

solmelia.com



### Contents

### **SECTION 1**

1.	Presentation	3
1.1	Letter from the Chairman	3
1.2	Highlights 2008	6
2.	About Sol Meliá	7
2.1	Mission, vision and values	7
2.2	Structure and brand management	8
2.3	Sol Meliá in figures	11
3.	Corporate governance	15
3.1	Introduction	15
3.2	Board of Directors: composition and function	15
3.3	Transparency	17
_		
4.	Management Value	18
4.1	Strategic Plan and vision of Corporate Responsibility	18
5.	Economic Value	20
5.1	Financial results	20
	5.1.1 Hotel growth	20
	5.1.2 Evolution of asset management	23
5.2	Socially responsible investments	20
5.3	Social cash flow or wealth redistribution	26
5.4	Outlook 2009	27

### **SECTION 2**

1.	Sustainable Development at Sol Meliá	28
1.1	Mission, vision and principles	29
1.2	Sustainable Development Plan: context and background	30
1.3	Sustainable Development Plan: diagram and content	31
1.4	Opportunities and Improvement Commitments	33
1.4	opportainties and improvement communents	55
2.	Valor de Negocio	34
2.1	Key figures	35
2.2	Relevant issues	35
	2.2.1 General purchasing policy and supplier management	35
	2.2.2 Improvements and automation of processes	35
	2.2.3 Purchasing statistics	36
2.3	Opportunities and Improvement Commitments	36
3.	Business Value	37
3.1	Key figures	38
3.2	Relevant issues	38
	3.2.1 Sales	38
	3.2.2 Customer knowledge	40
	3.2.3 Loyalty	42
	3.2.4 Quality control and guest satisfaction	43
	3.2.5 Guest health and safety	44
	3.2.6 Data protection	45
	3.2.7 Inclusive actions	45
3.3	Opportunities and Improvement Commitments	46
4.	Human Value	47
4.1	Key figures	48
4.2	Relevant issues	48
	4.2.1 Employee satisfaction	48
	4.2.2 Communication channels and feedback	49
	4.2.3 Diversity	50 51
	4.2.4 Human resources policy	
	4.2.5 Professional development and promotion	52 53
	4.2.6 Training	
	4.2.7 Health and safety	54 55
	<ul><li>4.2.8 Human rights</li><li>4.2.9 Solidarity of employees and for employees</li></ul>	55
12	4.2.9 Solidarity of employees and for employees Opportunities and Improvement Commitments	56
4.3	Opportunities and improvement commitments	50

5.	Investment Value	
5.1	Key figures	
5.2	Relevant issues	
	5.2.1. Shareholder and investor relations	
	5.2.2. Awards and appointments	
	5.2.3. Information for stock markets	
	5.2.4. Sustainability indices	
5.3	Opportunities and Improvement Commitments	
6.	Communicational Value	
6.1	Key figures	
6.2	Relevant issues	
	6.2.1. Media	
	6.2.2. Advertising and sponsorships	
	6.2.3. Public relations	
6.3	Opportunities and Improvement Commitments	
7.	Social Value	
7.1	Key figures	
7.2	Relevant issues	
	7.2.1 Social commitment	
	7.2.2 Projects	
	7.2.3 Use of assets	
	7.2.4 Disaster and emergency action plans	
7.3	Opportunities and Improvement Commitments	
8.	Cultural Value	
8.1	Key figures	
8.2	Relevant issues	
	8.2.1 Art	
	8.2.2 Local culture	
	8.2.3 Integration with the environment	
8.3	Opportunities and Improvement Commitments	
9.	Environmental Value	
9.1	Key figures	
9.2	Relevant issues	
	9.2.1 Environmental management	
	9.2.2 Certifications and awards	
	9.2.3 Energy, water and climate change	
	9.2.4 Contracting	
	9.2.5 Use of resources and waste management	
0 7	9.2.6 Preservation of biodiversity	
9.3	Opportunities and Improvement Commitments	
10.	About this report	
10.1	Preparation method	
10.2	Collection and consolidation of the information	
10.3	Areas involved	
10.4	Opportunities and Improvement Commitments	
10.5	Verification of the information / audits / certification	
10.6	Your opinion/ feedback system	
11.	Table of GRI indicators	
40	Corporate information	
12.		
12.		
	al Sustainability Policy	

#### **1.1** Letter from the Chairman



#### Dear friend,

It is both a great satisfaction and responsibility to present to you the Sustainability Report for the 2008 financial year. This year has been full of major challenges for the travel and tourism industry in general, and for Sol Meliá in particular, a year which has tested our ability to adapt to a new economic environment without losing our focus on sustainable development.

After the unprecedented boom of 2007, the financial year described in this report shows a deterioration in the business performance which begins to grow in importance in the second half of the year when the slowdown in the economy begins to show through in travel patterns in all markets. It's not all bad news, as we will see. It is also a year in which the Company has strengthened its internal capacity after an intense process of change in its organisational and strategic models, and also continued to enhance its brand equity and growth while approving a new Sustainability Policy.

The current crisis hit our Company in a period of extraordinary internal strength, after an historic 2007 in terms of financial performance and the presentation in 2008 of our Strategic Plan to investors all over the world. Sol Meliá was facing the crisis from a very solid base thanks to a highly committed team, a healthy balance sheet – after the important debt reduction carried out between 2004 and 2007 – and strong, differentiated brands.

Alongside this progress, in 2008 our Board of Directors also approved our **Global Sustainability Policy**, defining the basis for the integration of sustainable development principles from an integrated point of view and with a long-term vision. This policy – a copy of which accompanies this Executive Report – must be put into practise through specific management policies, generating social, cultural and environmental objectives and commitments in our planning and decision-making processes, and creating a single interpretation of what sustainability means to Sol Meliá. This will also allow us to make progress in the implementation of the principles of the United Nations Global Compact, an initiative to which we have signed up in 2008.

#### Response to the crisis and opportunities

Although our Strategic Plan is the guiding light for both the present and the future of our Company, the current recession has forced us to put the safeguard of our financial health before the application of strategic projects. The situation now requires that we focus on the basic aspects of stabilising and strengthening the Company as we face uncertainty and the crisis, aspects which in Sol Meliá we have named our "Anti-Crisis Action Areas", the basis for the implementation of a rigorous Contingency Plan.

After the intense process of readjustment started in July 2008, our goals now include generating savings of 55 million euros in 2009, prioritising service and the guest experience, reducing investments to less than 90 million euros (basically for optimising maintenance in hotels), enhancing our revenues and taking a more proactive approach to risk management, while at the same time keeping up our commitment to social responsibility and sustainability. Our acknowledged discipline in cost management and our extensive sales network will undoubtedly be key in helping us achieve these objectives.

The volatility of stock markets or the reduction in profits are inevitable consequences of the high levels of uncertainty and fall in consumption, but they should not mask the progress made by our Company in many areas in which value is undoubtedly added. Thanks to our effort and the strengths described above, we will be in a position to unearth opportunities in the midst of a crisis which may still last for some time.

Together with partners, in 2008 Sol Meliá invested more than 300 million euros in new hotels and in the renovation of others. This included the Gran Meliá Palacio de Isora in Tenerife, the purchase of the Me by Meliá Barcelona, or the renovation of Meliá hotels such as the Meliá de Mar, Meliá Barcelona, Meliá Madrid Princesa, Meliá Sol y Nieve or Meliá Sevilla, amongst others. The Company added a total of 13 new hotels with 4,635 rooms, a trend which has carried over into 2009 with agreements signed in the first quarter for 6 of the approximately 19 hotels we are scheduled to add, all of them under management or lease agreements, formulas which allow us to maintain sustainable growth levels without any increase in our debt and also perfectly aligned with our business model and our vocation as hotel managers.

In this context, the differences will be made by the way each organisation is able to manage the uncertainty and the crisis, and at Sol Meliá we have reacted well before many of our competitors, and above all we have reacted better than our competitors, meaning that even under the current circumstances we retain the competitive strengths and advantages that place us above the average for the industry.

#### A new annual report

In keeping with the strategic focus of the Company on sustainability, this Report also aims to be an exercise in environmental responsibility. The executive version (the only version that will be printed) has allowed us to save an important amount of paper without any adverse effect on our transparency thanks to the access to all information through the Internet. There are several items showing progress on environmental protection in the Report, an area in which we aim to continue to play an active role in the international travel and tourism industry. With regard to our social responsibility, the fact that we are a family company makes us particularly sensitive to the needs of children, an area in which we have shown a firm commitment to the fight against the sexual exploitation of children, amongst other things. Amongst our other stakeholders, I would like to highlight one in particular: our team of employees, the Company's most important asset, whose efforts every day make it possible for us improve the numbers that appear in this Report every year.

With respect to the structure of the Sustainability Report 2008, the corporate information is once again presented in terms of "value". Sol Meliá has continued to provide value to its employees, customers and shareholders: Management Value, Economic Value, Business, Commercial and Human Value, Investment, Communication, Social, Cultural and Environmental Value. Safeguarding our financial health is currently a factor which provides value to the Company and our stakeholders, but it is equally or even more important to ensure that the wealth thus generated provides a benefit to people and society, and that is why we have considered it more coherent to describe other types of value, perhaps more intangible, which we bring to our stakeholders through our activities.

I sincerely hope that the information contained in this Report meets with your expectations and also that you, our shareholder, our customer, our employee, the owner of one of our hotels, our supplier, or just a member of the public, find a real commitment in these pages to contribute to the more balanced and sustainable development of the societies in which we operate and the people that form part of those societies.

Gabriel Escarrer Juliá

#### 1.2 Highlights 2008

### January

cooperation agreement with the WTO to promote responsible tourism.

## Apri

Sol Meliá, only hotel company included in the FTSE4Good Ibex, the first Spanish stock market index focused on corporate responsibility.

### Julv

Sol Meliá signs an agreement with the Spanish Federation of Celiac Associations.

# April

Sol Meliá, first company to sign up for the Voluntary Commitment System to reduce greenhouse gases.

## January

MuchoViaje Award for the best hotel chain.

## February

presentation of the Strategic Plan 2008-2010 and the new organisational model.

## lune

Sol Meliá works with Philips to install the most efficient lighting systems.

## November

Sol Meliá and the Adecco Foundation promote the Family Plan.

### February

Our Loyalty Programme grows through the addition of Pestana and Pousadas hotels from Portugal.

### February

the first graduates of the corporate development plan are announced.

## May

Meliá Hotels sponsors Spanish tennis for the seventh consecutive year.

## September

Gran Meliá Palacio de Isora becomes one of The Leading Hotels of the World, making it 7 company hotels that now belong to the exclusive club.

Sol Meliá continues growth with the addition of new hotels in Spain, Brazil, Greece and Egypt.

# November

The Sol Meliá reservations centre receives award as Best Call Centre of the year in Spain.

August Sol Meliá co-sponsors two yachts in the "Alicante 2008-2009, Round the World Yacht Race".

# November

Sol Meliá signs an agreement with Marcilla to introduce "good origin" coffee in its Meliá hotels.



"At Sol Meliá we wish to contribute to and support the sustainable development of communities in which we operate and of the people that form part of them, creating a legacy to be enjoyed by future generations. At Sol Meliá we do not aim to be the best hotel company in the world, but we do want to be a point of reference for a better world."

Gabriel Escarrer Juliá Chairman of Sol Meliá

#### 2.1 Mission, vision and values

#### MISSION

To provide value to all our stakeholders through hotel brands and tourism residences which are considered points of reference for responsible tourism in the different market segments, satisfying the needs for experiences of our guests and developing our human capital.

#### VISION

To be a leader and point of reference in responsible tourism, as an employer and in profitability, increasing the value of the brands and from the hotel business promoting growth in associated businesses such as residential tourism and the vacation club.

#### VALUES

Sol Meliá has also been known for offering the best **quality** at the best **price**, for its guest **satisfaction**, its **personalised service**, and for being a family business where austerity, a spirit of self-improvement, simplicity and ethics have always focused management. The values most appreciated by its leaders include leading by example, the training and promotion of employees, and the delegation of responsibilities without ever losing control.

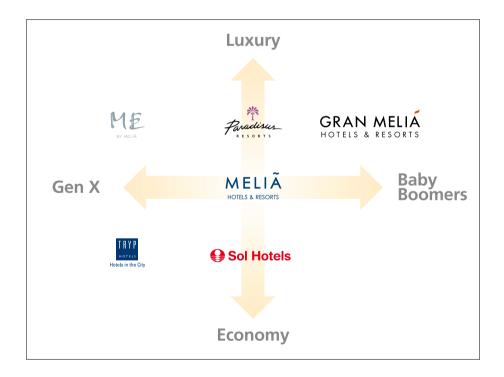
In spite of being 56 years old, these values are still the essence of our company and still valid today. They form the basis of strategic projects such as Talent Management which aims to promote the personal development and empowerment of our employees, the Brand Equity project aimed at adding value to our brands so that guests always find the brand promise and experience they seek, or the Sustainable Development project, which defines the basis for the full integration of sustainable development criteria with a clear vision of the longer term.

#### 2.2 Structure and Brand Management

Sol Meliá is currently renovating its eight brands: Gran Meliá, Meliá, ME, Innside, Tryp, Sol, Paradisus and Sol Meliá Vacation Club, bringing them up to date and transforming them into flagship brands within their respective market segments. Each brand defines a lifestyle with its own way of interpreting hospitality and service in any part of the world.

#### Gran Meliá

Born with a daring vision of the good life, the Gran Meliá brand brings together the company's most luxurious hotels under a modernised insignia, home to the fruits of more than 50 years of hotel experience and the values of Sol Meliá. With outstanding architecture, this portfolio of first class hotels and resorts has been designed to satisfy the most experienced travellers and are found in major tourist destinations throughout the world. The brand fully deserves its status amongst The Leading Hotels of the World. The cosmopolitan nature of Gran Meliá hotels is perfectly complemented by their Spanish flair, a certain Latin feel that can be sensed throughout every hotel. Their exclusive Red Glove service, introduced in 2008, combines the traditional white glove with the elegance of the red carpet, and all with the Spanish passion which inspires the company and ensures that every detail of our guests' experiences is unique and unforgettable. These hotels also provide a Red Level, an exclusive area that offers the widest range of services designed to respond to guests' desires.



#### Meliá

GRAN MELIÁ

Paradisus ME

MELIÃ

INNSIDE \*

TRYP

Sol Hotels

Sol Meliá

Luxury

Upperscale

Select Service

Midscale

Economy / Budget

Mixed

Uses

The Meliá brand includes city and resort hotels with stunning facilities in fantastic locations throughout the world, from the major European cities to exotic destinations in Asia, Africa, the Caribbean, Mexico and South America. They all boast enormous international prestige thanks to their personalised service and superior quality. Meliá provides fresh and innovative experiences for the five senses, inducing passion and evoking tradition for experienced travellers on business trips, romantic breaks or enjoying a family holiday. The sensorial design is an imperative for Meliá, always united with fresh and charming décor. Meliá is currently undergoing an intense modernisation, a change not only reflected in a new corporate image but also in brand attributes which are now more full of energy than ever before: the design, the comfort of its rooms, the exclusive The Level service, the innovative cuisine, and a new range of health and beauty facilities in the fabulous spas.

#### ME

The most avant garde brand at Sol Meliá, a new concept in hotels with striking personalities in which cutting-edge design, international cuisine, the latest technology and the intriguing music play a fundamental role. ME hotels operate in both the most important cities in the world and in the best resort destinations, providing guests with the truly unexpected. ME offers a personalised service which goes far beyond simple accommodation. Guest care is built around four features: RememberME, ExperienceME, EnergiseME and DareME, the perfect combination for creating an atmosphere that stimulates the senses and connects with our life rhythms. with the AURA of each guest, the essence of the hotel. ME hotels have been designed for travellers that are aware of fashion, who look not only for quality but for individual, vibrant experiences in a cosmopolitan atmosphere, reflecting their professional needs and personal desires. This is why ME hotels the visual experience is of the greatest importance.

#### Innside

The Innside brand joined Sol Meliá in 2007. adding a number of avant garde city hotels to the company portfolio. Elegance and modernity are the key characteristics of Innside hotels, a brand that currently operates nine hotels in Germany and has an ambitious plan for growth in other European countries. Atmosphere, service and pleasure ensure a relaxing stay at Innside hotels. Innside Premium Hotels are not just hotels, a formula, or just another place to stay, they are more a way of life. Our guests are demanding and individualist, with common circumstances and outlooks. This is the basis for harmonious cooperation, a relaxed atmosphere and interesting conversations.

#### Tryp

Tryp hotels were designed to provide a comfortable and functional space in a great location and with impeccable service. They are city hotels par excellence, modern and great value for money, where great care is taken over every detail, and with complementary facilities for relaxation and physical exercise, and extensive and healthy dining options, in tune with modern needs. Tryp hotels offer rooms adapted to the desires and the concerns of our guests: Premium Room, Fitness Room and Family Room. Tryp hotels also offer business travellers spacious and well equipped meeting rooms for successfully hosting any type of corporate event.

#### Sol

Sol hotels are ideal hotels for enjoying funfilled family vacations. Located in the major tourist destinations in the Mediterranean and the Caribbean, these hotels provide comfortable rooms, a wide choice of restaurants and bars, large swimming pools and an extensive programme of a la carte activities designed for all our guests, ensuring everyone from the youngest to the oldest fully enjoy their leisure break. Vacations here are full of family fun. The Sol brand has created a number of innovative concepts providing a greater variety of services for guests, for example Fun



Food (themed buffets), a new activities programmes and Flintstones Land, a new way of enjoying active vacations with characters from the children's cartoon favourite, the Flintstone family.

#### **Paradisus**

Paradisus Resorts provide a sublime romantic experience for couples and exceptional vacations for families in a sophisticated atmosphere where quests enjoy luxurious All Inclusive services and being carried away by the exotic and privileged Caribbean scenery. Renowned for their original and unique architectural style, Paradisus Resorts offer an endless array of sensations to guests thanks to exclusive services, always hand in hand with extensive and exquisite dining pleasures. All of this has earned the recognition of membership of The Leading Hotels of the World. The prestigious all inclusive service provides a fantastic choice of cuisine, adultonly Royal Service and the a great range of leisure activities.

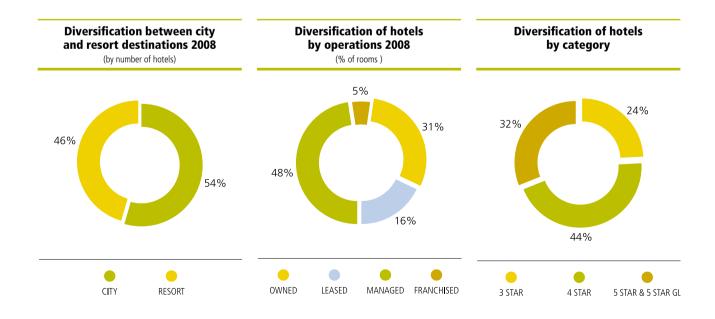
#### Sol Meliá Vacation Club

Sol Meliá Vacation Club is designed to provide its members with a great choice of exotic and spectacular destinations for vacations year after year. SMVC provides its members with the first class service that is typical of company hotels throughout the world, combined with the most complete and flexible vacation club in the hotel market. The Club has become a strategic business for Sol Meliá and has been developed as a totally integrated and selfsufficient activity within the company.

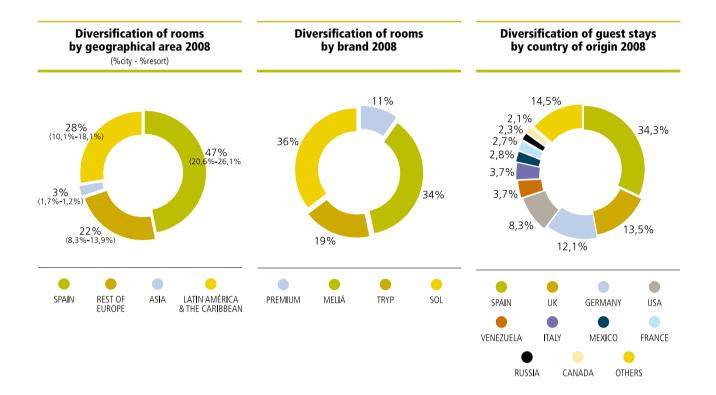
### 2.3 Sol Meliá in figures



ASIA		THE AMERICAS		EUROPE	
Indonesia	5	Argentina	3	Germany	19
Malaysia	1	Brazil	14	Bulgaria	4
Vietnam	1	Chile	1	Croatia	16
TOTAL	7	Costa Rica	1	Spain	158
		Cuba	26	France	7
		Mexico	10	Italy	4
MEDITERRANEAN		Panama	1	Portugal	13
Egypt	4	Peru	1	UK	2
Tunisia	2	Puerto Rico	1	Greece	2
		Dominican Rep.	5	TOTAL	225
TOTAL	6	Uruguay	1		
		Venezuela	2		
		TOTAL	66		

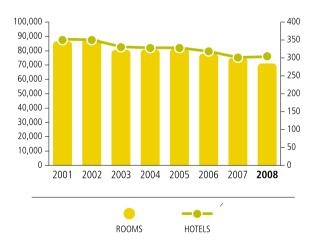


		TOTAL	CITY	RESORT	% CITY	% RESORT
Spain	47%	35,589	15,692	19,897	20.5%	26.0%
Rest of Europe	22%	16,949	6,333	10,616	8.3%	13.9%
Asia	3%	2,198	1,276	922	1.7%	1.2%
Latin America and the Caribbean	28%	21,791	7,746	14,045	10.1%	18.4%
TOTAL	100%	76,527	31,047	45,480	<b>40.6</b> %	59.4%



#### Growth of number of Hotels, Rooms and Stays

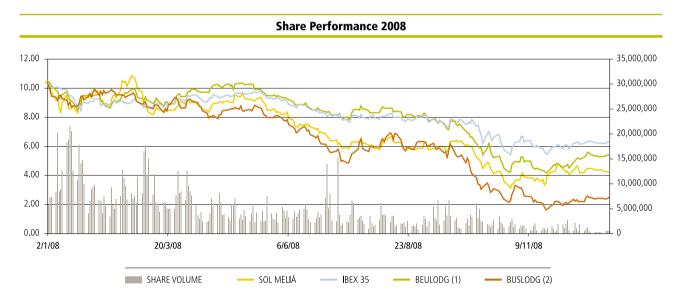
	Rooms	Hotels	Growth of Number of Stays
1999	68,766	262	21.5 million
2000	81,942	335	23.0 million
2001	86,554	352	23.7 million
2002	87,717	350	24.3 million
2003	80,494	330	26.2 million
2004	80,834	328	27.3 million
2005	81,282	328	27.4 million
2006	77,893	318	27.8 million
2007	75,022	301	28.6 million
2008	76,527	304	26.9 million



### About Sol Meliá I Sol Meliá Annual Report o8

Sol Meliá current positioning 2008	2008	2007
(In million euros)		
EBITDA / NET INTEREST EXPENSE	3.1 x	5.4 x
PER (PRICE EARNINGS RATIO)	32.0 x	11.9 x
MARKET CAP.	787.1€	1.925.4 €
EV / EBITDA	6.9 x	8.0 x
NET DEBT (TOTAL DEBT - CASH - IFT)	982€	872€

Company founded:	1956	
Company IPO:	2 July 1996	
Initial share price (before split):	5.41€	
Ticker Symbol:	SOL.MC / SOL SM	
Stock market:	Continuous market (Spain)	
Number of shares:	184,776,777	
Share price at 31 Dec 2008	4.26€	
Share performance from IPO to 31 Dec 2008:	-21.3%	
Share performance from 31 Dec 2007 to 31 Dec 2008:	-59.1%	
Rating Ba1 negativ outlook from Moody's		



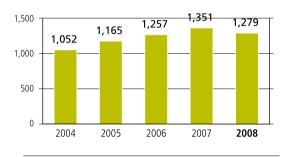
(1) BEULODG: Bloomberg Index of European hotel companies. (2) BUSLODG: Bloomberg Index of North American hotel companies.

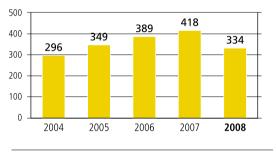
Share Pric	: <b>e</b> €	Average Daily Volume								
		% Change	IBEX - 35	Max.	Min.	Shares	Euros (M)	Dividend €	EPS	CFPS
31/12/08	4.26	-59.12%	-39.43%	10.85	3.12	611,937	4.72	0.051	0.28	0.91
31/12/07	10.42	-30.58%	7.32%	19.10	10.13	950,186	14.94	0.146	0.88	1.46

#### **Economic Growth**

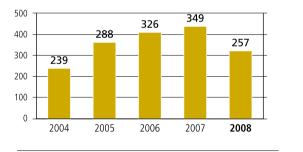
#### In million Euros

	2004	2005	2006	2007	2008	C.A.G.R. 08
INCOME	1,052	1,165	1,257	1,351	1,279	5%
	7%	11%	8%	7%	-5%	
EBITDAR	296	349	389	418	334	3%
	3%	18%	12%	7%	-20%	
EBITDA	239	288	326	349	257	2%
	7%	21%	13%	7%	-26%	
NET PROFIT	46	92	138	165	55	4%
	-7%	101%	50%	19%	-67%	
RESULT PARENT COMPANY	44	90	136	162	51	4%
	15%	105%	51%	19%	-68%	



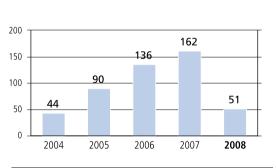


EBITDAR

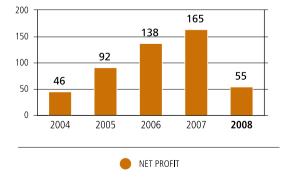


INCOME





RESULT PARENT COMPANY



About Sol Meliá I Sol Meliá Annual Report o8



### 3. Corporate Governance

#### 3.1 Introduction

The regulation of corporate governance at SOL MELIA S.A. is contained in the Company Bylaws, in the Manual of the Board of Directors and in the Internal Code of Conduct on matters concerning stock markets which are available to shareholders and investors in company headquarters and on the website (www.solmelia.com) in the Corporate Governance section.

#### 3.2 Board of Directors: Composition and Function

The superior governing body is the Board of Directors, which must be formed by a minimum of five members and a maximum of 15. Currently the Board of Directors is formed by ten Directors, three of which are Executive Directors (Gabriel Escarrer Juliá, Sebastián Escarrer Jaume and Gabriel Escarrer Jaume), three are External Directors (Juan Vives Cerdá, HOTELES MALLORQUINES CONSOLIDADOS, represented by Maria Antonia Escarrer Jaume and CAJA DE AHORROS DEL MEDITERRANEO, represented by Armando Sala Lloret) and four are Independent Directors (José María Lafuente López, Emilio Cuatrecasas Figueras, Eduardo Punset Casals and Alfredo Pastor Bodmer). The Chairman of the Board of Directors, Gabriel Escarrer Juliá, is not the chief executive of the company.

There are also three delegate committees: the Audit and Compliance Committee, the Appointments and Remuneration Committee and the Strategy Committee.

The **Audit and Compliance Committee** is formed by three members: two Independent Directors and an Executive Director, plus a non executive Secretary.

The members of the Committee of Audit are:

NAME	POSITION	ТҮРЕ
Eduardo Punset Casals	Chairman	Independent Director
Sebastián Escarrer Jaume		Executive Director
José María Lafuente López		Independent Director and Secretary

Non-executive secretary: Mark Hoddinott

Amongst its functions, the Audit Committee examines compliance with the Internal Code of Conduct on Stock Markets, examines the regulations of the Board of Directors and the corporate governance rules in general, as well as making proposals for improvement. It must also be informed of and monitor all processes related to financial information and internal control systems.

The **Appointments and Remuneration Committee** is formed by four members: an Independent Director, an External Director and two Executive Directors, plus a non executive Secretary.

The members of the Committee of Appointments and Remuneration are:

NAME	POSITION	ТҮРЕ
Hoteles Mallorquines Consolidados S.A.	Chairman	External Director
Sebastián Escarrer Jaume		Executive Director
Gabriel Escarrer Jaume		Executive Director
Alfredo Pastor Bodmer		Independent Director

Non executive Secretary: Fernando de Cevallos

Amongst its functions, the Appointments and Remuneration Committee formulates and reviews the criteria that govern the composition of the Board of Directors and the selection of candidates. It is also responsible for proposing to the Board any appointments of board members so that the board may designate them by cooptation, or submit them for approval to the Shareholders' Meeting.

The **Strategy Committee** is formed by five members: an Independent Director, two External Directors and two Executive Directors.

The members of the Committee of Strategy are:

NOMBRE	CARGO	TIPOLOGÍA
Juan Vives Cerdá	Chairman	External Director
Hoteles Mallorquines Asociados S.A.	Secretary	External Director
Sebastián Escarrer Jaume		Executive Director
Gabriel Escarrer Jaume		Executive Director
Alfredo Pastor Bodmer		Independent Director

Amongst its functions, the Committee of Strategy informs and proposes the company's medium and long term strategic plans to the Board of Directors, as well as any relevant strategic decisions, actively participating in the definition and review of company strategy. It also informs and advises the Board on the basic principles and goals of the Strategic Plan valid at any given time. It also defines the development of new business areas, both on a national and international level. It reports on any investments or divestments which involve amounts that require their submission to the Board of Directors, and monitors the implementation of the organisational model, guaranteeing the transmission of the company's culture and values and collaborating in the external and internal communication process for the model, culture and values.

#### 3.3 Transparency

In 2008, the Sol Meliá Board of Directors implemented a self-appraisal process, through which the Board evaluates its own performance every year.

With regards to possible conflicts of interest that could emerge in the Board, article 28 of the Regulations of the Board establishes a control mechanism which obliges Directors to report to the company any direct or indirect situation or conflict that could harm the interests of the group. Article 15.2 of the Regulations states that it is the responsibility of the Appointments and Remuneration Committee to inform the Board of any such situation and propose the measures that should be taken to avoid any such conflict being repeated.

The variable bonuses of senior executives at Sol Meliá are linked to the organisation's business performance. A part of the bonus directly depends on the results for EBITDA, Quality and Workplace Environment. Long-term remuneration is linked to different factors: the share price, company results and business area results. There is no link between the remuneration of the Board and the performance of the organisation, with the quantities they receive pertaining to attendance at Board and Committee Meetings.

#### Improvement opportunities

- In 2009, Sol Meliá is committed to including at least two Independent Directors to the Board of Directors, at least one of which will be a woman.
- In 2009, the composition of the Delegate Committees to the Board will be restructured to provide them with greater independence, and reinforcing the presence of Independent Directors.



# Management Value

#### 4.1 Strategic Plan and vision of Corporate Responsibility

2008 saw the launch of the Strategic Plan 2008-2010 and the presentation of a new business model in line with the internal reorganisation begun in 2007.

The new Strategic Plan focuses on brands, the promotion of complementary businesses such as the Vacation Club, the focus on international expansion as a key to growth which will allow the intensification and improvement of brand awareness and a step change in the new organisational model and management culture. An important set of activities and projects are contained in the five strategic areas, allowing the process of change towards this new business model to begin and also counteracted the slowdown suffered in the second half of the year.

#### **Brand Equity**

The redefinition and modernisation of our brands in line with the expectations of our guests, a new management model and service culture for each brand which promotes awareness of them in our different markets and an increase in guest satisfaction are the key aims in this strategic area. The growth of our portfolio has provided us with important successes such as the opening of the Gran Meliá Palacio de Isora, a greater presence for the ME by Meliá brand in Spain with the opening of the ME Barcelona, and the renovation of well known hotels like the Meliá Barcelona, Meliá Sevilla, Meliá Madrid Princesa and the Meliá de Mar, flagships for the new brand standards and attributes.

#### Guest knowledge and contact

The customer is the centre of all of our activities. Increasing the frequency of their stays and their loyalty in all of our businesses, including the Vacation Club, is one of the key features of the daily management of our hotels. Our focus on getting to know our customers better so that we can ensure we provide them with the products and services they expect and which better adapts to their buying habits are key to the design of CRM strategy (Customer Relationship Management). This year, the improved quality of our customer database, after having increased the degree of customer identification and knowledge, has allowed us to provide even greater support in product sales and ensure a market share above that of our competitors.

#### Development of Leisure Real Estate and mixed ownership formulas

The real estate crisis unleashed in the second half of the year has slowed down expectations for growth in our portfolio of establishments with hotel and real estate services. In this period, despite the crisis, the bases for the future have been laid to enhance the value of the company in this area, beginning with the sale of new condo-hotel units in Spain at the Meliá Sol y Nieve, a product aligned with the new positioning of the brand.

#### **Talent Management and Empowerment**

This strategic areas is more of a priority today than ever before. The retention and development of talent allows us not only to act in a coordinated way in line with company needs, but also ensures the future of the organisation and its leadership. Sol Meliá employees are an essential part of the successes in every strategic area, ensuring the brand promises, quality service and personalised customer care. The talent and the training of our human team has allowed us to respond to the current situation and prioritise new areas of activity defined by the company as key to counteract the slowdown in the economy.

The new organisational model has become a means of development and promotion of our greatest asset – our employees– ensuring synergies between the different business areas and the brands, and promoting team work, innovation and creativity, key factors in the new market situation.

#### **Sustainability**

The commitment to social, environmental and cultural responsibility is of great value to our company today. The objective of the strategic area of sustainability is the integration of all of the criteria of sustainability in all of its policies, processes and rules in the day-to-day activities of the company today and in the future. The Sustainability Policy approved of by the Board of Directors is the cornerstone that articulates progress in this area.

#### New unstable climate

All of these strategic areas remain valid and ongoing, but the slowdown in the economy and the significant impact it has had on consumption and, as a consequence, the reduction in travel by our customers, has meant that the Strategic Plan has had to be adapted to the current circumstances.

New Business Model People: External and internal customer, + stakeholders Values and change culture The focus on four action areas designed to minimise the effects of the current situation on results and on the financial solvency of the company, are now an essential part of our daily activities.

The improvement and growth of revenues, the retention and loyalty of our guests, and the control of costs and expenditure, together with the delivery of brand promises and guarantee of guest expectations, plus risk management and safeguarding our balance sheet and financial solvency, are all basic pillars upon which all company activity currently rests.

Amongst the contingency objectives are savings of 39 million euros, a reduction in investments to less than 100 million euros, growth in revenues and the enhancement of "other revenues". All of these areas will strengthen the company and continue to provide value to all of our stakeholders.



### 5. Economic Value

#### 5.1 Financial results

#### 5.1.1

#### Hotel growth

In 2008, RevPAR for owned and leased hotels fell by 3.2%. The year was affected by 1) the economic downturn, 2) a weak summer season in Spain, 3) the depreciation of the pound sterling and the US dollar, and 4) the reduction of capital gains from asset rotation (3.8 million euros in 2008 compared to 43.1 million euros en 2007).

#### Sol Hotels

In 2008, RevPAR for the Sol brand (100% resort, 100% Spain) fell by 5.7% as a consequence of the fall in occupancy of 7.1%. The performance of the Balearic Islands was weak (RevPAR: -9.5%) due to the decrease in the number of bookings from the Spanish and UK markets, affected by 1) the global economic crisis, 2) the reduction in capacity by tour operators involved in the consolidation process in the industry (Thomson – First Choice and Thomas Cook – My Travel) and 3) the closure of some companies in the industry such as XL and Futura. On the other hand, the Canary Islands showed a small recovery over the year (RevPAR: +3.9%).

In 2008, Operational Costs (excluding leasing costs) decreased by -3.7%, assisted in part by the closure of several hotels, especially in areas such as Mallorca and Ibiza, so as to avoid greater costs. Ebitda decreased by 24.4%.

The variation in the number of rooms available is due to the late opening of 4 seasonal hotels: Sol Príncipe (Malaga), Sol Costa Blanca (Alicante), Sol Guadalupe and Sol Trinidad (both in the Balearic Islands).

#### **Tryp Hotels**

In 2008, RevPAR for the Tryp brand (100% city; 73% Spain) fell by 4.6% due to the reduction in occupancy by -5.4% and the decrease in weekend breaks which, although not starting until the second quarter, became more intense over the last quarter of 2008.

Operational Costs (excluding leasing costs) fell in 2008 by 1.8% due in part to energy saving measures including the closure of unoccupied floors, the reduction in advertising costs and the decrease in the number of employees contracted, amongst others. Ebitda decreased by 21.7%.

The decrease in the number of rooms available is due to the sale of the Tryp Hidalgo and Paris Boulogne during the second and fourth quarter 2007 respectively.

#### **Meliá Hotels & Resorts**

During 2008, RevPAR for the Meliá brand (44% Spain, 21% LatAm, 35% EMEA) fell by -3.2% (-0.3% excluding exchange rate effects). Over the year the city hotel segment was affected by a gradual slowdown in the international leisure and business travel segments.

Operational Costs (excluding leasing costs) and Ebitda changed by +7.9% and -6.3% respectively. Excluding changes in the perimeter, these parameters fell by -0.8% and -9.8% respectively due to the incorporation of the Innside brand. In 2008 the company implemented energy saving measures and reduced staff contracting due to the decrease in occupancy.

The incorporation of the Innside brand is behind the increase of 57.0% in leasing costs. Excluding these hotels, leasing costs increased by only 6.8%.

The increase in the number of rooms available is due to the incorporation of the hotel Meliá Athens and the Innside branded hotels, partially compensated by the sales of the Meliá Cáceres, Meliá Mérida, Meliá Trujillo and Meliá Avenue Louise hotels in 2007.

#### Premium Brands

In 2008, RevPAR in the Premium brands (74% of the portfolio in the Americas) decreased by -3.5% (+1.8% excluding exchange rate effects). By brand, Paradisus decreased by -10.3% affected by the renovation of the Paradisus Punta Cana and in the Gran Meliá brand RevPAR fell by 1.3% due to the negative performance of the hotel in Puerto Rico. RevPAR in the ME by Meliá brand increased by 10.1% thanks to the performance of the company hotels in Cancun.

Operational Costs (excluding leasing costs) and Ebitda decreased by -0.6% and -20.3% respectively.

The rooms available in the Premium brand decreased by 1.1% due to the renovation of the Gran Meliá Colón (218 rooms), re-opened on 3 February 2009, and the disaffiliation of the Gran Meliá Mofarrej in June 2008. These reductions in the number of rooms available were partially compensated by the enlargement of the Paradisus Palma Real (192 rooms) in the Dominican Republic.

#### Table 1: Owned and Leased Hotels 08 / 07 (RevPAR & A.R.R. in Euros)

		% Occupancy	RevPAR	A.R.R.	Rooms available
SOL	2008 <b>% o/ 2007</b>	68.3% <b>-7.1%</b>	36.6 <b>-5.7%</b>	53.6 <b>1.5%</b>	3,245,590 - <b>3.4%</b>
	2007	73.5%	38.8	52.8	3,359,751
TRYP	2008 <b>% o/ 2007</b>	65.1% <b>-5.4%</b>	48.9 <b>-4.6%</b>	75.1 <b>0.9%</b>	3,025,609 - <b>2.4%</b>
	2007	68.8%	51.2	74.5	3,098,697
MELIÁ <sup>(1)</sup>	2008 <b>% o/ 2007</b>	67.7% <b>-5.8%</b>	62.6 <b>-3.2%</b>	92.4 <b>2.7%</b>	3,839,468 <b>10.1%</b>
	2007	71.8%	64.6	90.0	3,487,705
PREMIUM <sup>(2)</sup>	2008 <b>% o/ 2007</b>	58.5% <b>-5.5%</b>	70.5 <b>-3.5%</b>	120.6 <b>2.1%</b>	1,703,272 - <b>1.1%</b>
	2007	61.9%	73.1	118.0	1,722,648
TOTAL <sup>(3)</sup>	2008 <b>% o/ 2007</b>	65.9% <b>-5.6%</b>	53.1 <b>-3.2%</b>	80.6 <b>2.5%</b>	11,813,939 <b>1.2%</b>
	2007	69.8%	54.8	78.6	11,668,801

(1) RevPAR and ARR changed by -0.3% and +5.8% excluding currency effects

(2) RevPAR and ARR increased by +1.8% and +7.7% excluding currency effects
(3) RevPAR and ARR changed by -1.1% and +4.7% excluding currency effects

		Hotel revenues	Food and beverage / Others	Total revenues	Total costs (*)	Ebitda
SOL	2008	118.6	73.8	192.4	144.5	47.9
	<b>% o/ 2007</b>	<b>-8.9%</b>	<b>-10.8%</b>	<b>-9.7%</b>	<b>-3.4%</b>	<b>-24.4%</b>
	2007	130.3	82.7	213.0	149.6	63.4
TRYP	2,008	148.0	55.2	203.1	176.8	26.3
	<b>% o/ 2007</b>	<b>-5.9%</b>	<b>-1.1%</b>	<b>-4.7%</b>	<b>-1.5%</b>	<b>-21.7%</b>
	2007	157.3	55.8	213.1	179.5	33.6
MELIÁ <sup>(4)</sup>	2,008	240.2	157.9	398.1	286.7	111.4
	<b>% o/ 2007</b>	<b>4.5%</b>	<b>6.2%</b>	<b>5.2%</b>	<b>10.4%</b>	<b>-6.3%</b>
	2007	229.9	148.6	378.5	259.6	118.9
PREMIUM <sup>(5)</sup>	2,008	120.1	120.3	240.4	191.1	49.4
	<b>% o/ 2007</b>	<b>-2.1%</b>	<b>-7.9%</b>	<b>-5.1%</b>	<b>-0.1%</b>	<b>-20.3%</b>
	2007	122.7	130.5	253.3	191.2	62.0
TOTAL <sup>(6)</sup>	2,008	626.9	407.1	1.034.0	799.2	235.0
	<b>% o/ 2007</b>	<b>-2.1%</b>	<b>-2.5%</b>	<b>-2.3%</b>	<b>2.5%</b>	<b>-15.4%</b>
	2007	640.2	417.7	1.057.9	780.0	277.8

Table 2: Hotel revenues 08 / 07 for owned and leased hotels

(\*) Includes leasing costs

(4) Total revenues increase by +8.1 % excluding currency effects

(5) Total revenues decrease by -0.1% excluding currency effects

(6) Total revenues increase by +0.0% excluding currency effects

#### **Management Fees**

The management fees obtained in 2008 decreased by -5.1%. On a like-for-like basis and excluding currency effects, fees increased by +3.3%, mainly due to the hotels in Cuba, whose management fees excluding currency effects increased by 8.7%.

Management fees for Sol branded hotels decreased by -0.5%, due to the performance of Spanish resort hotels, where fees decreased by 20.2%. This fact could not be compensated by the incorporation of 3 resorts en Bulgaria (Nessebar Palace, Nessebar Bay and Nessebar Mare) nor the positive performance of hotels in Croatia, where fees increased by 11.3%.

With respect to the Tryp brand, management fees decreased by -3.2% in 2008 due to two contrary effects: one the one hand the disaffiliation of the hotels Corobici (Costa Rica), Brooklin and Porto Alegre (Brazil) and, on the other hand, the positive results in Brazilian hotels, where fees increased by 14.6% (excluding the exchange rate effect and changes in the consolidation perimeter). The management fees of the Meliá brand decreased by -6.3% mainly due to a reduced contribution from hotels, changes in the perimeter and exchange rate effects. Excluding currency depreciation and changes in the perimeter, management fees fell in 2008 by -1.0%.

With regard to the Premium brands, management fees decreased by -8.9% due to the disaffiliation of the hotel Bahía del Duque (Spain) and results of hotels in Cancun (-18.2%), affected by exchange rate changes. Using the same comparable basis and excluding exchange rate effects, management fees increased by 14.4%.

illion Euros)				
ANAGEMENT FE	E REVENUES	Dec 08	Var 08 / 07	Dec 07
SOL	Basic Incentive	4.6 3.9 8.5	-10.5% 14.7% -0.5%	5.2 3.4 8.6
MELIÁ	Basic Incentive	15.5 5.0 20.6	-5.3% -10.7% -6.3%	16.9 5.6 21.9
TRYP	Basic Incentive	4.4 2.9 7.3	0.1% -7.7% -3.2%	4.4 3.1 7.5
PREMIUM	Basic Incentive	5.3 2.5 7.8	-23.8% 47.1% -8.9%	6.9 1.7 8.6
TOTAL BASIC		29.8	-9.3%	32.9
TOTAL INCENTIV	Έ	14.3	3.6%	13.8
TOTAL		44.1	-5.1%	46.6

#### Table 3: Management Fees

#### 5.1.2

#### **Evolution of asset management**

#### **Asset rotation**

Throughout 2008, Sol Meliá generated 6 million euros of revenues and 3.8 million in profit from the sale of the hotel Tryp Los Bracos, compared to the 129.5 million euros generated in 2007 (43.1 million profit).

#### **Table 4: Asset Rotation activity**

ASSET	ROOMS PRICE 2008 2007 2008 2007		EV/EBI 2008	TDA (x) 2007	PROFIT 2008 2007			
Tryp Los Bracos (Logroño, Spain) 4Q08	71	-	6	-	16.7	-	3.8	-
Tryp Hidalgo (Ciudad Real, Spain) 2Q07	-	54	-	2.3	-	40.0	-	1.7
Commercial property (Mallorca, Spain) 2Q07	-	-	-	0.9	-	-	-	0.9
Land in the Dominican Republic 2Q07	-	-	-	8.8	-	-	-	3.8
15.0% Paradisus Playa Conchal (Costa Rica) (*)2Q07	-	406	-	23.4	-	14.7	-	5.7
17.4% Paramount NY (New York, USA) (*)2Q07	-	567	-	25.1	-	21.2	-	5.1
Other assets 3Q07	-	-	-	15.5	-	-	-	5.8
Meliá Cáceres, Mérida & Trujillo (Extremadura, Spain) 4Q07	-	269	-	30.0	-	18.9	-	9.7
Tryp Paris Boulogne (Paris, France) 4Q07	-	75	-	12.5	-	17.3	-	5.0
Meliá Avenue Louise Boutique Hotel (Brussels, Belgium) 4Q07	-	80	-	11.0	-	19.3	-	5.3
TOTAL	71	1.451	6	129.5	16.7	18.2	3.8	43.1



The total sales of land at Desarrollos Sol in the Dominican Republic also decreased by 41.9% to 6.2 million euros due to the decrease in the land available for sale in the Dominican Republic.

During 2008, Sol Meliá made investments in fixed assets and real estate including: 39.0 million euros in the construction of 196 Vacation Club units in the Paradisus Palma Real (Dominican Republic), 11.6 million euros in finalising the construction of 192 Vacation Club units in the Paradisus Punta Cana, 15.0 million in the acquisition of a 40% share in "Altavista Hotelera S.A." owner of the Hotel ME Barcelona, and 14.4 million on adding 60 rooms to the Hotel Meliá Sol y Nieve.

#### Sol Meliá Vacation Club (SMVC)

In 2008, the total sales of Sol Meliá Vacation Club (including both Vacation Club sales and also financial revenues, maintenance and management fees and Network Fees, amongst others) decreased by 10.9% (-11.9 Mn Euros; -4.7% excluding the exchange rate effect). Vacation Club sales (number of weeks x price per week) decreased by 9.6% (-3.3% excluding the exchange rate effect).

Net Financial Income increased by 10.9% in Euros (16.7% in dollars), due to the increase in the financing of Sol Meliá Vacation Club quotas as well as the reduction in the cost of bank transactions.

#### Table 5: Sol Meliá Vacation Club sales

	NUMBE	R OF W SOLD	EEKS		UMBER O VALENT U	-	AVI	ERAGE R	ATE		ON CLU IN '000 <del>(</del>	B SALES E)
	2008 %	% <b>o/07</b>	2007	2008	% <b>o/07</b>	2007	2008	% <b>o/07</b>	2007	2008	% <b>o/07</b>	2007
PREMIUM	2,269 -	18.7%	2,791	44	-18.7%	54	19,399	11.2%	17,444	44,006	-9.6%	48,678
MELIÁ	1,251 -	16.7%	1,501	24	-16.6%	29	12,532	8.4%	11,559	15,672	-9.7%	17,350
TOTAL	3,519 -1	18.0%	4,292	68	-18.0%	83	16,959	10.2%	15,386	59,678	-9.6%	66,028

#### 5.2 Socially Responsible Investments

#### Gran Meliá Palacio de Isora

In 2008, Sol Meliá added a new hotel in Tenerife to its portfolio, the Gran Meliá Palacio de Isora, the location of which does not affect any protected natural area nor environmentally sensitive areas, according to law 11/90 of 13 July on environmental protection.

Amongst the environmental considerations taken into account during the development of the hotel, the following are the most significant:

 The hotel is located some 100 metres from the coastline, and its development has not included any waterside developments.

- Integrated water cycle systems: production of fresh water through desalination plants, use of salt water for swimming pools and cooling systems, use of waste water for watering gardens.
- The hotel and its surroundings do not affect any of the Special Bird Protection Zones.
- In the area of energy efficiency, the lighting system uses low energy LED technology, estimated to reduce CO2 emissions by 1,685 tonnes per year.



The Hotel Partial Plan will also mean the hotel will have a positive social impact mainly through:

- Increase in the number of parking spaces (500), substantially improving traffic flows in the municipality of Alcalá.
- Landscaping of the area closest to the city, currently in a very poor condition, increasing its environmental value and the leisure opportunities for the local population.
- Creation of an avenue for access to Alcalá and the Jaquita, improving their accessibility, mobility and traffic safety.

The development of the hotel also has the potential to generate indirect economic benefits for the region estimated at 150.1 million euros, bearing in mind:

- Investment in land: 24.1 million Euros, with a leak percentage of 40%.
- Investment in construction: 150.8 million Euros, with a leak percentage of 40% and a multiplying effect of 1.5 times.

The number of employees in the hotel itself is 550. The number of indirect jobs created by the hotel is estimated at 253, creating annual income of 4.5 million euros.

In parallel with the opening of the hotel, Sol Meliá signed a cooperation agreement with the Guía de Isora Town Hall to support local development through the promotion of employment and training. As part of the agreement, a Recruitment and Training Plan was implemented in which around 800 people took part.

#### **ME Barcelona**

At the end of the year, the Company opened a new five star hotel in the Catalan capital, the ME Barcelona, in which it has focused on actions to generate energy efficiency and savings. With regard to temperature control and sanitation:

• Installation of 4 coolers with a heat recovery system allowing water to be heated

to 50°C, and only needing the boilers for temperatures above that.

- Use of enthalpic systems for primary air treatment, achieving gains of ±5° C.
- Systems in rooms to turn off temperature control systems whenever they are unoccupied (except in suites).
- Swimming pool heated through solar panels.
- Treatment and filtering of waste water to be reused in WC systems.
- Installation of a flush interruption system in WCs.
- Use of recyclable material in the sanitation and distribution network.

The hotel has also applied new lighting and electricity criteria to encourage savings:

- Lighting management systems in corridors, public areas and rooms which allow reductions in electricity use through systems which detect the presence of people.
- Use of fluorescent or low energy lighting.
- Use of solar panels to feed the hotel low voltage network.
- Centralisation of cold stores in one single unit to reduce energy use.

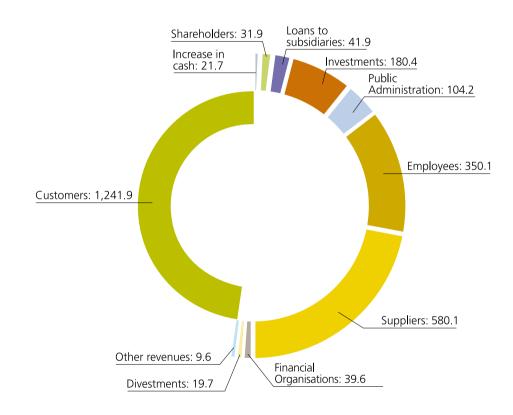
In parallel, the hotel, designed by the French architect Dominique Perrault, has helped transform the new 22@ technology district which aims to renovate and revitalise an old industrial area in the city with new businesses, research, training and technology centres, as well as homes, other public facilities and gardens. The infrastructure plan is funded by a public investment of 180 million euros.

The development of the hotel also has the potential to create indirect economic benefits for the region after the investment made in the land purchase and construction of the hotel for 103 million euros. Of this amount it is estimated that the indirect repercussion in the area is 72 million Euros.

The number of employees in the hotel is 189 and the number of indirect jobs created by the hotel is estimated at 95, creating annual income of 2.3 million euros.

#### 5.3 Social cash flow or wealth redistribution

In 2008, Sol Meliá generated revenues of more than 1,300 million euros, 1,200 million of it from customers. This allowed payments of 350 million euros to be made to staff; more than 100 million to the Public administration, 580 million to suppliers, and almost 32 million to shareholders. This is the wealth creation effect. In 2008, the company dedicated more than 180 million euros to investments in enlarging and improving its hotels and making them more accessible, in new hotels, in its brands, and in technology.



In 2008 Sol Meliá did not enjoy any significant financial or fiscal support from any government.

#### 5.4 Outlook 2009

The current recession and volatility in financial markets mean that there is reduced visibility both with respect to bookings and the global activity of the Company, preventing Sol Meliá from giving specific forecasts for 2009. Predictions are subject to an exceptional degree of uncertainty and the risks of reduced expectations are prevalent in all companies in all industries.

All of the leading macroeconomic indicators such as the first results announced in 2009 foresee the tourism industry further deteriorating this year. Sol Meliá estimates that the current crisis may hit the Company particularly hard in the first half of the year, where the comparison with the previous year is more unfavourable and where the slowdown in consumer spending will be more significant. First estimates point towards a RevPAR decrease of 10% for the first quarter.

The Company vision of the market situation indicates a greater decrease in business travel due to company savings policies, as well as greater difficulties in island resort destination as a result of the downturn in the UK market and the depreciation of the pound. These effects are expected to be partially compensated by the comparatively better evolution of destinations in the Caribbean. In January 2009, global RevPAR fell by 10.0%, while in Mexico and the Dominican Republic the changes were -3.5% and 0.3% respectively.

With regard to the Sol Meliá Vacation Club, a greater slowdown in business is also expected due to the difficulties caused by reduced consumer spending in key feeder markets.

With reference to expected investments, the Group expects to invest less than 100 million Euros over 2009, fundamentally in product maintenance. As in 2008, the Company expects to focus growth on projects which are not capital intensive in order to retain the financial strength the Company currently enjoys, and on projects with high added value from the brand standards point of view, one of the strategic areas at Sol Meliá. In the coming years, Sol Meliá expects to add 6,150 rooms (18 hotels), 87% under management agreements and 13% on lease. Of these, 3,077 rooms (9 hotels) will open in 2009, 11% on lease and 89% under management.



"At Sol Meliá we aim to integrate the values and principles of sustainable development with our business processes and in all of our relations with our stakeholders. We believe that sustainability is a key factor in allowing tourism to remain a driver for economic growth in so many different countries."

Sol Meliá Global Sustainability Policy

### Sustainable Development at Sol Meliá

#### **1.1** Mission, vision and principles

A commitment to the environment, to cultural integration and to the local community is not something new at Sol Meliá. They have always been part of our company's fundamental values and of the greatest importance to our owners.

The fundamental mission, vision and principles are summarised in the Global Sustainability Policy approved by the Board of Directors *(see final insert).* 

### Mission

Sustainable development has a dual mission:

- To create value for Sol Meliá by making sustainability a competitive advantage: making everybody prefer us because of our responsible attitude.
- To create value for **all** of our stakeholders, involving them through dialogue and alliances.

### Vision

• We contribute to the (sustainable) development of the communities in which we operate and of the people that form part of them.

The essence of this strategic line is encapsulated in the motto that governs this project:

#### **Building our legacy**

This motto implies that the commitment to sustainable development is something that is constant over time, and that sustainability is an essential element in the legacy that Sol Meliá, a family business, wishes to leave for future generations.

### Principles

- We seek the integration of the values and principles associated with sustainable development in our business processes and in the relationships with all of our stakeholders.
- We aim to be close to our stakeholders, to listen to them and to know them better. That is why we must have an open and approachable attitude.
- We must act as a platform for all of our stakeholders and we are prepared to be a proactive player in the industry, providing cooperation and support with different social agents in the search for solutions.
- We must respect a balance between the needs of the present generation and the needs of future generations, a balance between economic, socio-cultural and environmental development and the preservation of destinations and the satisfaction of the demands of our different stakeholders.

We will apply these principles in our dealings with all stakeholders, seeking a way to involve them in business processes.

#### 1.2 Sustainable Development Plan: Context and Background

It is important to remember that the commitment to sustainability in all its forms has been adapted in line with market trends, movements towards globalisation, and other internal and external factors.

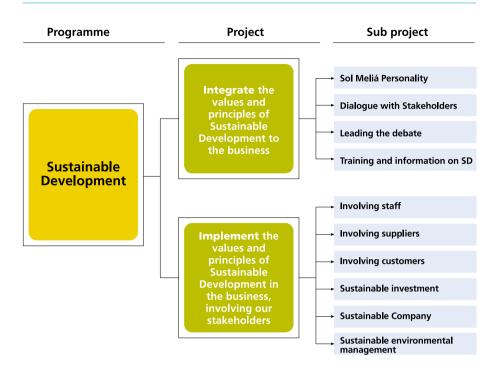
In 2008 there was a qualitative change. The social, environmental and cultural commitment which had traditionally formed part of the company's management programme became fully integrated into Sol Meliá strategy, forming part of the Strategic Plan 2008-2010, approved and announced publicly in February 2008. (See strategic plan in block 1 chapter 4).

The importance of the Sustainable Development Plan with respect to the Strategic Plan 2008-2010 is the following:

Of the 5 strategic lines	1
Of the 30 strategic objectives	9
Of the 5 programmes	1
Of the 18 projects	2
Of the 86 subprojects	10
Of the 144 indicators in the corporate dashboard	6

This decision confirms the Sol Meliá commitment, creating a corporate department reporting to the Chairman. The Sustainable Development Plan was approved by Board of Directors on 29 July 2008. The Sustainable Development Plan has been created in such a way that it can be applied at all organisational levels, and also takes into consideration factors that define the nature of the business and its activity. These factors are:

- Personalisation factor via commercial brands, allowing the adaptation and prioritisation of projects in line with the identity and configuration of the business in each brand.
- Geographical factor, a respect for the economic, social and cultural situation of each location is of fundamental importance. Although there are common universal values, the company assigns a special value to the cultural identity of destinations which is, in short, what makes them unique.
- Business relationship with the hotel: which may be ownership, lease, management or franchise. This determines the margin for manoeuvre that Sol Meliá has in each of the hotels.



#### **1.3** Sustainable Development Plan: Diagram and Content

The Sustainable Development Plan consists of two projects which aim to achieve our vision and the dual mission. These in turn consist of specific actions (subprojects).

Project1, named "Integrate the values and principles of Sustainable Development in the business", is designed to internalise the commitment, create the institutional framework and make sustainable development a basic and cohesive element of Sol Meliá. These are the main actions and advances:

**Sol Meliá personality**: groups together all of the actions related to corporate identity and includes social, cultural and environmental criteria in the building of a personality for Sol Meliá and its brands. The main advances are:

 Approval of the Global Sustainability Policy, a document that presents all the criteria and action areas in which we aim to involve the entire organisation.

- Review of the Brand Manuals by the Sustainability Department.
- Incorporation of social and environmental indicators in the Hotel Directory.
- Environmental certification of hotels (see chapter 9).

**Dialogue with stakeholders**: from the start, the Plan was designed as an instrument to strengthen relations with stakeholders, based on a belief that stakeholders have to be involved in actions designed for them. In 2008 actions involving employees were prioritised, and the advances were:

- Multi disciplinary group for the creation of a prioritised stakeholders map (see case study).
- Dialogue group with kitchen personnel.
- Dialogue group with front desk personnel.
- Dialogue group with MSM (Meeting Sol Meliá, congresses conventions and incentives) personnel.

















Leading the debate: Sol Meliá takes an active part in forums and meetings in the tourism and sustainability sector. The company aims to share its projects and strategies, learn from others and find potential partners with which to work.

The following are the main cooperative projects and actions carried out in 2008:

- ENTORNO FOUNDATION: member of the Entorno Foundation since 2008, collaborating in the work group on Climate Change and Energy. The collaboration has been reflected in 3 publications (AcciónCO2, Cambio Climático en la Comunidad Valenciana and Adaptación)
- COMPANY AND SOCIETY FOUNDATION: foundation sponsors since 1998, having formed part of the Company and Disability Group and the Company and Volunteerism Group.
- WORLD TOURISM ORGANISATION: affiliate member since 2008, year in which a cooperation agreement was signed with the organisation.
- WORLD TRAVEL & TOURISM COUNCIL (WTTC): members of the council and of the Fight Against Climate Change group.
- EXCELTUR: Sol Meliá holds the chairmanship of the organisation. Took part in the work group on Sustainability and Tourism.
- COMPANY AND GROWTH FOUNDATION: Sol Meliá has taken part in several projects in Mexico with this organisation whose objective is to channel funds into projects involving SMEs in depressed areas.
- UNITED NATIONS WORLD PACT: following Pact principles since October 2008.

Sol Meliá is also an active member of several organisations and associations in the hotel industry, such as the Spanish Federation of Hotels and Tourist Accommodation and the Hotel Chain Group, etc. Other social responsibility and sustainable development initiatives worth highlighting include:

- Inclusion of Sol Meliá in the Strategy Committee of the International Organisation against Sexual Exploitation.
- Inclusion of Sol Meliá in the CSR Commission of the CEOE.
- Nomination of a representative in the RSE State Council (substitute member)

Training and information: this line of work was one of the main priorities in 2008. The aim was that all Sol Meliá employees should be aware of the project and its contents and objectives in general, and also of the specific actions which would guarantee the most important aspects of our social and environment commitments were assumed and understood by everyone. The main advances have been:

- Two sustainability courses: Canary Islands hotels and corporate offices. 57 people trained.
- Training about Celiac disease: definition and pilot test. 15 people trained.
- Training in the Fight against Sexual Exploitation: 25,000 people trained.
- Launching of the Sustainable Development Portal: 3,000 visits in 3 months.
- 340 employees trained about the Sustainable Development Plan.

With regard to projects related to information management, highlights include:

- Definition, together with the Communication Department, of a new format for the sustainability report.
- Creation of the Sustainable Development internal portal.

Project 2, named "Implement the values and principles of Sustainable Development in the business, involving our stakeholders", includes specific actions aimed more directly at our stakeholders: guests, employees, suppliers and investors, from the social and environmental perspectives.

The projects and main advances are reported in the following chapters, in reference to each stakeholder.

### **1.4** Opportunities and Improvement Commitments

- A diagnosis will be made of the degree of compliance with the ten principles of the Global Compact.
- Design and creation of the Sustainable Development website.



"We will encourage our suppliers to adopt policies to drive constant improvement with regard to the integration within their business of sustainable development criteria such as social justice, minimal environmental impact and the economic development of destinations."

Sol Meliá Global Sustainability Policy



#### 2.1 Key figures

8,589 suppliers

### 3,146,303.87€ in purchases from special employment centres

#### **2.2** Relevant issues

#### 2.2.1

#### General purchasing policy and supplier management

The general Sol Meliá purchasing policy aims to "meet the operational needs of hotels and corporate offices that may be covered by acquisition or contracting in order to generate revenue increases or cost reductions at acceptable quality levels".

The mission of the Purchasing Department is thus to apply supplier management criteria that meet the needs of hotels and corporate offices in a balanced and sustainable way.

The following criteria, however, are also taken into account:

- The geographical limits of the supplier
- Type of industry: manufacturer, importer, exporter, distributor, installer and/or maintenance supplier
- Quality certification
- Environmental certification
- Health and safety certification
- Special Employment Centre certification
- Economic conditions

The Purchasing Department aims to achieve a satisfactory and long-lasting relationship with suppliers.

#### 2.2.2 Improvements and Automation of Processes

In 2008 the purchasing model used in Spain was introduced in Mexico, another step towards the standardisation of the worldwide purchasing model. The optimisation implies a reduction of 20% in the time needed to maintain agreements and greater autonomy in purchasing management by hotels within the standards defined for each brand.

Also throughout 2008 the introduction of the new purchasing tool continued, implying greater flexibility in the adaptation to business requirements, direct financial savings and a reduction in human errors. It is expected that the platform will be fully operational in Spain in 2009 and introduced in other countries from 2010 onwards.

As part of the Strategic Plan, the Purchasing Department also presented a project for the centralisation of the purchasing of materials and services. The project will begin at the end of the first quarter of 2009 and is expected to create a substantial improvement in data quality, allowing easier identification of savings opportunities.

The Purchasing Department has also partici-



#### In line with its commitment to sustainability, Sol Meliá invested 3,146,303.87€ in purchases from special employment centres.

#### Number of suppliers per country

Purchases	2008
Spain	2,950
Dominican Republic	884
Mexico	2,038
Venezuela	373
Costa Rica	266
Puerto Rico	250
Germany	180
Italy	186
UK	117
Brazil	562
Peru	379
France	87
Chile	138
Argentina	94
Portugal	85
TOTAL	8,589

pated in the renovation and opening of hotels, being responsible for the contracting of specialised equipment and facilities.

#### 2.2.3 Purchasing Statistics

The volume of data processed in the system and from which the Purchasing Department gets its knowledge on purchasing patterns according to geographical location, category and hotel brand for 2008 were:

- 8,589 suppliers receiving orders in 2008
- The total volume of purchases made via a purchase order in 2008 by hotels and corporate offices was 449,695,889.81 €.

The hotels and corporate offices with purchasing data in the system are located in 15 countries, with the relative importance of each country being the following:

Volume of Purchases per country and percentage of local suppliers 2008

Country	Volume	%
Spain	304,228,218.71	98.58%
Dominican Rep.	83,551,944.15	95.95%
Mexico	24,341,702.69	97.30%
Venezuela	10,820,631.56	99.85%
Costa Rica	7,226,429.14	95.52%
Puerto Rico	5,260,541.77	91.07%
Germany	3,863,836.37	99.57%
Italy	3,620,109.28	95.69%
UK	2,137,402.59	91.10%
Brazil	1,933,789.24	100.00%
Peru	1,055,291.47	99.34%
France	916,509.54	83.92%
Chile	378,246.19	100.00%
Argentina	190,997.22	100.00%
Portugal	170,239.89	93.77%
Total 4	449,695,889.81 €	97.8%

The percentage of purchases from local suppliers is over 80% in every country.

#### 2.3 Opportunities and Improvement Commitments

- Before using any supplier the supplier must fill in a questionnaire on their human rights policy. The position of the department is clear and if any supplier is found to endanger human rights then relations with that supplier are immediately cancelled. The company will apply this measure in 2009.
- Via the SAP system, access can be gained to information related to all purchases, but there is record of the percentage of products

valued over the total. In the future Sol Meliá will create a register of these materials.

 The Purchasing Department, in cooperation with the Sustainable Development Department, will incorporate minimum compliance clauses with regards to Corporate Social Responsibility.



"...we will be a driver for the enhancement of all things local, protecting their roots and seeking the support of our customers in discovering and conserving the cultural wealth of destinations."

Sol Meliá Global Sustainability Policy

# Commercial Value

### 3.1 Key figures

solmelia.com receives 40 million visits a year

More than 26,000 contracts are signed with tour operators There are more than 2,200,000 members of the **mas** programme

75.9% of opinions about the company on the internet are positive

### 3.2 Relevant issues

3.2.1 Sales

### solmelia.com

The Sol Meliá website continues to improve in line with efforts to ensure that the excellence of Sol Meliá service is perceived from the very first contact with the company. In 2008 the online image was improved by using the latest trends in design and technology and incorporating more precise information, better organised and adapted to the needs of the users.

Well aware that the information on individual hotels in one of the greatest assets of the online sales channel, in 2008 there were 25 new websites of hotels implemented to offer users direct and in-depth information about the hotel and its services, while also improving the presence of the hotels on the web. In order to get to know its customers better, the local strategy of solmelia.com in the Americas has also continued to develop with excellent results. The creation of the new Romance by Meliá website to promote the services of the brand, the Social Networking strategy, and the sponsorship of important events and activities have helped to raise awareness about the company on an international level.

These efforts and improvements have been reflected in sales. In 2008 website sales grew for the seventh successive year, with an increase of 10% in sales and 4.5% in roomnights with respect to the previous year. The web generated revenues of more than 126 million euros, a figure that includes only individual reservations and does not include corporate reservations or bookings made by intermediaries.

With 40 million visits a year, the website has become a point of reference for the European tourism industry.

### **Tour Operators**

Contracting at Sol Meliá in a centralised function involves the planning, negotiation, signature and monitoring of contracts between the company and international tour operators. In 2008, 26,000 contracts were signed, generating revenues of 431 million euros.

Contracting is supported by an ambitious marketing and promotion programme which includes private meetings, road show and workshop presentations and stands at major travel and tourism trade fairs.

- In 2008 Sol Meliá organised 32 road shows in countries including Spain, Germany and Russia, the USA and Canada.
- Sol Meliá carried out door-to-door visits in Spain, Portugal, Italy, Belgium, Holland, Germany, Poland, Switzerland and the USA, Canada and Latin America.

### **Trade Fairs**

Trade fairs are one of the most effective marketing tools and they are also an ideal forum for understanding the market and the latest trends in the industry. In a short period of time a large amount of information can be obtained and market share won. They are the perfect place for contacting regular clients and for capturing new ones.

In 2008, Sol Meliá took part in 19 tourism trade fairs in 12 countries throughout the world.

### Trade fair participation

JANUA	IRY
24 – 28	BTL, Lisbon Tourism Fair (Lisbon, Portugal)
18 – 26	ASEAN TOURISM FORUM (Bangkok, Thailand)
30 – 3 Feb	FITUR, International Tourism Fair (Madrid, Spain)
30 – 3 Feb	FITUR CONGRESSES (Madrid, Spain)
FEBRU	ARY
5 – 7	BTS, Business Travel Show (London, UK)
12 – 14	CONFEX, Conference Exchange (London, UK)
21 – 24	BIT, International Tourism Fair (Milan, Italy)
MARC	н
3 – 9	ITB, International Tourism Fair (Berlin, Germany)
19 – 22	MITT, Moscow Intl. Travel & Tourism Exhibition (Moscow, Russia)
APRIL	
8 – 11	CT&TW Shanghai — Corporate Travel & Technology World (Shanghai, China)
22 – 24	IMEX, Worldwide Exhibition for Incentive Travel, Meetings and Events (Frankfurt, Germany)

MAY	
6 – 9	ATM, Arabian Travel Market (Dubai, Arab Emirates)
JUNE	
16 – 19	ALTM Shanghai, Asia Luxury Travel Market (Shanghai, China)
JULY	
27 — 30	NBTA San Diego (USA)
SEPTE	MBER
16 — 19	TOP RESA (Paris, France)
ОСТОЕ	BER
22 – 24	ITB Asia Singapore (Singapore)
NOVE	MBER
10 – 13	WTM, World Travel Market (London, UK)
10 — 13 20 — 23	
	(London, UK) CITM, China International Travel Mart (Shanghai, China)
20 – 23	(London, UK) CITM, China International Travel Mart (Shanghai, China) IBER
20 – 23 DECEN	(London, UK) CITM, China International Travel Mart (Shanghai, China) <b>MBER</b> EIBTM, The Global Meetings & Incentives Exhibition (Barcelona, Spain)

### Meeting Sol Melia (MSM)

Meeting Sol Meliá (MSM) was created by Sol Meliá in 2003 and developed over recent years to cover all of the activities related to the product, service and teams in the conventions, incentives and events segment.

Sol Meliá has incorporated its best hotels from all over the world for hosting events, meetings and incentives under the name "MSM hotels". Clients can choose their destination, a specific hotel location, preferred characteristics or required room space from a total of 96 hotels throughout the world. All of them are listed in an exclusive directory and are also accessible via the web page www.solmelia.com.

The MSM sales force is present in more than 13 countries with key account managers to manage key accounts and MSM account managers with a clear focus on capturing new business in the conventions, congresses and incentives segment (CCI). Meeting Sol Meliá has been awarded the prestigious international certifications "CMP" –Certified Meeting Planners and "CMM" –Certified Meeting Managers.

This is reinforced by sales management in Corporate Headquarters managing commercial relations and operations act as a link between the hotels and the small and medium sized accounts that request groups and events.

### Tradyso

Tradyso was created with the objective of becoming the best multi-channel distribution service for hotels worldwide, developing applications which allow constant competitive innovation in hotel distribution systems and thus providing extra value to clients.

The new hotel distribution platform is 50% owned by Sol Meliá and 50% by Talonotel and has been in operation since September 2007, operating two brands, Idiso which includes booking technology through several different distribution channels for hotels and

Dobleroom, a central reservations system for travel agents.

Tradyso is a flexible system which will enjoy guaranteed development in the future. The distribution services Tradyso offers to hotels include the possibility of private label call centre services, a website booking engine, access to GDS, and full integration in the booking systems used by the most important travel agency networks and online travel portals. The multi-lingual service and systems are available both for individual travellers and travel agents and all at a variable cost.

Tradyso's main services are:

- Access to global hotel distribution services
- Control of prices, availability and sales channels
- Flexible "a la carte" services

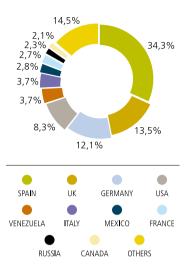
Tradyso's reservation system is based on centralised management of inventory, availability and room allotment, all under strict sales rules and policies.

### 3.2.2

### **Customer knowledge**

Sol Meliá hotels receive a huge number of customers every year; customer focus and customer knowledge are fundamental factors in achieving commercial success. The Customer Relationship Management Department has the dual function of managing customer loyalty and increasing their value to the group, focusing service on customer needs and encouraging their transition between the different business units (Hotels / SMVC / Real Estate).

Customer Relationship Management is one of the five key areas in the company's Strategic Plan and includes the important "Unique customer vision" and "Customer knowledge" projects. At the end of 2008, the percentage of customers by nationality was the following:



### Unique customer vision

This project is based around the creation of a centralised Sol Meliá master customer database storing standardised data collected from every customer contact point and allowing that information to be used legally and securely.

The definition of the customer Contact File has been coordinated with all of the company departments and business areas, along with the review of processes and improvements in systems which enable us to collect extensive, high quality customer information.

The Unique Vision project is vitally important to the application of Data Protection Laws which regulate the use of customer information. Corporate Head Office has made a series of adjustments to the systems and processes that have helped us adapt to the requirements of the new law to be introduced in April 2009.

### Customer knowledge

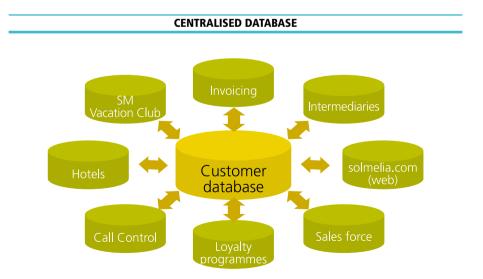
One of the most important advances in the strategic area of CRM is, without any doubt, customer knowledge.

With the objective of offering the customer better service and better adapting to their needs in an increasingly competitive market, it is imperative that we maximize our knowledge of our customers.

The implementation of SAS software has allowed us to extract and integrate relevant customer information collected from different databases and transform it into knowledge using Data Mining algorithms. Amongst the applications it includes is the identification of booking patterns, hotel, destination or brand preferences, as well as preferred contact channels (e-mail, mobile phone, etc.).

The advanced analysis achieved through SAS has generated a file on the habits of some 5 million customers over the last four years (2005-2008). The analysis will be greater still in the coming months, once the Unique Vision project is available and customer profiling implementation is completed.

We are currently in a stage in which we are developing a methodology based on the customer lifecycle, with the objective of adjusting our current campaign strategies to the behaviour of each particular customer, taking into account their preferences, tastes and values. This will result in campaigns that are more and more specialised, campaigns focused on specific customer segments, offering exactly what each group wants and making them more likely to book.



### 3.2.3 Loyalty

### Sol Meliá and its partners

Sol Meliá began its experience with customer loyalty programmes in 1993 with the Iberia Plus card and then extended its relationship with other airlines throughout the world until it had become a partner in the loyalty programmes of more than twenty other companies.

Currently, Sol Meliá is associated with the following loyalty programmes:

•	AAdvantage (American Airlines)
•	AMC Miles (ANA)
•	Binter Mas (Binter Canarias)
•	Club Premier (Aeroméxico)
•	Club Ave (AVE_Renfe)
•	Distancia (Grupo Taca)
•	Eurobonus (SAS)
•	Fly Pass (Meridiana)
•	Frecuenta (Mexicana de Aviacion)
•	Hi-Fly (Meridiana)
•	Iberia Plus (Iberia Lineas Aereas)
•	Jal (Japan Airlines)
•	Krisflyer (Singapore Airlines)
•	Lanpass (Lan Chile)
•	Malaysian Airways
•	Millemiglia Club (Alitalia)
•	PhoenixMiles(Air China)
•	Victoria (Tap Air Portugal)
•	Sky Miles (Delta Airlines)
•	Sky Club (Portugalia)
•	Spanair Plus (Spanair)
•	Top Bonus (Air Berlin)
•	Travel Club (Air Miles Spain)
•	Trip Rewards (Cendant)

### "mas" programme

Seeing the numerous advantages of these programmes, including the use of database marketing to raise customer loyalty, providing them with information on a regular basis about new features and attractive offers for specific market segments, Sol Meliá created its own mas loyalty programme in 1994. The company was thus able to provide clients with a more personalised product, based around earning and exchanging points and also enjoying additional benefits during their hotel stay: free newspaper, priority bookings, express check-in and late check-out, etc. Since then the number of mas members has steadily increased and the programme has also increased its number of partners. At the end of 2008 we had 2,250,000 mas members, a 21% increase over 2007.

Mention must also be made of the mas online service at solmelia.com, allowing members access to their accounts, statements and gift catalogues, etc., making access to realtime information easier and also promoting direct communication with members. E-mail newsletters are also sent to mas members with all the programme's latest news, offers and features. In 2008 there were 900,000 mas members registered online.

### **Club Amigos programme**

Sol Meliá launched another loyalty programme in Germany and Switzerland in 1997. Club Amigos aimed to attract, get to know and gain the loyalty of travel agents that sell company hotels. After its wide acceptance in these countries, the company introduced the programme in Spain and Portugal in 1998. Since then other countries have gradually been added to the programme:

1999 Club Amigos USA and Canada

- 2000 Club Amigos Mexico
- 2002/2003 Club Amigos UK and Scandinavia
- 2005 Club Amigos Virtual (rest of the world)

### Sol Meliá loyalty in figures

More than three million guests arrive at our hotels via a loyalty programme. Two out of every three individual guests staying at a Sol Meliá hotel mention a loyalty card when they make a reservation with the company's central reservations system.

If we add these figures to a database of more than 150 million frequent travellers, both domestic and international, the more than 2,000,000 mas cardholders and 180,000 Club Amigos travel agents, the result is a truly extraordinary evaluation of the influence of these programmes on the sales of our products.

### 3.2.4 Quality control and guest satisfaction

Sol Meliá has an integrated quality control programme which includes tools and specific actions which aim to ensure the satisfaction of both internal and external customers. They are implemented in every hotel area along with their measurement systems and incident management. Hotels also follow the regulations on the management of complaints and claims set by local authorities.

Our employees are trained in the quality control programme and customer service as well as in personalisation and the philosophy and values of their brand. Our aim is to exceed the expectations of our guests and make their experience in every one of our hotels truly unique and unforgettable.

Different quality control tools are used to ensure the standardisation of services and compliance with procedures. The tools change and adapt to new technologies and the new needs of our customers.

## Online satisfaction questionnaire (Market Metrix):

This is the latest online survey system to help us understand and measure customer satisfaction. The tool sends a satisfaction questionnaire adapted for each of our brands by e-mail after our guests' stay. The main advantages of this new system is that we can see current, up to date opinions as well as the satisfaction levels of our competitors and both more focused and more extensive information about our guests.

	CS Score*
Gran Meliá	82.4%
ME by Meliá	87,5%
Meliá	80.0%
Тгур	78.2%
Paradisus	86.6%
Sol	80.1%

\*Customer Satisfaction Score

### **Brand Audits**

Sol Meliá has signed an agreement with one of the top American companies specialised in brand assurance programmes. It is responsible for carrying out standards audits in all the company's hotels. Specialist consultants in our brands visit each and every one of our hotels undercover, evaluating their services and facilities. After the visit a report is prepared to help us identify the strong and weak points of every hotel, as well as service and product standardisation levels. The results are extrapolated in an action plan which defines all of the improvements required.

### Monitor web 2.0 (ASOMO):

With the help of an external company, Sol Meliá monitors and analyses all of the comments made about the different brands and hotels in various web 2.0 media (social networks, blogs, forums...). 75.9% of opinions on the internet about Sol Meliá are positive.

### Incidents

Whenever a guest wishes to make a positive or negative comment about their stay they may do so directly in the hotel or afterwards to the Quality Control Department at corporate headquarters. The department handles all of the comments and ensures a reply is sent out within 48 hours. Currently, 84.64% of replies to the 2,500 reported incidents are sent out within the time limit.

### 3.2.5 Guest health and safety

### **Products and services**

The Purchasing Department monitors the quality and guarantees provided by different suppliers, with one of the most important pre-conditions being the possession of a valid health and safety permit. Samples of products are also tested on a regular basis to ensure their quality.

All chemical and hygiene and personal hygiene products undergo strict safety and quality controls, and in the case of hygiene products the law requires that manufacturers must also include a tracking code for production and packaging. The hotels generally use non-rechargeable bath gel, shampoo and hand soap to avoid possible contamination.

Washing systems and dishwashers are regularly checked by a SAT chemical product suppliers to ensure that both facilities and products and their dosage mechanisms are in optimum conditions. With regards to swimming pool chemicals, suppliers carry out regular checks on the product dosage mechanism, making sure it is working properly and supplying the correct doses.

Our hotels use different warning signs to identify doors and windows and to warn of wet floors etc. The hotels also have medical contracts both for individual guests staying at the hotel and for medical attention in emergencies.

### Food and beverage

All company hotels employ strict controls carried out by external companies to monitor all of the departments that handle food and beverage products, making sure that they are safe for guest consumption.

The monitoring scheme followed by Sol Meliá in each area includes the following analysis:

Operation and maintenance of infrastructure, machinery and utensils.

- Guaranteeing the correct operation of machinery operated by gas and electricity.
- Ensuring that the temperature of fridges, cupboards, defrosting areas, buffet, etc. fulfil the health regulations.
- Ensuring work utensils are in appropriate condition and that they are made of appropriate materials.
- Monitoring the condition of work surfaces such as tiles and ceilings to avoid any type of contamination from animals.

Cleanliness of all areas and utensils used for handling and/or storing food and beverage products.

- Monitoring cooking areas and machinery, fridges and stores, buffet area, dishwasher, etc.
- Adhering to a strict cleaning programme which defines the area to be cleaned, the frequency, the method and the cleaning products.

Food handling training and control of personal hygiene.

- Monitoring of correct product labelling.
- Defining rules for the correct receipt of goods as well as storage systems which guarantee the control of use-by dates, such as the FIFO system (First In First Out).
- Definition of control rules and checklist for the correct storage of products and avoidance of cross contamination.
- Regular checks of hotel staff concerning correct personal hygiene, correct dress code and correct use of utensils.

To carry out these evaluations each department has a Critical Point Control Analysis system which monitors the points mentioned above on a daily basis, noting any lack of compliance and the corresponding corrective measures.

Sol Meliá reached an agreement with Marcilla to introduce Marcilla Good Origin coffee in all of the Meliá brand hotels. This was the result of internal cooperation between the Food and Beverage and Sustainable Development Departments.

Marcilla "Good Origin" coffee is 100% sustainable coffee which is UTZ-Certified, guaranteeing coffee that has been produced while respecting the living conditions of coffee farmers, concern for the wellbeing of their communities and care for the local environment.



As well as all measures which guarantee the health and safety in food and beverage, Sol Meliá also attends to the different dietary needs of certain minorities groups. Hotels have a special menu for celiacs, athletes, children and low calorie diets.

### 3.2.6 Data protection

Throughout 2008 Sol Meliá carried out an Audit of compliance with Law 15/1999 of 13 December on Personal Data Protection, an adaptation of Royal Decree 1720/2007 of 19 January containing regulations on data protection and improvements in the handling of personal data. In particular:

- Performance of an audit by Ernst & Young every two years of compliance with the data protection measures for medium and high level personal information in automated data files.
- Performance of an audit and adaptation of company processes with regard to compliance with data protection measures for non-automated files with personal information.

There has only been one claim by a customer against Sol Meliá in Spain brought before the Spanish Data Protection Agency for the protection of their rights. The case was resolved by the Spanish Data Protection Agency on 7 April 2009, ruling that Sol Meliá was not required to issue a new certification as it had been proven that the Company had cancelled the personal data of the claimant during the Protection Rights procedure.

There are no such cases outside of Spain.

### 3.2.7 Inclusive actions

Sol Meliá signed a collaboration agreement in 2008 with the Spanish Federation of Celiac Associations. As part of this action, training courses were given to the personnel in hotel food and beverage departments about how to handle products in the best possible way and also informing them about the disease.

With this agreement, Sol Meliá has begun the progressive introduction of specific menus especially adapted for celiac suffers in hotel restaurants, starting with the Tryp brand.

Also in 2008, Sol Meliá carried out investments in accessibility and facilities for the communities in which it operates. With regards to accessibility, the company invested 2,194,366 euros in 17 hotels to make rooms more accessible for physically disabled guests by installing ramps, adapting lifts and installing access facilities in swimming pools.

With regards to facilities for the community, the company invested 532,639 euros in the Playa del Carmen area (Mexico) for the construction of a play park and sports hall. In Guía de Isora (Tenerife), Sol Meliá invested 3,429,860 euros in a sports area, various roundabouts and a water purification plant.

### 3.3 Opportunities and Improvement Commitments

- The company will introduce mechanisms and processes to ensure control over regulations on data protection on an international level, as well as awareness of the existance of any related claims.
- Training of personnel from hotel food and beverage departments on best to prepare and handle products and serve them to celiac sufferers will be extended to the Meliá brand in Spain.
- Hotels which have any type of sustainability certificate will carry out measures to directly involve guests.
- Sol Meliá will seek collaboration with associations for the physically disabled to define the guidelines for accessibility in design and construction manuals and to train employees how to treat disabled guests.

"We will be sensitive to the social needs of our employees and we wish to share our commitment with them."

Human Value

Sol Meliá Global Sustainability Policy

### 4.1 Key figures

Human Value

34,305 employees

70% of positions filled by internal promotions 38 training COUISES in work safety and health

56,074 hours of training in Spain

### 4.2 Relevant Issues

### 4.2.1 Employee satisfaction

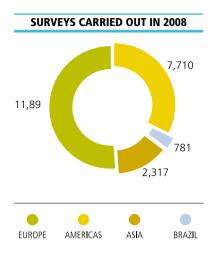
One of the basic factors behind external customer satisfaction is internal customer satisfaction. To achieve this, every year Sol Meliá carries out a Workplace Climate survey in corporate offices and in the different business areas which allows the company to evaluate employee satisfaction by studying their opinions on their work environment and on the degree of acceptance of the company's culture, management and procedures.

An exhaustive analysis of this information lays the foundations for a specific Action Plan for each of the business areas, the objective of which is to improve the least satisfactory results. The results obtained in corporate offices also form the basis of an Action Plan designed to maintain satisfaction levels amongst everyone that forms part of the company, thus ensuring that the company retains its leadership position in the industry and demonstrates the efforts it makes to retain talent.

In 2008, 21,897 surveys were carried out internationally amongst employees in the different business areas and 1,298 employees from corporate offices throughout the world were invited to take part in a survey that was translated into six languages.

In addition to the important role of the surveys in good human resource management, at Sol Meliá the Workplace Climate survey forms part of the indicators measured as part of the Strategic Plan and is a key indicator for the monitoring of results in the Talent Management and Empowerment project.





In 2008 Sol Meliá carried out a pilot scheme bringing workers from the Dominican Republic to the Meliá Gorriones in Spain. The exchange of experiences was of enormous benefit for both the employees and the company. The characteristics measured in the survey both in corporate offices and in the business areas include the following:

•	Teamwork
•	Communication
•	Motivation
•	Pride in belonging
•	Identification with the company
•	Leadership and people management
•	Clarity
•	Working conditions
•	Recognition
•	Training and personal development
•	Development expectations
•	Promotion expectations

### 4.2.2 Communication channels and feedback

Sol Meliá continually aims to improve and update its internal communication activities and tools.

Meetings encourage dialogue and promote personal relations, both in the team and amongst employees that do not usually interact. At Sol Meliá employees receive information via different meetings:

- General assemblies
- Daily briefing
- Operational committees
- Departmental meetings
- Sol Meliá "Let's talk" meetings
- Improvement groups

The company also uses tools that encourage interaction between employees and departments and promote constant improvement while also providing greater access to full information:

- Regular internal communications
- Induction courses to Sol Meliá and the hotel

- Internal newsletters
- Announcement board
  - Suggestion box

These actions are in addition to other tools subject to constant improvement:

### **Employee Portal**

In 2008, the portal become one of the most powerful and popular internal communication tools. It is a platform where employees can share, receive and provide information and services. It is focused on people and acts as a dynamic source of information to which new sections and content are constantly being added thanks to users' suggestions. The portal also contains the SAP Knowledge Management system, home to documented Sol Meliá know-how.

### **Internal Road Shows**

In 2008, the second stage of the "Change to Win" internal road shows came to an end, and during which the members of the Senior Executive Team and the company's Co-Vice Presidents met with other executives to exchange opinions and impressions of the new Strategic Plan 2008-2010, and the new organisational and business model.

### **Internal Gazette**

A magazine distributed three times a year and a vehicle for channelling information and the latest company news on investments, business areas, team improvements, strategic messages, new features, etc.

Every one of the hotels and corporate departments is responsible for the integration of these tools on a daily basis. The level of internal communication is measured by the Workplace Climate survey mentioned previously. In parallel, the Human Resources Department monitors the introduction and effectiveness of the tools through surveys and/or internal audits.



### 4.2.3 Diversity

The professional and human qualities of every person that forms part of the company are decisive when it comes to transmitting to customers the passion for service that has always characterised the Company and which has become one of the keys to our business success over time.

In 2008 the team at Sol Meliá was formed by 34,305 people.

### Workforce by geographical area

EMPLOYEES	SPAIN	REST OF EUROPE	CUBA	AMERICAS	BRAZIL	ASIA	TOTAL
FIXED CONTRACTS	7,493	1,302	8,868	6,121	1,154	2,307	27,245
TEMPORARY CONTRACTS	2,999	184	0	3,476	0	401	7,060
TOTAL	10,492	1,486	8,868	9,597	1,154	2,708	34,305

### Workforce by levels

EMPLOYEES	SPAIN	REST OF EUROPE	CUBA	AMERICAS	BRAZIL	ASIA	TOTAL
CORPORATE OFFICES	974	64	88	179	50	7	1,362
HOTEL	9518	1,422	8,780	9,418	1,104	2,701	32,943
General staff	7,667	1,188	6,848	8,198	1,009	2,583	27,493
Managers	1,675	205	1,756	1,173	81	112	5,002
Directors	176	29	176	47	14	6	448
TOTAL	10,492	1,486	8,868	9,597	1,154	2,708	34,305

### Age distribution (%)

TOTAL EMPLOYEES	SPAIN	REST OF EUROPE	AMERICAS	BRAZIL	ASIA	TOTAL
< 20	1.31	2.9	3.69	0.21	0.07	1.73
20-30	21.37	44.83	40.98	26.8	26.34	29.44
30-40	26.13	30.14	34.18	44.16	44.67	33.58
40-50	26.88	14.42	16.37	26.9	27.1	23.36
50-60	21.04	6.05	4.17	1.93	1.82	10.33
> 60	3.26	1.67	0.61	0	0	1.55

### **Gender diversity**

TOTAL EMPLOYEES	SPAIN	REST OF EUROPE	AMERICAS	BRAZIL	ASIA	TOTAL
MEN	49.52	49.17	59.24	52.05	59.15	53.62
WOMEN	50.48	50.83	40.76	47.95	40.85	46.38

### **Cultural Diversity**

The workforce at Sol Meliá is highly diverse and consists of the following nationalities:

Nationality	%
German	2.68
American	0.19
Algerian	0.08
Argentinean	1.05
Austrian	0.02
Bangladeshi	0.04
Belgian	0.19
Belorussian	0.01
Burmese	0.01
Bolivian	0.08
Brazilian	4.82
British	0.26
Bulgarian	0.08
Cameroonian	0.04
Czech	0.04
Chilean	0.14
Chinese	0.19
Colombian	0.79
Congolese	0.04
Costa Rican	2.73
Croatian	0.03
Cuban	0.30
Danish	1.28
Ivorian	0.01
Sierra Leonean	0.02
Dominican	13.19
Ecuadorean	0.70

Nationality	%
Slovak	0.05
Spanish	42.22
Philippine	0.10
Finnish	0.01
French	0.74
Gambian	0.02
Georgian	0.01
Ghanaian	0.04
Greek	0.04
Guinea Bissauan	0.01
Guinean	0.02
Haitian	0.08
Dutch	0.11
Hungarian	0.01
Indian	0.06
Indonesian	8.44
Irish	0.02
Italian	1.96
Japanese	0.03
Libyan	0,01
Lithuanian	0,02
Malaysian	0,77
Malagasy	0.01
Moroccan	0.58
Mauritanian	0.02
Mauritian	0.12
Mexican	7.35

Nationality	%
Moldavian	0.02
Nicaraguan	0.15
Nigerian	0.08
Nigerien	0.01
Norwegian	0.02
Pakistani	0.12
Paraguayan	0.04
Peruvian	1.02
Polish	0.26
Portuguese	0.34
Romanian	0.27
Russian	0.13
Senegalese	0.14
Sri Lankan	0.08
Swedish	0.04
Swiss	0.03
South African	0.01
Thai	0.03
Tunisian	0.06
Ukrainian	0.12
Uruguayan	0.13
Venezuelan	3.00
Vietnamese	1.79
Yugoslavian	0.03
Others	0.17

### 4.2.4

### Human resources policy

### **Bonus policy**

Performance management is a strategic issue for Sol Meliá as it helps us achieve the company's global objectives. The Performance Evaluation system is a human resource management technique that determines the performance of each employee in relation to a number of predefined objectives, and also allows:

- The definition of a global Performance Evaluation system sensitive to the needs of the specific tasks of every position.
- An increase in the direct impact of bonuses on the performance of every employee.
- The alignment of company objectives with the objectives of every business area, division and department.

Performance Evaluation is an analytical process that is carried out systematically and periodically. At Sol Meliá employees are evaluated every year with a formal review and follow-up at least once every six months.

The objectives have the following characteristics:

- The variable bonus assigned to the achievement of objectives is a percentage of gross annual salary.
- There are four types of objectives: economic, strategic, quality and performance.
- There are corporate objectives set by senior management in each area, and individual objectives, set by the business area for each employee that takes part in the variable bonus system.

The Tryp Port Cambrils (Tarragona-Cambrils, Spain), in collaboration with the local Town Hall, sent 130 mattresses as humanitarian aid to Cuba after hurricanes Gustav and Ike hit the island The renewal of mattresses on two floors at the hotel gave rise to the action, and the entire workforce at the hotel helped move and load the mattresses after they had finished their regular shift.

- The objectives are defined according to the employee's position.
- Currently 6,940 employees at Sol Meliá form part of the performance evaluation system.

### **Conciliation policy**

Sol Meliá is making progress on the conciliation of private and professional lives through an analysis of flexible measures, maternity assistance and care for relatives. This was a result of the Workplace Climate survey carried out amongst employees.

Another measure introduced by the company is an early finish to the working day on Fridays in July and August.

### 4.2.5 Professional development and promotion

Development plans are a tool which define different actions for employees, designed to guide their progress through the organisation. Sol Meliá encourages constant learning and development by employees to increase their knowledge and skills, both guaranteeing a high level of development in their current positions and also preparing them for greater responsibilities in the future. The development plans generate value for the company and favours the retention of talent.

### Avanza and Avanza2 programmes

As part of the strategic Talent Management and Empowerment area, in 2008 two development programmes were introduced; Avanza and Avanza2, aimed at corporate office staff that had achieved specific levels of competence and were specially selected for their positive current performance and development potential to assume greater responsibilities in the future. Both programmes had the objective of increasing key skills and abilities in the following management areas: strategy, business, people management and "human value", through the implementation of training and development schedules, initiatives and actions.

### **Hotel Development Programmes**

Throughout 2008 a training schedule was defined for general staff and middle management with growth potential which included both the improvement of their technical abilities and also the development of team management skills.

In the final third of the year a specific training course was organised for heads of departments who act as tutors for people on a personal development plan, providing them with tools to improve their tutoring skills. In total 36 training actions for this specific group were carried out and work was also done on the global implementation and standardisation of development activities.

On a managerial level the 7th edition of the Internal Management Programme was carried out, giving employees from all over the world the chance to receive internal training for the position of Assistant Hotel Manager and thus beginning their managerial careers. Hundreds of applications were received and ten people were selected to begin the training programme in 2009.

### **Promotions**

Sol Meliá policy is that the greatest possible number of vacancies in the organisation should be filled by internal staff either through promotion or transfers. Appropriate Potential Management policies via the development of personnel, together with an adequate Performance Management system means the company has a promotion system based on objective principles which are far more efficient than traditional methods.

"Promosol" advertises all of the available vacancies internally, offering all of our professionals, in whatever country they may work, the chance to apply for a position. At Sol Meliá 70% of vacancies are filled with internal personnel.

### **Development plans**

DEVELOPMENT PLANS	SPAIN	REST OF EUROPE	AMERICAS	BRAZIL	ASIA	TOTAL
General staff	30	150	268	3	10	461
Managers	221	9	27	1	6	264
Directors	11	0	0	0	0	11
Hotel plans	0	0	6	0	0	6
Corporate offices	31	0	0	0	0	31
TOTAL	293	159	301	4	16	773

### Key and high potential personnel

TOTAL EMPLOYEES	SPAIN	REST OF EUROPE	AMERICAS	BRAZIL	ASIA	TOTAL
CORPORATE OFFICES	151	44	39	24	4	262
HOTEL	206	496	572	51	185	1510
General staff	151	267	175	23	55	520
Managers	14	212	358	28	113	917
Directors	41	17	39	0	17	73
TOTAL	357	540	611	75	189	1,772

### 4.2.6

#### Training

At Sol Meliá we consider training to be an ongoing process which adapts to the strategy and culture of the company and brand. During 2008 the following training needs were taken into account:

- Strategic Plan support needs
- Individual needs of each hotel and department
- Training needs aligned with the strategy of each of our brands
- The results of the Workplace Climate survey

As a result of those needs, the following training plan has been carried out:

### "Change to Win" Institutional Campaign

2008 was a key year for strengthening the pride of employees in working for Sol Meliá and its brands. With training actions such as the Internal Customer Awareness Campaign, all of our employees have become more aware of and involved in the company's Strategic Plan and in achieving the objectives defined. There was also a second stage to this training programme specific to each brand and aiming to internalise the "Guest Experience" concept and boost responsibility and autonomy within a culture in which teamwork plays the major role.

This awareness campaign has led to 16,468 employees receiving training on the new business model, the new organisational model and the new Strategic Plan.

## Coaching tools for middle management

To align the organisation behind the critical aspects of Talent Management, middle management has been provided with the tools required to improve the skills identified as fundamental for teamwork in 2008. The direct benefits of this action, which includes communication, feedback, teamwork, delegation and recognition, are reflected in an improvement in team motivation and the development of management and leadership styles.

811 heads of departments from 148 hotels took part in this training programme receiving a total of 6,488 hours of training.



### TRAINING\*

**Total number of courses:** 571

**Total number of participants:** 4,569

**Total number of hours:** 56,074

Average hours training per year: 16.06 per person

\* Data for Spain

### "A la carte" training

After evaluating the improvement opportunities detected for employees in each hotel, bearing in mind the priorities of each of the brands, a training plan was designed, linked to both the strategy of the brand and the improvement of individual skills identified in each business area.

All the training actions were managed in Spain with grants received through the Tripartite Foundation. The total cost of grantsupported training in 2008 was 515,204.53 euros. The total number of training hours was 56,074, an average of 16.06 hours per person.

### Celiac awareness training

After signing a collaboration agreement with the Spanish Federation of Celiac Associations, awareness courses were given to staff in hotel food and beverage departments focusing on how to handle food products in the best possible way and also informing them about the disease.

The pilot campaign began in December 2008 and it will be introduced in all company hotels throughout 2009.

### Corporate training

Investment in training is a company priority. The main objective of our training plan is to span all of the key areas and to contribute to knowledge and skill development, fundamental for the success of our businesses and in contributing to talent retention.

The HR Strategy area analyses training needs in all of the business areas based on the Strategic Plan and then schedules training programmes to be carried out throughout the year. Training includes both general skills and technical skills.

In 2008, the Welcome/Corporate Induction Programme was redesigned, including informative guides, plans, organisational charts, procedures and, above all, the Sol Meliá induction course which is provided to all new employees. It is a programme-guide that assists in the quick and efficient integration of new company employees. Its objective is to welcome new employees, reduce uncertainties, promote fluid internal communication from the start and, above all, foster a feeling of belonging to Sol Meliá.

We would also like to highlight the introduction of e-learning, one of the fundamental training methods used in the company, and the creation of the first e-learning course for new employees. The course is available through the Sol Meliá portal and is a way of providing support and help to newcomers.

Another new feature is the welcome tutor who, with the cooperation of a member from the HR Strategy team, offers support and the means by which a new employee can fit in to the company and their new responsibilities with the maximum efficiency and effectiveness.

### 4.2.7

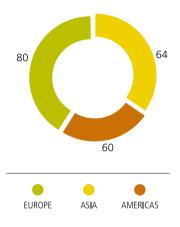
### Health and safety

Sol Meliá employees are the company's greatest asset, and that is why the greatest efforts are made to minimise work-related accidents and guarantee the health and safety of the workforce. As a company that operates in more than 30 countries, Health and Safety policies vary according to local legislation and the idiosyncrasies of each location, but in every case the company policy demands strict compliance with the law and the development of preventative measures for specific hazards detected in each area.

The diversity of regulations makes a standardised health and safety policy for all the company's employees very difficult to implement. Each case has to adapt to the local situation in the country. In this report we can therefore only offer data on Spain. However, this information is still quite significant as it indicates the line followed by the company, and

CO	URSES 2008
38	health and safety training courses
54	first aid courses
38	fire prevention courses
66	chemical handling courses
16	worker representative courses
81	training courses for specific work positions

The percentage of workers on a global scale covered by collective bargaining agreements are the following:



given that half of the hotels in the company portfolio are located in Spain. The rest of the employees are protected by other preventative services present in the country in which they are located.

The company has 6,767 workers registered under the responsibility of the Healthy and Safety Department in Spain. In 2008 the company registered 547 work-related accidents, which resulted in the loss of 10,401 days. The rate of absenteeism is 4.45%.

The Health and Safety Committee is a joint body whose aim is to advise the company regularly on hazard/risk prevention actions. In Spain a committee must be organised for every workplace with over 50 employees. It can have one or two preventative delegates and two or more company representatives. In workplaces with up to 30 employees, there is one delegate chosen by and from the personnel. In Spain, the percentage of the workforce represented by health and safety committees is around 93.04%.

In 2008, 38 health and safety training courses were carried out plus 54 first aid courses, 38 fire prevention courses, 66 chemical handling courses, 16 worker representative courses and 81 training courses for specific work positions.

Sol Meliá does not carry out specific education, training, consultative, prevention or risk control programmes for workers in relation to serious illnesses.



Strict compliance with the law, and in consequence with the recommendations of the International Labour Organisation, is carried out as required by law every four years with an external audit carried out by a company approved by local labour authorities.

Sol Meliá Spain has no formal agreements with trade unions.

### 4.2.8 Human rights

Sol Meliá has an Executive Behaviour code supervised by the Remuneration and Appointments Committee of the Board of Directors and by Group Human Resources which deals with the following points:

- Conflict of interest policy
- Non discrimination (sex, race, religion...)
- Harassment (work, sexual...)
- Dignity at work
- Employment of family members
- Equal opportunities

Sol Meliá currently manages to 35 collective agreements, and also participates in 12 bargaining tables. Furthermore, there are 150 Workplace Committees in which the largest Spanish unions are represented.

In 2008 the company did not receive any significant fines for lack of compliance with laws and regulations on workers' rights.

The company always applies the corresponding labour legislation, applicable collective bargaining agreement or labour agreement. At Sol Meliá the number of employees represented by a collective agreement is 73.15%.

### "Against Child Sexual Exploitation" awareness campaign

After signing an agreement with ACIM-ECPAT a number of actions focused on raising awareness were carried out for a total of 28,000 employees from 1,800 work groups all over the world. An instructor was designated in each hotel who then provided the corresponding information kit.





Sol Meliá signed the launch of the Family Plan with the Adecco Foundation, aimed at improving the quality of life of the children of employees with disabilities. The agreement is a result of a collaboration between the Sustainable Development Department, Group HR and Hotels.

### 4.2.9 Solidarity of employees and for employees

The successive natural disasters that have ravaged many regions of the world in the past few years have sometimes directly effected Sol Meliá employees. This led the company Community Involvement Department to create a Support Fund for Employees affected by natural disasters in 2005. The main aim of the fund is to provide direct and rapid aid to employees that have been affected by natural disasters, with the funds managed directly by an executive committee created for that purpose in the affected area. The funds are raised thanks to initiatives which involve both guests and employees, making Sol Meliá a platform for integration and participation in favour of its employees.

### 4.3 Opportunities and Improvement Commitments

- GHR will develop the Management Development Programme and Skills Development Programme for high potential and key managers both in corporate offices and in the business areas.
- Succession Plans will be further developed to guarantee the immediate replacement of internal know how.
- For management personnel, the first stage of the Flexible Bonus System will be introduced to allow freedom of choice in replacing part of fixed salary paid in cash for other types of payment in kind.
- The first stage of the Performance and Potential Evaluation will be implemented, one of the tools for managing performance and talent more effectively.
- Activities for encouraging closer relations and the exchange of ideas will be planned for executives and their teams.



"We will aim to integrate sustainable development criteria throughout the lifecycle of our business, particularly in those opportunities created by new investments and the development of new locations. We aim to share our commitment to sustainable development with our shareholders ..."

Sol Meliá Global Sustainability Policy

## Investment Value

### 5.1 Key figures

82 institutional investors were visited on

road shows

8 regulatory notifications

17 hotels have adapted facilities to accessibility requirements

### 5.2 Relevant issues

5.2.1

### Shareholder and investor relations

In 2008 the Sol Meliá Investor Relations Department carried out a number of activities focused on communication with company shareholders and potential investors. The most relevant actions focus on road shows in major European (Madrid, Paris, London, Milan, Amsterdam, The Hague and Brussels) and American (New York, Boston, Chicago, Philadelphia, San Diego and Toronto) cities, private visits to Spanish and international investors, and participation in seminars. One of the highlights was the Investors Day held at the ME Madrid on 28 February in which the Strategic Plan 2008-2010 was presented to 50 stock market analysts and institutional investors in attendance. The following day the Strategic Plan was presented to other financial institutions with a debt relation to Sol Meliá; attended by more than 80 people from 28 Spanish and international banks. All of these activities focused on increasing the transparency of Sol Meliá in capital and debt markets.

Also in 2008 visits were made to 82 institutional investors during 7 road shows organised by a wide range of financial institutions.

The road shows are used to inform the market on company performance and strategy and provide a vision of how events may affect results. Information is also provided on advances in distribution, research, development and innovation, the financial situation and the development of new hotels and new business units.

Each road show implies a greater degree of commitment to and involvement with investors, the main protagonists of our stock market performance, which is why the Investor Relations Department works intensively to improve the service and the information it provides to investors on each trip.

The road shows carried out in 2008 were:

- On 13 May 2008, Sol Meliá met 11 institutional investors in a road show organised through Fortis in Belgium and Holland.
- On 20 May 2008, the company met 5 institutional investors in a road show organised by Citigroup in Paris.
- On 28 May 2008, Sol Meliá met 5 institutional investors in Milan, in a road show organised by M&B Capital Advisers, S.V.
- From 3 to 6 June the Investor Relations team visited a total of 12 institutional investors in major financial centres in the USA and Canada: New York, Boston, San Diego, Chicago and Toronto, in a road show organised by Grupo Santander.
- On 17 September 2008, a group of 6 institutional investors met Sol Meliá at an event organised by ING in Madrid.
- From 15 to 17 October 2008, the company met 21 institutional investors in London at a road show organised by Citigroup.
- From 20 to 23 October 2008 the Investor Relations team met a total of 22 institutional investors in the USA on a road show organised by Deutsche Bank.

### Minority shareholders

In relation to the means by which minority shareholders may communicate recommendations or other matters to company management, all of the Sol Meliá S.A. shareholders owning 300 shares or more, have the right to attend the General Shareholders' Meeting (Article 22 of Company Bylaws). The General Shareholders' Meeting allows shareholders direct contact with the Board of Directors and provides them with a right to request information, clarification and/or ask questions. All shareholders authorised to attend may also be represented at the Meeting by another authorised shareholder.

The company has a Shareholder Service Department to attend to minority shareholders and also runs an Investors' Club. The Investors' Club provides shareholders with a direct line of communication with company management to ensure they are kept up to date with all company developments and regulatory notifications, and also provides an opportunity to make suggestions which may improve service.

This direct communications channel between shareholders and the company is provided through the website (inversores.solmelia.com), in which both current and historical financial information is available, through e-mail (club. accionista@solmelia.com) and through a direct phone line (+34 971 22 45 54).

Every shareholder member of the Club is also given a card which in addition to providing mas points which can be exchanged for free stays in company hotels, also provides access to a series of benefits in company hotels. To join the Club shareholders can register through the website or by phone with the Loyalty Department: : 901 34 44 46 for "mas blue" shareholders with less than 1,000 shares, and 901 10 00 02 for masgold shareholders. In addition to registration, masgold shareholders must also provide a bank statement which proves that they have held their shares for a period of at least one year. This statement can then be sent by e-mail (club.accionista@solmelia.com) or fax 971 22 44 98.

At the end of 2008, there were 179 masgold Shareholders and 1,176 mas blue Shareholders. Every month they receive an online newsletter, every two months a points account statement, and every three months an exclusive printed newsletter with special offers and benefits. Every year they also receive a newsletter with news on company performance in its different business units.



### Solmelia.com

The Sol Meliá website at www.solmelia.com has a special section for shareholders available through the "About Sol Meliá" link in the Investor Relations section. The pages provide full and accessible information on finances and corporate governance in a simple, accessible format. The section is in full compliance with the directives on transparency in financial information issued by the Spanish Stock Exchange Commission.

The section contains updated information on quarterly results, issues of securities, regulatory notifications, financial news, share price, and information from the General Shareholders Meeting, Board of Directors meeting, as well as information on the Investors Club in a section specially designed for members.

The Sol Meliá Investor Relations Department is always available to shareholders to guarantee the availability at all times of the most accurate market information and are always open to constructive suggestions on how they may provide better service.

### 5.2.2 Awards and appointments

The Sol Meliá Investor Relations Department received an award in the "best professional" category in travel and tourism companies from buy-side professionals from the Institutional Investor Research Group (IIRG). A total of 1,353 sell-side analysts and 663 buyside professionals took part in the survey in which they were asked to give a gualitative appraisal of the efficiency of current investor communication programmes in publicly traded European companies. They were also asked to name the companies they consider excellent in the Investor Relations area in 32 business sectors and 3 major categories: Consumer goods; Finance, Technology and Services, and Industry. The analysts appreciated the transparency of Sol Meliá when providing information to the markets and the speed and quality of the replies to questions made to the company. The survey evaluates the level of communication a company has with the markets through press releases, regular reports, telephone communications and road shows and visits.

The Vice President of Investor Relations, Carlos López is a Vice President, together with the Banco Santander, of the Management Board of the Spanish Investor Relations Association, founded in 1991 as a non-profit organisation which aims to assist members in the improvement and promotion of investor relations in Spanish public companies, promoting activities focused primarily on training for members, the organisation of events and conferences, the promotion of international best practices in investor relations, and the sharing of know-how, demonstrating the commitment of the Investor Relations Department in particular and of Sol Meliá in general to communication with the markets and the transparency of information.



### 5.2.3

### Information for stock markets

In 2008 Sol Meliá issued the following regulatory notifications:

### 28/02/2008 HR 89927

The Company submits financial results for the second half of 2007.

### 28/02/2008 HR 90012

Resolutions of the Board of Directors: The Company reports a change in the Chairman of the Audit Committee.

### 11/03/2008 HR 90566

The controlling shareholder Gabriel Escarrer Juliá reports the recent purchase of 711,238 shares for a total of 6,111,746 euros to reach a stake of 62.69% in the Company.

### 18/03/2008 HR 90874

The controlling shareholder reports the purchase of 235.812 additional shares to reach a 62.818% stake in Sol Meliá, S.A.

### 03/04/2008 HR 91410

Resolutions of the Board of Directors: The Board of Directors meeting of 31 March approved, amongst others, the following resolutions:

- Present the Annual Accounts and Management Reports for Sol Meliá S.A. and its Consolidated Group.
- Approve the Annual Corporate Governance Report for financial year ending 31/12/07
- To call a General Shareholders' Meeting for 3 June 2008.

### 29/04/2008 HR 92592

The Company submits the Annual Corporate Governance Report for financial year 2007.

### 30/04/2008 HR 92652

Sol Meliá S.A. reports that it has published today in the Official Bulletin of the Commercial Register and in the newspaper Ultima Hora the official announcement of the calling of the General Shareholders' Meeting.

### 08/05/2008 HR 92953

The Company submits information on financial results for the first quarter of 2008.

### 16/05/2008 HR 93455

After the Regulatory Notification on the calling of the General Shareholders' Meeting sent to the CNMV, the explanatory report on additional information for the management report is attached (article 116 bis LMV).

### 04/06/2008 HR 94242

The Sol Meliá S.A. Ordinary and Extraordinary General Shareholders' Meeting held on 3 June 2008 approved, amongst other things, the distribution of a net dividend of  $0.146 \in$  per share.

### 13/06/2008 HR 94511

Sol Meliá S.A. and a group of partners signed an agreement yesterday for the purchase of shares in the company ALTAVISTA HOTELERA S.L. for a price of 103 million euros.

### 20/06/2008 HR 94886

The controlling shareholder Don Gabriel Escarrer Juliá reports the purchase of 312.518 shares to each a stake of 62.987%.

### 26/06/2008 HR 95011

The controlling shareholder reports the purchase of 257,500 shares to reach a stake of 63.127%.

### 15/07/2008 HR 95751

Syndicated credits: Sol Meliá reports that on 15/07/08 it signed a syndicated loan for a nominal amount of 200 million euros for a period of 5 years with 14 participating banks.

### 07/08/2008 HR 96580

The Company submits information on financial results for the first half of 2008.

### 11/11/2008 HR 100027

The Company submits information on financial results for the third quarter of 2008.

### 14/11/2008 HR 100325

Sol Meliá reports that on 13 November 2008 the Moody's credit rating agency reduced its credit rating to Ba1 (negative outlook).

### 14/11/2008 HR 100385

Sol Meliá S.A. reports that today, 14 November, 2008, Sol Meliá Europe B.V. has paid out on the convertible bond of nominal amount 150 million euros signed on 14 November 2003 and now at its due date.

### 5.2.4 Sustainability Index

In April 2008, Sol Meliá was included in the FTSE4Good IBEX sustainability index after being selected as one of the most responsible publicly traded companies in Spain. The Company became the only hotel company to form part of the index.

The FTSE4Good IBEX index, created by Bolsas y Mercados Españoles and the FTSE Group, is the first index related to sustainability created in Spain and measures the sustainability activities of 32 publicly traded Spanish companies that comply with the international standards on corporate social responsibility and also facilitates investment in those companies.

Inclusion in the index also provided further support for the wide range of initiatives that the Company has implemented in the area of sustainability, an area which has become one of the fundamental basis of Company strategy.

### **5.3** Opportunities and Improvement Commitments

 Sustainability criteria will be introduced in the analysis and decision-making processes for all new projects carried out by the Company.





"...it is vital that we are aware of our environment and the best way to do that is by listening to all of our stakeholders ... we will be proactive towards them, open and approachable."

Sol Meliá Global Sustainability Policy

## **Communicational Value**

### 6.1 Key figures

82 press releases

5,202 appearances in the media

### 6.2 Relevant issues

### 6.2.1 Media

Sol Meliá communications involve an increasingly stronger relationship with national and international media and the modernisation of processes, channels and tools that make up the Company communication systems. A number of rigorous, quick and efficient steps optimise the media handling of newsworthy events that occur in our hotels and in the Company as a whole. The presence of Sol Meliá in almost 30 countries also means that the Company requires assistance from external communication and PR agencies in adapting its approach to the way the different media operate.

In 2008 the Communication department prepared 82 press releases for the national and international media; all of them available in English and Spanish in the press room on www.solmelia.com.

### **Summary of appearances**

In 2008, Sol Meliá appeared 5,202 times in the media, an average of 14.25 appearances per day, meaning Sol Meliá was seen by an audience of almost 1,000 million readers, an average of 2,733,603 readers per day. The estimated financial value of these appearances is 3,760,124 euros, occupying 570 full pages in the media.

It is important to emphasise that the valuation is only made in regard to the Spanish media, not including mentions on the radio (which are occasionally important and have a direct impact on bookings) nor on television, in spite of their high financial value. For

BRANDS	NUMBER OF APPEARANCES 2008	NUMBER OF APPEARANCES 2007	PAGE S SPACE 2008	PAGE SPACE 2007	FINANCIAL VALUE 2008	FINANCIAL VALUE 2007	NUMBER OF IMPACTS 2008	NUMBER OF IMPACTS 2007
SOL MELIA GROUP	1,734	2,016	194.30	158.70	1,112,635.05	765,902.76	294,032,000	290,042,000
MELIA HOTELS & RESORTS	2,415	2,215	229.19	169.18	1,376,053.34	688,777.84	477,015,000	363,083,000
SOL MELIA VACATION CLUB	9	3	0.34	0.04	2,314.25	595.10	1,022,000	112,000
DANI GARCÍA	199	16	25.82	6.38	151,637.02	68,494.55	51,589,000	6,471,000
ME BY MELIA	124	153	21.21	43.68	255,321.46	355,133.85	85,696,000	77,452,000
SOL HOTELS	24	30	3.85	4.81	24,131.56	31,290.63	2,557,125	6,911,000
RESORTS PARADISUS	5	7	1.67	0.47	1,069.32	1,566.75	669,000	192,927
TRYP HOTELS	692	506	93.83	35.34	836,962.63	109,686.41	85,185,000	75,097,000
TOTAL	5,202	4,946	570.21 Pag	418.60 Pag	3,760,124.63	2,021,447.89	997,765,125	819,360,927

example, the television appearance of the inauguration of the ME Barcelona was valued at 242,089 euros.

### 6.2.2 Advertising and sponsorship

Sol Meliá does not currently adhere to any voluntary advertising, marketing or sponsorship codes or standards. The Company does, however, apply internal regulations in all of its advertising and marketing activities based on respect for people's dignity and the values of integrity, truthfulness, fair competition and legality, with special emphasis on the promotion of sustainable and responsible tourism.

In 2008 Sol Meliá took part in the Alicante 2008-2009 round the world yacht race, sponsoring two of the yachts, both linked to a Spanish team. The sponsorship is another example of the commitment of the Company to major sporting events. The Meliá brand has also supported Fernando Verdasco and Tommy Robredo, two Spanish tennis players, once again this year offering stays for the players and their trainers during tournaments held in cities where the brand operates hotels.

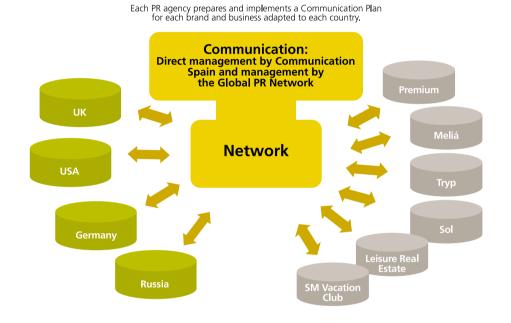
Information on cooperation with and free use of hotel facilities by non-profit organisations can be seen in Section 2, chapter 7 of this report.

### Case Study

In May 2008 Sol Meliá began the selection process for a new advertising agency, inviting five agencies to take part before selecting two finalists and finally choosing the Media Planning Group (MPG). Sol Meliá thus centralised its advertising spend through a single agency, regardless of the country in which the advertising appears, achieving greater purchasing power, economies of scale and synergies.

### 6.2.3 Public relations

In 2008 the Company set up a PR Network consisting of a number of Communication and PR agencies which act as communications offices for Sol Meliá in our major feeder markets and help raise awareness about our corporate brand, hotel brands and Vacation Club. The countries chosen for network bases were Germany, the UK, Russia and the USA which, together with Spain, are the countries of origin of the majority of our guests. The PR agencies are coordinated and supervised by the Communication Department and the brand teams, responsible for defining strategy and the messages and controlling the activity and proactivity of the agencies.



### **PR Network**

### 6.3 Opportunities and Improvement Commitments

- The Company will work to create specific codes of conduct in advertising and marketing which act as guidelines for all communication.
- The impact in the media of sustainable development / social responsibility items will be noted.
- At least three meetings per year will be held with media specialising in sustainable development / social responsibility.



"We understand that our activity will be sustainable if we are able to make a contribution to the reduction in social differences and to a decrease in poverty thanks to opportunities for mutual growth."

Sol Meliá Global Sustainability Policy

### 7.1 Key figures

Social Value

7.

Investment in Community Involvement 1,174,209 € Number of people involved in Solidarity Day 42,334

# Distribution of community involvement activities 4%<sup>4%</sup>3% 57%

DEVELOPMENT

SENIOR CITIZENS

STAFF

WOMEN

### 7.2 Relevant issues

At Sol Meliá we believe that tourism is a driver of development and growth for the local economy. Tourism represents an opportunity to increase the quality of life for the local population as it normally increases and improves the distribution of wealth in developed areas, provided it is grounded in sound principles of sustainability. We therefore aim to contribute to the development of societies in which we operate, working to achieve a society in which needs are covered efficiently and evenly, understanding and adapting ourselves to local needs, conserving and promoting both their natural and cultural resources.

The positive repercussions that travel and tourism can have on the development of local communities is one of the fundamental basis on which to achieve responsible and sustainable tourism in the widest sense of the words, particularly in developing countries.

### 7.2.1 Social commitment

CHILDREN

DISABLED

As an integral part of the socio-economic fabric of their locations, Company hotels actively contribute to their economic and social development, reducing inequality in a coherent, balanced and long-term way that ensure we add the greatest possible value.

Due to their influence on the socio-cultural environment, Sol Meliá believes that it is important that hotels contribute to reducing imbalance in local communities, with particular emphasis on the most disadvantaged.

Our aim as a company is to encourage community solidarity, supporting non-profit organisations to achieve local development, improving the quality of life of our staff, of the communities close to our business units, and of society as a whole.

Together with the Rotary Club, the Gran Meliá Fénix Hotel (Madrid, Spain) has been working since 2002 with the Santamaría Foundation, a centre for young girls aged 3 to 15 from vulnerable families. The hotel prepares 50 set meals each week with the assistance of the full kitchen team and also carries out other activities involving staff to raise funds. Our social commitment is basically focused on:

- Encouraging the development of the areas near hotels, focusing our efforts on the most disadvantaged and thus achieving the greatest levels of involvement of others, making the most of both their individual and collective contributions.
- Using our capacity to influence our guests and staff to raise their awareness about sustainable development.

### 7.2.2

### Projects

Company social projects are supported by our assets and human capital. Projects carried out in hotels aim to involve all of our staff as much as we possibly can. The following are just a few of the projects which have been carried out:

### **Solidarity Day Project**

Solidarity Day is held one day each week in 30 Company resort hotels in the summer months. The main objective of the project is to raise awareness amongst our guests about the principles of sustainable development, local culture, environmental protection, solidarity and cooperation.

Travel is always an enriching educational experience for children, allowing them to discover new life experiences through which they may learn new values. Cultural activities carried out in hotels assist in transmitting messages and raising awareness about such important values as culture, creativity, teamwork, solidarity and sustainability.

The objectives of this project are:

- To raise awareness amongst guests, particularly children, about solidarity, cooperation, environmental protection and sustainability.
- To provide financial support for an educational project for vulnerable children.

The funds raised are donated to child education projects near our hotels, guaranteeing the sustainability of the project thanks to the involvement, participation and commitment of staff.

To ensure the development and continuity of the project, we seek a network-effect on growth, involving all of our different stakeholders. We also enjoy the cooperation of Save the Children Spain, assisting us both in ensuring transparency in the donation of funds and in defining the content of the developments for schools. We also enjoy the cooperation of Unilever in the financing of La Tierra en Peligro, one of the activities included in Solidarity Day.

The investment by Sol Meliá in materials and training in 2008 was 70,000  $\notin$ , and the time spent by staff on the project reached 10,560 hours.

Evolution of Solidarity Day						
Year	Children taking part	Adults taking part	Staff taking part	Funds raised $\in$		
2006	3,560	9,462.00	310	69,398		
2007	4,377	20,434.00	217	75,407		
2008	4,475	37,529.00	330	99,250		

The Meliá Barcelona (Barcelona, Spain) donated 5% of the price of lunch and dinner menus over the Christmas holidays to an Intermón Oxfam project. The funds raised went to assist a project to help buy bicycles for all of the children in a village in Mozambique. The project helped both to raise funds and to raise awareness, thus contributing to sustainable development. The funds were donated this year to the "Ponto Cidade Do Saber" project in Salvador de Bahía (Brazil). This project aims to help vulnerable children and teenagers by providing a mobile school in the Camaçari community (Bahía). As part of our commitment to constant improvement, we also give our guests the chance to respond to a questionnaire on their satisfaction. This is a summary of 303 responses.

### Do Solidarity Day activities help raise the awareness of your children?

YES	NO	No response
68.8%	10.2%	21.1%

### How do you rate the solidarity activities?

Very interesting	lt's OK	Not what I was expecting	No response
56.4%	32.3%	4.3%	6.9%

### Would you recommend taking part in the activities?

YES	NO	No response
78.5%	3.3%	18.2%

### Do you think this is something you will think about when you choose your next vacations?

YES	NO	No response	
52.5%	37.6%	9.9%	

### If you have stayed here before, did the fact that Sol Meliá carry out this type of activities influence your decision to book?

YES	NO	No response	
22.1%	45.9%	32.0%	



Meliá and Tryp Brasil 21 (Brazil) assist with the Los Carteros de Brasilia (Postmen of Brasilia) project which has been running since 1994. The postmen were so moved by letters sent by children from poor areas to Father Christmas that they decided to buy gifts and deliver them to children personally. The Meliá Brasil 21 and Tryp hotels have been supporting the project for four years, involving both guests and staff, displaying the letters in the lobby and offering guests a chance to help out by donating gifts in the hotel. Over a 4 year period more than 600 gifts have been donated.



### 7.2.3 Use of assets

At Sol Meliá we believe that cooperating with other organisations is the best way to find solutions to the different needs in societies in which we operate. That is why we always aim to keep up a two-way dialogue with non-profit organisations and public institutions, always seeking to offer our services as a platform for cooperation.

One of the most important factors in Sol Meliá community involvement is the cooperation of hotels through the free use of their facilities. More often than not, this is also accompanied by the cooperation of staff providing voluntary service.

One case that deserves a special mention is the terrible plane crash at Barajas Airport (Madrid, Spain) on 20 August after which Sol Meliá helped out by donating 65 hotel stays to Red Cross volunteers and staff.

### 7.2.4 Disaster and emergency action plans

The Assistance Fund for Employees affected by natural disasters was created in 2005 after several consecutive natural disasters decimated regions all over the world.

The mission of the fund is to offer direct and rapid assistance from the Company to staff affected by a natural disaster, with the funds being managed directly by a team of Sol Meliá executives created in the affected region. Money is raised through different activities involving staff and guests, helping Sol Meliá to become a platform for the integration and support of its staff.

In 2008 the Company had no need to activate its disaster and emergency action plan for the Assistance Fund for Employees affected by natural disasters.

	Cooperation						
Year	Projects	Organisation assisted	Donation of resources €				
2005	509	246	1,107,080				
2006	646	302	1,408,054				
2007	880	342	1,638,443				
2008	924	511	1,142,139				

One of the main areas for cooperation for Sol Meliá is in the free use of hotel facilities, including free event rooms for the Balearic Islands Down's Syndrome Association for the 7th International Symposium on early attention for sufferers and other development problems held at the Convention Centre at the Gran Meliá Victoria (Palma, Spain). At the same time, the Meliá Palas Atenea, Tryp Bellver and Gran Meliá Victoria also donated free rooms for the speakers at the event.

Employees also get involved in projects, as seen in the work done by the Meliá Bali with the Denpasar orphanage. Hotel staff made several visits to the orphanage to donate food and hotel materials such as towels and sheets.

### 7.3 Opportunities and Improvement Commitments

- Community involvement will be channelled in order to create greater unity between Company hotels and staff and to unite all of our efforts behind a common cause.
- The people that benefit from Sol Meliá Community Involvement will be noted.
- The staff involved in Sol Meliá Community Involvement will be noted.
- The Company will increase the participation of stakeholders in community involvement projects.



"We will be fully involved at a local level, integrating the cultural, gastronomic and artistic values of each location, respecting and defending the cultural heritage as our own."

HUNDER AN

Sol Meliá Global Sustainability Policy



# 8.1 Key figures





### 8.2 Key issues

The concept of heritage is very broad and includes both our natural and cultural assets. The cultural dimension includes our landscape, our historical sites, the locations and objects we have built, and both past and present traditions. Our landscape must be included as it is one of the greatest attractions for visitors, regardless of whether it is an urban landscape, monumental area, mountain or coastal region, etc. The landscape is recognised as a source of the culture of a destination in the categories defined by UNESCO. We must therefore distinguish between the cultural landscape, representing the "joint works of man and nature", and a living landscape which conserves an active social function directly related to a traditional way of life. In any case, the landscape is a complex reality, made up of both natural and cultural, tangible and intangible components.

To consolidate responsible policies with respect to cultural assets may only be achieved through the appropriate combination of 3 basic dimensions:

- The application of methodologies and actions related to conservation, valuation, integration and maintenance of the cultural heritage.
- The adjustment of management policies, organisation and internal procedures to the objective of developing a strategy for the safekeeping of heritage and respect of the cultural diversity of destinations.
- The responsible habits and behaviour of staff and guests.

# 8.2.1 Art

The latest trends and the artistic avant-garde form part of Sol Meliá philosophy. That is why the Company used the thorough renovation of the Meliá de Mar hotel in the Balearic Islands to exhibit the work of seven major European artists on each of its different floors. The works are displayed around cylindrical lighting, converting each floor of the hotel into an authentic art gallery.



501 Media

# Local culture

8.2.2

Sol Meliá Italy is a member of honour of the Fondo per l'Ambiente Italiano (FAI) association, one of whose main objectives is the protection and appreciation of the country's artistic heritage. In addition to the restoration and maintenance of buildings, the association also promotes cultural activities on both a local and national level.

The latest project supported by the FAI was the restoration of the Villa Necchi Campiglio, a historic building in Milan. At the Gran Meliá Jakarta work is also done to promote Indonesian culture. The hotel actively cooperates with the VIVERE project. Indonesia has an almost infinite amount of examples of ethnic art and culture throughout its numerous islands. The hotel helps out by providing its event rooms so that many of the works of art discovered through the VIVERE project can be displayed and appreciated by guests.

#### 8.2.3

# Integration with the environment

The Meliá Bali Villas & Spa Resort currently holds the Tri Hita Karana Emerald Award, a Balinese award for hotels which integrate social, human and architectural values to achieve a harmonious balance with their environment. The hotel provides both excellent service and facilities, including the largest temple in the area, and is highly committed to the preservation of Balinese culture and to raising awareness amongst staff about Tri Hita Karana philosophy.

# 8.3 Opportunities and Improvement Commitments

- To define general guidelines for the integration of new buildings and renovations with their environment with the greatest consideration for environmental aesthetics and scenery.
- To define guidelines for the promotion of the appreciation of cultural factors in destinations through hotels: in the design of new hotels, in the cuisine, in the service, etc.
- To identify the criteria for the involvement of Sol Meliá in the conservation of cultural resources in the destinations where it operates.



"We will strive to reduce the impact of our activity and to contribute to the preservation of the biological diversity of travel destinations ... We will promote saving energy and water ..."

C. S. C. S. S.

Sol Meliá Global Sustainability Policy

# Environmental Value

# 9.1 Key figures

20 hotels with environmental certification Reduction of 3.72% in Kg CO<sub>2</sub> per stay <sup>(1)</sup>

35,506 Kg of waste collected and recycled per hotel <sup>(3)</sup> Reduction of

2.06% per m3 of water consumed per stay <sup>(2)</sup>

Cooperation in the protection of

5,413 turtles under threat of extinction.

with respect to the average for the period 2004 to 2006 in 95 hotels participating in the SAVE project.
with respect to the average for the period 2004 to 2006 in 95 hotels participating in the SAVE project.
average of a sample of 156 establishments covering all Company brands.

# 9.2 Relevant issues

Travel and tourism generate considerable pressure on the natural environment, not so much due to the danger of their impact, but rather the sheer size of the industry.

Hotels must minimise their consumption of natural resources and their impact on their local ecosystems, harmonising their business activity with respect for and protection of the natural environment.

The efforts made by Sol Meliá in 2008 to this end may be seen in the following pages.

### 9.2.1 Environmental management

Environmental management is an integral part of Sol Meliá strategy through its inclusion in the global sustainability policy, from which are drawn a number of activities and principles which are included in the Strategic Plan 2008-2010. Corporate headquarters defines the global environmental approach which is then translated into specific actions or projects designed to ensure hotels reduce their environmental footprint and assume respect for and protection of the environment as part of their daily operations. The overall guidelines are determined by the relevance of different types of environmental impact related to the hotel industry, leading to the prioritisation of 4 major areas:

- Energy and emissions: mitigation of the effects of climate change, mainly through savings and efficiency in energy use and the control and reduction of the emission of pollutants to the atmosphere.
- Water: reduction in the consumption of water and control of the disposal of waste water.

### Hotels with certification

Paradisus Punta Cana (Punta Cana, Dominican Republic)	Biosphere Hotel		
Paradisus Palma Real (Punta Cana, Dominican Republic) Biosphere F			
Paradisus Riviera Cancún (Quintana Roo, Mexico) Green Globe			
Paradisus Playa Conchal (Playa Conchal, Costa Rica) ISO 14001			
Meliá Palas Atenea (Mallorca, Spain)	Biosphere Hotel		
Meliá Bali (Nusa Dua, Indonesia)	Green Globe XXI		
Gran Meliá Jakarta (Indonesia)	Green Globe XXI		
Meliá Kuala Lumpur (Kuala Lumpur, Malaysia)	Green Globe XXI		
Meliá Benoa (Bali, Indonesia)	Green Globe XXI		
Meliá Hanoi (Hanoi, Vietnam) Green Glob			
Meliá Purosani (Java, Indonesia)	Green Globe XXI		
Meliá Costa del Sol (Málaga, Spain)	EMAS and ISO 14001		
Meliá Sitges (Tarragona, Spain)	EMAS and ISO 14001		
Sol Pinet Playa (Ibiza, Spain)	EMAS		
Sol Milanos Pingüinos (Menorca, Spain)	ISO 14001		
Sol Falcó (Menorca, Spain)	ISO 14001		
Sol Menorca (Menorca, Spain) Biosphere Ho			
Sol Gavilanes (Menorca, Spain) EMAS and IS			
Tryp Bellver (Mallorca, Spain)	ISO 14001		
Tryp Palma (Mallorca, Spain) Biosphere Hot			

### Hotels in process of implementation

Meliá Azul Ixtapa (Ixtapa, Mexico)	Green Globe XXI
Meliá México Reforma (Mexico D.F., Mexico)	Biosphere Hotel
Meliá Lima (Lima, Peru)	Biosphere Hotel
Meliá Caribe Tropical (Punta Cana, Dominican Republic)	Biosphere Hotel
Meliá Whitehouse (London, United Kingdom)	Biosphere Hotel
Meliá Barcelona (Barcelona, Spain)	Biosphere Hotel
Gran Meliá Puerto Rico (San Juan, Puerto Rico)	Biosphere Hotel
Gran Meliá Palacio de Isora (Tenerife, Spain)	Biosphere Hotel
Me Cancún (Cancun, Mexico)	Biosphere Hotel
Me Barcelona (Barcelona, Spain)	Biosphere Hotel
Me Madrid Reina Victoria (Madrid, Spain)	Biosphere Hotel

- **Biodiversity**: protection and conservation of environmentally valuable habitats to preserve biodiversity.
- Use of resources and waste management: minimisation of the environmental impact generated by the consumption of resources and the creation of waste products.

The different activities aim to respect the principle of "thinking globally – acting locally". To achieve this, on the one hand we aim to preserve the natural environment in the destinations where the Company operates, and on the other hand we attend to our activities on a global level, aiming to reduce the overall effect of our activity on the planet.

There is also a forum for hotels to share their experiences and best practises. Communications between the hotels and corporate offices is encouraged, as well as between the hotels themselves, in order to convert best practises into standard practises.

In 2008 the Company has not been subject to any significant fines for lack of compliance with environmental regulations.

### 9.2.2 Certifications and awards

Environmental management systems for hotels may represent a tool for constant improvement in day-to-day operations and their impact on the natural environment. Certification by independent third parties confers greater credibility and transparency on the activities carried out by a hotel.

In this context, hotels with management systems which integrate other aspects of sustainable development include, in addition to the environmental impact, the impact of the business on the socio-economic and cultural environment in the location.

### Case Study

Every year Sol Meliá implements a "Tie-free summer" policy. This year in July and August our employees were asked not to wear ties to work, and energy measurements showed an average reduction of 7.5% in the number of Kw consumed per person compared with the 2 previous years. This allowed a decrease of 5,963 Kg in Co<sub>2</sub> emissions. Sol Meliá operates hotels which have achieved four types of certification. On the one hand there are the ISO 14001 and EMAS European regulations which cover environmental management and which may be adopted by public and private organisations in any industrial sector. On the other hand, the Green Globe XXI and Biosphere Hotel standards cover not only environmental requirements, but also other requirements related to sustainability such as socio-economic and cultural factors.

The Company ended 2008 with 20 certified hotels holding a total of 25 certifications, and one additional hotel about to achieve the top category rating in the Green Globe XXI certification.

The following awards were also received:

### Awards

#### **Sol Menorca (Menorca, Spain):** TUI Environmental Champion

Meliá Bali (Bali, Indonesia): TUI Environmental Champion, Tri Hita Karana Tourism Award and ASEAN Green Award (emerald medal).

#### 9.2.3

### **Energy, Water and Climate Change**

#### **Energy savings and efficiency**

Energy consumption is directly related to the release of pollutants into the atmosphere. That is why the Sol Meliá Works and Maintenance Department continues to work towards the consolidation of the SAVE\* project focused on energy savings and efficiency in hotels.

There are currently 143 hotels participating in the SAVE project (energy saving and efficiency measures are included in the SAVE project led by the Works and Maintenance Department). The hotels involved in the project must have all of their historical energy use data loaded on the Business Warehouse system to take part in the programme. Every month energy and water use in all of the hotels that take part in the project is monitored and analysed and any differences are examined. The direct energy consumption in 2008 of these 143 hotels by source is as follows:

Electricity (Kwh)	332,650,780	
Natural gas (m³)	6,355,482	
LPG (Kg.)	3,951,668	
Diesel oil (l)	7,057,070	

The initiatives developed under the SAVE project have generated savings of 2,118,227 kwh of electricity and 1,229,504 litres of water. Natural gas use has grown to 156,568 m3 thanks to the use of gas in some hotels in place of diesel oil. Gas has several advantages over other fuels thanks to its low level of emissions, low cost, continuous supply and reduced maintenance.

The initiatives have been taken in the following areas:

### Monitoring and control of consumption

The Company seeks an integrated report on consumption using the SAP BW system. There are currently three types of report adapted to allow access to different levels of information and so facilitate its analysis: a monthly report for general hotel staff, an energy use report and a comparative report on average emissions of  $CO_2$ .

### Awareness and training measures

In 2008 a new section on the SAVE project was created on the Employee Portal which provides staff with information on the energy saving measures that they could implement and is also a meeting point for sharing information on best practises applied in different business units and the results they have generated. In cooperation with the RTI (Responsible Tourism Institute), Sol Meliá has also promoted training and awareness workshops for hotel and corporate staff and proposed objectives for ratios in each SAVE hotel to make them easier to monitor and improve ratios in consumption per stay.

(\*) The energy saving and efficiency measures form part of the SAVE project led by the Works and Maintenance Department. Location, valuation and implementation of fuel saving measures with no need for investment through improvements in maintenance or the standardisation of products and systems.

• Water flow regulators in taps and showers saving both water and fuel. There are currently 47 hotels that have implemented this efficient water management system, generating the following savings:

Water (m³)	267,198
Gas (m³)	156,568
Diesel Oil (I)	394,056

- Fuel savings through additives in diesel oil. The additives are mixed with the diesel oil in boilers to achieve fuel savings, a reduction in pollution, an improvement in boiler performance, an improvement in cold weather conditions and avoiding the fuel freezing. This measure has led to savings of 131,500 litres of diesel oil.
- Standardisation of efficient systems for lighting through agreements with marketleading manufacturers. After an analysis of the most common lighting systems in different hotel public areas, a manual has been prepared to replace those systems with other more efficient systems.

### Technical and economic analysis of systems and projects to improve efficiency through investments.

### Improvements in lighting

In 2008 there were 4 investments in lighting projects which generated savings of 401,716 Kwh, and a reduction in  $CO_2$  emissions of 198,849 kg, equivalent to the planting of 9,942 trees. The projects replace incandescent, halogen or fluorescent bulbs with low-energy, long-life bulbs, creating reductions in energy use, costs, environmental impact and waste. Electromagnetic systems were also replaced with electronic systems, lengthening the life of bulbs used in applications that are used frequently during the day such as in sys-

tems which detect human presence, generating savings of around 25% in both energy use and emissions.

In cooperation with Philips, in 2008 LED technology was used to light up the façade of the ME Madrid:

Power of traditional installation 30 KW
<b>Power of LED installation</b> 7.1 KW
Expected annual savings 83,791 KWh
<b>Annual saving in CO<sub>2</sub> emission</b> 39 T of CO2
Equivalent number of trees 1,900 trees
Minimum cost saving 7,600 euros

### Improvements in building cladding

Investment in the installation of Solar Film at the Tryp Azafata to reduce the thermal charges on the building. Estimated reduction of 25,000 kwh per year.

Systems which detect human presence have continued to be implemented in new builds or renovations, thus optimising lighting control and reducing energy use while improving comfort for guests.

As a result of the previous measures and others taken at the beginning of the SAVE project, Sol Meliá, together with Alsa, is the first company to sign up for the System of Voluntary Commitment to reduce greenhouse gas emissions (Spanish Sustainability Observatory).

In addition to showing the Company's commitment to sustainable development, thanks to the certification issued by Bureau Veritas, the certification process has also demonstrated the rigour applied in the measurement of consumption and reductions in energy use of emissions.

### **Emission of pollutant gases**

The total direct and indirect emissions of greenhouse gases was 209,701,083 Kg of  $CO_{\gamma}$ .

Apart from the  $CO_2$  emissions we would like to mention another type of emission which also plays an important role in the contamination of our planet: direct emissions of NOx and SO2. For the 99 hotels that form part of the SAVE project in 2008 the emissions of these gases are the following:

NOx	SOx	
47,919 Kg	23,641 Kg	

Thanks to the measures applied in energy use in 2008, the reduction in CO2 emissions was 3,846,574 Kg, equivalent to the planting of 192,329 trees.

### Training

In 2008 there were two training workshops carried out with the RTI, the first in Tenerife in the Meliá Jardines del Teide attended by 26 hotel staff. The second was carried out in corporate offices in Palma de Mallorca and was attended by 30 people.

### **External cooperation**

Continuing with work started in 2007 after the agreement with the Entorno Foundation-WBCSD, Sol Meliá took part in the working group on Energy and Climate Change with the Entorno foundation - WBCSD Spain made up of more than twenty companies, to work together towards meeting the challenges of climate change.

### Savings in water use

The total consumption of water in 2008 for all the participants in the SAVE project was 7,034,262 m<sup>3</sup>.

Currently all of our hotels are connected to water treatment systems which are considered appropriate.

### 9.2.4 Contracting

### **Electricity in Spain**

In 2008 we have negotiated approximately 169 GW, of which:

SUPPLY VOLTAGE			
Low voltage	32	46	
High voltage	137	87	
General total	169	133	

Comparing these savings as the difference with respect to the first offer received for Medium Voltage, savings of 2,027,250 euros / 9.17% have been generated.

### Gas

In this case an offer was requested for the total consumption of natural gas in Spain (excluding the Balearic Islands where there is continued use of Propane-Air systems in a regulated market).

This has generated savings of 77,877.41 euros, 4.63% of a total of 75 connections.

# Estimated financial savings through energy improvements

TOTAL ESTIMATED SAVINGS	794,800 €
Fuel	291,884€
Electricty	227,510€
Water	275,406 €

# Solar panel installation in ME Cabo

The ME Cabo has installed 760 m<sup>2</sup> of solar panels with 20,000 litres of accumulative capacity, creating annual savings of 120,000 litres of diesel oil.

### 9.2.5 Use of resources and waste management

### Hotel waste management

To ensure appropriate waste management the Company carried out the selective collection of waste products in keeping with existing legislation. There are also projects which allow the Company to minimise the consumption of resources and the generation of waste.

Given the activity in our hotels, the waste they generate is mainly classified as urban waste such as paper, cardboard, glass, vegetable oil, packaging and other unseparated domestic rubbish. There is also another type of waste in lesser quantities which includes printer cartridges, electrical and electronic waste not considered dangerous, and used batteries and storage batteries.

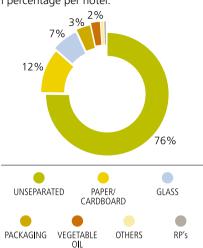
To a far lesser extent, there are also some dangerous waste products mainly generated from cleaning and maintenance services. These products basically consist of plastic and metal packaging of dangerous materials (paint stripper, varnish, paint, cleaning products, aerosols, etc.), contaminated rags and sponges, used hydraulic acids, hazardous batteries and electrical materials.

Annual average amount of waste for a hotel from a sample of 156 hotels:

In tonnes per hotel per year:

UNSEPARATED	252,71		
PAPER/CARDBOARD	18,54		
GLASS	13,86		
PACKAGING	5,12		
VEGETABLE OIL	2,24		
OTHERS	0,20		
RP's	0,11		

In percentage per hotel:



In Premium hotels (Gran Meliá, ME and Paradisus) the amount of unseparated waste is considerably greater, while the selected waste such as glass, paper and cardboard, packaging and oil are about the same or a little less. This is explained by both the greater size of these hotels and by their location in destinations where selective collection and recycling are not so common.

Tryp hotels produce the smallest amounts of waste per hotel due to the fact that they are smaller hotels offering a reduced level of food and beverage services, one of the most important sources of hotel waste products.

# Waste management in corporate officess

In corporate offices waste management focuses on the waste generated in greatest quantities, typical of office activity. The waste generated is fundamentally paper and cardboard, but there is also some packaging, electrical and electronic waste, fluorescent tubes, batteries, printer cartridges, cleaning product packaging, etc. In 2008 the total amount of paper and cardboard collected from corporate head office in Palma de Mallorca and sent for recycling was 53,790 Kg, an increase of 98% over the previous year.

The reason for the increase is the implementation at the end of 2007 of a document collection and destruction system throughout the offices as well as a restructuring of staff work locations, both of which led to an important increase in this type of waste.

9.2.6 Preservation of biodiversity

# Presence in privileged natural environments

Sol Meliá operates numerous hotels in or near privileged natural environments. The Company has hotels in a number of countries which have biodiversity hotspots, regions with an enormous wealth of animal and plant species, but also with a greater level of danger and fragility.

The countries with biodiversity hotspots in which Sol Meliá operates are:

- Americas: Costa Rica, Cuba, Puerto Rico, Dominican Republic, Mexico, Peru, Brazil, Argentina, Panama and Uruguay.
- Europe: Spain, France, Italy and Portugal.
- Asia: Indonesia, Malaysia, Vietnam.
- Africa: Egypt and Tunisia.

In many destinations, natural resources are one of the main tourist attractions. Sometimes these areas are protected by domestic institutions or by international agreements. List of hotels near or next to protected natural areas:

Hotel	Protected area	
Paradisus Playa Concha	Tempisque Conservation Area in the Marino Las Baulas National Park. Costa Rica	
Gran Meliá Puerto Rico	Río Espíritu Santo National Park. Puerto Rico	
Paradisus Riviera Cancún	Arrecife de Puerto Morelos National Park. Mexico	
Gran Meliá Palacio de Isora	Corona Forestal National Park. Spain	
Gran Meliá Salinas	Lanzarote World Biosphere Reserve. Spain	
Gran Meliá Volcán Lanzarote	Lanzarote World Biosphere Reserve. Spain	
Meliá Sierra Nevada	Sierra Nevada National Park. Spain	
Meliá Sol y Nieve	Sierra Nevada National Park. Spain	
Meliá Sancti Petri	Bahía de Cádiz National Park. Spain	
Meliá Royal Tanau Boutique	Aigüestortes i Estany de Sant Maurici National Park. Spain	
Meliá Gorriones	Jandía National Park. Spain	
Meliá Jardines del Teide	Corona Forestal National Park. Spain	
Meliá Sinaí	Ras Mohammed National Park. Egypt	
Sol Menorca	Menorca World Biosphere Reserve. Spain	
Sol Milanos Pingüinos	Menorca World Biosphere Reserve. Spain	
Sol Gavilanes	Menorca World Biosphere Reserve. Spain	
Sol Falcó	Menorca World Biosphere Reserve. Spain	
Sol Mastines Chihuahuas	Natural Environment of Special Interest Calas de Mallorca. Spain	
Sol Balmoral	Natural Environment of Special Interest Calas de Mallorca. Spain	
Sol Galúa	Calblanque Regional Park. Spain	
Sol Vielha	Aigüestortes i Estany de Sant Maurici National Park. Spain	
Sol Sancti Petri Apartments	Bahía de Cádiz National Park. Spain	
Sol Sun Beach apartments	Corona Forestal National Park. Spain	
Sol La Palma	Caldera de Taburiente National Park. Spain	
Sol Lanzarote	Lanzarote World Biosphere Reserve. Spain	
Sol Morromar Apartments	Lanzarote World Biosphere Reserve. Spain	
Sol Verginia	Ras Mohammed National Park. Egypt	
Sol Sharm	Ras Mohammed National Park. Egypt	
Sol Cyrene	Ras Mohammed National Park. Egypt	
Tryp Las Matas	Cuenca Alta del Manzanares National Park. Spain	
Tryp La Caleta	Bahía de Cádiz National Park. Spain	

With regard to the biodiversity of water resources and habitats, these are not affected by any company activities.

### **Most important activities**

To assist in the protection and conservation of the natural environment in destinations where Sol Meliá operates, hotels carry out different projects independently or in cooperation with different NGOs, such as cleaning up and removing waste, taking part in biodiversity conservation programmes or raising funds for the restoration of ecosystems.

# Cooperation with the protection of turtle species threatened with extinction

**Scope**: 9 hotels in Mexico, Indonesia and Costa Rica (Paradisus Playa Conchal, Gran Meliá Cancún, Meliá Azul Ixtapa, Meliá Puerto Vallarta, ME Cancún, ME Cabo, Meliá Benoa, Meliá Bali and Meliá Purosani).





**Results**: Participation in the protection of 5,753 trees.

Agreement of Brazil hotels with WWF Brazil

Collection of funds through voluntary contributions from guests and the sale of articles in hotels.

Scope: all hotels in Brazil (14 hotels). Results: 29,723 € raised.

### Removal of waste around hotels, mainly on beaches

Scope: data available in 6 hotels: Paradisus Playa Conchal, Meliá Benoa, Meliá Puerto Vallarta, Sol S'Argamassa, Sol Mastines Chihuahuas and Sol Balmoral. Results: 13,717 Kg Raising awareness of children about environmental protection through Solidarity Day activities

**Scope**: 23 hotels in Spain, 4 in Mexico and 3 in the Dominican Republic.

Results: estimated 4,475 children participating.

### Awareness and involvement of customers through posters about collecting rubbish at beach access points

Scope: 23 hotels in Spain. Results: number of customers affected not quantifiable.

# Paradisus Playa Conchal agreement with the Tempisque Conservation Area

Collection of funds through voluntary contributions from guests. Scope: initiative of the Paradisus Playa Conchal in Costa Rica. Results: 30,741 € raised.

### 9.3 Opportunities and Improvement Commitments

- In 2008 Sol Meliá signed up to the United Nations Global Pact with a voluntary commitment to adopt and implement 10 fundamental principles related to human rights, the environment, labour regulations and the fight against corruption. Principle number 7 of the Global Pact states that companies must take preventative measures to protect the natural environment, and in 2009 Sol Meliá aims to implement this principle.
- In 2009 we will retain all of our current environmental certifications and finalise the certification of 11 hotels currently working through the implementation process.

- New owned and leased hotels will begin to take part in the SAVE project.
- The information available on waste management in hotels and corporate offices will be consolidated.
- The Company has 10 hotels where the Biosphere Hotel certification is currently being implemented.
- The information available on hotel activities focused on protecting biodiversity will be consolidated.

# **10.** About this report

# **10.1** Preparation method

The objective of the Sustainability Report 2008 is to provide information to all Company stakeholders regarding financial, environmental and social results for 2008. Sol Meliá also has the responsibility to provide truthful, comprehensive and relevant information for all of its stakeholders.

2008 has seen changes in both the reporting format and methodology in order to adjust both the format and content of the information to current trends in corporate social responsibility. The format is different to 2007 and also presents numerous opportunities for improvement (indicated in each chapter throughout the Report), aiming to become one of the most important tools in the interdepartmental management of sustainability at Sol Meliá.

Our Sustainability Report 2008 is based on a number of different recommendations, particularly the guidelines to the preparation of the Sustainability Report from the Global Reporting Initiative (GRI G3) and the recommendations in the GRI Boundary Protocol.

### **10.2** Collection and consolidation of the information

- The principles, policies and activity that Sol Meliá includes in this Report and the business strategy defined to move forward on sustainable development have been designed to be applied throughout the Company. Nevertheless, there is some margin to take into account the different personality of each of the Company's brands and also the different socio-cultural nature of each business location. The Report refers to the full year 2008.
- The Report includes quantitative, performance-related, qualitative, strategic and narrative information from all sustainabil-

ity-related points of view: financial, social, cultural, labour-related, environmental. In matters related to the travel and tourism industry use has also been made of the indicators monitored by the World Tourism Organisation.

 The different chapters and indicators also provide the degree of consolidation of the information. Sol Meliá understands that this is one of its most important commitments to improvement in the 2009 Report.

### 10.3 Areas involved

	AANE OF ON INDICATOR.
States.	200.1.20.0001.120.20.
	permanent and the second se
Tape - Collector	annan (pr. 3. aktor Jun 14) annan 151 (151 (151 Jun 14)
Longe L	and the set of and the first of
-	
	the second se
	20.02
	bert in bringe topid me also Me pow
frequency	
Traperty .	
	<b>F</b>
interaction Bit and a second of	
interaction Bit and a second of	

A team formed by five different areas of the Company have prepared this Report, coordinating other departments in the preparation of the content.

### **Project team**

- Legal Advice
- Investor Relations
- Corporate Strategy
- Communication
- Sustainable Development

#### Departments

- Works & Maintenance
- Human Resources
- Purchasing
- Finance
- Marketing
- Hotels
- Hospitality Business Services

Each indicator gave rise to a fact sheet which will allow the information to be traced to assist in the preparation of future editions.

### **10.4** Opportunities and commitments to improvement

The main challenges in the preparation of the next Sustainability Report are:

- Improvement in the quality of the indicators and the consolidation of the information.
- Participation of the different stakeholders and their opinions about the Report, both in person and online. (see contact details on the final page).

# **10.5** Verification of the information / Audits / Certification

With regard to financial performance, the information available in the Annual Report has been processed under applicable law and audited by Ernst & Young. The results may

be viewed in the Financial Report and, more briefly, in the chapters on finance in this Report. Non-financial information has not been subject to external verification.

# **10.6** Your opinion / feedback system

Should you require any additional information, please do not hesitate to contact us.

Sustainable Development Department: desarrollo.sostenible@solmelia.com

Communication Department: comunicacion@solmelia.com

# **GRI** Indicators

ASPECT	TYPE OF INDICATOR	INDICATOR NUMBER	GRI INDICATORS	LOCATION
			VISION AND STRATEGY	
Strategy and Analysis	Central	1.1	Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent	
			senior position) about the relevance of sustainability to the organization and its strategy.	S1 Presentation
Strategy and Analysis	Central	1.2	Description of key impacts, risks, and opportunities.	S1 Presentation
			PROFILE	
			Profile of the organisation	
Organisational profile	Central	2.1	Name of the organisation.	Cover
Organisational profile	Central	2.2	Primary brands or services.	S1 About Sol Meliá
Organisational profile	Central	2.3		S1 About Sol Meliá /
5			subsidiaries, and joint ventures.	Financial Report
Organisational profile	Central	2.4	Location of organisation's headquarters.	Corporate Information
Organisational profile	Central	2.5	Number of countries where the organization operates, and names of countries with either major	
			operations or that are specifically relevant to the sustainability issues covered in the report.	S1 About Sol Meliá /
Drganisational profile	Central	2.6	Nature of ownership and legal form.	Financial Report
Drganisational profile	Central	2.7	Markets served (including geographic breakdown, sectors served, and types of customers/ beneficiaries).	S1 About Sol Meliá
Drganisational profile	Central	2.8	Scale of the reporting organization, including number of employees, net sales or net revenues, total	
5			capitalization broken down in terms of debt and equity, quantity of products or services provided,	
			total assets, beneficial ownership and breakdown by country/region of the sales/revenues by	
			countries/regions that make up 5 percent or more of total revenues and costs by countries/regions	
			that make up 5 percent or more of total revenues.	S1 About Sol Meliá
Organisational profile	Central	2.9	Significant changes during the reporting period regarding size, structure, or ownership including	
5			the location of, or changes in operations, including facility openings, closings, and expansions; and	
			changes in the share capital structure and other capital formation, maintenance, and alteration	S1 About Sol Meliá /
			operations (for private sector organizations).	S1 Economic Value
			Scope of Sustainability Report	
Organisational profile	Central	2.10	Awards received in the reporting period.	S1 Presentation
	Centital	2.10		S2 Sustainable Developmer
			Report Parameters	
Report profile	Central	3.1	Reporting period for information provided.	S2 About this report
Report profile	Central	3.2	Date of most recent previous report.	S2 About this report
Report profile	Central	3.3	Reporting cycle (annual, biennial, etc.).	S2 About this report
Report profile	Central	3.4	Contact point for questions regarding the report or its contents.	S2 About this report
Report scope and boundary	Central	3.5	Process for defining report content, including determining materiality, prioritizingtopics within the	
			report, and identifying stakeholders the organization expectsto use the report.	S2 About this report
Report scope and boundary	Central	3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities,).	S1 Presentation
				S2 About this report
Report scope and boundary	Central	3.7	State any specific limitations on the scope or boundary of the report.	S2 About this report
Report scope and boundary	Central	3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and	
			other entities that can significantly affect comparability from period to period and/or between	
			organizations.	Financial Report
Report scope and boundary	Central	3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques	
			underlying estimations applied to the compilation of the Indicators and other information in the	
			report.	S2 About this report
Report scope and boundary	Central	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the	
			reasons for such re-statement (e.g., mergers/ acquisitions, change of base years/periods, nature of	
			business, measurement methods).	S2 About this report
Report scope and boundary	Central	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	S2 About this report
			GRI Content Index	
	Control	3.12	Table identifying the location of the Standard Disclosures in the report.	Contents / GRI Indicators
Report scope and boundary	Central	3.1Z	Iddle identifying the location of the standard disclosures in the report.	CONTENDS / GRI INDICATORS

**S1**: Section 1 · **S2**: Section 2

ASPECT	TYPE OF INDICATOR	INDICATOR NUMBER	GRI INDICATORS	LOCATION
			Assurance	
Verification	Central	3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	S1 About Sol Meliá / Financial Report
				·
	<u> </u>		Governance, Commitments, and Engagement of stakeholders	
Governance	Central	4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	S1Corporate Governance
Governance	Central	4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	S1Corporate Governance
Governance	Central	4.3	For organizations that have a unitary board structure, state the number of members of the highest	S1Corporate Governance /
Governance	Central	4.4	governance body that are independent and/or non-executive members. Mechanisms for shareholders and employees to provide recommendations or direction to	Financial Report
Governance	Central	4.4	the highest governance body. Include reference to processes regarding the use of shareholder resolutions or other mechanisms for enabling minority shareholders to express opinions to the highest governance body; and informing and consulting employees about the working relationships with formal representation bodies such as organization level 'work councils', and representation of	62 (support 1/6) (s
Governance	Central	4.5	employees in the highest governance body. Linkage between compensation for members of the highest governance body, senior managers,	S2 Investment Value
Governance	Central	4.J	and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	S2 Human Value / Financial Report
Governance	Central	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	S1Corporate Governance / Financial Report
Governance	Central	4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	S1Corporate Governance / Financial Report
Governance	Central	4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant	
Governance			to economic, environmental, and social performance and the status of their implementation. (Standards on an international level and application in different divisions, departments).	S1 Presentation S2 Sustainable Developmen
Governance	Central	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	S1Corporate Governance
Governance	Central	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	S1Corporate Governance
			Commitments to external initiatives	
Governance	Central	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	S2 Environmental Value
Governance	Central	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses. (Include date of adoption, countries/operations where applied, and the range of stakeholders involved in the development and governance of these initiatives (e.g., multi-stakeholder, etc.). Differentiate between non-binding, voluntary initiatives and those with which the organization has an obligation to comply).	S2 Environmental Value
Governance	Central	4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization has positions in governance bodies, participates in projects or committees, provides substantive funding beyond routine membership dues or views	52 Environmental Value
			membership as strategic.	S2 Sustainable Developmen
Staliabaldar angaaaaat	Cantural	4 1 4	Stakeholder engagement	C1 Dresentation
Stakeholder engagement Stakeholder engagement	Central Central	4.14 4.15	List of stakeholder groups engaged by the organization. Basis for identification and selection of stakeholders with whom to engage. This includes the	S1 Presentation
	Centual	4.15	organization's process for defining its stakeholder groups, and for determining the groups with which to engage and not to engage.	S2 Sustainable Developmen S2 About this report
Stakeholder engagement	Central	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by	
Staliabaldar angaaaaat	Cantural	4 17	stakeholder group.	S2 Sustainable Developmen
Stakeholder engagement	Central	4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Not available

**S1**: Section 1 · **S2**: Section 2

ASPECT	TYPE OF INDICATOR	INDICATOR NUMBER	GRI INDICATORS	LOCATION
			ECONOMIC PERFORMNCE	
Economic performance	Principal	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to	
			capital providers and governments.	Financial Report
Economic performance	Principal	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Not available
Economic performance	Principal	EC3	Coverage of the organization's defined benefit plan obligations.	Not available
Economic performance	Principal	EC4	Significant financial assistance received from government.	S1 Economic Value
Jarkat procence	Additional	L C E	Market presence	
Market presence	Additional	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	Not available
Market presence	Principal	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	S2 Business Value
Market presence	Principal	EC7	Procedures for local hiring and proportion of senior management hired from the local community	52 Dusiness value
Maulust average	Data da al	500	at locations of significant operation.	Not available
Market presence	Principal	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, inkind, or pro bono engagement.	S2 Investment Value
Indirect economic impacts	Additional	EC9	Understanding and describing significant indirect economic impacts, including the extent of	S2 Investment value
			impacts.	S1 Economic Value
			ENVIRONMENTAL INDICATORS	
A second s	Deinstein	EN14	Market de constitue accordance	Net and Backle
Materials	Principal	EN1	Materials used by weight or volume.	Not applicable
Materials	Principal	EN2	Percentage of materials used that are recycled input materials.	Not available
nergy	Principal	EN3	Direct energy consumption by primary energy source.	S2 Environmental Value
nergy	Principal	EN4	Indirect energy consumption by primary source.	Not applicable
nergy	Additional	EN5	Energy saved due to conservation and efficiency improvements.	S2 Environmental Value
nergy	Additional	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and	<b>C2 F</b>
Energy	Additional	EN7	reductions in energy requirements as a result of these initiatives. Initiatives to reduce indirect energy consumption and reductions achieved.	S2 Environmental Value Not applicable
	raarionar	2.117		
Neter	امعدانانهم ا	ENIO	Water	
Water	Additional	EN8	Total water withdrawal by source.	S2 Environmental Value
Water	Additional	EN9	Water sources significantly affected by withdrawal of water.	Not available
Nater	Additional	EN10	Percentage and total volume of water recycled and reused.	Not available
D'a d'acceste a	Distant	EN114	Biodiversity	
Biodiversity	Principal	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	S2 Environmental Value
Biodiversity	Principal	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected	
			areas and areas of high biodiversity value outside protected areas.	Not available
Biodiversity	Additional	EN13	Habitats protected or restored.	S2 Environmental Value
Biodiversity	Additional	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Not available
Biodiversity	Additional	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas	
			affected by operations, by level of extinction risk.	Not available
			Emmissions, effluents and waste	
Emmissions, effluents and waste	Principal	EN16	Total direct and indirect greenhouse gas emissions by weight.	S2 Environmental Value
Emmissions, effluents and waste	Principal	EN17	Other relevant indirect greenhouse gas emissions by weight.	Not applicable
mmissions, effluents and waste	Additional	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	S2 Environmental Value
mmissions, effluents and waste	Principal	EN19	Emissions of ozone-depleting substances by weight.	S2 Environmental Value
Emmissions, effluents and waste	Principal	EN20	NO, SO, and other significant air emissions by type and weight.	S2 Environmental Value
Emmissions, effluents and waste	Principal	EN21	Total water discharge by quality and destination.	Not available
Emmissions, effluents and waste	Principal	EN22	Total weight of waste by type and disposal method.	S2 Environmental Value
mmissions, effluents and waste	Principal	EN23	Total number and volume of significant spills.	Not available
Emmissions, effluents and waste	Additional	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms	
	, idantonal	2.721	of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped	Not applicable
Emmissions, effluents and waste	Additional	EN25	internationally.	Not applicable
eminissions, emuents and waste	Additional	EINZO	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	S2 Environmental Value
			significantly anected by the reporting organization's discribites of Water and Tunon.	32 Environmental Value

**S1**: Section 1 · **S2**: Section 2

ASPECT	TYPE OF INDICATOR	INDICATOR NUMBER	GRI INDICATORS	LOCATION
			Products and services	
Products and services	Principal	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Not available
Products and services	Principal	EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not applicable
	· · ·		Compliance	
Compliance	Principal	EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	S2 Environmental Value
			Transport	
Transport	Additional	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Not available
			General	
General	Additional	EN30	Total environmental protection expenditures and investments by type.	S2 Environmental Value
			Employment	
mployment	Principal	LA1	Total workforce by employment type, employment contract, and region.	S2 Human Value
mployment	Principal	LA2	Total number and rate of employee turnover by age group, gender, and region.	S2 Human Value
Employment	Principal	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	S2 Human Value
			Labour/Management relations	
.abour/Management relations	Principal	LA4	Percentage of employees covered by collective bargaining agreements.	S2 Human Value
abour/Management relations	Principal	LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	S2 Human Value
			Occupational health and safety	
Occupational health and safety	Additional	LA6	Percentage of total workforce represented in formal joint management-worker health and safety	
			committees that help monitor and advise on occupational health and safety programs.	S2 Human Value
Occupational health and safety	Principal	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region.	S2 Human Value
Dccupational health and safety	Principal	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	S2 Human Value
Occupational health and safety	Additional	LA9	Health and safety topics covered in formal agreements with trade unions.	S2 Human Value
	Additional	645	Training and education	52 Human value
Fraining and education	Principal	LA10	Average hours of training per year per employee by employee category.	S2 Human Value
raining and education	Additional	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	S2 Human Value
Fraining and education	Additional	LA12	Percentage of employees receiving regular performance and career development reviews.	S2 Human Value
Diversity and equal opportunities	Principal	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	S2 Human Value

ASPECT	TYPE OF INDICATOR	INDICATOR NUMBER	GRI INDICATORS	LOCATION
			Human Rights	
			Investment and procurement practises	
Investment and procurement practises	Principal	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Not applicable
Investment and procurement practises	Principal	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	S2 Business Value
Investment and procurement practises	Additional	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Not available
Non-discrimination	Principal	HR4	Total number of incidents of discrimination and actions taken.	S2 Human Value
Fredom of association and collective bargai	ining Principal	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Not applicable
Child labour	Principal	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	Not applicable
Forced labour	Principal	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	S2 Human Value
Security practises	Additional	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Not available
Indigenous rights	Additional	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Not applicable
Community	Principal	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	Not available
Corruption	Principal	SO2	Percentage and total number of business units analyzed for risks related to corruption.	Not available
Corruption	Principal	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Not available
Corruption	Principal	SO4	Actions taken in response to incidents of corruption.	Not available
Public policy	Principal	S05	Public policy positions and participation in public policy development and lobbying.	S2 Sustainable Developmen
Public policy	Additional	S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Not available
Anti-competitive behaviour	Additional	S07	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	Not available
Compliance	Principal	S08	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	S2 Human Value
Customer health and safety	Principal	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	S2 Commercial Value
Customer health and safety	Additional	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	S2 Commercial Value / S2 Commercial Value / S2 Human Value
Product and service labelling	Principal	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Not applicable
Product and service labelling	Additional	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Not applicable
Product and service labelling	Additional	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	S2 Commercial Value
Communication and Marketing	Principal	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	S2 Communicational Value
Communication and Marketing	Additional	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of	
Communication and Marketing	Additional	PR8	outcomes. Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	S2 Commercial Value
	Principal	PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the	S2 Commercial Value

 $\textbf{S1:} \text{ Section } 1 \cdot \textbf{S2:} \text{ Section } 2$ 

# Corporate Information

### **Central Corporate Headquarters**

Gremio Toneleros, 24 Polígono Industrial "Son Castelló" 07009 Palma de Mallorca - Spain Tel. +34 971 22 44 00 Fax +34 971 22 44 08

# Corporate Headquarters Madrid Mauricio Legendre, 16

28046 Madrid Tel. +34 91 315 32 46 Fax +34 91 315 62 31

### Corporate Headquarters

North and Central America 800 Brickell Avenue 10th floor 33131 Miami - Florida - USA Tel. (1) 305 350 98 28 Fax (1) 305 350 99 60

### **Corporate Headquarters South America**

Av. Naçoes Unidas, 12551 04578-903 Sao Paulo SP - Brazil Tel. (5511) 3043 8484 Fax (5511) 3043 8466

#### **Corporate Headquarters Cuba**

Ave. 3ra entre 76 y 80 Miramar - La Habana Tel. (53-7) 554 712 Fax (53-7) 832 1969

### Corporate Headquarters Asia

6 Battery Road # 18-07 (049909) Singapore Tel. (65) 6.3343332 Fax (65) 6.3342065 www.solmelia.com info@solmelia.com Central Reservations (SolRes): 902 14 44 44 Sol Meliá GDS access codes: • AMADEUS: SM • GALILEO: SM • SABRE: ME • WORLDSPAN: SM

### Sol Meliá Vacation Club

47 Millenia Blvd., suite 240 Orlando /Fl 32839 Tel. 1 (407) 370-3671 info@solmeliavc.com www.smvc.com

Sustainable Development Department desarrollo.sostenible@solmelia.com

### **Annual General Shareholders Meeting**

Palma de Mallorca Date: 2 june 2009 Location: Hotel Gran Meliá Victoria Dividend payment: 0,051 euros per share

### Investors Relations Department +34 971 22 45 43 investors.relations@solmelia.com

investors.relations@solmelia.com http://inversores.solmelia.com

Communication Department +34 971 22 44 64 comunicacion@solmelia.com http://prensa.solmelia.com

#### Shareholders' hotline +34 971 22 45 54 club.accionista@solmelia.com

Date of the annual report previous to the most recent report: 2007

### External Auditors Ernst & Young Palma de Mallorca

Global Sustainability Policy



HOTELS & RESORTS WORLDWIDE | LUXURY RESIDENTIAL OWNERSHIP | VACATION CLUB

# Sol Meliá Global Sustainability Policy Building our legacy.

t Sol Meliá we aim to incorporate the values and principles of sustainable development in our business processes and relationships with all of our stakeholders. We believe that sustainability is the key factor which will allow tourism to continue to be the driver of economic development in many countries. We believe that a lot can be learnt from mistakes and we are committed to seeking constant improvement so as to guarantee our future, adopting a humble attitude which allows us to continue to learn as we move forward. We want this approach to help us strengthen our relationships with our stakeholders, becoming something which makes us different from others and a more sustainable, more stable and more solid company, more attractive to all with whom we come in contact.

Tourism is a business which is extremely sensitive to the environment in which it takes place. Extreme climate and weather events such as hurricanes and floods, drought or lack of snow, have an effect on tourism. The loss of a cultural identity in a destination may make it less attractive for tourism as it implies the disappearance of something that made it unique. The existence of poverty in certain communities in which we operate is also a reality to be faced. Seeking improvements in such situations is an obligation which we must fulfill with our staff, our customers and society in general.

We are convinced that the company is like a living organism that constantly has to adapt

to its environment and evolve along with it in order to survive. To achieve this, one must be very aware of the environment, and there is no better way to achieve this than through listening to all of our stakeholders.

The fact that we wish to be closer to our stakeholders and get to know them better means we need to have a more proactive attitude towards them, being more open and approaching them. We believe that greater awareness of their concerns and expectations will drive our development as a company, and will benefit us all, allowing us to continue to grow together, thus evolving, and adapting to the environment and the times.

Firstly, we are well aware that the natural environment is a key factor in this commitment to sustainable development. We will only be sustainable if we are able to identify the environmental impact of our operations both at a local and a global level, aiming to make environmental management a part of our daily routine. We will strive to reduce the impact of our activity and contribute to the preservation of biological diversity in travel destinations through greater integration with the environment and respect for flora and fauna. We will encourage energy and water savings and a reduction in emissions, always seeking greater efficiency and containment in the use of natural resources; we will also manage our waste products in a responsible manner.

Secondly, we have a **social commitment**. We understand that our activity will only be sustainable if we are able to make a contribution to the reduction of social differences and poverty through providing opportunities for mutual economic growth. We will be sensitive to the social needs of our staff, and aim to share our commitment with them, taking

"At Sol Meliá we aim to incorporate the values and principles of sustainable development in our business processes and relationships with all of our stakeholders.



into account their concerns about solidarity, voluntary work and cooperation. We will particularly focus on the most disadvantaged groups such as the elderly or the disabled, and we will take very special care over our influence on children, given their vulnerability and the fact that they are the future inheritors of our legacy.

Finally, third and by no means least, we are committed to the conservation of both the tangible and intangible **cultural** heritage of the communities in which we operate. We will remain fully involved in local life, integrating the cultural, culinary, and artistic characteristics of each location, respecting and defending the historical heritage as if it were our own. And we will also be a catalyst for local development, protecting the roots of society and aiming to get our customers involved in the discovery and conservation of the rich cultural wealth in each destination.

We will aim to integrate sustainable development principles in our entire business lifecycle. We will particularly take the opportunities provided by new investments and development of new destinations.

We wish to share our commitment to sustainable development with our staff, our suppliers, our customers, our shareholders, and with the owners of our hotels. We wish our strategic partners and the whole of the tourism industry to be our allies in this endeavour and to feel part of our sustainability efforts. We will encourage our suppliers to adopt policies focused on continuous improvement in the incorporation of sustainable development criteria to their business, including social justice, minimising their environmental impact and encouraging economic development in each destination. We believe in **working alongside** all of our stakeholders and we are also prepared to take a proactive role in the industry, respecting our competitors and focusing on cooperation and partnership with different social organisations in seeking solutions to environmental, social and cultural deficiencies. All this will drive us towards a society where responsibility is shared and where the needs of all are covered in a more balanced, fair and long-lasting way.

This is our **vision** of sustainable development. The sum of all of these commitments is what will allow our industry and activity to generate opportunities and wealth for people and for destinations, listening to our stakeholders and getting closer to them, protecting the environment and natural resources, adding value to reduce social differences in an increasingly globalised economy and conserving cultural diversity and heritage.

Our commitment to sustainable development is a constant search for **balance** between the needs of this **generation** and the needs of future generations, for balance between economic, socio-cultural and environmental development and the preservation of destinations, for balance between the needs and requirements of all of our different stakeholders.

At Sol Meliá we aim to contribute to and support the sustainable development of the communities in which we operate and the people that form part of those communities, leaving a legacy to be enjoyed by future generations. At Sol Meliá we do not intend to be the best hotel company in the world, but we do aim to be a reference for achieving a better world.

We believe that sustainability is the key factor which will allow tourism to continue to be the driver of economic development in many countries."





HOTELS & RESORTS WORLDWIDE | LUXURY RESIDENTIAL OWNERSHIP | VACATION CLUB

At Sol Meliá we aim to contribute to the sustainable development of the communities in which we operate and the people that form part of them, creating a legacy that can be enjoyed by future generations. To achieve this:

- 1. We aim to incorporate the values and principles associated with sustainable development to our business processes and our relationship with all our stakeholders.
- 2. We aim to get closer to our stakeholders, to listen to them and get to know them better; and to achieve this we need to have an open and approachable attitude.
- 3. We trust that we may act as a platform for all of our stakeholders and we are prepared to be a proactive player, providing cooperation and support for the different social agents in the search for solutions.
- 4. We must work to achieve a balance between the needs of the current generation and those of future generations, a balance between economic, socio-cultural and environmental development and the preservation of destinations, and balance in the satisfaction of the demands of our different stakeholders.
- 5. We will identify the environmental impact of our operations, reducing it and helping preserve biological diversity in the destinations in which we operate. We will seek energy efficiency and the responsible use of resources.
- 6. We understand that our operations must contribute to reducing SOCial differences and poverty through opportunities for mutual economic growth with local communities.
- 7. We must to be sensitive to the social needs of our employees and share our commitment with them taking into account their concerns about solidarity.
- We are committed to the conservation of the tangible and non tangible Cultural heritage of the communities in which we operate. We will be fully involved in the local community, respecting and defending their heritage as if it were our own.
- **9.** We aim to involve our **GUEStS** in all of our environmental, cultural and social activities, taking particular care of our influence over the younger generations.
- **10.** We expect our **SUPplierS** to adopt a policy of constant improvement in regard to the integration of sustainability criteria in their business processes, such as social justice, reducing their environmental impact and the economic development of destinations.

> This is our VISION of sustainable development. The sum of all of these commitments will allow our industry and our activity to generate opportunities and wealth for people and local communities, by listening to our stakeholders and having a closer relationship with them, by protecting the local environment and its natural resources, by adding value to reduce social differences in a globalised world, and conserving cultural diversity and cultural heritage.



**DECALOGUE OF** 

SUSTAINABILITY POLICY

🎒 Sol Meliá

THE GLOBAL





Sol Meliá | hotels & resorts worldwide | luxury residential ownership | vacation club gran meliá · meliá · meliá · me · innside · tryp · sol · paradisus | solmelia.com | 902 14 44 44



Printed on Cyclus Offset paper, 100% recycled, manufactured without chlorine and optical whiteners. This paper has been internationally certified by "Blue Angel", "Nordic Swan" and "NAPM". The inks do not contain pigments made from toxic heavy metals. The report has been printed by AMADIP.ESMENT, a special employment centre. DL. PM-1251-2009