income 2019	Additions	Disposals	Exchange Differences	Balance 31/12/2019
Meliá Zaragoza, S.L.	50.00%		(1,377)	1,377			
Evertmel Group (*)	49.00%	24,205	(619)	8	(51)		23,543
Altavista Hotelera, S.A.	48.74%	30,365	720	290			31,375
Melcom Group (*)	50.00%	14,390	(12)	1,505	(2,668)		13,215
Producciones de Parques Group (*)	50.00%	32,200	461	4	(124)		32,541
Fourth Project 2012, S.L.	50.00%	3,164	329		(200)		3,293
Melia Hotels USA Group (*)	50.00%	450	(459)			13	4
Yagoda Inversiones, S.L.U.	50.00%	1	(3)	90			88
Sierra Parima, S.A.	50.00%		(68)	17,485		(197)	17,220
TOTAL JOINT VENTURES		**104,774**	**(1,029)**	**20,760**	**(3,043)**	**(184)**	**121,280**
Homasi, S.A.	35.00%	51,524	3,447		(1,574)		53,398
Plaza Puerta del Mar, S.A.	20.01%	4,918	428	48	(283)		5,111
Promedro Group (*)	20.00%	5,955	862	25	(196)		6,647
Turismo de Invierno, S.A.	21.42%	3,544	115		(49)		3,610
C.P. Meliá Castilla	31.72%	5,004	2,195	21	(1,491)		5,729
C.P.Meliá Costa del Sol	21.18%	3,075	900	44	(801)		3,219
Jamaica DevCo S.L.	49.00%	568	(735)	166			
El Recreo Group (*)	19.94%	547			(2)		545
Inversiones Guiza, S.A.	49.85%	(5)	(3)	8			
Cibanco, S.A. IBM Fideicomiso El Medano	30.28%	5,920			(5,920)		
Hellenic Hotel Management	40.00%	(26)		26			
Mosaico BV	20.00%	648		20			668
Detur Panamá, S.A.	49.93%		(785)	922		(138)	
Starmel Group (*)	20.00%	1,602	(319)		(3)		1,280
Renasala Group (*)	30.00%	9,767	1,226	559	(325)		11,226
TOTAL ASSOCIATES		**93,041**	**7,332**	**1,839**	**(10,644)**	**(138)**	**91,431**
TOTAL		**197,817**	**6,302**	**22,599**	**(13,687)**	**(322)**	**212,711**

(*) The companies belonging to the same line of business are presented jointly
Evermel Group consists of the companies Evertmel, S.L, Mongamenda S.L. and Kimel S.L.
Producciones de Parques Group consists of the companies Producciones de Parques, S.L.,Tertian XXI S.L.U. and Golf Katmandú,S.L.
Melia Hotels USA Group consists of the companies Melia Hotels USA,Llc. and Melia Hotels Florida Llc.
Promedro Group consists of the companies Promedro,S.A.and Nexprom,S.A.
El Recreo consists of the companies El Recreo Plaza C.A. and El Recreo Plaza & Cia. C.A.
Starmel Group consists of the companies Starmel Hoteles JV,S.L, Starmel Hoteles OP 2, S.L.U, Fuerteventura Beach Property S.L.U and Santa Eulalia Beach Property, S.L.U.
Renasala Group consists of the companies Renasala,S.L, Starmel Hoteles OP S.L.U, Torremolinos Beach Property,S.L.U, Palmanova Beach Property, S.L.U,
Puerto del Carmen Beach Property,S.L.U, San Antonio Beach Property, S.L.U.
Melcom Group consists of the companies Sistemas Ribey Cloud,S.L., Pelicanos Property, S.L.U., Bellver Property, S.L.U. and Melcom Joint Venture. S.L.

Additions in the year mainly relate to the loss of control by the Group of the company Sierra Parima, S.A. in the amount of EUR 17.5 million, EUR 16.8 million at the moment of loss of control, and the remaining amount for subsequent contributions (see Note 5.2). On the other hand, the main disposal relates to the company Cibanco, S.A. IBM Fideicomiso El Medano, since this company is now fully consolidated (see Note 5.1).

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Investments using the equity method on Meliá Zaragoza, S.L. and Detur Panamá, S.A. amounted to zero, as in the previous year, since the negative holding in these companies was partially offset by long-term loans payable to the Group by such companies and for which there were no related guarantees.

Shareholding movements in associates and joint ventures in 2018 were as follows:

(Thousand €)	%	Balance 31/12/2017	Net Income 2018	Additions	Disposals	Exchange Differences	Balance 31/12/2018
Meliá Zaragoza, S.L.	50.00%		(1,847)	1,847			
Evertmel Group (*)	49.00%	25,185	(944)		(35)		24,205
Altavista Hotelera, S.A.	48.74%	27,774	2,127	465			30,365
Adprotel Strand S.L	75.00%	48,826	(2,071)		(42,755)		
Grupo Melcom (*)	50.00%		736	13,653			14,390
Producciones de Parques Group (*)	50.00%	36,396	458	102	(4,755)		32,200
Fourth Project 2012, S.L.	50.00%	6,854	(4)		(3,686)		3,164
Melia Hotels USA Group (*)	50.00%	665	(243)			28	450
Yagoda Inversiones, S.L.U.	50.00%	1					1
TOTAL JOINT VENTURES		**141,701**	**(1,789)**	**16,067**	**(51,233)**	**28**	**104,774**
Homasi, S.A.	35.00%	45,516	2,572	3,436			51,524
Plaza Puerta del Mar, S.A.	20.01%	4,809	392		(283)		4,918
Promedro Group (*)	20.00%	5,396	783		(224)		5,955
Turismo de Invierno, S.A.	21.42%	4,918	(1,372)		(3)		3,544
C.P. Meliá Castilla	31.72%	4,342	2,139	18	(1,495)		5,004
C.P.Meliá Costa del Sol	21.18%	2,879	990	22	(816)		3,075
Jamaica DevCo S.L.	49.00%	191	377				568
El Recreo Group (*)	19.94%	2,853			(18)	(2,288)	547
Inversiones Guiza, S.A.	49.85%	(5)	(1)	1			-5
Banamex S.A. Fideicomiso El Medano	30.28%	5,677	319		(241)	165	5,920
Hellenic Hotel Management	40.00%	(76)		50			-26
Mosaico BV	20.00%			648			648
Detur Panamá, S.A.	49.93%		(557)	795		(238)	
Starmel Group (*)	20.00%	1,809	(201)		(6)		1,602
Renasala Group (*)	30.00%	9,634	1,667	273	(1,806)		9,767
TOTAL ASSOCIATES		**87,943**	**7,109**	**5,242**	**(4,891)**	**(2,362)**	**93,041**
TOTAL		**229,644**	**5,320**	**21,309**	**(56,125)**	**(2,333)**	**197,817**

(*) The companies belonging to the same line of business are presented jointly
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Producciones de Parques Group consists of the companies Producciones de Parques, S.L.,Tertian XXI S.L.U. and Golf Katmandú,S.L.
Melia Hotels USA Group consists of the companies Melia Hotels USA,Llc. and Melia Hotels Florida Llc.
Promedro Group consists of the companies Promedro,S.A.and Nexprom,S.A.
El Recreo consists of the companies El Recreo Plaza C.A. and El Recreo Plaza & Cia. C.A.
Starmel Group consists of the companies Starmel Hoteles JV,S.L, Starmel Hoteles OP 2, S.L.U, Fuerteventura Beach Property S.L.U and Santa Eulalia Beach Property, S.L.U.
Renasala Group consists of the companies Renasala,S.L, Starmel Hoteles OP S.L.U, Torremolinos Beach Property,S.L.U, Palmanova Beach Property, S.L.U, Puerto del Carmen Beach Property,S.L.U, San Antonio Beach Property, S.L.U.
Melcom Group consists of the companies Sistemas Ribey Cloud,S.L., Pelícanos Property, S.L.U., Bellver Property, S.L.U. and Melcom Joint Venture. S.L.

Additions of the fiscal year mainly related to the inclusion in the Group of the companies within Melcom Group in the amount of EUR 13.7 million. On the other hand, disposals mainly related to the company Adprotel Strand, S.L., since this company became fully consolidated (see Note 5.1).

Likewise, in the exchange differences heading, disposals were recorded mainly due to the effect of the devaluation of the bolivar soberano over the net assets of the companies within Grupo El Recreo.

In 2018, the Group carried out a new asset valuation (see Note 0) which included assets owned by associates and joint ventures that were accounted for using the equity method. In this case, the value is adjusted according to the ownership percentage that the Group has in each of such companies. The value resulting from the valuation of these assets amounted to EUR 643 million, with a net carrying amount of EUR 316.7 million at the time of valuation.

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Details of the balance sheet and profit and loss account of the most significant associates and joint ventures by volume of assets and net income are as follows:

(Thousand €)	Evertmel Group (*)	Melcom Group (*)	Altavista Hotelera, S.L.	Starmel Group (*)	Renasala Group (*)	Total
EBITDA	**9,715**	**13,205**	**8,597**	**6,110**	**18,056**	**55,682**
Depreciation	**(5,532)**	**(4,284)**	**(3,073)**	**(3,063)**	**(5,088)**	**(21,039)**
Financial Income	302	1,855		4	141	2,302
Financial Expenses	(5,353)	(8,958)	(3,556)	(4,378)	(7,258)	(29,503)
Other financial profit/loss	(1)			(74)	(2)	(76)
Net financial profit/loss	**(5,052)**	**(7,103)**	**(3,556)**	**(4,449)**	**(7,118)**	**(27,277)**
Profit/loss before tax	**(869)**	**1,819**	**1,968**	**(1,402)**	**5,850**	**7,366**
Income tax	(394)	(1,843)	(492)	(193)	(1,765)	(4,687)
NET INCOME	(1,263)	(25)	1,476	(1,595)	4,085	2,679

(Thousand €)	Evertmel Group (*)	Melcom Group (*)	Altavista Hotelera, S.L.	Starmel Group (*)	Renasala Group (*)	Total
NON-CURRENT ASSETS	**170,628**	**260,425**	**142,045**	**82,701**	**230,968**	**886,767**
Cash and other cash equivalents	172	57	16	6,258	5,017	11,520
Other current assets	28,654	9,855	6	3,916	5,073	47,503
CURRENT ASSETS	**28,826**	**9,912**	**22**	**10,174**	**10,089**	**59,023**
TOTAL GENERAL ASSETS	199,455	270,336	142,066	92,875	241,057	945,789
Non-current financial liabilities	132,134	154,836	48,017	79,193	169,482	583,662
Other non-current liabilities	7,048	80,449	15,805	1,009	26,677	130,988
NON-CURRENT LIABILITIES	**139,182**	**235,285**	**63,822**	**80,202**	**196,159**	**714,650**
Current financial liabilities	9,675	4,209	5,797	2,178	7,366	29,225
Other current liabilities	2,698	4,418	8,454	4,901	7,242	27,713
CURRENT LIABILITIES	**12,373**	**8,627**	**14,251**	**7,079**	**14,608**	**56,938**
TOTAL GENERAL LIABILITIES	151,554	243,912	78,073	87,282	210,767	771,588

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Evermel Group consists of the companies Evertmel, S.L, Mongamenda S.L. and Kimel S.L.
Starmel Group consists of the companies Starmel Hoteles JV,S.L, Starmel Hoteles OP 2, S.L.U, Fuerteventura Beach Property S.L.U and Santa Eulalia Beach Property, S.L.U.
Renasala Group consists of the companies Renasala,S.L, Starmel Hoteles OP S.L.U, Torremolinos Beach Property,S.L.U, Palmanova Beach Property, S.L.U,
Puerto del Carmen Beach Property,S.L.U, San Antonio Beach Property, S.L.U.
Grupo Melcom compuesto por las sociedades Ribey Cloud, S.L., Pelícanos Property, S.L.U., Bellver Property, S.L.U. y Melcom Joint Venture, S.L.

Evertmel Group, Melcom Group and Altavista Hotelera, S.L., are owners of hotels which are operated by other Group companies through lease agreements.

Starmel Group and Renasala Group are made up of companies which own and operate hotels. In addition, they have contracts entered into with the parent company of the Group through which management fees are invoiced.

In 2018, the company Altavista Hotelera, S.L., capitalised tax losses in the amount of EUR 3.7 million which caused a decrease in its Net Income compared with the previous year.

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For comparison purposes, amounts for 2018 are shown below:

(Thousand €)	Evertmel Group (*)	Melcom Group (*)	Altavista Hotelera, S.L.	Starmel Group (*)	Renasala Group (*)	Total
EBITDA	**9,201**	**7,648**	**7,830**	**6,739**	**19,172**	**50,590**
Depreciation	**(5,491)**	**(948)**	**(3,062)**	**(2,941)**	**(5,350)**	**(17,792)**
Financial Income	338			1	5	344
Financial Expenses	(5,658)	(3,825)	(3,825)	(4,098)	(7,099)	(24,505)
Other financial profit/loss		4		(690)	5	(682)
Net financial profit/loss	**(5,321)**	**(3,821)**	**(3,825)**	**(4,786)**	**(7,090)**	**(24,843)**
Profit/loss before tax	**(1,611)**	**2,879**	**942**	**(988)**	**6,732**	**7,955**
Income tax	(316)	(1,406)	3,508	(14)	(1,176)	596
NET INCOME	(1,927)	1,473	4,450	(1,003)	5,556	8,550

(Thousand €)	Evertmel Group (*)	Melcom Group (*)	Altavista Hotelera, S.L.	Starmel Group (*)	Renasala Group (*)	Total
NON-CURRENT ASSETS	**174,893**	**264,708**	**145,290**	**84,843**	**245,562**	**915,297**
Cash and other cash equivalents	208	3,433	103	5,355	2,305	11,405
Other current assets	32,432	3,046	19	3,967	6,190	45,654
CURRENT ASSETS	**32,640**	**6,479**	**122**	**9,322**	**8,495**	**57,059**
TOTAL GENERAL ASSETS	207,533	271,187	145,412	94,166	254,057	972,356
Non-current financial liabilities	138,905	155,636	52,225	78,729	178,360	603,855
Other non-current liabilities	7,273	81,550	15,805	730	26,172	131,530
NON-CURRENT LIABILITIES	**146,178**	**237,187**	**68,030**	**79,459**	**204,532**	**735,385**
Current financial liabilities	10,393	1,624	6,260	3,514	5,562	27,353
Other current liabilities	1,707	3,603	9,197	3,782	7,302	25,592
CURRENT LIABILITIES	**12,100**	**5,227**	**15,457**	**7,296**	**12,865**	**52,944**
TOTAL GENERAL LIABILITIES	158,278	242,414	83,487	86,755	217,397	788,330

(*) The companies belonging to the same line of business are presented jointly
Evermel Group consists of the companies Evertmel, S.L, Mongamenda S.L. and Kimel S.L.
Starmel Group consists of the companies Starmel Hoteles JV,S.L, Starmel Hoteles OP 2, S.L.U, Fuerteventura Beach Property S.L.U and Santa Eulalia Beach Property, S.L.U.
Renasala Group consists of the companies Renasala,S.L, Starmel Hoteles OP S.L.U, Torremolinos Beach Property,S.L.U, Palmanova Beach Property, S.L.U,
Puerto del Carmen Beach Property,S.L.U, San Antonio Beach Property, S.L.U.
Grupo Melcom compuesto por las sociedades Ribey Cloud, S.L., Pelícanos Property, S.L.U., Bellver Property, S.L.U. y Melcom Joint Venture, S.L.

Note 13. Other Financial instruments

13.1. Other financial assets

The table below includes the breakdown by categories of financial instruments, recorded in the heading Other financial assets of current and non-current assets of the consolidated balance sheet for years 2019 and 2018:

(Thousand €)	31/12/2019			31/12/2018		
	Long Term	Short Term	Total	Long Term	Short Term	Total
1. Financial instruments at amortised cost:						
Loans to associates	89,351	43,282	132,633	88,534	30,801	119,335
Other loans	58,302	2,657	60,959	26,174	8,778	34,952
Other items	16,569	2,615	19,183	21,797	1,316	23,113
2. Financial instruments at fair value through other comprehensive income:						
Cash flow hedges				10		10
3. Financial instruments at fair value through profit or loss:						
Trading Portfolio		492	492		203	203
Unlisted equity instruments	4,060		4,060	4,036		4,036
TOTAL	168,281	49,046	217,327	140,551	41,097	181,649

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The table does not include the headings Trade and other receivables and Cash and other cash equivalents, which also relate to financial assets, as described in Note 3.5. Additional breakdowns are included in Note 15 to that effect.

Financial instruments subsequently measured at amortised cost

The table below shows a breakdown by nature of financial assets included in this item for 2019 and 2018:

(Thousand €)	31/12/2019			31/12/2018		
	Long Term	Short Term	Total	Long Term	Short Term	Total
Loans to associates	89,351	43,282	132,633	88,534	30,801	119,335
Other loans	14,692	2,657	17,349	26,174	8,778	34,952
Deposits	1,786	762	2,548	1,685	595	2,280
Guarantee deposits	11,246	1,797	13,043	10,962	579	11,541
Vacation Club customers	46,397		46,397	7,431		7,431
Financial deposits		55	55		143	143
Other items	750		750	1,719		1,719
TOTAL	164,221	48,554	212,775	136,506	40,895	177,401

Note 21 Information on related parties includes a breakdown of the balances recorded as loans to associates.

Likewise, the balance of Short-term vacation club customers is broken down in Note 15.2 Trade and other receivables.

Loans granted to several companies with which the Company does business in various operating segments are included under heading Other loans; the most significant amounts are as follows:

- ✓ Loans granted to various unrelated companies with which the Group has a business relationship in the amount of EUR 7.8 million.
- ✓ Loans to owners of several hotels operated by the Group under lease and management, in the amount of EUR 9.2 million.

Long-term guarantees granted by the Company basically relate to the rent for hotels leased by the Group through accepted promissory notes. Since such guarantees are granted to ensure compliance with an obligation associated with such agreements, they are not recognised at current value but at face value.

The balance of Vacation club customers relates to the amounts financed in the long-term to this segment customers in the sale of timeshare rights. They are recognised at face value due to these financing agreements include a market interest rate.

The Financial deposits item includes long-term amounts in banks and with a maturity over 3 months, therefore, these cannot be considered as other cash equivalents.

Financial instruments at fair value through other comprehensive income

Cash flow hedge activities relate to interest rate swaps. Hegde activities are explained in Note 13.3.

Financial instruments at fair value through profit or loss

Short-term trading portfolio includes equity instruments listed in official markets, the market prices of which are used to determine the fair value of these investments, as well as unlisted equity instruments included under this category, the movement of which is detailed in the table below:

(Thousand €)	%	Balance 31/12/2018	Additions	Balance 31/12/2019
Hotelera Sancti Petri, S.A.	19.50%	2,634		2,634
Port Cambrils Inversions, S.A.	10.00%	980		980
Inveragua RD, S.A.S	14.24%	107	24	131
Valle Yamury, S.A.	7.21%	358		358
Other financial assets		42		42
TOTAL INVESTMENT		**4,121**	**24**	**4,145**
IMPAIRMENT LOSSES		**(85)**		**(85)**
NET CARRYING VALUE		**4,036**	**24**	**4,060**

For comparison purposes, movements for year 2018 were as follows:

(Thousand €)	%	Balance 31/12/2017	Additions	Balance 31/12/2018
Hotelera Sancti Petri, S.A.	19.50%	2,634		2,634
Port Cambrils Inversions, S.A.	10.00%	980		980
Inveragua RD, S.A.S	14.24%	107		107
Valle Yamury, S.A.	7.21%	351	7	358
Other financial assets		42		42
TOTAL INVESTMENT		**4,114**	**7**	**4,121**
IMPAIRMENT LOSSES		**(85)**		**(85)**
NET CARRYING VALUE		**4,029**	**7**	**4,036**

The registered offices, activities and accounting information in thousand euro of the investees in which the Group holds a non-significant shareholding at the 2019 year end are included below:

(Thousand €)	REGISTERED OFFICE	ACTIVITY	Capital	Reserves	Net Income	%	TBV	NBV
Hotelera Sancti Petri, S.A.	Gremio Toneleros, 24 Palma de Mallorca (Spain)	Owner and operator hotel	11,900	(869)	1,878	19.50%	2,517	2,634
Port Cambrils Inversions, S.A.	Rambla Regueral, 11 Tarragona (Spain)	Owner and operator hotel	6,000	987	276	10.00%	726	980
Valle Yamury, S.A. (*)	Velázquez, 106 Madrid (Spain)	Holding and owner	4,870	(1,525)	92	7.21%	248	279
Inveragua RD, S.A.S.	Avda. Lope de Vega, 4 Santo Domingo (Dominican Rep.)	Holding	810	(58)	(171)	14.24%	83	131
Other companies (*)								36
			23,580	**(1,407)**	**2,075**		**3,574**	**4,060**

(*) At 31 December 2019 there are no financial statements for theses companies

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13.2. Other financial liabilities

The table below shows the breakdown by categories of financial instruments, recorded in the headings Bonds and other negotiable securities, Bank borrowings and Other financial liabilities of current and non-current liabilities of the consolidated balance sheet for 2019 and 2018:

(Thousand €)	31/12/2019			31/12/2018		
	Long Term	Short Term	Total	Long Term	Short Term	Total
1. Financial instruments at fair value through other comprehensive income:						
- Cash flow hedges	1,836	1,307	3,143	1,005	958	1,963
2. Financial instruments at fair value through profit or loss:						
- Trading portfolio derivatives	1,337	1,098	2,435	1,842	1,671	3,514
3. Other financial liabilities at amortised cost:						
- Bonds and other negotiable securities	33,951	172	34,123	33,835	51,526	85,361
- Bank borrowings	786,923	100,343	887,266	719,949	115,066	835,015
- Lease liabilities	1,264,282	172,012	1,436,295	1,126,410	151,006	1,277,416
- Other financial liabilities	9,039	62,896	71,935	12,113	72,917	85,029
TOTAL	2,097,368	337,829	2,435,197	1,895,155	393,144	2,288,299

Balances under heading Trade creditors and other payables which are also considered as financial liabilities, are not included, as explained in Note 3.5. Additional breakdowns are included in Note 19 to that effect.

The following table shows the reconciliation of changes in assets and liabilities from financing activities. Debt issues and redemptions (Bonds and other negotiable securities and Bank borrowings), as well as Derivative financial instruments (hedges and trading portfolio) have been considered:

(Thousand €)	Bonds and Bank borrowings	Financial instruments at fair value	
		Assets	Liabilities
BALANCE AT 31/12/2017	925,606	247	6,967
Financing cash flow	(82,487)		
Exchange differences	8,638		
Changes in fair value		(237)	(1,490)
Scope Variations	68,619		
BALANCE AT 31/12/2018	920,376	10	5,477
Financing cash flow	(18,641)		
Exchange differences	11,169		
Changes in fair value		(10)	101
Scope Variations	8,485		
BALANCE AT 31/12/2019	921,389	0	5,578

In section Scope Variations the increase of Bank borrowings is included, as a result of the business combination of the purchase of Me Cabo hotel, as described in Note 5.1.

Lease payments are broken down in Note 18.

Financial instruments at fair value through other comprehensive income

Cash flow hedge activities relate to interest rate swaps. Hegde activities are explained in Note 13.3.

Financial instruments at fair value through profit or loss

Trading portfolio derivatives relate to interest rate swaps. Derivative activities are explained in Note 13.3.

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Bonds and other negotiable securities

The table below shows the debt issues recorded under this heading and their balances at the end of 2019 and 2018:

(Thousand €)	31/12/2019			31/12/2018		
	Long Term	Short Term	Total	Long Term	Short Term	Total
Bonds and debentures	29,665	117	29,782	29,750	114	29,864
European Commercial Papers (ECP)					51,357	51,357
Other negotiable securities	4,286	56	4,341	4,085	56	4,140
TOTAL	33,951	172	34,123	33,835	51,526	85,361

Euro-Commercial Paper Programme (ECP)

In May 2019 the commercial paper programme ("Euro-Commercial Paper Programme" or ECP) was renewed, with maturity date on 5 May 2020, subject to English law, in the maximum amount of EUR 300 million, whereby debt instrument issues can be made in Europe with a maturity of less than 364 days, up to the said amount.

In 2019, a total of EUR 239.4 million of issues was made, and there were no outstanding issues at year end.

Other negotiable securities

In 2018, the subsidiary Sol Meliá Europe, B.V. carried out a debt issue in the amount of EUR 5 million, maturing on 18 November 2022, within a facility with the following characteristics:

Issuer	Sol Meliá Europe, B.V.
Guarantor	Meliá Hotels International S.A.
Calculation Agent	UBS AG, London Branch
Fiscal Agent and paying agent	The Bank of New York Mellon
Maximum face amount	EUR 150,000,000
Currency	EUR / USD
Maturity date (facility)..................................	04/08/2023

Simple bonds

On 19 November 2018 the parent company issued simple bonds in the total amount of EUR 30 million with the following characteristics:

Issue price	EUR 30,000,000
Face amount...	EUR 100,000
Maturity	12 years
Debt rank	Senior unsecured
Issue price	100%
Issue date	19/11/2018
Maturity date	19/11/2030
Coupon	Fixed 3.30%
Redemption price..	100%

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Bank borrowings

The breakdown by nature and by maturity of the Group's bank borrowings at the end of 2019 and 2018 is as follows:

(Thousand €)	31/12/2019			31/12/2018		
	Long Term	Short Term	Total	Long Term	Short Term	Total
Bank loans	540,574	75,468	616,042	404,533	71,072	475,605
Mortgage loans	245,288	20,956	266,244	313,440	39,434	352,875
Credit policies		1	1		125	125
Bank lease liabilities	1,061	915	1,976	1,976	1,260	3,236
Interest		3,003	3,003		3,175	3,175
TOTAL	786,923	100,343	887,266	719,949	115,066	835,015

The total amount drawn down against credit facilities was EUR 1.3 thousand euros, and at the 2019 year end an additional balance of EUR 234 million was available.

Bank debt increases for new bank financing in 2019 amounted to EUR 235.2 million, as reflected in the Cash flow statement. In 2018, the amount was EUR 204.8 million.

The Group's mortgage loans are secured by 10 hotels with a total net carrying amount of EUR 572.10 million, as stated in Note 10.

Maturity of bank borrowings is as follows:

(Thousand €)	2020	2021	2022	2023	2024	> 5 years	Total
Bank loans	75,468	111,419	69,005	57,525	112,444	190,182	616,042
Mortgage loans	20,956	26,089	24,014	25,872	23,173	146,141	266,244
Credit policies	1						1
Bank lease liabilities	915	726	328	7			1,976
Interest	3,003						3,003
TOTAL	100,343	138,233	93,347	83,403	135,617	336,323	887,266

Lease liabilities

Note 18 Leases includes a breakdown of Lease liabilities.

Other financial liabilities

The table below shows the breakdown of the items under this heading at the end of fiscal years 2019 and 2018:

(Thousand €)	31/12/2019			31/12/2018		
	Long Term	Short Term	Total	Long Term	Short Term	Total
Trade bills payable	32		32	53		53
Fixed asset suppliers	5	8,822	8,827	5	18,441	18,447
Guarantees received	986	2,654	3,640	1,476	2,542	4,017
Other payables	1,021	19,898	20,919	4,229	33,549	37,778
Debt to associates	6,995	25,891	32,887	6,350	16,144	22,494
Dividends payable		587	587		2,017	2,017
Other financial liabilities		5,043	5,043		224	224
TOTAL	9,039	62,896	71,935	12,113	72,917	85,029

The decrease in Other payables in the short term mainly relates to the cancellation of the purchase option of 49% of Sierra Parima which the Group held prior to the sale of shares in the current year in the amount of EUR 9.9 million.

On the other hand, the increase in the amount of EUR 4.8 million under heading Other financial liabilities mainly relates to deposits received in the short term.

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The amount of Debt to associates is broken down in Note 21.

13.3. Hedge activities and derivatives

The breakdown by maturity of the fair values of the Group's derivative financial instruments at the end of 2019 and 2018 is as follows:

(Thousand €)	31/12/2019			31/12/2018		
	Long Term	Short Term	Total	Long Term	Short Term	Total
Hedging derivative assets				10		10
TOTAL				10		10
Hedging derivative liabilities	1,836	1,307	3,143	1,005	958	1,963
Trading portfolio derivatives	1,337	1,098	2,435	1,842	1,671	3,514
TOTAL	3,172	2,405	5,578	2,848	2,629	5,477

Within the framework of the Group's interest rate risk management policies (see Note 4.1), the Company, at the end of the fiscal year, has several interest rate swaps, which, based on the contractual terms, qualify as cash flow hedging instruments; therefore, changes in their fair value are taken directly to the Group's equity.

The items hedged by these operations are recorded under heading Bank borrowings. These financial instruments are used to exchange interest rates, so that the Company receives variable interest from the bank in exchange for a fixed interest payment on the same face amount. The variable interest received from the derivative offsets interest payments on the financing hedged. The final result is a fixed interest payment on the financing hedged.

In 2019, the negative impact on net equity of these derivative financial instruments, after taking the portion pertaining to the hedged item to the income statement and without considering the tax impact, amounted to EUR 1.03 million. In 2018, the positive impact amounted to EUR 0.08 million.

Likewise, as at 31 December 2019, the notional value of the interest rate swaps that qualify as hedges amounted to EUR 150.8 million, and in 2018 such value amounted to EUR 129 million.

The liabilities relating to derivatives held for trading at the end of 2019 related to interest rate swaps contracted in the framework of the interest rate risk management performed by the Company (see Note 4.1). These interest rate swaps are not considered as accounting hedges because they do not meet the requirements for their application according to IFRS 9.

As at 31 December 2019, the notional value of these financial instruments amounted to EUR 50.1 million, and in 2018 such value amounted to EUR 29 million.

Maturity by year is as follows:

(Thousand €)	2020	2021	2022	2023	>4 years	Total
Hedging derivative liabilities	1,307	761	588	300	188	3,144
Trading portfolio derivatives	1,098	637	436	208	55	2,434
TOTAL	2,405	1,398	1,024	508	243	5,578

For comparison purposes, the maturities at the end of 2018 were as follows:

(Thousand €)	2019	2020	2021	2022	>4 years	Total
Hedging derivative assets		(186)	(98)	(21)	315	10
TOTAL		(186)	(98)	(21)	315	10
Hedging derivative liabilities	958	644	359	62	(60)	1,963
Trading portfolio derivatives	1,671	1,044	597	345	(143)	3,514
TOTAL	2,629	1,688	956	407	(203)	5,477

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To determine these fair values, discounted cash flow techniques have been used based on the embedded amounts determined by the interest rate curve in accordance with the market conditions at the measurement date. These measurements have been carried out by the financial institutions from which these products are obtained.

The measurements of these swaps have also been carried out by the financial institutions from which these products are obtained, as independent experts in the measurement of financial instruments.

Note 14. Non-current assets held for sale

At the end of 2018, the Company conducted open negotiations for the sale of its assets located in Puerto Rico, which included the execution of a pre-contract for the sale of its assets (including customer portfolio), therefore, it recognised the disposal group of assets under Non-current assets held for sale heading in the amount of EUR 56.1 million, according to the table below:

(Thousand €)	31/12/2018
Property, Plant and Equipment	92,244
Inventories	263
Trade and other receivables	2,469
Total ASSETS	**94,976**
Other non-current financial liabilities	32,263
Provisions	6,632
Total LIABILITIES	**38,895**
NON-CURRENT ASSETS HELD FOR SALE	**56,081**

The sale process has been concluded in March this year, therefore, in the consolidated Balance Sheet at the end of 2019 no balance appears under this heading.

At the end of 2018, the Group already recognised its assets and liabilities included in the disposal group, adjusted to the price that was agreed in the transaction (including USD 72 million referenced to the hotel asset), so no additional impacts have been recorded in the consolidated income statement.

The sale price amounted to USD 66.2 million (EUR 58.9 million on the closing date of the transaction), of which USD 14 million was collected in advance (EUR 12.2 million on the date of collection) before the end of 2018. The remaining amount has been collected in 2019, as reflected in the Consolidated Cash Flow Statement.

Note 15. Current Assets

15.1. Inventories

(Thousand €)	31/12/2019	31/12/2018
Goods	2,909	2,134
Food and Beverages	8,189	8,282
Fuel	488	508
Spare parts and maintenance	2,605	2,367
Anciliary materials	5,898	5,469
Office materials	1,207	1,344
Hotel Business	**21,295**	**20,104**
Vacation Club Business	**793**	**713**
Real Estate Business	**5,305**	**3,962**
Advances to suppliers	**1,867**	**1,712**
TOTAL	**29,260**	**26,492**

The Group does not have firm purchase or sale commitments and there are no limitations on availability of inventories.

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15.2. Trade and other receivables

The breakdown of this heading at the end of 2019 and 2018 is as follows:

(Thousand €)	31/12/2019	31/12/2018
Trade receivables	133,551	183,482
Other receivables	60,526	65,595
TOTAL	194,077	249,076

Trade Receivables

Trade receivables by business line at year end are as follows:

(Thousand €)	31/12/2019	31/12/2018
Hotel	66,547	71,626
Real Estate	367	1,197
Club Melia	31,215	78,340
Other operating activities	35,422	32,319
TOTAL	133,551	183,482

The Group has signed a non-recourse factoring agreement with a financial institution under which it periodically assigns the accounts receivable relating to certain customers of the hotel business, and collects the amounts concerned in advance. As at 31 December 2019, the total portfolio assigned in this respect was EUR 23.1 million, EUR 25.2 million as at 31 December 2018.

As a result of the "non-recourse" consideration of the assignment of receivables operation abovementioned, trade receivables are derecognised once assigned, therefore, they are not included in the table above.

As at 31 December 2019, the total impairment of trade receivables amounted to EUR 36.9 million, EUR 41.1 million at the 2018 year end.

The aging of trade receivables at year end from the maturity date was as follows:

(Thousand €)	2019	%	2018	%
Less than 90 days	94,170	71%	126,961	69%
More than 90 and less than 180	18,201	14%	8,881	5%
More than 180	21,180	16%	47,640	26%
TOTAL	133,551	100%	183,482	100%

Other receivables

The breakdown by nature of the balances included in this item for 2019 and 2018 is as follows:

(Thousand €)	31/12/2019	31/12/2018
Prepayments and accrued income	13,688	12,119
Loans to employees	304	339
Taxes refundable	17,685	15,983
Receivables from associates	11,912	14,015
Receivables	16,809	22,643
Current accounts	128	496
TOTAL	60,526	65,595

These balances relate to commercial transactions carried out by the Group. Receivables from associates are broken down in Note 21.

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15.3. Cash and other cash equivalents

Cash and other cash equivalents are broken down by geographic areas as follows:

(Thousand €)	SPAIN	EMEA (*)	AMERICA	ASIA	31/12/2019
Cash	182,972	34,277	105,432	2,386	325,067
Other cash equivalents	416		3,461		3,877
TOTAL	183,388	34,277	108,893	2,386	328,944

(*) EMEA (Europe, Middle East, Africa) :

Includes regions of Africa, Middle East and rest of Europe, excluding Spain

Cash equivalents relate to short-term deposits, the maturities of which may range from one day to three months depending on the Group's cash needs.

The main balances comprising the Group's cash, based on the currency in which they are denominated, are in US dollars and Euro.

Balances under this heading for 2018 were as follows:

(Thousand €)	SPAIN	EMEA (*)	AMERICA	ASIA	31/12/2018
Cash	136,221	30,399	139,365	883	306,869
Other cash equivalents	4,331		1,703		6,033
TOTAL	140,552	30,399	141,068	883	312,902

(*) EMEA (Europe, Middle East, Africa) :

Includes regions of Africa, Middle East and rest of Europe, excluding Spain

Note 16. Equity

16.1. Share Capital

The share capital is set at EUR 45,940,000 represented by 229,700,000 shares with a par value of Euro 0.2 each. The shares are fully subscribed and paid-up, and constitute a single class and series.

At the Ordinary and Extraordinary General Shareholders' Meeting held on 4 June 2015, the Board of Directors of the parent company was authorised to agree the parent company's share capital increase, without having to consult the General Shareholders' Meeting beforehand, up to a maximum amount of nineteen million, nine hundred and five thousand, three hundred and four Euros, eighty cents (EUR 19,905,304.80). Consequently, the Board of Directors can exercise this right, in one or more times, for the specified amount or less, deciding in each case, not only the timing or appropriateness, but also the amount and conditions which they consider should apply within a maximum period of five years, starting from the date of said Meeting.

All shares carry the same rights and are listed on the stock exchange (Continuous Market - Spain), except for treasury shares.

Main shareholders with direct and indirect stake in Meliá Hotels International, S.A. as at 31 December 2019 and 2018, are as follows:

Shareholder	31/12/2019 % Shareholding	31/12/2018 % Shareholding
Hoteles Mallorquines Consolidados, S.A.	23.38	23.38
Hoteles Mallorquines Asociados, S.L.	13.21	13.21
Hoteles Mallorquines Agrupados, S.L.	10.39	10.39
Tulipa Inversiones 2018, S.A.	5.03	5.03
Global Alpha Capital Management Ltd.	3.02	
Rest of shareholders (less than 3% individual)	44.98	48.00
TOTAL	100.00	100.00

In 2018, Global Alpha Cap Manag was included in item Rest of shareholders since it held less than 3% individually.

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In October 2018, Mr. Gabriel Escarrer Juliá ceased to exercise control over the Group, although from that date he still owns 5.025% of the shares in Meliá Hotels International, S.A., indirectly, through Tulipa Inversiones 2018, S.A., company that absorbed Majorcan Hotels Exlux, S.L.U., with effect from December 2018.

Notwithstanding the foregoing, the Escarrer family (namely, Mr. Escarrer Juliá, his spouse and their 6 children) hold 100% of the shares in the companies Hoteles Mallorquines Consolidados, S.L., Hoteles Mallorquines Agrupados, S.L. and Hoteles Mallorquines Asociados, S.L., although no controlling shareholder exists in any of them.

16.2. Reserves

The table below shows the breakdown of heading Other Reserves of the consolidated Statement of changes in equity at the end of 2019 and 2018:

(Thousand €)	31/12/2019	31/12/2018
Legal reserve	9,188	9,188
Revaluation reserves Royal Decree-Law 7/1996, of 7th June	16,076	16,076
Reserves for shares of the controlling company	28,191	16,025
Reserves for actuarial gains and losses	(4,618)	(3,616)
Voluntary reserves	277,442	277,442
Consolidated reserves attributed to the controlling company	116,758	116,758
TOTAL	443,037	431,873

The consolidated reserves attributed to the controlling company include the necessary homogenisation adjustments to present the consolidated equity in accordance with the International Financial Reporting Standards (IFRSs) and the International Financial Reporting Committee Interpretations (IFRICs), as described in Note 2.

Regarding the restricted reserves, Meliá Hotels International, S.A. and its subsidiaries incorporated under the Spanish law are obliged to transfer 10% of the profits of each year to a reserve fund until this fund reaches at least 20% of the share capital. This reserve, provided that other reserves are not available, may only be used to offset losses.

16.3. Treasury shares

On 17 October 2019, the parent company’s Board of Directors agreed to implement a treasury share buy-back programme. Such Programme, which is implemented under the provisions of Regulation (EU) No 596/2014 of the European Parliament and of the Council, of 16 April 2014, is carried out in order to reduce the parent company’s share capital through the redemption of the treasury shares acquired under the Programme, subject to the resolution on capital reduction to be approved by the General Shareholders’ Meeting that will be held in the first half of year 2020.

The Programme shall be carried out under the following terms:

- Maximum monetary amount allocated to the Programme: EUR 60,000,000.
- Maximum number of shares to be acquired: 8,500,000 shares.
- Maximum share price: the price must lie within a range of 90% to 110% with respect to the closing price of the trading session, and under no circumstances the limits provided for in Article 3.2 of the Delegated Regulation may be exceeded.

Breakdown and movements of the above-mentioned treasury shares, as well as of those under liquidity contract are as follows:

(Thousand €)	Shares	Average Price €	Balance
BALANCE AT 31/12/2018	1,822,968	8.79	16,025
Additions	7,437,418	8.15	60,645
Disposals	(7,440,618)	8.15	(60,632)
Additions by repurchase program	1,621,057	7.50	12,153
BALANCE AT 31/12/2019	3,440,825	8.19	28,191

There are no securities loaned to banks as at 31 December 2019.

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As at 31 December 2019, the total of treasury shares held by the Company was 3,440,825, which represent 1.5% of the share capital. Treasury shares do not exceed the 10% limit established by the Spanish Law on Corporations.

The price of Meliá Hotels International, S.A.'s shares at year end was EUR 7.86. At the 2018 year end the share price amounted to EUR 8.21.

For comparison purposes, movements for year 2018 were as follows:

(Thousand €)	Shares	Average Price €	Balance
BALANCE AT 31/12/2017	1,722,464	8.72	15,023
Additions	10,319,703	10.71	110,531
Disposals	(10,219,199)	10.72	(109,529)
BALANCE AT 31/12/2018	1,822,968	8.79	16,025

There were no securities loaned to banks as at 31 December 2018. As at 31 December 2018, the total number of shares held by the Company was 1,822,968, which represented 0.79% of the share capital.

16.4. Retained earnings

This heading includes the profit/(loss) for previous years of the parent company, as well as the retained earnings of the other companies included in the scope of consolidation as from the date they were included therein.

Movements during 2019 included under this heading mainly related to the distribution of profit for previous years, in the amount of EUR 141.8 million from fully consolidated companies, and in the amount of EUR 5.3 million of profits from associates. Likewise, the disposal for the distribution of dividends is included in the amount of EUR 41.7 million.

Movements during 2018 included under this heading mainly related to the distribution of profit for previous years, in the amount of EUR 23.6 million from fully consolidated companies (profits from the parent company were not included), and in the amount of EUR 23.2 million of profits from associates.

16.5. Valuation Adjustments

The Valuation adjustments heading in the consolidated Statement of changes in equity, includes a breakdown of exchange differences and Other measurement adjustments recognised in liabilities in the consolidated balance sheet.

Translation differences

The translation differences classified by currency reflected in the Consolidated Balance Sheet deriving from the companies included in the Group's scope of consolidation are as follows:

(Thousand €)		31/12/2019	31/12/2018
Tunisian Dinar	TND	5,333	5,495
United States Dollar	USD	72,378	73,397
Swiss Franc	CHF	2,689	2,598
British Pound	GBP	(5,676)	(18,413)
Dominican Peso	DOP	(38,320)	(36,761)
Mexican Peso	MXN	(119,229)	(132,833)
Brazilian Real	BRL	(28,341)	(26,312)
Others		651	(273)
TOTAL		(110,515)	(133,101)

The effect of exchange rate changes is presented in the amount attributed to the controlling company, net of the effect attributed to non-controlling interests. The total effect is presented in the Translation differences item in the Statement of Comprehensive Income.

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Among the total exchange differences, the amount of EUR 56.5 million negative relates to fully consolidated companies and EUR 54 million negative to companies accounted for using the equity method. In 2018, the amounts were EUR 80.5 million negative and EUR 52.6 million negative, respectively.

The main changes in relation to the previous year affected the Mexican peso and the British pound against the Euro.

According to IAS 21.15, certain financing transactions relating to subsidiaries abroad have been considered as an increase in the value of the investment. During the year, EUR 5.1 million in negative translation differences have been recognised under this heading, while in 2018, EUR 16.8 million in negative translation differences were also recognised.

Other measurement adjustments

Movements during the year mainly related to income and expenses attributed to equity, as well as to transfers to the consolidated income statement of derivative financial instruments classified as hedges, net of their tax effect, in the amount of EUR 0.4 million positive; the same amount in 2018.

16.6. Non-controlling interests

The equity interest relating to rights held by third meparties outside the Group is included under this heading, including the relevant proportional stake in the result (profit/(loss)).

The consolidated amounts, before carrying out intra-group eliminations, of assets and liabilities of subsidiary companies and their investees with non-controlling interests, as well as their relevant stake in the result (profit/(loss)) for the fiscal year, are included below:

(Thousand €)	Minority percentage	Total Assets	Total Liabilities	Total Net Assets	Non-controlling interests	Non-controlling interests profit/(loss)
Invers. Explot. Turísticas, S.A.	45.07%	159,890	121,754	38,136	10,453	6,996
Realizaciones Turísticas, S.A.	3.73%	223,062	31,543	191,518	5,389	49
Adprotel Strand, S.L.U.	25.00%	248,775	176,996	71,779	26,488	254
MIA Exhold, S.A.	0.31%	533,952	183,190	350,762	1,410	63
Other companies		293,000	236,259	56,741	(101)	1,418
TOTAL		1,458,679	749,742	708,937	43,638	8,781

On the other hand, during the year the amount of Non-controlling interests has been transferred to Consolidated reserves of the company Aparthotel Bosque, S.A. for the acquisition of additional shares by the Group (see Note 5.2).

Other movements in the year mainly relate to the profit/(loss) and the translation differences recognised in these companies and their subsidiaries in the amount of EUR 4.3 million.

During the year, no movements of dividends have occurred. In 2018, the movements of dividends amounted to EUR 1.4 million.

For comparison purposes, amounts for 2018 are shown below:

(Thousand €)	Minority percentage	Total Assets	Total Liabilities	Total Net Assets	Non-controlling interests	Non-controlling interests profit/(loss)
Invers. Explot. Turísticas, S.A.	45.07%	128,602	108,613	19,989	3,669	3,637
Realizaciones Turísticas, S.A.	3.73%	358,198	210,541	147,657	5,345	223
Adprotel Strand, S.L.U.	25.00%	242,357	180,885	61,472	24,596	(339)
Meliá Inversiones Americanas, N.V.	0.31%	841,521	499,915	341,606	1,368	178
Otros		267,542	184,342	83,200	6,956	870
TOTAL		1,838,220	1,184,296	653,924	41,934	4,570

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Note 17. Other Non-Current Liabilities

17.1. Capital grants and other deferred income

The breakdown of this heading in the consolidated balance sheet is as follows:

(Thousand €)	31/12/2019	31/12/2018
Capital grants	4,235	4,456
Deferred income from customer loyalty programmes	22,018	20,849
Vacation Club deferred income	323,695	339,328
Other deferred income	645	3,902
TOTAL	350,593	368,535

Capital grants mainly relate to grants to finance property, plant and equipment purchases. During the fiscal year, the total amount recorded under this item in the consolidated income statement was EUR 441 thousand. In 2018, income from grants amounted to EUR 219 thousand.

Deferred income relates to outstanding obligations undertaken with customers pursuant to the entry into force of IFRS 15. Regarding loyalty programmes, a portion of the selling price of hotel rooms is assigned as fair value of the points which will be recognised as income in the consolidated income statement at the time they are redeemed by the customers.

Deferred income from vacation club reflects the amount allocated to the weeks not yet enjoyed by the customers, net of the costs directly attributable to the execution of these contracts. This deferred income is recognised as income in the consolidated income statement at the time the customers exercise the rights acquired under their vacation club membership agreement.

17.2. Provisions

The Group maintains in non-current liabilities a balance in the amount of EUR 29.81 million in respect of provisions for contingencies and expenses. As stated in Note 3.10, this heading includes the Group's post-employment benefit obligations with staff, provisions for taxes from previous years which are at appeal or resolution stage and for urban-planning related legal disputes with public bodies, as well as the provisions recorded to cover the various liabilities and contingencies arising from operations, commitments acquired and guarantees given in favour of third parties, risks deriving from legal claims and lawsuits and potential liabilities deriving from the different interpretations to which the applicable legislation is open.

The breakdown by type of obligations is as follows:

(Thousand €)	31/12/2018	Additions	Disposals	31/12/2019
Provision for retirement, seniority bonus and personnel obligations	10,719	1,044	(372)	11,391
Provision for taxes and Public Bodies	329	10	(50)	288
Provision for liabilities	29,151	1,809	(12,834)	18,126
TOTAL	40,199	2,863	(13,257)	29,805

Provisions for retirement, seniority bonus and personnel

At the end of each fiscal year, actuarial studies are carried out to assess the past services corresponding to commitments established in supra-enterprise collective agreements. In 2019, the estimated accrued amount was EUR 13.9 million, with an impact of EUR 1.4 million on the income statement for 2019. In 2018, the total amount accrued was EUR 12.9 million, with an impact of EUR 1.6 million on the income statement.

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The assessment of these commitments undertaken by the Company has been conducted in accordance with the actuarial assumptions of the model which pertains to the Group, using the calculation method known as the Projected Unit Credit and the demographic assumptions established by the PER2000P tables, using a capitalisation rate of 0.48%, and a salary increase assumption of 2.17%. In addition, the probability of tenure of employees until retirement has also been applied, based on the Group's experience in respect of employees leaving the Company, giving rise to the following rotation ratios according to the employee's current age:

Ages Range	% Rotation
< 45	7.22%
45 - 55	3.82%
> 55	3.01%

Likewise, a significant part of these commitments has been outsourced in compliance with the legislation in force. At the 2019 year end, the balance of assets linked to the post-employment benefit plans amounted to EUR 2.5 million, liabilities being presented in their net amount. At the 2018 year end the balance for this item was EUR 2.2 million.

On the other hand, the negative amount recognised in the consolidated Statement of comprehensive income of EUR 1.2 million relates to changes in the percentages and actuarial assumptions for the calculation of the remunerations and retirement bonuses in respect of the Group's post-employment benefits commitments to its employees. In 2018, the amount, also negative, recognised in the consolidated Statement of comprehensive income was EUR 1.9 million.

Provision for liabilities

The decrease recorded in this heading includes EUR 4.3 million as a result of the reversal of the provision made in 2018 for obligations incurred by the Group in relation to those companies accounted for using the equity method and whose interest was adjusted to zero. In 2019, the group recorded new long-term loans in relation to these companies, therefore, these amounts have been classified as impairment of such loans.

In March 2017 the European Commission initiated an investigation on the compliance with the antitrust rules in the hotel distribution sector. One of the companies subject of the investigation was Meliá Hotels International. Within the framework of the investigation, the European Commission analysed several agreements entered into between Meliá Hotels International and various tour operators in 2014 and 2015, which contained commercial terms and conditions that could give rise to misinterpretation depending on the nationality and/or country of residence of the customers.

In 2019, the Company has actively and constructively continued to participate in the investigation, by providing as many explanations as necessary with respect to the issue raised. Thus, after the reception, review and agreement as regards the contents of the case overview issued by the Commission in August 2019 during the course of the cooperation process, in November 2019, the Company received the statement of objections, which fully confirmed the report of events according to the exchanges of information carried out with the Commission and where an upper limit of penalty was established.

On 21 February 2020 (see Note 24), the European Commission announced the decision ending such investigation, imposing a fine to the Company in the amount of EUR 6.7 million, amount for which full provision has been made as at 31 December 2019.

For comparison purposes, information for 2018 is shown below:

(Thousand €)	31/12/2017	Additions	Disposals	31/12/2018
Provision for retirement, seniority bonus and personnel obligations	9,776	1,021	(78)	10,719
Provision for taxes and Public Bodies	472	2,236	(2,380)	329
Provision for liabilities	23,207	7,810	(1,865)	29,151
TOTAL	33,456	11,067	(4,323)	40,199

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Note 18. Leases

18.1. Rights of use

The opening and final balance of Right-of-use assets, as well as movements during the year and the depreciation amounts for each type of underlying asset for 2019 and 2018 are detailed below:

(Thousand €)	Balance 31/12/18	Depreciation 2019	Variations	Exchange Differences	Balance 31/12/19
GROSS VALUE					
Buildings	2,051,045		319,601	7,649	2,378,295
Plant and Machinery	556		82		639
Other fixed assets	16,102		67		16,169
Total Gross Value	**2,067,703**	**0**	**319,750**	**7,649**	**2,395,102**
ACCUMULATED DEPRECIATION					
Buildings	(993,368)	(133,280)		(2,560)	(1,129,209)
Plant and Machinery	(382)	(82)			(464)
Other fixed assets	(6,654)	(3,226)			(9,881)
Total Accumulated Depreciation	**(1,000,405)**	**(136,588)**	**0**	**(2,560)**	**(1,139,553)**
Impairment	(3,168)	(1,126)			(4,294)
NET CARRYING VALUE	**1,064,130**	**(137,713)**	**319,750**	**5,089**	**1,251,255**

The Cost increase mainly relates to the renewal of the lease agreement of Meliá White House hotel located in London (the United Kingdom) in the amount of EUR 215.4 million, due to the extension of the lease term to 125 years, as well as the increase in future lease payments.

In addition, it is highlighted the incorporation of the hotel Innside París Charles de Gaulle located in Paris (France) in the amount of EUR 42.1 million.

The other changes relate to the update of the lease payments of the agreements according to CPI and renegotiations of the agreements that modify the term and/or future lease payments.

For comparison purposes, the movements in 2018 were as follows:

(Thousand €)	Balance 31/12/17	Depreciation 2018	Variations	Exchange Differences	Balance 31/12/18
GROSS VALUE					
Buildings	2,036,105		13,404	1,537	2,051,045
Plant and Machinery	412		144		556
Other fixed assets	15,360		741		16,102
Total Gross Value	**2,051,877**		**14,290**	**1,537**	**2,067,703**
ACCUMULATED DEPRECIATION					
Buildings	(871,783)	(121,289)		(296)	(993,368)
Plant and Machinery	(287)	(95)			(382)
Other fixed assets	(3,769)	(2,886)			(6,655)
Total Accumulated Depreciation	**(875,839)**	**(124,270)**	**0**	**(296)**	**(1,000,405)**
Impairment	(3,694)	526			(3,168)
NET CARRYING VALUE	**1,172,344**	**(123,744)**	**14,290**	**1,240**	**1,064,130**

Additions during the year included the incorporation of a new agreement relating to the hotel Innside Calviá Beach (Spain), in the amount of EUR 10.2 million, as well as new renegotiations of agreements and review of lease payments according to CPI.

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18.2. Lease liabilities

There follows a breakdown of fixed lease payments (not discounted) expected to be made by the Company in the coming years:

(Thousand €)	2019	2018
Less than 1 year	304,931	189,649
Between 1 and 5 years	600,073	604,801
More than 5 years	1,447,717	698,561
TOTAL	2,352,721	1,493,012

Most of the increase in comparison with the previous year is due to the 125-year renewal of the lease agreement of Meliá White House hotel, which involves future payments in the amount of EUR 963.8 million.

The average term of the lease agreements is 6.70 years, in the case of hotels 7.96 years and 3.56 years for other lease agreements.

In 2018, the average term was 5.9 years, in the case of hotels was 6.97 years and 3.5 years for other lease agreements.

The amount reflected in 2018 includes EUR 42 million of payments relating to lease agreements other than hotel lease. Note 21.1 of the consolidated annual accounts for 2018 included an amount of payments relating to hotels of EUR 1,451 million. Both payments have been considered in calculating the lease liabilities using the rates mentioned in Note 2.1.

The performance of lease liabilities was as follows:

(Thousand €)	2019	2018
OPENING BALANCE	1,277,417	1,392,033
Financial expense leases	41,381	43,515
Fixed lease payments	(190,475)	(174,372)
Other variations (increases or decreases)	307,972	16,240
TOTAL	1,436,295	1,277,417

The amounts reflected under Other increases/decreases relate to the renewals of the lease agreements, as well as the update of lease payments according to CPI. In addition, these include the impact of the translation differences linked to leases in companies with functional currencies other than the Euro.

Other payments not included in lease liabilities

As mentioned in Note 2, the Company decided to avail of low value and short-term exemptions. The amount relating to this type of agreements, as well as the expenses relating to the variable lease payments not included in the measurement of lease liabilities are included below:

(Thousand €)	2019	2018
Variable leases	20,584	20,815
Short-term leases	3,946	2,909
Low value leases	5,758	5,820
TOTAL	30,287	29,544

The amounts of variable lease payments include one hotel lease agreement, the lease payment of which is fully variable and, therefore, is not included within the calculation of lease liabilities.

The amounts of leases not yet started to which the Group is committed relate to preliminary agreements of hotels, the expected payments of which are broken down as follows:

(Thousand €)	2019	2018
Less than 1 year	1,065	
Between 1 and 5 years	69,659	47,852
More than 5 years	350,619	332,121
TOTAL	421,343	379,973

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Note 19. Trade Creditors and Other Payables

The breakdown of this heading at the end of 2019 and 2018 is as follows:

(Thousand €)	31/12/2019	31/12/2018
Trade creditors	294,006	321,725
Other payables	130,466	131,098
TOTAL	424,472	452,823

19.1. Trade creditors

The balance of trade creditors includes any payables to suppliers of goods, supplies and other services or for which the invoices have not yet been received, which at the end of the year amounted to EUR 215.6 million. At the previous year end, this balance amounted to EUR 222.50 million.

Likewise, this heading mainly includes prepayments from customers in the hotel business, which, at the end of 2019 amounted to EUR 78.36 million; EUR 105.84 million at the end of 2018.

19.2. Other payables

The main items included in Other payables are set out below:

(Thousand €)	31/12/2019	31/12/2018
Accruals and deferred income	1,149	3,647
Accrued wages and salaries	58,693	64,532
Taxes payable	27,279	21,696
Social security contributions payable	12,693	10,579
Trade payables, associates	25,732	21,858
Other liabilities	4,920	8,787
TOTAL	130,466	131,098

These balances relate to commercial transactions carried out by the Group. Payables to associates are included in section Commercial transactions in Note 0.

Note 20. Tax Situation

The companies within the Group are subject to the tax legislation applicable in the countries in which they carry out their activities. Current tax regulations in some of these countries do not coincide with the Spanish regulations. As a consequence of the above, the information included in this note should be construed in the light of the peculiarities of the applicable tax regulations for the benefit of legal entities, with reference to applicable tax bases, tax rates and deductions.

20.1. Years open to inspection

According to the legal provisions in force, tax returns may not be considered to be final until they have been inspected by the tax authorities or the statute of limitations period has elapsed, which may be extended by the tax inspection authorities.

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In this respect, the years open to inspection in the various countries in which the Group operates are as follows:

	Corp. Inc. Tax	Personal Income Tax	VAT	I.G.I.C. [general indirect Canaries tax]	I.R.A.P. [Italian regional tax on productive activities]	PIS/COFINS [social integration programme/contribution for the financing of social security]
Spain	2013-2018	2016-2019	2016-2019	2016-2019		
France	2016-2018	2017-2019	2017-2019			
England	2013-2018	2014-2019	2014-2019			
Italy	2013-2018	2014-2019	2014-2019		2013-2018	
Germany	2009-2018	2010-2019	2010-2019			
Holland	2015-2018	2015-2019	2015-2019			
China	2014-2018	2015-2019	2015-2019			
USA	2016-2018					
Mexico	2013-2018		2015-2019			
Dominican Rep.	2016-2018		2015-2019			
Venezuela	2014-2018	2015-2019	2015-2019			
Brazil	2014-2018	2015-2019				2015-2019

20.2. Deferred tax assets and liabilities

The balance details of the Group's deferred tax assets and liabilities in 2019 and 2018 is as follows:

(Thousand €)	Balance sheet	
	31/12/2019	31/12/2018
Non-current deferred tax asset is as follows:		
Tax credits activated by deductions pending application	7,344	6,434
Tax credits activated by tax bases pending offset	30,751	31,608
Temporary differences for:		
Tax value of Tryp goodwill	12,187	15,995
Cash flow hedges (SWAP)	941	746
Tax deductible provisions at the payment time or when liability is generated	32,490	40,018
Different criteria for tax and accounting amortisation	15,880	14,111
Inter-group results elimination	3,440	5,050
Financial expenses not deducted	31,370	21,758
Accounting (non-tax) revenues to be distributed over several years	99,096	103,511
Leases	62,837	62,774
Other	962	550
TOTAL ASSETS	**297,298**	**302,555**
Non-current deferred tax liability is as follows:		
Fair values in business combinations	37,493	36,602
Finance lease operations	20,585	21,543
Fixed assets restatement and revaluation	88,538	79,443
Property investments fair value adjustment	16,563	20,087
Differences in accounting and tax values of assets	8,743	7,607
Accounting revaluation for merger	2,479	2,525
Sales under reinvestment deferral	3,854	3,990
Accounting (non-tax) expenses to be distributed over several years	17,219	17,217
Leases	5,514	
Other	20,900	14,225
TOTAL LIABILITIES	**221,888**	**203,239**

As a result, among others, of the different interpretations of the current tax legislation, additional liabilities may arise from an inspection. In any case, the Group considers that such liabilities, if any, would not significantly affect these consolidated annual accounts.

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The Group assesses the uncertain tax treatments and reflects the effect of the uncertainty on the taxable profit (tax loss), tax bases, unused tax losses or unused tax credits and the corresponding tax rates. With the amount of EUR 18.7 million included in item Other deferred tax liabilities, the Group has covered the possible obligations derived from any tax claims without there being any disputes or uncertain tax treatments that are individually significant.

Deferred taxes recognised in 2019 and 2018 by the Group are as follows:

(Thousand €)	Deferred tax Assets	Deferred tax Liabilities
BALANCE 31/12/2017	285,383	190,295
Expenses / Income of the period	(1,752)	16,810
Taxes attributed directly to Equity	19,417	7,168
Translation differences and others	(493)	(11,034)
BALANCE 31/12/2018	302,555	203,239
Expenses / Income of the period	(15,390)	(2,463)
Scope changes	(1,072)	8,426
Translation differences and others	11,204	12,686
BALANCE 31/12/2019	297,297	221,888

Deferred tax assets and liabilities are calculated considering the future changes in the tax rate approved in all geographic areas.

20.3. Tax Credits for Loss Carryforwards

The tax loss carryforwards of the companies within the Group, detailed by geographic area and maturity date, are detailed below:

(Thousand €)	2020	2021-2025	2026-2032	Subsequent years	Total 31/12/2019
Spain				333,936	333,936
Rest of Europe			8,831	70,495	79,326
America and rest of the world			1,214	33,813	35,027
TOTAL	0	0	10,045	438,244	448,289

Within the Rest of Europe area, England stands out with EUR 58.4 million, the Netherlands with EUR 8.8 million, Italy with EUR 5.2 million, Austria with EUR 3.8 million and France with EUR 3.1 million, and within America and the rest of the world, Brazil stands out with EUR 33.8 million and Mexico with EUR 1.2 million.

The Group's main capitalised tax losses and deferred tax assets generated are detailed below:

(Thousand €)	31/12/2019	
	Capitalised Tax Losses	Deferred Tax Assets
Spain	85,470	21,368
United Kingdom	44,499	8,455
Italy	3,867	928
TOTAL	133,836	30,751

Tax losses offset in the fiscal year were not fully capitalised in previous years, resulting in a tax benefit of EUR 2 million. EUR 0.4 million corresponds to the rest of Europe and EUR 1.6 million to America and the rest of the world.

Regarding the provisions for financial investments pending inclusion, a total of EUR 1.5 million will be gradually reversed in the tax base of Meliá Hotels International, S.A., provided that these investments generate enough profits to allow the discounting of such provisions or at a rate of 20% per year.

For comparison purposes, the tax loss carryforwards detailed by geographic area and maturity date at the 2018 year end are detailed below:

(Thousand €)	2019	2020-2024	2025-2031	Subsequent years	Total 31/12/2018
Spain				337,872	337,872
Rest of Europe			13,468	70,282	83,750
America and rest of the world	1,031	746	4,257	33,083	39,117
TOTAL	1,031	746	17,725	441,237	460,739

The Group's main capitalised tax losses and deferred tax asset for 2018 are detailed below:

(Thousand €)	31/12/2018	
	Capitalised Tax Losses	Deferred Tax Assets
Spain	87,623	21,906
Italy	41,976	7,980
Dominican Republic	6,840	1,642
Mexico	266	80
TOTAL	136,705	31,608

20.4. Tax credits

The Group's available tax credits, by geographic areas and maturity, are detailed below:

(Thousand €)	2020	2021-2025	2026-2032	Subsequent years	Total 31/12/2019
Spain		1,726	2,268	5,648	9,642
Rest of Europe	590	473			1,063
TOTAL	590	2,199	2,268	5,648	10,705

Accumulated tax credits at year end in the Rest of Europe entirely relate to France.

61.60% of tax credits have their corresponding deferred tax asset duly recognised.

For comparison purposes, available tax credits by geographic area and maturity date, at the 2018 year end are detailed below:

(Thousand €)	2019	2020-2024	2025-2031	Subsequent years	Total 31/12/2018
España			3,743	3,326	7,069
Rest of Europe	384	1,063			1,447
TOTAL	384	1,063	3,743	3,326	8,516

The information set out in Article 84 of Law 27/2014 of 27 November on Corporate Income Tax applicable to mergers and divisions of business lines carried out in previous years is included in the first notes to the annual accounts approved following each of these operations and is summarised as follows:

- ✓ Inmotel Inversiones, S.A.: 1993, 1996, 1997 and 1998
- ✓ Meliá Hotels International, S.A.: 1999, 2001 and 2005.

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20.5. Reconciliation of the consolidated accounting income and the aggregated tax base

(Thousand €)	2019	2018
Consolidated Net Income	121,679	151,664
Income tax expense	34,632	43,538
Adjustments for impairment and provisions	(54,134)	22,788
Finance lease transactions	3,164	9,750
Non-deductible expense/income	(97,458)	(46,308)
Exchange differences	(1,320)	(24,753)
Inflation adjustments	3,111	7,913
Other adjustments	102,435	(57,865)
PREVIOUS TAXABLE INCOME	112,109	106,727
Offset of tax-loss carryforwards	(7,079)	(8,694)
Tax losses not recognised	(6,787)	(15,953)
GROSS TAX BASE	98,243	82,080
TAX EXPENSE AT RATE APPLICABLE BY LAW (25%)	24,561	20,520
Effect of tax rate applicable in other countries	(4,534)	7,985
CORPORATE INCOME TAX FOR THE PERIOD	20,027	28,505

20.6. Income tax expense

The table below reflects the amounts recorded as an expense for the fiscal years 2019 and 2018, the balances being detailed by items, and differentiating between current tax and deferred tax.

(Thousand €)	2019	2018
	Expense / (Income)	Expense / (Income)
Current Tax		
Income tax for the period	20,027	28,505
Other taxes for the fiscal year	3,974	4,220
Adjustments to income tax of prior years	(2,179)	821
Deferred Tax		
Net variation in credits for tax losses	(2,283)	5,579
Net variation in tax credits	1,072	952
Other deferred tax	14,021	3,461
TOTAL INCOME TAX EXPENSE	34,632	43,538

The heading Other taxes for the fiscal year relates to taxes similar to the income tax as well as other taxes in developing countries based on income or assets.

All Adjustments to income tax in fiscal years prior to 2019 and 2018, relate to changes between the final tax and the tax estimate made during the previous year.

Note 21. Information on Related Parties

The following are considered to be related parties:

- Associates and joint ventures that are accounted for using the equity method, as detailed in Annex 2 of the notes to these annual accounts.
- Significant shareholders of the controlling company.
- Executives and members of the Board of Directors.

All transactions with related parties are arm's length transactions under market conditions.

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21.1. Transactions with associates and joint ventures

Commercial transactions

Commercial transactions carried out with associates and joint ventures mainly relate to hotel management activities and other related services. The table below shows the amount recognised in operating revenues in the consolidated income statement, and the balances outstanding at the end of 2019 and 2018:

(Thousand €)	31/12/2019			31/12/2018		
	Net Income 2019	Assets	Liabilities	Net Income 2018	Assets	Liabilities
Evertmel Group (*)	422	246	14,436	147	568	16,080
Meliá Zaragoza, S. L.	107	167	16	84		
Adprotel Strand, S. L.				(3,802)		
Producciones de Parques, S.L. (JV)	3,089	1,063	18	3,267	1,276	16
Melcom Group (*)	68	112	5,384			
Altavista Hotelera, S. L.	(4,768)	417	485	(4,468)	988	
Fourth Project 2012, S.L.	35	10	4,998	35	11	3,617
Meliá Hotels USA, LLC		292			41	692
Sierra Parima	120	253				
Jamaica DevCo	343	960	72	(618)	1,487	1,200
TOTAL JOINT VENTURES	(585)	3,521	25,410	(5,355)	4,371	21,604
Turismo de Invierno, S.A.	757	365	32	704	457	
C.P. Meliá Castilla	4,422	2,028	47	4,189	1,862	112
C.P.A.M.Costa del Sol	2,401	849	97	2,478	577	26
Nexprom, S.A.	3,014	1,035	45	2,308	1,057	11
Starmel Group (*)	2,336	353	18	2,580	809	9
Renasala Group (*)	5,594	1,897	62	5,570	2,200	61
Inversiones Guiza, S. A.		11	7		14	13
Cibanco S.A. IBM Fideicomiso el Medano				1,503	1,042	14
Detur Panamá, S. A.	187	1,852	14	249	1,623	8
TOTAL ASSOCIATED COMPANIES	18,711	8,391	322	19,583	9,640	254
TOTAL	18,126	11,912	25,732	14,227	14,011	21,858

(*) The companies belonging to the same line of business are presented jointly
Evermel Group consists of the companies Evertmel, S.L, Mongamenda S.L. and Kimel S.L.
Producciones de Parques Group consists of the companies Producciones de Parques, S.L.,Tertian XXI S.L.U. and Golf Katmandú,S.L.
Starmel Group consists of the companies Starmel Hoteles JV,S.L, Starmel Hoteles OP 2, S.L.U, Fuerteventura Beach Property S.L.U and Santa Eulalia Beach Property, S.L.U.
Renasala Group consists of the companies Renasala,S.L, Starmel Hoteles OP S.L.U, Torremolinos Beach Property,S.L.U, Palmanova Beach Property, S.L.U,
Puerto del Carmen Beach Property,S.L.U, San Antonio Beach Property, S.L.U.
Melia Hotels USA Group consists of the companies Melia Hotels USA,Llc. and Melia Hotels Florida Llc.
El Recreo consists of the companies El Recreo Plaza C.A. and El Recreo Plaza & Cía. C.A.
Melcom Group consists of the companies Sistemas Ribey Cloud,S.L., Pelícanos Property, S.L.U., Bellver Property, S.L.U. and Melcom Joint Venture. S.L.

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Financing transactions

The breakdown of the financing maintained by the group with associates at the end of 2019 and 2018 is as follows:

(Thousand €)	31/12/2019			31/12/2018		
	Net Income 2019	Assets	Liabilities	Net Income 2018	Assets	Liabilities
Evertmel Group (*)	725	19,796	6,967	667	18,807	9,788
Meliá Zaragoza, S. L.	96	6,213		245		
Altavista Hotelera, S. L.	252	13,489		282	12,564	
Adprotel Strand, S. L.				3,517		
Grupo Melcom (*)	861	37,368	1,122	375	37,304	1,122
Producciones de Parques Group (*)			1,886	(7)		1,439
Fourth Project 2012, S.L.	(410)		6,621	(63)		7,027
Melia Hotels USA Group (*)	142	2,367		487	909	
Sierra Parima	964		12,940			
Jamaica DevCo	348	24,331		190	19,174	
TOTAL JOINT VENTURES	2,978	103,563	29,536	5,693	88,759	19,376
Turismo de Invierno, S.A.	14	510	179	14	510	414
C.P. Meliá Castilla			339			178
C.P.A.M.Costa del Sol			698			149
Nexprom, S.A.			668			153
Starmel Group (*)	646	5,493	824	588	4,967	415
Renasala Group (*)	1,060	20,248	636	1,084	21,958	1,724
Cibanco S.A. IBM Fideicomiso el Medano				(1)		85
Detur Panamá, S. A.	490	2,813		700	3,158	
TOTAL ASSOCIATED COMPANIES	2,210	29,064	3,343	2,385	30,592	3,118
TOTAL	5,188	132,627	32,879	8,077	119,351	22,494

(*) The companies belonging to the same line of business are presented jointly
Evermel Group consists of the companies Evertmel, S.L, Mongamenda S.L. and Kimel S.L.
Producciones de Parques Group consists of the companies Producciones de Parques, S.L.,Tertian XXI S.L.U. and Golf Katmandú,S.L.
Starmel Group consists of the companies Starmel Hoteles JV,S.L, Starmel Hoteles OP 2, S.L.U, Fuerteventura Beach Property S.L.U and Santa Eulalia Beach Property, S.L.U.
Renasala Group consists of the companies Renasala,S.L, Starmel Hoteles OP S.L.U, Torremolinos Beach Property,S.L.U, Palmanova Beach Property, S.L.U,
Puerto del Carmen Beach Property,S.L.U, San Antonio Beach Property, S.L.U.
Melia Hotels USA Group consists of the companies Melia Hotels USA,Llc. and Melia Hotels Florida Llc.
El Recreo consists of the companies El Recreo Plaza C.A. and El Recreo Plaza & Cía. C.A.
Melcom Group consists of the companies Sistemas Ribey Cloud,S.L., Pelícanos Property, S.L.U., Bellver Property, S.L.U. and Melcom Joint Venture. S.L.

Main movements in financial assets relate to the increases in financing in the companies Meliá Zaragoza and Jamaica DevCo.

Within financial liabilities, the main changes compared to the previous year occurred due to the incorporation of the company Sierra Parima, which now is accounted for using the equity method.

At each year end, interest is calculated on the average balance of the current accounts, including debit or credit balances, depending on the special circumstances of each joint venture or associate, and the return thereof is made according to the needs. These balances accrue interest at market rates, which is settled annually based on the daily balance of the account. The interest rate applied in 2019 was 1.5%; 2% in 2018.

Lease transactions

The amounts corresponding to lease agreements with associates and joint ventures are broken down below. Lease payments are included within the amount reflected in column Net Income, including the variable amounts, if any, which are not discounted in calculating lease liabilities.

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(Thousand €)	31/12/2019		31/12/2018	
	Net Income 2019	Liabilities	Net Income 2018	Liabilities
Evertmel, S. L. (JV)	(7,717)	59,521	(7,885)	64,443
Altavista Hotelera, S. L.	(3,562)	31,448	(3,643)	35,566
Grupo Melcom (*)	(7,616)	20,024	(8,010)	33,283
Fourth Project 2012, S.L.	(2,492)	20,415	(2,542)	22,488
Jamaica DevCo	(737)	9,396	(370)	10,258
TOTAL JOINT VENTURES	(22,124)	140,804	(22,449)	166,038

Guarantees and deposits

As stated in Note 22.1, the Group has bank guarantees regarding certain liabilities recognised in associates or joint ventures. At the end of 2019, such guarantees are as follows:

Meliá Hotels International, S.A. acts as joint guarantor in the mortgage loan granted by Banco Santander to Meliá Zaragoza, S.L. The outstanding amount at the end of the fiscal year totals EUR 19.2 million.

In 2018, the main deposits with associates and joint ventures were as follows:

Meliá Hotels International, S.A. acted as joint guarantor in the mortgage loan granted by Banco Santander to Meliá Zaragoza, S.L. The outstanding amount at the end of the fiscal year totalled EUR 19.2 million.

21.2. Transactions with significant shareholders

Balances by type of transaction carried out with significant shareholders are as follows:

(Thousand €)	Transaction type	2,019	2,018
Tulipa Inversiones 2018, S.A.	Services rendered	1,223	
Hoteles Mallorquines Asociados, S.L.	Services rendered		1,585
Hoteles Mallorquines Asociados, S.L.	Leases	186	171
TOTAL		1,409	1,756

21.3. Transactions with executives and members of the Board of Directors

Board meeting and committee attendance fees paid to the directors in 2019 and 2018 were as follows:

(Thousand €)	2019	2018
External independent directors	**536**	**476**
Mr. Juan Arena de la Mora	67	79
Mr. Luis María Díaz de Bustamante y Terminel	114	108
Mr. Fco Javier Campo García	112	90
Mr. Fernando D´Ornellas Silva	132	115
Mrs. Carina Szpilka Lazaro	84	84
Mrs. Mª Cristina Henriquez de Luna	27	
Proprietary directors	**213**	**219**
Mr. Gabriel Escarrer Julia	49	49
Mr. Sebastián Escarrer Jaume	49	54
Mr. Juan Vives Cerdá	10	44
Holeles Mallorquines Consolidados S.A.	78	72
Holeles Mallorquines Asociados S.A.	27	
Other external director	**42**	**81**
Mr. Alfredo Pastor Bodmer	42	81
Executive director	**54**	**54**
Mr. Gabriel Juan Escarrer Jaume	54	54
TOTAL	845	830

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Remuneration of executive directors and members of the senior management in 2019 and 2018 were as follows:

(Thousand €)	2019		2018	
	Fixed Remuneration	Variable Remuneration	Fixed Remuneration	Variable Remuneration
Executive directors	868	1,685	875	481
Mr. Gabriel Juan Escarrer Jaume	868	1,685	875	481
High direction	1,930	2,907	1,819	650
TOTAL	2,798	4,592	2,694	1,131

The Company has not assumed any obligation and has not granted any advance payment or loans to directors. On the other hand, the Group has arranged a civil liability policy (D&O) for the Group's directors and executives, under the terms and conditions that are common in insurance policies of this nature, with a premium for 2019 of EUR 100,842.50, EUR 91,289 in 2018. There are no share-based payments.

The increase in variable remuneration in 2019 relates to the payment of long-term remuneration earned in accordance with the milestones achieved in the 2019/2018 Strategic Plan.

The breakdown below relates to transactions between Group companies and the parent company's directors or executives in 2019 and 2018:

(Thousand €)	Transaction type	2019	2018
Mr. Juan Vives Cerda	Services received	19	56
Mr. Juan Vives Cerda	Services provided	266	653
TOTAL		285	708

The transactions with Mr. Juan Vives Cerda during his mandate as member of the Board of Directors (until 18 June 2019) are included.

Note 22. Contingent Assets and Liabilities

The Group has commitments with third parties in respect of assets and liabilities not recognised in the consolidated balance sheet given the remote probability that they give rise to and outflow of economic resources or because the commitments must not be recognised in accordance with current regulations. Such contingent assets and liabilities are detailed below by amount and item.

22.1. Guarantees and deposits

Meliá Hotels International, S.A. secures lease payments in favour of several hotel owners through bank guarantees in the total amount of EUR 65.7 million and through corporate guarantee in the amount of EUR 10.2 million.

Meliá Hotels International, S.A. secures several operations through bank guarantees and for various items, in the amount of EUR 39.2 million.

Meliá Hotels International, S.A. has granted collateral and bank guarantees for operations undertaken by associates in the amount of EUR 19.8 million.

For comparison purposes, information for year 2018 is shown below:

Meliá Hotels International, S.A. secured lease payments in favour of several hotel owners through bank guarantees in the total amount of EUR 64.7 million and through corporate guarantee in the amount of EUR 10.1 million.

Meliá Hotels International, S.A. secured several operations through bank guarantees and for various items, in the amount of EUR 40.4 million.

Meliá Hotels International, S.A. had granted collateral and bank guarantees for operations undertaken by associates in the amount of EUR 19.8 million.

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22.2. Other contingent liabilities

On 3 July 2019 the parent company of the Group received notice of a claim filed in Spain for unlawful enrichment during the last 5 years derived from its hotel management activities of two establishments in Cuba. The Company filed plea for lack of jurisdiction and international jurisdiction, which was accepted in full in September 2019. Such sentence was appealed by the petitioner, and is awaiting a decision as at the date of preparation of these consolidated financial statements. The directors, however, consider that such proceeding will not give rise to equity losses for the Group.

Corporación Hotelera Metor, S.A., a subsidiary which is 76% owned, is involved in a dispute with its minority shareholder, claiming that all agreements and transactions carried out with such shareholder be declared invalid. The Company has undertaken the necessary actions to ensure that the resolution of such dispute does not have a significant impact on the Group's financial statements. In addition, there is no economic assessment, since this is a dispute concerning the control and the challenging of certain corporate agreements.

Note 23. Other Information

Situations of conflicts of interest in which directors are involved:

According to the requirements of Articles 229 and 230 of the Revised Text of the Spanish Law on Corporations, the members of the Board of Directors confirmed that neither they, nor any persons with whom they have ties, as referred to in Article 231 of the aforesaid Law, carry out any activities on their own account or for third parties which may involve any effective competition, present or future, with the Company or which, in any way whatsoever, would place them in a position of permanent conflict with the interests thereof. Direct or indirect shareholdings controlled by members of the Board of Directors of the Company are as follows:

Shareholder / Board Member	Nr.direct and indirect voting rights	% total voting rights	Position on the Board
Mr. Gabriel Escarrer Juliá	11,542,525	5.0250%	Chairman
Hoteles Mallorquines Consolidados, S.L.	53,700,867	23.3787%	Director
Hoteles Mallorquines Asociados, S.L.	30,333,066	13.2060%	Director
Mr. Juan Arena de La Mora	1,000	0.0004%	Director
Mr. Luis Mª Díaz de Bustamante y Terminel	300	0.0001%	Secretary and Director

The Directors and persons related to them, other than those already mentioned, or persons acting on their behalf, have not undertaken during the fiscal year other transactions with the parent company or other Group companies, which fall out of the scope of the Group's ordinary course of business or which are not based on market conditions.

Information on the deferral of payments to suppliers

The information required pursuant to 3rd additional provision of Law 15/2010, of 5 July, is included below. The table below shows the breakdown related to Meliá Hotels International, S.A. and its Spanish subsidiaries for 2019 and 2018:

(Thousand €)	2019	2018
Supplier average payment period	57.01	55.12
Ratio of transactions paid	57.37	54.40
Ratio of transactions pending payment	54.18	62.64
TOTAL PAYMENTS MADE	507,470	555,604
TOTAL OUTSTANDING PAYMENTS	64,026	53,622

In 2019, the Company has monitored the ratios associated with the average period of payment to suppliers, as well as the administrative processes relating to the invoices from such suppliers and the own capital management, in order to reduce, as much as possible, the average period of payment to suppliers, according to the provisions of Law 15/2010 and any other applicable legislation in force. Thanks to this procedure, the number of days has been maintained below 60, as in the previous year.

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Audit fees

Fees for auditing the consolidated annual accounts, for both consolidated and equity-method subsidiaries, amounted to EUR 1,367 thousand, of which EUR 728 thousand have been invoiced by Deloitte, S.L. in Spain. At international level, Deloitte has invoiced EUR 506 thousand. The remaining EUR 133 thousand relate to other audit firms. Likewise, fees invoiced during the year for other services provided by other companies pertaining to the network of auditors of the consolidated annual accounts totalled EUR 199 thousand.

In 2018, fees for auditing the consolidated annual accounts, as well as the parent company and subsidiaries amounted to EUR 1,470 thousand, of which EUR 787 thousand were invoiced by PricewaterhouseCoopers España, EUR 378 thousand by PricewaterhouseCoopers at an international level and the remaining EUR 304 thousand by other audit firms. Likewise, fees invoiced in 2018 for other services provided by other companies pertaining to the network of auditors of the consolidated annual accounts totalled EUR 239 thousand.

The following subsidiaries of the Meliá Group in the United Kingdom are exempted from audit requirements of their individual annual accounts pursuant to Section 479A of the British Companies Act:

- ✓ Melia Hotels International UK Limited (registration number 09925231)
- ✓ Lomondo Limited (registration number 02793825)
- ✓ London XXI Limited (registration number 08303817)

Environmental risks

The Group has taken the challenge of being an international benchmark for excellence, responsibility and sustainability in line with the society's demands for receiving a responsible and sustainable service which is committed to preserving the planet.

The Group's commitment, therefore, takes on a special significance given the nature of the activity developed and the importance of tourism in the world economy, as well as its high level of dependence on social and environmental factors, such as the climate and natural resources.

In 2019 the Group achieved the first world position in Corporate Suitability Assessment, leaded by SAM (S&P Global), an international benchmark sustainable rating agency, placing the Group at the forefront of international sustainability.

Likewise, in 2019 the Group has continued to work on the adoption of measures and the execution of plans and actions that contribute to the fight against climate change and its effects, following the pattern of the public commitments acquired, in line with its own 360º Environmental Management Model.

The strategic approach with regard to environmental issues has led the Group to integrate in the management the Sustainable Development Objectives, because the industry in which the Group operates significantly contributes to and is affected by the climate change. For this reason, it favours a hotel management model which makes progress towards decarbonisation, energy and water consumption efficiency, circular economy promotion and the direct involvement of stakeholders, with the innovation and implementation of impact measurement metrics.

To do that, a road map has been designed which includes the following commitments:

- To boost a tourism model which makes progress towards carbon neutrality.
- To continue to spread the strategy of energy production from renewable sources.
- To support a circular hotel model as a lever to reduce waste, which encourages reuse and improves its management, thus reducing the impact of the activity at destination.
- To consolidate the commitment to innovation applied to the environmental management of the Group's activity, Artificial Intelligence and impact metrics.
- To reinforce the involvement of stakeholders in the achievement of commitments and shared goals, making them participants and involving them actively.

The consolidated Management Report includes all the non-financial information with regard to environmental issues as required by Law 11/2018 of 28 December 2018.

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Note 24. Events after the Reporting Date

On 21 February 2020 the European Commission announced the decision ending the investigation initiated in 2017 (see Note 17.2), imposing a fine to the Company in the amount of EUR 6.7 million, amount for which full provision was made as at 31 December 2019.

Meliá Hotels International has always considered that the mentioned agreements did not have adverse effects on competition in the market and with this intention they were entered into. However, focusing on the interest of customers and partners of the Company, it was decided to fully cooperate with the European Commission from the beginning, as disclosed by the Commission in its notice. Meliá Hotels International is fully committed to the competition rules and the single European market and, following the initiation of this investigation, all the internal compliance procedures were initiated to ensure that all its agreements comply with such rules.

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Annex 1. Subsidiaries

		COMPANIES OPERATING HOTELS	REGISTERED OFFICE	COUNTRY	DIR.HOLD	IND.HOLD	TOTAL
(A)	(F1)	APARTHOTEL BOSQUE, S. A.	Camilo José Cela, 5 (Palma de Mallorca)	Spain	100.00%		100.00%
(A)		ARESOL CABOS S.A. de C.V.	Km 19,5 Ctra. Cabo San Lucas (S.Jose del Cabo)	Mexico		99.69%	99.69%
(A)		AYOSA HOTELES, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		49.00%	49.00%
(A)		BISOL VALLARTA, S. A. de C. V.	Paseo de la Marina Sur (Puerto Vallarta)	Mexico		99.68%	
						0.01%	99.69%
(A)		CALA FORMENTOR, S. A. de C. V.	Boulevard Kukulkan (Cancún)	Mexico		92.40%	
						7.29%	99.69%
(A)		CARIBOTELS DE MEXICO, S. A. de C. V.	Playa Santa Pilar, Aptdo 9 (Cozumel)	Mexico		16.41%	
						29.63%	
						53.70%	99.74%
(A)		CIBANCO SA IBM FIDEICOMISO EL MEDANO	Playa El Medano s/n, (Cabo San Lucas)	México		100.00%	100.00%
(A)	(F1)	COLÓN VERONA,S.A. (JV)	Canalejas, 1 (Sevilla)	Spain	100.00%		100.00%
		COM.PROP. SOL Y NIEVE (*)	Plaza del Prado Llano (Sierra Nevada)	Spain	93.27%		93.27%
(A)		CORP.HOT.HISP.MEX., S. A. de C. V.	Boulevard Kukulkan km.12,5 (Cancún)	Mexico		9.22%	
						90.47%	99.69%
(A)		CORP.HOTELERA METOR, S. A.	Faustino Sánchez Carrión s/n (Lima)	Peru		75.87%	75.87%
(A)		DESARROLLOS SOL, S.A.S.	Lope de Vega, 4 (Santo Domingo)	Dominican Rep.		61.79%	
						20.25%	
						17.66%	99.69%
(A)	(F2)	HOTEL ALEXANDER, S. A. S.	20, Rue du sentier 75002 (Paris)	France		100.00%	100.00%
(A)	(F2)	HOTEL COLBERT S.A.S.	20, Rue du sentier 75002 (Paris)	France		100.00%	100.00%
(A)	(F2)	HOTEL FRANÇOIS S.A.S.	20, Rue du sentier 75002 (Paris)	France		100.00%	100.00%
(A)	(F2)	HOTEL MADELEINE PALACE, S.A.S.	8, Rue Cambon 75001 (Paris)	France		100.00%	100.00%
(A)	(F2)	HOTEL ROYAL ALMA S.A.S.	20, Rue du sentier 75002 (Paris)	France		100.00%	100.00%
(A)		INFINITY VACATIONS DOMINICANA	Instal.Hotel Circle,Avda.Barceló,Bávaro (P.Cana)	Dominican Rep.	0.03%		
						99.97%	100.00%
		INNSIDE VENTURES, LLC	1029, Orange St. Wilmington (Delaware)	USA		100.00%	100.00%
(A)	(F7)	INVERS. EXP. TURISTICAS, S. A.	Mauricio Legendre, 16 (Madrid)	Spain	54.93%		54.93%
(A)		INVERS. INMOB. IAR 1997, C. A.	Avenida Casanova con C/ El Recreo (Caracas)	Venezuela		99.69%	99.69%
(A)		INVERSIONES AGARA, S.A.	Lope de Vega, 4 (Santo Domingo)	Dominican Rep.		99.69%	99.69%
(A)		INVERSIONES AREITO, S.A.	Avda. Barceló, s/n (Bávaro)	Dominican Rep.	64.54%		
						35.46%	100.00%
(A)	(F1)	INV. HOTELERAS LA JAQUITA, S.A.	Avda. de los Océanos, s/n (Tenerife)	Spain		49.07%	
					50.00%		99.07%
		LOMONDO Limited	Albany Street-Regents Park (Londres)	Great Britain		100.00%	100.00%
		LONDON XXI Limited	336-337 The Strand (Londres)	Great Britain		100.00%	100.00%
(A)		MELIÁ HOTELS INTERNATIONAL, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain			100.00%
		MELIA HOTELS ORLANDO, LLC. (JV)	Brickell Avenue Suite 1000, 800	USA		50.00%	50.00%
(A)	(F1)	PRODISOTEL, S.A.	Mauricio Legendre, 16 (Madrid)	Spain		100.00%	100.00%
(A)	(F1)	REALIZACIONES TURISTICAS, S.A.	Mauricio Legendre, 16 (Madrid)	Spain	95.97%		
						0.30%	96.27%
(A)		S' ARGAMASSA HOTELERA S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50.00%	50.00%
(A)		SOL MELIÁ DEUTSCHLAND, gmbh	Am Schimmersfeld 5 (Ratingen)	Germany	100.00%		100.00%
(A)	(F9)	SOL MELIÁ ITALIA S.R.L.	Via Masaccio 19 (Milan)	Italy	100.00%		100.00%
		SOL MELIÁ LUXEMBOURG, S.A.R.L.	1 Park Dräi Eechelen, L1499	Luxembourg	100.00%		100.00%
(A)	(F1)	TENERIFE SOL, S. A.	Playa de las Américas (Tenerife)	Spain	50.00%		
						47.99%	97.99%

		MANAGEMENT COMPANIES	REGISTERED OFFICE	COUNTRY	P.DIR	P.IND	TOTAL
	(F1)	APARTOTEL, S. A.	Mauricio Legendre, 16 (Madrid)	Spain	99.79%		99.79%
		GESMESOL, S. A.	Elvira Méndez, 10 - Edif. Bco do Brasil	Panama	100.00%		100.00%
(A)		ILHA BELA GESTAO E TURISMO, Ltd.	31 de Janeiro, 81 (Funchal - Madeira)	Portugal	100.00%		100.00%
	(F1)	MARKSERV, B. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Holland	51.00%		
						49.00%	100.00%
		MELIA BRASIL ADMINISTRAÇAO	Avenida Cidade Jardim, 1030 (Sao Paulo)	Brasil		20.00%	
						80.00%	100.00%
(A)		MELIÁ MANAGEMENT, S.A.	Lope de Vega, 4 (Santo Domingo)	Dominican Rep.		100.00%	100.00%
		MELIA VIETNAM COMPANY LIMITED	13th Floor, Plaza Saigon Building, 39 Le Duan Street, Ben Nghe	Vietnam		100.00%	100.00%
		NEW CONTINENT VENTURES, Inc.	800 Brickell Avenue Suite 1000 (Miami)	USA		100.00%	100.00%
		OPERADORA COSTARISOL, S.A.	Avenida Central, 8 (San Jose)	Costa Rica		100.00%	100.00%
(A)		OPERADORA MESOL, S. A. de C. V.	Blvd. Kukulkan Km 16.5 No 1 T.5. Zona Hot (Cancún)	Mexico	75.21%		
						24.79%	100.00%
		PT SOL MELIÁ INDONESIA	Ed.Plaza Bapindo-Menara Mandiri Lt.16	Indonesia	90.00%		
			Jl.Jend.Sudirman Kav.54-55 (Jakarta)			10.00%	100.00%
	(F1)	SOL MANINVEST, B. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Holland	100.00%		100.00%
(A)		SOL MELIA BALKANS EAD	Región de Primorski,Golden-Sands-Varna	Bulgaria	100.00%		100.00%
(A)		SOL MELIA HOTEL MANAG. SHANGHAI CO, LTD.	Suite 13-1A1,13th Floor,Hang Seng Bank Tower,1000	China	100.00%		100.00%
			Lujiazui Ring Road (Shanghai)				
		SOL MELIÁ GREECE, HOTEL & TOURISTIC	14th Chalkokondili Str & 28th October str (Atenas)	Greece	100.00%		100.00%
		SOL MELIÁ PERU, S. A.	Av. Salaberri, 2599 (San Isidro - Lima)	Peru		99.90%	
						0.10%	100.00%

(*) Shareholding in this company is through the ownership of apartments representing 93.27% and which are recognised under the heading Property, plant and equipment.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

		COMPANIES WITH SUNDRY ACTIVITIES	REGISTERED OFFICE	COUNTRY	P.DIR	P.IND	TOTAL
(A)	(F1)	ADPROTEL STRAND, S.L.	Mauricio Legendre, 16 (Madrid)	Spain	50.00%	25.00%	75.00%
(A)		BAJA SERVICIOS ADMINISTRATIVOS S.A	Ctra Transpeninsular, km 19,5 (Los Cabos)	Mexico		100.00%	100.00%
	(F1)	CASINO TAMARINDOS, S. A.	Retama, 3 (Las Palmas)	Spain	100.00%		100.00%
		CREDIT CONTROL CORPORATION	Brickell Avenue, 800 (Miami)	USA	100.00%		100.00%
	(F1)	DORPAN, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
		GUARAJUBA EMPREENDIMENTOS, S.A.	Avda. Jorge Amado s/n, Bahia	Brazil	100.00%		100.00%
	(F1)	HOGARES BATLE, S.A.	Gremio Toneleros, 42 (Palma de Mca.)	Spain	51.49%		
						46.70%	98.19%
(A)	(F2)	HOTEL METROPOLITAN, S.A.S.	20, Rue du sentier 75002 (Paris)	France		100.00%	100.00%
(A)	(F1)	HOTELPOINT, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
		IMPACT HOSPITALITY V3NTURES, LLC	Celebration Place, 225 (Miami)	USA		100.00%	100.00%
		INFINITY VACATIONS S.A. DE C.V.	Bvld.Kukulcan Km 16,5 Benito Juarez (Cancún)	Mexico	0.01%		
						99.99%	100.00%
(A)		INMOBILIARIA DISTRITO CIAL., C. A.	Avda. venezuela con Casanova (Caracas)	Venezuela		89.26%	89.26%
	(F9)	INMOTEL INVERS. ITALIA, S.R.L.	Via Pietro Mascagni, 14 (Milán)	Italy	100.00%		100.00%
	(F1)	MELIA EUROPE & MIDDLE EAST, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
	(F1)	NAOLINCO AVIATION,S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
	(F1)	NETWORK INVESTMENTS SPAIN, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		100.00%	100.00%
(A)	(F1)	PRODIGIOS INTERACTIVOS, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	53.98%	46.02%	100.00%
(A)	(F1)	RENE EGLI, S.L.U.	Playa La Barca, Pájara (Las Palmas de G.Canaria)	Spain	100.00%		100.00%
	(F1)	SECURISOL, S. A.	Avda.Notario Alemany s/n Hotel Barbados (Calviá)	Spain	100.00%		100.00%
(A)		SEGUNDA FASE CORP.	Carretera 3, Intersecc. 955 (Rio Grande)	Puerto Rico		100.00%	100.00%
(A)		SERVICIOS ARTEMISA, S.A.de C.V.	Boulevard Kukulkan Km 12 (Cancún)	Mexico		100.00%	100.00%
(A)		SERVICIOS INTEGRALES DE PERSONAL IRIS, S.A.de C.V.	Paseo de la Marina Sur (Puerto Vallarta)	Mexico		100.00%	100.00%
(A)		SERVICIOS PERSONALES ORFEO, S.A.de C.V.	Boulevard Kukulkan Km 16,5 (Cancún)	Mexico		100.00%	100.00%
(A)		SERVICIOS PITEO, S.A.de C.V.	Avda Tulum 200, Sm 4 (B.Juarez)	Mexico		100.00%	100.00%
		SOL CARIBE TOURS, S. A.	Vía Grecia - Edif. Alamanda 6B (Panamá)	Panama		100.00%	100.00%
		SOL GROUP CORPORATION	800 Brickell Avenue Suite 1000 (Miami)	USA		100.00%	100.00%
	(F1)	SOL MELIA EUROPE, B. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Holland	100.00%		100.00%
		SOL MELIA FUNDING	Regatta Office Park West Bay Road P.O.Box 31106	Cayman Islands		100.00%	100.00%
(A)		SMVC DOMINICANA, S.A.	Lope de Vega, 4 (Santo Domingo)	Dominican Rep.		100.00%	100.00%
	(F1)	SMVC ESPAÑA S.L.	Mauricio Legendre,16 (Madrid)	Spain		100.00%	100.00%
(A)		SMVC MEXICO, S.A de C.V.	Boluevard Kukulkan (Cancún)	Mexico		100.00%	100.00%
		SMVC PANAMÁ S.A.	Antigua escuela las Américas, Lago Gatún	Panama		100.00%	100.00%
	(F1)	SMV NETWORK ESPAÑA, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		100.00%	100.00%
		VACATION CLUB SERVICES INC.	Bickell Avenue, 800 (Miami)	USA		100.00%	100.00%

		HOLDING COMPANIES	REGISTERED OFFICE	COUNTRY	P.DIR	P.IND	TOTAL
(A)	(F2)	CADSTAR FRANCE, S.A.S.	12, Rue du Mont Thabor (Paris)	France		100.00%	100.00%
	(F1)	DESARROLLOS HOTELEROS SAN JUAN EXHOLD, S. L.	Sarria, 50, 08029 Barcelona	Spain		99.69%	99.69%
	(F1)	DOMINICAN INVESTMENTS, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		99.69%	99.69%
	(F1)	DOMINICAN MARKETING SERVICES, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		65.73%	
						33.96%	99.69%
	(F1)	EXPAMIHSO SPAIN. S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
	(F1)	FARANDOLE, B. V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland		99.69%	99.69%
	(F1)	HOTEL ROOM MANAGEMENT, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		99.69%	99.69%
	(F1)	HOTELES SOL MELIA, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
	(F1)	IMPULSE HOTEL DEVELOPMENT B.V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Holland	100.00%		100.00%
	(F1)	INVERS. HOTELERAS LOS CABOS, S.A.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		99.69%	99.69%
		INVERS. TURIST. DEL CARIBE, S. A.	Lope de Vega, 4 (Santo Domingo)	Dominican Rep.	100.00%		100.00%
		MELIA HOTELS INTERNAT. UK LIMITED	Albany Street , Regents Park, London NW1 3UP	Great Britain	100.00%		100.00%
	(F1)	MIA EXHOL, S. A.	Sarria, 50, 08029 Barcelona	España	82.26%		
						17.43%	99.69%
	(F1)	NEALE EXPA SPAIN, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		99.69%	99.69%
	(F1)	PUNTA CANA RESERVATIONS, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
	(F1)	SAN JUAN INVESTMENTS EXHOLD, S. L.	Sarria, 50, 08029 Barcelona	Spain		99.69%	99.69%
	(F1)	SOL GROUP, B. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Holland	100.00%		100.00%
(A)	(F2)	SOL MELIÁ FRANCE, S.A.S.	20 Rue du Sentier (Paris)	France	100.00%		100.00%
	(F1)	SM INVESTMENT EXHOL, S. L.	Sarria, 50, 08029 Barcelona	Spain	100.00%		100.00%
		SOL MELIA VACATION CLUB LLC.	Bickell Avenue, 800 (Miami)	USA		100.00%	100.00%

		DORMANT COMPANIES	REGISTERED OFFICE	COUNTRY	P.DIR	P.IND	TOTAL
	(F1)	ADRIMELCO INVERSIONES, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
		BEDBANK TRADING, S.A.	Rue St.Pierre, 6A (Fribourg)	Switzerland	100.00%		100.00%
(A)		CASINO PARADISUS, S. A.	Playas de Bavaro (Higuey)	Dominican Rep.		49.85%	49.85%
		COMP. TUNISIENNE GEST. HOTELIERE	18 Boulevard Khézama nº 44, 4051 Sousse (Tunisia)	Tunisia		100.00%	100.00%
(A)		DESARROLLADORA DEL NORTE, S. en C.	PMB 223, PO Box 43006, (Rio Grande)	Puerto Rico		49.85%	
						49.85%	99.69%
	(F1)	GEST.HOT.TURISTICA MESOL	Gremio Toneleros, 42 (Palma de Mallorca)	Spain	100.00%		100.00%
	(F1)	GONPONS INVERSIONES, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
	(F1)	HOTELES MELIÁ, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
	(F1)	HOTELES PARADISUS, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
	(F1)	HOTELES SOL, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
		INVERSIONES INVERMONT, S. A.	Av. Venezuela, Edif. T. América (Caracas)	Venezuela		100.00%	100.00%
(A)		SMVC PUERTO RICO	Sector Coco Beach, 200 Carretera 968 (Rio Grande)	P.Rico	100.00%		100.00%
		SOL MELIA JAMAICA, LTD.	21, East Street (Kingston CSO)	Jamaica	100.00%		100.00%
		SOL MELIA MARROC, S.A.R.L.	Rue Idriss Al-Abkar, 4 - 1º Etage	Morocco		100.00%	100.00%
(A)		SOL MELIA SERVICES, S. A.	Rue de Chantemerle (Friburgo)	Suiza		100.00%	100.00%
	(F1)	THIRD PROJECT 2012, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
		YAGODA INVERSIONES, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50.00%	50.00%

(A) Audited companies
(F1) Companies included in consolidated tax group with Meliá Hotels International, S.A.
(F2) Companies included in consolidated tax group with Sol Melia France, S.A.S.
(F7) Companies included in consolidated tax group with Inextur, S.A.
(F9) Companies included in consolidated tax group with nmotel Inversiones Italia S.r.l.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Annex 2. Associates and Joint Ventures

		COMPANIES OPERATING HOTELS	REGISTERED OFFICE	COUNTRY	DIR.HOLD.	IND.HOLD.	TOTAL
(A)		COM. PROP. APARTOTEL MELIA CASTILLA (*)	Capitán Haya, 43 (Madrid)	Spain	31.77%		
						0.09%	31.86%
		C.P.APARTOTEL M.COSTA DEL SOL (*)	Paseo Marítimo 11 (Torremolinos)	Spain	2.79%		
						18.75%	21.54%
		DETUR PANAMÁ S. A.	Antigua Escuela Las Américas (Colón)	Panama	32.72%	17.21%	49.93%
(A)	(F3)	STARMEL HOTELS OP, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30.00%	30.00%
		MELIÁ ZARAGOZA S.L.	Avenida César Augusto, 13 (Zaragoza)	Spain	50.00%		50.00%
(A)		NEXPROM, S. A. (JV)	Avda. del Lido s/n (Torremolinos)	Spain	17.50%		
						2.50%	20.00%
		PLAZA PUERTA DEL MAR, S.A.	Plaza Puerta del Mar, 3 (Alicante)	Spain	12.30%		
						7.81%	20.11%
(A)	(F5)	PRODUCCIONES DE PARQUES, S.L. (JV)	Avda. P.Vaquer Ramis , s/n (Calviá)	Spain	50.00%		50.00%
(A)	(F4)	STARMEL HOTELS OP 2, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		20.00%	20.00%
(A)	(F5)	TERTIAN XXI, S.L.U. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50.00%	50.00%
		TURISMO DE INVIERNO, S.A.	Plaza Pradollano, s/n Sierra Nevada (Granada)	Spain	21.42%		21.42%
		HOTEL OWNER COMPANIES	**REGISTERED OFFICE**	**COUNTRY**	**DIR.HOLD.**	**IND.HOLD.**	**TOTAL**
(A)	(F7)	ALTAVISTA HOTELERA, S.L.	Avda. Pere IV, 272 (Barcelona)	Spain	7.55%		
						41.19%	48.74%
		EL RECREO PLAZA & CIA., C.A. (JV)	Avda.Fco.de Miranda Torre Oeste,15 Of.15(Caracas)	Venezuela		1.00%	
						18.94%	19.94%
(A)	(F6)	EVERTMEL, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	49.00%		49.00%
(A)		FOURTH PROJECT 2012, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50.00%	50.00%
(A)	(F4)	FUERTEVENTURA BEACH PROPERTY, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		20.00%	20.00%
		MELIA HOTELS FLORIDA, LLC. (JV)	Brickell Avenue Suite 1000, 800	USA		50.00%	50.00%
	(F6)	MONGAMENDA, S.L. (JV)	Alexandre Rosselló, 15 (Palma de Mallorca)	Spain		49.00%	49.00%
(A)	(F3)	PALMANOVA BEACH PROPERTY, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30.00%	30.00%
(A)	(F3)	PUERTO DELCARMEN BEACH PROPERTY, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30.00%	30.00%
(A)	(F3)	SAN ANTONIO BEACH PROPERTY, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30.00%	30.00%
(A)	(F4)	SANTA EULALIA BEACH PROPERTY, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		20.00%	20.00%
(A)	(F3)	TORREMOLINOS BEACH PROPERTY, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30.00%	30.00%
(A)	(F8)	PELÍCANOS PROPERTY, S.L.U. (JV)	C/ Recoletos 3, 1º (Madrid)	Spain		50.00%	50.00%
(A)	(F8)	BELLVER PROPERTY, S.L.U. (JV)	C/ Recoletos 3, 1º (Madrid)	Spain		50.00%	50.00%
		COMPANIES WITH SUNDRY ACTIVITIES	**REGISTERED OFFICE**	**COUNTRY**	**DIR.HOLD.**	**IND.HOLD.**	**TOTAL**
	(F5)	GOLF KATMANDU, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50.00%	50.00%
(A)		INVERSIONES GUIZA, S. A.	Avda. Lope de Vega, 4 (Sto. Domingo)	Dominican Rep.		49.84%	49.84%
	(F6)	KIMEL MCA, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		49.00%	49.00%
(A)		JAMAICA DEVCO S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	49.00%		49.00%
(A)		SIERRA PARIMA, S.A.	Avda. Barceló, s/n (Bávaro)	Rep.Dom.	50.00%		50.00%
		DORMANT COMPANIES	**REGISTERED OFFICE**	**COUNTRY**	**DIR.HOLD.**	**IND.HOLD.**	**TOTAL**
		HELLENIC HOTEL MANAGEMENT	Panepistimiou, 40 (Atenas)	Greece	40.00%		40.00%
		HOLDING COMPANIES	**REGISTERED OFFICE**	**COUNTRY**	**DIR.HOLD.**	**IND.HOLD.**	**TOTAL**
(A)	(F4)	STARMEL HOTELS JV, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	20.00%		20.00%
		EL RECREO PLAZA, C.A. (JV)	Avda.Fco.de Miranda Torre Oeste,15 Of.15(Caracas)	Venezuela		19.94%	19.94%
		MELIA HOTELS USA, LLC. (JV)	Brickell Avenue Suite 1000, 800	USA		50.00%	50.00%
		PROMEDRO, S. A. (JV)	Avda. del Lido s/n (Torremolinos)	Spain	20.00%		20.00%
(A)	(F3)	RENASALA, S.L. (JV)	Zurbarán, 9 (Madrid)	Spain	30.00%		30.00%
		HOMASI, S.A.	C/ Cavanilles 15,Pl.baja (Madrid)	Spain	34.99%		34.99%
		MOSAICO HOTELES, S. A.	C/ cavanilles, 15 - Bajo Madrid 28000	Spain		20.00%	20.00%
		MOSAICO, B.V.	Nieuwe Uitleg, 34, Den Haag	Holand	20.00%		20.00%
	(F8)	SISTEMAS RIBEY CLOUD, S.L.U. (JV)	C/ Recoletos 3, 1º (Madrid)	Spain		50.00%	50.00%
	(F8)	MELCOM JOINT VENTURE (JV)	C/ Recoletos 3, 1º (Madrid)	Spain	50.00%		50.00%

(A) Audited companies
(JV) Joint ventures
(F3) Companies included in consolidated tax group with Renasala, S.L.
(F4) Companies included in consolidated tax group with Starmel Hoteles JV, S.L.
(F5) Companies included in consolidated tax group with Producciones de Parques, S.L.
(F6) Companies included in consolidated tax group with Evertmel, S.L.
(F7) Companies included in consolidated tax group with Inextur, S.A.
(F8) Companies included in consolidated tax group with Grupo Melcom

(*) Shareholding in these companies is through the ownership of apartments representing 31.86% and 21.54%, respectively, and which are recognised under the heading Investment property.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Preparation of the Consolidated Management Report and Consolidated Annual Accounts for 2019

The preparation of the Consolidated Management Report and Annual Accounts has been approved by the Board of Directors, in the meeting held on 26 February 2020, subject to verification by the Auditors and subsequent approval by the General Shareholders' Meeting.

The Consolidated Management Report and Annual Accounts are issued in 448 sheets, all of them signed by the Secretary, and being this last sheet signed by all Directors.

Signed Mr. Gabriel Escarrer Juliá
Chairman

Signed Mrs. Cristina Henríquez de Luna Basagoiti
Director

Signed Mr. Gabriel Escarrer Jaume
Vice-Chairman and Chief Executive Officer

Signed Mr. Sebastián Escarrer Jaume
Director

Signed Mr. Juan Arena de la Mora
Director

Signed Hoteles Mallorquines Consolidados, S.L.
(Represented by Mrs. María Antonia Escarrer Jaume)
Director

Signed Mr. Fernando d'Ornellas Silva
Director

Signed Mr. Francisco Javier Campo García
Director

Signed Hoteles Mallorquines Asociados, S.L.
(Represented by Mr. Alfredo Pastor Bodmer)
Director

Signed Mrs. Carina Szpilka Lázaro
Director

Signed Mr. Luis Mª Díaz de Bustamante y Terminel
Secretary and Director

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

MELIÃ HOTELS INTERNATIONAL

Leisure at heart,
business in mind

GRAN MELIÁ HOTELS & RESORTS · ME BY MELIÃ · PARADISUS BY MELIÃ · MELIÃ HOTELS & RESORTS · INNSiDE BY MELIÃ · TRYP BY WYNDHAM · SOL BY MELIÃ · CIRCLE BY MELIÃ · MELIÃ REWARDS · MELIÃ PRO

Meliá Hotels International, S.A. and Subsidiaries

Independent limited assurance report on the Non-Financial Information included in the 2019 Consolidated Management Report of Meliá Hotels International, S.A. and its Subsidiaries
February 26th, 2020

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

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Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT LIMITED ASSURANCE REPORT

To the Shareholders of Meliá Hotels International, S.A.:

In accordance with Article 49 of the Spanish Commercial Code, we have performed the verification, with a scope of limited assurance, of the non-financial information identified in the tables "GRI indicators" and "Content of Non-Financial Statement" (NFIS onwards) included in the 2019 Consolidated Management Report (CMR onwards) of Meliá Hotels International S.A. and its subsidiaries (Meliá onwards), for the year ended 31 December 2019.

The CMR includes information, additional to that required by current Spanish corporate legislation relating to non-financial reporting and by the Global Reporting Initiative Standards for sustainability reporting in their core option ("GRI standards"), that was not the subject matter of our verification. In this regard, our work was limited solely to verification of the information identified in the tables of the Annexes of the CMR "GRI Indicators" and the table of "Content of the Non-Financial Reporting Statement".

Responsibilities of the Directors

The preparation and content of Meliá's CMR are the responsibility of the Board of Directors of Meliá Hotels International, S.A. The NFIS included in the CMR was prepared in accordance with the content specified in current Spanish corporate legislation, with GRI standards in their core option, and with other criteria described as indicated for each matter in the table of "Content of the Non-Financial Reporting Statement" in the Annexes to the CMR.

These responsibilities of the Board of Directors also include the design, implementation and maintenance of such internal control as is determined to be necessary to enable the CMR and the NFIS to be free from material misstatement, whether due to fraud or error.

The Directors and the Management of Meliá are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the CMR and the NFIS is obtained.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 (ISQC 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement team consisted of professionals who are experts in reviews of non-financial information and, specifically, in information about economic, social and environmental performance.

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Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed. Our report refers exclusively to 2019. The verifications of the non-financial statement in previous years was carried out by a different assurer.

We conducted our review in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information, currently in force, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines published by the Spanish Institute of Certified Public Accountants on attestation engagements on regarding non-financial information statements.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement and, consequently, the level of assurance provided is also lower.

Our work consisted in requesting information from management and the various units of Meliá that participated in the preparation of the CMR, reviewing the processes used to compile and validate the information presented in the CMR, and carrying out the following analytical procedures and sample-based review tests:

- Meetings held with Meliá personnel to ascertain the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external verification.
- Analysis of the scope, relevance and completeness of the contents included in the NFIS based on the materiality analysis performed by Meliá and described in the "Materiality Analysis" of the CMR, also taking into account the contents required under current Spanish corporate legislation.
- Analysis of the processes used to compile and validate the non-financial information data presented in the 2019 CMR.
- Review of the information relating to risks and the policies and management approaches applied in relation to the material matters described in the "Materiality Analysis" of the CMR.
- Verification, by means of sample-based review tests, of the information relating to the contents of the Non-Financial Statements included in the 2019 CMR, and the appropriate compilation thereof based on the data furnished by Meliá's information sources.
- Obtainment of a representation letter from the Directors and Management.

Conclusion

Based on the procedures performed and the evidence obtained, no matters have come to our attention that causes us to believe that:

A) The non-financial data included in the table "GRI Indicators" of 2019 CMR's Annexes corresponding to the year ended 31 December 2019 has not been prepared, in all material respects, in accordance with the GRI standards in their core option.

B) Melia's NFIS for the year ended 31 December 2019 was not prepared, in all material respects, in accordance with the content specified in current Spanish corporate legislation and in keeping with the criteria of the selected GRI standards, as well as other criteria described as indicated for each matter in the table of "Content of the Non-Financial Reporting Statement" in the Annexes to the CMR.

Other information

The calculation of greenhouse gas emissions (GHG) of scope 3 and the estimation of waste, given its nature, are subject to uncertainty, having been performed according to the methodology and assumptions specified in the CMR and in accordance with the available information. A change in the parameters used in the estimation could impact the total amount of emissions and the carbon footprint presented.

Use and Distribution

This report has been prepared in response to the requirements established by the commercial regulations in force in Spain, so it may not be suitable for other purposes and jurisdictions.

DELOITTE, S.L.

Helena Redondo

February 26th 2020

Meliá Hotels International, S.A. and Subsidiaries

Auditor's report on the system of Internal Control over Financial Reporting (ICFR) for year 2019

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails

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Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails

AUDITOR'S REPORT ON THE INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) FOR 2019

To the directors of Meliá Hotels International, S.A.:

As requested by the Board of Directors of Meliá Hotels International, S.A. and Subsidiaries ("the Group") and in accordance with our proposal-letter of December 5, 2019, we have applied certain procedures to the information relating to the ICFR system included in section F of the Annual Corporate Governance Report ("ACGR") of the Group for 2019, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The directors are responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the information relating to the ICFR system.

It should be noted in this regard, irrespective of the quality of the design and operating effectiveness of the internal control system adopted by the Group in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the consolidated financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Group was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Group's consolidated financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission (CNMV) on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Group's annual financial reporting for 2019 described in the information relating to the ICFR system. Therefore, had we applied procedures additional to those described below or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the Consolidated Spanish Audit Law, we do not express an audit opinion in the terms provided for in that Law.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Group in relation to the ICFR system - disclosure information included in the directors' report- and assessment of whether this information addresses all the information required in accordance with the minimum content described in section F, relating to the description of the ICFR system, of the model ACGR established in CNMV Circular no. 5/2013, of 12 June 2013, modified by the CNMV Circular no. 7/2015, of 22 December 2015 and CNMV Circular no. 2/2018, of 12 June 2018.

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2. Questioning of personnel responsible for the drawing up of the information detailed in point 1 above: (i) to obtain an understanding of the process that goes into drawing up the information; (ii) to obtain information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) to obtain information on whether the control procedures described are in place and functioning at the Group.

3. Review of the explanatory supporting documentation for the information detailed in point 1 above, including the documentation furnished directly to the personnel in charge of preparing the ICFR system descriptive information. In this regard, the aforementioned documents include reports prepared for the Audit and Control Committee by internal audit, senior management and other internal or external specialists.

4. Comparison of the information detailed in point 1 above with the knowledge on the Group's ICFR system obtained through the procedures applied during the financial statement audit work.

5. Reading of the minutes taken at meetings of the Board of Directors, Audit and Compliance Committee and other committees of the Meliá Hotels International, S.A. to evaluate the consistency between the ICFR business transacted and the information detailed in point 1 above.

6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements established by article 540 of the Consolidated Text of the corporate enterprises act Corporate Enterprises Act, and by the aforementioned CNMV Circulars, for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.

Pablo Hurtado March

26 February 2020

Meliá Hotels International, S.A.

Financial Statements for the year ended 31 December 2019 and Directors' Report, together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of Meliá Hotels International, S.A.,

Report on the Financial Statements

Opinion

We have audited the financial statements of Meliá Hotels International, S.A. (the Company), which comprise the balance sheet as at 31 December 2019, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2019, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.1 to the accompanying financial statements for 2019) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Impairment test on assets associated with the hotel activity

Description	Procedures applied in the audit
As indicated in Note 1 to the accompanying financial statements for 2019, the Company carries on its activity through the management and operation of more than 67 hotels (owned, leased, under management and franchised) in Spain. The Company considers that the assets associated with the hotel activity include property, plant and equipment, intangible assets and investment property with a carrying amount of EUR 526 million at 31 December 2019. At each year-end management performs an impairment test in order to determine the recoverable amount of these assets. In order to calculate the recoverable amount of each cash-generating unit ("CGU"), management generally considers the calculation of the value in use of each of these units based on the estimate of future cash flows and applying growth rates and a discount rate adjusted for Spain. In this context, the circumstance described represents a key audit matter, given the significance of the carrying amount of the assets associated with the hotel activity in the balance sheet and because the valuation method used requires the use of significant estimates involving a significant degree of uncertainty, such as certain operating assumptions, the discount rate and the long-term growth rate.	Our audit procedures included, among others, evaluating the accounting policies for determining the recoverable amount the assets associated with the hotel activity described in Note 4.4 to the accompanying financial statements for 2019, in order to evaluate their consistency with the applicable regulatory financial reporting framework. We also retrospectively reviewed the predictions made in prior years, in order to identify possible bias in management's assumptions, and evaluated the historical achievement of the Company's budgets. Moreover, we obtained the impairment test performed by management on the Company's hotel assets, and we verified its clerical accuracy and the appropriateness of the valuation methodology used, with the assistance of our internal valuation specialists. We also evaluated the reasonableness of the main operating assumptions applied for a sample of hotels by comparing them with trends observed in prior years. Additionally, we analysed the reasonableness of the discount rate and the long-term growth rate applied for a sample of hotels, also with the assistance of our internal valuation specialists, and we reviewed the sensitivity analyses performed in relation to these assumptions. Lastly, we evaluated whether the disclosures made by the Company in relation to these matters, which are included in Notes 6, 7 and 8 to the accompanying financial statements, contained the information required by the applicable accounting regulations.

Measurement of net investment in Group companies and associates	
Description	**Procedures applied in the audit**
The Company has ownership interests in the share capital of various companies that form the Group of which it is the parent, which engage mainly in the operation of hotels, owned both by it and by third parties operated under a lease, management or franchise arrangement, with which it also has receivables and payables with varying maturity dates. The carrying amount of the Company's net investment in these companies, recognised mainly under "Current Investments in Group Companies and Associates", "Non-Current Investments in Group Companies and Associates", "Current Payables to Group Companies and Associates" and "Non-Current Payables to Group Companies and Associates" in the accompanying balance sheet at 31 December 2019 amounts to EUR 948 million. Under the applicable regulatory framework, at year-end the directors performed an impairment test on the aforementioned investment, determining its recoverable amount as the equity of the investee, adjusted by unrealised gains, especially the difference between the present value of the future cash flows of the investee and the carrying amount of its net assets. This was a key audit matter in our audit due to the significance of the investment with respect to total volume of the Company's assets and liabilities, and since the calculation of the recoverable amount is complex and depends on assumptions and operating expectations, as well as on significant estimates relating mainly to the discount rates.	Our audit procedures included, among others, the review of the accounting policies relating to the measurement of investments in Group companies and associates disclosed in Note 4.5 to the accompanying financial statements for 2019, in order to evaluate the consistency of these policies with the applicable regulatory financial reporting framework. Also, we reviewed the degree to which the cash flow forecasts of the investees for 2019 actually materialised, and we obtained the impairment test performed by Company management on the net investment in Group companies and associates, verifying its clerical accuracy and the appropriateness of the valuation method used in relation to the investment held and the consistency of the equity of the investees with their accounting records. We also reviewed the key assumptions used in the cash flow projections on a sample basis. Furthermore, we involved our valuation experts in order to analyse the methodology and certain financial assumptions (mainly the discount rate and long-term growth rate) used by management when determining the present value of the cash flows of each company. Also, we reviewed the sensitivity analysis performed by management on the key financial assumptions identified. Lastly, we evaluated whether the disclosures included in Notes 9 and 17 and Appendix I to the accompanying financial statements for 2019 in connection with this matter are in conformity with those required by the applicable accounting regulations.

Other Matter

The financial statements of Meliá Hotels International, S.A. for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 27 February 2019.

Other Information: Directors' Report

The other information comprises only the directors' report for 2019, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the information contained in the directors' report is defined in the audit regulations in force, which establish two distinct levels of responsibility in this regard:

a) A specific level that applies to the non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report (ACGR), as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the directors' report, or, as the case may be, that the directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the financial statements, based on the knowledge of the Company obtained in the audit of those financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the directors' report included a reference to the fact that the non-financial information described in section a) above was presented in the consolidated directors' report of the Meliá Hotels International Group of which the Company is the parent, that the information in the ACGR mentioned in that section was included in the directors' report, and that the other information in the directors' report was consistent with that contained in the financial statements for 2019 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit and Compliance Committee for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit and compliance committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditor's report. This description, which is on the following pages, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Audit and Compliance Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit and compliance committee dated 26 February 2020.

Engagement Period

The Annual General Meeting held on 6 June 2018 appointed us as auditors for a period of three year from the year ended 31 December 2018, i.e., for 2019, 2020 and 2021.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Pablo Hurtado March
Registered in ROAC under no. 20408

26 February 2020

AUDITORES
INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

DELOITTE, S.L.

Año 2020 Nº 13/20/00011
COPIA

Informe de auditoría de cuentas sujeto a la normativa de auditoría de cuentas española o internacional

Appendix to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's audit and compliance committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit and compliance committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the entity's audit and compliance committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Individual Management Report and Annual Accounts 2019

MELIÃ HOTELS INTERNATIONAL | Leisure at heart, business in mind

Annual Accounts

Management Report

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Balance Sheet at the End of 2019

(thousand €)			ASSETS	Notes	31/12/2019	31/12/2018
A			NON-CURRENT ASSETS		2.026.241	2.070.276
	I		**Intangible assets**	6	**40.230**	**32.768**
		1	Patents, licences, trademarks and similar rights		47	54
		2	Software		27.595	26.728
		3	Other intangible assets		12.588	5.986
	II		**Property, plant and equipment**	7	**468.719**	**485.973**
		1	Land and buildings		389.805	385.828
		2	Plant and other fixed assets		78.801	100.145
		3	Fixed assets under construction and advances		113	
	III		**Investment property**	8	**17.293**	**17.691**
		1	Land		229	229
		2	Buildings		17.064	17.462
	IV		**Long-term investments in group companies and associates**	9.1	**1.414.608**	**1.433.138**
		1	Equity instruments		1.013.652	1.016.724
		2	Loans to companies	17	400.956	416.414
	V		**Long-term financial investments**	9.1	**26.526**	**35.634**
		1	Equity instruments		4.027	4.003
		2	Loans to companies		12.819	22.399
		3	Other financial assets		9.680	9.232
	VI		**Deferred tax assets**	14	**58.865**	**65.072**
B			CURRENT ASSETS		418.985	347.976
	I		**Inventories**	10.1	**4.497**	**4.404**
		1	Trade		168	161
		2	Raw materials and other supplies		3.972	4.024
		3	Advances to suppliers		357	219
	II		**Trade and other receivables**	10.2	**90.883**	**92.418**
		1	Trade receivables for sales and services		16.895	20.460
		2	Trade receivables, group companies and associates	17	50.667	50.026
		3	Sundry debtors		2.761	5.735
		4	Staff		91	156
		5	Current tax assets	14	15.212	11.758
		6	Other receivables from Public Administrations	14	5.257	4.283
	III		**Short-term investments in group companies and associates**	9.1, 17	**162.070**	**123.153**
		1	Loans to companies		37.025	29.712
		2	Other financial assets		125.045	93.441
	IV		**Short-term financial investments**	9.1	**15.224**	**23.670**
		1	Equity instruments		403	103
		2	Loans to companies		2.410	9.315
		3	Other financial assets		12.411	14.252
	V		**Short-term accruals and deferrals**		**2.060**	**2.209**
	VI		**Cash and other cash equivalents**	10.3	**144.251**	**102.122**
		1	Cash		143.835	98.379
		2	Other cash equivalents		416	3.743
			TOTAL ASSETS		2.445.226	2.418.252

Notes 1 to 19 described in the attached notes to the accounts are an integral part of the balance sheet as at 31 December 2019.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Balance Sheet at the End of 2019

(thousand €)		EQUITY AND LIABILITIES	Notes	31/12/2019	31/12/2018
A		NET EQUITY		872.133	905.770
I		**Equity**	11.1	**873.669**	**906.850**
	1	Capital		45.940	45.940
	2	Share premium		1.107.135	1.119.301
	3	Reserves		332.332	322.800
	4	Treasury stock and shares		(28.191)	(16.025)
	5	Prior-year results (profit/loss)		(606.871)	(643.269)
	6	Result (profit/loss) for the fiscal year	3	23.324	78.103
II		**Measurement adjustments**	11.2	**(2.558)**	**(2.148)**
	1	Hedging operations		(2.558)	(2.148)
III		**Grants, donations and bequests received**	11.3	**1.022**	**1.068**
B		NON-CURRENT LIABILITIES		1.193.089	1.078.397
I		**Long-term provisions**	12	**68.212**	**61.800**
	1	Long-term employee benefit liabilities		7.934	7.364
	2	Other provisions		60.278	54.436
II		**Long-term payables**	9.2	**574.484**	**531.197**
	1	Bonds and other negotiable securities		29.665	29.750
	2	Bank loans		540.450	497.875
	3	Derivatives		2.690	2.848
	4	Other financial liabilities		1.679	724
III		**Long-term payables to group companies and associates**	9.2, 17	**491.786**	**436.012**
IV		**Deferred tax liabilities**	14	**58.414**	**48.430**
V		**Long-term accruals and deferrals**		**193**	**958**
C		CURRENT LIABILITIES		380.004	434.085
I		**Short-term payables**	9.2	**108.257**	**186.516**
	1	Bonds and other negotiable securities		117	51.470
	2	Bank Loans		68.380	85.676
	3	Derivatives		2.214	2.428
	4	Other financial liabilities		37.546	46.942
II		**Short-term payables to group companies and associates**	9.2, 17	**135.917**	**113.804**
III		**Trade creditors and other payables**	13	**135.527**	**133.517**
	1	Suppliers		12.329	10.223
	2	Suppliers, group companies and associates	17.2	14.491	6.070
	3	Sundry creditors		51.173	47.132
	4	Accrued wages and salaries		23.647	30.323
	5	Other payables to Public Administrations	14	12.938	11.274
	6	Prepayments from customers		20.949	28.495
IV		**Short-term accruals and deferrals**		**303**	**248**
		TOTAL NET EQUITY AND LIABILITIES		2.445.226	2.418.252

Notes 1 to 19 described in the attached notes to the accounts are an integral part of the balance sheet as at 31 December 2019.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Income Statement for the Year Ended 31/12/2019

(thousand €)		Notes	2019	2018
A	CONTINUED OPERATIONS			
1	**Net revenues**	16.1	**623.652**	**615.461**
a	Sales		545.073	529.269
b	Provision of services		78.579	86.192
2	**In-house work on assets**		**543**	**332**
3	**Supplies**	16.2	**(43.954)**	**(42.151)**
a	Consumption of goods		2.281	3.520
b	Consumption of raw materials and other consumables		(46.235)	(45.671)
4	**Other operating income**	16.1	**32.862**	**23.654**
a	Non-core and other current operating income		32.542	23.207
b	Operating grants included in profit/(loss) for the year		320	447
5	**Staff costs**	16.3	**(212.300)**	**(213.476)**
a	Wages, salaries and similar items		(164.562)	(165.726)
b	Social charges		(47.738)	(47.750)
6	**Other operating costs**	16.4	**(352.150)**	**(340.063)**
a	External services		(332.882)	(315.744)
b	Tax		(9.585)	(11.656)
c	Losses on, impairment of and change in trade provisions		(2.102)	(1.600)
d	Other current operating expenses		(7.581)	(11.063)
7	**Depreciation**	6, 7, 8	**(54.270)**	**(39.824)**
8	**Allocation of grants for non-financial fixed assets and other grants**	11.3	**62**	**62**
9	**Impairment and profit/(loss) on disposal of fixed assets**		**(1)**	**(3.002)**
a	Impairment and losses			(2.949)
b	Profit/(loss) on disposals and other disposals		(1)	(53)
A.1	OPERATING INCOME		(5.556)	993
10	**Financial income**	16.5	**62.931**	**131.276**
a	From equity interests		45.381	115.505
b	From negotiable securities and other equity instruments		17.550	15.771
11	**Financial expenses**	16.5	**(35.039)**	**(31.599)**
a	On payables to group companies and associates		(13.459)	(11.291)
b	On payables to third parties		(21.580)	(20.308)
12	**Change in fair value of financial instruments**		**(598)**	**(836)**
a	Trading portfolio and other financial instruments		(598)	(836)
13	**Exchange differences**	16.6	**3.213**	**(31.271)**
14	**Impairment and profit/(loss) on disposals of financial instruments**		**1.595**	**(6.694)**
a	Impairment and losses	9.1	866	(6.812)
b	Profit/(loss) on disposals and other disposals		729	118
A.2	NET FINANCIAL INCOME (EXPENSE)		32.102	60.876
A.3	NET INCOME BEFORE TAX		26.546	61.869
15	**Income tax**	14	**(3.222)**	**16.234**
A.4	PROFIT/(LOSS) FOR THE YEAR FROM CONTINUED OPERATIONS		23.324	78.103
A.5	PROFIT/(LOSS) FOR THE YEAR		23.324	78.103

Notes 1 to 19 described in the attached notes to the accounts are an integral part of the income statement as at 31 December 2019.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Statement of Changes in Net Equity for the Year Ended 31/12/2019

a) Statement of recognised income and expenses

(thousand €)	Notes	2019	2018
A) Income statement results		23.324	78.103
Income and expenses directly attributed to net equity			
I On cash flow hedges	9	(1.372)	(1.287)
II Actuarial gains and losses and other adjustments	12	(1.336)	(1.857)
III Tax effect	14	677	786
B) Total income and expenses directly attributed to net equity		(2.031)	(2.358)
Transfers to income statement			
IV On cash flow hedges	9	825	694
V Grants, donations and bequests received	11	(62)	(62)
VI Tax effect	14	(191)	(158)
C) Total transfers to income statement		572	474
Total recognised income and expenses		21.865	76.219

b) Statement of changes in net equity

(thousand €)	Notes	Share capital	Share premium	Reserves	Treasury shares	Prior-year profit/ (loss)	Profit/ (loss) for the fiscal year	Measur. adjust.	Grants, donations and bequests received	Total
A) BALANCE AT THE END OF YEAR 2017		45.940	1.120.303	282.129	(15.023)	(643.269)	77.024	(1.704)	1.115	866.516
B) ADJUSTED BALANCE, BEGINNING OF THE YEAR 2018		45.940	1.120.303	282.129	(15.023)	(643.269)	77.024	(1.704)	1.115	866.516
I. Total recognised income and expenses				**(1.393)**			**78.103**	**(445)**	**(47)**	**76.219**
II. Operations with shareholders or owners			**(1.002)**	**(34.961)**	**(1.002)**					**(36.965)**
1. (-) Distribution of dividends				(38.324)						(38.324)
2. Operations with treasury shares			(1.002)	1.002	(1.002)					(1.002)
3. Other operations with shareholders or owners				2.361						2.361
III. Other changes in net equity				**77.024**			**(77.024)**			
C) BALANCE AT THE END OF YEAR 2018		45.940	1.119.301	322.800	(16.025)	(643.269)	78.103	(2.148)	1.068	905.770
D) ADJUSTED BALANCE, BEGINNING OF YEAR 2019		45.940	1.119.301	322.800	(16.025)	(643.269)	78.103	(2.148)	1.068	905.770
I. Total recognised income and expenses				**(1.002)**			**23.324**	**(410)**	**(47)**	**21.865**
II. Operations with shareholders or owners			**(12.166)**	**10.534**	**(12.166)**		**(41.705)**			**(55.503)**
1. (-) Distribution of dividends	3						(41.705)			(41.705)
2. Operations with treasury shares	11.1		(12.166)	12.166	(12.166)					(12.166)
3. Other operations with shareholders or owners				(1.632)						(1.632)
III. Other changes in net equity						**36.398**	**(36.398)**			
E) BALANCE AT THE END OF YEAR 2019		45.940	1.107.135	332.332	(28.191)	(606.871)	23.324	(2.558)	1.022	872.133

Notes 1 to 19 described in the attached notes to the accounts are an integral part of the statement of changes in net equity as at 31 December 2019.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Cash Flow Statement for the Year Ended 31/12/2019

(thousand €)	Notes	2019	2018
A) OPERATING ACTIVIES CASH FLOW			
1. Result (profit/loss) for the fiscal year before taxes		26.546	61.869
2. Result adjustments		32.579	(9.699)
a) Depreciation	6, 7, 8	54.270	30.354
b) Value adjustments for impairment	9.1,10.2	1.236	20.931
c) Change in provisions		5.508	10.625
d) Allocation of grants	11.3	(62)	(62)
e) Profit/loss on disposal of fixed assets		1	53
f) Profit/loss on disposal of financial instruments	9	(728)	(118)
g) Financial income	16.5	(62.931)	(131.276)
h) Financial expenses	16.5	35.039	31.600
i) Exchange rate differences		1.882	29.967
j) Change in fair value of financial instruments	9	598	836
k) Other income and expenses		1.551	
l) Profit/loss on asset management	16.1	(3.783)	(2.608)
3. Changes in working capital		16.678	30.380
a) Inventories	10.1	(92)	1.870
b) Trade and other receivables	10.2	16.151	22.151
c) Other current assets	10.3	149	466
d) Creditors and other payables	13	1.516	(643)
e) Other current liabilities			(1)
f) Other non-current assets and liabilities		(1.046)	6.536
4. Other cash flows from operating activities		(3.062)	43.693
a) Interest paid		(21.999)	(20.519)
b) Dividends received		14.258	43.658
c) Interest received		1.733	861
d) Collections (payments) on income tax		(936)	16.024
e) Collections (payments) on asset management		3.883	3.669
5. Cash flows from operating activities (+/-1+/-2+/-3+/-4)		72.741	126.243
B) CASH FLOWS FROM INVESTMENT			
6. Payments on investments		(116.814)	(324.702)
a) Group companies and associates	9.1	(47.991)	(229.080)
b) Intangible assets		(12.609)	(17.250)
c) Property, plant and equipment		(38.538)	(54.131)
d) Investment property	8	(204)	(271)
e) Other financial assets	9	(17.472)	(23.970)
7. Collections on divestments		76.472	186.880
a) Group companies and associates	9.1	30.743	102.371
b) Property, plant and equipment	7	12.939	56.070
c) Other financial assets	9	32.790	28.440
8. Cash flows from investment (7-6)		(40.342)	(137.822)
C) CASH FLOWS FROM FINANCING			
9. Collections and payments on equity instruments		(12.166)	(1.002)
a) Acquisition of own equity instruments	11.1	(12.166)	(1.002)
10. Collections and payments on financial liability instruments		65.233	96.630
a) Issuance		**516.095**	**509.532**
1. Bonds and other negotiable securities	9.2	239.400	157.570
2. Bank loans	9.2	183.021	184.375
3. Payables to group companies and associates	17	91.039	167.587
4. Other payables		2.636	
b) Redemption and repayment of		**(450.862)**	**(412.902)**
1. Bonds and other negotiable securities	9.2	(290.800)	(147.940)
2. Bank loans	9.2	(160.062)	(264.962)
11. Payments on dividends and remuneration of other equity instruments		(41.705)	(38.323)
a) Dividends	3	(41.705)	(38.323)
12. Cash flows from financing (+/-9+/-10+/-11)		11.363	57.305
D) EFFECT OF CHANGES IN EXCHANGE RATES		(1.632)	2.361
E) NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS (+/-5+/-8+/-12+/-D)		42.130	48.087
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		102.121	54.035
G) CASH AND CASH EQUIVALENTS AT THE YEAR-END	10	144.251	102.122

Notes 1 to 19 described in the attached notes to the accounts are an integral part of the cash flow statement as at 31 December 2019.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Notes to the 2019 Annual Accounts

Note 1. Company's Activity

MELIÁ HOTELS INTERNATIONAL, S.A (hereinafter, the "Company") is a public limited company that was legally incorporated in Madrid on 24 June 1986, under the registered name of Investman, S.A. The change to its current name, Meliá Hotels International, S.A., was approved on 1 June 2011. In 1998, the Company moved its registered address to Calle Gremio de Toneleros, 24, Palma de Mallorca [Spain].

MELIÁ HOTELS INTERNATIONAL, S.A. is the controlling company of Meliá Hotels International Group (hereinafter, the "Group"). On 26 February 2020, as required by the Commercial Code, the Group's consolidated annual accounts as at 31 December 2019 are prepared, pursuant to the International Financial Reporting Standards (IFRS) published by the International Accounting Standard Board (IASB) and adopted by the European Union, which show a consolidated profit attributable to the controlling company in the amount of EUR 112.9 million and a consolidated net equity attributable to the controlling company in the amount of EUR 1,242.4 million.

The Company's business activity, which was incorporated for an indefinite period according to its bylaws, is as follows:

- The acquisition, holding, operation, promotion, marketing, development, management and assignment under any title of hotel and tourism establishments, and of any other establishments intended for tourism, leisure, entertainment or recreation-related activities, in any way authorised by Law.
- The acquisition, subscription, ownership and transfer of all kinds of transferable securities, both public and private, national and foreign, representing the share capital of companies with the corporate purpose of owning and operating the business or activities mentioned above.
- The acquisition, ownership, operation, management, marketing and assignment under any title of all kinds of goods and services intended for tourism and hotel establishments and facilities, as well as for any leisure and entertainment or recreation-related activities.
- The acquisition, development, marketing and assignment under any title of know-how or technology in the tourism, hotel, leisure, entertainment or recreation sectors.
- The promotion of all kinds of businesses related to tourism and hotel sectors and to leisure, entertainment or recreation activities, as well as the participation in the creation, development and operation of new businesses, establishments or entities in the hotel and tourism sectors, and of any leisure, entertainment or recreations activities.

The activities comprising the corporate purpose may be developed by the Company, either totally or partially, directly or indirectly, through shareholdings or equity interests in companies having the same or similar corporate purpose.

In any event, all those activities that special laws reserve for companies which meet certain requirements that are not met by the Company, are expressly excluded from the corporate purpose; in particular, the activities that the law restricts to Collective Investment Institutions or to Stock Market intermediary firms are excluded.

Mr. Luis María Díaz de Bustamante y Terminel
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With over 60 years of history, Meliá Hotels International has consolidated its international presence with more than 326 hotels in more than 40 countries. With a solid experience in seven brands to attend the different demands of its customers, which asserts its leadership in vacation hotel industry and leisure, Meliá Hotels International aims to position itself amongst the world's leading hotel groups in the upper-medium segment, as well as to be recognised as a world leader in terms of excellence, responsibility and sustainability.

Mr. Luis María Díaz de Bustamante y Terminel
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Note 2. Basis of Presentation of the Annual Accounts

The figures on the balance sheet, the income statement, the statement of changes in net equity, the cash flow statement, and the accompanying notes to the accounts, are stated in thousands of Euro, rounded to thousands, except where otherwise indicated.

2.1 True image

The 2019 annual accounts have been prepared on the basis of the accounting records of Meliá Hotels International, S.A., in conformity with the accounting principles and measurement bases regulated by Royal Decree 1514/2007, approving the General Accounting Plan and the rest of accounting legal provisions in force, as well as any amendments thereto by means of Royal Decree 1159/2010 and Royal Decree 602/2016; and fairly present the equity, financial position and results of operations of the Company, as well as the truthfulness of the flows included in the cash flow statement.

2.2 Comparability

For comparison purposes, the annual accounts include the figures for year 2019 and for year 2018 of each of the items in the balance sheet, the income statement, the statement of changes in net equity, the cash flow statement and the notes to the annual accounts.

2.3 Critical issues on measurement and estimate of uncertainty

Directors have prepared the Company's annual accounts using judgements, estimates and assumptions which have an effect on the application of the accounting policies as well as on the balances of assets, liabilities, income and expenses and the breakdown of contingent assets and liabilities at the issuance date of these annual accounts.

Such estimates and assumptions are based on historical experience and other factors considered reasonable under the circumstances. The carrying amount of assets and liabilities, which is not readily apparent from other sources, has been established based on these estimates. The relevant estimates and assumptions are verified continuously; the effects of the verifications of accounting estimations are recognised prospectively. However, the uncertainty inherent in the estimates and assumptions could lead to results that may require an adjustment to the carrying amounts of assets and liabilities affected in future periods.

The estimates made are detailed, where appropriate, in each of the explanatory notes of the balance sheet captions. The estimates and judgement that have a significant impact and may involve adjustments in future years are set out below:

Corporate income tax

The calculation of income tax requires the interpretation of the tax legislation applicable to the Company. There are also several factors related mainly, but not exclusively, to changes in tax laws and changes in the interpretation of tax laws currently in force that require the use of estimates by the Company's Management. Such calculation is detailed in Note 14.

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Deferred tax assets are recognised for all deductible temporary differences, tax loss carry forwards and unused tax credits, for which the Company probably will have future taxable profits which allow the application of these assets. Directors must carry out significant estimates to determine the amount of the deferred tax assets that can be recognised, by considering the amounts and the dates on which future taxable profits will be obtained and the reversal period of the taxable temporary differences.

Fair value of derivatives

The fair value of financial instruments that are not traded in an active market is determined using measurement techniques, as specified in Note 4.5.3. The Company uses a variety of methods and makes assumptions that are based mainly on market conditions at the balance sheet date. Most of these measurements are obtained from studies carried out by independent experts.

Post-employment benefits

The cost of defined benefit pension plans is calculated using actuarial valuations. Actuarial valuations require the use of assumptions on discount rates, asset yields, salary increases, mortality tables and rotation, as well as the retirement age of employees with right to these benefits. These estimates are subject to significant uncertainties due to the long-term settlement of these plans.

These commitments have been valued by reputable independent experts using actuarial valuation techniques. Note 12.1 gives details of the assumptions used to calculate these commitments.

Provision for onerous contracts

The Company must use its judgement significantly for the estimate of the amount of the provision for onerous contracts, since it depends on the projected cash flows deriving from those contracts, which mainly relate to lease agreements for hotel establishments.

The estimate of these future cash flows requires the application of assumptions on the percentage of occupation, the average room rate (ARR) and the evolution of the costs associated with the hotel operation, as well as the discount rate applied to update such flows.

The Company uses its expertise in operating and managing hotels to determine such assumptions and to make the relevant calculations, as described in Note 12.1.

Provision for negative equity

The Company recognises a provision for accumulated losses in group companies, when the interest in such controlled entities is fully impaired. This provision is measured through a method similar to that used in measuring the impairment of equity instruments in group companies (see Note 4.5.1).

If the recoverable amount of the investment is restored, then the Company reverses the provision.

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Secretary and Independent Director

2.4 Accounting principles

The annual accounts have been prepared in accordance with the generally accepted accounting principles and measurement standards as described in Note 4. All mandatory accounting principles having a significant effect on the preparation of these annual accounts have been applied.

2.5 Cash flow statement

The cash flow statement includes the cash movements during the fiscal year, calculated using the indirect method. The expressions used in the cash flow statements have the following meanings:

- Cash flows: Inflows and outflows of cash or other cash equivalents, these being understood to be investments for a period of less than 3 months with high liquidity and low risk of changes in value.
- Operating activities: These are the activities that constitute the main source of the Company's ordinary income, as well as other activities that cannot be classified as investment or financing.
- Investment activities: The acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: Activities that result in changes in the size and composition of the Net Equity and liabilities of a financial nature.

For the purposes of the Company's cash flow statement, cash and other cash equivalents include the items as defined above less the overdrafts demandable by the bank, if any.

Cash flows from operating activities comprise the capital gains derived from the asset rotation activity, whilst the net carrying amount of the assets disposed of is recognised under heading Investment activities.

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Secretary and Independent Director

Note 3. Allocation of Results

The Board of Directors will propose to the General Shareholders' Meeting the approval of the allocation of income as follows:

(thousand €)	2019
Basis of distribution	
Gains and losses (year's revenue)	23.324
Allocation	
To offset prior years' losses	23.324
Total	23.324

The Board of Directors will propose to the General Shareholders' Meeting the payment of a gross dividend of EUR 0.1475 per share, by using a maximum amount to be distributed of EUR 33.87 million charged to available reserves of the Company.

On 18 June 2019, the General Shareholders' Meeting approved to pay a gross dividend to its shareholders of EUR 0.1830 per share, for which the amount of EUR 41.7 million was made available and paid during the second half of 2019.

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Secretary and Independent Director

Note 4. Recognition and Measurement Standards

The accounting principles applied in relation to the different items are as follows:

4.1 Intangible Assets

Intangible assets relate to various software applications, as well as transfer rights, patents and licenses.

Software applications are valued at cost price and amortised using the straight-line method over their estimated useful life of 5 years. Software maintenance-related expenses are recognised as an expense when incurred. If expenses relate to tasks which involve an increase in capacity, productivity or useful life, these are added to the value of the asset.

The investments in technological innovation incurred by the Company in producing identifiable and unique software programmes controlled by the Company are included under this heading. In addition, these comply with the following conditions:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The Company intends to use or sell the intangible asset.
- The Company can use or sell the intangible asset.
- It can be demonstrated how the intangible asset will generate probable future financial benefits.
- Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset.
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Transfer rights relate mainly to the acquisition costs of operating and management rights for various hotels and are amortised using the straight-line method over the term of the agreements related to these operating rights.

Patents, licences, brands and similar items include the amounts paid to acquire from third parties the ownership of, or the right to use, trademarks and patents. The amortisation of these items will depend on the expiration of the related agreements.

4.2 Property, Plant and Equipment

Property, plant and equipment is initially stated at cost, including additional expenses incurred to bring the assets into operating conditions, increasing their value according to legal revaluations and restatements, as described in Note 7, and deducting any accumulated depreciation and impairment losses, if any, according to the criterion mentioned in Note 4.4.

The repairs which do not extend the useful life of the assets and the maintenance expenses are charged directly to the profit and loss account. Costs that extend or improve the capacity, productivity or useful life of the assets, are capitalised as an increase in their value.

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Works performed by the Company for its fixed assets are stated at the cost of the necessary goods and required services or at the cost of production of the goods produced by the Company and of the necessary staff time.

Glassware, chinaware, silverware, linen as well as supplies and fixtures are included under the heading Other property, plant and equipment in the heading Property, plant and equipment. These fixed assets are stated at the average cost as per the stocktaking carried out in the different establishments at the year end. Breakages and losses are recorded as Disposals.

Property, plant and equipment items are depreciated using the straight-line method over their estimated useful life. The estimate for 2019 and 2018 is as follows:

	Years
Buildings	50
Plant	18
Machinery	18
Furniture	15
Fixtures	8
Software	6
Vehicles	5
Other fixed assets	8

The useful life and residual value of property, plant and equipment are reviewed at each balance sheet date. Land is not subject to systematic depreciation since it is considered to have indefinite useful life, however it is subject to impairment tests.

4.3 Investment Property

The investments made by the Company to obtain rental income or capital gains and which generate cash flows independently of the other assets held by the Company, are recorded under this caption.

Property, plant and equipment criteria are used for the measurement and depreciation of investment properties.

4.4 Impairment of property, plant and equipment, intangible assets and investment property.

At each year end, the Company assesses whether there is an indication that an asset may be impaired. If such indication exists, the Company estimates the asset's recoverable amount. Periodically, the Company obtains valuations made by independent experts of its owned hotel assets, which are operated by the Company or leased to third parties, as well as of certain hotels under lease.

In 2018, a valuation of the Group's owned assets was carried out. The valuation of the majority of such assets was conducted by the worldwide firm Jones Lang Lasalle Hotels, which specialises in hotel investment and consulting services. The valuation dated 30 July 2018 covered 60 owned assets, including 8 properties classified as Investment Property in the consolidated balance sheet. Additionally, the valuation also included 37 assets owned by associates and joint ventures.

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Secretary and Independent Director

When determining the value of the assets, the valuation criterion most used by Jones Lang LaSalle was the discounted cash flow, since hotel investments are generally valued according to the potential future income. In certain cases, other valuation methods were used, such as the comparables method or the residual value method. The latter method was mainly used to value plots and land. Regardless of the valuation criterion, the result of the valuation was checked by comparing it with other elements such as stable returns, price per room or the leveraged IRR.

At the end of the years in which such valuations are not obtained, the Company assesses whether there is an indication that its tangible assets may be impaired. If such indication exists, or when annual impairment test for an asset is required, the Company estimates the asset's recoverable amount on the basis of the methodology used in the last valuation carried out by the independent expert for the relevant asset or cash-generating unit. An asset's recoverable amount is the higher of an asset's fair value less costs to sell or cash-generating unit and value in use, and is determined individually for each asset, unless the asset does not generate cash inflows that are independent of those from other assets or groups of assets.

For owned hotels, the Company considers whether there is any indication that they have suffered an impairment loss mainly based on the operating result of the various cash-generating units, as well as observable external sources of information revealing that the value of the asset during the period has decreased more than expected as a consequence of the passage of time or its normal use, due to changes that may have occurred in the environment in which the hotel operates. In addition, other factors such as geo-political circumstances, economic situation or natural disasters that may affect the recoverable amount of such assets are taken into account.

In assessing value in use, the Company projects future cash flows by considering the budget approved by the governing bodies of the Company for 2020, and applying growth assumptions that are consistent with the market in which the asset operates and its historical performance for a period of 5 years and estimating a residual value according to a long-term growth rate not higher than the expected growth of the economy and the sector in which the asset operates. Estimated future cash flows are discounted using a discount rate before taxes which reflects changes in the value of money over time in the current market and the specific risks of the asset which have not been adjusted in the estimated future cash flows, mainly the risks of the business and the country in which the asset is located.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and its carrying value is reduced to its recoverable value.

An assessment is made each year end as to whether there is any indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in previous years. This reversal is recognised in the income statement for the year. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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4.5 Financial instruments

4.5.1 Financial assets

The Company has no financial assets included in the category of held-to-maturity investments.

Financial assets are classified into the following categories:

a) *Equity investments in group companies and associates*

Upon initial recognition, they are recognised at fair value which, unless there is evidence to the contrary, is the transaction price, which is equal to the fair value of the consideration given plus directly attributable transaction costs. After initial recognition, they are measured at cost less, where appropriate, the accumulated amount of the measurement adjustments for impairment which is recognised in the income statement in the year in which it occurs.

b) *Available-for-sale financial assets*

Financial assets available for sale are those non-derivative financial assets that are designated as available-for-sale or which are not classified under other captions of financial assets. They relate in full to unlisted investments in equity instruments of companies in which the Company does not have control or significant influence.

Regarding the investments recognised under the heading Available-for-sale financial assets, since they are not listed in an active market, the equity of the investee company adjusted by any unrealised capital gains existing at the measurement date is taken into account, unless there is better evidence of the recoverable amount of the investment.

The investments available for sale do not have a market price of reference in an active market.

The changes in their fair value are recorded directly against net equity. Impairment is detailed in Note 4.5.1. f)

c) *Financial instruments held for trading*

Short-term trading portfolio includes equity instruments listed in official markets; their market prices are used to determine the fair value of these investments.

The changes in their fair value are recorded in the income statement for the year.

d) *Loans and other receivables*

Financial assets included in this category are initially measured at fair value and subsequently at amortised cost. Accrued interest is recognised in the income statement, using the effective interest rate method.

Nevertheless, credits from commercial operations with a due date not exceeding one year and which do not have a contractual interest rate, as well as advances to staff, dividends receivable and capital calls on equity instruments expected to be received at short term, are measured at face value, both at the initial and later measurement, when the effect of not adjusting the cash flows is not material.

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Loans and receivables with a maturity of less than 12 months as of the balance sheet date are classified as current, and those with a maturity greater than 12 months are classified as non-current.

In the case of financial assets measured at amortised cost, the amount of impairment loss is equal to the difference between the carrying amount of the financial asset and the present value of the expected future cash flows, discounted at the effective interest rate existing at the time of the initial recognition of the asset. Particularly, trade receivables are shown at their face value in the balance sheet, by carrying out the corresponding measurement adjustments and providing, where appropriate, the relevant provisions based on the risk of insolvency, which are applied where the debt is deemed to be uncollectible.

Non-current guarantees and deposits are measured at amortised cost using the effective interest rate method. Current guarantees and deposits are not discounted.

e) *Derecognition of financial assets*

The Company derecognises a transferred financial asset when it assigns all contractual rights to receive the cash flows generated by the asset or, even when retaining such rights, it assumes a contractual obligation to pay them to the assignees and the risks and rewards related to the ownership of the asset are substantially transferred.

Where the Company has transferred assets in which the risks and rewards related to the ownership of the financial asset are substantially retained, the transferred financial asset is not derecognised in the balance sheet and is recognised as a related financial liability for an amount equal to the consideration received, which is subsequently measured at amortised cost. The transferred financial asset continues to be measured according to the same criteria applied prior to the transfer. Both income from the transferred asset and the expenses of the related financial liability are recognised, without netting, in the income statement.

f) *Impairment of financial assets*

Investments in group companies, jointly controlled entities, and associates are measured at cost less, where appropriate, the accumulated amount of the measurement adjustments for impairment. Such adjustments are calculated as the difference between the carrying amount and the recoverable amount, the latter being the higher amount between the fair value less costs to sell and the present value of the future cash flows arising from the investment. Unless there is better evidence, the recoverable amount is based on the value of the equity of the investee, adjusted by the amount of the unrealised capital gains at the measurement date (including the goodwill, if any). Measurement adjustments for impairment and, where appropriate, their reversal, are recognised as income or expense, respectively, in the income statement.

The recoverable amount of receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Short-term investments are not recognised at their discounted value. The Company's accounting policy consists in making a provision for all the receivables relating to the hotel business overdue for more than one year, as well as for any balance pending for less than one year where there are reasonable doubts as to its recovery.

4.5.2 Financial liabilities

Financial liabilities are classified in the category debts and items payable, measured at amortised cost, or in the category financial liabilities, measured at fair value through profit or loss. In both cases, financial liabilities are initially recognised at fair value. Financial liabilities measured at amortised cost are adjusted for directly attributable transaction costs. All non-derivative financial liabilities of the Company are included within the category debts and items payable.

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a) *Issuance of debentures and other marketable securities*

Debt issues are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. They are subsequently measured at amortised cost applying the effective interest method. Bonds with a maturity exceeding twelve months are classified as non-current liabilities, while those with shorter maturity than that are included under current liabilities.

b) *Bank loans*

They are initially recorded at the amount received, net of transaction costs. After initial measurement, they are carried at amortised cost using the effective interest rate method.

This heading includes debts originated by the acquisition of assets financed by leasing contracts.

c) *Debts with group companies and associates*

Financial liabilities included in this category are measured at amortised cost. Accrued interest is recognised in the income statement, using the effective interest rate method.

d) *Derecognition of financial liabilities*

Financial liabilities are derecognised when all the risks are substantially transferred, and the liability that resulted in its recognition on the balance sheet is extinguished.

4.5.3 Hedge activities and derivatives

Derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss or as accounting hedges. In both cases, derivative financial instruments are initially recognised at fair value on the date on which they are arranged, and this fair value is regularly adjusted. Derivatives are carried as assets when the fair value is positive, and as liabilities when the fair value is negative.

a) *Accounting hedges*

The Company applies hedge accounting to those operations in which the hedge is expected to be highly effective; that is, when the changes in the fair value or in the cash flows of the items covered by the hedge are offset by the changes in the fair value or cash flows of the hedging instruments with an effectiveness comprised between 80% and 125%. In addition, at the inception of the hedge, the relationship between the hedged item and the derivative financial instrument designated for that purpose is formally documented.

The Company has various interest rate swaps classified as cash flow hedges. Changes in the fair value of these derivative financial instruments are reflected in net equity, under the heading Other measurement adjustments, being allocated by the part considered an effective hedge to the profit and loss account insofar as the item being hedged is also settled. The fair value is entered in the accounts according to the trade date.

The fair value of interest rate swaps is determined through the discounted cash flow measurement technique according to the characteristics of each contract, such as the face amount and the collection and payment schedule. The discount factors used to obtain said value are calculated based on the curve of the zero-coupon rates obtained from the deposits and rates listed in the market on the date of the measurement. The resulting fair value is adjusted for the own credit risk if significant. These values are obtained from studies carried out by the financial institutions with which the Company has contracted these instruments.

b) *Derivatives not qualifying for hedge accounting*

Any profit or loss arising from changes in the fair value of derivatives which do not qualify to be classified as hedging instruments are directly recognised in the net profit or loss for the year. The fair value of these derivative financial instruments is obtained from studies carried out by financial institutions.

4.6 Inventories

Inventories are valued at their average acquisition cost or production cost which is generally lower than their net realisable value. If their estimated realisable or replacement value is lower than their cost, any necessary measurement adjustments will be made.

4.7 Cash and other cash equivalents

Cash and other cash equivalents include cash in hand and at bank as well as short-term deposits in banks and other financial institutions with an original maturity of less than three months from the date of subscription.

4.8 Treasury shares

Treasury shares are presented as a decrease in the Company's net equity and are stated at cost without carrying out any measurement adjustments.

The gains and losses obtained on disposals of treasury shares are recorded directly against equity.

4.9 Grants, donations and bequests received

Refundable grants are recognised as liabilities until all the conditions for them to be considered as non-refundable have been met, while non-refundable grants are recognised as such provided that the conditions established for their granting have been substantially met. Such criterion involves initially recognising in a particular item in equity the amount of the grant, net of the deferred tax effect which is taken to the income statement in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss. Non-refundable grants received from the shareholders are recognised directly in equity.

4.10 Provisions and contingencies

Provisions are recognised when the Company:

- Has a present obligation, legal or implicit, because of a past event.
- It is probable that an outflow of funds including economic benefits will be required to settle the obligation.
- A reliable estimate can be made of the amount of the obligation.

Provisions are carried at the present value of the best possible estimate of the amount needed to settle or transfer to a third party the obligation. Adjustments due to updating the provision are recognised as a financial expense as they accrue. Provisions maturing in one year or less with a non-significant financial effect are not discounted. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate of the liability at any time.

On the other hand, contingent liabilities are the possible obligations, arising from past events, the materialisation of which is subject to the occurrence of future events which are not entirely under the Company's control, and those present obligations, arising as a result of past events, that are not likely to give rise to an outflow of resources for their settlement or which cannot be measured with sufficient reliability. These liabilities are not recognised in the accounts, but are disclosed in the notes to the annual accounts.

Onerous contracts

A contract is onerous when the unavoidable costs of meeting the contractual obligations exceed the expected economic benefits.

In the case of hotel lease agreements, the estimate of future results from these agreements is reviewed annually, based on the expected flows from the relevant cash-generating units, applying an appropriate discount rate. If the costs exceed the benefits, the Company records a provision for such difference. Details of the analysis performed by the Company are included in Note 12.1.

Post-employment benefits

Post-employment benefits are classified as defined contribution plans or defined benefit plans.

a) *Defined contribution plans*

Defined contribution plans are those plans under which the Company makes fixed contributions to an independent entity and does not have any legal, contractual or implicit obligation to make additional contributions if the independent entity does not hold sufficient assets to satisfy the commitments assumed.

Contributions are recognised as employee benefits when they accrue.

b) *Defined benefit plans*

Post-employment benefits that are not defined contribution plans are considered to be defined benefit plans. In general, these plans fix the amount of the benefit that the employee will receive on retirement, usually based on one or more factors such as age, number of years of service and remuneration.

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The Company recognises in the balance sheet a provision for long-term defined benefit obligations in an amount corresponding to the difference between the present value of the committed benefits and the fair value of any assets linked to the benefit commitments which will be used to settle the obligations, less any past service costs still not recognised, if any.

If an asset results from the above-mentioned difference, its valuation may not exceed the current value of the benefits that may be returned to the Company in the form of direct reimbursements or lower future contributions, plus, where appropriate, the part not yet recognised in the income statement for past service costs.

Past service costs are recognised immediately in the income statement unless they involve non-vested rights, in which case they are taken to the income statement on a straight-line basis over the period remaining to the vesting of the past service rights.

The current value of the obligation is determined using actuarial calculation methods and unbiased financial and actuarial assumptions that are mutually compatible. The Company recognises, directly in the statement of recognised income and expense, the profits and losses arising from the change in the current value and, where applicable, the plan assets, as a result of the changes in actuarial assumptions or adjustments made on the basis of experience.

Certain collective bargaining agreements in force and applicable to the Company establish that permanent staff for a specified number of years employed by the Company who opt to terminate their employment contract will be entitled to a cash award equal to a number of monthly salary payments which is proportional to the number of years of service. During the fiscal year, an assessment of these commitments has been performed in accordance with the actuarial assumptions contained in Meliá Hotels International, S.A.'s own rotation model, by applying the calculation method known as the Projected Unit Credit Method and the population assumptions corresponding to the PER2000P tables.

The balance of provisions, as well as the capitalisation of payments for future services, cover these acquired commitments, based on an actuarial analysis prepared by an independent expert.

The Company has duly externalised the pension commitments and obligations stipulated in collective bargaining agreements subject to the Ministerial Order of 2 November 2006.

4.11 Leases

Finance Leases

The leases in which all the risks and rewards inherent in the ownership of the leased asset are substantially transferred, are classed as finance leases.

At lease inception, the lessee recognises in the balance sheet an asset and a liability in the same amount, which is equal to the fair value of the leased asset, or the present value of minimum future lease payments, if lower.

Lease instalments are divided into two parts: the finance cost and the principal payment. The financial cost is taken directly to the income statement.

Assets being recognised under finance leases are depreciated using the straight-line method over the asset's estimated useful life.

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Operating leases

Leases where the lessor substantially maintains all the risks and economic benefits of ownership of the leased asset are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to the income statement on a straight-line basis over the lease term.

The assets recognised by the Company in hotels operated under operating leases are depreciated over the shorter of their useful lives and the lease term.

4.12 Trade creditors and other payables

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method.

However, trade payables with a maturity not exceeding one year and which have no contractual interest rate, as well as payments required by third parties for shares, the amount of which is expected to be paid in the short-term, are measured at their face value provided the effect of not adjusting the cash flows is not material.

4.13 Corporate income tax

The Company is taxed under the Consolidated Tax Regime, within the Tax Group 70/98, as controlling company thereof, so the tax expense and the current and deferred tax assets and liabilities are determined according to this tax regime.

The corporate income tax expense for the year is calculated as the sum of the current tax that results from the application of the corresponding tax rate to the tax base for the year, determined according to the consolidated tax regime, following the application of existing tax credits and deductions, and the change in the deferred tax assets and liabilities accounted for. The corresponding tax expense is recognised in the income statement, unless the tax relates to items recognised directly in equity, in which case the corresponding tax expense is also recognised in equity.

Deferred tax liabilities are recognised for all taxable temporary differences existing at the balance sheet date between the carrying amounts of the assets and liabilities and their tax bases.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that there will be taxable profits of the Company and the Tax Group allowing the application of such assets, except in the case of deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor the taxable profit or loss.

The recovery of a deferred tax asset is reviewed at each balance sheet date and adjusted to the amount which is expected to be recovered based on the taxable profit available.

Deferred tax assets and liabilities are measured based on their expected materialisation and on the tax legislation and tax rates approved, or are about to be approved, on the balance sheet date.

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4.14 Classification of assets and liabilities as current and non-current

The classification of assets and liabilities as current and non-currents is made on the basis of the foreseeable date of maturity, disposal or cancellation of the Company's obligations and rights. Where such date exceeds 12 months following the year-end date, assets and liabilities are deemed to be non-current.

4.15 Transactions in foreign currency

Assets and liabilities denominated in foreign currency are recorded at the exchange rate prevailing on the corresponding transaction date, and are restated at the year end at the exchange rate then in effect. The exchange differences, both positive and negative, originated during this process, are recognised in the income statement in the year in which they arise.

Non-monetary entries valued at their historical cost are translated at the exchange rate prevailing on the transaction date.

4.16 Assets of an environmental nature

Expenses relating to activities of decontamination and restoration of contaminated sites, waste disposal as well as other costs resulting from compliance with the environmental legislation are recognised as an expense in the fiscal year in which they are incurred, unless they relate to the acquisition cost of elements that are to be included in the Company's equity for the purpose of using them on a lasting basis, in which case they are recognised as property, plant and equipment, as appropriate, being depreciated using the same criteria as indicated above.

4.17 Income and expenses

Income and expenses are recognised on an accrual basis regardless of when the resulting monetary or financial flow arises.

Income from the sale of goods or services is measured at the fair value of the consideration received or receivable. Volume rebates, prompt payment and any other discounts, as well as the interest added to the face amount of the consideration, are recognised as a reduction therein. However, the Company includes interest added to trade receivables with a maturity not exceeding one year and which have no contractual interest rate, provided the effect of not adjusting the cash flows is not material.

Ordinary income is recognised if it may be reliably measured, and the Company is likely to receive a future financial benefit and when certain conditions are met for each of the Company's activities as described below.

Sale of rooms and other related services

Income deriving from the sale of rooms and other related services is recognised daily based on the services provided by each hotel establishment and including "in-house" customers, i.e. those that are still lodged at the hotel at the time daily production is closed.

The consideration received is divided among the contracted services. Direct services, such as room, food and beverages, consumption, etc. and other related services such as banquets, events, the lease of spaces, etc. are included.

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Provision of hotel management services

The Company recognises income from its hotel management contracts at the end of each period, based on the evolution of the variables that determine that income, primarily consisting of total income and the Gross Operating Profit (GOP) for each of the hotel establishments managed by the Group.

Sale of fixed assets

The Company actively manages its real estate assets portfolio. In general, the net capital gains on sales for asset rotation are recognised in the income statement once the carrying value of the relevant assets has been discounted from the selling price. The Company recognises the proceeds from the sale as operating income.

Interest income

Interest income is recognised using the effective interest rate method for all the financial instruments measured at amortised cost. The effective interest rate is the rate that exactly discounts payments made and received in cash estimated over the expected life of the financial instrument. Interest income is recognised as financial income in the Company's income statement.

Dividends

Income from dividends is recognised in the income statement when the right of the Company to receive the corresponding payment is established. If dividends unequivocally derive from earnings generated before the acquisition date, they will not be recognised as income and will reduce the carrying amount of the investment.

Lease income

Income deriving from operating leases in investment properties is recognised on a straight-line basis over the term of the lease and is included as operating income.

4.18 Transactions with related parties

In general, transactions between group companies are recognised initially at fair value. If the agreed price differs from its fair value, the difference is recognised on the basis of the economic reality of the transaction. Subsequent recognition is made in accordance with the provisions of the applicable rules.

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Note 5. Financial Risk Management Policies

The Board of Directors of the Company approved in 2011 the General Policy for Risk Control, Analysis and Management, which establishes the risk management model, which is aimed at minimising the potential adverse effects of any risks on the annual accounts. Such policy is reviewed and, where appropriate, updated every year.

In geopolitical terms, the Company considers the outcome of Brexit negotiations to be one of the main geopolitical risks, and therefore, it develops contingency plans and business strategies intended to limit the impact of the UK's withdrawal from the European Union. In this respect, it is worth mentioning that in January 2020, Brexit has moved from being an uncertainty to being a reality, however, the impacts of such event are expected to take place by the end of 2020. The Company will follow up the negotiations that will arise throughout the year and, particularly, the changes in the exchange rate of the GBP against the EUR.

Nevertheless, the United Kingdom remains the primary source of tourists for Spain, with a total of 18.1 million of visitors, however, this figure represents a slight decrease in comparison with 2018 (2.4% less), according to the data published by the National Statistical Institute (data from the Survey of Tourist Movements on Borders - Frontur).

Likewise, the Company's activities are exposed to different financial risks: market risk (interest rate risk and foreign exchange risk), credit risk and liquidity risk. The policies pursued by Meliá Hotels International, S.A. try to minimise the potential adverse effects on its financial statements.

5.1 Interest rate risk

Meliá Hotels International, S.A.'s financial statements include certain items subject to fixed and variable interest.

The Company maintains a policy of partially hedging against changes in interest rates by obtaining different financial derivatives that allow it to contract a fixed rate for a specified period of time that it applies to financing transactions with variable rates. In some cases, and due to the early cancellation of some of these financing transactions, the Company has proceeded to restructure the financial derivatives associated with this financing to apply them to other new financing transactions at a variable rate, adapting the repayment schedules to create an effective interest rate hedge. In some of these restructurings of hedging derivatives and to avoid incurring unnecessary payments, it has not been possible to continue applying hedge accounting (see Note 9.3).

The structure of the debt with third parties as at 31 December 2019 and 2018, without considering the heading of Other financial liabilities, is as follows (these face amounts do not include interest payable):

	31/12/2019			31/12/2018		
(thousand €)	Fixed interest	Variable interest	Total	Fixed interest	Variable interest	Total
Bank loans	260.054	305.926	565.980	280.264	128.890	409.154
Mortgage loans	31.854	10.708	42.561	33.657	139.528	173.185
Credit facilities		1	1		125	125
Leasing		2.007	2.007		3.308	3.308
ECP					51.400	51.400
Simple bonds	30.000		30.000	30.000		30.000
Total	321.908	318.642	640.550	343.921	323.250	667.171

The variable interest rate debt is basically tied to Euribor.

As at 31 December 2019, the Company has various interest rate swaps contracted, with a notional value of EUR 123.4 million, considered as cash flow hedging instruments, as stated in Note 9.3. At the 2018-year end, the notional value of the swaps contracted was EUR 70.4 million. The variable rate bank loans and mortgages hedged by these swaps are shown in the Fixed Interest column for the part of the capital hedged.

The sensitivity of 2019 and 2018 profit or loss to interest rate variations (in base points), in thousand euro, is as follows:

(thousand €)	Variation	2019	2018
	+ 25	527	423
	- 25	(527)	(423)

The above sensitivity analysis has been carried out considering an average increase/decrease throughout the year in the base points indicated in the table. The effect of the interest rate swaps has been considered in this calculation.

5.2 Foreign exchange risk

Fluctuations in items of the currencies in which the bank accounts and debts are denominated and the purchases/sales are carried out, vis-à-vis the accounting currency, may have an impact on the result (profit/loss) for the fiscal year.

The following items may be affected by foreign exchange risks:

- Debt and liquid assets denominated in currencies other than the Euro.
- Collections and payments for supplies, services and investments in currencies other than the Euro.

In this regard, Meliá Hotels International, S.A is exposed to foreign exchange risks mainly for the transactions in foreign currency arranged by group companies and associates (see Note 16.6).

Likewise, the recoverable value of shares in a functional currency other than the Euro, changes due to movements in exchange rates. It is not the Company's policy to arrange derivatives for the hedge of net investments in businesses abroad.

5.3 Credit risk

The credit risk arising from default of a counterparty (customer, supplier, or financial entity) is mitigated by the Company's policies regarding the diversification of customer portfolios, source markets, oversight of concentration and on-going in-depth debt control. In addition, in some cases the Company carries out other financial operations which allow the reduction of credit risks, such as assignments of receivables.

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The credit periods established by the Company range between 21 and 90 days. The average period of collection of the Company's receivables is approximately 29.03 days, 31.22 in 2018. The age of trade receivables at the year end is as follows:

(thousand €)	31/12/2019	%	31/12/2018	%
Less than 90 days	12.335	73%	17.436	85%
More than 90 and less than 180	2.700	16%	1.705	8%
More than 180 and less than 365	1.860	11%	1.319	6%
Total	16.895	100%	20.460	100%

Trade receivables outstanding for more than 365 days have been fully provisioned. In addition, the Company uses other financial operations which allow the reduction of credit risks, such as assignments of receivables (see Note 10.2).

5.4 Liquidity Risk

Exposure to adverse situations experienced by debt or capital markets may prevent or hinder the coverage of financing needs required for the appropriate development of the Company's activities.

The liquidity policy applied by the Company ensures that payment obligations acquired will be met without having to obtain funds under burdensome terms. To do that, the Company uses different management procedures, such as the maintenance of credit facilities committed for sufficient amount and flexibility, the diversification of the coverage of financing needs through the access to different markets and geographical areas, and the diversification of the maturities of the issued debt.

Under the Euro-Commercial Paper Programme (ECP) executed in 2019 in the maximum of EUR 300 million, and which is subject to English law, during the fiscal year 2019, a total of EUR 239.4 million of issues have been made (a total of EUR 127.6 million in 2018), and there are no existing issues at the year end (EUR 51.4 million in 2018), as shown in the line of Short-term bonds and other negotiable securities (see Note 9.2).

In line with the diversification of funding sources, in 2018 the Company issued unsecured bonds in the total amount of EUR 30 million in the Luxembourg market, with a 12-year maturity (see Note 9.2).

The following table contains a summary of the maturities of the Company's financial liabilities as at 31 December 2019, based on face amounts excluding interest by maturity:

(thousand €)	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Simple bonds				30.000	30.000
Loans	5.617	60.269	397.077	145.578	608.541
Credit facilities		1			1
Leasing	260	676	1.071		2.007
Total	5.877	60.946	398.149	175.578	640.550

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The following table contains a summary of the maturities of the Company's financial liabilities as at 31 December 2018, based on face amounts by maturity:

(thousand €)	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Straight bonds				30.000	30.000
ECP		51.400			51.400
Loans	5.830	76.910	322.117	177.482	582.339
Credit facilities		125			125
Leasing	428	872	2.007		3.308
Total	6.259	129.306	324.124	207.482	667.171

5.5 Estimation of fair value

Fair value of financial assets and liabilities is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

- ✓ Hedging and other derivatives: As referred to in Note 4.5.3, hedging and other derivatives are calculated using discounted net flow techniques, calculated by the difference between variable interest payments and fixed interest payments.
- ✓ Available-for-sale financial assets: At the year end, the amounts posted, net of impairment losses, are not substantially different from their fair values.
- ✓ Assets and liabilities at amortised cost: Their fair value is mainly estimated on the basis of parameters such as interest rates, market risks, and by using discounted cash flow techniques.

As referred to in Note 4.5, there are no differences between fair values calculated for financial instruments recorded in the Company’s accounts and their corresponding accounting values.

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Note 6. Intangible Assets

The movement of the gross value and accumulated amortisation of intangible assets is as follows:

(thousand €)	31/12/2018	Additions	Disposals	31/12/2019
Gross value				
Patents, licences, trademarks and similar rights	4.415		(7)	4.408
Transfer rights	7.374	8.091		15.465
Software	50.188	12.360		62.548
Total	61.977	20.450	(7)	82.421
Accumulated amortisation				
Patents, licences, trademarks and similar rights	(4.361)	(7)	7	(4.361)
Transfer rights	(1.388)	(1.489)		(2.877)
Software	(23.460)	(11.493)		(34.953)
Total	(29.209)	(12.989)	7	(42.191)
Net carrying value	32.768			40.230

The additions recorded under section Transfer Rights mainly relate to the acquisition at net carrying amount of rights to operate one hotel under lease in Spain, previously operated by a Group company.

The additions recorded under section Software include EUR 11.7 million, as part of the technological innovation project carried out by the Company for the creation of a new framework for hotel management, by means of which the Company aims to improve the technological services provided to its customers.

For comparison purposes, the breakdown of these movements in 2018 was as follows:

(thousand €)	31/12/2017	Additions	Disposals	31/12/2018
Gross value				
Patents, licences, trademarks and similar rights	4.415			4.415
Transfer rights	1.645	6.674	(945)	7.374
Software	37.486	12.780	(78)	50.188
Total	43.546	19.454	(1.023)	61.977
Accumulated amortisation				
Patents, licences, trademarks and similar rights	(4.354)	(7)		(4.361)
Transfer rights	(560)	(1.019)	191	(1.388)
Software	(17.609)	(5.920)	69	(23.460)
Total	(22.523)	(6.946)	260	(29.209)
Net carrying value	21.024			32.768

The additions recorded under section Transfer Rights related to the acquisition of rights to operate one hotel under management in United Kingdom and three in Spain. The disposals related to the termination of rights to operate one hotel under management in Qatar.

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The amount of EUR 12.3 million included in section Additions of Software, related to the technological innovation project carried out by the Company and mainly developed by the subsidiary company Prodigios Interactivos S.A., for the creation of a new framework for hotel management, by means of which the Company seeks to improve the technological services provided to its customers.

The breakdown of intangible assets fully amortised as at 31 December 2019 and 2018 is as follows:

(thousand €)	31/12/2019	31/12/2018
Patents, licences, trademarks and similar rights	4.338	4.345
Software	12.387	12.186
Total	16.724	16.531

Note 7. Property, Plant and Equipment

The movement of the gross value and accumulated depreciation of property plant and equipment in 2019 is as follows:

(thousand €)	31/12/2018	Additions	Disposals	31/12/2019
Gross value				
Land	143.979		(86)	143.893
Buildings	378.758	20.168	(12.594)	386.333
Plant and machinery	233.662	7.682	(4.889)	236.455
Furniture and other fixed assets	217.434	9.822	(9.316)	217.940
Fixed assets under construction and advances		113		113
Total	973.833	37.785	(26.886)	984.732
Accumulated depreciation				
Buildings	(136.909)	(7.200)	3.689	(140.420)
Plant and machinery	(195.251)	(27.045)	3.503	(218.793)
Furniture and other fixed assets	(155.701)	(6.433)	5.334	(156.800)
Total	(487.860)	(40.678)	12.526	(516.013)
Net carrying value	485.973			468.719

The main new additions of property, plant and equipment recorded in 2019 relate to renovations performed in several hotels operated by the Company for EUR 37.8 million. The renovations were mainly made in Balearic Islands, Madrid and the Canary Islands.

The main disposals of property, plant and equipment relate to the sale of the hotel Valencia Azafata located in Valencia, with a carrying amount of EUR 4.5 million, giving rise to a capital gain of EUR 3.8 million (see Note 16.1). Additionally, other smaller assets have been disposed of and other disposals have been recorded by replacement.

For comparison purposes, the breakdown of these movements in 2018 was as follows:

(thousand €)	31/12/2017	Additions	Disposals	Transfers	31/12/2018
Gross value					
Land	153.654	2.366	(11.997)	(44)	143.979
Buildings	441.499	21.035	(80.529)	(3.247)	378.758
Plant and machinery	240.193	11.464	(17.867)	(129)	233.662
Furniture and other fixed assets	219.136	12.330	(14.032)		217.434
Fixed assets under construction and advances	463		(463)		
Total	1.054.944	47.196	(124.887)	(3.419)	973.833
Accumulated depreciation					
Buildings	(161.036)	(8.081)	31.093	1.116	(136.909)
Plant and machinery	(196.123)	(18.201)	19.074		(195.251)
Furniture and other fixed assets	(159.156)	(6.363)	9.818		(155.701)
Total	(516.315)	(32.645)	59.984	1.116	(487.860)
Net carrying value	538.629				485.973

The main new additions of property, plant and equipment recorded in 2018 related to renovations performed in several hotels operated by the Company for EUR 47.2 million, among others, the renovations were mainly made in Balearic Islands, Madrid and Catalonia.

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Main disposals of property, plant and equipment related to the sale, on 11 July 2018, of the hotels Meliá Sevilla and Sol La Palma, located in Seville and Santa Cruz de Tenerife, respectively, in the amount of EUR 59.7 million, and which generated a capital gain of EUR 2.6 million. According to the agreements reached with ATOM, purchaser company, the hotels continue to be operated by the Company under variable rate lease agreements.

Other considerations

The net carrying value of the assets of the Company that are financed through finance lease agreements amounts to EUR 4 million at the year end, and to EUR 6.3 million in 2018. These finance leases relate mainly to buildings, facilities and furniture.

There are 2.8 owned properties that have been mortgaged to secure several loans at the year end, and their net carrying value amounts to EUR 74.4 million, and to EUR 221.5 million in 2018.

As at 31 December 2019 and 2018 the Directors consider that there is sufficient insurance coverage for the Company's assets.

The breakdown of property, plant and equipment fully depreciated for 2019 and 2018 is as follows:

(thousand €)	31/12/2019	31/12/2018
Buildings	33.068	13.948
Plant and machinery	103.621	89.938
Furniture and other fixed assets	114.906	112.664
Total	251.595	216.550

Revaluation of assets

The Company, in different processes, has merged several companies owning hotels, with the revaluation of land and properties being carried out. As at 31 December 2019 and 2018 the difference between the carrying value and the tax value of the revalued elements is as follows:

(thousand €)	Land	Buildings
Revalued net carrying value at 31/12/2017	113.280	16.050
Depreciation		(384)
Disposals		(6.571)
Revalued net carrying value at 31/12/2018	113.280	9.095
Depreciation		(275)
Disposals		(756)
Revalued net carrying value at 31/12/2019	113.280	8.064

Disposals in 2019 relate to the sale of the hotel Meliá Valencia Azafata, while in 2018 they related to the sale of the hotel Meliá Sevilla.

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The capital gains derived from the revaluation of assets carried out by the Company, based on various legal regulations and voluntary revaluations prior to 1997, in order to correct the effects of inflation, were as follows:

(thousand €)	Amount
Restatement of budgets for 1979	24.848
Restatement of budgets for 1980	28.852
Restatement of budgets for 1981	1.197
Restatement of budgets for 1982	26.480
Voluntary restatement before 1990	3.146
Restatement under R.D.L. 7/96	53.213
Total	137.736

The net carrying value of the assets subject to the revaluation according to the asset restatement approved by Royal Decree 7/96 amounts to EUR 0.8 million (0.9 million in the previous year), the value of the fully depreciated assets being EUR 16 million (16.5 million in the previous year). The impact of this restatement on the provision for depreciation of the year amounts to EUR 147 thousand (EUR 649 thousand in 2018).

Asset valuation

In 2018, Meliá Hotels International S.A. commissioned the valuation of the Group's owned assets. The valuation of most of the assets was conducted by the worldwide firm Jones Lang Lasalle Hotels (JLL), which specialises in hotel investment and consulting services. Such valuation determined their market value as at 30 June 2018 and included the assets fully consolidated in the consolidated Financial Statements.

The valuation of such assets amounted to a total of EUR 3,758 million, EUR 749.2 million in the Company. The overall figure included eight assets recognised under Investment Property in the consolidated balance sheet, 2 assets in the Company's balance sheet.

As at 31 December 2019 no significant variances were found between the provisions considered by the independent expert and the actual flows generated in the year.

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Note 8. Investment Property

The balance of investment property includes the net carrying value of investments made by the Company to obtain rental income or capital gains, such as interest in four apartment owners' associations and other properties. Said apartments relate to establishments which are managed by the Company.

The breakdown of the gross value and accumulated depreciation of investment property for 2019 is as follows:

(thousand €)	31/12/2018	Additions	31/12/2019
Gross value			
Apartments	23.618	204	23.822
Other properties	8.101		8.101
Total	31.718	204	31.922
Accumulated depreciation			
Apartments and other properties	(14.027)	(602)	(14.629)
Total	(14.027)	(602)	(14.629)
Net carrying value	17.691		17.293

The additions during 2019 mainly relate to the purchase of 2 apartments in one apartment owners' association.

The amount of the building costs fully depreciated in 2019 and 2018 was EUR 1.5 million.

Dividends earned in respect of apartments in apartment owners' associations are recognised in the income statement which amount to EUR 1.8 million at the end of 2019, EUR 1.7 million in 2018. Likewise, income from the lease of offices located in Madrid, operated under lease, amounts to EUR 119 thousand, EUR 118 thousand in 2018.

For comparison purposes, the breakdown of these movements in 2018 was as follows:

(thousand €)	31/12/2017	Additions	Disposals	Transfers	31/12/2018
Gross value					
Land and apartments	23.368	270	(21)		23.618
Other properties	4.682			3.419	8.101
Total	28.050	270	(21)	3.419	31.718
Accumulated depreciation					
Apartments and other properties	(12.321)	(592)	1	(1.116)	(14.027)
Total	(12.321)	(592)	1	(1.116)	(14.027)
Net carrying value	15.729				17.691

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Note 9. Financial Instruments

9.1 Financial investments

The following table shows the breakdown by categories of non-current and current assets for 2019 and 2018:

(thousand €)	31/12/2019			31/12/2018		
	Long term	Short term	Total	Long term	Short term	Total
1. Investments in group companies and associates:						
- Equity instruments	1.013.652		1.013.652	1.016.724		1.016.724
2. Available-for-sale financial assets:						
- Equity instruments	4.027		4.027	4.003		4.003
3. Financial instruments at fair value through profit or loss:						
- Equity instruments		403	403		103	103
4. Loans and other receivables:						
- Loans and other financial instruments to group companies and associat	400.956	162.070	563.026	416.414	123.153	539.567
- Loans to third parties	12.819	2.410	15.229	22.399	9.315	31.714
- Other financial instruments to third parties	9.680	12.411	22.091	9.232	14.252	23.484
Total	1.441.134	177.294	1.618.428	1.468.772	146.823	1.615.595

a) *Investments in group companies and associates*

Equity instruments:

Annex I attached to these annual accounts includes the information about the net equity situation as at 31 December 2019, which is obtained from the financial statements provided by the respective companies, and the shareholding in group companies and associates, indicating direct and indirect shareholding, activity and country in which this is exercised. Such annex also provides information broken down by company on the net carrying value and provisions made for each investment.

The activity carried out by these companies relates to the hotel and restaurant business. These companies' shares are not listed in a regulated market.

During 2019, the Company has recognised dividends from group companies and associates in the amount of EUR 43.5 million, and in 2018 in the amount of EUR 113.8 million.

Movements recorded during the fiscal year were as follows:

(thousand €)	31/12/2018	Additions	Disposals	Transfers	31/12/2019
Equity instruments in group companies (gross value)	944.579	5.444	(9.422)	(5.492)	935.109
Impairment	(108.652)	(6.321)	5.746		(109.227)
Equity instruments in associates and joint ventures (gross value)	205.724	40		5.492	211.256
Impairment	(24.927)		1.441		(23.486)
Total	1.016.724	(837)	(2.235)		1.013.652

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The most relevant additions in equity instruments in group companies for 2019, relate to the acquisition of 15% of the shares in Aparthotel Bosque, S.A., in the amount of EUR 3 million, and the contribution by the Company of equity to Meliá Europe & Middle East, S.L., in the amount of EUR 1.1 million.

Main disposals and transfers in the year relate to the shareholding in Sierra Parima, S.A.S., which changed its status from group company to associate.

Regarding the provisions, additions have mainly been recognised relating to the company Sol Meliá Vacation Club Puerto Rico, in the amount of EUR 5.2 million, and to the company Meliá Europe & Middle East, S.L., in the amount of EUR 1 million. The disposals mainly relate to the application for excess of the portfolio provision of Colón Verona, S.A.

For comparison purposes, movements for year 2018 were as follows:

(thousand €)	31/12/2017	Additions	Disposals	Transfers	31/12/2018
Equity instruments in group companies (gross value)	843.454	101.607	(76.551)	76.068	944.579
Impairment	(85.632)	(4.508)	5.087	(23.599)	(108.652)
Equity instruments in associates and joint ventures (gross value)	234.870	51.486	(4.565)	(76.068)	205.724
Impairment	(42.286)	(6.240)		23.599	(24.927)
Total	950.406	142.345	(76.028)		1.016.724

The most relevant additions in equity instruments in group companies for 2018, related to the contribution by the Company of equity to Hoteles Sol Meliá, S.L.U., in the amount of EUR 87.5 million. Main disposals related to the reimbursement to the Company by Inversiones Areíto, S.A.S., of cash contributions pending capitalisation in the amount of USD 58.2 million (EUR 73.6 million). Transfers recorded in the amount of EUR 76 million related to Adprotel Strand, S.L.U., which during the year changed its status from associate to group company, which was also reflected in the provisions item in the amount of EUR 23.6 million.

Most relevant additions in equity instruments in associates and joint ventures for 2018 mainly related to the shareholding in the capital of the company Melcom Joint Venture, S.L., in the amount of EUR 47.4 million, currently owing 50% of shares in such company.

b) *Available-for-sale financial assets*

Equity instruments:

Movements recorded during the fiscal year were as follows:

(thousand €)	31/12/2018	Additions	31/12/2019
Equity instruments (gross value)	4.082	24	4.106
Provisions	(79)		(79)
Total	4.003	24	4.027

Additions relate to the capital increase in the company Inveragua RD. S.A.S., in the amount of EUR 24 thousand.

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The equity situation as at 31 December 2019, obtained from the annual accounts provided by the corresponding companies, is as follows:

(thousand €)	% Sharehol.	Accounting figures			Underlying carrying amount	Investment value
		Capital	Reserves	Result		
Hotelera Sancti Petri, S.A.	19,50%	11.900	(869)	1.878	2.517	2.634
Inveragua RD, S.A.S. (*)	14,24%	810	(58)	(171)	83	131
Port Cambrils Inversions, S.A.	10,00%	6.000	987	276	726	980
Valle Yamuri, S.A. (*)	7,21%	4.870	(1.525)	92	248	279
Other companies						3
Total		23.580	(1.465)	2.076	3.574	4.027

(*) Balance sheets as at 31 December 2019 for these companies are not available.

These companies are not listed in the stock market.

Information concerning interest in securities portfolio, indicating activity and country in which it is exercised is included below:

COMPANIES	ADDRESS	COUNTRY	ACTIVITY	DIR. S
Hotelera Sancti Petri, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Hotel Owner and Operator	19,50%
Inveragua RD, S.A.S.	Avda. Lope de Vega, 4 (Santo Domingo)	Dominican Rep.	Holding	14,24%
Port Cambrils Inversions, S.A.	Rambla Regueral, 11 (Tarragona)	Spain	Hotel Owner and Operator	10,00%
Valle Yamuri, S.A.	Velázquez, 106 (Madrid)	Spain	Holding y Propietaria	7,21%

For comparison purposes, movements for year 2018 were as follows:

(thousand €)	31/12/2017	Additions	31/12/2018
Equity instruments (gross value)	4.075	7	4.082
Provisions	(79)		(79)
Total	3.996	7	4.003

Additions related to the capital increase in the company Valle Yamury, S.A., in the amount of EUR 7 thousand.

Likewise, the equity situation as at 31 December 2018, obtained from the annual accounts provided by the corresponding companies, was as follows:

(thousand €)	% Sharehol	Accounting figures			Underlying carrying amount	Investment value
		Capital	Reserves	Result		
Hotelera Sancti Petri, S.A.	19,50%	13.510	(2.745)	3.285	2.740	2.634
Inveragua RD, S.A.S.	14,24%	731		(38)	99	107
Port Cambrils Inversions, S.A.	10,00%	6.000	931	223	715	980
Valle Yamuri, S.A. (*)	7,21%	4.870	(972)	(553)	241	279
Other companies (*)						3
Total		25.111	(2.785)	2.917	3.795	4.003

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(*) Balance sheets as at 31 December 2018 for these companies were not available.

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c) *Loans and other receivables*

Set out below is a breakdown by nature of financial assets included in this item as at 31 December 2019 and 2018:

(thousand €)	31/12/2019			31/12/2018		
	Long term	Short term	Total	Long term	Short term	Total
Loans to group companies	312.249	114.499	426.748	327.535	101.263	428.798
Loans to associates and joint ventures	88.707	47.571	136.278	88.879	21.890	110.769
Other loans	12.819	2.410	15.229	22.399	9.315	31.714
Created deposits and guarantees	9.680	730	10.410	9.232	671	9.903
Other loans and receivables		11.681	11.681		13.581	13.581
Total	423.455	176.891	600.346	448.045	146.720	594.766

Note 17 Transactions with Related Parties includes a breakdown of the balances recorded as loans to group companies, associates and joint ventures. Current and non-current assets in group companies and associates that are recognised in item Long-term and short-term investments in group companies and associates, relate mainly to loans granted for the financing of activities within the hotel business, including the hotel acquisition and reform. Likewise, the Company performs a centralised management of collections and payments between group companies through a current account which bears interest at a market rate which is accrued annually depending on the daily balance of the account.

Loans granted to several companies with which the Company does business in various operating segments are included under the heading Other loans; the most significant amounts are as follows:

- ✓ Loans granted to various unrelated companies with which the Company maintains commercial relationships in the amount of EUR 10 million.
- ✓ Loans to owners of several hotels operated by the Company under lease and management, in the amount of EUR 4.7 million.

The guarantees arranged by the Company relate basically to the rent for hotels leased by it. Since such guarantees are granted to ensure compliance with an obligation associated with such agreements, they are not recognised at their current value but at face value.

Heading Other loans and receivables mainly includes the dividends receivable as at 31 December 2019 in the amount of EUR 11.7 million, and at the end of 2018, these amounted to EUR 13.6 million.

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9.2 Financial liabilities

The following table shows the breakdown by categories of the financial liabilities, for 2019 and 2018:

(thousand €)	31/12/2019			31/12/2018		
	Long term	Short term	Total	Long term	Short term	Total
1. Debts and payable items:						
- Bonds and other negotiable securities	29.665	117	29.782	29.750	51.470	81.220
- Bank loans	540.450	68.380	608.830	497.875	85.676	583.551
- Other financial liabilities	1.679	37.546	39.225	724	46.942	47.666
- Payables to group companies and associates	491.786	135.917	627.703	436.012	113.804	549.816
2. Derivatives and hedges:						
- Derivative liabilities	2.690	2.214	4.904	2.848	2.428	5.276
Total	1.066.270	244.174	1.310.444	967.209	300.320	1.267.529

Below, each of the items included in the table of financial liabilities are detailed:

a) *Bonds and other negotiable securities*

The liability balances at the end of 2019 and 2018 are as follows:

(miles de €)	31/12/2019			31/12/2018		
	Largo plazo	Corto plazo	Total	Largo plazo	Corto plazo	Total
Obligaciones no convertibles	29.665		29.665	29.750		29.750
Otras deudas valores negociables (E.C.P.)					51.357	51.357
Intereses obligaciones y otros valores negociables		117	117		113	113
Total	29.665	117	29.782	29.750	51.470	81.220

On 19 November 2018 the Company issued straight bonds in the final amount of EUR 30 million with the following characteristics:

Amount of the issue:	30.000.000 €
Nominal value:	100.000,00 €
Maturity:	12 years
Debt rank	Senior unsecured
Issue price:	100%
ISIN Code:	ES0276252014
Issue date:	19 November 2018
Maturity date:	19 November 2030
Coupon:	Fixed 3,30%
Redemption price:	100%

The last commercial paper programme issued on 3 May 2018 ("Euro-Commercial Paper Programme" or ECP), which is subject to English law, expires on 3 May 2020, in the maximum amount of EUR 300 million, and whereby debt instrument issues can be made in Europe with a maturity of less than 364 days, up to the said amount.

The programme prospectus was registered, in accordance with the relevant regulations, by the competent Irish authorities with the Irish Stock Exchange plc, from which the Company has requested admission to trading of the issues made under the programme.

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In 2019, a total of EUR 239.4 million of issues have been made, and there are no existing issues at year end. In 2018, the issues made were in the amount of EUR 127.6 million, with there being a total of EUR 51.4 million of existing issues (see Note 5.4).

b) *Bank loans*

The Company's bank borrowings at year-end 2019 and 2018 are analysed below by nature and maturity:

	31/12/2019			31/12/2018		
(thousand €)	Long term	Short term	Total	Long term	Short term	Total
Bank loans	501.067	61.325	562.392	350.291	57.328	407.619
Mortgage loans	38.322	3.975	42.297	145.608	24.638	170.246
Credit facilities		1	1		125	125
Leasing	1.061	915	1.976	1.976	1.260	3.236
Interest		2.164	2.164		2.326	2.326
Total	540.450	68.380	608.830	497.875	85.676	583.551

The detail of the maturities at year-end 2019 and 2018 is as follows:

(thousand €)	31/12/2019
2.020	68.380
2.021	102.526
2.022	59.789
2.023	55.329
2.024	113.158
2025 and subsequent years	209.648
Total	608.830

(thousand €)	31/12/2018
2.019	85.676
2.020	95.182
2.021	105.330
2.022	62.564
2.023	58.269
2024 and subsequent years	176.530
Total	583.551

Maximum limit of credit facilities is EUR 234 million. In 2018, the maximum limit was EUR 261 million.

Average interest rate accrued in 2019 on previous loans, credit facilities and leasing is 2.79%. Average interest rate accrued in 2018 was 2.97%.

c) *Other financial liabilities*

At the end of 2019 and 2018, the breakdown of other financial liabilities is as follows:

	31/12/2019			31/12/2018		
(thousand €)	Long term	Short term	Total	Long term	Short term	Total
Trade bills payable	32	4.068	4.100	53	6.522	6.575
Other payables	1.005	22.398	23.403	5	31.993	31.999
Guarantees and deposits received	642	3.994	4.636	666	30	696
Other current accounts		7.087	7.087		8.396	8.396
Total	1.679	37.546	39.225	724	46.942	47.666

Trade bills payable mainly include suppliers of fixed assets relating to reforms performed in various hotels operated by the Company.

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The detail of maturities at the end of 2019 and 2018 is as follows:

(thousand €)	31/12/2019
2020	37.546
2021	1.016
2022	11
2023	11
2024	
2025 and subsequent years	642
Total	39.225

(thousand €)	31/12/2018
2019	46.942
2020	11
2021	11
2022	11
2023	11
2024 and subsequent years	682
Total	47.666

d) *Debts with group companies and associates*

The balances included under this item which mainly relate to amounts due for the centralised cash management of the Group, are broken down in Note 17. Transactions with related parties.

e) *Derivative liabilities*

The balances under this heading are broken down in this Note 9.3 Hedge activities and derivatives. Cash flow hedge activities relate to interest rate swaps.

9.3 Hedge activities and derivatives

The fair values of the Company's derivative financial instruments at the end of 2019 and 2018 are analysed below by maturity:

	31/12/2019			31/12/2018		
(thousand €)	Long term	Short term	Total	Long term	Short term	Total
Hedging derivative liabilities	1.353	1.116	2.469	1.006	757	1.762
Other derivative liabilities	1.337	1.098	2.435	1.842	1.671	3.514
Total	2.690	2.214	4.904	2.848	2.428	5.276

Maturity by year is as follows:

	31/12/2019	
(thousand €)	Hedge	Others
2020	1.116	1.098
2021	589	637
2022	462	436
2023	214	208
2024 and subsequent year	88	55
Total	2.469	2.435

	31/12/2018	
(thousand €)	Hedge	Others
2019	757	1.671
2020	644	1.044
2021	359	597
2022	62	345
2023 and subsequent year	(60)	(143)
Total	1.762	3.514

a) *Accounting Hedges*

As part of its interest rate risk management policies (see Note 5.1), the Company, at the end of the fiscal year, has several interest rate swaps that qualify as cash flow hedging instruments, based on the contractual terms; therefore, changes in their fair value are taken directly to the Company's equity.

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The items hedged by these operations relate to a part of the variable interest rate financing in Euro. These financial instruments are used to exchange interest rates, so that the Company receives variable interest from the bank in exchange for a fixed interest payment on the same face amount. The variable interest received from the derivative offsets interest payments on the financing hedged. The final result is a fixed interest payment on the financing hedged.

At the end of 2019, these derivative financial instruments have been measured and recorded in liabilities in the amount of EUR 2.5 million (EUR 1.8 million in 2018). To determine these fair values, discounted cash flow techniques have been used based on the embedded amounts determined by the Euro interest rate curve in accordance with the market conditions at the measurement date. The measurements of these swaps have also been carried out by the financial institutions from which these products are obtained, as independent experts in the measurement of financial instruments.

The Company has transferred to the income statement of the year an amount of EUR 0.8 million because of interest rate hedging; EUR 0.7 million in 2018. These amounts have been recorded in the financial expenses item, as well as the hedged item.

Likewise, as at 31 December 2019, the notional value of the interest rate swaps that qualify as hedges amounts to EUR 123.4 million, and as at 31 December 2018 such value amounted to EUR 70.4 million (see Note 5.1).

b) *Other derivatives*

Other derivative liabilities recognised at the end of 2019 relate to interest rate swaps contracted in the framework of the interest rate risk management performed by the Company (see Note 5.1.). These interest rate swaps are not deemed to be accounting hedges, since they have been contracted in the framework of a debt restructuring and thus, they do not meet the requirements for the application of hedge accounting according to the general accounting plan.

The measurements of these swaps have also been carried out by the financial institutions from which these products are obtained, as independent experts in the measurement of financial instruments.

The Company has recognised in the year's income statement EUR 586 thousand of expense due to the change in fair value of such interest rate swaps, EUR 768 thousand of expense in 2018. These amounts are recognised under the heading Change in fair value of financial instruments.

As at 31 December 2019, the notional value of these financial instruments amounts to EUR 50.1 million, and as at 31 December 2018 such value amounted to EUR 61.4 million.

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Note 10. Current Assets

10.1 Inventories

The breakdown is as follows:

(thousand €)	31/12/2019	31/12/2018
Goods for resale	168	161
Raw materials	1.523	1.589
Fuel	196	178
Spare parts	288	271
Various materials	1.518	1.482
Office materials	447	504
Advances to suppliers	357	219
Total	4.497	4.404

The Company does not have firm purchase or sale commitments and there are no limitations on availability of inventories.

10.2 Trade and other receivables

The breakdown of this heading is as follows:

(thousand €)	31/12/2019	31/12/2018
Customers	20.204	25.365
Trade receivables	1.799	1.553
Doubtful trade receivables	11.611	11.780
Impairment for trade operations	(16.719)	(18.238)
Total trade receivables	16.895	20.460
Trade receivables, group companies and associates	50.667	50.026
Sundry debtors	2.761	5.735
Staff	91	156
Current tax assets	15.212	11.758
Public administrations	5.257	4.283
Total other receivables	73.988	71.958
Total	90.883	92.418

At the end of 2019 and 2018, the receivable balances arising from the sale of rooms and other services provided, associated with the hotel business, are included under the heading Customer receivables for sales and services. Trade receivables with balances pending for more than 365 days, as well as those pending for less than that but for which there are reasonable doubts as to their recoverability, have been duly provisioned (see Note 5.3).

The Company has entered into a non-recourse Factoring agreement of hotel receivables of the Company with a financial institution, under which it periodically assigns the accounts receivable relating to certain customers of the hotel business, and collects the total amounts concerned in advance. As at 31 December 2019, the total balance assigned by the Company was EUR 13.4 million, EUR 13.8 million as at 31 December 2018. Meliá Hotels International, S.A. also assigns receivables from subsidiary companies under this agreement.

As a result of the "non-recourse" consideration of the assignment of receivables operation abovementioned, trade receivables are derecognised once assigned, therefore, they are not included in the table above.

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Trade receivables, group companies and associates heading mainly relates to commercial transactions for the provision of services and management at market prices. Breakdown by companies is shown in Note 17. Transactions with related parties.

The breakdown of trade receivables by age is included in Note 5.3, and the breakdown of Current tax assets and Public Authorities is included in Note 14.

10.3 Cash and other cash equivalents

Cash and bank balances include cash in hand and demand accounts in credit institutions. The heading Other cash equivalents includes short-term deposits, whose periods range between one day and three months since inception, so there are no significant risks of change in value and they are part of the normal cash management policy of the Company.

(thousand €)	31/12/2019	31/12/2018
Cash	143.835	98.379
Other cash equivalents	416	3.743
Total	144.251	102.122

This heading includes balances in currencies other than the Euro, in particular, US dollar and the British pound (see Note 16.6).

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Note 11. Net Equity

11.1 Equity

a) Share capital

According to the Company's Bylaws, the share capital of the company is fixed at EUR 45,940,000 represented by 229,700,000 shares with a par value of Euro 0.2 each. The shares are fully subscribed and paid-up, and constitute a single class and series.

All shares carry the same rights and are listed in the stock exchange (Continuous Market - Spain), except for treasury shares.

At the Ordinary and Extraordinary General Shareholders' Meeting held on 4 June 2015, the Company's Board of Directors was authorised to agree the Company's share capital increase, without having to consult the General Shareholders' Meeting beforehand, up to a maximum amount of nineteen million, nine hundred and five thousand, three hundred and four Euros and eighty cents (EUR 19,905,304.80). Consequently, the Board of Directors can exercise this right, in one or more times, for the specified amount or less, deciding in each case, not only the timing or appropriateness, but also the amount and conditions which they consider should apply within a maximum period of five years, starting from the date of said Meeting.

Main shareholders with direct and indirect stake in the Company as at 31 December 2019 and 2018, are as follows:

Shareholders	31/12/2019 % Shareholding	31/12/2018 % Shareholding
Hoteles Mallorquines Consolidados, S.A.	23,38	23,38
Hoteles Mallorquines Asociados, S.L.	13,21	13,21
Hoteles Mallorquines Agrupados, S.L.	10,39	10,39
Tulipa Inversiones 2018, S.A.	5,03	5,03
Global Alpha Capital Management Ltd	3,02	
Rest of shareholders (less than 3% individual)	44,98	48,00
Total	100,00	100,00

In October 2018, Mr. Gabriel Escarrer Juliá ceased to exercise control over the Group, although, since that date, he still owns 5.025% of the shares in Meliá Hotels International, S.A., indirectly, through the company Tulipa Inversiones 2018, S.A., company that absorbed Majorcan Hotels Exlux, S.L.U., with effect from December 2018.

Notwithstanding the foregoing, the Escarrer family (namely, Mr. Escarrer Juliá, his spouse and their 6 children) hold 100% of the shares in the companies Hoteles Mallorquines Consolidados, S.L., Hoteles Mallorquines Agrupados, S.L. and Hoteles Mallorquines Asociados, S.L., although no controlling shareholder exists in any of them.

b) Share premium

The share premium has the same restrictions and can be used for the same purposes as the Company's voluntary reserves.

The decrease in the share premium during the fiscal year in the amount of EUR 12.2 million, EUR 1 million in the previous fiscal year, arises from the release of part of this reserve to the reserve for treasury shares.

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c) Reserves

The following table shows the breakdown of the Reserves heading at the end of 2019 and 2018:

(thousand €)	31/12/2019	31/12/2018
Legal reserve	9.188	9.188
Revaluation reserves Royal Decree-Law 7/1996, of 7th June	16.076	16.076
Reserve for treasury shares	28.191	16.025
Reserves for actuarial gains and losses	(4.618)	(3.616)
Voluntary reserves	272.229	272.229
Translation reserves	11.267	12.899
Total	332.332	322.800

Legal reserve

The Company is obliged to transfer 10% of the profits of each year to a reserve fund until this fund reaches at least 20% of the share capital. This reserve is not available for distribution to the shareholders and, provided that other reserves are not available, may only be used to offset losses. At the end of 2019 and 2018 this reserve is fully constituted.

Revaluation reserves, Royal Decree-Law 7/1996, of 7th June

This reserve will be available to eliminate recognised losses and to increase the share capital of the Company and as of 31 December 2006 (10 years following the date of the balance sheet in which the restatement operations were reflected) it may be taken to unrestricted reserves, as the revalued assets are fully depreciated or are disposed of by other means. The balance of the reserve shall not be distributed, directly or indirectly, unless the related capital gain has been realised through the sale or total depreciation of the revalued assets.

Reserves for treasury shares

This is an available reserve for the acquisition of treasury shares, pursuant to the Spanish commercial law. The increase in 2019 is due to the increase of the number of treasury shares (see Note 11.1 d).

Reserves for actuarial gains and losses

The amount recognised in this reserve is derived from actuarial gains and losses recognised in equity. Such reserve relates to changes undergone in the calculation percentages and actuarial assumptions of remunerations and retirement bonuses undertaken by the Company (see Note 12). This reserve is not available for distribution.

Voluntary reserves

These reserves are unrestricted, after offsetting losses.

Translation reserves

These reserves relate to the incorporation of the balance sheet of the permanent establishment Sol Meliá Túnez.

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d) Own equity instruments

On 17 October 2019, the Company's Board of Directors agreed to implement a treasury share buy-back programme. Such Programme, which is implemented under the provisions of Regulation (EU) No 596/2014 of the European Parliament and of the Council, of 16 April 2014, is carried out in order to reduce the Company's share capital through the redemption of the treasury shares acquired under the Programme, subject to the resolution on capital reduction to be approved by the General Shareholders' Meeting that will be held in the first half of year 2020.

The Programme shall be carried out under the following terms:

- Maximum monetary amount allocated to the Programme: EUR 60,000,000.
- Maximum number of shares to be acquired: 8,500,000 shares.
- Maximum share price: the price must lie within a range of 90% to 110% with respect to the closing price of the trading session, and under no circumstances the limits provided for in Article 3.2 of the Delegated Regulation may be exceeded.

Breakdown and movement of treasury shares are as follows:

(thousand €)	No. Shares	Average price (€)	Balance
Balance as at 31/12/2018	1.822.968	8,79	16.025
Liquidity contract acquisitions	7.437.418	8,15	60.645
Liquidity contract disposals	(7.440.618)	8,15	(60.632)
Buy-back programme acquisitions	1.621.057	7,50	12.153
Balance as at 31/12/2019	3.440.825	8,19	28.191

At the end of 2019, the Company does not have securities loan agreements.

As at 31 December 2019, the total number of treasury shares held by the Company is 3,440,825, which represents 1.5% of the share capital, 0.79% in the preceding year. In any case, the treasury shares do not exceed the 10% limit established by the revised text of the Spanish Law on Corporations.

The price of Meliá Hotels International, S.A.'s shares at year end was EUR 7.86. At the 2018 year-end the share price amounted to EUR 8.21.

For comparison purposes, movements for year 2018 were as follows:

(thousand €)	No. Shares	Average price (€)	Balance
Balance as at 31/12/2017	1.722.464	8,72	15.023
Acquisitions	10.319.703	10,71	110.531
Disposals	(10.219.199)	10,72	(109.529)
Balance as at 31/12/2018	1.822.968	8,79	16.025

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11.2 Measurement adjustments

Details and movements of the measurement adjustments in 2019 and 2018 are as follows:

(thousand €)	2019	2018
Hedging operations:		
Opening balance	(2.148)	(1.704)
Results attributed to equity	(1.372)	(1.287)
Transfers to results	825	694
Tax effect	137	149
Final balance	(2.558)	(2.148)

11.3 Grants, donations and bequests received

Capital grants mainly relate to grants to finance property, plant and equipment purchases, which will be progressively transferred to the income statement depending on the useful life of such property, plant and equipment. In 2019 and 2018, the total amount recorded in the income statement for this item is EUR 62 thousand. Movements during the fiscal year are as follows:

(thousand €)	2019	2018
Opening balance	1.068	1.115
Transfer to results	(62)	(62)
Tax effect	16	15
Final balance	1.022	1.068

At the end of 2019 and 2018, the Company meets the conditions laid down in the grant awards.

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Note 12. Provisions and Contingencies

12.1 Provisions

The balance sheet includes a balance in the amount of EUR 68.2 million in respect of provisions, EUR 61.8 million in the previous year. As indicated in Note 4.10, this heading includes the Company's commitments with staff, as well as the provisions recorded to cover the various risks and contingencies arising from transactions carried out, commitments acquired and guarantees to group companies and third parties, risks for legal claims and lawsuits, as well as potential liabilities deriving from the possible different interpretations to which the applicable legislation is open.

Movements of the fiscal year in the provisions for risks and expenses are as follows:

(thousand €)	31/12/2018	Additions	Disposals	31/12/2019
Provision for retirement, seniority bonus and personnel obligations	7.364	2.172	(1.602)	7.934
Provision for taxes	46	5		51
Provision for onerous contracts	2.774	1.519		4.293
Provision for negative own funds	34.380	6.943		41.323
Provision for liabilities	17.235	91	(2.716)	14.611
Total	61.800	10.729	(4.317)	68.212

In respect of commitments established in supra-enterprise collective agreements, in 2019 an actuarial study has been performed to assess the past services, as defined in Note 4.10, which have been estimated at EUR 9.3 million. The value of assets associated with outsourced commitments in compliance with the legislation in force amounts to EUR 1.4 million.

The assessment of these commitments undertaken by the Company has been conducted in accordance with the actuarial assumptions of the model which pertains to it, using the calculation method known as the Projected Unit Credit and the demographic assumptions established by the PER2000P tables, using a capitalisation rate of 0.48%, and a salary increase assumption of 2.17%. In addition, the probability of tenure of employees until retirement has also been applied, based on the Company's experience in respect of employees leaving the Company, giving rise to the following rotation ratios according to the employee's current age:

Rotation	
Age range	%
<45	7,22
45-55	3,82
>55	3,01

Changes during the fiscal year include an impact recognised in net equity in the amount of EUR 1 million, due to some changes occurred in the actuarial assumptions used during the calculations made.

The balance of the provision for onerous contracts at the end of 2019 amounts to EUR 4.3 million; EUR 2.8 million at the end of 2018. This provision was calculated for the hotels that in 2019 presented negative net cash flows, after discounting the relevant lease instalments. To calculate this provision, it is considered that the costs of compliance with the agreements correspond to the present value of the projected cash flows, including lease commitments, and they are compared with the costs of non-compliance with the various agreements, the lower of both amounts being allocated to the provision.

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The estimate of projected cash flows of these hotels was made internally by the Company, using the operating budget for 2020 as a starting point and projecting results until the end of the agreement (excluding agreement extensions if they are not certain), based on increases in the average price of rooms in accordance with the business plan established for 2020. The discount rates applied range between 7% and 7.2%.

In the provisions for negative equity section, the additions in the fiscal year relate to Bedbank Trading, S.A., in the amount of EUR 6.9 million (see Annex I).

In March 2017 the European Commission initiated an investigation on the compliance with the antitrust rules in the hotel distribution sector. One of the companies subject of the investigation was Meliá Hotels International. Within the framework of the investigation, the European Commission analysed several agreements entered into between Meliá Hotels International and various tour operators in 2014 and 2015, which contained commercial terms and conditions that could give rise to misinterpretation depending on the nationality and/or country of residence of the customers.

In 2019, the Company actively and constructively has continued to participate in the investigation, by providing as many explanations as necessary with respect to the issue raised. Thus, after the reception, review and agreement as regards the contents of the case overview issued by the Commission in August 2019 during the course of the cooperation process, in November 2019, the Company received the statement of objections, which fully confirmed the report of events according to the exchanges of information carried out with the Commission and where an upper limit of penalty was established.

On 21 February 2020 (see Note 19), the European Commission announced the decision ending such investigation, imposing a fine to the Company in the amount of EUR 6.7 million, amount for which full provision has been made at 31 December 2019.

Movements in 2018 were as follows:

(thousand €)	31/12/2017	Additions	Disposals	31/12/2018
Provision for retirement, seniority bonus and personnel obligations	7.065	2.347	(2.048)	7.364
Provision for taxes	91		(45)	46
Provision for onerous contracts	3.694		(919)	2.774
Provision for negative own funds	27.170	8.187	(977)	34.380
Provision for liabilities	15.952	1.283		17.235
Total	53.972	11.817	(3.989)	61.800

In respect of commitments established in supra-enterprise collective agreements, in 2018 an actuarial study was performed to assess the past services, which were estimated at EUR 8.7 million. The value of assets associated with outsourced commitments in compliance with the legislation in force amounted to EUR 1.5 million.

The assessment of these commitments undertaken by the Company was conducted by using a capitalisation rate of 1.32%, a salary increase assumption of 2.55% and in accordance with the following rotation ratios according to the employee's current age:

Age range	% Rotation
<45	7,28
45-55	3,66
>55	3,06

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Changes in 2018 included an impact recognised in net equity in the amount of EUR 1.4 million, due to some changes occurred in the actuarial assumptions used during the calculations made.

In the provisions for negative equity section, the additions in 2018 mainly related to Sol Mainvest, N.V., in the amount of EUR 4.4 million and Markserv, B.V, amounting to EUR 3.8 million.

12.2 Guarantee commitments to third parties and other contingent liabilities

Contingent liabilities relating to guarantees and deposits held for guarantees provided to third parties by the Company, as well as other contingent liabilities are detailed below. Through various contracts, the Company:

- Secures lease payments in favour of several hotel owners through bank guarantees in the total amount of EUR 66.5 million and through corporate guarantee in the amount of EUR 10.2 million.
- Secures several operations on behalf of its subsidiary companies and associates through bank guarantees, amounting to EUR 34.7 million.
- Acts as joint guarantor in the mortgage loan granted by Banco Santander to Meliá Zaragoza, S.L. The outstanding amount at the end of the fiscal year totals EUR 19.2 million.
- Secures several operations through bank guarantees and for various items, in the total amount of EUR 4 million.

Likewise, the Company secures through bank guarantees the deferred payment of several tax settlements amounting to EUR 2 million. Such guarantee is not considered as a contingent liability, since the corresponding amounts are recognised as liabilities.

On 3 July 2019 the Company received notice of a claim filed in Spain for unlawful enrichment during the last 5 years derived from its hotel management activities of two establishments in Cuba. The Company filed plea for lack of jurisdiction and international jurisdiction, which was accepted in full in September 2019. Such sentence was appealed by the petitioner, and is awaiting a decision as at the date of preparation of these consolidated financial statements. The directors, however, consider that such proceeding will not give rise to equity losses for the Company.

12.3 Operating leases

As at 31 December 2019, the Company operates under lease a total of 53 hotels with around 12 thousand rooms, as in the previous year.

The average term of these operating lease agreements is 4.83 years. These lease agreements have a contingent component relating to the consumer price index and, in 16 hotels, other contingent component relating to the evolution of the result obtained by each hotel establishment, which is not considered in the calculation of minimum lease payments. The contingent instalment in 2019 amounted to EUR 12.5 million.; EUR 10.5 million in 2018.

The following table shows a distribution by maturity of the minimum payments of such leases:

(thousand €)	31/12/2019	31/12/2018
Less than 1 year	101.951	92.792
Between 1 and 5 years	229.614	255.447
More than 5 years	86.839	140.451
Total	418.404	488.690

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Note 13. Trade Creditors and Other Payables

The breakdown of this heading at the end of 2019 and 2018 is as follows:

(thousand €)	31/12/2019	31/12/2018
Suppliers	12.330	10.223
Suppliers, group companies and associates (note 17)	14.491	6.070
Sundry creditors	51.173	47.132
Accrued wages and salaries	23.647	30.323
Public Administrations (note 14)	12.938	11.274
Prepayment from customers	20.948	28.495
Total	135.527	133.517

The information required on the average period of payments to suppliers pursuant to the third additional provision of Law 15/2010, of 5th July, is as follows:

No. of days	2019	2018
Average period of payment to suppliers	58,61	53,25
Ratio of operations paid	59,60	52,88
Ratio of outstanding operations	52,17	57,40
(thousand €)	2019	2018
Total payments made	278.597	320.552
Total outstanding payments	42.527	28.663

In 2019, the Company has monitored the ratios associated with the average period of payment to suppliers, as well as the administrative processes relating to the invoices from such suppliers and the capital own management, in order to reduce, as much as possible, the average period of payment to suppliers, according to the provisions of Law 15/2010 and any other applicable legislation in force. Thanks to this procedure, the number of days has been maintained below 60, as in the previous year.

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Note 14. Tax Situation

14.1 Current balances receivable from and payable to Public Authorities

From the 2017 tax period, the Company is taxed under the VAT Special Tax Consolidation Regime, under VAT number 40/17. The number of companies comprising this consolidated group is 15.

Every month, the Company submits the periodic aggregate tax returns-assessments of the Group by integrating the results of the individual self-assessment tax returns of the companies belonging to the Group of Companies.

Current balances receivable from and payable to Public Authorities are as follows:

(thousand €)	31/12/2019	31/12/2018
Income tax		
Deferred tax assets	58.865	65.072
Current tax assets	15.212	11.758
Total	74.077	76.830
Other taxes	653	
Tax Authorities, VAT receivable	4.604	4.283
Total	5.257	4.283
Total assets	79.334	81.113
Income tax		
Deferred tax liabilities	58.414	48.430
Total	58.414	48.430
Other taxes / rates		
Tax Authorities, IGIC (General Indirect Canary Islands) Tax payable	287	211
Tax Authorities, IRPF (Income Tax) payable	2.885	2.716
Tax Authorties, payables	2.838	2.949
Payables to social security bodies	6.929	5.398
Total	12.938	11.274
Total liabilities	71.352	59.704

14.2 Years open to tax inspections and audits

According to the legal provisions in force, taxes cannot be deemed definitively settled until the returns submitted are audited by the tax authorities or the four-year statute of limitations has lapsed. As at 31 December 2019, the years open for review for the main applicable taxes to which the Company is subject are as follows:

	Years
Corporate Income Tax	2013-2018
I.G.I.C (General Indirect Canary Islands Tax)	2016-2019
VAT	2016-2019
I.R.P.F. (Income Tax)	2016-2019

The first year open to inspection for the corporate income tax is 2013, due to the submission in 2017 of complementary tax returns from 2013 to 2015 in line with the criteria of the inspection.

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14.3 Deferred tax assets and liabilities

The breakdown of deferred tax assets and liabilities is as follows:

(thousand €)	31/12/2019	31/12/2018
Deferred tax assets		
Credits for tax losses available for carry forward	7.413	9.834
Tax credit carryforwards	4.887	4.984
Tax value of goodwill	12.187	15.995
Financial instruments	773	696
Amortisation costs pending deduction	2.418	2.901
Adjustments for the limitation on deductibility of financial expenses	21.276	18.855
Tax deductible provisions	9.911	11.807
Total	58.865	65.072
Deferred tax liabilities		
Finance lease operations	12.785	13.510
Land restatement and revaluation	30.336	30.594
Sales under reinvestment deferral	3.854	3.990
Non-refundable grants	260	336
Other deferred tax liabilities	11.179	
Total	58.414	48.430

The movements of the different items making up the deferred tax assets and liabilities are as follows:

(thousand €)	2019		2018	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Opening balance	65.072	48.430	64.390	51.733
Variations reflected in income statement:				
Credits for tax losses available for carry forward	(2.421)		(2.487)	
Tax credit carryforwards	(97)		(97)	
Tax deductible provisions	(2.229)		(549)	
Tax value of goodwill	(3.808)		(3.808)	
Finance lease operations		(725)		(1.413)
Land restatement and revaluation		(258)		(1.739)
Amortisation costs pending deduction	(483)		(483)	
Sales under reinvestment deferral		(136)		(136)
Adjustments for the limitation on deductibility of financial expenses	2.421		7.494	
Other deferred tax liabilities	(60)	11.119		
Variations reflected in net equity:				
Financial instruments	137		148	
Non-refundable grants		(16)		(15)
Tax deductible provisions-Actuarial gains and losses	333		464	
Final balance	58.865	58.414	65.072	48.430

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The Company has established a business plan covering ten years for the purposes of determining the recoverable value of tax credits, according to the deadlines set by tax legislation. In addition, the Company estimates the existence of deferred taxes with which to offset any tax losses in the future. Based on this criterion, the directors consider that it is probable that future taxable profit may lead to the recovery of all capitalised tax credits, within a reasonable period and never exceeding the periods allowed by the current legislation.

As a result, among others, of the different interpretations of the current tax legislation, additional liabilities may arise from an inspection. The Company assesses the uncertain tax treatments and reflects the effect of the uncertainty on the taxable profit (tax loss), tax bases, unused tax losses or unused tax credits and the corresponding tax rates. With the amount of EUR 9.4 million included in item ‘Other deferred tax liabilities’, the Company has covered the possible obligations derived from any tax claims without there being any disputes or uncertain tax treatments that are individually significant.

14.4 Corporate income tax

Pursuant to the Ministerial Order of 27 December 1989, since 1998 Meliá Hotels International, S.A. has filed consolidated corporate income tax returns in Spain for certain Group companies (assigned number 70/98). The number of companies comprising the consolidated tax group in 2019 and 2018 was 46 and 38, respectively.

During this year, ten companies have been included in the tax group: Adprotel Strand S.L, MIA Exhol SA, SM Investment Exhol SL, San Juan Investments exhold S.L, Desarrollos hoteleros San Juan Exhold S.L. Sol Melia Europe BV, Sol ManInvestment BV, Markserv BV, Sol Group BV and Farandole BV.

The companies of the Tax Group jointly determine the final result thereof, such result being distributed among them according to the criteria established by the ICAC [Institute of Accounting and Account Audits]. As a result, the Company includes in the accounts with group companies for tax effect, the balances resulting from the calculation of the corporate income tax settlement deriving from this special tax regime.

Benefits, determined in accordance with the tax legislation, are subject to taxation at the rate of 25% on the tax base.

The reconciliation of the net amount of income and expenses of the fiscal year and the tax base (tax result) of the corporate income tax is as follows:

(thousand €)	Income Statement		Income and expenses recognised directly in net equity		Total
Balance of income and expenses of the fiscal year					
Continued operations		**23.324**		**(1.459)**	**21.865**
	Increases (I)	Decreases (D)	(I)	(D)	
Income tax	3.222			486	**2.736**
Permanent differences	15.939	46.032			**(30.093)**
Temporary differences					
Arising in the fiscal year	9.470				**9.470**
Arising in previous fiscal years	3.446	51.392	1.945		**(46.001)**
Tax base (tax result)					(42.023)

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For comparison purposes, the reconciliation of the net amount of income and expenses of the fiscal year 2018 and the tax base (tax result) of the corporate income tax was as follows:

(thousand €)	Income Statement		Income and expenses recognised directly in net equity		Total
Balance of income and expenses of the fiscal year					
Continued operations		**78.103**		**(1.884)**	**76.219**
	Increases (I)	Decreases (D)	(I)	(D)	
Income tax		16.234		628	**(16.862)**
Permanent differences	45.395	110.332			**(64.937)**
Temporary differences					
Arising in the fiscal year	12.324	919			**11.405**
Arising in previous fiscal years	12.768	70.124	2.512		**(54.844)**
Tax base (tax result)					(49.019)

The information shown in the changes in equity relates to income and expenses directly recognised in net equity. In 2019 and 2018, none of these amounts affect the tax base of the Company.

The permanent and temporary differences of the fiscal year taken to the income statement are as follows:

(thousand)	2019	2018
Permanent differences		
Tax-exempted dividends	(40.965)	(110.172)
Non-deductible expenses and income	9.157	35.071
Other adjustments	1.715	10.164
Total	(30.093)	(64.937)
Temporary differences		
Finance lease	2.900	5.652
Provisions	(2.513)	4.191
Differences between tax amortisation and accounting amortisation	1	1
Adjustments for the limitation on deductibility of financial expenses	(22.242)	(45.743)
Temporary measures reversal (non-deduc. amort. expenses)	(1.934)	(1.934)
Other adjustments	(14.688)	(8.118)
Total	(38.476)	(45.951)

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The reconciliation of the income tax expense and the result of multiplying the tax rate applicable to the total of recognised income and expenses, differentiating the income statement balance, is as follows:

(thousand €)	2019		2018	
	Income statment	Income and expense recognised in equity	Income statment	Income and expense recognised in equity
Accounting profit/(loss) before tax	**26.546**	**(1.945)**	**61.869**	**(2.512)**
Theoretical tax burden (25% type)	6.637	(486)	15.467	(628)
Permanent differences	(7.523)		(16.234)	
Other adjusments	5.233		(18.259)	
Tax loss and tax credits	(1.689)		1.392	
Effective tax expense/income	2.657	(486)	(17.634)	(628)

Heading 'Other adjustments' mainly relate to the provisions made.

The breakdown of expenses/income for income tax in the fiscal year is as follows:

(thousand €)	2019		2018	
	Allocation to income statement	Allocation to net equity	Allocation to income statement	Allocation to net equity
Current tax	(13.455)		(12.876)	
Deferred tax	16.677	(486)	(3.358)	(628)
Total corporate income tax expense (income)	3.222	(486)	(16.234)	(628)

The difference between effective tax expenses and total expenses for corporate income tax is prompted by:

- Foreign income tax withholding in the amount of EUR 991 thousand in 2019 and EUR 924 thousand in 2018.
- Corporate income tax from previous fiscal years in the amount of minus EUR 426 thousand in 2019 and EUR 475 thousand in 2018.

14.5 Tax group's corporate income tax

The reconciliation of the net amount of income and expenses of the fiscal year and the tax base (tax result) of the corporate income tax is as follows:

(thousand €)	Income statement		Income and expenses recognised directly in net equity		Total
Balance of income and expenses of the fiscal year					
Continued operations		**67.681**		**(2.219)**	**65.462**
	Increases (I)	Decreases (D)	(I)	(D)	
Income tax	16.337		139		**16.476**
Permanent differences	11.796	43.073			**(31.277)**
Temporary differences					
Arising in the fiscal year		6.916			**(6.916)**
Arising in previous fiscal years	5.337	41.069	2.079		**(33.653)**
Offset of tax losses from previous years		2.523			**(2.523)**
Consolidated tax base (tax result)					7.570

For comparison purposes, the reconciliation of the net amount of income and expenses of the fiscal year 2018 and the tax base (tax result) of the corporate income tax was as follows:

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(thousand €)	Income statement		Income and expenses recognised directly in net equity		Total
Balance of income and expenses of the fiscal year					
Continued operations		**118.014**		**(1.568)**	**116.446**
	Increases (I)	Decreases (D)	(I)	(D)	
Income tax		1.587	245	768	**(2.110)**
Permanent differences	63.502	114.600			**(51.098)**
Temporary differences					
Arising in the fiscal year	22.452	919			**21.533**
Arising in previous fiscal years	18.268	78.147	3.073	982	**(57.788)**
Offset of tax losses from previous years		6.746			**(6.746)**
Consolidated tax base (tax result)					20.237

The permanent and temporary differences of the fiscal year taken to the income statement are as follows:

(thousand €)	2019	2018
Permanent differences		
Tax-exempted dividends	(42.183)	(114.265)
Non-deductible expenses and income	11.796	45.053
Other adjustments	(890)	18.114
Total	(31.277)	(51.098)
Temporary differences		
Finance lease	3.143	9.662
Provisions	(2.253)	14.832
Non-deductible financial expenses	(23.524)	(49.084)
Temporary measures reversal (non-deduct. amort. expenses)		(2.878)
Differences between tax amortisation and accounting amortisation	(13.039)	240
Other adjustments	(6.975)	(11.118)
Total	(42.648)	(38.346)

The calculation of the corporate income tax is as follows:

(thousand €)	2019	2018
Current tax (consolidated total tax liability)	**1.892**	**5.059**
Deduction for double taxation	(946)	(1.029)
Adjusted total tax liability	**946**	**4.030**
Tax credits and deductions	(876)	(1.851)
Withholdings and prepayments	(1.610)	(869)
Tax payable or receivable	**(1.540)**	**1.310**
Instalment payments	**(13.570)**	**(12.989)**
Cash payable or receivable	(15.111)	(11.679)

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The net amount to be paid does not correspond to the current tax assets in the amount of EUR 101 thousand as a result of certain withholdings to be recovered.

14.6 Tax group's tax loss

At the year end, the total of tax loss carryforwards of the Company and its consolidated Tax Group amount to EUR 334 million; of which EUR 286 million is generated by various companies before joining the Tax Group and, therefore, these must be offset in such companies.
The Tax Group has recognised deferred tax assets under such heading amounting to EUR 21.37 million, of which EUR 7.4 are capitalised in the Company.

14.7 Tax group's tax credits for deductions and rebates

Credits for international double taxation

The consolidated tax group has generated EUR 1.13 million of deductions for international double taxation of which EUR 946 thousand have been used, and EUR 184 thousand are still pending to be applied maturing in 2029.

Credits for creation of employment for workers with disabilities

The consolidated tax group has generated EUR 51 thousand of deductions relating to the creation of employment for workers with disabilities. Such credit has not been used during this year. The year of maturity is 2029.

Credits for donations to non-profit organisations

The consolidated tax group has generated EUR 128 thousand of deductions for donations of which EUR 33 thousand have been used, and EUR 95 thousand are still pending to be applied maturing in 2029.

Credits for reinvestment

Tax benefits deriving from the sale of assets and other assets allocated to reinvestment, as well as the amounts to be reinvested, is as follows:

(thousand €)	Year	Sale amount to reinv.	Reinvest. Year	Reinvest. made	Reinv. mat.	Reinvest. deduc.	Pending application	Deductions mat.
	2013	50.000	2012-13	14.793	2016	1.076	1.076	2.028
Total		50.000		14.793		1.076	1.076	

The reinvestment of such sales has been made by Meliá Hotels International, S.A., on new elements of property, plant and equipment and intangible assets, included in the renovation and improvements to its hotel establishments, and on investment property and securities representing holdings in companies of at least 5% in the share capital thereof.

Tax benefits obtained until year 2001 for the sale of assets allocated to reinvestment, are included in the tax base according to the amortisation period, a deferred tax being generated in respect thereof. The amount that has not yet been added to the tax base is EUR 15.42 million, which will be added on a straight-line basis until year 2048.

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Credits for investments in new fixed assets in Canary Islands

The consolidated tax group has generated EUR 2.2 million of deductions relating to investments in new fixed assets in Canary Islands, according to the provisions of Law 20/1991 on Corporate Income Tax, of which EUR 473 thousand have been used this year, and a deduction in the amount of EUR 1.7 million remains to be applied which matures in 2024.

Credits for technological innovation activities

(thousand €)	Source fiscal year	Amount to be deducted	Applied deductions	Deductions pending application	Deduction period
	2010	39		39	2028
	2011	181		181	2029
	2012	230		230	2030
	2013	250		250	2031
	2014	321	108	213	2032
	2015	767	129	638	2033
	2016	998		998	2034
	2017	1.252		1.252	2035
	2018	1.893		1.893	2036
Total		5.931	237	5.694	

In 2019, the Tax Group has carried out technological innovation projects which will generate tax credits. The Company recognises the credit once the reasoned report is available.

Credits for reversal of temporary measures

To avoid damaging the companies following changes in tax rates, the thirty-seventh transitional provision of Law 27/2014 on Corporate Income Tax included a regulation on the reversal of temporary measures, which states that taxpayers that have been subject to depreciation and amortisation limits, shall be entitled to a 5% deduction on the total tax liability of the amounts making up the tax base (2% in 2015), following the application of the rest of tax deductions and credits. The amounts not deducted due to insufficient total tax liability, may be deducted in subsequent tax periods.

Therefore, a tax credit has been generated in the Tax Group which can be deducted according to the table below:

(thousand €)	Fiscal year of application	Amount to be deducted	Applied in the fiscal year	Deduction pending application
	2015	1		1
	2016	2		2
	2019	133	133	
	2020	131		132
	2021	131		131
	2022	131		131
	2023	131		131
	2024	131		131
Total		790	133	658

From the tax credit of EUR 926 thousand, the Company has generated EUR 677 thousand.

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Capitalised tax credits

The Tax Group has a total of EUR 6.6 million of tax credits, of which EUR 4.9 million are recognised as deferred tax assets.

14.8 Other tax information of the Group

The information set out in Article 84 of Law 27/2014 of 27 November on corporate income tax applicable to mergers and spin-offs of business lines carried out in previous years, is included in the first notes to the annual accounts approved following each of these operations and is summarised as follows:

Company	Years
Inmotel Inversiones, S.A.	1993, 1996, 1997 y 1998
Meliá Hotels International, S.A.	1999, 2001 y 2005

Provisions for financial investments

In 2019, Meliá Hotels International, S.A. has included in the tax base of the corporate income tax EUR 2.7 million due to changes in equity of investees at the beginning and at the end of the fiscal year or due to the application of 20% over the total amount pending reversal.

Regarding the portfolio provisions pending inclusion, the total figure amounts to EUR 1.5 million which will be reversed in 2020.

Non-deductible financial expenses

The net financial expenses which were not subject to deduction in previous years according to section 1 of Article 20 of the Consolidated Text of Law on Corporate Income Tax, amounted to EUR 170 million, of which the Group has deducted EUR 24 million this year, and there is a deduction to be applied in the amount of EUR 146 million.

The company has recognised deferred tax assets relating to these financial expenses that have not been subject to deduction in the amount of EUR 21.23 million.

Limit to tax deductible amortisations/depreciations

Pursuant to Law 16/2012, tax deductible amortisations/depreciations are limited for tax periods initiated within the years 2013 and 2014, representing only 70% of the accounting amortisation and depreciation of the property, plant and equipment, intangible assets and investment property which is tax deductible.

Such Law sets out that the accounting amortisation/depreciation which is not tax deductible will be deducted on a straight-line basis within a period of 10 years or, optionally, during the useful life of the asset, from the first tax period beginning in 2015 (the Company opted for the deduction on a straight-line basis). Therefore, the Company has posted prepaid taxes amounting to EUR 2.4 million (the Tax Group, EUR 3.4 million), resulting from such amortisation/depreciation not deducted (see Note 14.7).

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Note 15. Segment Reporting

Business segments identified depending on the nature of the risks and profitability of the Company, and which constitute the organisational structure, are as follows:

Hotel business: This segment includes the results obtained by means of the operation of hotel units that are owned or leased by the Company.

Asset management: This segment includes the capital gains on asset rotation, as well as real estate development and operations.

Management and structure: This relates to fees received for the operation of hotels under management and franchise agreements and other leisure-related operating activities.

The segmentation of net revenues in the income statement for 2019 and 2018 is detailed in the following table:

(thousand €)	2019	2018
Hotel business	530.915	516.054
Asset management	3.783	2.608
Management and structure	88.954	96.798
Total	623.652	615.461

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Note 16. Income and Expenses

16.1 Revenue by items

The Company's income allocated according to the diverse types of services provided for years 2019 and 2018 is the following:

(thousand €)	2019	2018
Room revenue	391.077	380.342
Food and beverage revenue	120.873	120.209
Management fees	42.400	42.745
Fees for transfer of brand use to subsidiaries	10.084	16.102
Property, plant and equipment capital gains (Note 7)	3.784	2.608
Other revenue	55.487	53.505
Sales rebates	(52)	(50)
Net revenues	623.652	615.461
(thousand €)	2019	2018
Sundry revenue	27.340	17.622
One-off revenue	5.522	6.032
Operating revenues	32.862	23.654

Regarding its allocation by geographical markets, almost the entire income has been generated in national territory.

16.2 Supplies

The breakdown of the balance of this caption in the income statement for 2019 and 2018 is as follows:

(thousand €)	2019	2018
Food and beverage consumptions	32.592	31.221
Changes in inventories	45	1.540
Fuel purchases	1.384	1.567
Ancillary materials and sundry purchases	9.933	7.822
Total	43.954	42.151

Regarding its allocation by geographical markets, almost the entire income has been generated in national territory.

16.3 Staff costs

Staff costs for 2019 and 2018 are broken down as follows:

(thousand €)	2019	2018
Wages and salaries	161.983	162.855
Termination benefits	2.579	2.872
Social security	44.625	44.121
Contribution to complementary schemes	221	440
Other amounts	2.893	3.188
Total	212.300	213.476

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The average number of employees in 2019 and 2018 is broken down by job category in the table below:

Category	No. Employees 2019	No. Employees 2018
Management	191	220
Middle management	1.022	1.067
Basic staff	4.344	4.379
Total	5.557	5.666

The distribution by gender categories at the end of 2019 and 2018 is as follows:

Category	2019			2018		
	Men	Women	Total	Men	Women	Total
Management	134	68	201	144	70	213
Middel management	460	430	890	531	389	920
Basic staff	1.657	1.910	3.567	1.540	1.883	3.423
Total	2.251	2.408	4.659	2.215	2.342	4.556

The average number of employed persons for years 2019 and 2018, with disabilities greater than or equal to 33%, is as follows:

Category	No. Employees 2019	No. Employees 2018
Management	1	
Middel management	5	7
Basic staff	18	25
Total	24	32

16.4 Other operating expenses

The breakdown of the balance of this caption in the income statement for 2019 and 2018 is as follows:

(thousand €)	2019	2018
Hotel rental	104.437	92.803
Sundry rentals	9.049	9.320
Maintenance and repairs	19.243	21.219
External services	66.082	58.029
Transport and insurance	2.664	2.715
Banking expenses	5.042	4.888
Advertising and promotions	17.039	17.166
Supplies	66.010	68.451
Travel and ticketing expenses	4.213	5.142
Other expenses	39.106	36.014
Tax	9.585	11.656
Losses, impairment and change of provisions	2.102	1.600
Other current operating expenses	7.581	11.063
Total	352.150	340.063

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16.5 Financial income and expenses

The breakdown of financial income and expenses of the Company reflected in the income statement for 2019 and 2018 is as follows:

(thousand €)	2019	2018
Dividends shar. in equity instr. group companies and associates	44.831	114.640
Dividends shar. in equity instr. third parties	550	865
Interest on group companies and associates	15.171	14.979
Interest on third parties and bank accounts	2.329	628
Other financial income relating to third parties	50	164
Total financial income	62.931	131.276
Interest on payables to group companies and associates	13.459	11.291
Interest on obligations and bonds	1.166	382
Interest on bank loans	19.438	18.628
Interest on bank leasing	40	89
Other financial expenses relating to third parties	936	1.209
Total financial expenses	35.039	31.599

Financial income in group companies and associates relates to received dividends on which the right to receive them as shareholders was recognised, and interest on loans and current accounts (see Notes 8, 9.1.a) and 17.2).

Interest on payables to group companies and associates relates mainly to loans and interest on current accounts with other group companies and associates (see Note 17.2).

Financial expenses on debts to third parties relate to interest on bank loans. Likewise, interest arising from bond issues is also included (see Note 9.2).

16.6 Foreign currency

The exchange differences recognised in the income statement amount to EUR 3.2 million of profit, EUR 31.3 million of loss in 2018, which arise mainly from accounts payable and receivable to/from group companies, associates and third parties, as well as short-term cash and other cash equivalents, in a currency other than Euro, including, mainly, US dollars and British pounds.

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The most important assets and liabilities in foreign currency are as follows:

(thousand €)	31/12/2019	Currency	31/12/2018	Currency
Assets				
Loans to group companies and third parties l/t	81.482	Usd	86.881	Usd
	15.760	Gbp	12.065	Gbp
Loans and other financial assets to group companies and third	76.519	Usd	76.379	Usd
parties s/t	14.878	Gbp	1.145	Gbp
	4.514	Otras	3.694	Otras
Cash and cash equivalents s/t	7.990	Usd	24.687	Usd
	128.025	Gbp	2.523	Gbp
Total assets	165.991	Usd	187.947	Usd
	158.664	Gbp	15.733	Gbp
	4.514	Other	3.694	Other
Liabilities				
Bank loans l/t	143.110	Usd	69.364	Usd
Payables to group companies l/t	109.705	Usd	74.765	Usd
Bank loans s/t	8.423	Usd	2.500	Usd
Other liabilities s/t	119.596	Usd	102.516	Usd
	2.345	Gbp	3.180	Gbp
Total liabilities	380.834	Usd	249.145	Usd
	2.345	Gbp	3.180	Gbp

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Note 17. Transactions with Related Parties

17.1 Identification of related parties

The Company's annual accounts include transactions with the following related parties:

- Group companies.
- Associates and joint ventures.
- Significant shareholders of the Company.
- Executives and members of the Board of Directors.

All transactions with related parties are carried out under market conditions.

17.2 Transactions with group companies, associates and joint ventures

Commercial transactions

The attached table shows, for years 2019 and 2018, the amount recognised in the operating results in the income statement, and the balances outstanding at the year end:

		31/12/2019			31/12/2018	
(thousand €)	Net inc. 2019	Assets	Liabilit.	Net inc. 2018	Assets	Liabilit.
Group companies						
Adprotel Strand, S.L.		2.303				
Aparthotel Bosque, S.A.	575	274	8	670	591	31
Apartotel, S.A.	4.135	243		3.919	186	
Colón Verona, S. A.	933	368	16	885	353	5
Comunidad de Prop. Hotel Melia Sol y Nieve	475	209	1	532	223	55
Dorpan, S.L.	(260)			(255)		
Gesmesol, S.A.		598			736	
Hotelpoint, S.L.	9.697	3.920	1.656	8.441		
Inversiones Hoteleras La Jaquita, S.A.	2.500	804	96	3.110	1.230	96
Inversiones y Explot. Turísticas, S.A.	3.853	2.252	112	3.582	4.142	46
Lomondo, LTD	3.270	3.440	1	3.110	1.724	5
Londim France, S.A.					807	
London XXI Limited	1.589	2.184	1	1.363	761	
Melia Brasil Administraçao Hoteleira		7.290			6.822	
MHI UK, L.T.D.		2.992			880	
Naolinco Aviation, S.L.	(4.055)			(2.783)		
New Continent Ventures		1.128	204			
Operadora Mesol		1.921		6.041	343	
Prodigios Interactivos, S.A.	(49.069)	535	2.926	(45.478)	236	
Prodisotel, S.A.	1.380	572	0	2.147	917	1
Securisol, S.A.	(399)			(594)		
Sol Melia Deutschland, GMBH	111	5.711	25	519	5.049	12
Sol Melia France, S.A.S.		487		1.825	10.630	
Sol Melia Italia, S.R.L.		2.266	4	1.455	266	20
Sol Melia Perú		778			486	
Sol Melia Shanghai CO LTD		250		(724)	235	
Tryp Mediterranee		2.573			2.347	
The Sol Group Corporation		359	1.182	(12.390)	337	2.887
Other group companies	1.564	3.331	2.115	119	4.811	2.727
Impairment loss		(2.627)			(2.396)	
Total group companies	**(23.702)**	**44.161**	**8.347**	**(24.505)**	**41.715**	**5.885**

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(thousand €)	Net inc. 2019	31/12/2019 Assets	31/12/2019 Liabilit.	Net inc. 2018	31/12/2018 Assets	31/12/2018 Liabilit.
Associates						
Altavista Hotelera, S. L. (J.V.)	(4.768)	327	485	(4.733)	945	
Grupo Evertmel (J.V.)	2.724	1.165	60	3.273	1.865	22
Grupo Melcom (J.V.)	(5.265)	728	5.384			
Grupo Producciones de Parques (J.V.)	1.573	804	14	1.619	907	12
Meliá Zaragoza, S. L. (J.V.)	50	133	6	37	229	
Nexprom, S.A.	1.177	770	31	1.205	874	2
Renasala, S.L.	155			230	46	
Starmel Hotels OP, S.L. (J.V.)	3.225	1.699	54	3.230	1.764	48
Starmel Hotels OP 2, S.L.U. (J.V.)	784	134	5	1.024	438	4
S'Argamassa Hotelera, S.L.	688	223	9	552	146	3
Turismo de Invierno, S.A.	383	223		351	291	
Other associates	213	328	94	216	836	93
Impairment loss		(29)			(29)	
Total associates	937	6.506	6.144	7.003	8.312	185
Total	(22.765)	50.667	14.491	(17.502)	50.026	6.070

(J.V.) Joint Ventures

Commercial transactions carried out with group companies, associates and joint ventures mainly relate to hotel management activities and other related services.

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Financial transactions

There follows a breakdown of the financing or the centralised management of treasury or dividends maintained by the group with group companies and associates at year-end 2019 and 2018:

		31/12/2019			31/12/2018	
(thousand €)	Net inc. 2019	Assets	Liabilit.	Net inc. 2018	Assets	Liabilit.
Group companies						
Adprotel Strand, S.L. (J.V.)	2.303	73.921		2.143	73.437	
Aparthotel Bosque, S.A.	44	4.003	2.273	76	3.715	42
Apartotel, S.A.	1.602	487	2.461	(19)	569	3.165
Bedbank Trading S.A.	3.707			26.275	3.125	
Bisol Vallarta, S.A.	(1.898)		43.139	(1.539)		33.054
Cala Formentor, S.A.	(598)		12.636	(726)		11.835
Caribotels de México, S.A. de C.V.	137	2.764	12	64	2.678	7
Cibanco S.A. IBM Fideicomiso		1.320				
Colón Verona, S.A.	378	16.714		385	16.936	819
Comunidad de Prop. Hotel Melia Sol y Nieve	629	32.368	350	636	34.618	
Corp. Hot. Hispano Mexicana, S.A. de C.V.			206	(409)		341
Desarrolladora del Norte, S.A.	(715)		26.928	58	8.262	
Expamihso Spain, S.A.U.	(1.725)	694	91.878	(1.616)	717	90.751
Gesmesol, S.A.	5.338	7		18.494		206
Hogares Batle, S.A.	69	3.639	109	67	3.732	121
Hoteles Sol Meliá, S.L.	30	6.413		1.034	850	302
Hotelpoint, S.L.	18.164	6.947	33.066	28.183	6.818	37.307
Inversiones Hoteleras La Jaquita, S.A.	1.410	71.853	7.781	975	73.723	4.553
Inversiones Inmobiliarias, IAR		1.033			1.032	
Inversiones y Explotaciones Turísticas, S.A.			601	1.754		168
Lomondo, LTD		11.673				1.163
Londim France, S.A.						13.370
London XXI LTD	198	4.950	281	92	1.969	253
Markserv, BV	(35)	3	1.768	703		1.782
Meliá Brasil Administraçao H.E.C.LTDA.	4.015	81.349	437	3.176	76.344	490
Melia Europe & Middle East	15	762	233	25	1.236	1
MHI UK LTD	3.155	10.811		10.763	10.198	
Naolinco Aviation, S.L.		679		20	1.315	5
Neale Expa Spain, S.A.U.	28	1.429	1.245	11	2.156	738
Network Investments Spain, S.A.			699	(7)	70	156
New Continent Ventures	638	12.384		664	14.824	
Operadora Costa Risol				(68)		
Operadora Mesol	(33)			4.323		
Prodigios Interactivos, S.A.	(109)	5.480	37.165	220	4.919	28.188
Prodisotel, S.A.	(154)	2.330	23.292	(230)	2.601	20.001
Punta Cana Reservations, S.L.	(2.453)	830	131.776	(1.115)	1.545	108.690
Realizaciones Turisticas, S.A.	(1.995)	767	105.348	(1.884)	736	104.649
Sol Melia Deutschland, GMBH	5.590		27.372	5.590		25.202
Sol Melia Europe, B.V.	(772)	32	4.506	2.186		4.249
Sol Melia France	765		2.991	1.831	33	
Sol Melia Funding		39.260			45.219	
Sol M. Greece H. And T. Enterprises, S.A.			2.534			884
Sol Melia Italia, S.R.L.	46	2.198	10.708	2.338	151	1.219
Sol Melia V.C. Dominicana, S.A.		9.169			9.022	
Sol Melia V.C. España, S.L.	244	12.416	624	239	13.003	694
Sol Melia V.C. Panamá, S.A.		1.628			1.603	
Sol Melia V.C. Puerto Rico			4.237		3.606	
Tenerife Sol, S.A.	(734)	168	33.879	(554)	2.871	38.984
The Sol Group Corporation	91	1.904	3	53	1.827	3
Other group companies	2.180	4.367	10.634	7.170	3.339	10.688
Total group companies	39.555	426.748	621.172	111.381	428.797	544.079

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(thousand €)	Net inc. 2019	31/12/2019 Assets	31/12/2019 Liabilit.	Net inc. 2018	31/12/2018 Assets	31/12/2018 Liabilit.
Associates						
Altavista Hotelera, S.L. (J.V.)	194	10.384		240	10.252	
Comunidad de Prop. Hotel Meliá Castilla	1.603		339	1.481		178
Detur Panamá, S.A. (J.V.)	117	9.147		93	8.790	
Grupo Evertmel (J.V.)	1.098	40.540		956	26.879	
Grupo Melcom (J.V.)	861	37.368	1.122	619	37.304	1.122
Grupo Producciones de Parques (J.V.)			1.886	(7)		1.439
Grupo Renasala (J.V.)	501	20.248	674	2.385	21.958	1.724
Grupo Starmel (J.V.)	646	5.493	824	588	4.967	415
Homasi, S.A.U.	1.575					
Meliá Zaragoza, S.L. (J.V.)	96	13.206		245	1.027	
S'Argamassa Hotelera, S.L.			14	114		29
Other associates	297	331	1.672	233	32	831
Impairmente		(438)			(438)	
Total associates	6.988	136.278	6.531	6.947	110.770	5.737
Total	46.543	563.026	627.703	118.328	539.567	549.816

(J.V.) Joint Ventures

The breakdown of assets and liabilities in group companies and associates, including currency, for years 2019 and 2018 is as follows:

(thousand €)	31/12/2019 Assets	31/12/2019 Liabilities	31/12/2018 Assets	31/12/2018 Liabilities
Eur	485.851	506.161	371.334	390.999
Usd	48.358	121.148	154.722	157.578
Other currencies	28.817	394	13.510	1.239
Total	563.026	627.703	539.567	549.816

There follows a breakdown of the maturity dates of assets and liabilities in group companies and associates at year-end 2019 and 2018:

(thousand €)	31/12/2019 Assets	31/12/2019 Liabilities
2020	162.070	135.917
2021	181.215	161.431
2022	27.931	18.986
2023	86.698	187.552
2024	83.567	
2025 and subseq.	21.546	123.817
Total	563.026	627.703

(thousand €)	31/12/2018 Assets	31/12/2018 Liabilities
2019	123.153	113.804
2020	41.123	88.274
2021	148.680	137.347
2022	29.756	21.733
2023	92.749	156.339
2024 and subseq.	104.107	32.319
Total	539.567	549.816

For the purposes of optimising the financial resources generated, the Company performs centralised management of collections and payments between group companies through current account, including debit or credit balances, depending on the circumstances of each subsidiary, and the return thereof is made according to the needs. These balances accrue interest at market rates, which is settled annually based on the daily balance of the account, so such collections and payments are deemed to be financing flows in the cash flow statement. The interest rate applied in 2019 is 1.5% and 2018 was 2%.

Likewise, the Company has granted loans to certain subsidiaries which are intended to finance the activities pertaining to Meliá Group's companies. On the other hand, it has been granted loans by some of its subsidiaries with excess funds or whose main activity is to obtain financial resources for the Group.

17.3 Transactions with significant shareholders

Balances by type of transaction effected with significant shareholders are as follows:

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Name or corporate name of significant shareholder	Type of transaction	(thousand €)	
		2019	2018
Tulipa Inversiones 2018, S.A.	Receipt of services	318	
Hoteles Mallorquines Asociados, S.L.	Receipt of services		1.066

17.4 Transactions with executives and members of the Board of Directors

Remuneration and other benefits of directors and members of the senior management are as follows:

Attendance fees for meetings of the Board and delegated committees are as follows:

(thousand €)	2019	2018
External independent directors	536	476
Mr. Juan Arena de la Mora	67	79
Mr. Luis María Díaz de Bustamante y Terminel	114	108
Mr. Fco Javier Campo García	112	90
Mr. Fernando D´Ornellas Silva	132	115
Mrs. Carina Szpilka Lazaro	84	84
Mrs. Mª Cristina Henriquez de Luna	27	
Proprietary directors	213	219
Mr. Gabriel Escarrer Juliá	49	49
Mr. Sebastián Escarrer Jaume	49	54
Mr. Juan Vives Cerdá	10	44
Hoteles Mallorquines Consolidados,S.A.	78	72
Hoteles Mallorquines Asociados, S.A.	27	
Other external directors	42	81
Mr. Alfredo Pastor Bodmer	42	81
Executive director	54	54
Mr. Gabriel Juan Escarrer Jaume	54	54
Total	845	830

Remuneration of executive directors and senior management is as follows:

(miles de €)	2019		2018	
	Retribución Fija	Retribución Variable	Retribución Fija	Retribución Variable
Consejeros ejecutivos	858	1.645	875	481
D. Gabriel Juan Escarrer Jaume	858	1.645	875	481
Alta dirección	1.930	2.907	1.819	652
Total	2.788	4.552	2.694	1.133

The Company has not assumed any obligation and has not made any advance payment nor granted any loans to directors.

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The increase in variable remuneration in 2019 relates to the payment of long-term remunerations accrued in fulfilment of the milestones achieved in the 2016-2018 Strategic Plan.

The breakdown below relates to transactions between Meliá Hotels International, S.A. and the Company's directors or executives during 2019 and 2018:

(thousand €)	Type of transaction	2019	2018
Mr. Juan Vives Cerda	Receipt of services	3	5
Mr. Juan Vives Cerda	Provisions of services	158	263

The Company has arranged a civil liability policy (D&O) for the Group's directors and executives, under the terms and conditions that are common in insurance policies of this nature, with a premium for 2019 in the amount of EUR 100,842.5; EUR 91,289 in 2018.

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Note 18. Other information

18.1 Audit fees

Fees earned during the year by Deloitte, S.L., for the audit of the Company's accounts and other verification services amounted to EUR 155 thousand and EUR 97.5 thousand, respectively (fees for the audit of the consolidated annual accounts are not included).

In 2018, fees earned relating to accounts audit services and other verification services amounted to EUR 168 thousand and EUR 166 thousand, respectively (fees for the audit of the consolidated annual accounts were not included).

18.2 Environmental risks

The Company has in place an Environmental Policy which is applicable to all group companies, due to the nature of the activity they develop and the high level of dependence on social and environmental factors, such as the climate and natural resources.

For this reason, it favours a hotel management model which makes progress towards decarbonisation, energy and water consumption efficiency, circular economy promotion and the direct involvement of stakeholders, with the innovation and implementation of impact measurement metrics.

To do that, a road map has been designed which includes the following commitments:

- To boost a tourism model which makes progress towards carbon neutrality.
- To continue to spread the strategy of energy production from renewable sources.
- To support a circular hotel model as a lever to reduce waste, which encourages reuse and improves its management, thus reducing the impact of the activity at destination.
- To consolidate the commitment to innovation applied to the environmental management of the Company's activity, Artificial Intelligence and impact metrics.
- To reinforce the involvement of stakeholders in the achievement of commitments and shared goals, making them participants and involving them actively.

18.3 Situations of conflicts of interest in which the Company's directors are involved

According to the requirements of Articles 229 and 230 of the Revised Text of the Spanish Law on Corporations, the members of the Board of Directors of Meliá Hotels International, S.A., confirmed that neither they, nor any persons with whom they have ties, as referred to in Article 231 of the aforesaid Law, carry out any activities on their own account or for third parties which may involve any effective competition, present or future, with the Company or which, in any way whatsoever, would place them in a position of permanent conflict with the interests thereof.

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Direct or indirect shareholdings controlled by members of the Board of Directors of the Company are as follows:

Shareholder / Director	Number of direct or indirect voting rights	% of total voting rights	Position on the Board
Mr. Gabriel Escarrer Juliá	11.542.525	5,0250%	Chairman
Hoteles Mallorquines Consolidados, S.A.	53.700.867	23,3787%	Director
Hoteles Mallorquines Asociados S.A.	30.333.066	13,2060%	Director
Mr. Juan Arena de La Mora	1.000	0,0004%	Director
Mr. Luis Mª Díaz de Bustamante y Terminel	300	0,0001%	Secretary and Director

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Note 19. Events after the Reporting Date

On 21 February 2020 the European Commission announced the decision ending the investigation initiated in 2017 (see Note 12.1), imposing a fine to the Company in the amount of EUR 6.7 million, amount for which full provision has been made at 31 December 2019.

Meliá Hotels International has always considered that the mentioned agreements did not have adverse effects for competition in the market and with this intention they were entered into. However, focusing on the interest of customers and partners of the Company, it was decided to fully cooperate with the European Commission from the beginning, as disclosed by the Commission in its notice. Meliá Hotels International is fully committed to the competition rules and the single European market, and following the initiation of this investigation all the internal compliance procedures were initiated to ensure that all its agreements comply with such rules.

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Annex I

The equity situation as at 31 December 2019, obtained from the annual accounts provided by the relevant companies, is as follows:

(thousand €)	Shareholding	Accounting figures			Underlying carrying amount	Investment value	Impairm.	Net value
		Capital	Reserves	Result				
Group companies								
Adprotel Strand, S. L. (J.V.)	50,00%	69.537	2.174	5.370	38.541	76.068	(21.753)	54.315
Adrimelco Inversiones, S.L.U.	100,00%	3	(1)	(0)	2	3		3
Apartotel, S.A.	99,79%	962	4.065	1.483	6.496	4.150		4.150
Aparthotel Bosque, S.A.	100,00%	1.659	7.346	1.353	10.358	9.497		9.497
Bedbank Trading, S.A.	100,00%	71	4.225	180	4.476	65	(65)	
Casino Tamarindos, S.A.U.	100,00%	3.005	(986)	108	2.127	13.532	(7.757)	5.775
Credit Control Corporation	100,00%	45	575	27	647	41		41
Colón Verona, S.A.	100,00%	15.000	9.440	3.255	27.695	43.075	(6.762)	36.313
Dorpan, S.L.U.	100,00%	1.202	321	30	1.553	1.623		1.623
Expamihso Spain, S.A.U.	100,00%	5.249	123.012	3.016	131.277	295		295
Gesmesol, S.A.	100,00%	45	80.616	2.848	83.509	1.803		1.803
Gestión Hotelera Turística Mesol, S.A.	100,00%	60	15	1	76	61		61
Guarajuba Empreendimientos	100,00%	3.096	(1.359)	(130)	1.607	8.755	(1.907)	6.848
Gonpons Inversiones, S.L.U.	100,00%	3	(1)	(0)	2	3		3
Hogares Batle, S.A.	51,49%	1.482	304	(80)	878	2.036	(868)	1.168
Hotelpoint, S.L.	100,00%	3	1	12.871	12.875	3		3
Hoteles Meliá, S.L.	100,00%	3	2	(0)	5	10		10
Hoteles Paradisus XXI, S.L.	100,00%	3	4	(0)	7	10		10
Hoteles Sol Meliá, S.L.	100,00%	676	95.316	73	96.064	88.176		88.176
Hoteles Sol, S.L.	100,00%	3	3	(0)	6	11		11
Ilha Bela Gestao e Turismo, LTD.	100,00%	49	3.478	(137)	3.390	3.698		3.698
Impulse Hotel Development, S.L.U.	100,00%	19	1.244	(36)	1.226	18		18
Infinity Vacations Dominicana	0,03%	89.034	11.462	26.839	38			
Infinity Vacations, S.A.	0,01%	0	(7)	(4)				
Inversiones Areito, S.A.S. (*)	64,54%	12.224	(26.653)	(6.151)	(13.282)	25.513		25.513
Inmotel Inversiones Italia, S.R.L.	100,00%	20	26.975	2.479	29.474	89.304		89.304
Inversiones Hoteleras la Jaquita, S.A.	50,00%	51.767	30.906	(1.126)	40.773	32.568		32.568
Inversiones Turísticas del Caribe, S.A.	100,00%	76	(76)			6		6
Inversiones y Explotaciones Turísticas, S.A.	54,93%	8.937	54.718	14.548	42.957	12.742		12.742
Markserv, B.V.	51,00%	36	8.224	19	4.222	1.503	(1.503)	
Melia Europe & Middle East	100,00%	3	4	(293)	(286)	3.707	(3.602)	105
Melia Inversiones Americanas, N.V.	82,26%	26.673	604.277	2.468	521.050	186.120		186.120
Meliá Vietnam CO	100,00%	770		(22)	749	777		777
MHI UK LTD.	100,00%	0	35.366	(3.315)	32.051	40.321		40.321
Naolinco Hoteles, S.L.	100,00%	3	(1)		2	1.355	(1.338)	17
Operadora Mesol S.A. de C.V.	75,21%	8.514	1.057	(497)	6.825	4.219		4.219
Prodigios Interactivos, S.A.	53,98%	42.216	34.016	14.143	48.785	35.718		35.718
P.T. Sol Melia Indonesia	90,00%	63	122	219	363	76		76
Punta Cana Reservations, S.L.	100,00%	5	163.443	2.491	165.940	8.277		8.277
Realizaciones Turísticas, S.A.	95,97%	7.210	130.576	2.339	134.478	42.236		42.236
René Egli, S.L.U.	100,00%	4	3.201	17	3.222	3.832		3.832
Securisol, S.A.	100,00%	66	266	19	351	66		66
Sol Group B.V.	100,00%	1.540	(488)	(8)	1.045	1.529		1.529
Sol Maninvest B.V.	100,00%	19	17.206	(296)	16.928	19	(31)	(12)
Sol Melia Balkans E.A.D.	100,00%	51	372	774	1.196	51		51
Sol Melia Deutschland, GMBH	100,00%	1.023		8.690	9.712	5.216		5.216
Sol Melia Europe, B.V.	100,00%	1.500	812	128	2.440	1.500		1.500
Sol Melia France S.A.S.	100,00%	49.800	5.055	2.870	57.726	49.801		49.801
Sol M. Greece H. And T. Enterprises, S.A.	100,00%	5.586	(3.747)	42	1.881	5.586	(3.655)	1.931
Sol Melia Italia S.R.L.	100,00%	100	2.819	1.358	4.276	3.880		3.880
S.M. Hotel Manag. Shanghai S.M.	100,00%	5.192	(3.600)	(110)	1.482	5.243	(2.730)	2.513
Sol Melia Investment, N.V.	100,00%	23.795	23.542	(9)	47.327	58.183		
Sol Melia Luxembourg, SARL	100,00%	200	145	1.608	1.952	206		
Sol Melia VC Puerto Rico Corp.	100,00%	66.363	(61.892)	(318)	4.153	60.921	(56.849)	4.072
Tenerife Sol. S.A.	50,00%	2.765	70.259	(859)	36.083	1.386		
Third Project 2012, S.L.	100,00%	3	(0)	(0)	2	3		3
Tryp Mediterranee, S.A.	85,40%					407	(407)	
Total group companies		**507.730**	**1.458.153**	**98.273**	**1.626.732**	**935.207**	**(109.227)**	**825.980**

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(thousand €)	Shareholding	Accounting figures Capital	Reserves	Result	Underlying carrying amount	Investment value	Impairment	Net value
Associates								
Altavista Hotelera, S.L.	7,55%	47.252	19.760	1.476	5.171	14.420	(5.969)	8.451
Detur Panamá, S.A. (J.V.)	32,72%	12.497	(29.571)	(1.561)	(6.097)	4.406	(4.406)	
Evertmel, S.L. (J.V.)	49,00%	35.157	16.039	(1.205)	24.496	38.126		38.126
Hellenic Hotel Management, S.A.	40,00%	587	(776)		(76)	245	(245)	
Homasi, S.A.	35,00%	18.220	76.760	9.836	36.685	48.953		48.953
Jamaica Devco, S.L.	49,00%	1.003	(1.058)	(284)	(166)	491		491
Meliá Zaragoza, S.L. (J.V.)	50,00%	6.820	(14.202)	(2.951)	(5.167)	8.067	(8.067)	0
Mosaico, B.V.	20,00%	85	72	(164)	(1)	668		668
Nexprom, S.A.	17,50%	4.591	21.073	4.195	5.225	1.081		1.081
Plaza Puerta del Mar, S.A.	12,30%	9.000	9.052	3.432	2.643	1.804		1.804
Producciones de Parques, S.L. (J.V.)	50,00%	39.884	(745)	(1.294)	18.923	27.680		27.680
Promedro, S.A.	20,00%	1.635	76	(9)	340	328		328
Melcom Joint Venture, S.L. (J.V.)	50,00%	8.130	76.873	(399)	42.302	47.401	(4.799)	42.602
Renasala, S.L.	30,00%	4	33.652	1.167	10.447	10.591		10.591
Sierra Parima, S.A.S.	50,00%	6.704	4.772	(498)	5.489	5.394		
Starmel Hotels JV, S.L. (J.V.)	20,00%	739	2.348	(1.227)	372	148		148
Turismo de Invierno, S.A.	21,42%	670	5.817	612	1.521	1.355		1.355
Total associates		192.979	219.940	11.126	142.107	211.158	(23.486)	187.672
Total group companies and associates		700.709	1.678.093	109.399	1.768.839	1.146.365	(132.713)	1.013.652

(*) The studies to determine the impairment losses of the shareholding in these group companies and associates are conducted taking into consideration the valuation of the trader companies of the hotels owned by these group companies and associates. (J.V.) Joint Ventures

The equity situation as at 31 December 2018, obtained from the annual accounts provided by the relevant companies, was as follows:

(thousand €)	Shareholding	Accounting figures			Underlying carrying amount	Investment value	Impairment	Net value
		Capital	Reserves	Result				
Group companies								
Adprotel Strand, S. L. (J.V.)	50,00%	65.594	(9.802)	12.463	34.128	76.068	(22.225)	53.843
Adrimelco Inversiones, S.L.U.	100,00%	3	(1)		2	3		3
Almeldik, S.R.L.A.U.	100,00%	10			10	10		10
Apartotel, S.A.	99,79%	962	4.065	1.648	6.661	4.150		4.150
Aparthotel Bosque, S.A.	85,00%	1.659	6.829	548	7.680	6.497		6.497
Bedbank Trading, S.A.	100,00%	70	7.007	682	7.759	65		65
Casino Tamarindos, S.A.U.	100,00%	3.005	(883)	(121)	2.001	13.532	(7.757)	5.775
Credit Control Corporation	100,00%	44	800	(238)	606	41		41
Colón Verona, S.A.	100,00%	15.000	5.171	4.246	24.417	43.075	(12.035)	31.040
Dorpan, S.L.U.	100,00%	1.202	291	30	1.523	1.623		1.623
Expamihso Spain, S.A.U.	100,00%	5.249	121.063	1.949	128.261	295		295
Gesmesol, S.A.	100,00%	44	78.794	5.217	84.055	1.803		1.803
Gestión Hotelera Turística Mesol, S.A.	100,00%	60	14	1	76	61		61
Guarajuba Empreendimientos	100,00%	3.161	(1.269)	(119)	1.773	8.755	(1.907)	6.848
Gonpons Inversiones, S.L.U.	100,00%	3	(1)		2	3		3
Hogares Batle, S.A.	51,49%	1.482	383	(76)	921	2.036	(868)	1.168
Hotelpoint, S.L.	100,00%	3	2	21.475	21.480	3		3
Hoteles Meliá, S.L.	100,00%	3	2		5	10		10
Hoteles Paradisus XXI, S.L.	100,00%	3	4		7	10		10
Hoteles Sol Meliá, S.L.	100,00%	676	92.248	3.068	95.992	88.176		88.176
Hoteles Sol, S.L.	100,00%	3	4	(1)	6	11		11
Ilha Bela Gestao e Turismo, LTD.	100,00%	48	3.369	31	3.448	3.698		3.698
Impulse Hotel Development, B.V.	100,00%	19	1.480	(236)	1.263	18		18
Infinity Vacations Dominicana	0,03%	85.229	(27)	9.332	28	0		0
Infinity Vacations, S.A.	0,01%	0	(2)	(5)		0		0
Inversiones Areito, S.A.S. (*)	64,54%	12.520	(28.687)	1.495	(9.469)	25.513		25.513
Inmotel Inversiones Italia, S.R.L.	100,00%	20	24.906	2.069	26.995	89.304		89.304
Inversiones Hoteleras la Jaquita, S.A.	50,00%	51.767	27.047	3.948	41.381	32.568		32.568
Inversiones Turísticas del Caribe, S.A.	100,00%	78	(78)			6		6
Inversiones y Explotaciones Turísticas, S.A.	55,31%	8.937	46.750	7.925	35.184	12.742		12.742
Markserv, B.V.	51,00%	36	6.820	1.404	4.212	1.503	(1.503)	0
Melia Europe & Middle East	100,00%	3	4	(1.192)	(1.185)	2.561	(2.561)	
Melia Inversiones Americanas, N.V.	82,26%	26.673	560.058	44.219	519.019	186.120		186.120
MHI UK LTD.	100,00%		33.769	(409)	33.360	40.321		40.321
Naolinco Hoteles, S.L.	100,00%	3	(1)	(15)	(13)	1.340	(1.338)	2
Operadora Mesol S.A. de C.V.	75,21%	7.967	645	2.422	8.299	4.219		4.219
Prodigios Interactivos, S.A.	53,98%	42.216	30.254	11.182	45.156	35.718		35.718
P.T. Sol Melia Indonesia	90,00%	59	1	113	156	76		76
Punta Cana Reservations, S.L.	100,00%	5	177.330	(13.886)	163.449	8.277		8.277
Realizaciones Turísticas, S.A.	95,97%	7.210	128.173	2.431	132.260	42.236		42.236
René Egli, S.L.U.	100,00%	4	3.058	144	3.205	3.832		3.832
Securisol, S.A.	100,00%	66	197	64	327	66		66
Sierra Parima, S.A.	100,00%	5.886	5.183	(296)	10.773	14.300		14.300
Sol Group B.V.	100,00%	1.540	(475)	(12)	1.053	1.529		1.529
Sol Maninvest B.V.	100,00%	19	15.842	1.363	17.224	19	(31)	(12)
Sol Melia Balkans E.A.D.	100,00%	51	365	926	1.342	51		51
Sol Melia Deutschland, GMBH	100,00%	1.023		6.438	7.461	5.216		5.216
Sol Melia Europe, B.V.	100,00%	1.500	572	239	2.311	1.500		1.500
Sol Melia France S.A.S.	100,00%	49.800	5.055	1.876	56.731	49.801		49.801
Sol M. Greece H. And T. Enterprises, S.A.	100,00%	5.586	(3.736)	(11)	1.839	5.586	(3.655)	1.931
Sol Melia Italia S.R.L.	100,00%	100	1.571	1.248	2.919	3.880		3.880
S.M. Hotel Manag. Shanghai S.M.	100,00%	5.172	(3.732)	146	1.586	5.243	(2.730)	2.513
Sol Melia Investment N.V.	100,00%	23.795	23.670	(128)	47.337	58.176		58.176
Sol Melia Luxembourg SARL	100,00%	200	104	1.330	1.634	206		206
Sol Melia VC Puerto Rico Corp.	100,00%	64.863	(82.818)	22.325	4.370	60.921	(51.635)	9.286
Tenerife Sol, S.A.	50,00%	2.765	64.415	5.849	36.514	1.386		1.386
Third Project 2012, S.L.	100,00%	3	(1)		2	3		3
Tryp Mediterranee, S.A.	85,40%					407	(407)	
Total group companies		**503.396**	**1.345.804**	**163.101**	**1.617.536**	**944.579**	**(108.652)**	**835.926**

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(thousand €)	Shareholding	Accounting figures			Underlying carrying amount	Investment value	Impairment	Net value
		Capital	Reserves	Result				
Associates								
Altavista Hotelera, S.L.	7,55%	47.252	15.310	4.450	5.059	14.420	(5.969)	8.451
Detur Panamá, S.A. (J.V.)	32,72%	12.212	(27.757)	(1.146)	(5.461)	4.406	(4.406)	
Evertmel, S.L. (J.V.)	49,00%	35.157	17.555	(1.642)	25.024	38.126		38.126
Hellenic Hotel Management, S.A.	40,00%	587	(776)		(76)	245	(245)	
Homasi, S.A.	35,00%	18.220	73.910	7.349	34.818	48.953		48.953
Jamaica Devco, S.L.	49,00%	1.003	(613)	770	568	491		491
Meliá Zaragoza, S.L. (J.V.)	50,00%	6.820	(10.154)	(4.048)	(3.691)	8.067	(8.067)	
Mosaico, B.V.	20,00%		3.183	(205)	596	648		648
Nexprom, S.A.	17,50%	4.591	18.107	3.923	4.659	1.081		1.081
Plaza Puerta del Mar, S.A.	12,23%	9.000	7.438	3.144	2.395	1.784		1.784
Producciones de Parques, S.L. (J.V.)	50,00%	39.884	(392)	(110)	19.691	27.680		27.680
Promedro, S.A.	20,00%	1.635	85	(9)	342	328		328
Melcom Joint Venture, S.L. (J.V.)	50,00%	8.130	76.203	670	42.502	47.401	(6.240)	41.161
Renasala, S.L.	30,00%	4	33.439	2.397	10.752	10.591		10.591
Starmel Hotels JV, S.L. (J.V.)	20,00%	739	2.836	(488)	617	148		148
Turismo de Invierno, S.A.	21,42%	670	5.502	569	1.444	1.355		1.355
Total associates		185.905	213.875	15.624	139.239	205.724	(24.927)	180.797
Total group companies and associates		689.301	1.559.679	178.725	1.756.775	1.150.303	(133.579)	1.016.724

(*) The studies to determine the impairment losses of the shareholding in these group companies and associates are conducted taking into consideration the valuation of the trader companies of the hotels owned by these group companies and associates. (J.V.) Joint Ventures

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There follows the list of Subsidiary companies, Associates and joint ventures of the Group as at 31 December 2019:

Subsidiary companies

		HOTEL OPERATING COMPANIES	ADDRESS	COUNTRY	DIR S.	IND S.	TOTAL
(A)	(F1)	APARTHOTEL BOSQUE, S. A.	Camilo José Cela, 5 (Palma de Mallorca)	Spain	100,00%		100,00%
(A)		ARESOL CABOS S.A. de C.V.	Km 19,5 Ctra. Cabo San Lucas (S.Jose del Cabo)	Mexico		99,69%	99,69%
(A)		AYOSA HOTELES, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		49,00%	49,00%
(A)		BISOL VALLARTA, S. A. de C. V.	Paseo de la Marina Sur (Puerto Vallarta)	Mexico		99,68%	
						0,01%	99,69%
(A)		CALA FORMENTOR, S. A. de C. V.	Boulevard Kukulkan (Cancún)	Mexico		92,40%	
						7,29%	99,69%
(A)		CARIBOTELS DE MEXICO, S. A. de C. V.	Playa Santa Pilar, Aptdo 9 (Cozumel)	Mexico		16,41%	
						29,63%	
						53,70%	99,74%
(A)		CIBANCO SA IBM FIDEICOMISO EL MEDANO	Playa El Medano s/n, (Cabo San Lucas)	Mexico		100,00%	100,00%
(A)	(F1)	COLÓN VERONA,S.A.	Canalejas, 1 (Sevilla)	Spain	100,00%		100,00%
		COM.PROP. SOL Y NIEVE (*)	Plaza del Prado Llano (Sierra Nevada)	Spain	93,27%		93,27%
(A)		CORP.HOT.HISP.MEX., S. A. de C. V.	Boulevard Kukulkan km.12,5 (Cancún)	Mexico		9,22%	
						90,47%	99,69%
(A)		CORP.HOTELERA METOR, S. A.	Faustino Sánchez Carrión s/n (Lima)	Peru		75,87%	75,87%
(A)		DESARROLLOS SOL, S.A.S.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.		61,79%	
						20,25%	
						17,66%	99,69%
(A)	(F2)	HOTEL ALEXANDER, S. A. S.	20, Rue du sentier 75002 (Paris)	France		100,00%	100,00%
(A)	(F2)	HOTEL COLBERT S.A.S.	20, Rue du sentier 75002 (Paris)	France		100,00%	100,00%
(A)	(F2)	HOTEL FRANÇOIS S.A.S.	20, Rue du sentier 75002 (Paris)	France		100,00%	100,00%
(A)	(F2)	HOTEL MADELEINE PALACE, S.A.S.	8, Rue Cambon 75001 (Paris)	France		100,00%	100,00%
(A)	(F2)	HOTEL ROYAL ALMA S.A.S.	20, Rue du sentier 75002 (Paris)	France		100,00%	100,00%
(A)		INFINITY VACATIONS DOMINICANA	Instal.Hotel Circle,Avda.Barceló,Bávaro (P.Cana)	Dom. Rep.	0,03%		
						99,97%	100,00%
		INNSIDE VENTURES, LLC	1029, Orange St. Wilmington (Delaware)	USA		100,00%	100,00%
(A)	(F7)	INVERS. EXP. TURISTICAS, S. A.	Mauricio Legendre, 16 (Madrid)	Spain	54,93%		54,93%
(A)		INVERS. INMOB. IAR 1997, C. A.	Avenida Casanova con C/ El Recreo (Caracas)	Venezuela		99,69%	99,69%
(A)		INVERSIONES AGARA, S.A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.		99,69%	99,69%
(A)		INVERSIONES AREITO, S.A.	Avda. Barceló, s/n (Bávaro)	Dom. Rep.	64,54%		
						35,46%	100,00%
(A)	(F1)	INV. HOTELERAS LA JAQUITA, S.A.	Avda. de los Océanos, s/n (Tenerife)	Spain		49,07%	
					50,00%		99,07%
		LOMONDO Limited	Albany Street-Regents Park (Londres)	United Kingdom		100,00%	100,00%
		LONDON XXI Limited	336-337 The Strand (Londres)	United Kingdom		100,00%	100,00%
(A)		MELIÁ HOTELS INTERNATIONAL, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain			100,00%
		MELIA HOTELS ORLANDO, LLC.	Brickell Avenue Suite 1000, 800	USA		50,00%	50,00%
(A)	(F1)	PRODISOTEL, S.A.	Mauricio Legendre, 16 (Madrid)	Spain		100,00%	100,00%
(A)	(F1)	REALIZACIONES TURÍSTICAS, S.A.	Mauricio Legendre, 16 (Madrid)	Spain	95,97%		
						0,30%	96,27%
(A)		S' ARGAMASSA HOTELERA S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50,00%	50,00%
(A)		SOL MELIÁ DEUTSCHLAND, gmbh	Am Schimmersfeld 5 (Ratingen)	Germany	100,00%		100,00%
(A)	(F9)	SOL MELIÁ ITALIA S.R.L.	Via Masaccio 19 (Milán)	Italy	100,00%		100,00%
		SOL MELIÁ LUXEMBOURG, S.A.R.L.	1 Park Dräi Eechelen, L1499	Luxembourg	100,00%		100,00%
(A)	(F1)	TENERIFE SOL, S. A.	Playa de las Américas (Tenerife)	Spain	50,00%		
						47,99%	97,99%

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		MANAGEMENT COMPANIES	ADDRESS	COUNTRY	DIR S.	IND S.	TOTAL
	(F1)	APARTOTEL, S. A.	Mauricio Legendre, 16 (Madrid)	Spain	99,79%		99,79%
		GESMESOL, S. A.	Elvira Méndez, 10 - Edif. Bco do Brasil	Panama	100,00%		100,00%
(A)		ILHA BELA GESTAÔ E TURISMO, Ltd.	31 de Janeiro, 81 (Funchal - Madeira)	Portugal	100,00%		100,00%
	(F1)	MARKSERV, B. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Netherlands	51,00%		
						49,00%	100,00%
		MELIÁ BRASIL ADMINISTRAÇAO	Avenida Cidade Jardim, 1030 (Sao Paulo)	Brazil		20,00%	
						80,00%	100,00%
(A)		MELIÁ MANAGEMENT, S.A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.		100,00%	100,00%
		MELIA VIETNAM COMPANY LIMITED	13th Floor, Plaza Saigon Building, 39 Le Duan Street, Ben	Vietnam		100,00%	100,00%
		NEW CONTINENT VENTURES, Inc.	800 Brickell Avenue Suite 1000 (Miami)	USA		100,00%	100,00%
		OPERADORA COSTARISOL, S.A.	Avenida Central, 8 (San José)	Costa Rica		100,00%	100,00%
(A)		OPERADORA MESOL, S. A. de C. V.	Blvd. Kukulkan Km 16.5 No 1 T.5. Zona Hot (Cancún)	México	75,21%		
						24,79%	100,00%
		PT SOL MELIÁ INDONESIA	Ed.Plaza Bapindo-Menara Mandiri Lt.16	Indonesia	90,00%		
			Jl.Jend.Sudirman Kav.54-55 (Jakarta)			10,00%	100,00%
	(F1)	SOL MANINVEST, B. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Netherlands	100,00%		100,00%
(A)		SOL MELIÁ BALKANS EAD	Región de Primorski,Golden-Sands-Varna	Bulgaria	100,00%		100,00%
(A)		SOL MELIÁ HOTEL MANAG. SHANGHAI CO, LTD.	Suite 13-1A1,13th Floor,Hang Seng Bank Tower,1000	China	100,00%		100,00%
			Lujiazui Ring Road (Shanghai)				
		SOL MELIÁ GREECE, HOTEL & TOURISTIC	14th Chalkokondili Str & 28th October str (Atenas)	Greece	100,00%		100,00%
		SOL MELIÁ PERÚ, S. A.	Av. Salaberri, 2599 (San Isidro - Lima)	Peru		99,90%	
						0,10%	100,00%

		COMPANIES OF DIFFERENT ACTIVITIES	ADDRESS	COUNTRY	DIR S.	IND S.	TOTAL
(A)	(F1)	ADPROTEL STRAND, S.L.	Mauricio Legendre, 16 (Madrid)	Spain	50,00%	25,00%	75,00%
(A)		BAJA SERVICIOS ADMINISTRATIVOS S.A	Ctra Transpeninsular, km 19,5 (Los Cabos)	Mexico		100,00%	100,00%
	(F1)	CASINO TAMARINDOS, S. A.	Retama, 3 (Las Palmas)	Spain	100,00%		100,00%
		CREDIT CONTROL CORPORATION	Brickell Avenue, 800 (Miami)	USA	100,00%		100,00%
	(F1)	DORPAN, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100,00%		100,00%
		GUARAJUBA EMPREENDIMENTOS, S.A.	Avda. Jorge Amado s/n, Bahía	Brazil	100,00%		100,00%
	(F1)	HOGARES BATLE, S.A.	Gremio Toneleros, 42 (Palma de Mca.)	Spain	51,49%		
						46,70%	98,19%
(A)	(F2)	HOTEL METROPOLITAN, S.A.S.	20, Rue du sentier 75002 (Paris)	France		100,00%	100,00%
(A)	(F1)	HOTELPOINT, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100,00%		100,00%
		IMPACT HOSPITALITY V3NTURES, LLC	Celebration Place, 225 (Miami)	USA		100,00%	100,00%
		INFINITY VACATIONS S.A. DE C.V.	Bvld.Kukulcan Km 16,5 Benito Juarez (Cancún)	Mexico	0,01%		
						99,99%	100,00%
(A)		INMOBILIARIA DISTRITO CIAL., C. A.	Avda. venezuela con Casanova (Caracas)	Venezuela		89,26%	89,26%
	(F9)	INMOTEL INVERS. ITALIA, S.R.L.	Via Pietro Mascagni, 14 (Milán)	Italy	100,00%		100,00%
	(F1)	MELIA EUROPE & MIDDLE EAST, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	España	100,00%		100,00%
	(F1)	NAOLINCO AVIATION,S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100,00%		100,00%
	(F1)	NETWORK INVESTMENTS SPAIN, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		100,00%	100,00%
(A)	(F1)	PRODIGIOS INTERACTIVOS, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	53,98%	46,02%	100,00%
(A)	(F1)	RENÉ EGLI, S.L.U.	Playa La Barca, Pájara (Las Palmas de G.Canaria)	Spain	100,00%		100,00%
	(F1)	SECURISOL, S. A.	Avda.Notario Alemany s/n Hotel Barbados (Calviá)	Spain	100,00%		100,00%
(A)		SEGUNDA FASE CORP.	Carretera 3, Intersecc. 955 (Rio Grande)	Puerto Rico		100,00%	100,00%
(A)		SERVICIOS ARTEMISA, S.A.de C.V.	Boulevard Kukulkan Km 12 (Cancún)	Mexico		100,00%	100,00%
(A)		SERVICIOS INTEGRALES DE PERSONAL IRIS, S.A.de C.V.	Paseo de la Marina Sur (Puerto Vallarta)	Mexico		100,00%	100,00%
(A)		SERVICIOS PERSONALES ORFEO, S.A.de C.V.	Boulevard Kukulkan Km 16,5 (Cancún)	Mexico		100,00%	100,00%
(A)		SERVICIOS PITEO, S.A.de C.V.	Avda Tulum 200, Sm 4 (B.Juarez)	Mexico		100,00%	100,00%
		SOL CARIBE TOURS, S. A.	Vía Grecia - Edif. Alamanda 6B (Panamá)	Panama		100,00%	100,00%
		SOL GROUP CORPORATION	800 Brickell Avenue, Suite 1000, FL, 33131 (Miami)	USA		100,00%	100,00%
	(F1)	SOL MELIÁ EUROPE, B. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Netherlands	100,00%		100,00%
		SOL MELIÁ FUNDING	Regatta Office Park West Bay Road P.O.Box 31106	Cayman Islands		100,00%	100,00%
(A)		SMVC DOMINICANA, S.A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.		100,00%	100,00%
	(F1)	SMVC ESPAÑA S.L.	Mauricio Legendre,16 (Madrid)	Spain		100,00%	100,00%
(A)		SMVC MÉXICO, S.A de C.V.	Boluevard Kukulkan (Cancún)	Mexico		100,00%	100,00%
		SMVC PANAMÁ S.A.	Antigua escuela las Américas, Lago Gatún	Panama		100,00%	100,00%
	(F1)	SMV NETWORK ESPAÑA, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		100,00%	100,00%
		VACATION CLUB SERVICES INC.	Bickell Avenue, 800 (Miami)	USA		100,00%	100,00%

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		HOLDING COMPANIES	ADDRESS	COUNTRY	DIR. S	IND S.	TOTAL
(A)	(F2)	CADSTAR FRANCE, S.A.S.	12, Rue du Mont Thabor (Paris)	France		100,00%	100,00%
	(F1)	DESARROLLOS HOTELEROS SAN JUAN EXHOLD, S. L.	Sarria, 50, 08029 Barcelona	Spain		99,69%	99,69%
	(F1)	DOMINICAN INVESTMENTS, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		99,69%	99,69%
	(F1)	DOMINICAN MARKETING SERVICES, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		65,73%	
						33,96%	99,69%
	(F1)	EXPAMIHSO SPAIN. S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100,00%		100,00%
	(F1)	FARANDOLE, B. V.	Strawinskylaan, 915 WTC (Amsterdam)	Netherlands		99,69%	99,69%
	(F1)	HOTEL ROOM MANAGEMENT, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		99,69%	99,69%
	(F1)	HOTELES SOL MELIÁ, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100,00%		100,00%
	(F1)	IMPULSE HOTEL DEVELOPMENT B.V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Netherlands	100,00%		100,00%
	(F1)	INVERS. HOTELERAS LOS CABOS, S.A.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		99,69%	99,69%
		INVERS. TURIST. DEL CARIBE, S. A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	100,00%		100,00%
		MELIÁ HOTELS INTERNAT. UK LIMITED	Albany Street , Regents Park, London NW1 3UP	United Kingdo	100,00%		100,00%
	(F1)	MIA EXHOL, S. A.	Sarria, 50, 08029 Barcelona	Spain	82,26%		
						17,43%	99,69%
	(F1)	NEALE EXPA SPAIN, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		99,69%	99,69%
	(F1)	PUNTA CANA RESERVATIONS, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100,00%		100,00%
	(F1)	SAN JUAN INVESTMENTS EXHOLD, S. L.	Sarria, 50, 08029 Barcelona	Spain		99,69%	99,69%
	(F1)	SOL GROUP, B. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Netherlands	100,00%		100,00%
(A)	(F2)	SOL MELIÁ FRANCE, S.A.S.	20 Rue du Sentier (Paris)	France	100,00%		100,00%
	(F1)	SM INVESTMENT EXHOL, S. L.	Sarria, 50, 08029 Barcelona	Spain	100,00%		100,00%
		SOL MELIA VACATION CLUB LLC.	Bickell Avenue, 800 (Miami)	USA		100,00%	100,00%
		COMPANIES WITH NO ACTIVITY	**ADDRESS**	**COUNTRY**	**DIR. S**	**IND S.**	**TOTAL**
	(F1)	ADRIMELCO INVERSIONES, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100,00%		100,00%
		BEDBANK TRADING, S.A.	Rue St.Pierre, 6A (Fribourg)	Switzerland	100,00%		100,00%
(A)		CASINO PARADISUS, S. A.	Playas de Bavaro (Higuey)	Dom. Rep.		49,85%	49,85%
		COMP. TUNISIENNE GEST. HOTELIÉRE	18 Boulevard Khézama n° 44, 4051 Sousse (Túnez)	Tunisia		100,00%	100,00%
(A)		DESARROLLADORA DEL NORTE, S. en C.	PMB 223, PO Box 43006, (Rio Grande)	Puerto Rico		49,85%	
						49,85%	99,69%
	(F1)	GEST.HOT.TURISTICA MESOL	Gremio Toneleros, 42 (Palma de Mallorca)	Spain	100,00%		100,00%
	(F1)	GONPONS INVERSIONES, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100,00%		100,00%
	(F1)	HOTELES MELIÁ, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100,00%		100,00%
	(F1)	HOTELES PARADISUS, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100,00%		100,00%
	(F1)	HOTELES SOL, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100,00%		100,00%
		INVERSIONES INVERMONT, S. A.	Av. Venezuela, Edif. T. América (Caracas)	Venezuela		100,00%	100,00%
(A)		SMVC PUERTO RICO	Sector Coco Beach, 200 Carretera 968 (Río Grande)	P.Rico	100,00%		100,00%
		SOL MELIA JAMAICA, LTD.	21, East Street (Kingston CSO)	Jamaica	100,00%		100,00%
		SOL MELIÁ MARROC, S.A.R.L.	Rue Idriss Al-Abkar, 4 - 1° Etage	Morocco		100,00%	100,00%
(A)		SOL MELIÁ SERVICES, S. A.	Rue de Chantemerle (Friburgo)	Switzerlan		100,00%	100,00%
	(F1)	THIRD PROJECT 2012, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100,00%		100,00%
		YAGODA INVERSIONES, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50,00%	50,00%

(A) Audited companies

(F1) Companies included in the consolidated tax group together with Meliá Hotels International, S.A.

(F2) Companies included in the consolidated tax group together with Sol Meliá France, S.A.S.

(F7) Companies included in the consolidated tax group together with Inextur, S.A.

(F9) Companies included in the consolidated tax group together with Inmotel Inversiones Italia S.r.l.

(*) Shareholding in this company is through the ownership of apartments representing 93.27%.

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Associates and joint ventures

		HOTEL OPERATING COMPANIES	ADDRESS	COUNTRY	DIR.S	IND. S	TOTAL
(A)		COM. PROP. APARTOTEL MELIÁ CASTILLA (*)	Capitán Haya, 43 (Madrid)	Spain	31,77%		
						0,09%	31,86%
		C.P.APARTOTEL M.COSTA DEL SOL (*)	Paseo Marítimo 11 (Torremolinos)	Spain	2,79%		
						18,75%	21,54%
		DETUR PANAMÁ S. A.	Antigua Escuela Las Américas (Colón)	Panama	32,72%	17,21%	49,93%
(A)	(F3)	STARMEL HOTELS OP, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30,00%	30,00%
		MELIÁ ZARAGOZA S.L.	Avenida César Augusto, 13 (Zaragoza)	Spain	50,00%		50,00%
(A)		NEXPROM, S. A. (JV)	Avda. del Lido s/n (Torremolinos)	Spain	17,50%		
						2,50%	20,00%
		PLAZA PUERTA DEL MAR, S.A.	Plaza Puerta del Mar, 3 (Alicante)	Spain	12,30%		
						7,81%	20,11%
(A)	(F5)	PRODUCCIONES DE PARQUES, S.L. (JV)	Avda. P.Vaquer Ramis , s/n (Calviá)	Spain	50,00%		50,00%
(A)	(F4)	STARMEL HOTELS OP 2, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		20,00%	20,00%
(A)	(F5)	TERTIAN XXI, S.L.U. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50,00%	50,00%
		TURISMO DE INVIERNO, S.A.	Plaza Pradollano, s/n Sierra Nevada (Granada)	Spain	21,42%		21,42%
		COMPANIES OWNING HOTELS	ADDRESS	COUNTRY	DIR.S	IND. S	TOTAL
(A)	(F7)	ALTAVISTA HOTELERA, S.L.	Avda. Pere IV, 272 (Barcelona)	Spain	7,55%		
						41,19%	48,74%
		EL RECREO PLAZA & CIA., C.A. (JV)	Avda.Fco.de Miranda Torre Oeste,15 Of.15(Caracas)	Venezuela		1,00%	
						18,94%	19,94%
(A)	(F6)	EVERTMEL, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	49,00%		49,00%
(A)		FOURTH PROJECT 2012, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50,00%	50,00%
(A)	(F4)	FUERTEVENTURA BEACH PROPERTY, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		20,00%	20,00%
		MELIA HOTELS FLORIDA, LLC. (JV)	Brickell Avenue Suite 1000, 800	USA		50,00%	50,00%
	(F6)	MONGAMENDA, S.L. (JV)	Alexandre Rosselló, 15 (Palma de Mallorca)	Spain		49,00%	49,00%
(A)	(F3)	PALMANOVA BEACH PROPERTY, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30,00%	30,00%
(A)	(F3)	PUERTO DELCARMEN BEACH PROPERTY, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30,00%	30,00%
(A)	(F3)	SAN ANTONIO BEACH PROPERTY, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30,00%	30,00%
(A)	(F4)	SANTA EULALIA BEACH PROPERTY, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		20,00%	20,00%
(A)	(F3)	TORREMOLINOS BEACH PROPERTY, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30,00%	30,00%
(A)	(F8)	PELÍCANOS PROPERTY, S.L.U. (JV)	C/ Recoletos 3, 1º (Madrid)	Spain		50,00%	50,00%
(A)	(F8)	BELLVER PROPERTY, S.L.U. (JV)	C/ Recoletos 3, 1º (Madrid)	Spain		50,00%	50,00%
		COMPANIES OF DIFFERENT ACTIVITIES	ADDRESS	COUNTRY	DIR.S	IND. S	TOTAL
	(F5)	GOLF KATMANDU, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50,00%	50,00%
(A)		INVERSIONES GUIZA, S. A.	Avda. Lope de Vega, 4 (Sto. Domingo)	Dom. Rep.		49,84%	49,84%
	(F6)	KIMEL MCA, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		49,00%	49,00%
(A)		JAMAICA DEVCO S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	49,00%		49,00%
(A)		SIERRA PARIMA, S.A.	Avda. Barceló, s/n (Bávaro)	Dom. Rep.	50,00%		50,00%
		COMPANIES WITH NO ACTIVITY	ADDRESS	COUNTRY	DIR.S	IND. S	TOTAL
		HELLENIC HOTEL MANAGEMENT	Panepistimiou, 40 (Atenas)	Greece	40,00%		40,00%
		HOLDING COMPANIES	ADDRESS	COUNTRY	DIR. S	IND. S	TOTAL
(A)	(F4)	STARMEL HOTELS JV, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	20,00%		20,00%
		EL RECREO PLAZA, C.A. (JV)	Avda.Fco.de Miranda Torre Oeste,15 Of.15(Caracas)	Venezuela		19,94%	19,94%
		MELIA HOTELS USA, LLC. (JV)	Brickell Avenue Suite 1000, 800	USA		50,00%	50,00%
		PROMEDRO, S. A. (JV)	Avda. del Lido s/n (Torremolinos)	Spain	20,00%		20,00%
(A)	(F3)	RENASALA, S.L. (JV)	Zurbarán, 9 (Madrid)	Spain	30,00%		30,00%
		HOMASI, S.A.	C/ Cavanilles 15,Pl.baja (Madrid)	Spain	34,99%		34,99%
		MOSAICO HOTELES, S. A.	C/ cavanilles, 15 - Bajo Madrid 28000	Spain		20,00%	20,00%
		MOSAICO, B.V.	Nieuwe Uitleg, 34, Den Haag	Netherlanc	20,00%		20,00%
	(F8)	SISTEMAS RIBEY CLOUD, S.L.U. (JV)	C/ Recoletos 3, 1º (Madrid)	Spain		50,00%	50,00%
	(F8)	MELCOM JOINT VENTURE (JV)	C/ Recoletos 3, 1º (Madrid)	Spain	50,00%		50,00%

(A) Audited companies
(JV) Joint Ventures
(F3) Companies included in the consolidated tax group together with Renasala, S.L.
(F4) Companies included in the consolidated tax group together with Starmel Hoteles JV, S.L.
(F5) Companies included in the consolidated tax group together with Producciones de Parques, S.L.
(F6) Companies included in the consolidated tax group together with Evertmel, S.L.
(F7) Companies included in the consolidated tax group together with Inextur, S.A.
(F8) Companies included in the consolidated tax group together with Proy.Corporativos Noah II, S.L.

(*) Shareholding in these companies is through the ownership of apartments representing 31.86% and 21.54%, respectively.

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Secretary and Independent Director

1. Situation of the Entity

1.1 Corporate Structure

Meliá Hotels International, S.A. (“the Company”) is the parent company of the Meliá Hotels International Group (“the Group” or “the Company”), which is an integrated group of companies mainly engaged in tourism activities in general, and more specifically in the management and operation of hotels owned, rented, managed or “franchised” by it, as well as in asset management.

In any case, those activities that special laws reserve to companies that meet certain requirements that are not met by the Company are expressly excluded from the corporate purpose. In particular, all activities reserved by law for collective investment undertakings or brokerage firms in the securities market are excluded.

The operating segments that make up the Company's organizational structure and whose results are reviewed by the highest decision-making authority of the entity are detailed below:

- ✓ Hotel management: this refers to the income from fees received for the operation of hotels under a management and franchise system. In addition, it includes intergroup charges to the Group's owned and rented hotels.
- ✓ Hotel business: this segment includes the results obtained from the operation of the hotel units owned or rented by the Group. Likewise, the income produced in the catering sector is presented because of the consideration of this activity as a source of income fully integrated into the hotel business, due to the majority sale of joint packages whose price includes accommodation and food, and which would make a real segmentation of assets and associated liabilities impracticable.
- ✓ Other businesses related to hotel management: this segment includes additional revenues from the hotel business, such as casinos and tour operators.
- ✓ Real Estate: includes capital gains from asset turnover, as well as real estate development and operation activities.
- ✓ Club Meliá: this area reflects the results derived from the sale of shared use rights for specific units of holiday resorts.
- ✓ Corporate: this relates to structural costs, results linked to the mediation and marketing of room reservations and tourism services, as well as the Group's corporate costs not attributable to any of the three business divisions mentioned above.

The Company's organizational structure is detailed below:

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The SET (Senior Executive Team) is the collegiate body that drives the day-to-day management of the business and the critical and continuous review of the business, ensuring compliance with the objectives defined by the Board of Directors and supporting the CEO in his management of the company.

The SET's key objectives are the day-to-day management of the business, ensuring the sustainable growth of its activity and the creation of value for shareholders, promoting the projects attributed to them, defining priorities and allocating the required resources while ensuring they achieve the objectives defined. The SET is also responsible for providing the Board of Directors with updated, objective and sufficient information to allow the Board to carry out its supervisory functions.

1.2 Strategy

TOURISM INDUSTRY VISION

2019 has been a turbulent year for the tourism industry, but it continues to be one of the main drivers of growth in the world economy. Tourism GDP saw growth of 3.6% in 2019, slightly lower than the 3.9% achieved in 2018. Although the growth rate is lower than in previous years, we remain optimistic about the future, bearing in mind the transformation process that must be undertaken to adapt to rapid change in the business environment.

Among many other factors, this slowdown is due to geopolitical issues such as the worsening of relations between the United States and China, which have affected practically all the other countries in the world, with real effects between neighboring countries and regions; protests in Hong Kong and Latin America; political conflict in Catalonia; and the uncertainty caused by Brexit which still continues as the means in which it will be resolved remain unclear. All of this in a context in which the world economy is presenting the first signs of a slowdown and where we are also seeing the economic impact of climate change.

This situation has combined with other contingencies and events that have had a significant impact on the international tourism industry, such as the sargassum seaweed crisis on the Caribbean coast, the smear campaign that questioned security levels in the Dominican Republic or the collapse of the British tour operator, Thomas Cook, with important repercussions throughout the tourism industry value chain.

On the other hand, the so-called Greta Thunberg effect also went global in 2019, making climate change a priority issue on both public and private agendas and having an increasing impact on the decision-making process in companies, governments, investment funds and other key stakeholders in the tourism industry.

According to estimates by Exceltur, tourist activity in Spain ended 2019 with an increase of 1.5%, below the level of growth in Spanish GDP (2%), and the lowest figure since 2013, confirming the trend towards a progressive stabilisation in the industry. Despite this low growth, in 2019 the tourism industry maintained its capacity to generate employment, creating about 65 thousand jobs in Spain, 3.5% higher than the previous year and 1.2 percentage points above other industries in the economy.

FUTURE OUTLOOK

Despite the slowdown in the global economy, the outlook for the tourism industry in 2020 is favourable.

Forecasts point towards another good year for international tourist arrivals, which are estimated to grow by around 40 million, 3% higher than 2019 and getting closer to the 2024 forecast of 1,600 million trips. According to the World Travel & Tourism Council (WTTC), the economic contribution of tourism will grow by 3.5% in 2020, contributing USD 3 billion to the global economy.

Despite these huge numbers for tourism forecasts for 2020, it is important to note that international tourism continues to have significant potential for future growth. The proportion of the world population that take part in international tourism is estimated at only 3.5%.

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Europe will continue to be the most visited destination in the world, with expected total arrivals at around 700 million in 2020 and an estimated growth rate of 3%, although this is below the world average and so will lead to a loss in market share.

East Asia and the Pacific will grow at a rate of 6.5% and surpass America, allowing it to reach a market share of around 25%.

We also expect employment in the travel industry to grow and that the industry will contribute 341 million jobs by 2020 compared to 323 million in 2018. This would consolidate the leadership of the travel industry as a generator of employment and driver of the world economy.

However, favourable forecasts for travel must also be accompanied by a vital transformation of the current tourism model in the face of global challenges that will drive the future of the industry towards a more profitable, responsible and sustainable model.

REFLECTION ON THE STRATEGIC PLAN 2016-2018

As in previous periods, 2019 was a transition year for the company between the finalisation of its three-year strategic plan and the publication of its next strategic plan.

In line with the company's vision, the 2016-2018 strategic plan contained major objectives that acted as a beacon to everyone at Meliá Hotels International in driving the transformation processes that have prepared the ground for the new strategy:

Consolidate the cultural transformation of Meliá Hotels International

A transformation process which focused on implementing projects as quickly as possible and ensuring changes were assimilated throughout the organisation. A management model where new technologies and tools allow management to make progress towards excellence and data management across the entire organisation.

In a similar fashion, the acquisition of new competencies and skills to face the new decade and, finally, the consolidation of our essence as a company, which allows our values to take root in new destinations and through the diversity of our team.

Strengthen the Company's governance model

The progressive and orderly incorporation of recommendations on good governance has guided our activities over recent years. We have modified the regulations of our governing bodies, consolidated and strengthened our regulatory policies, aligned ourselves with the demands of our stakeholders, ensured a more company-wide culture to mitigate the impact of risks, and finally, appointed a Compliance Officer to help promote a culture of compliance that responds to global challenges.

Leadership in resort and bleisure hotels

Growth has consolidated our international presence, and we now operate in more than forty countries, with a portfolio of 388 business units and almost one hundred thousand rooms.

Our acknowledged experience in the resort hotel industry based on seven different brands, each with its own personality and each aimed at different customer types to respond to the expectations of increasingly demanding customer that seek new experiences that combine both business and leisure.

STRATEGIC PLAN 2020-2022

After the 2016-2018 Strategic Plan, and in an environment of increasing volatility, complexity and uncertainty, we faced two major challenges: on the one hand, to strengthen and optimise the basic drivers of value in the company, and on the other hand, to promote a growth model based on new premises.

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2030 vision

"We aspire to position ourselves among the leading hotel companies in the world in the midscale and upscale segments, strengthen our leadership in resort and bleisure hotels, and be seen as a world leader in excellence, responsibility, and sustainability".

To make this vision come true, we have taken on new commitments for the coming three years through a Strategic Plan that indicates the objectives we wish to achieve in 2022, as well as the key drivers and strategic areas where we need to act to achieve them. The motto for the Strategic Plan has thus been defined as: "Reinventing value", and the statement that defines its purpose as:

"To promote a transformation that makes the company more profitable and sustainable based on three fundamental drivers: the consolidation of our core values and strengths; efficiency, simplification and digitalisation; and a new strategy for responsible growth consistent with our vision."

The objective defined for 2022 is thus to provide differential value to our stakeholders, becoming a global benchmark in leisure and bleisure hotels through a profitable and agile business model focused on excellence and sustainability.

To achieve this, we will act in five key areas:

- ✓ The value we create for shareholders
- ✓ The digital transformation of the Company seeking greater profitability and efficiency.
- ✓ Evolution to offer experiences rather than more hotel stays
- ✓ The value and development of our people
- ✓ Our ESG commitment (environmental, social and governance)

Each area contains several different projects that form the basis of our road map for the coming years, each being led by a multi-disciplinary and diverse work team with three key aims:

- ✓ Implement a new, coherent, profitable and responsible strategy which reinforces our core values and strengths
- ✓ To build a competitive operating model that guarantees the efficiency and professionalism of the services offered to our customers, business units and our other stakeholders through innovation, technology, more efficient processes and the commitment of our people
- ✓ To ensure our shareholders perceive the differential value this transformation brings to our business model

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2. Performance

2.1 Financial indicators

The evolution of the hotel business for the whole of the Company can be summarised in the following key indicators or KPIs, broken down by type of management:

(millions of €)	2019	2018	Change (%)
Total Aggregate Revenues	540,1	525,6	2,8%
Owned	141,5	141,5	
Leased	398,7	384,2	
Of which Room Revenues	391,5	379,8	3,1%
Owned	101,3	101,3	
Leased	290,2	278,5	
EBITDAR	149,8	137,7	8,8%
Owned	34,7	32,0	
Leased	115,1	105,7	
EBITDA	137,8	40,4	241,1%
Owned	34,7	32,0	
Leased	103,1	8,5	
EBIT	29,8	7,6	290,4%
Owned	23,3	19,4	
Leased	6,5	(11,8)	

The evolution of the hotel management model by type of income is summarised in the following table:

(millions of €)	2019	2018	Change (%)
Total Management Model Revenues	93,8	96,2	(2,6%)
Owned and Leased Fees (*)	72,2	77,2	
Other revenues	21,5	19,0	
Total EBITDA Management Model	43,2	36,1	19,7%
Total EBIT Management Model	43,2	36,1	

(*) The Owned and Leased Fees caption includes the analytical fees for hotels operated by the Company and the fees billed to hotels operated by other Group companies.

The evolution of Other businesses related to hotel management has been as follows:

(millions of €)	2019	2018	Change (%)
Revenues	5,0	7,4	(32,6%)
EBITDAR	0,1	1,0	
EBITDA	(0,1)	(0,2)	
EBIT	(0,1)	(0,3)	

The number of rooms available in 2019 and 2018 was 4,8 million.

REGIONAL SPAIN ECONOMIC PERFORMANCE

In 2018, we optimised our regional structure to ensure a model which is better aligned with our strategic vision and the future growth of the company. The reorganisation was completed in 2019 with the merger of the Mediterranean and Spain regions under the same management structure, further centralising responsibilities in Spain under a single Regional VP and encouraging an organisational structure which is closer to the hotels and hotel operations.

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Economic context

- RevPAR (owned, leased and managed hotels) rose by +3,6% in 2019 compared to the previous year.
- Total fee revenues ended the period with the previous year, with a reduction of-2,6% compared to 2018.
- Sales of the destination through Meliá.com amount to 87,3 million.
- Sales of Contact Center amount to 46,3 million.

The moderate growth in Spain in 2019 is expected to continue through 2020 and 2021, with a growth rate of around 1.5% and moderate growth in employment and domestic demand accompanied by greater uncertainty about investment. The balance of payments indicates lower export growth and changes in inflation are expected to be moderate.

Recent improvements in public finances have benefited from the favourable evolution of macroeconomic conditions, although Spain still has high public debt ratios and must tackle pending issues such as low productivity, and improvements to skills and innovation as key drivers to improving its competitiveness.

In 2019, domestic demand was less dynamic than in recent years within a general context of increasing uncertainty. The constant creation of employment, wage increases, and low inflation have boosted the real disposable income of households and their saving capacity.

The services sector, which represents approximately 70% of Spanish GDP, continues to evolve favourably, after 68 months of continued growth, although growth decrease with respect to previous trends and stands at around 1.1%.

The unemployment rate was around 13.7%, a percentage that unfortunately will not improve given the signs of economic slowdown that were already apparent in the final months of 2019. Business investment will be less dynamic but may be boosted by favourable financing conditions.

Once the uncertainty caused by Brexit has been overcome, the value of the British pound is expected to increase (+1.6%) until the end of 2020, which will favour the spending capacity of travellers in Spain, although accompanied by reduced economic growth (+1.1%) and consumption by families (+1.3%).

Performance

RevPAR compared to 2018 improved by +3,6% thanks increases in room rates, but weighed down by market developments in 2019 in the Canary Islands and Balearic Islands and the decrease in demand caused by the growing popularity of alternative destinations, adverse conditions in the German market, and a lower number of available flights.

The market evolution in the Canary Islands and Balearic Islands influenced the difference in performance between resort and city Hotels, with resorts seeing a RevPAR decrease of-1,6% compared to growth of +6,8% in city hotels. Highlights by area or city include:

Northern Spain: Very positive RevPAR performance driven by Madrid and Barcelona. Madrid, thanks to the impact of the Champions League Final and Eular, as well as the unplanned COP25 summit in December. Of note is the closure in stages of different floors at the Meliá Madrid Serrano, which meant there was a lower number of rooms available throughout most of the year. Barcelona grew thanks to a change in the trend in the hotel industry, achieving historic performance levels in 2019, highlighting the growth in RevPAR of the hotels in the centre of the city: Meliá Barcelona Sarriá, Meliá Barcelona Sky and the Hotel Barcelona Apolo.

Southern Spain: Hotels in the south saw RevPAR growth in both city hotels and resort hotels. The best performance was seen in hotels on the Costa del Sol, with excellent summer results, especially in August where stable occupancy was accompanied by qualitative growth in RevPAR. The best performance at the RevPAR level was achieved by city hotels due to the excellent performance of hotels in Seville where the Hotel Meliá Sevilla stood out.

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Balearic Islands: Despite the negative performance caused by a decrease in demand for the destination that negatively impacted RevPAR in both city and resort hotels, an improvement was seen at the end of each four-month period, with the months of April, September, October and November being more positive. The positive results for these months were achieved through rate adjustments. Meliá Palma Marina performed well and with a positive ramp-up.

Canary Islands: negative performance in general, mainly affecting the islands of Gran Canaria and Tenerife, due to a decrease in demand and a decrease in flights from the main feeder markets, damaging both the Tour Operator and direct sales segments.

Portfolio and projects

In 2019, no new hotels were added to the portfolio and three hotels were disaffiliated, one of them owned hotels after the sale of assets in Valencia (Tryp Azafata). The other disaffiliated hotels were Tryp Zaragoza and Tryp Indalo (Almería).

Outlook 2020

Currently, and thanks in large part to the early booking sales campaigns on Meliá.com, there is an improvement in the booking for the first quarter of 2020 of a medium single digit, leading us to expect an improvement on the results for 1Q 2019.

In the Canary Islands, although booking data shows some improvement over the previous year, the major positive impact is caused by the opening of Meliá Salinas, which was closed last year. The decrease in flights to the Canary Islands due to the closure of the Ryanair base and the collapse of the tour operator Thomas Cook, has not been taken up by other travel companies and this may have an impact on results in 2020. A decrease in flight is also expected in the first two months of the year from both the United Kingdom and Germany.

The impact of the health crisis in China caused by the coronavirus could also significantly affect both leisure and business trips to Spain, also putting at risk certain international events which have already been scheduled (Mobile World Congress in Barcelona).

2.2 Corporate Responsibility

Employability & development of young talent

Enhancing the talent of people at risk, developing their skills and offering young people opportunities is one of the Group's commitments. We support projects that develop the employability of people who are in a position to be able to develop their potential but require genuine opportunities to do so to be offered in the private sector.

2019 involved intense work in consolidating two major projects promoted by the regions with two leading partners. Firstly, the First Professional Experience, with the Pinardi Foundation. The project is now in its fifth year and has become a benchmark for how we can help reduce abandonment in education, opening opportunities for talented and motivated youngsters without any apparent opportunities.

Together with Pinardi we continue to combine training in technical know-how and values with work experience in hotels to better prepare people who are more qualified to face their first opportunity and work experience.

Secondly, Dual Training together with the Amadip Professional School, an organisation we have been working with since 2016, with which we share a commitment to future talent with a long-term vision, providing technical and practical know-how with a two-track approach. We believe that this training model will become a true driver of competitiveness to combat high rates of unemployment and academic failure in Spain through a three-year training programme.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

Circular economy and tourism

Encouraging our business units and teams to promote a circular economy model and showing how companies can contribute to this is an area in which we have cooperated intensively with two different and complementary approaches.

We have joined Circular Hotels, a public-private alliance supported in the Balearic Islands (Spain) to promote transition by the hotel industry towards a circular economy model involving better waste management and reintegration into the economic cycle, thus minimising the environmental impact of waste.

The project together with TIRME, a private company that manages urban waste in Mallorca (Spain), involves several hotel companies and the agricultural sector, and includes the full cycle of food production and consumption, defining solutions that contribute to environmental sustainability based on an economic and tourism model that operates with limited resources due to the fact that Mallorca is an island.

The project has a direct impact on ten of the Sustainable Development Goals defined by the UN, with particular relevance in innovation, sustainable communities, responsible production and consumption, climate action and partnerships to achieve objectives.

The Palma Convention Centre and Meliá Palma Bay Hotel, a leading venue for international events, has launched several projects to contribute to the paradigm shift in the hotel industry based on a sustainable growth model that aims to:

- ✓ Raise awareness among employees and customers about the correct separation and use of waste
- ✓ Quantify the amount of organic waste
- ✓ Reduce food waste
- ✓ Use organic waste to generate compost
- ✓ Make compost available to local agriculture
- ✓ Purchase agricultural production and thus return it to the supply chain

Since 2018, we also support Circular Seas, a coast and seabed cleaning programme run by Coca Cola to encourage volunteer activities focused on the environment. The comprehensive and circular project is co-financed by The Coca-Cola Foundation and includes the recovery of natural spaces, citizen awareness campaigns and the scientific research and research on circular economies.

It is supported by the Spanish Ministry of Agriculture, Fisheries and Food through the General Secretariat of Fisheries, the Chelonia Association, Ecomar Foundation and Zero Discharges Association. It also has support from citizens through more than one hundred public and private organisations including local municipalities, social bodies, universities and associations.

Since then, we have taken part in seven volunteer days in which customers and employees had the chance to help collect plastic and micro-plastic waste on Spanish beaches in Sitges, Ibiza, Mallorca, Cadiz and Alicante.

Along with the help of significant business partners, this has helped us extend our commitment to protecting the environment and raise awareness among our customers and partners about the need to combat climate change and protect natural environments, essential for the development of more sustainable and responsible tourism.

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Secretary and Independent Director

3. Environmental & Social Performance

3.1 Environment

The current climate emergency requires companies to make ambitious commitments, as seen during the COP25 summit held in Madrid in December 2019.

Meliá is well aware that society not only requires us to provide first-class service, but also to provide a responsible and sustainable service committed to the preservation of the planet. We have therefore set ourselves the challenge of becoming an international benchmark for excellence, responsibility and sustainability.

Our commitment is especially relevant given the nature of our activity and the importance of tourism to the world economy, as well as our high level of dependence on social and environmental factors such as the climate and natural resources.

"Meliá achieved 100 points out of 100 in the SAM Corporate Sustainability Assessment made by S&P Global (CSA 2019) for its approach to climate strategy and its performance in this area"

In 2019, the top position achieved by Meliá in the Corporate Sustainability Assessment made by SAM (S&P Global), an international sustainability rating agency, placed us at the forefront of international efforts focused on sustainability.

2019 was an intense year regarding the adoption of measures and implementation of plans and actions that allow us to help combat climate change and its effects, following the public commitments we already made in 2015 after COP21 in Paris and in line with our own 360º Environmental Management Model.

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Secretary and Independent Director

We are aware of the challenges we face and have therefore designed a roadmap with the following commitments:

- ✓ Promote a tourism model that moves towards carbon neutrality
- ✓ Continue to extend our purchasing of renewable energy
- ✓ To work towards a circular hotel industry as a means of reducing waste, encouraging its reuse and improving its management, reducing the impact of our activity on the destination
- ✓ Consolidate our commitment to innovation applied to environmental management of our activity, artificial intelligence an impact measurement
- ✓ Increase the involvement of our stake holders in achieving shared commitments and objectives, getting them involved and actively engaged

Impacts & Preventive Measures

	Impact or risk	Preventive measures
Construction, renovation & operation	• Alterations to the natural environment such as changes in soil use, deforestation, changes to water resources, soil degradation, water deficit stress, contributing to the loss of coral reefs in the area, etc.	• Compliance with applicable urban planning and environmental regulations • Hotel design and construction manual with integrated sustainability criteria • Certified Energy Management System (ISO 50001) and Certified Environmental Management Systems (ISO 14001)
Use and management of consumables and natural resources	• Contamination of soil, subsoil and sea water due to poor management of chemicals, fertilisers, pesticides, waste or sewage	• Compliance with applicable urban planning and environmental regulations • Impact of inappropriate, excessive or unjustified use of natural resources in the destination • Responsible supply chain and acquisition of chemicals with low environmental impact • Training in waste management • Leakage management and safety protocols • Plastic reduction programmes • Investment in efficient energy and water equipment • Energy efficiency measures and raising awareness among employees and customers • Certified sustainable hotel management model
Emissions and externalities affecting the environment, flora and fauna	• Emission of pollutants that are toxic or harmful to the atmosphere, as well as chemical-based atmospheric pollutants • Sound, light or electromagnetic radiation pollution: artificial light, vibrations or noise generated by a hotel which can affect the life cycle of different species and their habitat. • Greenhouse gas emissions as a result of the hotel activity	• Compliance with applicable environmental regulations • Constant monitoring of energy resource consumption (SAVE) • Investment in efficient energy and water equipment, infrastructure and low-impact systems • Carbon footprint measurement • Efficient lighting systems with a low-energy and light impact • Customer awareness about respect for local flora and fauna
Flora & fauna	• Introduction of invasive exotic species which can cause serious damage or imbalances in the local ecosystem • Alteration of local flora and fauna due to the number of people and inappropriate behaviour in high-value biodiversity areas	• Design of gardens and wooded areas that respecting local diversity • No use of native animals or species as part of the hotel offer • Protection of local animals and plants and ecosystem recovery and cleaning actions • Customer and employee awareness about respect for local flora and fauna • Protection and conservation projects: partnership with Palma Aquarium

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3.2 People

Our employees are the fundamental drivers of unforgettable and unique customer experiences, delivered through excellent service, friendliness and warmth to help maintain our industry leadership. The professional development of our employees is therefore at the heart of our approach and, as a company, we aspire to assure we deliver to our employees the specific brand promise of each of our brands. This commitment is reflected in our Human Resources Policy.

The company's previous Strategic Plan began a process of cultural transformation that has reinforced our comprehensive people management model, our efficiency, productivity and competitiveness, all driven by the commitment and pride of belonging of our people.

Since then, we have worked on achieving this objective, promoting internal talent, generating opportunities for development and improving skills and competencies in an increasingly digital context that requires us to introduce new roles and functions to ensure we are more competitive. This allows us to face new and increasingly demanding and variable trends in the best possible conditions, while also being able to respond to our employees' expectations.

The new digital age requires that we continue to make progress in integrating new tools and skills that allow our people to evolve and adapt to the new business environment. To optimise their performance in an ecosystem that requires new skills, we support our team and inspire them to understand the key role they play in this change process while responding to their needs for development and growth.

"Meliá scored 97 points out of 100 for its human capital development model in the SAM Corporate Sustainability Assessment made by S&P Global (CSA 2019)"

Occupational Health & Safety

In 2018, we took an important step in reinforcing preventive measures with the publication of our Occupational Health and Safety Policy, which places our people at the heart of preventative activity, promoting working methods that guarantee high levels of safety, health and well-being, and that support improvements in working conditions.

This policy completes the development we carry out through several occupational health and safety programmes and projects to improve work environments or nutrition, among others. This policy explicitly defines the guiding principles and commitments acquired by Meliá in regard to Occupational Health and Safety.

As it is our duty to ensure the health, well-being and protection of our employees in the workplace, we have prepared an Occupational Health and Safety Management System Manual based on the OH-SAS 18001 standard which also acts as a prevention plan, allowing the identification of requirements for ensuring the appropriate control of the risks to which our employees are exposed in their normal daily activity.

The Manual is also the basis of our preventative system and is adapted to our entire organisational structure, forming part of our general management system and also perfectly aligned with our quality and environmental systems. It also allows the progressive enhancement of current activities and procedures and correct organisational management in occupational health, defining the related functions, responsibilities and authority.

With regard to workplace health and safety procedures, the Manual defines twenty-five specific processes that, where appropriate, are also accompanied records and metrics such as the percentage of absenteeism, number of workplace accidents and their frequency, severity and average duration, and occupational diseases, all broken down by gender.

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In addition, we also encourage healthy living habits among our teams, providing support, advice and activities that enable workplaces not only to comply with current regulations on prevention, but also encourage healthy lifestyles.

In 2019, we have made significant progress in this respect, having started the process of adapting our OHSAS 18001 occupational health and safety system to the criteria defined in the ISO 45001 standard, in parallel with certification under the World Health Organisation Healthy Work Environment Model. Meliá also forms part of the Spanish Association of Labour Prevention Services since 2019.

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4. Risk Management

Meliá Hotels International has implemented a comprehensive risk management system considered a best practice in the industry according to the latest Corporate Sustainability Assessment made by the sustainable investment agency SAM (S&P Global). In addition to this, we constantly strive to foster a culture of control and risk management that provides confidence and transparency in our activities.

Our Risk Control Policy, approved by the Board of Directors and last updated in 2017, defines the basic principles and general framework for risk management. This Policy is further developed through Internal Regulations that define the rules, guidelines and criteria to be implemented in the Risk Management System to ensure its alignment with strategy.

4.1 Risk management governance

Risk management is an activity that affects the entire company and is ultimately the responsibility of the Board of Directors and the Executive Committee, thus ensuring that all organisational units are involved and committed to risk management.

The company follows the Three Lines of Defence model to ensure effective risk management and control. According to this model:

GOVERNING BODIES

Board of Directors: Responsible for approving the Risk Management Policy

Audit and Compliance Committee: Supervises internal control and risk management systems. The regular Committee meetings review detailed reports on the company's top risks.

EXECUTIVE COMMITTEE

Guarantees the inclusion of risk management in critical processes, assigning ownership of risks and monitoring their evolution.

1st LINE OF DEFENCE

This includes all the functions that have ownership of the identified risks and how they are managed.

- Identify and assess risks
- Define and implement the measures required for risk management
- Use the Risk Map as a management tool

2nd LINE OF DEFENCE

These are the functions that monitor risks. Among them, the Risk Control and Compliance Department is responsible for:

- Ensuring compliance with the policy and regulations
- Providing support to identify, analyse and assess risks
- Managing and monitoring key risks
- Defining standardised reporting, especially to the Executive Committee and Governing Bodies

3rd LINE OF DEFENCE

This refers to the Internal Audit, which as a third line of defence oversees the appropriate functioning of the Risk Management System and the Crime Prevention and Detection Model, systematically carrying out different types of audits on the first and second line of defence.

As a guarantee of maximum Independence, both the Internal Audit Department and the Risk and Compliance Department, report directly to the Audit and Compliance Committee.

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4.2 Risk management model

The Meliá Risk Management Model aims to ensure that the main risks that could affect the company's strategy and objectives are identified, analysed and assessed based on standardised criteria, and are managed and controlled systematically.

It is a company-wide model in which all the areas of the company are involved, and is aligned with the integrated framework of COSO Corporate Risk Management.

Process Stages

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Risk Structure

The Meliá Hotels International Group has identified a total of103 risks in the following categories:

Global Risks: Resulting from events not related to the company's actions and for which management capacity is more limited, such as natural disasters, geopolitical risks, etc.

Financial Risks: Those that affect financial variables of the business such as liquidity, credit, debt, interest rates, etc.

Business Risks: Resulting from the variables inherent to the business, such as strategy, reputation, competition and the market.

Operational Risks: : Relating to failures in internal processes and operations, human resources, customers, physical equipment or their inappropriateness.

Compliance Risks: Consequence of regulatory changes defined by the different regulators and/or non-compliance with applicable law, internal policies and regulations.

Information Risks: Related to events caused by the improper use, generation and communication of information.

The Risk Control Policy defines tolerance levels for the different risk categories.

In addition to these categories, the company uses other risk classifications to gather information and appropriately manage and monitor certain types of risk. In this sense, we may also consider:

Emerging Risks

The volatility, uncertainty and complexity of the current environment, together with other factors such as our operations in different countries, industries and markets, exposes us to new risks that are more difficult to anticipate and to quantify their impact or effect.

We consider these to be emerging risks and the company regularly analyses and monitors them in order to anticipate them as far as possible and/or ensure appropriate preparation to face them should they occur.

These emerging risks are linked to certain global changes such as:

Geopolitical changes and trends trends which involve political crises (Brexit, independence campaigns, radicalisation, terrorism, etc.), regulatory changes, trade wars, economic bubbles or general economic uncertainty.

Technological progress that, among other risks, includes the growing threat of cyber attacks, the questionable use of technology or technological obsolescence.

Changes in the environment that bring risks such as more frequent natural disasters, the depletion or scarcity of resources or a demand for environmental responsibility.

Socio-demographic trends such as the ageing population, lifestyle changes, etc. that have an impact on consumer behaviour.

The company constantly monitors and analyses available information to identify cause-effect relationships with other types of risks and the effect they have had on the business when they have happened in the past, and also to define protocols and mechanisms to be implemented to mitigate the negative effect they could have on the business if they happened in the future.

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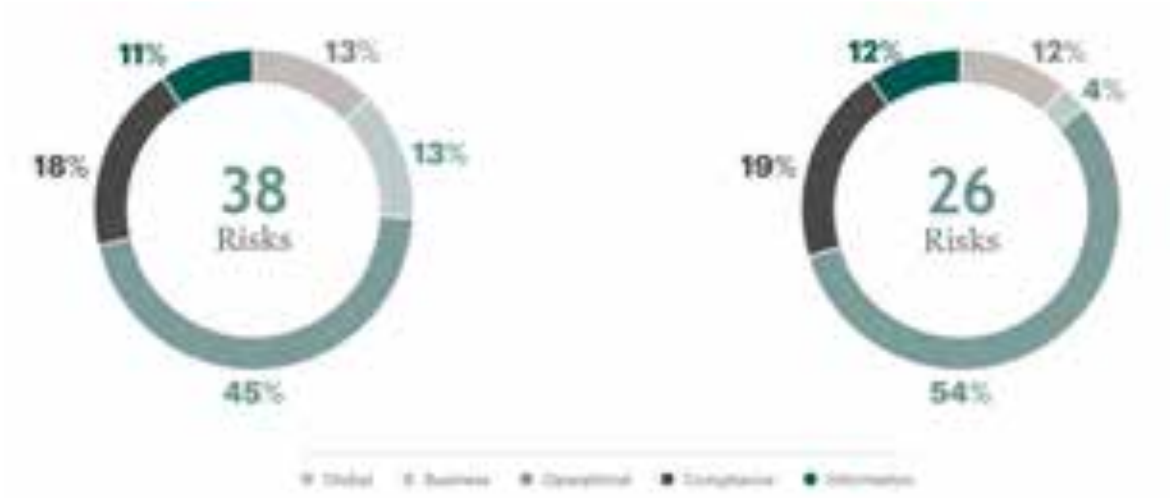
ESG Risks & Human Rights Risks

Of the 103 risks identified globally, two categories have been created to define those linked to ESG criteria (Environmental, Social & Governance) and those that have a potential impact on the commitments in our Human Rights Policy.



Note 5 of the financial statements provides additional information on the management of the financial risks to which the group's activities are exposed: market risk (exchange rate and interest rates), credit risk and liquidity risk.

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5. Digital Transformation

As part of the new Strategic Plan 2020-2022, we are committed to creating a more agile operational model, standardising and digitalising all of our processes to improve efficiency and profitability and offer differential experiences for both internal and external customers.

In 2019, a year of transition between the Strategic Plan 2016-2018 and the new Strategic Plan, the Be Digital 360 programme was launched to consolidate Meliá's digital transformation, working with technology and people to design new operating models that optimise and simplify our processes and provide the company with an analytical capacity that adds value to the business.

In an initial phase, the programme is focused on two projects aimed at increasing process efficiency. On the one hand, reviewing and optimising the way things are done, and on the other hand implementing robotics, analytics and artificial intelligence technology to allow employees to focus on offering the best possible customer experience rather than on performing tasks that add little value.

Big Data

Understanding the customer purchase process and how marketing actions influence their behaviour is key to improving their experience and allowing Meliá to optimise its marketing investments. With this objective in mind, we have developed an attribution model based on artificial intelligence using a Big Data platform that allows us to analyse the true impact of all our campaigns throughout the customer journey.

The Big Data platform has also helped us create predictive algorithms that use relevant customer information in different channels to personalise the experience in real time with content tailored to their needs.

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Revenue Management System

The digital transformation in revenue management is extremely important, allowing us to personalise our response to the needs of different markets, market segments and customer profiles in each of our brands. A new rate structure has been defined and implemented using a cloud-based system to operate the new revenue and demand management model for each destination or hotel, with the corresponding Revenue Management System also installed in all hotels. All combined with the use of artificial intelligence to allow planned decision making and a medium-term vision based on real-time demand.

Intelligence Experience Contact Center

The decision to make the Contact Centre a strategic channel and the implementation of Meliá Assistant, a virtual assistant that uses artificial intelligence to facilitate customer interactions, represent a turning point in improving service efficiency, channel profitability and agent productivity.

The implementation of the Meliá Assistant was a significant milestone for the company, becoming one of the first hotel chains to connect Google Dialog Flow technology with our CTI/Switchboard. In 2020 we will continue to work on using voice technology coherently across all customer contact channels and on personalising the Meliá Voice as an umbrella for the entire company Voice strategy.

Website and App Transformation

After launching a new mobile app in 2018, 2019 was a year of spectacular growth in both sales and downloads, with three-digit percentage increases in both. We remain firmly committed to our mobile app as a tool for the most important interactions both during the booking and the hotel stay, as well as a source of inspiration, offering local guides to optimise the customer experience both inside and outside our hotels.

With Meliá.com, we worked on creating a much more efficient channel with numerous improvements in the user experience, allowing us to increase the conversion rate through greater personalisation and improved page download and transaction speeds. Greater speed was achieved through the migration of the website to a new technology platform, helping maximise agility, flexibility, scalability and the response to current demand from customers.

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6. Other Information

6.1 Acquisition and disposal of own shares

Share repurchase programme

During its meeting of October 17, 2019, the Board of Directors of Meliá Hotels International S.A. agreed to buy back some of its own shares to reduce share capital subject to the capital reduction agreement adopted by the General Shareholders' Meeting held in the first half of 2020.

The programme is being carried out under the following conditions:

- Maximum amount allocated to the programme: € 60,000,000
- Maximum number of shares to be purchased: 8,500,000 shares, representing 3.70% of the company's share capital as of this date
- Duration: the repurchase programme will begin the day after the publication of this Relevant Information statement and will be valid until June 4, 2020. It may be terminated beforehand if the company has acquired the maximum number of shares authorised by the agreement of the Board of Directors has reached the maximum monetary amount allowed under the programme, or if any other circumstances advise its termination or interruption

At the end of 2019, the amount acquired under the programme stood at 12.1 million euros, representing 1,621,057 shares.

6.2 Stock market evolution

In 2019 our shares lost 4.3% of their value while the Ibex 35 grew by +11.8%.

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Main stock market indicators

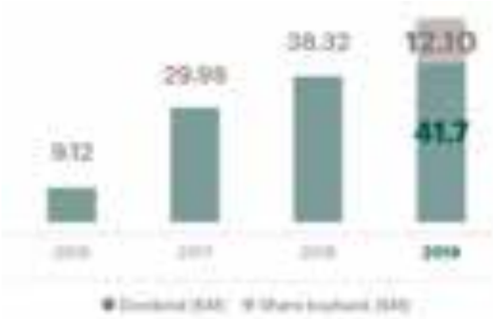
	2019	2018
Number of shares (millions)	229.70	229.7
Average daily volume (thousands of shares)	623.87	724.36
Maximum price (euros)	9.18	12.66
Minimum price (euros)	6.93	7.96
Final price (euros)	7.86	8.21
Market capitalisation (millions of euros)	1,805.44	1,885.84
Dividend (euros)	0.183	0.17

6.3 Dividend policy

Shareholder remuneration policy aims to offer an attractive, predictable and sustainable dividend over time. This policy is compatible with the maximum priority of ensuring a sufficient amount of resources to guarantee investments for the future growth of the company and value creation.

In line with this policy, in July 2019 the dividend paid out for the 2018 fiscal year was 0.1830 euros per share, a 30% payout. This was an increase of 8.9% over the amount paid in 2017.

Stock market evolution



6.4 Environmental risks

The company has an Environmental Policy applicable to all group companies, given the nature of the activity carried out and given the high level of dependence on social and environmental factors, such as the climate and natural resources. This policy is detailed in note 18.2 to the financial statements.

6.5 Average payment period to suppliers

As indicated in the corresponding note in the consolidated anual accounts, the average period of payment to suppliers of Meliá Hotels International, S.A. was 58,61 days in 2019, which compares with 53,25 days in 2018.

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In 2019, the Company has monitored the ratios associated with the average period of payment to suppliers, as well as the administrative processes relating to the invoices from such suppliers and the capital own management, in order to reduce, as much as possible, the average period of payment to suppliers, according to the provisions of Law 15/2010 and any other applicable legislation in force. Thanks to this procedure, the number of days has been maintained below 60, as in the previous year.

6.6 Headcount evolution

Detailed in note 16.3 of the report.

6.7 Events subsequent to year end

On 21 February 2020 the European Commission announced the decision ending the investigation initiated in 2017 (see Note 12.1), imposing a fine to the Company in the amount of EUR 6.7 million, amount for which full provision has been made at 31 December 2019.

Meliá Hotels International has always considered that the mentioned agreements did not have adverse effects for competition in the market and with this intention they were entered into. However, focusing on the interest of customers and partners of the Company, it was decided to fully cooperate with the European Commission from the beginning, as disclosed by the Commission in its notice. Meliá Hotels International is fully committed to the competition rules and the single European market, and following the initiation of this investigation all the internal compliance procedures were initiated to ensure that all its agreements comply with such rules.

7. Annual Corporate Governance Report

The model Annual Corporate Governance Report is presented below as an appendix.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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:

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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%

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Secretary and Independent Director

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 2018 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	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). 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.

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Secretary and Independent Director

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.		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.) 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

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			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

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
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. 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.

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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
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. 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.

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

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

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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
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. 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.

(*) Through:

Name or corporate name of the direct shareholder	Number of direct shares
Total:	

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.

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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

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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 1st call		
Quorum required at 2nd call		

Description of differences
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.

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.

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	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
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. 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. 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. 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

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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.

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

	Attendance data					Of which, free float				
			% distance voting					% distance voting		
Date of General Meeting	% physically present	% present by proxy	Electronic voting	Other	Total	% physically present	% present by proxy	Electronic voting	Other	Total
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

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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/ShareholdersDocs/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, 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

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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

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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 Mª 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		

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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 Commitee	NO
Mr Alfredo Pastor Bodmer	Other External	04/06/2015	18/06/2019	Auditing and Compliance Commitee	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 Proprietary Director of the company at Hoteles Mallorquines Asociados SL, whose legal representative is Mr Alfredo Pastor Bodmer.

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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
Profile	
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. 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 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.	

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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%

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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.
Profile	
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. 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. 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. 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.	

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 50th anniversary of the Company, he won the "Medalla de les Illes Balears" (Balearic Islands Medal), the highest distinction of

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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".

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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
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. 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.

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Secretary and Independent Director

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

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.

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 Auditing Committee, the Executive Committee of the Board of Trustees and responsible for the Working Group on Education of the said foundation.

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).

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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 21st 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.

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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.

Profile

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).

Maria Antonia Escarrer held various positions at Melia, 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.

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.

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.

She is also an expert in Transpersonal Mindfulness by the Escuela Transpersonal.

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.

Mr. Luis María Díaz de Bustamante y Terminel
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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
Degree in Economic and Business Sciences from ICADE E-2 and Executive MBA from Instituto de Empresa in Madrid. 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. 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. 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. 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).

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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 Auditing Committee of ENDESA S.A. in 2009. Member of the Board of Directors and Chairman of the Auditing 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 Auditing 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 Auditing 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

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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.

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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*).

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Name or corporate name of director
Mr. Luis Mª 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.

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Name or corporate name of director
Mrs Cristina Henríquez de Luna Basagoiti
Profile
Mrs. Cristina Henríquez de Luna Basagoiti has a Degree in Law and Economics from the University Pontificia de Comillas of Madrid (ICADE-2). 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). Before joining GSK she worked for Procter & 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. 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.

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

Remarks

Mr. Luis María Díaz de Bustamante y Terminel
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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.

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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

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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.

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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.

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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
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". 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: "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." 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. 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.

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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
The Board of Directors has vested all delegable powers under the Law according to Article 34 of the Company's Bylaws:. 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: (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. (b) To pay debts and receive payments due of all types, including those with origin in national, regional, provincial or municipal authorities. (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. (d) To request, obtain, acquire, grant and exploit patents, brands, privileges, licences and administrative concessions, as well as performing any transactions regarding industrial property.

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(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

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

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

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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:

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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 "Auditing and Compliance Committee" and the

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"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 "Auditing 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

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
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. Likewise, the Board of Directors, through the Auditing and Compliance Committee, has driven several initiatives which involve a continuous adaptation of the information reported to the Board of Directors. 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.

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
The Directors have carried out the assessment for 2019, by completing the relevant assessment questionnaires.

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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 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
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: a) to have formed part of the Board of Directors for at least the THREE (3) years preceding the date of said appointment; or 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. 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. 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.

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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

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
The Coordinating Director (Mr Fernando d'Ornellas) is also Chairman of the Auditing and Compliance Committee, and a member of the Appointments and Remuneration Committee. 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 Auditing and Compliance Committee. 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.

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.

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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 Auditing 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.

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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.

The Auditing 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.

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 Auditing and Compliance Committee, the Directors meet with the external auditor without the presence of the managers of the Company.

Likewise, the Auditing and Compliance Committee annually prepares a report that deals with the independence of the external audit.

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.

Likewise, at all times during the information exchange process, the Company avoids influencing the opinions or points of view of the analysts.

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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 Auditing 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

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Amount invoiced for non-audit services/total amount invoiced by the audit firm (in %)	39.55%	7.03%	18.58%

Remarks
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 Auditing and Compliance Committee. The said process was revised and updated by the Auditing and Compliance Committee during the year 2019.

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

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

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
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. 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. 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.

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

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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.

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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 Auditing and Compliance Committee.

During fiscal year 2019, Mr Juan Vives Cerdá and Mr Alfredo Pastor Bodmer, ceased as members of the Auditing 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 Auditing 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 Wistleblower 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 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 Auditing 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

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

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.

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(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
Auditing and Compliance Committee	1 (25%)	1 (20%)	1 (20%)	1 (20%)
Appointments and Remuneration Committee	1 (25%)	1 (25%)	1 (25%)	1 (25%)

Remarks

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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.

Auditing and Compliance Committee

The composition, functions and performance regime of the Auditing 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 Auditing 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 Auditing 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

During fiscal year 2019, articles 14 (Auditing and Compliance Committee) and 15 (Appointments and Remueration 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

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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 Auditing 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:

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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

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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:

1. **Identification of relevant risks**, including tax risks, through the compilation of internal and external information.

2. **Evaluation of those risks**, for each of the business areas and support the most relevant risks and obtaining the different Individual Risk Maps.

3. **Response to risk** through the allocation of responsibilities for the most relevant Risks and the definition of action plans to contribute effectively to their management.

4. **Regular monitoring and control** of risks, through indicators defined in respect of most of the relevant risks, the annual update of Risk Maps, and the monitoring of actions designed for their mitigation.

5. **Regular and transparent communication** of the results to Senior Management, the Auditing and Compliance Committee and the Board of Directors, providing feedback and thus contributing to the continuous improvement of the process.

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).

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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.

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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 Auditing 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 Auditing 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 priorization 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 Auditing 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:

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- **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
Development 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, Auditing 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 priorization 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

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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

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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 Auditing 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 uncertainly 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.

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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 Auditing 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 Auditing 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 Auditing 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 Auditing and Compliance Committee (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."

Auditing and Compliance Committee

Article 14 of the Regulations of the Board of Directors gives the Auditing 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

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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 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). The Code

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

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.

<u>Supplier’s Code of Ethics</u>

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.

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 Auditing 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 Wistleblowing 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 Auditing 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 therof, the procedure that follow a complaint and the existing mechanisms or ways to file them.

<u>Supplier Complaints Channel</u>

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) 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 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	22/05/219	Instituto de Auditores Internos (IA)	Internal Audit
Course on Cibersecurity 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	Wiillis 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 2nd Quarter	4	13/06/2019	EY	Global Administration
NIIF Meetings 3rd 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 Adminsitration
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 EEFF 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

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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 Policty 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.

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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.

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- 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 Auditing 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 Auditing 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 Auditing and Compliance Committee has revised information by the Group’s external auditors.

In the semi-annual closures, the Auditing 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 Auditing 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.

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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.

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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.

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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 Auditing 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 sevend 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 Auditing 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 Auditing and Compliance Committee of any internal control weaknesses detected in internal audits.

Likewise, on an annual basis, the external auditor provides the Auditing 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 priorization, 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.

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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.

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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

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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.

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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.

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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

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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

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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.

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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 by duly recorded in the minutes.

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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

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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** ☒

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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.

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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 ☐

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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.

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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.

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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 ☐

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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.

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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 ☐

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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 Closingap 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 ☒**

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ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

IDENTIFICATION OF ISSUER

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

CIF: [A78304516]

Registered name:

[**MELIA HOTELS INTERNATIONAL S.A.**]

Registered office:

[GREMIO DE TONELEROS,24 POL.IND. SON CASTELLO (PALMA DE MALLORCA) BALEARES]

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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

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

[ ] Yes
[√] No

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.	10.39	0.00	0.00	0.00	10.39
GLOBAL ALPHA CAPITAL MANAGEMENT LTD	3.02	0.00	0.00	0.00	3.02

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

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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
DON JUAN ARENA DE LA MORA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DON GABRIEL ESCARRER JULIA	0.00	5.03	0.00	0.00	5.03	0.00	0.00
DON LUIS Mª DIAZ DE BUSTAMANTE TERMINEL	0.00	0.00	0.00	0.00	0.00	0.00	0.00
HOTELES MALLORQUINES CONSOLIDADOS S.L.	23.38	0.00	0.00	0.00	23.38	0.00	0.00
HOTELES MALLORQUINES ASOCIADOS, S.L.	13.21	0.00	0.00	0.00	13.21	0.00	0.00

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

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 2018 S.A.	5.025%		5.025%	

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

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

[ ] Yes
[√] No

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

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		1,49

(*) Through:

Name or corporate name of the direct shareholder	Number of direct shares

A.11. Estimated free float:

	%
Estimated free float	43.48

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

[ ] Yes
[√] No

B. 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:

	Attendance data					Of which, free float				
Date of General Meeting	% 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%

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

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

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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

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
MS. CARINA SZPILKA LÁZARO		Independent	DIRECTOR	25/02/2016	23/06/2016	Resolution at General Shareholders' Meeting
MR.FERNANDO D´ORNELLAS SILVA		Independent	COORDINATING DIRECTOR	13/06/2012	08/06/2017	Resolution at General Shareholders' Meeting
MR. JUAN ARENA DE LA MORA		Independent	DIRECTOR	31/03/2009	06/06/2018	Resolution at General Shareholders' Meeting
MR. GABRIEL ESCARRER JULIA		Proprietary	CHAIRMAN	07/02/1996	04/06/2015	Resolution at General Shareholders' Meeting
MR.SEBASTIAN ESCARRER JAUME		Proprietary	DIRECTOR	07/02/1996	08/06/2017	Resolution at General Shareholders' Meeting
MR. GABRIEL ESCARRER JAUME		Executive	VICECHAIRMAN CEO	07/04/1999	08/06/2017	Resolution at General Shareholders' Meeting
MR. FRANCISCO JAVIER CAMPO		Independent	DIRECTOR	13/06/2012	08/06/2017	Resolution at General Shareholders' Meeting

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MR. LUIS Mª DIAZ DE BUSTAMANTE TERMINEL		Independent	SECRETARY DIRECTOR	30/11/2010	08/06/2017	Resolution at General Shareholders' Meeting
HOTELES MALLORQUINES CONSOLIDADOS S.L.	MS. MARIA ANTONIA ESCARRER JAUME	Proprietary	DIRECTOR	23/10/2000	08/06/2017	Resolution at General Shareholders' Meeting
MS. CRISTINA HENRÍQUEZ DE LUNA BASAGOITI		Independent	DIRECTOR	18/06/2019	18/06/2019	Resolution at General Shareholders' Meeting
HOTELES MALLORQUINES ASOCIADOS, S.L.	MR. ALFREDO PASTOR BODMER	Proprietary	DIRECTOR	18/06/2019	18/06/2019	Resolution at General Shareholders' Meeting

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 CERDA	Proprietary	04/06/2015	18/06/2019	Auditing and Compliance Commitee	NO
MR. ALFREDO PASTOR BODMER	Other External	04/06/2015	18/06/2019	Auditing and Compliance Commitee	NO

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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	Profile
MR. GABRIEL ESCARRER JAUME	Vice Chairman and Chief Executive Officer	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. 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 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 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.

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CONSEJEROS EJECUTIVOS		
Name or corporate name of director	Position held in the company's	Profile
		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 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	Profile
MR. GABRIEL ESCARRER JULIA	TULIPA INVERSIONES 2018, S.A.	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.

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EXTERNAL PROPRIETARY DIRECTORS		
Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment	Profile
		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. 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. 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. 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. 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.

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EXTERNAL PROPRIETARY DIRECTORS		
Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment	Profile
		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 50th 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).

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EXTERNAL PROPRIETARY DIRECTORS		
Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment	Profile
		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".

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CONSEJEROS EXTERNOS DOMINICALES		
Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment	Profile
MR. SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS S.L.	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. 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. 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). 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 21st 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

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CONSEJEROS EXTERNOS DOMINICALES		
Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment	Profile
		"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.
HOTELES MALLORQUINES CONSOLIDADOS S.L.	MS. MARIA ANTONIA ESCARRER JAUME	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). Maria Antonia Escarrer held various positions at Melia, 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. 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. 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. She is also an expert in Transpersonal Mindfulness by the Escuela Transpersonal. Currently and since 2012, she works as coach at an executive and personal level specialised in accompanying professionals in times of career change

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HOTELES MALLORQUINES ASOCIADOS, S.L.	MR. ALFREDO PASTOR BODMER	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. 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.

Total number of proprietary directors	4
% of the Board	36,36

EXTERNAL INDEPENDENT DIRECTORS	
Name or corporate name of director	Profile
MS. CARINA SZPILKA LÁZARO	Degree in Economic and Business Sciences from ICADE E-2 and Executive MBA from Instituto de Empresa in Madrid. 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. 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. 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. 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).
MR. FERNANDO D´ORNELLAS SILVA	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,

Name or corporate name of director	Profile
	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.
MR. JUAN ARENA DE LA MORA	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.

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MR. FRANCISCO JAVIER CAMPO GARCIA	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	Profile
MR. LUIS Mª DIAZ DE BUSTAMANTE TERMINEL	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.
MS. CRISTINA HENRÍQUEZ DE LUNA BASAGOITI	Mrs. Cristina Henríquez de Luna Basagoiti has a Degree in Law and Economics from the University Pontificia de Comillas of Madrid (ICADE-2). 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). Before joining GSK she worked for Procter & 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. 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.

Total number of independent directors	6
% of the Board	54,55

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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

OTHER EXTERNAL DIRECTORS			
The other external directors will be identified and the reasons why they cannot be considered proprietary or independent and their links, whether with the company, its directors, or its shareholders, will be detailed:			
Name or corporate name of the director	Reasons	Company, manager or shareholder with whom it maintains	Profile

Número total de otros consejeros externos	N.A.
% sobre el total del consejo	N.A.

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

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

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 2019	Year 2018	Year 2017	Year 2016	Year 2019	Year 2018	Year 2017	Year 2016
Executive					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	20.00	20.00	20.00

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	Number of female directors				% of directors for each category			
	Year 2019	Year 2018	Year 2017	Year 2016	Year 2019	Year 2018	Year 2017	Year 2016
Other External					0.00	0.00	0.00	0.00
Total	3	2	2	2	27.27	18.18	18.18	18.18

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
MS. CARINA SZPILKA LÁZARO	GRIFOLS S.A.	DIRECTOR
MR. FERNANDO D´ORNELLAS SILVA	PROSEGUR S.A.	DIRECTOR
MR. FRANCISCO JAVIER CAMPO GARCIA	BANKIA S.A.	DIRECTOR
MS. CRISTINA HENRÍQUEZ DE LUNA BASAGOITI	APPLUS SERVICES, S.A.	DIRECTOR

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

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

Board remuneration in financial year (thousand euros)	3,398
Amount of vested pension interests for current directors (thousand euros)	
Amount of vested pension interests for former members (thousand euros)	

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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
MS. PILAR DOLS COMPANY	CHIEF FINANCIAL OFFICER
MR. JUAN IGNACIO PARDO GARCIA	CHIEF LEGAL & COMPLIANCE OFFICER
MR. ANDRE PHILIPPE GERONDEAU	CHIEF OPERATING OFFICER
MR. MARK MAURICE HODDINOTT	CHIEF REAL ESTATE OFFICER
MR. JOSÉ LUÍS ALCINA JAUME	Internal Audit VP

Total senior management remuneration (thousand euros)	4,837

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

[√] Yes
[ ] No

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

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

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
Number of Board meetings without the chairman	0

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

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

Number of meetings held by the Auditing and Compliance	10
Number of meetings held by the Appointments and Remuneration Committee	8

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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	100.00

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

[√] Ys
[ ] No

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

Nombre	Cargo
MS. PILAR DOLS COMPANY	CHIEF FINANCIAL OFFICER
MR. GABRIEL ESCARRER JAUME	VICECHAIRMAN AND CEO

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

[√] Ys
[ ] No

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

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.

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

[√] Yes
[ ] No

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	48	198
Amount invoiced for non-audit services/total amount invoiced by the audit firm (in %)	39.55	7.03	18.58

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

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 (%)	0.04	0.04

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

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Explanation of procedure
S 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. 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. 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.

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.

Nº Beneficiary:	1
Beneficiary	Description of the agreement:
CEO	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.

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	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
Are these clauses notified to the General Shareholders'	√	

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
MS. CARINA SZPILKA LÁZARO	MEMBER	Independient
MR. FERNANDO D´ORNELLAS SILVA	CHAIRMAN	Independient
MR. JUAN ARENA DE LA MORA	MEMBER	Independient
MR. FRANCISCO JAVIER CAMPO GARCIA	MEMBER	Independient

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external	0.00

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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	23/06/2016

Appointments and Remuneration Committee		
Name	Position	Category
MR. FERNANDO D´ORNELLAS SILVA	MEMBER	Independient
MR. FRANCISCO JAVIER CAMPO GARCIA	CHAIRMAN	Independient
MR. LUIS Mª DIAZ DE BUSTAMANTE TERMINEL	MEMBER	Independient
HOTELES MALLORQUINES CONSOLIDADOS S.L.	MEMBER	Propietary

% of executive directors	0.00
% of proprietary directors	25.00
% of independent directors	75.00
% of other external	0.00

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	
	Number	%	Number	%	Number	%	Number	%
Auditing and compliance Committee	1	20.00	1	20.00	1	20.00	0	0.00
Appointments and Remuneration Committee	1	25.00	1	25.00	1	25.00	1	25.00

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D. LINKED OPERATIONS AND INTRAGROUP OPERATIONS

D.2. 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 Meliá 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
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

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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 CERDA	Meliá Hotels International S.A.	Commercial	Provision of services	158
MR. JUAN VIVES CERDA	Meliá Hotels International S.A.	Commercial	Receipt of services	3
MR. JUAN VIVES CERDA	Prodigios Interactivos S.A.	Commercial	Provision of services	108
MR. JUAN VIVES CERDA	Prodigios Interactivos S.A.	Commercial	Receipt of services	15

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

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 the group company	Brief description of the transaction	Amount (thousand euros)
		N.A.

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

[ ] Yes
[√] No

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G. EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of monitoring of the company with respect to the recommendations of the Code of good governance of listed companies.

In the event that any recommendation is not followed or partially followed, a detailed explanation of its reasons should be included so that shareholders, investors and the market in general have sufficient information to assess the company's behavior. General explanations will not be acceptable.

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 [X] 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 [X]

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 [X] 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 [X] Complies Partially [ ] Explanation [ ]

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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 [X]

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 [X] Complies Partially [ ] Explanation [ ]

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

Complies [X] 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 [X] Complies Partially [ ] Explanation [ ]

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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 [X] Complies Partially [ ] Explanation [ ]

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:

Immediately distributes the additions and new proposals.

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.
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.
Communicates a breakdown of the results of said additions or alternative proposals after the General Shareholders' Meeting.

Complies [ ] Complies Partially [ ] Explanation [ ] Not Applicable [X]

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 [X]

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 [X] Complies Partially [ ] Explanation [ ]

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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 [X]   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 [X]   Complies Partially [ ]   Explanation [ ]

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 [X]   Complies Partially [ ]   Explanation [ ]

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:

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

Complies [X]   Explanation [ ]

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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 [X]   Explanation [ ]

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

Professional profile and biography.
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.
Category of directorship, indicating, in the case of proprietary directors, the shareholder that they represent or to which they are connected.
The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.
The shares and options they own.

Complies [X]   Complies Partially [ ]   Explanation [ ]

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 [X]

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 [X]

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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 [X] 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 [X] 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 [X] Complies Partially [ ] Explanation [ ] Not Applicable [ ]

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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 [X]

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 [X] Explanation [ ]

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 [X] Explanation [ ]

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 [X] Complies Partially [ ] Explanation [ ]

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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 [X] 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 [X] 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 [X] 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 by duly recorded in the minutes.

Complies [X] 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 [X] 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 [X] Complies Partially [ ] Explanation [ ]

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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 [X] 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 [X] 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:

The quality and efficiency of the Board of Director’s operation.
The performance and composition of its committees.
Diversity of membership and competence of the Board of Directors.
Performance of the chairman of the Board of Directors and the chief executive officer of the company.
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 [X] Complies Partially [ ] Explanation [ ]

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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 [X]

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 [X]

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 [X] 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 [X] 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 [X] Complies Partially [ ] Explanation [ ] Not Applicable [ ]

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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 [X]   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 [X]   Complies Partially [ ]   Explanation [ ]

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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 [X] Complies Partially [ ] Explanation [ ] Not Applicable [ ]

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

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.

Fixing of the level of risk the company considers acceptable.

Measures identified in order to minimise identified risks in the event they occur.
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 [X] 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:

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.
Actively participate in the creation of the risk strategy and in important decisions regarding risk management.
Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.

Complies [X] 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 [X] Complies Partially [ ] Explanation [ ]

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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

Complies [ ] Explanation [ ] Not Applicable [X]

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 [X] Complies Partially [ ] Not Applicable [ ]

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:

Propose basic conditions of employment for senior management.
Verify compliance with company remuneration policy.
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.
Ensure that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.
Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies [X] Complies Partially [ ] Not Applicable [ ]

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 [X] Complies Partially [ ] Not Applicable [ ]

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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 [X]

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 [X] Complies Partially [ ] Explanation [ ]

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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 [X] 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 [X] 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 [X] Explanation [ ]

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 [X] 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 [X] 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 [X] 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 [X] 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 [X] 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".

Mr. Luis María Díaz de Bustamante y Terminel
Secretary and Independent Director

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 [X]

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 [X] 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 [X] Complies Partially [ ] Explanation [ ] Not Applicable [ ]

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

[ ] Yes
[√] No

We state that the data included in this statistical annex coincide and are consistent with the descriptions and data included in the annual corporate governance report published by the company.

Preparation of the Consolidated Management Report and Consolidated Annual Accounts for 2019

The preparation of the Consolidated Management Report and Annual Accounts has been approved by the Board of Directors, in the meeting held on 26 February 2020, subject to verification by the Auditors and subsequent approval by the General Shareholders' Meeting.

The Consolidated Management Report and Annual Accounts are issued in 448 sheets, all of them signed by the Secretary, and being this last sheet signed by all Directors.

Signed Mr. Gabriel Escarrer Juliá
Chairman

Signed Mrs. Cristina Henríquez de Luna Basagoiti
Director

Signed Mr. Gabriel Escarrer Jaume
Vice-Chairman and Chief Executive Officer

Signed Mr. Sebastián Escarrer Jaume
Director

Signed Mr. Juan Arena de la Mora
Director

Signed Hoteles Mallorquines Consolidados, S.L.
(Represented by Mrs. María Antonia Escarrer Jaume)
Director

Signed Mr. Fernando d'Ornellas Silva
Director

Signed Mr. Francisco Javier Campo García
Director

Signed Hoteles Mallorquines Asociados, S.L.
(Represented by Mr. Alfredo Pastor Bodmer)
Director

Signed Mrs. Carina Szpilka Lázaro
Director

Signed Mr. Luis Mª Díaz de Bustamante y Terminel
Secretary and Director

MELIÃ HOTELS INTERNATIONAL

Leisure at heart,
business in mind

MELIÁ HOTELS INTERNATIONAL, S.A.

RESPONSIBILITY STATEMENT

The undersigned Directors state that, to the best of their knowledge, the Individual and Consolidated Annual Financial Statements for the Fiscal Year 2019, approved by the Board of Directors at its meeting of February 26, 2020 and prepared in accordance with applicable accounting standards, present a fair view of the assets, financial position and results of operations of Melia Hotels International, S.A. and of the companies included in its scope of consolidation, taken as a whole, and that the Individual and Consolidated Management Reports with them include a true assessment of the corporate performance and results and the position of Melia Hotels International S.A. and its Group, as well as a description of the principal risks and uncertainties facing them.

Palma de Mallorca, February 26, 2020.

D. Gabriel ESCARRER JULIÁ, Chariman ________________________

D. Gabriel ESCARRER JAUME, Vicechairman and CEO ________________________

D. Sebastián ESCARRER JAUME ________________________

HOTELES MALLORQUINES CONSOLIDADOS, S.L.,
Represented by Mrs. Mª Antonia ESCARRER JAUME ________________________

HOTELES MALLORQUINES ASOCIADOS, S.L.,
Represented by Mr. Alfredo PASTOR BODMER ________________________

D. Juan ARENA DE LA MORA ________________________

D. Francisco Javier CAMPO GARCÍA ________________________

D. Fernando d´ORNELLAS SILVA ________________________

Dña. Carina SZPILKA LÁZARO ________________________

Dña. Cristina HENRÍQUEZ DE LUNA BASAGOITI ________________________

D. Luis Mª DÍAZ DE BUSTAMANTE Y TERMINEL, Secretary ________________________