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GRAN MELIÁ · MELIÁ · ME · INNSIDE · TRYP · SOL · PARADISUS | solmelia.com | 902 14 44 44



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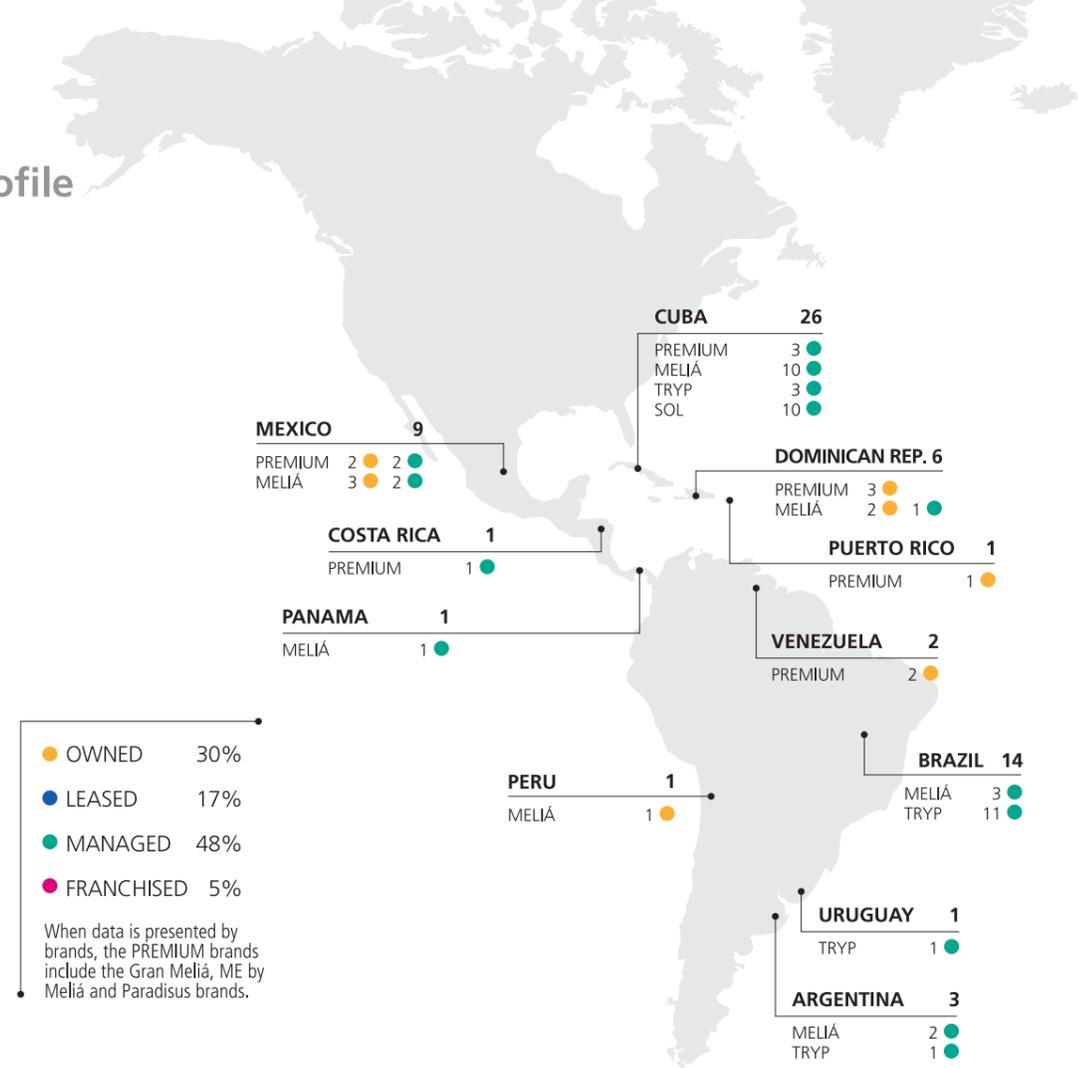


09 sol meliá sustainability report



HOTELS & RESORTS WORLDWIDE
LUXURY RESIDENTIAL OWNERSHIP
VACATION CLUB

Company Profile



● OWNED 30%
● LEASED 17%
● MANAGED 48%
● FRANCHISED 5%

When data is presented by brands, the PREMIUM brands include the Gran Meliá, ME by Meliá and Paradisus brands.

Basic Business Data

Results (in million euros)	2009	2008	2007
Revenues	1,149	1,279	1,351
EBITDAR	282	334	418
EBITDA	202	257	349
Net profit	43	55	165
Net profit attributable	38	51	162

Hotels	2009	2008	2007
Hotels	303	304	301
Rooms	76,944	76,527	75,022
Stays (millions)	25.2	26.9	28.6

Diversification by brand (by number of rooms)	2009	2008	2007
Premium	12%	11%	11%
Meliá	34%	34%	32%
Tryp	19%	19%	21%
Sol	35%	36%	31%
No brand	-	-	5%

Diversification by category (by number of hotels)	2009	2008	2007
3 stars	24%	24%	25%
4 stars	44%	44%	43%
5 stars and 5 star deluxe	32%	32%	32%

Diversification by city / resort	2009	2008	2007
City	56%	54%	54%
Resort	44%	46%	46%

Current Sol Meliá positioning

Year company founded: **1956**

Year of IPO: **2 July, 1996**

Initial share price (before split): **5.41€**

Ticker Symbol: **SOL.MC / SOL SM**

Market where traded: **Spanish stock market**

Forms part of the Madrid Stock Market Index

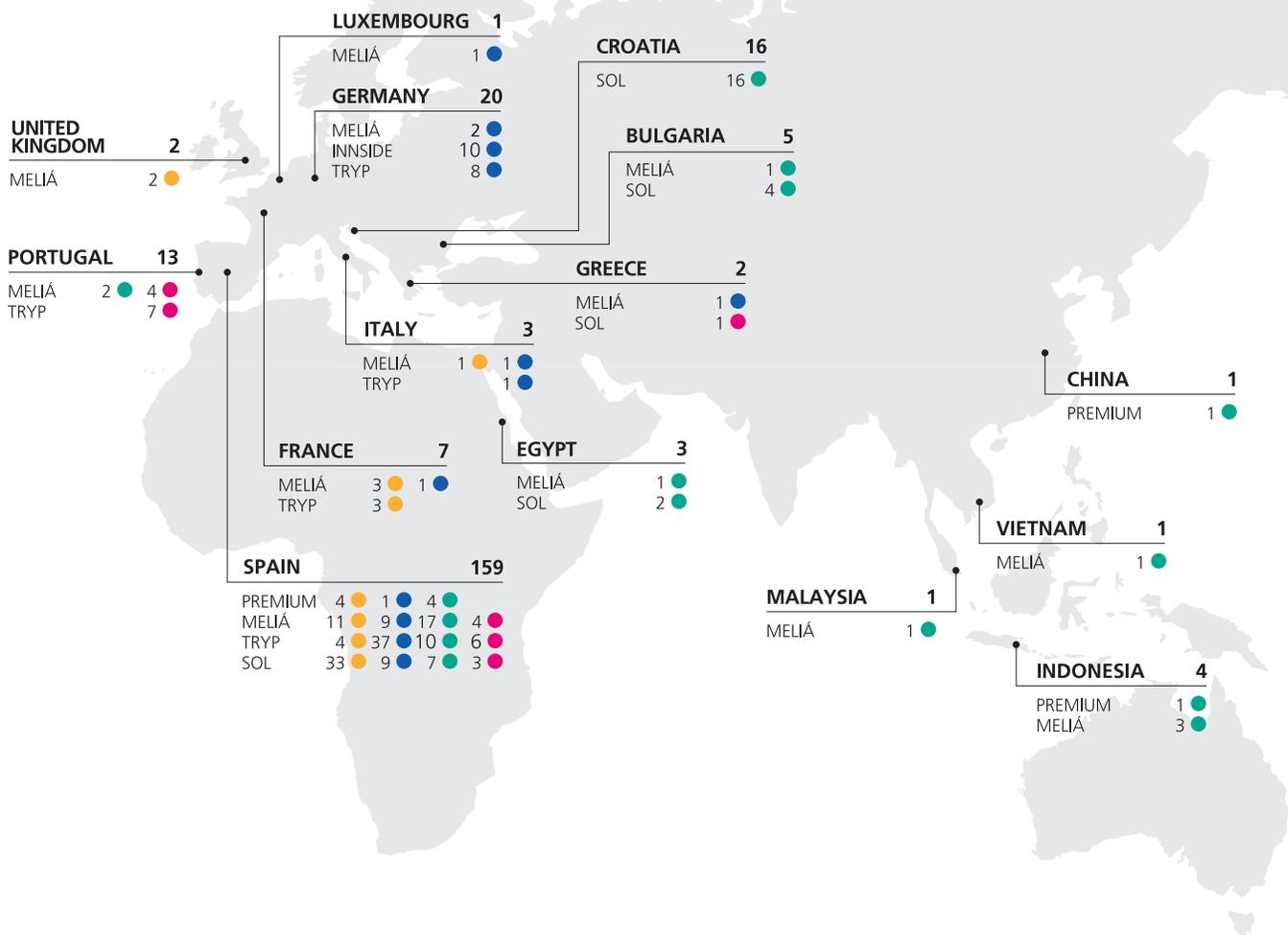
Number of shares: **184,776,777**

Share price at 31/12/2009: **5.90€**

Share performance from IPO to 31/12/2009: **9.1%**

Growth in value from 31/12/2008 to 31/12/2009: **38.5%**

On 27 August 2008 Moody's rating was cancelled.



Diversification of stays by country of origin

	2009	2008
Spain	36.20%	34.30%
UK	14.70%	13.50%
Germany	11.20%	12.10%
USA	7.50%	8.30%
Mexico	3.20%	2.80%
Italy	3.40%	3.70%
France	2.40%	2.70%
Venezuela	2.10%	3.70%
Canada	2.10%	2.10%
Russia	1.90%	2.30%
Others	15.00%	14.50%
Total	100%	100%

Milestones 2009

- April** - the company presents a new organisational model based on joint leadership and the separation of executive and non-executive roles.
- May** - RENFE and Sol Meliá sign a cooperation agreement to promote business and leisure travel.
- June** - Presentation of the 2008 Sustainability Report.
- September** - Sol Meliá implements its Action Protocol against Influenza A.
- Sol Meliá Vacation Club in Isora receives the RCI Innovation in Development Award.
- As a member of the Entorno Foundation, Sol Meliá subscribes to the Copenhagen Declaration on climate change.
- November** - Certification of Sol Meliá as a Biosphere Hotel Company.
- December** - Sol Meliá opens its first hotel in China.
- Sol Meliá receives the Prince Felipe Award for Tourism Excellence.

Diversification by region

	TOTAL				CITY				RESORT			
	%		Rooms		%		Rooms		%		Rooms	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Spain	46.63	46.50	35,861	35,589	20.80	20.50	15,980	15,692	25.80	26.00	19,881	19,897
Rest of Europe	21.65	22.14	16,666	16,949	8.70	8.30	6,688	6,333	13.00	13.90	9,978	10,616
Asia	3.35	2.87	2,583	2,198	2.50	1.70	1,961	1,276	0.80	1.20	622	922
Latin America & Caribbean	28.37	28.47	21,834	21,791	10.10	10.10	7,742	7,746	18.30	18.40	14,092	14,045
TOTAL	100	100	76,944	76,527	42.10	40.60	32,371	31,047	57.90	59.40	44,573	45,480

Contents

	Company profile
2	Message from the Chairman
4	Sustainability at Sol Meliá
9	Leadership Value
14	Good Governance Value
17	Environmental Value
28	Human Value
43	Socio-cultural Value
47	Economic Value
55	Commercial Value
63	Business Value
66	Media Value
69	Corporate Information
70	About this report
ANNEX	
71	Global Sustainability Policy
73	Panel of Experts
75	UNICEF and Gran Meliá Fénix: Plumpy Nut Project
77	The Sol Meliá Control Panel
79	Risk management
79	Biosphere Hotel Company
82	Gran Meliá Palacio de Isora Biosphere Hotel
83	Standardisation of Efficient Lighting
84	Mexico: Cooperation in protecting turtles
86	Sustainability in Brazil
87	Internal Management Programme
88	Cultural commitment in Italy
89	mas Rewards Loyalty Programme
90	Meliá Barcelona
91	GRI Indicators

Message from the Chairman



Dear friend,

The international crisis has tested the two fundamental foundations which have supported our company's leadership over more than 5 decades: our **strategic vision** and our **solid family business values**. Nevertheless, Sol Meliá has used this journey through one of the most challenging years ever seen in the travel industry to strengthen the Company in both of the mentioned areas.

With **regard to strategy**, the combination of our long term **strategy** and the short term **Contingency Plan** to adapt to market conditions allowed us to end the year with a net profit of 38.1 million euros, revenues of 1,148 million euros and EBITDA of 202.1 million euros. More importantly, we also managed to reduce our debt by more than 122 million euros (12.5%) and meet all of our covenants and financial commitments. Thanks to our competitive advantages and efficient crisis management, Sol Meliá also managed to achieve better results in key performance indicators than the average for the industry, and continued to grow through the addition of hotels which add value to their brands, the most impressive of which is the Gran Meliá Shanghai, a magnificent way for the Company to initiate operations in China.

With **regard to more intangible aspects such as our corporate values**, far from marginalising our **commitment to sustainability**, over the year we made great progress in the integration of the principles of social, cultural and environmental responsibility within the management framework of the Company, receiving, for example, certification as the first ever Biosphere Hotel Company. In April we gave a further boost to these commitments with the creation of the Institutional Office and Corporate Diplomacy, an area charged with the mission of defining the Public Positioning of Sol Meliá through dialogue, communication and alliances with all of our stakeholders.

This Sustainability Report includes all of the responses and added value that Sol Meliá has continued to provide in 2009 to our stakeholders, responding to a total of 100 GRI indicators, compared to 84 in 2008. The information on the Company, subject for the first time to the GRI level check, is presented in chapters addressing the different stakeholder's interests and the way we bring added value to their relationship with the Company. In regard to the 2009 Sustainability Report, Sol Meliá has achieved or is on the way to achieving 31 of the 33 commitments to improvement defined for the year.

Long-term strategy: brands, talent, customers, business diversification and sustainability

In 2009 we have continued to make progress in the 5 priority areas defined in the **Strategic Plan 2008-2010**. Thanks to our stronger brands, we have added 20 hotels, -many of which may be considered strategic- in city and resort destinations in Europe, Asia, the Americas and Africa, while also coping better than competitors with the fall in prices and occupancy which have devastated the industry. Through improvements in Customer Relationship Management and our loyalty programmes we have increased our customer retention by 5% and extended our database to 6 million customers. Our talent pool of executives has been enhanced to prepare for the new generation of hotels being added to the Company, and this important growth is also benefited by greater efficiency thanks to the organisational restructuring and creation of the shared services centre HBS (Hospitality Business Solutions).

With regard to business strategy, Sol Meliá continues to grow through low capital intensive formulas such as management and franchise agreements (81% of new hotels in 2009) or lease agreements (19%), and has also strengthened the bonds between the Sol Meliá Vacation Club business and the hotel operations, ensuring that the Company will emerge even stronger from the crisis and fully prepared to take advantage of any opportunities which may arise.

Short-term strategy: limiting the impact of the crisis

While Sol Meliá was working on the mentioned strategic areas, from summer 2008 the international situation demanded greater protection of key business variables (revenues, costs, cash flow) and a degree of risk management appropriate for such turbulent times. The Company defined four key Action Areas to guide crisis management, adjusting strategy in the

short and medium term, and thanks to very firm discipline in the implementation of the Action Areas (Revenues, Costs, Risk Management, Balance sheet/Cash flow) contained in the **Sol Meliá anti-crisis Contingency Plan**, the Company has been able to continue to create value for its customers, employees, suppliers, partners and society in general.

Since the crisis broke out, our focus on **enhancing our revenues** has brought in additional revenues of almost 55 million euros thanks to value-added offers for guests, a greater focus and diversification in sales strategies, and alliances with strategic partners, both amongst intermediaries and airlines. The **rationalisation of costs** has generated savings of **80.5 million euros** between hotels and corporate offices, with no detrimental effect on the quality of the service perceived by our guests. Tighter **risk management** has maintained **unpaid debts** from partners and customers at a low level while also containing average collection periods at very acceptable levels.

Finally, our financial management has focused on **equilibrium in our balance sheet and liquidity**, with the result that Sol Meliá has enjoyed the levels of confidence required from financial markets to raise more than 250 million euros in finance in only the final quarter of 2009. The Company has met all of its covenants, reduced its debt by 12.5%, and increased its liquidity, thus guaranteeing financial calm and a margin for manoeuvre to profit from any opportunities that may arise in the markets as the awaited recovery begins in 2010.

Improvements in corporate governance, social responsibility and sustainability

This flexible approach to strategy when faced by a crisis has not weakened the Company's strategic focus on **corporate social responsibility and sustainability**. On the contrary, it has further strengthened the Company commitments. In 2008 sustainability began to form part of the Sol Meliá Strategic Plan, with the Board of Directors later approving the Global Sustainability Policy. In 2009 Sol Meliá achieved certification as the first Biosphere Hotel Company thanks to its achievements and commitments to social, cultural and environmental sustainability. We also saw the renewal of our membership of the select FTSE4Good IBEX responsible investment index, we extended our agreements and cooperation with social and environmental non-governmental organisations, and we were awarded, for the second time in Company history, the Prince Felipe Award for Tourism Excellence.

With regard to the commitments made in 2008 when we joined the United Nations **Global Compact**, in 2009 we have continued to make progress in the definition of areas for improvement and clear commitments to lead us to achieve the Millennium Objectives.

In the areas of **corporate governance and leadership**, in 2009 our Company took a giant leap forward as the Co-Vice Chairman model evolved towards a new model based on a single Executive Vice Chairman – who also performs the role of Chief Executive Officer – and a non-executive Vice Chairman who leads the Institutional Office and Corporate Diplomacy, as a prior stage to his future appointment as non-executive Chairman of the Company.

The resulting model makes us a more innovative and committed Company in adding value for our public, in which the **non-executive Vice Chairman** – from the Institutional Office enhancing Institutional Relations with stakeholders, corporate communication and sustainability and CSR policies – aims to maximise the Company reputation, its transparency and its proximity to the different stakeholders.

At the same time, the internal management of the Company has benefited from the strategic impulse and single focus that the **Executive Vice Chairman** has encouraged in sales, finance, IT, operations and human resources, making Sol Meliá much stronger internally.

Our intention as we present this new Sustainability Report is to continue to grow, providing – as you will see in these pages – better responses to your expectations and greater value for our customers, employees, shareholders, partners and society in general. Please accept our best wishes and the gratitude of all of those people that are making Sol Meliá an increasingly sustainable company.

Gabriel Escarrer Juliá

1

1. Sustainability at Sol Meliá

1.1 Vision and mission of sustainability

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

These commitments were formalised in 2008 with their official inclusion as part of Sol Meliá strategy, forming part of the Strategic Plan 2008-2010, approved and announced publicly in February 2008. The main reason why Sol Meliá decided to integrate sustainability with its organisational structure and strategic plan was to make it a competitive advantage for the company, making our way of doing things in a more sustainable way the reason why our stakeholders prefer us.

In 2009 the Institutional Office and Corporate Diplomacy was created to deal with external issues, with a strategic plan approved and implemented in September 2009. This new area is led by the Sol Meliá Vice Chairman, Sebastián Escarrer, and focuses on relations

with stakeholders and the definition of the company's role in society as a business which is family-run, a market leader, sustainable and socially responsible.

The new department works closely with other management areas to support them and respond to their needs, while also adding value to the company through the enhancement of its external value.

The vision of sustainability consists of a dual mission: to create value for all stakeholders, involving them through dialogue and alliances, and to create value for Sol Meliá, making sustainability a competitive advantage and making stakeholders prefer us due to our corporate social responsibility. From the practical point of view, the projects designed to carry out this dual mission are the Sustainable Development Strategic Plan (already defined in 2008) and the Public Positioning Strategic Plan (2009).



1.2 Public Positioning Strategic Plan

The Public Positioning Strategic Plan connects company interests and the public interest by building bridges between Sol Meliá and society as a whole. To achieve this, there are three areas of influence: communication and information management, relations with stakeholders, and an active presence in influential forums and initiatives at the industry, national and global levels. The three areas are interconnected.

Communication

Through communication we aim to produce, channel and manage corporate information to mould Sol Meliá's public profile and to strengthen company positioning in the long term. We also aim to analyse and manage information obtained through dialogue with our stakeholders and our active involvement in business and sustainability movements. Keys to success are the fluid handling of information, an ability to anticipate and also to react, the consistency of our arguments and responses, and agility and continuity in our communication.

The objective is to maximise the exposure of the company's tangible and intangible assets, adapting them to the communication codes of its target markets and guaranteeing that the information provided externally is sufficient, accurate, agile, uniform and consistent with regard to its message and arguments.

Also in 2009, the company presented the new format of its sustainability report, reporting milestones and achievements in sustainability to stakeholders; it became the winning candidate for the Prince Felipe Award for Tourism Excellence, and strengthened its informal networks with the media specialising in corporate social responsibility and sustainability.

Relations

Our relationship with our stakeholders aims to create the perception in society of a company which is more visible, transparent, credible and appreciated. After a preliminary stage of mapping our stakeholders, throughout 2009 the company worked on a project based on our relationship with them. One of the project areas to be highlighted is a mechanism for dialogue known as the Panel of Experts. This is a debate forum held every six months in one of the company hotels. For 24 hours, 13 experts discuss different sustainability issues which are of interest to our stakeholders and assess the company's strategies and projects in those areas.

The first **Panel of Experts** was held in November 2009. The day was divided into four sessions and one of the subjects was the Sustainability Report 2008. If you would like to know more about the Panel of Experts and their comments, see the **Panel of Experts** fact sheet in the Annex. 

Institutional presence

An active presence in forums and other areas of interest allows us to strengthen our links and relationships with civil society, multilateral organisations, public administrations and other relevant bodies, opinion leaders, etc. Key success factors are true commitment, dedication, mutual loyalty, networks that lead to cooperation agreements or partnerships, and strict criteria about where we wish to be and where we do not wish to be.

Below are some of the milestones in 2009 in this field:

- Membership of the Board of the Spain-Mexico Council Foundation.
- Membership of the Forum for Corporate Reputation.
- Membership of the Board of the Prince of Girona Foundation.
- Appointment of a Sol Meliá executive as a Member of the Advisory Council of the ICADE Javier Benjumea Chair in Business Ethics.
- EXCELTUR: Meetings with Javier Vallés - Director of the Presidential Economic Office - Pedro Ortún - General Director of Business and Industry of the European Union - the Minister of Environmental Affairs Elena Espinosa, and Taleb Rifai - General Secretary of the WTO.
- Wharton Business School: Appointment of Sebastián Escarrer as Chairman of the Board for Europe, Middle East and Africa.

See the full map of our institutional presence in 2009 on the following page.

	GLOBAL	NATIONAL	LOCAL
COMPANY	 	  	  
CSR SUSTAINABILITY	  	 	 
INDUSTRY	  	 	

1.3 Sustainable Development Strategic Plan

The Sustainable Development Strategic Plan defines internal actions with an impact on the 6 major stakeholders: employees, guests, suppliers, shareholders/investors, society and the environment. The three action areas included in the Public Positioning Strategic Plan and the six stakeholders included in the Sustainable Development Strategic Plan come together in Sol Meliá's 4 public commitments:

Biosphere Certification: Sol Meliá has worked hard for 14 months to become the first company to be awarded Biosphere Hotel Company certification. It is the only hotel company certification that encompasses social, environmental and cultural requirements which are applied globally to the entire company (corporate offices and hotels), and also considers the requirements in relation to stakeholders. (For more information see the **Biosphere Certification** fact sheet in the Annex).

Sustainability Report: Not just a way of demonstrating transparency and publishing non-financial results, but also, since 2009,

a means of dialogue with our stakeholders which provides answers to 100 GRI indicators (of the 121 total, 4 do not apply to our business and 17 are still not available as there is not yet any way we can measure them), compared to 84 in 2008 and 78 in 2007. 35 commitments to improvements in all areas were defined in 2009, compared to 33 in 2008.

Significant advances in the Sol Meliá Sustainability Report 2009 include the consolidation of the reporting model introduced the previous year, complemented by practical case studies at the end of each chapter and verification with stakeholders, introducing evaluations and suggestions arising from the Panel of Experts. Sol Meliá is thus nearer to complying with the standards of European regulations. This is also the first Sustainability Report which has been subject to approval by GRI.

Global Compact: After joining the Global Compact in 2008, in 2009 Sol Meliá carried out an evaluation of the degree of compliance with the ten principles of the Global Compact.

These ten principles are classified in four areas of interest: human rights, work standards, anticorruption and the environment. In the first three, the degree of compliance may be improved due to difficulties in gathering information, but with respect to the environment the company considers the degree of compliance to be high. The preferential focus in the medium term will be on human rights.

FTSE4Good Ibex: In 2008, Sol Meliá was included in the FTSE4Good Ibex, its presence being reconfirmed in 2009. Sol Meliá is the only tourism industry company to be included.

In relation to FTSE4Good Ibex requirements, the company is particularly strong in the area of Corporate Governance: of the 58 good governance recommendations included in the Conthe Code, Sol Meliá complied in full with 39 and in part with 7 (45). Of the remaining 12, 6 are not met and 6 do not apply.

These four action areas represent a merger of the external dimensions of sustainability and corporate social responsibility with the internal and operational dimension, due to the action plans we need to introduce to maintain our commitments. All four are focused on constant improvement.

The achievements of the action plans and related projects will be detailed throughout the different chapters of the report, including the following:

- *Inclusion of sustainability criteria in the variable bonuses of executives (see Human Value).*
- *Inclusion of sustainability criteria in guest surveys (see Commercial Value).*
- *Sustainability Development clause in contracts with tour operators (see Commercial Value).*
- *Sustainability Development website (<http://www.solmelia.com/sustainable-development>).*
- *Introduction of "Cafe Good Origin" in Meliá Hotels in collaboration with Marcilla (see Business Value).*
- *Standardisation of efficient lighting (see Environmental Value).*
- *Renovated membership of the FTSE-4Good (see Company Profile).*
- *Signature of an agreement with a residual waste management company to collect used oil (see Environmental Value).*
- *Proposal of social value. Search for a single criteria for cooperation with non-profit organisations with regard to the use of assets (see Socio-cultural Value).*

1.4 Sustainability Policy

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 co-operation 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.*

8. *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.

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 natu-

ral resources, by adding value to reduce social differences in a globalised world, and conserving cultural diversity and cultural heritage.

For more information see the Global Sustainability Policy in the **fact sheet of the same name** in the Annex or at www.solmelia.com.



1.5 Evaluation and renovation of commitments to improvement



Achieved



Work In Progress



Ruled Out

Commitments 2009. Evaluation



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.

Commitments 2010

Create an Action Plan 2010-2011 for the Global Compact, quantifying advances in each of the pact areas for 2010.

Reduce the number of unavailable indicators in the Sustainability Report 2010.



2. Leadership Value

2.1 Key Figures

303 hotels in 26 countries

vs. 304 in 26 countries in 2008

76,944 rooms

vs. 76,527 in 2008

Prince Felipe Award for Tourism Excellence 2009

2.2 Relevant Issues

2.2.1 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 always 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 54 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.

2.2.2 Strategic plan

In the second half of 2008 there was a global economic downturn which had an important impact on consumers and which brought about a considerable reduction in revenue and profitability expectations in the travel and tourism industry.

In response, Sol Meliá implemented a Contingency Plan in 2008 which was renewed and reinforced in 2009, focused on four action areas:

Increase and promote revenue

Focused on enhancing the value proposal for our guests through the launch of commercial proposals for each brand which have minimised the negative impact of the price war in each of our market segments.



As a response to the economic downturn in 2008 Sol Meliá implemented a Contingency Plan which has been renewed and reinforced in 2009.

Improving the commercial positioning of Sol Meliá and the company's penetration of different markets have generated additional revenues of 54.7 million euros through actions such as: strengthening relations with our key accounts and key players in America and Europe, our suppliers and sales agents; promoting a strategy of alliances and positioning our own distribution channels and also sales through online agencies.

The forecasts for 2010 are slightly better than for 2009. Although there are some signs of recovery in demand, and stability or improvement in average room rates, above all in the major European cities, and development in the segments most affected in 2009, staying focused on increasing and revenues will still be a priority for the company.

Optimise costs minimising the impact on guest experience

The focus on reducing costs in 2009 was a challenge shared by all the business areas, both in hotels and the Vacation Club, and in corporate offices. The savings programme led to a total of 80.5 million euros in savings, 36% of which came from corporate offices.

This objective to reduce costs had to be balanced with continuing to provide a service that meets our guests' expectations and ensures a positive guest experience in our hotels. Guest satisfaction ratings in all of our brands have remained stable compared to 2008 and there were even brands that were rewarded by our guests, such as when the Inside brand was chosen by German guests as the Best Hotel Chain globally. Next year we will continue to promote a more efficient and productive management model, maximizing potential synergies and structural efficiency. Centralisation and process reengineering projects also help enhance personalised, quality service for guests as it minimizes more administrative tasks.

Cash flow management and financial stability

Focussed on actions to reduce company debt and guarantee liquidity, which strengthens confidence that Sol Meliá can and will be able to meet its financial obligations in the coming years. On the other hand, the change in the debt structure to a majority (56%) of fixed rate debt rather than at variable rates, has also allowed us to considerably reduce the company's financial expenses.

Risk management

Focused on reviewing and updating the Sol Meliá Risk Map, identifying not only those risks linked to the current situation, but also the risks related to the relevant company objectives. Action plans were introduced to mitigate risk and to monitor payments due with the result that average collection periods have seen no significant increase nor have we seen any significant impact from bankruptcies in the industry.

Strategic Plan 2008-2010

In spite of the situation in the tourism industry in 2009, Sol Meliá has not forgotten the Strategic Plan launched at the beginning of 2008, and has maintained certain strategic projects, some of which have helped achieve objectives in the four action areas in the Contingency Plan. Projects such as the reinforcement of the positioning of each of the brands, training our employees in a management culture model, strengthening our presence and business in more dynamic markets, maintaining our focus on guest retention and loyalty, including Vacation Club customers, focusing on our people to guarantee the best possible personalised service, and continuing with our commitment to social, environmental and cultural responsibility – essential company values – are examples of the continuity given to the Strategic Plan 2008-2010.

We should highlight that the most significant advances have been focused on the strategic areas of brand equity, talent management, guest knowledge and contact in addition to sustainability. The result of this was certification as the first Biosphere Hotel Company, the incorporation of 20 new hotels in 2009 in major European cities and new resort destinations, the enhancement of our talent to support our strategic growth through development and training programmes, and personalised attention for our guests, supporting loyalty to the brands and business areas.



In spite of the travel and tourism situation in 2009, Sol Meliá has not forgotten its Strategic Plan, remaining focused on strategic projects which have supported and reinforced the four contingency action areas.


Sol Meliá was presented with the Prince Felipe Award for Tourism Excellence for the second time.

2.2.3 Prizes and awards

First “Biosphere Hotel Company”

Certification given by the Responsible Tourism Institute with the support of UNESCO. The certificate applies social, environmental and cultural criteria and represents a real driver of change for Sol Meliá and a means to raise awareness in these three areas.

Prince Felipe Award for Tourism Excellence

In 2009 Sol Meliá was awarded the Prince Felipe Award for Tourism Excellence for the second time. In 1993 his Royal Highness the Prince of Asturias and the Ministry honoured us with the recently created award for Spanish companies in recognition of their innovation, international expansion and overall excellence.

The Adecco Foundation recognised Sol Meliá for the work the company has carried out for many years to help with the social integration of disabled workers.

Best Spanish hotel chain, according to Agent travel magazine

Sol Meliá was named as *the Best Spanish Hotel Chain* in a survey carried out by Travel ranking in 2009 amongst major travel agents in Spain to choose best hotels, hotel chains and hotel sales programmes.

Sol Meliá, leading Spanish hotel chain according to Hotels magazine

Sol Meliá appeared as the highest ranked Spanish hotel chain in the world by number of rooms according to the annual survey by the US magazine *Hotels*, the most prestigious international hotel magazine.

First position in the Hostelur Global Ranking of Hotels and Rooms, Sol Meliá retained its leadership amongst Spanish hotel companies as it has done for many years thanks to its 303 hotels and more than 76,000 rooms. Sol Meliá is also **ranked number one for hotels in Spain** carried out by the same company, thanks to its 159 hotels and 35,685 rooms, placing it far above its nearest rivals.

SMVC at the Gran Meliá Palacio de Isora (Tenerife), Innovation in Development Award from RCI, in September 2009 Sol Meliá Vacation Club received the Innovation in Development Award 2008 from the multinational timeshare company RCI for its

timeshare units at the Gran Meliá Palacio de Isora (southern Tenerife).

Sebastián Escarrer, Vice Chairman of Sol Meliá, Spanish leader that generates highest levels of trust according to the Barometer of Corporate Trust carried out for the third consecutive year by the specialised consultancy group in marketing and communication “Future Brand”.

2.2.4 Architecture and brand management

Each of the eight Sol Meliá brands defines a lifestyle and a way of interpreting hospitality and service in any part of the world. Gran Meliá, Meliá, ME, Inside, Tryp, Sol, Paradise and Sol Meliá Vacation Club are all flagship brands within their respective segment markets.

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

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

Luxury	 GRAN MELIÁ HOTELS & RESORTS Paradise Resorts ME
Upperscale	 MELIÁ HOTELS & RESORTS
Select Service	 INNSIDE BY MELIÁ
Midscale	 TRYP HOTELS in the City Sol Hotels
Economy / Budget	
Mixed Uses	 Sol Meliá Vacation Club



Each of the eight Sol Meliá brands defines a lifestyle and a way of interpreting hospitality and service in any part of the world.

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 at ME hotels the visual experience is of the greatest importance.

INNSIDE

The Ininside 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 Ininside 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 Ininside hotels. Ininside 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 fun-filled 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 guests enjoy luxurious All Inclusive services while 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, adult-only Royal Service and a great range of leisure activities.

Sol Meliá Vacation Club

Sol Meliá Vacation Club is a vacations club designed to provide its members a wide choice of exotic and spectacular destinations for their vacations year after year. SMVC provides its members first class service which is characterised by the company

hotels throughout the world. It is joined to a most complete and flexible concept. *The Club* has turned into a strategic business for Sol Meliá and has developed into a totally integrated and self sufficient activity as part of the company.

2.3 Evaluation and renovation of commitments to improvement

Commitments 2010

Extend the indicators related to sustainability in the company's corporate dashboard.



3. Good Governance Value

3.1 Key figures

50% independent directors

vs. 40% in 2008

2.3 million € total remuneration for directors

vs. 2.3 million € in 2008

1.85 million € total remuneration for senior management

vs. 1.7 million € in 2008

3.2 Relevant Issues

3.2.1 Good Governance Value

The Company Bylaws, Regulations of the Board of Directors and Internal Code of Conduct on stock market issues regulate all aspects related to corporate governance at Sol Meliá and is available for shareholders and investors in the company headquarters and on the website (www.solmelia.com) in the section on Corporate Governance.

New organisational model

The Sol Meliá Board of Directors approved the modification of the joint leadership model defined two years before.

Over the last two years Gabriel and Sebastián Escarrer Jaume have led an intense process of strategic reorganisation and reorientation at Sol Meliá from the identification and complementary nature of the executive and non-executive functions. The result was a new organisational and business model strongly focused on future growth and to the strengthening of the company's internal structure, reflected in its human capital and in enhanced brand equity.

Gabriel Escarrer Jaume remains Vice Chairman and Chief Executive Officer, while Sebastián

Escarrer Jaume became Vice Chairman, renouncing his position as Chief Executive Officer to become the non-executive Chairman whenever the current Chairman, Gabriel Escarrer Juliá, decides to delegate the functions he currently performs.

The position of non-executive Chairman is key in many Spanish and North American corporations, following the recommendations of the Good Governance Code, distinguishing the corporate management function (performed by the Chief Executive Officer as the top executive manager) and the role of supervision and leadership of the Board of Directors, thus enhancing independence.

The new model guarantees greater effectiveness in both executive decision making as well as in the projection, positioning and influential capacity of the company.

3.2.2 Board of Directors: Composition and Functions

The highest governing body is the Board of Directors. It currently has twelve members. For more information on the board's composition see section **B.1 of the Financial Report**.

- Executive Board ■
- Independent Director ■
- Company Board ■
- Secretary ■

Board of Directors

Name of director or company	Representative	Position
Gabriel Escarrer Juliá		Chairman
Sebastián Escarrer Jaume		Vice Chairman
Gabriel Escarrer Jaume		Vice Chairman; Chief Executive Officer
<hr/>		
Juan Vives Cerdá		
Hoteles Mallorquines Consolidados S.A.,	M^aAntonia Escarrer Jaume	
José María Lafuente López		Secretary
<hr/>		
Alfredo Pastor Bodmer		
Eduardo Punset Casals		
Emilio Cuatrecasas Figueras		
CAJA DE AHORROS DEL MEDITERRÁNEO	Armando Sala Lloret	
Amparo Moraleda Martínez		
Juan Arena de la Mora		

Throughout 2009, fulfilling the commitments to improvement in Good Governance defined in 2008, the company has strengthened the Board of Directors, adding greater professionalism and a greater range of disciplines; with the most recent incorporations of **Amparo Moraleda** in February and **Juan Arena** on 31 March, there are now six independent directors out of a total of twelve members, eminent figures in the areas of business, economics, law, philosophy and technology.

For greater efficiency and transparency in the performance of its functions, the Board of Directors set up three committees with executive and consultative powers: the Audit and Compliance Committee, the Appointments and Remuneration Committee and the Strategy Committee. For more information about these committees and their functions see section **B.2 of the Financial Report**.

Audit and Compliance

Name	Position
Eduardo Punset Casals	Chairman
Juan Vives Cerdá	
José María Lafuente López	
Non-member secretary: Mr. Mark Hod-dinott	

- Executive Board ■
- Independent Director ■
- Company Board ■
- Secretary ■

Appointments and Remuneration

Name	Position
Hoteles Mallorquines Consolidados S.A.	
Sebastián Escarrer Jaume	
Gabriel Escarrer Jaume	
Alfredo Pastor Bodmer	Chairman
Amparo Moraleda Martínez	
Non-member secretary: Mr. Gabriel Cánaves	

Strategy

Name	Position
Juan Vives Cerdá	Chairman
Hoteles Mallorquines Asociados S.A.	Secretary
Sebastián Escarrer Jaume	
Gabriel Escarrer Jaume	
Alfredo Pastor Bodmer	

3.2.3 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 regard to possible conflicts of interest that may arise within the Board, article 28 of the Regulations of the Board of Directors defines a control mechanism which obliges directors to report any situation or direct or indirect conflict which may affect company

interests. Furthermore, article 15.2 of the same Regulations states that it is the responsibility of the Appointments and Remuneration Committee to report to the Board any such situation and propose the measures to be taken to avoid any such conflict.

The variable bonuses of Sol Meliá senior executives is linked to the performance of the company. Part of the bonus depends directly on company EBITDA, quality and work environment. Long-term remuneration is linked to several variables: change in share price, company results and business results. There

is no link between the remuneration of the members of the board and the performance of the company, as the amounts they receive are allowances for their attendance of Board and Committee meetings.

In 2009 Sol Meliá received no fines or sanctions for any matters related to monopolistic behaviour or against free trade and the results of competitors.

 Achieved

 Work In Progress

 Ruled Out

3.3 Evaluation and renovation of commitments to improvement

Commitments 2009. Evaluation

 *In 2009, Sol Meliá is committed to adding 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 re-structured to provide them with greater independence and reinforce the presence of Independent Directors.*

Commitments 2010

Reduce the number of Independent Directors who have been in the position for more than 12 years.

Close the design phase of the Company Code of Ethics project.

4

4. Environmental Value

4.1 Key Figures

29 hotels with environmental certification

vs. 20 hotels in 2008

Reduction of 3.3% in kg CO₂ per stay⁽¹⁾

vs. 3.72% in 2008

Reduction of 7.3% per m³ of water consumed per stay⁽¹⁾

vs. 2.06% in 2008

32,382 kg of waste collected and recycled per hotel⁽²⁾

vs. 40,700 kg in 2008⁽³⁾

10,596 guests involved in activities to protect biodiversity

(1) with respect to the average for the period 2004 to 2006 in 95 hotels participating in the SAVE project.

(2) average of a sample of 153 hotels covering all company brands, vs. 156 in 2008.

(3) in 2008 sustainability report it was wrongly stated that the amount of collected waste was 35,506 kg



In 2009 a Sustainable Development Manual was created, the principles of which must be adhered to by all company hotels and corporate offices.

4.2 Relevant Issues

Travel and tourism generates 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.

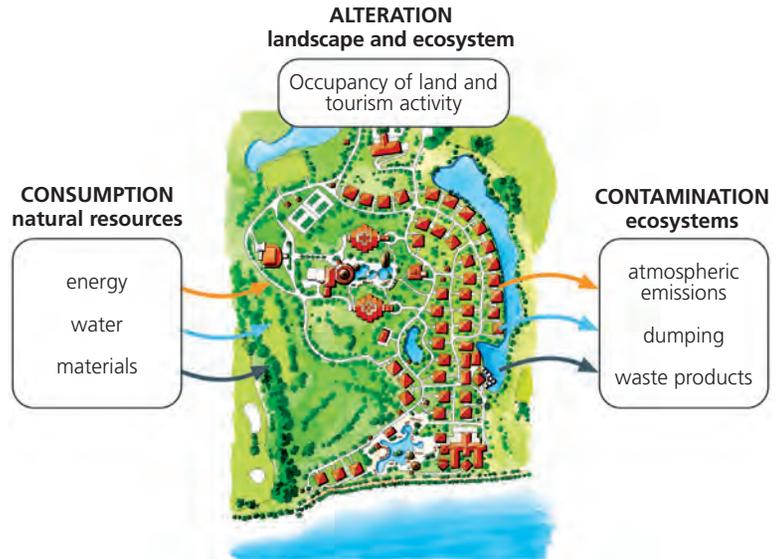
4.2.1 Environmental Management

Environmental management forms an integral part of Sol Meliá's strategy as part of company's global sustainability policy, from which a number of activities and principles are included in the Strategic Plan 2008-2010 and in the Sustainable Development Manual. These activities and principles must

be adhered to by all company hotels and corporate offices and define the criteria for performance with regard to social, environmental and cultural issues. Corporate headquarters defines the global environmental approach to ensure hotels reduce their environmental footprint and assume respect for and protection of the environment within their daily operations.

The overall guidelines are determined by the relevance of the different types of environmental impact related to the hotel's activity, 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.

- **Biodiversity:** protection and conservation of environmentally valuable habitats to preserve their 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, firstly we aim to preserve the natural environment in the destinations where the company operates, and secondly we must consider 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 practices. Communications between the hotels and corporate offices is encouraged, as well as between the hotels themselves, in order to convert best practices into standard practices.

The management of environmental risks in relation to operational planning or the development and introduction of new products – covered in Principle 7 of the Global Compact – is facilitated by three tools: the Sustainable Development Manual, the Sustainability Assessment Guide for New Projects, and the Design and Construction Manual.

In 2009 the company has not been subject to any significant fines for lack of compliance with environmental regulations.

4.2.2 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.

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 2009 with 29 certified hotels, compared to 20 in 2008, holding a total of 32 awards, compared to 25 in 2008.

Hotels with certificates

Paradisus Punta Cana	(Punta Cana, Dominican Rep.)	Biosphere Hotel
Paradisus Palma Real	(Punta Cana, Dominican Rep.)	Biosphere Hotel
Paradisus Riviera Cancun	(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
Meliá Kuala Lumpur	(Kuala Lumpur, Malaysia)	Green Globe
Meliá Benoa	(Bali, Indonesia)	Green Globe
Meliá Hanoi	(Hanoi, Vietnam)	Green Globe
Meliá Purosani	(Java, Indonesia)	Green Globe
Meliá Costa del Sol	(Málaga, Spain)	EMAS e ISO 14001
Meliá Sitges	(Barcelona, Spain)	EMAS e ISO 14001
Meliá Barcelona	(Barcelona, Spain)	Biosphere Hotel
Meliá Azul Ixtapa	(Ixtapa , Mexico)	Green Globe
Meliá Whitehouse	(London, UK)	Biosphere Hotel
Meliá Lima	(Lima, Peru)	Biosphere Hotel
Meliá Mexico Reforma	(México D.F., Mexico)	Biosphere Hotel
Meliá Caribe Tropical	(Punta Cana, Dominican Rep.)	Biosphere Hotel
Gran Meliá Jakarta	(Jakarta, Indonesia)	Green Globe
Gran Meliá Palacio de Isora	(Tenerife, Spain)	Biosphere Hotel
ME Cancún	(Cancún, Mexico)	Biosphere Hotel
ME Madrid Reina Victoria	(Madrid, Spain)	Biosphere Hotel
Tryp Bellver	(Mallorca, Spain)	ISO 14001
Tryp Palma	(Mallorca, Spain)	Biosphere Hotel
Sol Pinet Playa	(Ibiza, Spain)	EMAS
Sol Milanos Pingüinos	(Menorca, Spain)	ISO 14001
Sol Menorca	(Menorca, Spain)	Biosphere Hotel
Sol Falcó	(Menorca, Spain)	ISO 14001
Sol Gavilanes	(Menorca, Spain)	EMAS e ISO 14001

Hotels in process of certification

Gran Meliá Puerto Rico	(San Juan, Puerto Rico)	Biosphere Hotel
ME Barcelona	(Barcelona, Spain)	Biosphere Hotel

Hotels also received the following awards:

Awards

Sol Río de Luna y Mares	(Holguín, Cuba)	Travelife Gold (Tui UK & Ireland)
Paradisus Río de Oro	(Holguín, Cuba)	Travelife Gold (Tui UK & Ireland)
Meliá Bali	(Java, Indonesia)	Tri Hita Karana Emerald Award

4.2.3 Energy 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. The SAVE project section on the company Intranet was also created so that all employees could view measures introduced by

hotels and corporate offices, best practices, standardisation agreements and improvements in technical systems.

There are currently 155 hotels participating in the SAVE project, compared to 143 in 2008. The hotels involved in the project must have accurate and up-to-date historical data on energy use for the past five years loaded in the SAP BW system. 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 hotels involved in the SAVE project must have accurate and up-to-date historical data on energy use for the past five years loaded in the SAP BW system.

The consumption of diesel oil has been reduced mainly due to several hotels replacing it with natural gas. Natural gas has advantages over other fuels thanks to its low level of emissions, low cost, continuous supply and reduced maintenance.

The method used to calculate savings, emission efficiency and reductions is based on the comparison of the values of average total consumption from the period 2007 to 2009 and average total consumption from the period 2004 to 2006.

The objective of this multi-year comparison is to make the comparison more rigorous, helping to avoid climate distortions and the misinterpretations that may be generated by an annual comparison.

This also avoids any misinterpretations produced by increases or decreases in guest occupancy rates. The values per guest from 2007 to 2009 are corrected so they can be compared to the same levels of occupancy for the period 2004 to 2006. The percentages of decreased energy consumption per stay allow true comparisons of occupancies, eliminating the climate factor, and see real improvements in energy efficiency due to different energy and water use.

This method of measuring consumption and emissions is endorsed and certified by Bureau Veritas and has meant that Sol Meliá is recognised by the Ministry of the Environment, Rural and Marine Affairs and its SAVE project is included in the voluntary system to reduce emissions <http://www.sostenibilidad-es.org/Observatorio+Sostenibilidad/esp/REV/>.

In 2009 the financial savings of energy saving and efficiency measures was 336,013 EUR. The initiatives have been taken in the following areas:

1. Monitoring and control of consumption

In 2009, energy use for 2010 was integrated in the company Financial Budget. Using the SAP BW system there are three types of report adapted to allow access to different levels of information and to facilitate analysis: a monthly report for general hotel staff, an energy use report and a comparative report on average CO₂ emissions.

2. Awareness and training measures

In the section on the Employee Portal created in 2008 information is provided to hotels and staff on all of the energy saving measures that may be implemented. It is also a meeting point for sharing information on best practices applied in different business units and their results.

3. Location, valuation and implementation of fuel saving measures with no need for investment through improvements in maintenance or the standardisation of products and systems.

- Installation of water flow regulators in taps and showers saves both water and fuel (for the heating of water) with no detriment to guest comfort. There are currently 47 hotels that have implemented this efficient water management system, in which 25,000 regulators have been installed in the last 3 years. Savings of diesel oil have been due to the installation of the previously mentioned regulators, as well as the renovation and improvement of installations (for example, the replacing of boilers in Sol Menorca), and improvements in boiler performance through the use of additives, a practice used throughout the whole of Spain with diesel oil boilers.
- Standardisation of efficient lighting systems through agreements with market-leading manufacturers, following the manual for such ends introduced in 2008 to replace those systems with more efficient systems.

	CONSUMPTION			SAVE SAVINGS		
	2009	2008	Weighted differential	2009	2008	Weighted differential
Electricity (kw/Gj)	382,083,091/1,375,499	332,650,780/1,197,543	+5.96%	1,883,971/6,782	2,118,227/7,626	-17.94%
Natural gas (m ³ /Gj)	7,093,300/276,710	6,355,482 /247,927	+2.96%	150,000/5,852	-156,568/-6,108	+95.8%
GLP (kg/Gj)	4,557,560/226,055	3,951,668/196,003	+6.40%	NA	NA	
Diesel oil (l/Gj)	7,743,410/306,325	7,057,070/279,174	+1.23%	512,090/25,400	1,229,504/60,983	-58.34%
Total Giga joules	2,184,589	1,920,647		38,033	62,501	



In November 2009, the technical standardisation of energy efficient lighting was introduced in Spain.

4. Technical and economic analysis of systems and projects to improve efficiency through investment

• Improvements in lighting

In November 2009 the technical standardisation of energy efficient lighting was introduced in Spain. The object of this process was to avoid the purchase of non-efficient lighting systems (halogen and incandescent) and replace them with more efficient lighting systems with lower energy consumption and longer life (and less waste). Hotels can now purchase a limited number of types of lights through the company's purchasing management system, through which they all fulfil the energy efficiency and sustainability criteria previously mentioned. As a result of this initiative savings of more than 18,000 euros were generated in little more than a month (for more information see the **Standardisation of Efficient Lightning** fact sheet in the Annex).



• Optimising service times

In regard to electricity use measures have been implemented to optimise service times and usage conditions (temperature control systems) and improvements in energy efficiency and performance of obsolete installations.

Emission of pollutant gases

The total direct and indirect emissions of greenhouse gases were 239,559,520 kg of CO₂, compared to 209,701,083 kg of CO₂ in 2008.

Apart from CO₂ emissions we would also like to mention another type of emission which also plays an important role in the contamination of our planet, direct emissions of NO_x and SO_x. For the hotels that form part of the SAVE project in 2009, the emissions of these gases are the following:

NO _x		SO _x	
2009	2008	2009	2008
53,513 kg	47,919 kg	25,940 kg	23,641 kg

Thanks to the measures applied in energy use in 2009, the reduction in CO₂ emissions was 3,341,567 kg, compared to 3,846,574 kg in 2008, equivalent to the planting of 167,078 trees.

Training

In 2009 the technical service managers in Spain were trained in energy saving and efficiency systems and heat production, as part of a collaboration agreement with Buderus.

External cooperation

As an example of "Best Practice" Sol Meliá was invited to take part in different workshops to present the SAVE project:

- "Energy efficiency and corporate environmental responsibility" 4th and 5th of June in Madrid. The project was presented together with leading companies in their sectors: IBM, SEAT, Inditex, La Caixa, BSH, Leroy Merlin, etc.
- "Water saving in construction". Forum for sustainable construction in the community of Valencia. Valencia Building Institute.
- The SAVE project was also highlighted as an example of best practices in the book "Best Practices" by José Maria Polo.

4.2.4 Water Consumption and Spillage Control

Water consumption

Water is an essential part of the tourism and travel industry. Tourism services depend to a large degree on water. In areas where there are problems in the water supply, the lack of water can be an obstacle to the development of tourism, and a source of conflict due to its allocation, pricing and distribution.

As part of the SAVE project a number of measures to save water have been considered which will not only reduce consumption but will also save energy due to the smaller volume of hot water in circulation.

The total water consumption in 2009 for the hotels that form part of the SAVE project was 9,562,151 m³, compared to 7,034,262 m³ in 2008.

Spillage control

Hotels can generate considerable quantities of waste water, both grey, from washing machines, fridges, showers, bath, etc., and black, from dishwashers and toilets.

CO₂ = Trees

Trees may be considered carbon consumers or contamination purifiers, as they absorb CO₂ for the process of photosynthesis, synthesising carbon hydrates and releasing oxygen.

One way of evaluating the environmental impact of CO₂ emissions in the atmosphere due to energy consumption is to determine how many trees would be needed to absorb the quantity of CO₂. The conversion rate of this relationship is the complete life cycle of one tree for every 20 kg of CO₂.



4% of company hotels have their own systems for the purification of waste water.

If waste water treatment is inefficient, it may contaminate the ground and surface water, as well as cause degradation in marine habitats such as coral reefs. It can also cause stomach infections and illnesses.

As a general strategy, controlling spillage reduces the environmental impact caused by our activity, both for private purification systems and when connected to the public sewage system.

In 2009, 96% of company hotels fed their waste water into the local sewage system for transport and treatment in public water purification plants nearby.

4.2.5 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, fluorescent bulbs, batteries containing mercury, used hydraulic acids and hazardous batteries and electrical materials.

The annual average amount of waste for a hotel from a sample of 153 hotels, compared to 156 hotels in 2008 was as shown in following table:

Total volume of recycled water

Hotels	m ³	%
Meliá Purosani	80,579	70%
Gran Meliá Jakarta	43,800	30%
Meliá Gorriones	109,500	100%
Meliá Golf Vichy Catalán	20,995	100%
Paradisus Riviera Cancún	134,617	85%
Paradisus Playa Conchal	173,644	100%
Meliá Caribe Tropical*	33,271	42%
Paradisus Palma Real & The Reserve*	15,100	42%
Palma Real Villas y Cocotal Golf*	11,674	42%
Palma Real Shopping Village*	128	42%
Gran Meliá Palacio de Isora	18,250	100%
TOTAL	641,558	

* Water reutilisation system operative since November 2009

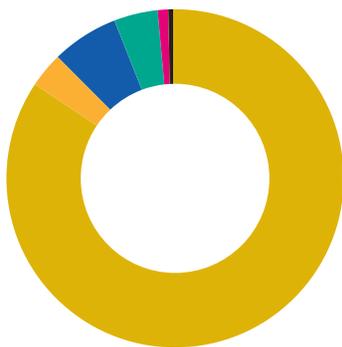


To ensure appropriate waste management, the company carried out the selective collection of waste products in keeping with existing legislation.

The other 4% of hotels have their own purification systems. The waste water is treated and purified in keeping with local legislation. The total volume of water purified by these hotels was 1,712,094 m³. Of this, 641,558 m³, 37% was recycled, primarily to water gardens and golf courses.

According to the hotels, there have been no reports of serious incidents of accidental spillages of polluting substances. A total of 10 minor accidental spillages were reported in 7 hotels. The spillages were of no great importance as they took place in city hotels within their own installations and therefore did no harm to the natural environment. A total of approximately 35 litres containing pollutants such as paint, solvents or cleaning acids were spilt.

Percentage per hotel:



UNSEPARATED	86.04%
PAPER & CARDBOARD	5.46%
GLASS	4.40%
PACKAGING	3.51%
OIL	0.53%
DANGEROUS WASTE PRODUCTS	0.04%
OTHER WASTE	0.02%

Type of waste	Ton/year/hotel		Percentage	
	2009	2008	2009	2008
UNSEPARATED	199.57	252.71	86.04%	76.92%
PAPER AND CARDBOARD	12.66	18.54	3.51%	2.66%
GLASS	10.21	13.86	4.40%	11.77%
PACKAGING	8.15	5.12	5.46%	6.65%
VEGETABLE OIL	1.22	2.24	0.53%	1.67%
OTHERS	0.05	0.20	0.02%	0.16%
DANGEROUS WASTE PRODUCTS	0.10	0.11	0.04%	0.18%

The decrease in the average annual production of waste can be attributed directly to the decrease in hotel occupancy. With regard to the recycling of waste, the increase in the percentage of traditional waste destined for

rubbish dumps is worth highlighting, to the detriment of other waste products which are collected selectively for their later recycling.

Distribution of waste production per brand:

UNSEPARATED (Traditional rubbish)

Average per brand	kg/year
Tryp	53,124
Sol	137,497
Meliá	265,717
Premium	434,387
Weighted total average	199,569

OIL

Average per brand	kg/year
Tryp	724
Sol	1,336
Meliá	1,075
Premium	2,065
Weighted total average	1,222

PAPER AND CARDBOARD

Average per brand	kg/year
Tryp	5,656
Sol	13,651
Meliá	17,086
Premium	17,728
Weighted total average	12,660

DANGEROUS WASTE PRODUCTS

Average per brand	kg/year
Tryp	57
Sol	139
Meliá	97
Premium	219
Weighted total average	100

GLASS

Average per brand	kg/year
Tryp	4,382
Sol	16,309
Meliá	9,147
Premium	19,603
Weighted total average	10,208

OTHER WASTE

Average per brand	kg/year
Tryp	31
Sol	45
Meliá	39
Premium	149
Weighted total average	47

PACKAGING

Average per brand	kg/year
Tryp	1,538
Sol	5,789
Meliá	16,990
Premium	5,727
Weighted total average	8,145

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.


In 2009 the decrease in the average annual production of waste can be attributed directly to the decrease in hotel occupancy.

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.

Vegetable oil collection initiative

In 2009 an agreement was signed with a business group to manage the collection of used vegetable oil in Sol Meliá hotels in Spain.

In the beginning, the initiative covered owned or rented hotels in Spain. During the first year, it was decided that the money made from the collection of the vegetable oil (destined to be used later as a biodiesel) would be donated to an environmental project in collaboration with the NGO Acciónnatura, with which the company reached a cooperation agreement.

The total quantity of vegetable oil collected in the 7 months of operation in 2009 was more than 25,000 kg.

The initiative aims to contribute to the environment in three areas:

- Greater control over the recycling of used vegetable oil.
- Contribute to the mitigation of the effects of climate change through the production of biodiesel from the used oil.
- Help conserve and protect biodiversity in some of our destinations through the environmental project.

Waste management in corporate offices

In corporate offices waste management focuses on the waste generated in greatest quantities, typical of office activity. The waste is fundamentally paper and cardboard, but there is also some packaging, electrical and electronic waste, fluorescent tubes, batteries, printer cartridges, cleaning products, packaging, etc.

In 2009 the total amount of paper and cardboard collected from corporate headquarters in Palma de Mallorca and sent for recycling was 25,242 kg, compared to the 53,790 kg in 2008. The reduction is due to the reorganisation of headquarters carried out in 2008, in which different areas and departments were relocated, generating a large amount of paper and cardboard waste.

At the end of 2009 a new service of integrated printing management was introduced,

which adapted the capacity of printers in corporate offices to the amount of printing required. Individual printers have been removed and replaced by multi-functional printers, shared amongst the different areas. The colour printers print in black and white and on both sides of the paper, while the default quality setting is "draft".

The printers removed from corporate offices will be reinstalled in company hotels as they become necessary.

It is estimated that the reduction in the number of printers and the application of the mentioned printing options will generate a reduction in the number of pages used of 40%. In other words, a saving of up to 1,000,000 pages in 2010 with respect to 2009, the equivalent of the felling of more than 68 trees. Furthermore, it also means a saving of nearly 5,000 kg of waste paper as well as 13,500 kg of CO₂ from its manufacturing process. Reducing the number of printers also means consuming 3,033 kw of energy less in 2010 and another 1,500 kg less of CO₂ emission.

4.2.6 Preservation of Biodiversity

Presence in privileged natural environments

Sol Meliá operates numerous hotels in or near privileged natural environments of great ecological value. 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 operated in 2009 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 and 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.



At the end of 2009 a new integrated print management service was introduced which will generate savings of up to 1,000,000 pages in 2010.

List of hotels in or next to protected natural areas:

Hotel	Protected Area
Gran Meliá Cancún	Costa Occidental de Isla Mujeres National Park, Punta Cancun and Punta Nizuc. Mexico
Gran Meliá Palacio de Isora	Corona Forestal Natural Park. Spain
Gran Meliá Puerto Rico	Río Espíritu Santo Nature Reserve. Puerto Rico
Gran Meliá Salinas	Lanzarote World Biosphere Reserve. Spain
Gran Meliá Volcán Lanzarote	Lanzarote World Biosphere Reserve. Spain
Me Cancún	Costa Occidental de Isla Mujeres National Park, Punta Cancun and Punta Nizuc. Mexico
Meliá Cozumel	Arrecifes de Cozumel National Park. Mexico
Meliá Gorriones	Jandía Natural Park. Spain
Meliá Jardines del Teide	Corona Forestal Natural Park. Spain
Meliá Royal Tanau Boutique	Aigüestortes i Estany de Sant Maurici National Park. Spain
Meliá Sancti Petri	La Bahía de Cádiz Natural Park. Spain
Meliá Santo Domingo	Litoral Sur de Santo Domingo National Park. Dominican Republic
Meliá Sierra Nevada	Sierra Nevada National Park. Spain
Meliá Sinaí	Ras Mohammed National Park. Egypt
Meliá Sol y Nieve	Sierra Nevada National Park. Spain
Paradisus Playa Conchal	Tempisque Conservation Area in the Marino Las Baulas National Park. Costa Rica
Paradisus Riviera Cancún	Arrecife de Puerto Morelos National Park. Mexico
Sol Alcudia Center	S'Albufera de Mallorca Natural Park. Spain
Sol Calas de Mallorca Resort	Natural Environment of Special Interest Calas de Mallorca. Spain
Sol Cyrene	Ras Mohammed National Park. Egypt
Sol Falcó	Menorca Reserva Mundial de la Biosfera. España
Sol Galúa	Calblanque Regional Park. Spain
Sol Gavilanes	Menorca World Biosphere Reserve. Spain
Sol Jandía Mar	Jandía Natural Park. Spain
Sol La Palma	Caldera de Taburiente National Park. Spain
Sol Lanzarote	Lanzarote World Biosphere Reserve. Spain
Sol Menorca	Menorca World Biosphere Reserve. Spain
Sol Milanos Pingüinos	Menorca World Biosphere Reserve. Spain
Sol Morromar Aptos.	Lanzarote World Biosphere Reserve. Spain
Sol Sancti Petri Aptos.	Bahía de Cádiz Natural Park. Spain
Sol Sharm	Ras Mohammed National Park. Egypt
Sol Sun Beach Aptos.	Corona Forestal Natural Park. Spain
Sol Verginia	Ras Mohammed National Park. Egypt
Sol Vielha	Aigüestortes i Estany de Sant Maurici National Park. Spain
Tryp Almussafes	La Albufera de Valencia Natural Park. Spain
Tryp La Caleta	Bahía de Cádiz Natural Park. Spain
Tryp Las Matas	Cuenca Alta del Manzanares Regional Park. Spain

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

Most important activities

Actions carried out in 2009 per brand to assist in the protection and conservation of natural habitats and the management of the impact on biodiversity:

Activities of cleaning, reforestation and ecological restoration of natural areas (beaches, woods, wetlands, river banks, etc.)

	n° initiatives
Premium	17
Meliá	21
Sol	4
Tryp	0
Total	42

Examples:

Meliá Purosani: Installation of nests, bird feeders and poles for bird watching in collaboration with NGO Kutilang and the Forestry and Conservation Department.

Gran Meliá Jakarta: Conservation of tropical forests and of the natural areas next to the hotel through reforestation of native trees.

Meliá Sinaí: Protection of the coral reefs (protected ecosystem).

Gran Meliá Puerto Rico: Twice weekly cleaning of the beaches. No motorised sports at the beach to protect coral reefs.

Meliá Azul Ixtapa: Carried out 4 local beach cleaning sessions, collecting a total of 1,103 kg of waste, with the participation of 295 people. On 19 September the cleaning session was organised with Project Aware and OMA-Aeropuerto, during which 4 divers cleared 40 kg of rubbish from the sea bed. In June 50 trees were planted in the Coacoyul area.

Sol Lanzarote: Donation of trees to Cabildo de Lanzarote for reforestation of the island in cooperation with Establecimientos Sostenibles group of Lanzarote.

Financial collaboration with environmental NGOs

	€
Premium	5,400
Meliá	11,936
Sol	1,010
Tryp	28,923
Total	47,269

Examples:

Hotels in Brazil: Offered the guest the possibility of voluntarily donating R\$1 per stay for WWF-Brazil. In 2009 38,565 € (R\$ 95,682.51) were raised.

Meliá Benoa: Reforestation of mangroves next to hotel in collaboration with the Mangrove Society (Information Centre of the Mangrove).

Paradisus Playa Conchal: Offered the guest the possibility of voluntarily donating \$1 per stay for the Tempisque Conservation Area (state organisation), which measures 175 km² (7.7 on land and 171,36 - 12 nautical miles of water).

Involvement of guests in the initiatives for restoring or protecting habitats:

	n° guests
Premium	4,831
Meliá	5,090
Sol	675
Tryp	0
Total	10,596

Examples:

Paradisus Palma Real: Annual celebration of the Day of the Tree with guests and their families, with themed tree making competitions (arts and crafts) and the planting of a tree representing the local flora.

Gran Meliá Cancun: Invited approximately 1,600 guests to participate in the protection of up to 28 white turtle nests and the releasing of 1,876 baby turtles. The initiative included an awareness session for the guests on the life cycle of the turtles and the importance of their preservation.



Activities in the breeding, nurturing, re-release into the natural habitat and other activities that contribute to the survival and/or conservation of fauna and flora species.

	n° initiatives
Premium	7
Meliá	10
Sol	1
Tryp	0
Total	18

Examples:

ME Cancun: participated in the release of white turtles. Approximately 1,800 turtles a year, between the months of May and November.

Meliá Cabo Real: collaborated in the release of 100 Olive Ridley turtles, born within the perimeter of the beach next to the hotel.



Achieved



Work In Progress



Ruled Out

4.3 Evaluation and renovation of commitments to improvement

Evaluation of 2009 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 leading Sol Meliá to define its implementation as an objective for 2009.*

 *The information available on hotel activities focused on protecting biodiversity was consolidated.*

 *New owned and rented hotels joined the SAVE project.*

 *In 2009, we will retain all of our current environmental certifications and finalise the certification of 11 hotels currently working through the implementation process.*

9 of the 11 hotels proposed in 2009 achieved certification.

 *The information available on waste management in hotels and corporate offices will be consolidated.*

More information than in 2008 was consolidated, but there is still work to be done.

Commitments 2010

The information available on waste management in hotels and corporate offices will continue to be consolidated.

The information available on hotel activities focused on protecting biodiversity will continue to be consolidated. This year we have made advances but we still need to obtain more precise information.

Create a system to involve guests in the selective collection of waste.

Commitment to improve the SAVE project (pending definition by the Senior Executive Team of objectives related to employee bonuses)

Measurement of acoustic contamination in the hotels in Spain.



5

5. Human Value

5.1 Key Figures

33,378 employees

vs. 34,305 in 2008

52 training courses in health and safety at work

vs. 38 in 2008

94 nationalities

vs. 80 in 2008

409,425 hours of training worldwide



The Workplace Climate survey is also an indicator measured as part of the Strategic Plan.

5.2 Relevant Issues

5.2.1 Employee satisfaction

At Sol Meliá, employee satisfaction is as important as guest satisfaction. That is why Sol Meliá carries out a Workplace Climate survey every year in corporate offices and in the different business units throughout the world 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.

The characteristics measured in the survey include, amongst others:

- Team work
- 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
- Self improvement

An exhaustive analysis of this information lays the foundations for a specific Action Plan for each of the business units, 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.

In 2009, 20,762 surveys were carried out at all levels amongst the employees of the different business areas, compared to the 21,897 surveys in 2008, and 1,114 surveys were carried out at all levels amongst the employees of all the corporate offices, compared to 1,298 surveys in 2008, in a survey that was translated into six languages.

The global result of satisfaction on a worldwide level in 2009 was 74.12%, compared to 73.01% in 2008.

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 projects.

5.2.2 Communication channels and feedback

At Sol Meliá employees receive information via different meetings and tools that encourage interaction between departments and promote constant improvement, as well as providing greater access to full information:

- General assemblies: once a year
- Operational committees: once a week
- Daily briefing in hotels: once a day
- Sol Meliá "Let's talk" meetings: once a year
- Induction courses to Sol Meliá and the hotel: for new employees
- Breakfasts with the executive management team: 9 breakfasts in 2009 with a total of 80 employees
- Regular internal communications: 65 sent
- Internal newsletter: 78 edited in 2009 (26 every 2 weeks and 52 every week)
- Announcement board
- Suggestion box

These actions are in addition to other tools described below:

Processes of top-down communication

In 2009, the complex management of the crisis and the adjustment of strategy at all levels to adapt long term objectives to the four Anti-Crisis Action Areas created two requirements for the company:

- On the one hand, to resist and to strengthen Sol Meliá through its way out of the crisis, by communicating, involving and motivating all company employees throughout the world behind a common effort.
- On the other hand, personal visits to corporate offices and hotels worldwide.

But this was too expensive in terms of money and time for company executive management; therefore the company decided to carry out virtual meetings with the hotel and Vacation Club management teams, and with the senior executives of international corporate offices: the Executive Vice Chairman and the senior managers involved in the coordination of the Action Areas (Revenues, Costs, Risks and Balance Sheet/Cash flow) recorded their explanations of the contingency plan and the actions involved, and the Communication and Systems departments then put together a video which combined these explanations together with a presentation of each of the Action Plans.

The process included a system for sending and downloading the video and associated materials so that each management team could send back their comments, questions and feedback. Once the video was viewed and discussed by the management committees, the general managers and heads of departments in each centre were responsible for providing the information and messages from the Vice Chairmen to each and every member of their team, according to the needs of each area and in keeping with their own communication codes.

The process reached all the company hotels and they in turn sent back proposals to improve the introduction of the contingency plan which were integrated as effectively as possible in their centre.

Employee portal

Sol Meliá has an Employee Portal, which provides access to corporate and other information, applications and other company services.

Although the portal still does not yet reach all of the locations in which Sol Meliá operates, the company is working hard to optimise telecommunications and systems in work centres. In 2009 the portal was opened to the USA, and better access is also planned in 2010 for Asia and some parts of Europe.

In hotels, access to the portal for personnel that do not have a computer in their workplace is available through a PC Point consisting of a computer in an easily accessible location installed with direct access to the portal. 79 PC Points have currently been installed in Spain.

Growth of the Employee Portal

	December 2009	December 2008
Average daily visits	475	410
Average monthly visits	2,613	2,397

Internal gazette- "You Too"

The "You Too" internal gazette was created as a complement to the Employee Portal. The more simple style and printed format means it is able to reach all employees, regardless of their category or access to a computer.


The Employee Portal allows all Sol Meliá employees to view corporate information from one unique point of access.



More than 75% of staff thought the internal gazette was a useful communication tool.



Sol Meliá's workforce was integrated by 33.378 people in 2009.

In 2009 four editions of the gazette were published and a satisfaction survey was carried out after the third edition with a questionnaire sent to all of the hotel general managers to get employee opinions about the gazette. The results were the following: in 80% of the hotels, more than 75% of staff asked to have a copy when the gazette arrived (100% in 48% of the hotels). 60% of the comments about the format and contents were positive. 88% of employees thought that having it on paper made it easier to understand the messages, whilst 44% believed that the messages were too complex and 32% thought that language was a barrier.

The Board of Directors rates this internal communication tool very positively, due to its ability to transmit company strategy in an effective way to all of the team at Sol Meliá.

Breakfast with the Executive Management Team

Organised by Human Resources and led by the members of the Executive Management Team to bring about greater contact and an exchange of ideas between the upper tiers of company management and employees. They are a solution to some of the areas that needed improvement defined in the area of internal communication last year.

The breakfasts' main objective is to encourage greater and more fluid communication, to share and acknowledge experiences, and to offer a chance for employees to voice their doubts, concerns and suggestions in an open and relaxed atmosphere.

These meetings are held every week, led either by the CEO or by one of the executive directors, and chaired by a representative from the Human Resources Department.

The meetings generate a proposed Action Plan which is then presented to the Executive Management Committee for the approval of actions.

Each of the hotels and corporate departments is responsible for integrating these tools in their daily operations. The level of internal communication is measured by the previously described Workplace Climate survey. In parallel to this, the Human Resources Department monitors the introduction and effectiveness of the tools with effectiveness surveys and/or internal audits.

5.2.3 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 2009 the team at Sol Meliá was formed by 33,378 people, compared to 34,305 in 2008.

The anti-crisis contingency plan and the action plan to reduce costs have also affected social aspects of the company. Although the company managed to ensure that this social cost was kept to an absolute minimum, the workforce was reduced by approximately one thousand people, thus enabling us to better confront the challenges of the difficult economic situation. The criteria followed for the reduction in staff was the optimisation of processes.

Data 2009:
Rest of Europe: Includes a new country (Bulgaria) and new openings (Luxembourg, Dusseldorf and Athens).

Includes all Sol Meliá Vacation Club.

Workforce by geographical area

	SPAIN		REST OF EUROPE		AMERICA		ASIA		TOTAL	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Fixed	7,200	7,493	1,564	1,302	17,742	16,143	2,251	2,307	28,757	27,245
Temporary	2,173	2,999	466	184	1,822	3,476	160	401	4,621	7,060
Total	9,373	10,492	2,030	1,486	19,564	19,619	2,411	2,708	33,378	34,305

Data 2009:
Rest of Europe: Includes a
new country (Bulgaria) and
new openings (Luxembourg,
Dusseldorf and Athens).

Workforce by levels

	SPAIN		REST OF EUROPE		AMERICA		ASIA		TOTAL	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
CORPORATE	719	974	38	64	241	317	8	7	1,006	1,362
HOTEL	8,654	9,518	1,992	1,422	19,323	19,302	2,403	2,701	32,372	32,943
General staff	6,779	7,667	1,700	1,188	16,553	16,055	2,303	2,583	27,335	27,493
Managers	1,696	1,675	259	205	2,526	3,010	95	112	4,576	5,002
Directors	179	176	33	29	244	237	5	6	461	448
Total	9,373	10,492	2,030	1,486	19,564	19,619	2,411	2,708	33,378	34,305

Age distribution (%)

	SPAIN		REST OF EUROPE		AMERICA		ASIA		TOTAL	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
< 20	0.56	1.31	3.04	2.90	1.22	3.69	0.35	0.07	1.23	1.73
20 - 30	25.16	21.37	42.56	44.83	30.72	40.98	24.32	26.34	31.21	29.44
31 - 40	28.30	26.13	30.04	30.14	40.49	34.18	53.68	44.67	32.88	33.58
41 - 50	23.76	26.88	15.75	14.42	20.38	16.37	18.93	27.10	20.64	23.36
51 - 60	18.66	21.04	6.92	6.05	5.95	4.17	2.67	1.82	11.88	10.33
> 60	3.55	3.26	1.68	1.67	1.24	0.61	0.04	0	2.16	1.55

Gender diversity

	SPAIN		REST OF EUROPE		AMERICA		ASIA		TOTAL	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
MEN	46.92	49.52	46.83	49.17	59.78	59.24	72.09	59.15	62.76	53.62
WOMEN	53.08	50.48	53.17	50.83	40.21	40.76	27.91	40.85	37.24	46.38

Women in positions of responsibility

	Country	Women	Men	TOTAL	Women (%)	Men (%)
CORPORATE*	Spain	105	155	260	40.38	59.62
	Mexico	3	10	13	23.08	76.92
	Dominican Rep.	2	2	4	50.00	50.00
	UK	4	2	6	66.67	33.33
	Others	27.21	55.93	83.14	32.72	67.27
TOTAL		139.21	224.93	364.1		
HOTEL **	Spain	35	140	175	20	80.00
	Mexico	2	11	13	15.38	84.62
	Dominican Rep.	1	13	14	7.14	92.86
	UK	0	3	3	0	100
	Others	17	53	70	24.28	75.71
TOTAL		55	220	275		

* Includes Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Directors and Managers

** Includes Hotel General Managers and Assistant Managers.

Cultural diversity

The workforce at Sol Meliá is highly diverse and in 2009 consisted of 94 nationalities, compared to 80 in 2008, which are the following:

Nationality					
	% 2009	% 2008	% 2009	% 2008	
Albanian	0,01	0	Irish	0,03	0,02
American	1,18	0,19	Israeli	0,01	0
Angolan	0,01	0	Italian	1,47	1,96
Algerian	0,08	0,08	Ivorian	0,01	0,01
Argentinean	0,98	1,05	Japanese	0,01	0,03
Armenian	0,01	0	Letonian	0,01	0
Austrian	0,03	0,02	Libyan	0,01	0,01
Azerbaijani	0,06	0	Lithuanian	0,03	0,02
Bangladeshi	0,01	0,04	Luxembourgian	0,02	0
Belgian	0,21	0,19	Malagasy	0	0,01
Belarusian	0,01	0,01	Malaysian	0,62	0,77
Bolivian	0,15	0,08	Malian	0,01	0
Brazilian	4,31	4,82	Moroccan	0,72	0,58
British	0,3	0,26	Mauritian	0,11	0,12
Bulgarian	0,11	0,08	Mauritanian	0,01	0,02
Burmese	0,01	0,01	Mexican	5,45	7,35
Cameroonian	0,03	0,04	Moldovan	1,6	0,02
Canadian	0,01	0	Nepalese	0,01	0
Cape Verdean	0,01	0	Nicaraguan	0,09	0,15
Chilean	0,12	0,14	Nigerian	0,09	0,09
Chinese	0,15	0,19	Norwegian	0,02	0,02
Colombian	1,01	0,79	Pakistani	0,12	0,12
Congolese	0,04	0,04	Paraguayan	0,05	0,04
Costa Rican	1,87	2,73	Peruvian	0,89	1,02
Croatian	0,01	0,03	Polish	0,27	0,26
Cuban	0,4	0,3	Portuguese	0,36	0,34
Czech	0,07	0,04	Romanian	0,43	0,27
Danish	0,01	1,28	Russian	0,14	0,13
Dominican	11,16	13,19	Salvadoran	0,01	0
Dutch	0,13	0,11	Senegalese	0,19	0,14
Ecuadorean	0,88	0,7	Sierra Leonean	0,01	0,02
Filipino	0,1	0,1	Slovak	0,07	0,05
Finnish	0,02	0,01	Spanish	50,09	42,22
French	0,71	0,74	Sri Lankan	0,04	0,08
Gambian	0,02	0,02	Swedish	0,05	0,04
Georgian	0,01	0,01	Swiss	0,03	0,03
German	2,2	2,68	South African	0,01	0,01
Ghanaian	0,03	0,04	Tanzanian	0,01	0
Greek	0,21	0,04	Thai	0,01	0,03
Guinean	0,07	0,03	Tunisian	0,04	0,06
Haitian	0,08	0,08	Ugandan	0,01	0
Hindu	0,01	0	Ukrainian	0,26	0,12
Honduran	0,02	0	Uruguayan	0,32	0,13
Hong Kong	0,01	0	Venezuelan	2,08	3
Hungarian	0,05	0,01	Vietnamese	1,41	1,79
Indian	0,05	0,06	Yugoslavian	0,04	0,03
Indonesian	5,56	8,44			
Iraqi	0,01	0	Others	0,12	0,17



In 2009 sustainability criteria were approved in the variable bonuses of the company's executive management in corporate offices and business units.

5.2.4 Human resources policy

Contracting policy

Internal Human Resources regulations gives preference to employing native or local managers, reducing the employment of foreigners to a minimum. This policy means that the company has a better knowledge of local needs. More than 83% of Sol Meliá hotel general managers are local residents, compared to 16% who are expatriates.

AMERICA	LOCAL	FOREIGNER
PERU	10	2
Senior Management	4	2
Middle Management	6	0
MEXICO	230	29
Senior Management	0	5
Middle Management	216	24
DOMINICAN REP.	100	43
Senior Management	3	6
Middle Management	97	37
BRAZIL	47	8
Senior Management	7	3
Middle Management	0	5
PUERTO RICO	63	1
Senior Management	5	1
Middle Management	58	0
ASIA	LOCAL	FOREIGNER
CHINA (SHANGHAI)	12	6
Senior Management	0	1
Middle Management	12	5
VIETNAM	5	3
Senior Management	0	1
Middle Management	5	2
INDONESIA	40	8
Senior Management	0	4
Middle Management	40	4
MALAYSIA	10	1
Senior Management	0	1
Middle Management	10	0

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 pre-defined objectives. It 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 objectives are defined according to the employee's position.
- Currently 18.9% of all Sol Meliá employees form part of the performance evaluation system, compared to 20.23 % in 2008.

In 2009 sustainability criteria were approved in the variable bonuses of the company's executive management in corporate offices and business units, including 100% of the hotels owned, rented or managed (92% of the total of hotels).

Sol Meliá made a total of 558,465 euros in contributions to pension funds, whose accounts are managed by an external company.

Men's salaries at Sol Meliá are on average 6% above that of women's salaries. The distribution per category can be seen in the following tables:



The minimum salary Sol Meliá pays employees is, on average, 56% above the legal minimum in the countries in which it operates.

Average salary per gender (Men vs. Women)

CORPORATE

Executive Vice President*	NA
Senior Vice President	104%
Vice President	8%
Director	2%
Manager	-15%
Responsible	2%
Coordinator	5%
Executive	5%

HOTELS

Managers	15%
Assistant Managers	17%
Heads of Department	0%
General Staff	6%

* There are currently 5 EVP, all men.

The minimum salary that Sol Meliá pays its employees is, on average, 56% above the legal minimum of the countries in which the company operates.

Minimum monthly gross salary: Sol Meliá vs. Legal Minimum

EUROPE (€) Legal Minimum Sol Meliá Minimum

Spain	633.30	1,218.80
UK	1,130.00	1,318.26
Portugal	475.00	612.00
France	1,420.61	1,420.61
Germany	NA	1,300.00
Italy	NA	1,494.42
Bulgaria	123.00	324.67
Croatia	385.00	585.61
Greece	739.56	1,298.50
Luxembourg	1,682.76	1,851.50
Egypt	16.75	56.45

AMERICA (\$) Legal Minimum Sol Meliá Minimum

Dominican Rep.	170.50	363.63
Brazil	279.48	371.22
Peru	193.05	193.05
Argentina	388.50	587.03
Mexico	135.21	163.27
Venezuela	244.78	399.44
Puerto Rico	1,160.00	1,160.00
Costa Rica	380.00	380.00

ASIA (\$) Legal Minimum Sol Meliá Minimum

China (Shanghai)	142.00	308.00
Vietnam	71.00	92.00
Indonesia	86.00	108.00
Malaysia	NA	128.00

Flexible remuneration

In 2009 Human Resources worked on a system to introduce payments in kind which offers the possibility to voluntarily change the structure of current employee salaries, changing part of it (in cash) for different benefits and services (in kind).

The Flexible Salary System designed by Sol Meliá offers the possibility to voluntarily change part of the gross annual salary for some of the following benefits and services at cost price: health insurance, training, purchase of computers, renting property and food vouchers. There are also positive fiscal benefits for employees in Spain when they make their tax returns as the acquisition of goods and services is subject to lower levels of taxation than the general salary.

These are the advantages for the people that decide to opt for this system:

- Low price of benefits and services that Sol Meliá as a company can be offered.
- The benefits and services have a positive impact on tax returns resulting in major savings on taxes.
- Optimise the current salary system adapting it to the needs of personnel and individual preferences.

The Flexible Salary System will start in January, 2010.

Conciliation policy

The tourism industry has an intrinsic problem when it comes to combining working hours and family commitments: complex work schedules and the seasonal nature of the job are just two of the difficulties. Although Sol Meliá is working on making progress in conciliation policies between family and professional lives, with an analysis of flexible measures, maternity aid and care for family members, there is still much to be done.

5.2.5 Professional development and promotion

Throughout the year there are certain periods in which the company identifies personnel with high potential for whom development plans are organised.

Development plans are a tool through which actions are defined for employees designed to guide their progress through the organisation and at the same time ensure the employees maintain and reinforce their commitment to the company.

Development plans for high potential personnel for key positions

In 2009, this project was designed to guarantee the immediate replacement of internal know-how. The main objective is to plan the development of those people who occupy key positions or positions of strategic value for the company, with internal staff who have been previously identified as having high potential for development.

The project objectives are the following:

- Retain talent in the company through an efficient and effective transfer of functions, maximising profitability and saving costs of employing new people.
- Avoid key positions being occupied arbitrarily, ensuring rigour and objectivity when identifying key positions as well as the key personnel to occupy those positions.
- Teach participants new behaviours and competencies which are needed to assume new and greater responsibilities, using a development plan to provide or develop knowledge, abilities, skills and the attitude required by the company.

Avanza and Avanza2 corporate programmes

As part of the strategic Talent Management and Empowerment projects, two development programmes were introduced; Avanza, for more junior positions and Avanza2, for more senior positions. They are aimed at corporate office staff who have 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 development actions and training. Throughout 2009 both these programmes have been in operation.

Investment made in Avanza and Avanza2 was 131,128 € in 2009.

Hotel development programmes

IMP

Throughout 2009, the first phase of the seventh edition of the Internal Management Programme (IMP) was carried out, with a total of 10 future hotel managers taking part up until 2011. As well as being given training in every one of the hotel's departments, they also took part in two week-long courses on basic managerial knowledge and skills (for more information see the **Internal Management Programme** fact sheet in the annex).

Management Development

On a managerial level, four Management Development Cycles on Leadership and People Management for managers and assistant managers were carried out as well as 22 Development Plans for Hotel Assistant Managers.

Middle Management Development

The introduction of a training scheme for middle management and general staff has continued, with the objective of supporting their professional growth. In total 198 Development Plans were carried out and training actions were organised for 108 people, focused on the development of skills associated with team management: Leadership and Empowerment.



Investment in the Avanza and Avanza2 Plans reached 131,128 € in 2009.



In 2009 Sol Meliá identified 1,643 employees as high potential.

Development plans

	SPAIN		REST OF EUROPE		AMERICA		ASIA		TOTAL	
	2009	2008	2009	2008	2009	2008*	2009	2008	2009	2008*
CORPORATE	29	54	0	0	13	0	0	0	42	31
HOTEL	259	262	61	159	720	305	49	16	1,089	742
General Staff	38	30	35	150	422	271	19	10	574	461
Managers	176	221	24	9	45	28	29	6	274	264
Directors	45	11	2	0	3	0	1	0	51	11
Hotels' own programmes	0	0	0	0	12	6	0	0	12	6
Total	259	293	61	159	495	305	49	16	864	773

* Not including Cuba

High potential personnel

	SPAIN		REST OF EUROPE		AMERICA		BRAZIL		ASIA		TOTAL	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
CORPORATE	80	151	47	44	43	39	35	24	5	4	210	262
HOTEL	173	206	586	496	410	572	88	51	176	185	1,433	1510
General Staff	129	151	367	267	144	175	60	23	99	55	799	520
Managers	7	14	188	212	230	358	28	28	72	113	525	917
Directors	37	41	31	17	36	39	0	0	5	17	109	73
TOTAL	253	357	633	540	453	611	123	75	181	189	1,643	1,772

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 19.13% of vacancies were filled with internal personnel in 2009, compared to 70% in 2008.

This great difference from one year to the next is due to the fact that in 2008 there was a corporate reorganisation which involved numerous internal promotions to cover new positions and new functions. This process was over by 2009 and, given the economic crisis, the number of vacancies has reduced considerably.

5.2.6 Training

At Sol Meliá we consider training to be an ongoing process which adapts to the strategy and culture of the company and brand. In 2009 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.


*In 2009
the total investment
in grant-assisted
training in Spain was
592,392 €.*

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

Institutional training

This is training which supports strategic projects or anti-crisis action plans. In 2009 training activities were carried out to support the action plan for revenue growth. It was focused on two groups:

- Hotel managers, assistant managers and managerial assistants: promotion of sales, including revenue management and customer relationship management.
- Hotel middle management: workshops on sales promotion, revenue management courses at beginner, intermediate and expert levels.

Service culture training

In the different business units throughout the company service, culture training courses were carried out whose objectives were:

- Transmit the culture of the brand defined in the Service Programme.
- Construct a brand personality for our teams.
- Create a common language for customer service and teamwork.
- Provide the teams with communication, customer service and service recovery tools as part of the brand culture.

"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 grant-assisted training in 2009 was 592,392 euros, compared to 515,204 euros in 2008. The total number of training hours was 63,743 compared to 56,074 in 2008, an average of 10.5 hours per person, compared to 16.06 hours per person in 2008.

Training worldwide

Total number of courses:	3,933 courses
Total number of participants:	53,542 people
Total number of hours:	409,425 hours
Average hours training per year:	12.3 hours per person

Celiac awareness training

After signing a cooperation agreement with the Spanish Federation of Celiac Associations, awareness courses were given to staff in hotel food and beverage departments in Spain 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 has been progressively introduced throughout 2009 in the Tryp brand and part of the Meliá brand.

Corporate training

The main objective of the company's training plan is to cover all of the key business areas and contribute to the development of knowledge and skill, so fundamental to the success of our business and in contributing to the retention of talent.

Staff education levels

	Primary education	Secondary education	University education	TOTAL
America	3,539	11,246	4,185	18,970
Asia*	0	2	6	8
Spain	3,856	2,755	1,324	7,935
Rest of Europe	293	486	240	1,020
TOTAL	7,688	14,489	5,755	27,933
%	27.5	51.8	20.6	

* Only for corporate office employees



In 2009 Sol Meliá registered 25% less work-related accidents in Spain than in 2008.

The HR 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.

Welcome/Corporate Induction Programme

The introduction into the corporate offices carried out by using the Welcome/Corporate Induction Programme for corporate employees, including informative guides, plans, organisational charts, procedures and, above all, the Sol Meliá induction course which is provided to all new employees. Using the latest advances in information technologies, the induction programme is complemented by an e-learning course in which the new employee can access at any time of day to view information about their new company.

Another feature of the programme is the welcome tutor who cooperates with a member of the HR team to offer 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.

In business units, and with the objective of making it easier to implement the induction course in all company hotels, in 2009 a new induction programme was created, better adapted to Sol Meliá and its brands. This new induction programme has been developed taking into account the corporate induction process and giving it a more modern and approachable nature. Amongst other tools, this new programme includes: introduction to the company, the brand and the hotel, as well as a training session on the service culture and loyalty programmes and community involvement.

5.2.7 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 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 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.

In 2009 the company had 6,078 workers registered under the responsibility of the Health and Safety Department in Spain, compared to the 6,767 in 2008. During the year, the company registered 411 work-related accidents, compared to the 547 in 2008, which resulted in the loss of 7,835 days, compared to the 10,401 in 2008. The rate of absenteeism is 5.25%, compared to 4.45% in 2008.



In Spain, the percentage of employees' represented by Health & Security Committees or a Prevention Delegate is of 100%.

Rates and indices of work safety *Data for Spain.

	2009	2008
Average number of workers	6,078	6,767
Average hours worked	12,677,106	14,153,975
Absenteeism 2009 (in hours)	666,177	629,852
% on total hours worked 2009	5.25%	4.45%
Nº work related accidents 2009	411	547
Nº lost days 2009	7,835	10,401
Incidence index (Nº of accidents per 1000 workers)	67.62	80.33
Frequency index (Nº of accidents per million of hours worked)	32.42	38.65
Gravity index (Nº of lost days per 1000 hours of work)	0.62	0.73

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 100%.

Sol Meliá Spain has no formal agreements with trade unions.

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

External audits

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

In 2009 the every four year external audit was carried out in which it assessed 40 workplaces at random in the following 22 areas:

- Prevention policy
- Prevention plan
- Structure and responsibilities
- Integration of preventative actions
- Objectives
- Prevention organisation
- Planning and annual report
- Prevention management
- Preventative resources
- Evaluation of work risks
- Planning of preventative action
- Information and training of the workers
- Consultation and participation

- Operational control
- Part-time companies
- Coordination of business activities
- Health surveillance
- Preparation and response to emergencies
- Periodic monitoring
- Health damage of employees
- Available documentation of labour authorities
- Others

Of a total of 880 possible cases of non compliance (40 businesses x 22 areas), 88% of the requirements were met (772 favourable), and 12% were not fulfilled (108 unfulfilled). These results have improved slightly since the last external audit, in 2005, in which 42 work places were assessed at random in 20 different areas (840 possible cases of non compliance). The 2005 audit results showed 73% (614) of requirements met compared to 27% (226) not fulfilled.

The 2009 audit concluded that Sol Meliá had developed favourably in spite of the increase in the number of regulations and new requirements in the past four years. It also recognised an important development since the last audit, finding a more integrated management system in the dynamics of the company, as well as personnel who are more aware about prevention. It concluded that the company had an integrated management system and that the integration had created a favourable development, thanks mainly to the increase in human resources dedicated to the Prevention Service.



The 2009 audit concluded that Sol Meliá had developed favourably in spite of the increase in regulations and requirements over the past four years.

Number of incidents of lack of compliance by area



Maternity protection

In 2009, the Sol Meliá Prevention Service established a procedure for defining the actions that allow appropriate maternity protection for our pregnant or breast-feeding employees. The actions it includes are the following:

- Managerial information
- Information for the employee

- The creation of a relationship between work positions for pregnant or breast feeding employees, categorised according to the risk that the position entails and specifying the risk itself.

According to this procedure, in 2009 34 certificates were issued with information on the risks that the position entailed for pregnant employees and proposals to change to another position.

Prevention service activities

Medical check-ups:

3,469

Periodic check-ups	2,895 (83.45%)
Initial check-up	560 (16.14%)
Check-up after TI period	14 (0.40%)

Training: 316 courses

	2009	2008	Observations
Health and safety training	46 courses	38 courses	PRL basic level
First aid training	52 courses	54 courses	Work centres
Fire fighting training	22 courses	38 courses	Work centres
Chemical products training	86 courses	66 courses	Work centres
Work representatives training	21 courses	16 courses	
Specific work position training	89 courses	81 courses	Work centres

5.2.8 Human rights

Sol Meliá has an Executive Code of Conduct 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

All security personnel have been trained in company policies and procedures with regard to human rights. Below we detail some of the aspects of this area.

In 2009 the company did not register any instances of discrimination of any sort.

Child exploitation

Sol Meliá has a firm commitment to the welfare of the children, our future generations, for whom we are building our legacy. This is why it is fundamental that all the company areas ensure that none of their activity entails any potential risk to children's rights.

Sol Meliá has signed an agreement to implement a Code of Conduct to protect children from sexual abuse in the tourism industry, condemning all forms of child sexual exploitation and supporting all legal actions to prevent and punish these crimes.

Sol Meliá does not employ anyone under the age of 16 and, through the Sustainable Development clause in agreements signed with suppliers, our suppliers are also committed to not using child labour in their production processes, accepting the possibility of being audited and running the risk of contract rescission withdrawal if found in contempt.

Indigenous populations

Sol Meliá is committed to the conservation of tangible and intangible cultural heritage of the communities in which it operates. It is fully involved with the local surroundings and integrated in the cultural, gastronomic and artistic elements of each destination, respecting and defending the historical heritage as if it were its own. The company aims to energise all that is local, while also protecting its roots, seeking the complicity of guests in the discovery and conservation of the cultural wealth of the destination.



Sol Meliá has no hotels nor corporate offices located in areas that could affect, create incidents or violate the rights of indigenous populations.

Labour rights

Sol Meliá currently manages 35 collective agreements, and also participates in 12 bargaining platforms.

The minimum period of warning about organisational changes depends on each country and on each collective agreement.

The percentage of workers on a global scale covered by collective bargaining agreements or a specific or sectorial legal regulations, are the following:

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 100% (excluding Bulgaria, Croatia, Cuba and China). Sol Meliá guarantees the right of its workers to belong to a trade union or work association.

In 2009 the company did not receive any significant fines for lack of compliance with laws and regulations on workers' rights.

5.2.9 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 affected

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.

Family Plan with the Adecco Foundation

In 2009 Sol Meliá signed an agreement with the Adecco Foundation to support employees with disabled family members. The plan was only introduced in Spain and was an opportunity to orientate the company's community involvement policy to a group of disabled people, adapting it to the current legislation (LISMI) with regard to the social integration of the disabled.

The degree of satisfaction of the 14 employees that took part in the plan was rated as 3.44 on a scale of 0 to 4. 86% of them thought the project to be clearly beneficial for employees and their perception of the company improved in 93% of cases.



-  Achieved
-  Work In Progress
-  Ruled Out

5.3 Evaluation and renovation of commitments to improvements

Commitments 2009. Evaluation

-  *Human Resources will develop the Management Development Programme and Skills Development Programme for high potential and key managers both in corporate offices and in 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 the 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..*

Commitments 2010

Creation of an Equality Plan including action proposals.

Verification every three months of compliance of designed training plan.

Revision and up-dating of the Human Resources regulation including a specific chapter on equal opportunities and complaint management.

6

6. Socio-cultural Value

6.1 Key Figures

385,292€ invested in Community Involvement

vs. 1,174,209€ in 2008

49,520 people involved In Solidarity Day

since 2006

94 nationalities

vs. 80 in 2008

1,190 cooperation activities with social organizations

vs. 924 in 2008



In 2009 there were 1,190 projects with resources benefiting 547 organisations.

6.2 Relevant Issues

For Sol Meliá, Tourism is an engine for the growth and development of the local economy. For this reason, we want to contribute to the development of the societies in which we operate, working to achieve a society where necessities are taken care of in a fair and effective way. At the same time, understanding and adapting ourselves to local needs and preserving and promoting both natural and cultural resources. Although each chapter of the 2009 Sustainability report attempts to show the majority of the endeavours that Sol Meliá has carried out with its various social and cultural special interest groups, in this chapter information is included about Sol Meliá's global strategy in the aforementioned areas, such as details of collaborations with NGOs.

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.

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.

Cooperation

Year	Projects	Organisations 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 €
2009	1,190	547	385,292 €

Christmas campaign on solmelia.com

To support the work done by UNICEF to reduce infant malnutrition, for every booking made on the website over the Christmas period, solmelia.com donated to UNICEF the funds required to buy three sachets of therapeutic nourishment, a full day's treatment for a child suffering from severe malnutrition. The total amount of funds raised from the campaign was 7,700€.

6.2.1 Social commitment

As an integral part of the socio-cultural 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 ensures we add the greatest possible value.

Throughout 2009, Sol Meliá carried out an analysis of its social commitments. Thus establishing its position on infancy as a recipient of this commitment.

Sol Meliá's commitment to infancy is further strengthened with the company's own family composition as indeed with the legacy that it wishes to build. Thus, Infancy is established as the core of all relations with stakeholders (employees, clients, suppliers etc.) Being the social focus identified, Sol Meliá will now centre its efforts on developing the necessary tools to allow its full identification with this positioning.

6.2.2 Cultural commitment

The commitment of Sol Meliá to the defense and value enhancement of Cultural identity constitutes as one of the key elements within the Global Sustainability policy of the company.

As part of numerous actions carried out this year, the following deserve to be highlighted:

Italy

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. (For more information see the **Italy and Culture** fact sheet in the Annex.)

Indonesia

At the Gran Meliá Jakarta work is also done to promote Indonesian culture and the hotel actively cooperates with the VIVERE project. Indonesia has an almost infinite number 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.

6.2.3 Projects

Company community involvement 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 was held one day each week in 18 company resort hotels in the summer months of 2009. 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.

In 2009 the Solidarity Day activities were focused entirely and exclusively on raising the awareness of our guests. No fundraising activities were organised, meaning that we were unable to provide financial support for educational projects as we have in previous years.



CEDECA project Brazil

As an extension to the corporate project to combat child sexual exploitation, the hotel network in Brazil began cooperation with CEDECA (Centro de Defesa da Criança e do Adolescente Yves de Roussan) which had trained Sol Meliá employees in 2007 and 2008 to raise awareness of child sexual exploitation. During May 2009 guests were invited to donate R\$ 1.00 per stay. The total amount of funds raised was R\$ 13,046 (approximately 5,450 euros).

 Achieved

 Work In Progress

 Ruled Out

Evolution of Solidarity Day

Year	Children taking part	Adults taking part	Staff taking part	Funds raised
2006	3,560	9,462	310	69,398 €
2007	4,377	20,434	217	75,407 €
2008	4,475	37,529	330	99,250 €
2009	2,700	4,486	154	0 €

6.3 Evaluation and renovation of commitments to improvement

Commitments 2009. Evaluation

 *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 achieve the Biosphere certificate, guidelines had to be defined for the integration of new buildings and renovations. These guidelines now form part of the Design and Construction Manual.

 *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.*

The guidelines have been defined and added to the Sustainable Development Manual and have been sent to all company hotels.

 *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.*

Our social positioning was defined including the focus of our Community Involvement activity: children's welfare. The first steps have been taken to ensure that all company efforts are focused on this common cause.

 *The number of staff involved in Sol Meliá Community Involvement will be recorded.*

Currently only those employees involved as volunteers in the Solidarity Day have been recorded (154). We therefore maintain this commitment to improvement.

 *The company will increase the participation of stakeholders in Community Involvement projects.*

This year there were cooperation projects involving guests with Marcilla in the "Coffee for All" project and with UNICEF in the Christmas campaign. The Gran Meliá Fenix also carried out a campaign with UNICEF. We still have a need to involve more of our stakeholders.

 *To identify the criteria for the involvement of Sol Meliá in the conservation of cultural resources in the destinations where it operates.*

Although the criteria have been defined, the current situation means that involvement in such actions cannot be considered a priority in 2010.

 *The number of people that benefit from Sol Meliá Community Involvement will be recorded.*

This information has not been recorded in 2009.

Commitments 2010

Work will continue on the commitments set for 2009, plus the following:

Creation and distribution of a guide for the business units with recommendations on how to develop social cooperation activities.

Consolidate activities which facilitate the integration of cultural aspects of the destination in the hotel.

7. Economic Value

7.1 Key Figures

1,064 million € in wealth creation

vs. 1,200 million € in 2008

1,148 million € revenues

vs. 1,279 million € in 2008

38 million € net profit

vs. 51.2 million € in 2008

7.2 Relevant Issues

7.2.1 Hotel performance

2009 was a good year for the financial situation of Sol Meliá, with a reduction in net debt of 12% and increasing its cash flow with funding of 470 million euros. Approximately 80% of funding was obtained through alternative sources, allowing the company to continue to work on its commitments and future projects.

The RevPAR of owned and rented hotels fell by 16.7% in 2009. In the last quarter of 2009, RevPAR fell by 12.6% due to the decrease in occupancy rates and in ARR of 5.4% and 7.7% respectively.



Sol hotels were affected by falls in their main feeder markets: UK -21%, Germany -12% and Spain -3%.



In the final quarter of 2009, RevPAR for the Sol brand (100% resort, 100% Spain) fell by 17.4%, due to decreases in occupancy rates and ARR of 11.1% and 7.1% respectively. The reason for these decreases was the performance of the Canary Islands, where RevPAR fell by 18.2%.

In 2009, RevPAR fell by 15.8%, mainly due to a fall in occupancy rates of 11.0%. The results of hotels on the Spanish coast – where RevPAR fell by 9.2% – partially compensated the results of hotels in the Canary Islands (RevPAR: -17.8%) and the Balearic Islands (RevPAR: -19.9%). The latter was also effected by terrorist attacks which had an important influ-

ence on bookings in the first two weeks of August. By market segment, tour operation fell by 22.7% in 2009, affected by the fall in the number of stays booked from major feeder markets, especially in the Balearic Islands.

The brand was badly affected by decreased business from its main feeder markets: UK -21% (representing 36% of all stays), Germany -12% (8.5% of all stays) and Spain -3% (36% of all stays). Measures were taken to mitigate the fall in stays, such as changing the opening and closing dates of hotels according to their occupancy rates. Facing such an important downturn in business, the company introduced a number of measures to compensate the trend and maximise revenues, including the Family Fun programme. The measures had a positive impact, increasing revenues by 2.9 million euros above the budget for 2009.

In 2009, the measures introduced in the brand meant that operational costs (excluding rental costs) fell by 13.2%, - in line with the number of hotel stays (-13%) – a significant decrease when bearing in mind the high proportion of fixed costs. The rationalisation of personnel management, adapting the opening and closing of seasonal hotels to occupancy levels, the renegotiation with raw materials suppliers and the adaptation of menus, meant that the brand was able to lower food and beverage costs per stay by 3%.

The decrease in available rooms was due to the late openings of 3 seasonal hotels: Sol Costa Blanca (Alicante), Sol Antillas-Barbados and Sol Falcó in the Balearic Islands.



In 2009, the RevPAR of the Tryp brand (100% city, 77% in Spain) fell by 18.9% due to the decrease in occupancy and ARR by 8.2% and 11.6%.



In Tryp hotels, operational costs (excluding rental costs) fell by 14% in 2009.

In the final quarter of 2009, RevPAR fell by 15.7% due to the 9.4% decrease in ARR and, to a lesser degree, the 7.0% decrease in occupancy. The brand showed better results in terms of RevPAR compared to the previous quarter (RevPAR third quarter: -16.7%, RevPAR first semester: -21.4%), due mainly to the positive results of hotels in Germany (RevPAR fourth quarter: -0.7%) and France (RevPAR fourth quarter: -8.8%).

Compared to the first nine months of the year, there was a moderate improvement both in the Transient Business segment (which represents around 45% of revenues per room in Spain), and in the Transient Leisure segment (around 25% of revenues per room in Spain) due, in part, to the measures introduced to attract the business market which had suffered badly in 2009 due to the cost-saving measures implemented by companies.

Measures introduced since June 2009, including the City Business and City Weekend plans, increased revenue by 0.6 million euros.



The "All in One" programmes were successfully implemented, increasing revenues by 0.9 million euros.

Operational costs (excluding rental costs) fell by 14% in 2009, while the total cost per stay fell by 3%. The reduction in commissions as well as renegotiations with raw materials suppliers are behind these decreases.

The fall in available rooms was due to the sale of the Tryp Los Bracos in the fourth quarter of 2008 and the ending of two rental contracts, the Tryp Langensfeld and the Tryp Potsdam Michendorf, both in Germany.



In 2009, the RevPAR of the Meliá brand fell by 15.5% due to the 10.9% fall in ARR and the 5.2% decrease in occupancy.

The brand showed better RevPAR results in the fourth quarter (-7.8%) compared to previous quarters (RevPAR third quarter: -15.8%, RevPAR first quarter: -18.3%).

City hotels had better results in the fourth quarter (RevPAR: -10.9%) compared to the third quarter (RevPAR: -16.4%), due to an improvement in all the markets including:

1. **Spanish cities:** RevPAR fourth quarter: -8.7% vs. third quarter: -14.7%
2. **Germany:** RevPAR fourth quarter: -5.8% vs. third quarter: -10.3%
3. **UK:** excluding exchange rate differences RevPAR fourth quarter: -0.1% vs. third quarter: -9.5%
4. **To a lesser degree, France:** RevPAR fourth quarter: -13.3% vs. third quarter: -14.5%

The Transient Leisure segment achieved better results compared to the first nine months of the year due to sales promotions created to stimulate demand. The fall in tour operator business was compensated by online travel agencies and solmelia.com.

With regard to resort hotels, RevPAR in the fourth quarter improved with respect to the third quarter (-11.7% vs. -15.7%), due to the improved results of hotels in Tunisia (RevPAR fourth quarter: 9.9%, RevPAR third quarter: -25.4%), Spain (RevPAR fourth quarter: -13.7% vs. RevPAR third quarter: -14.4%) and Mexico (RevPAR fourth quarter: -22.5% vs. RevPAR third quarter: -23.2%).

The "All in One" programmes were successfully implemented, increasing revenues by 0.9 million euros. The programmes consist of three packages - Business, City Breaks and Vacations - which include accommodation plus additional services such as Internet, late check-in or dinner in the hotel restaurant. In 2009 these packages were only implemented in the Meliá brand.

Operational costs (excluding rental costs) fell by 8.1%, while total cost per stay fell by 4%. The rationalisation of personnel management reduced personnel costs per stay by 10%, and the renegotiation of contracts with raw material suppliers decreased the cost of food and beverage per stay by 10%.

The number of available rooms increased due to the opening of the Meliá Athens, Meliá Luxembourg, Inside Düsseldorf Derendorf, Meliá Valencia and Meliá Bilbao, and also due to the opening of extra floors at the Meliá Madrid Princesa and the disaffiliation of the Meliá Trujillo.

In 2009, RevPAR in the premium brands fell by 18.8% due to decreases in occupancy and ARR of 10.0% and 9.9% respectively. The decreases were due to results of the Gran Meliá brand (RevPAR: -19.4%) owing to the performance of city hotels in Spain.



In the fourth quarter, RevPAR fell by 21.3%. The ME by Meliá and Gran Meliá hotels in Mexico (RevPAR: -39.7%) were affected by the impact of the outbreak of Influenza A (H1N1) on feeder markets.

Food and beverage and other revenues fell by only 3% in 2009, mainly due to the Gran Meliá Caracas, where revenues from food and beverage increased by 22.5% because

of the banquets programme, without any adverse effect on existing demand.

The Luxe-clusive sales programme increased revenues by approximately 0.5 million euros. Operational costs, excluding rental costs, fell by 9.4%, while the total cost per stay fell by 4%, due to the reduction of energy costs as well as subcontracting services. The total cost per stay was affected by inflation in Venezuela.

Excluding Venezuela, the total cost per stay fell by 9% due to the reductions in personnel costs per stay and food and beverage, falling by 6% and 8% respectively.

The decrease in available rooms was due to the disaffiliation of the Gran Meliá Mofarreij (Brazil).

Owned and rented hotel statistics 09 / 08 (RevPAR and ARR in euros)

	% Occupancy			RevPAR			A.R.R			Available rooms (000)		
	2009	2008	%	2009	2008	%	2009	2008	%	2009	2008	%
SOL	60.7%	68.3%	-11.0%	30.7	36.6	-15.8%	50.71	53.6	-5.3%	3,145	3,245	-3.1%
TRYP	59.7%	65.1%	-8.2%	39.6	48.9	-18.9%	66.41	75.1	-11.6%	2,898	3,025	-4.2%
MELIÁ	64.2%	67.7%	-5.2%	52.8	62.6	-15.5%	82.32	92	-10.9%	3,810	3,839	-0.8%
PREMIUM	52.7%	58.5%	-10.0%	57.2	70.5	-18.8%	108.69	120.6	-9.9%	1,698	1,703	-0.3%
TOTAL	60.4%	65.9%	-8.2%	44.19	53.1	-16.7%	73.11	80.6	-9.3%	11,551	11,813	-2.2%

Breakdown of hotel revenues 09 / 08 for owned and rented hotels (million euros)

	Hotel revenues			Food and beverage/Others			Total revenues			Total costs (*)			EBITDA		
	2009	2008	%	2009	2008	%	2009	2008	%	2009	2008	%	2009	2008	%
SOL	96.8	118.6	-18.4%	62.5	73.8	-15.2%	159.4	192.4	-17.2%	126.2	144.5	-12.7%	33.1	47.9	-30.8%
TRYP	115.0	148.0	-22.3%	46.4	55.2	-15.8%	161.4	203.1	-20.5%	157.4	176.8	-11.0%	4.0	26.3	-84.9%
MELIÁ	201.4	240.2	-16.2%	140.5	157.9	-11.0%	341.9	398.1	-14.1%	270.0	286.7	-5.8%	71.9	111.4	-35.4%
PREMIUM	97.2	120.1	-19.1%	116.6	120.3	-3.0%	213.8	240.4	-11.1%	170.9	189.1	-9.7%	43.0	51.3	-16.2%
TOTAL	510.4	626.9	-18.6%	366.2	407.1	-10.1%	876.5	1,034.0	-15.2%	724.5	797.2	-9.1%	152.0	236.9	-35.8%

Management fees

Management fees from third parties fell by 11.8%. The Sol brand saw its fees fall by 14.1% due to the performance of resorts in Cuba and Spain, where management fees decreased by 31.2% and 29.6% respectively.

Management fees in the Meliá brand fell by 12.7% due to the performance of the Span-

ish city hotels, where management fees decreased by 31.9%. This was compensated by the performance of hotels in Brazil, where management fees increased by 29.0%, and the incorporation of two hotels, the Meliá la Reconquista in Oviedo (Spain) and the Meliá Sharm in Egypt.

The Tryp brand saw management fees fall by 17.8% due to the performance of Spanish hotels, where management fees decreased by 38.3%. This was not compensated by better results for hotels in Brazil, where fees increased by 4.8%, nor the incorporation of an additional hotel in Brazil, the Tryp Convention Brasil in Brasilia.

Finally, management fees in the premium brands fell by 1.0% in 2009 due to two opposing effects. On the one hand, the incorporation of two hotels (ME Barcelona and Gran Meliá Palacio de Isora in Tenerife - Spain), the reopening of the Gran Meliá Colon in Seville, and the good results in Costa Rica (+12.3%), but on the other hand, the results of the Cuban hotels, where management fees fell by 21.2%.

Revenues from management fees (million euros)

(Million euros)		Dec 09	Dec 08	Change 09/08
SOL	Basic	4.1	4.6	-11.8%
	Incentive	3.2	3.9	-16.8%
	Total	7.3	8.5	-14.1%
MELIÁ	Basic	14.2	16.2	-12.3%
	Incentive	4.6	5.4	-14.0%
	Total	18.8	21.5	-12.7%
TRYP	Basic	4.0	4.4	-10.3%
	Incentive	2.0	2.9	-29.2%
	Total	6.0	7.3	-17.8%
PREMIUM	Basic	5.5	5.3	5.4%
	Incentive	2.2	2.5	-14.2%
	Total	7.7	7.8	-1.0%
BASIC TOTAL		27.7	30.4	-8.9%
INCENTIVE		12.1	14.7	-17.8%
TOTAL		39.8	45.1	-11.8%



2009 capital gains reached 56.6 million euros, thanks to the disposal of the Meliá Madrid Princesa (Spain) and Tryp Alondras (Madrid – Spain).

7.2.2 Asset management performance

Asset rotation

In 2009, Sol Meliá generated capital gains of 56.6 million euros thanks to the disposal of the Meliá Madrid Princesa (Spain) and Tryp Alondras (Madrid – Spain), compared to 3.8 million euros in 2008 due to the disposal of the Tryp Los Bracos (Logroño – Spain).

With regard to other business related to real estate management in the Leisure Real Estate Division, by country:

- In the Dominican Republic revenues fell by 21.6% due to decreased plot sales at the Desarrollos Sol complex. Excluding the sale of plots, income would have increased by 5.5% due to:
 1. The income from the management of the golf courses and villas located in the Desarrollos Sol complex, which increased by 3.8% and 13.8% respectively.
 2. The income from the management of

the Sierra Parima commercial centre increased by 2.5% due to the rental of offices and shops.

- In Venezuela, the revenues from the rental of commercial premises at the Gran Meliá Caracas increased by 49.9%, generating income of 2.9 million euros.



In 2009, the revenues of Sol Meliá Vacation Club fell by 31.7% (-30.9 million euros).

Revenues do not only include the sale of units, but also, amongst others, financial revenues and management fees such as the Network Fees. The number of weeks sold fell by 15.5%.

However, in the fourth quarter, the number of weeks sold rose by 37.3%, thanks to results in Latin American hotels, especially the Meliá Caribe Tropical in the Dominican Republic. The launch of in-house marketing programmes – with the objective of generating a constant flow of prospects – as well as increased efficiency in closing deals explain this figure. The Vacation Club business was

positively affected by the sales of units at the Gran Meliá Palacio de Isora (Tenerife – Canary Islands), where the company is also

aiming at increasing new prospects through promotional programmes at airports, mini vacation packages and corporate alliances.

Sol Meliá Vacation Club 09 / 08

	N° WEEKS SOLD			NUMBER OF EQUIVALENT UNITS			SALES OF VACATION CLUB (IN '000 €)		
	2009	2008	%o/08	2009	2008	%o/08	2009	2008	%o/08
Premium	1,942	2,269	-14.4%	37	44	-14.5%	39,522	44,006	-10.2%
Meliá	1,033	1,251	-17.4%	20	24	-17.6%	12,775	15,672	-18.5%
Total	2,975	3,519	-15.5%	57	68	-15.6%	52,297	59,678	-12.4%



Throughout the year visits were made to 101 institutional investors in 11 road shows organised by a wide range of financial bodies.

7.2.3 Shareholder and investor relations

In 2009 the Sol Meliá Investor Relations Department has 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 and American cities (Madrid, Paris, London, Milan, Frankfurt, Geneva, New York and Minneapolis), private visits to Spanish and international investors, participation in seminars and tele-conferences throughout the year. All of these activities focused on increasing the transparency of Sol Meliá in capital and debt markets.

The road shows are used to report company performance and strategy to the markets, to provide a view of how events may affect results, and offer information on advances in distribution, research, development and innovation, the financial situation and the development of new hotels and new business units. In 2009 two road shows were also carried out for socially responsible investment groups.

Awards and appointments

The Vice President of Investor Relations, Carlos López, is Vice President of the Management Board of the Spanish Investor Relations Association. The First Iberian Seminar organised by the Association took place on 26 and 27 November, becoming one of the most important events the Association has ever organised. For the first time ever, the event was coordinated with the Portuguese Investor Relations Association to organise a conference in which expert speakers analysed, presented and discussed ongoing issues in investor relations, related to the new economic, financial and market scenarios.

Minority shareholders

In relation to the ways that minority shareholders can make recommendations or discuss other issues with 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, by 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 rewards points which can be exchanged for free stays in company hotels, also provides access to a number of benefits in company hotels, such as the guaranteed lowest online rate (also available by telephone), priority booking, priority check-in, free newspaper,

free breakfast for companion, late check-out and priority in receiving exclusive offers. **mas** rewards **gold** shareholders, with more than 1,000 shares and holders of the **mas** rewards **gold** shareholder card, can also enjoy additional benefits such as an upgrade to a superior room, 20% bonus points for their stays, discounts in the à la carte restaurants, welcome gifts and more.

To join the Club, shareholders can register through the website or by phone with the Loyalty Department: 901 34 44 44 for **mas** rewards **blue** shareholders with less than 1,000 shares, and 901 10 00 02 for **mas** rewards **gold** shareholders. In addition to registration, **mas** rewards **gold** 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 45 15.

At the end of 2009, there were 157 **mas** rewards **gold** shareholders and 2,766 **mas** rewards **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 "Investor Relations" link on the Home page. The pages provide full information on finance 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 also contains updated information on quarterly results, the issue 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.

7.2.4 Socially responsible investments

Sol Meliá not only applies sustainability criteria to the new projects that it is developing but also to new hotels that become part of its portfolio. Of all the hotels that were added to the company in 2009, the sustainability features of three are worth highlighting:

MELIÁ BILBAO

The construction of the Meliá Bilbao includes a provision for access to all hotel areas for disabled guests, both in public areas and in five especially designed rooms.

From an environmental perspective, the hotel recycles all of the waste it creates (paper, glass, packaging, absorbent waste, etc.).

The Meliá Bilbao is a member of the Friends of the Guggenheim Museum Foundation which aims to promote the museum and its work. Since it opened, the hotel is also home to a gallery with an extensive collection of art and model boats. With regards to sport, the hotel cooperates with the Bizkaia Bilbao Basket Foundation to promote sport and healthy living.

The hotel also has a close relationship with different NGOs to help promote their causes, for example with the Bizkaia Down Syndrome Foundation in its programme to help people with Down Syndrome get work, and is the only 5 star hotel in Bilbao to employ a member of the foundation.

As well as recycling all of the waste it generates, the hotel has also installed 8 solar panels to save energy.

MELIÁ LUXEMBOURG

The construction of the Meliá Luxembourg was designed to be energy efficient, with superior heat and acoustic insulation and other elements to reduce energy consumption such as: human presence detectors, individual thermostats, energy saving light bulbs, air curtains, etc. There are no boilers nor refrigerators for heating or cooling the building, as the supply comes directly from the city, saving a lot of energy as there is no need to produce nor store it.

The hotel applies rigorous recycling rules for packaging, paper and cardboard, glass, kitchen oil, organic waste, and other special waste products such as the treatment of dirty kitchen water. The hotel is currently working with the municipal company *SuperDrecksKesch*, which takes care of waste management, recycling,



Meliá Bilbao provides access to all hotel areas for disabled guests.

training and environmental certificates, a process that has already started in the hotel. The hotel is working on environmental certification with the Ministry for Tourism and Ministry of the Environment.

The hotel works with the *ADEM* employment office and has employed more than 50% of its personnel through the office. In May 2009 a project to help unemployed women back into the workplace market was started with the local employment office and hotel and catering school. Eight previously unemployed women took part in the training to be housemaids. The theoretical part of the course was given by the *ADEM* training department and by the hotel's head housekeeper.

MELIÁ DÜSSELDORF

The construction of the Meliá Dusseldorf has been done in such a way to allow access to public areas and guest rooms for disabled guests.

The energy supply for heating the hotel is provided by an alternative source (Local Municipal System), which has generated savings of 40% compared to conventional diesel oil or gas systems. The hotel is designed to be as efficient as possible. The hotel has automatic, intelligent control systems, digital lighting control systems, heat recovery systems and thermal and acoustic insulation.

The company has invested 63,929 euros in 4 hotels to adapt rooms for disabled guests, providing access ramps, proper lift facilities and the installation of swimming pool lifts, compared to 2,194,366 euros and 17 hotels in 2008.

7.2.5 Social cash flow or profit redistribution

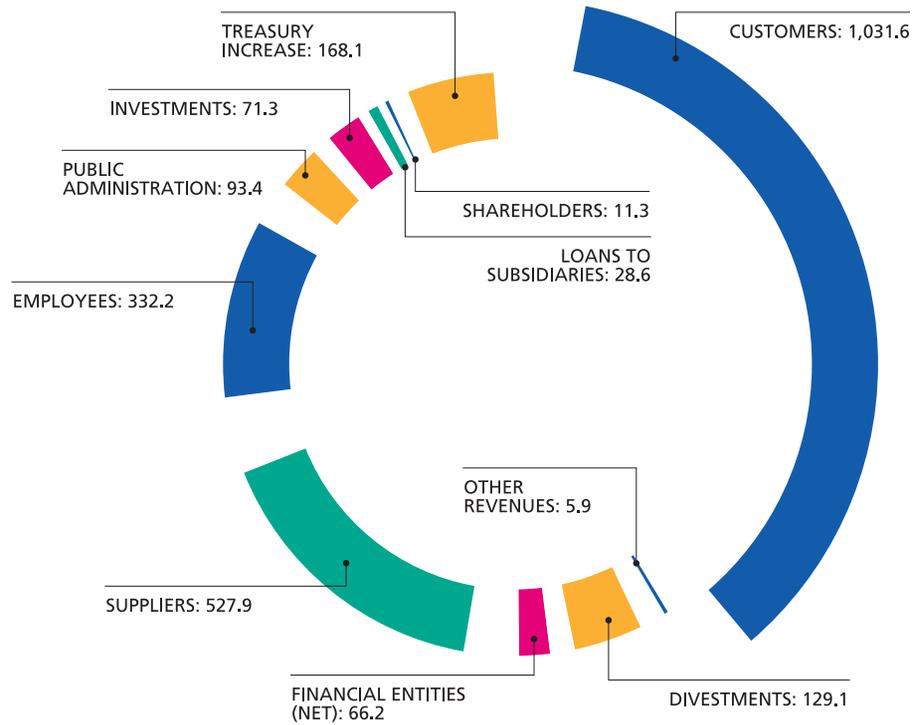
In 2009 Sol Meliá created more than 1,000 million euros of wealth, compared to more than 1,300 million in 2008, receiving 1,031 million euros from guests, compared to 1,241 million in 2008. This income allowed the company to pay 332 million euros to its employees, compared to 350 million euros in 2008; more than 93 million euros to Public Administration, compared to 100 million euros in 2008; 528 million euros to its suppliers, compared to 580 million euros in 2008; and nearly 12 million euros to its shareholders, compared to nearly 32 million euros in 2008. This is how the company creates wealth.

In 2009 the company invested more than 71 million euros to extend facilities, make general improvements and improve access to hotels; new hotels, brand equity and technology, compared to more than 180 million euros in 2008. Sol Meliá has received loans from the *Official Credit Institute* – a public business body associated with the Spanish Ministry of Economy and Finance – of 27 million euros, 15 million of which is part of a syndicated loan with 6 other financial institutions in Spain, 10 million belongs to the *Plan FuturE*, and 2 million are included in the Tourism Facility Renovation Plan.

Sol Meliá does not make any financial contributions nor contributions in kind to any political parties or related institutions.



In 2009 Sol Meliá created wealth of more than 1,000 million euros.



7.3 Evaluation and renovation of commitments to improvement

-  Achieved
-  Work In Progress
-  Ruled Out

Commitments 2009. Evaluation

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

Commitments 2010

Create a regular publication for shareholders to inform them about sustainable development issues and activities at Sol Meliá.

8

8. Commercial Value

8.1 Key Figures

| solmelia.com received **40.3** million visits in 2009
vs. 40 million in 2008

| **2,500,000** mas rewards members
vs. 2,250,000 en 2008

| more than **24,000** contracts signed with tour operators
vs. more than 26,000 in 2008

| **77.1%** of opinions about the company on the Internet
are positive
vs. 75.9% in 2008



Although there has been an increase of 4.5% on the Web room nights, turnover dropped by 7.4% due to the fall in the average price per night.

8.2 Relevant Issues

8.2.1 Sales

SOLMELIA.COM

In 2009 Solmelia.com continued to develop its design and technology, culminating in a full redesign of the look and feel of the site presented at FITUR in January 2010. New features include a more attractive, modern and functional design, a new way of presenting hotel rooms and prices which better highlights special promotions and discounts, as well as a more user-friendly reservation process in general. The website allows users to order hotel searches by price and there have also been major improvements in the presentation of hotel photographs and room descriptions.

Sol Meliá also became the first Spanish company to launch a hotel reservation system by mobile phone, a solution that allows users to search for and book rooms in any company hotel from their mobile phone.

Given that looking for information on our hotels and the services they offer are two of the most popular objectives for website

users, in 2009 the company created 55 additional hotel and segments websites, taking the total to 80 specific web sites that offer users direct and detailed information on hotels and their services and also improving their Internet positioning.

In 2009 the website was also affected by the economic crisis and sales decreased for the first time in eight years. Even though visits increased by 0.8%, from 40 million in 2008 to 40.3 million in 2009, and roomnights increased by 4.5% compared to 2008, total website sales decreased by 7.4%, from 126 million euros in 2008 to 118.9 million euros in 2009. This decrease was largely due to the decrease in the average room rate.

Tour Operation

Contracting at Sol Meliá is a centralised function involving the planning, negotiation, signature and monitoring of contracts between the company and international tour operators. In 2009 24,000 contracts were signed, compared to 26,000 in 2008, generating revenues of 481 million euros, compared to 431 million euros in 2008.

SUSTAINABLE FITUR

The stand at FITUR 2009 was built from recycled, reusable and sustainable materials, as part of our commitment to care for our environment.

The carpentry used recycled wood, which was also placed into special recycled wood containers afterwards in accordance with the FSC and PEFC forestry certification systems. Other parts of the stand (ceiling, graphics, furniture, etc.) were built around fully recycled and reusable metal structures. The graphics were printed with ecosolvent inks, which are soluble in water and have no toxic or harmful components. The lighting used low consumption but bright light bulbs.



Sol Meliá will implement a Sustainable Events programme in 2010.

Contracting is the basis for the Key Account Management structure introduced in 2007, in which each Key Account Manager carries out contracting and is responsible for the monitoring and monthly evaluation of the revenues their accounts bring to hotels. They also programme promotional activities (including private meetings, road show presentations, workshops, and stands at the major tourism fairs, amongst others) and also monitor sales forecasts for their key accounts to ensure correct decision making for the future.

In 2009 sustainable development criteria, were also added to contracts with tour operators obliging them to comply with guidelines on human rights and minimising the environmental impact of their activities.

In 2009 Sol Meliá organised 60 road shows in countries such as Spain, Germany and Russia, USA and Canada. It carried out door-to-door visits in Spain, Portugal, Italy, Belgium, Holland, Germany, Poland, Switzerland, USA, Canada and Latin America, took part in 12 international tourism trade fairs throughout the world, and carried out more than 30 training sessions at call centres, travel agent associations and European tour operator reservation centres.

Trade Fairs

Trade fairs are one of the most effective marketing tools and also an ideal forum for understanding the market and the latest industry trends. 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 2009, Sol Meliá took part in 12 tourism trade fairs in 10 countries throughout the world.

- BTL Lisbon
- FITUR Madrid
- ITB Berlin
- MITT Moscow
- IMEX Frankfurt
- IT&ME Chicago
- WTM London on the Turespaña stand
- CITM Kunming - China
- EIBTM Barcelona
- Meetings & Incentive Forums, in Prague and Algarve
- MEEDEX Paris

Meetings and Events

Sol Meliá Meetings and Events, previously called Meeting Sol Meliá (MSM), covers all the activities related to the product, service and professional teams in the conventions, incentives and events segment.

Sol Meliá offers a wide choice of hotels specialised in the management and operation of events, meetings and incentives, which are listed in an exclusive directory available on the website www.solmelia.com.

The specialist Meetings and Events sales force is present in more than 13 countries. Proximity to the market is guaranteed through careful account assignment, with key account managers responsible for the management of a portfolio of key accounts, and additional account managers focused on capturing new business in the conventions, congress and incentive market (CCI). Their sales management tasks are based on specialisation, identification of potential clients and the exclusive knowledge of the accounts that they manage.

Their work is supported by sales management teams at Corporate Headquarters managing commercial relations and operations which act as a link between hotels and the small and medium accounts that request groups and events.

Sol Meliá continues to make progress in this key market segment, introducing new and automatic ways of managing its business in hotels with specialised applications such as Delphi, the inclusion of our hotels in the online management of potential business and compliance by all of the specialist hotels with standard operational procedures which makes us more competitive.

Sol Meliá Meetings and Events closely follows and adapts to the latest trends, creating new products and programmes such as Last Minute Events (to capture short term business), Meeting Packages (to provide a consolidated and unique solution for customers) or the Sustainable Events programme which will be introduced in 2010.

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 provide extra value to clients.



Customer relationship management is one of the five strategic areas of the company.

The hotel distribution platform is 50% owned by Sol Meliá and 50% by Talonotel and has been in operation since September 2007, providing access for hotels to booking technology through several different distribution channels.

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 with 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
- Online marketing and website design

8.2.2 Customer knowledge

Sol Meliá hotels receive a huge number of customers every year, making customer focus and customer knowledge both 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.

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.

Unique customer vision



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.

With the Unique Vision project it is vital to ensure fulfilment of the Data Protection Law, a regulation that governs the use and treatment of customer information. A series of adjustments in the systems and processes have been carried out since April 1st, 2009 which have allowed us to adapt to the new requirements of the law.

The improvement in processes in customer information acquisition have allowed us to increase the number of customer files in the CRM centralised data base to 6 million, of which 2 million have indicated they are willing to receive commercial information by e-mail.

The improvements in systems mean the customer profile can now store room or service preferences, such as a preference for rooms on *The Level*, and customer hobbies and interests, all of which may be indicated by the customer themselves using solmelia.com, and thus allowing us to better personalise our hotel services and communications.

In order not to bother our customers too much and observing the best practises of "permission marketing", customers themselves can decide which channel (or channels) they would like to use to receive our personalised promotions, choosing from one or several of the following options: e-mail, SMS, post or telephone.

Customer knowledge

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

To offer our customers better service which is also better adapted 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 and statistical models. The diversity of the Sol Meliá offer means we have very heterogeneous customers. By using segmentation techniques we can identify groups of customers with a similar typology and behaviour, allowing us to adapt to their particular needs and preferences.

Each customer is "unique" and for us to best adapt to their needs, we not only need to know what they buy, but also predict when and where they buy. To do this we have introduced a "1 to 1" marketing strategy of offering personalised communication to each customer in accordance with the stage they occupy in the customer lifecycle.

8.2.3 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.

Sol Meliá's current partners

- 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)

Customers by nationality 2009

	2009	2008
Spain	36.2%	34.30%
United Kingdom	14.7%	13.50%
Germany	11.2%	12.10%
USA	7.5%	8.30%
Mexico	3.5%	2.80%
Italy	3.4%	3.70%
France	2.4%	2.70%
Venezuela	2.1%	3.70%
Canada	2.1%	2.10%
Russia	1.9%	2.30%
Others	15.0%	14.50%
TOTAL	100.0%	100.0%



Our central database contains information on 6 million customers of which 2 million have expressed their will to receive commercial information by e-mail.



The mas rewards 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** rewards 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** rewards members has steadily increased and the programme has also increased its number of partners and employee members. At the end of 2009 we had 2,500,000 **mas** rewards members.

Mention must also be made of the **mas** rewards online service at solmelia.com, allowing members access to their accounts, statements and gift catalogues, etc., making access to real-time information easier and also promoting direct communication with members. E-mail newsletters are also sent to **mas** rewards members with all the programme's latest news, offers and features. In 2009 there were 861,160 **mas** rewards members registered online, compared to 900,000 in 2008.

Club Amigos programme

Sol Meliá launched another loyalty programme in Germany and Switzerland in 1997. *Club Amigos* aimed to attract travel agents that sell company hotels, get to know them better and earn their loyalty. After its extensive 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 Virtual Club Amigos (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** rewards members 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.

8.2.4 Quality control and guest satisfaction

Sol Meliá works hard to ensure guest satisfaction, as we understand that our guests are the principal reason d'être of all of the company's activity. It has a sophisticated and integrated quality control programme based around four key tools described below, which allow us to evaluate whether we achieve the high quality levels that we wish to provide our customers.

Online satisfaction questionnaire (Market Metrix)

As a market leader in hospitality, Sol Meliá has been working for two years on an online customer survey system which sends a customer satisfaction questionnaire adapted for each of our brands by e-mail after our guests' stay. The main advantages of the system is that it allows us to see current and up-to-date opinions on our own hotels as well as the satisfaction levels of our competitors in addition to more focused and more extensive information on our guests.

In 2009, Sol Meliá received 143,565 completed questionnaires which indicated a global guest satisfaction rate of 79.7%, compared to 79.9% in 2008.

	Customer satisfaction score		Value for money score	
	2009	2008	2009	2008
Paradisus	86.9%	86.6%	79.6%	82.30%
ME by Meliá	86.5%	87.5%	80.3%	81.30%
Gran Meliá	83.2%	82.4%	76.9%	76.10%
Meliá	80.3%	80.0%	78.2%	76.20%
Tryp	78.1%	78.2%	77.3%	76.80%
Sol	79.7%	80.1%	76.4%	78.30%

We should highlight here the results with regard to value for money obtained by the Paradisus and ME by Meliá brands, the most highly appreciated of our brands, having also achieved ratings higher than their competitors in 2009.

Brand audits

This tool allows us to assess the degree of standardisation of each of our hotels and, in the broadest sense, the level of standardisation in our brands.

Specialist brand consultants visit each hotel and evaluate their services and facilities. After the visit a report is prepared with the results of the evaluation which are then extrapolated in an action plan which defines all of the improvements required.

In 2010 an improvement in our quality control system will provide hotels with a tool to carry out periodic self-evaluation with respect to the standards of the brand, allowing them to establish regular action plans in the areas that need improvement.

In 2009 the company included two questions on sustainability in the customer surveys, the results of which will be obtained in 2010.

ASOMO: Monitor web 2.0

Sol Meliá uses this tool to monitor and analyse all of the comments made about the different brands and hotels in various web 2.0 media (forums, blogs, independent webs, etc.). This allows us to understand how the market sees us, discover new customer needs and assess the satisfaction with new products that we have brought to market.

In 2009, 77.1% of opinions on the Internet about Sol Meliá were positive, compared to 75.9% in 2008.

Incidents

Whenever a guest wishes to make a positive or negative comment about their stay, Sol Meliá provides different ways for them to do so; directly in the hotel during their stay or afterwards via the Quality Control Department at corporate headquarters. The department handles the comments with the hotel in question and ensures a reply is sent

out within 48 hours to the guest. In 2009, 85.2% of replies to the 2,135 reported incidents were sent out within the time limit, compared to 86.64% of the 2,500 comments in 2008.

Sol Meliá has not detected any situations of failure to comply with legal requirements in relation to marketing communications.

8.2.5 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 cross 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 signal 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.

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 minority groups. Some brands have a special menu for celiacs, athletes, children and low calorie diets.

8.2.6 Data protection

Throughout 2009 Sol Meliá has been implementing the Action Plans, recommendations and other measures defined in the Data Protection Audit and adapting to the new law (Royal Decree 1720/2007, of 19 January) in its different corporate and business areas.

In Spain there was only one situation in which the Spanish Data Protection Agency required prior information about the installation of a video security surveillance system in a hotel. The procedure was resolved by the Directorate of the Spanish Data Protection Agency on 24 February 2010 accepting the allegations of Sol Meliá S.A. and deciding to not take any punitive measures against the company.

There are no such cases outside of Spain.

8.2.7 Inclusive actions

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

The campaign began a pilot programme in December 2008 with the Tryp brand, followed by the progressive introduction depending on available resources into the Meliá brand throughout 2009.

With regard to investments in accessibility, the company invested 63,929 € in 4 hotels in 2009, compared to the 2,194.366 € invested in 17 hotels in 2008, to adapt rooms for physically disabled guests, installing ramps, adapting lifts and installing access facilities in swimming pools.

This big difference between 2009 and 2008 in investments is due to the application of the cost reduction action plan within the overall company Contingency Plan.

8.3 Evaluation and renovation of commitments to improvement

 Achieved

 Work In Progress

 Ruled Out

Commitments 2009. Evaluation

 *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.*

In 2009 the accessibility guidelines were included in the company's Design and Construction Manuals after review with the ONCE foundation.

 *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 existence of any related claims.*

Throughout 2009 a matrix of responsibilities based on the RACI (Responsible-Accountable-Consulted-Informed) model was prepared at all levels in the company to allow the identification of roles and responsibilities in an organisational process and ensure compliance with data protection regulations. This model will be progressively introduced on an international level.

 *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.*

The training of Meliá brand personnel started in 2009.

 *Hotels which have any type of sustainability certificate will carry out measures to directly involve guests.*

In 2009 only one communication activity was carried out which consisted of a letter from the General Manager to every guest that stayed at a Biosphere Hotel informing them that the hotel had obtained a sustainability certificate and explaining the company's sustainability policy.

Commitments 2010

Sol Meliá will continue to implement the 2009 commitments, and will add the following:

Hotels that have any type of sustainability certificate will carry out 2 measures to directly involve guests.

A Manual on Ethical and Responsible Advertising will be created.

The mas rewards programme will carry out activities related to "sustainable mas rewards".

9

9. Business Value

9.1 Key Figures

8,778 suppliers

vs. 8,589 in 2008

2.72 million euros in purchases from special employment centres

vs. 3.14 million euros in 2008

9.2 Relevant Issues



When selecting a supplier Sol Meliá evaluates, amongst other criteria, the observation of human rights.

In terms of relations with our suppliers, Sol Meliá considers itself an “extended” company in the sense that it not only manages its own value chain, but also takes into account the rest of the links in the chain of industry, from the guest to the suppliers of raw materials.

9.2.1 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
- Non violation of human rights

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

Sol Meliá is unaware of any violation of human rights by any of its contractors or suppliers in their working practises in 2009.

9.2.2 Process improvements and automation

Continuing with process automation, 2009 was a year for implementing the working model used in Spain in hotels in Italy, Mexico and the Dominican Republic. The positive results seen through monitoring the number of agreements loaded on the system means that hotels are obtaining supplies without wasting time checking prices or searching for suppliers.

As these countries still do not have 100% of their agreements loaded on the system, there have been some improvements in time savings, but not as much as the results achieved in the first year after implementation in 2008.

Important financial savings and reductions in the management time have also been made through the use of auctions in the negotiations for perishable goods.



In 2009 Sol Meliá invested 2,702,360€ in purchases from special employment centres.

The company also began a project to renegotiate and consolidate maintenance agreements in hotels, generating important financial savings and an improvement in synergies.

Also the new purchasing tool continued to be implemented throughout 2009, providing greater flexibility in the adaptation to business requirements, direct financial savings and a reduction in human errors. Although the platform was expected to be implemented throughout the whole of Spain in 2009, this objective was not fully achieved.

The platform is now scheduled to be fully operational in Spain by the end of the first quarter of 2010. As a consequence, the implementation of the tool into other countries has been delayed until 2011.

The Purchasing Department has also participated in the renovation and opening of hotels, being responsible for the contracting of specialist equipment and facilities.

As part of the agreement between Sol Meliá and Marcilla in which the company intro-

duced Marcilla Good Origin coffee in all of its Meliá hotels, a sustainable product in its entire manufacturing process and also certified by *Utz Certified*, in 2009 more than 8,000 kg of the product were consumed.

9.2.3 Purchasing statistics

The volume of data processed in the system and from which the Purchasing Department gets its information about purchasing patterns according to geographical location, category and hotel brand for 2009 were:

- 8,778 suppliers receiving orders in 2009, compared to 8,589 in 2008.
- The total volume of purchases made via a purchase order in 2009 by hotels and corporate offices was 235,515,986 €, compared to 449,695,889 € in 2008.

In 2009 Sol Meliá invested 2,702,360 € in purchases from special employment centres, compared to 3,146,303 € in 2008.

Amount of local suppliers per country

Number of suppliers per country

Purchases	2009	2008
Spain	3,108	2,950
Mexico	2,065	2,038
Dominican Rep.	942	884
Brazil	536	562
Venezuela	393	373
Peru	379	379
Costa Rica	267	266
Italy	227	186
Puerto Rico	226	250
Germany	203	180
Chile	125	138
UK	113	117
France	112	87
Argentina	89	94
Luxembourg	57	0
Portugal	0	85
TOTAL	8,778	8,589

		% of local suppliers	
		2009	2008
Spain	152,149,678,17 EUR	98%	98.58%
Dominican Rep.	36,978,440,59 EUR	96%	95.95%
Mexico	19,706,228,69 EUR	100%	97.30%
Venezuela	5,192,888,24 EUR	100%	99.85%
Costa Rica	5,084,078,47 EUR	96%	95.52%
Germany	4,012,557,96 EUR	95%	99.57%
Italy	3,088,709,72 EUR	95%	95.69%
Puerto Rico	2,948,676,49 EUR	94%	91.07%
UK	2,019,781,97 EUR	92%	91.10%
Brazil	1,742,032,05 EUR	100%	100%
France	855,953,61 EUR	86%	83.92%
Peru	846,230,93 EUR	100%	99.34%
Luxembourg	388,575,95 EUR	66%	0%
Chile	361,833,29 EUR	100%	100%
Argentina	140,320,78 EUR	100%	100%
Portugal	0 EUR	0%	93.77%
TOTAL	235,515,986,91 EUR	98%	97.8%

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

9.3 Evaluation and renovation of commitment to improvement

 Achieved

 Work In Progress

 Ruled Out

Commitments 2009. Evaluation

 *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 is immediately cancelled. The company applied this measure in 2009.*

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

 *Monitoring through SAP the acquisition of recycled products to record their percentage of the total.*

Commitments 2010

Work will continue on the 2009 commitments, plus the following:

New system of objectives for 2010. New objectives have been introduced to extend the application of the basic principles of the Sol Meliá Purchasing Policy. The monitoring carried out in 2010 will control new parameters which must bring greater cost reductions for the company and guarantee that different departments are following the guidelines.

Develop a new Control Dashboard to improve the monitoring of the most important purchasing indicators in the different offices in the countries in which we operate.

Finalise the first stage of the renegotiation and consolidation of all maintenance agreements for hotels in Spain.

10

10. Media Value

10.1 Key Figures

157 press releases

vs. 82 in 2008

6,107 appearances in the media

vs. 5,202 in 2008

5,513,936 € value of appearances in European PR network

10.2 Relevant Issues

10.2.1 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 2009 the Communication Department prepared 157 press releases for the Spanish and international media, compared to 82 in 2008; all of them available in Spanish and English in the press room on www.solmelia.com.

In 2009 two of the three meetings Sol Meliá committed to in 2008 were carried out with media specialising in Corporate Social Responsibility: a breakfast in February and a more specific contact after the press conference on Biosphere Hotel certification in November 2009.

10.2.2 Summary of appearances

In 2009, Sol Meliá appeared 6,107 times in the media in Spain, compared to 5,202 in 2008, an average of 16.73 appearances per day, compared to 14.25 in 2008. Throughout the year, this means that Sol Meliá was seen by an audience of more than 1,300 million readers, compared to the almost 1,000 million in 2008, an average of 3,683,276 readers per day, compared to 2,733,603 in 2008. The estimated financial value of these appearances is 3,908,242 €, occupying 575 full pages in the media, compared to 3,760,124 € and 570 pages in 2008. In the media in the UK and Germany, the estimated financial value of appearances for 2009 was 1,277,695 €.

Public relations appearances on national radio should be added to this amount, estimated at 328,000 €.

In North America media communication was managed directly by the premium brands marketing team together with a communications agency. In total, the media appearances were estimated at a financial value of 109,737,792 \$ (approximately 78,919,030€). This estimation is much higher than the value of the actions of the PR Network in Europe due to the greater number of readers in North America.

Media appearances in Spain

BRANDS	N° OF APPEARANCES		SPACE IN PAGES		ESTIMATED FINANCIAL VALUE		NUMBER OF IMPACTS	
	2009	2008	2009	2008	2009	2008	2009	2008
SOL Meliá GROUP	2,104	1,734	240	94,30 Pág,	1,623,124	1,112,635,05	422,519,000	294,032,000
Meliá HOTELS & RESORTS	2,526	2,415	183	229,19 Pág,	1,059,776	1,376,053,34	591,014,000	477,015,000
SOL Meliá VACATION CLUB	13	9	5	0,34 Pág,	21,910	2,314,25	4,455,000	1,022,000
DANI GARCÍA	509	199	65	25,82 Pág,	421,017	151,637,02	111,405,000	51,589,000
ME BY Meliá	178	124	38	21,21 Pág,	483,581	255,321,46	109,791,000	85,696,000
SOL HOTELS	178	24	4	3,85 Pág,	64,602	24,131,56	6,020,000	2,557,125
PARADISUS RESORTS	25	5	6	1,67 Pág,	77,773	1,069,32	6,052,000	669,000
TRYP HOTELS	574	692	35	93,83 Pág,	156,458	836,962,63	93,140,000	85,185,000
TOTAL	6,107	5,202	575	570,21 Pág,	3,908,242	3,760,124,63	1,344,396,000	997,765,125

In compliance with one of the commitments to improvement in 2009, the media impacts related to Good Governance and Corporate Social Responsibility were registered throughout the year. The number of impacts in 2009 was 77, with an equivalent space of 10.03 pages and an estimated financial value of 98,247 € and viewing by 15,530,000 people.

The distribution of the impacts according to the tone of the information was predominately neutral. 24.7% of the impacts were positive, 67.9% neutral and only 7% were negative in tone.

10.2.3 Advertising and sponsorship

Although Sol Meliá does not adhere to any written ethical media code, company global sustainability policy and the traditional values of a family-run business ensure that actions carried out always respect basic ethical principles such as no sexual discrimination and no child exploitation.

In 2009 Sol Meliá carried out the following sponsorships and publicity activities:

- **Round the World Yacht Race** - Alicante 2008- 2009 (ending in December 09)
- The tennis players **Fernando Verdasco** and **Tommy Robredo**
- **RCD Mallorca** football club (September 09 – June 2010)
- **Nuria Fergó**, as part of concert tour to benefit people with Down's Syndrome.

10.2.4 Public relations

At the end of 2008 Sol Meliá set up a PR Network consisting of a number of communication and PR agencies which act as communication 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 and the UK, which, together with Spain, are the countries of origin of the majority of our guests. The contract with Russia was rescinded due to reductions in flights to company destinations.

Each of the PR agencies creates a communication plan for each brand and business, adapting it to each country.

Their actions and performances 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.

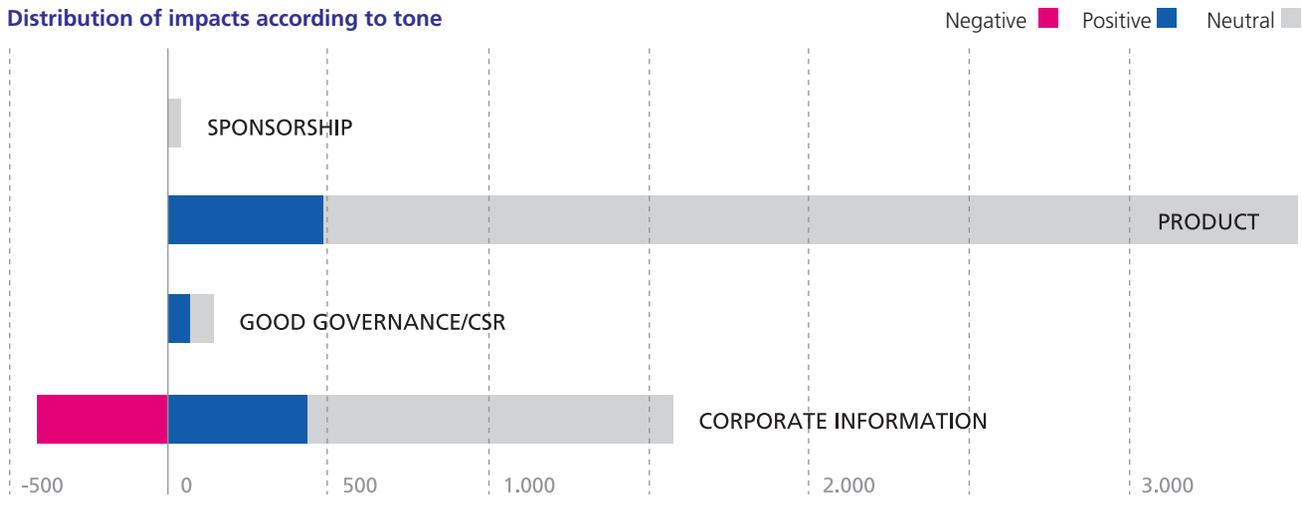
We also need to add to this network the PR agencies which cooperate directly with some company hotels to maximise resources and opportunities.

The estimated financial value in 2009 was 1,277,695 € (including Russia up until May).

In 2010 the agencies in the USA and Mexico will be integrated into the PR Network with the objective of consolidating the synergies between these countries.

The actions on Spanish radio and appearances in the press of the PR Network bring the grand total of the estimated financial value of appearances to 5,513,936 €.

Distribution of impacts according to tone



10.3 Evaluation and renovation of commitments to improvement

- Achieved
- Work In Progress
- Ruled Out

Commitments 2009. Evaluation

The impact in the media of sustainable development / social responsibility items will be registered.

The company will work to create specific codes of conduct in advertising and marketing which act as guidelines for all communication.

Throughout 2009 the guidelines for the creation of the code of conduct in advertising and marketing were defined in work groups.

At least three meetings per year will be held with media specialising in sustainable development / social responsibility

Commitments 2010

Work will continue on the commitments set for 2009, plus the following:

Get greater coverage for sustainable development projects in the hotels through the Check In magazine.

There will be 2 more meetings with specialist media, complemented by greater knowledge of the company's different areas of activity (Brazil, Asia, etc.).

Integration with the PR Network of the agencies in USA and Mexico to take advantage of synergies between the different countries.

Corporate Information

Corporate Headquarters

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Corporate Headquarters Madrid

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Corporate Headquarters South America

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Sol Meliá Vacation Club

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Sustainable Development Department

desarrollo.sostenible@solmelia.com

General Shareholders' Meeting

Palma de Mallorca
Date: 2 June, 2009
Place: Hotel Gran Meliá Victoria
Dividends payment: 0.051 euros per share

Investor Relations Department

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

Communication Department

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Shareholders hotline

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Date of the most recent previous annual report: 2008

External Auditing Company
of the Financial Report
Ernst & Young

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902 14 44 44
GDS access codes:
AMADEUS:SM
GALILEO:SM
SABRE:ME
WORLDSPAN: SM

About this report

1.1 Preparation method

The objective of the Sustainability Report 2009 is to provide information to all company stakeholders regarding financial, environmental and social results for 2009. Sol Meliá is also responsible for providing truthful, comprehensive and relevant information for all of its stakeholders.

This year there has been progress in the consolidation of the reporting model introduced last year, adding case studies in fact sheets at the end of the report and the contribution of stakeholders, implementing the evaluations and suggestions of the Panel of Experts. Sol Meliá thus comes close to the standards required by European regulations. This is also the first Sol Meliá Annual Report subjected to review and validation by GRI.

Our Sustainability Report 2009 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. This year we have responded to 100 GRI indicators compared to 84 in 2008.

1.2 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 2009.
- The report includes quantitative, performance-related, qualitative, strategic and narrative information from all sustainability-related points of view: financial, social, cultural, labour-related, and 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 indicate the degree of consolidation of the information. Sol Meliá understands that this is one of its most important commitments to improvement in the 2010 Report.

1.3 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 consolidation of the information.
- Improvements in two-way communications and dialogue with all stakeholders.
- Greater internal distribution of the Sustainability Report 2009.

1.4 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.

1.5 Your opinion / feedback system

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

Institutional Office and Corporate Diplomacy:

gabinete.institucional@solmelia.com

Sustainable Development Department:

desarrollo.sostenible@solmelia.com

Communication Department:

comunicacion@solmelia.com

Or visit the Sol Meliá sustainable development website at the following link:

<http://www.solmelia.com/desarrollosostenible>



BUILDING OUR LEGACY

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. 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 satisfy before 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 with that environment 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 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, will benefit us all, and will allow us

to continue to grow together, evolve, and adapt to our 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 on 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 reduced energy and water use and a reduction in emissions, always seeking greater efficiency and containment in the use of natural resources, and managing our waste products in a responsible manner.

Secondly, our commitment is also 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, providing space for 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 constant 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, respectful of our competitors and focusing on cooperation and partnership with different social organisations in seeking solutions to environmental, social and cultural deficiencies which will drive us towards a society where responsibility is shared and where the needs of all are covered in a more balanced, just 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 global 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 aim to be the best hotel company in the world, but we do aim to be a standard bearer for achieving a better world.

Sol Meliá Board of Directors
Palma, 25 November, 2008.



The strategy for dialogue and sustainable development foresaw the creation of a Panel of Experts to evaluate and constructively criticise Sol Meliá activities with regards to sustainable development and social responsibility.

The panel allows Sol Meliá to involve and consult noted external individual experts, independent professionals, and members of non-profit institutions with experience in social, environmental or cultural issues.

The panel creates an area of trust between the company and stakeholders in which everyone can speak freely in the search for common goals. This implies the commitment to respond to stakeholders' requirements, to create a mechanism for dialogue and to guarantee that the requirements are taken into account when defining company strategy.

EXPERT

Antonio Millán Moyá	General Secretary of the Spanish Business Federation of Special Employment Centres
Ignasi Carreras	Director of Social Innovation Institute, ESADE
Isabel Roser Hernández	CSR Programme Manager at the Carolina Foundation
Jaime Gregori Soler	Director of Fundraising and Business Partnerships, Red Cross
Javier Rey-Maqueira Palmer	Professor of Applied Economics. Balearic Islands University
Joaquín Tintoré Subirana	Research Professor at CSIC at the IMEDEA (CSIC-UIB)
Juan López de Uralde	Executive Director Greenpeace Spain
Luis Ignacio Ramallo Massanet	President of the Spanish Cooperation Committee for UNESCO/ Member of the Responsible Tourism Institute
María Rodríguez Sánchez	Expert in CSR and Honorary President of CECU and President of CECU Madrid (Spanish Consumer Federation)
Paloma Escudero Pérez	Managing Director Unicef Spain
Valentín Giró	Specialist in Stakeholder Dialogue, Natura Foundation
Víctor Viñuales Edo	Director <i>Ecología y Desarrollo</i>

The first Panel of Experts was held in November 2009. The day was divided into 4 sessions to analyse the Sustainability Report

2008 and discuss its strong points and aspects in need of improvement.

Strong points*

- Paper on which the report was printed
- The effort made to adapt to the GRI guidelines
- Policies on local suppliers
- The sincerity, goodwill and good intentions that the report itself demonstrates
- It is an ambitious report, showing a clear willingness to deal with uncommon matters, particularly one important aspect: the employment of people from special employment centres.

* Sol Meliá aims to maintain these aspects given their positive evaluation by stakeholders.

Aspects in need of improvement	What has been done?
The need to contextualize the data.	In the 2009 report all figures have a comparison to the previous year (where possible), and includes further contextualisation.
Excess of economic information. Difficult to find specific data on other subjects.	More emphasis has been given to sustainability, human value and environmental value.
Lack of any unfavourable results and trends.	Explanations of differences where results are worse in 2009 than in 2008 are included.
Excess of central corporate information, and a lack of information on the daily operations in hotels.	Balance has been sought between corporate information and information from business units, but there is still room for improvement.
With regards to employment, there is no data on salaries by country nor origin of managers: how many are local and how many are Spanish? Need to improve union indicators.	This has been addressed in the 2009 report. See Human Value chapter.
External verification. Need to seek verification from companies that do not indulge in socially irresponsible practises.	The degree of compliance with GRI indicators has been approved by the GRI itself. There is still no external verification.
Need for objective examples of the systematic dialogue with stakeholders which are explained in the report.	Each one of the report's chapters is aimed at one of our main stakeholders. In them specific actions related to the stakeholder are addressed.
Need to include data on consumption by hotel type.	We have not been able to include this information in the 2009 report, but we are working on it for the 2010 report.
Need to include guest satisfaction levels, as well as data on guest questions and complaints.	Data included in Commercial Value chapter.
Need for more information on corporate governance as its absence reduces the legitimacy of the report.	This information can be found in detail in the company's Financial Report. Last year this information wasn't correctly referenced in the Sustainability Report 2008, but this has been corrected in this year's report.
Need to include more local information as this gives the report more credibility and depth.	Although this information has been expanded in the 2009 report, we are working on greater depth for the 2010 report.



UNICEF and Gran Meliá Fénix: *Plumpy Nut* Project

The Gran Meliá Fénix, winner of the company “Solidarity Hotel 2008” award for its cooperation with A.L.P.A.N. (food programme for disadvantaged people), decided to use the prize amount to start a pilot cooperation programme with the UNICEF *Plumpy Nut* Project in order to test different techniques, check their effectiveness and export them to other hotels.

The project focuses on the prevention and treatment of infant malnutrition through “ready-to-use therapeutic nutrition” which is highly nutritious and based on dried fruit and nuts; a true revolution in the fight against malnutrition. Each dose of *Plumpy Nut* costs 0.32 €; and the full four-week treatment for a child with severe malnutrition costs 28 €. This treatment could save the child’s life. The cooperation involved different techniques and actions:

The main focus of activity consisted of a one euro donation to UNICEF charged directly to guest’s hotel bills. Guests were informed about the project through a brochure left on the bed in the evening (1). At check-out they were reminded about the donation and told that they could cancel the amount and have it removed from the bill, maintain the donation or increase the amount.

To involve all the employees, the UNICEF project was presented at the Open Day which the hotel organises regularly with staff and their families and friends. In 2009 the day was organised around a presentation of *Plumpy Nut* and UNICEF. A charity auction

and arts and crafts workshops were also held to get everyone involved in the fight against malnutrition. In previous years everyone who visited the Open Day received a memento, but on this occasion they all got a UNICEF Blue Gift (2), equivalent to the daily dosage of *Plumpy Nut* for two children.

On 20 November, Universal Children’s Day, the 20th anniversary of the Convention on the Rights of the Child, and the beginning of the Christmas Campaign, the cooperation was reinforced by a presentation on an interactive screen (3) in the hall together with a poster (3) with an image and message. All the employees wore blue UNICEF-UNITED FOR CHILDREN bow next to their name tags, which also raised awareness about the project amongst staff and guests.

At Christmas 5 € was donated for every person that attended the New Year’s Eve Gala Dinner and every person that attended a business meal over the Christmas period.

The different actions also encouraged employees to contribute to the fund, and thanks to their Christmas bonuses the donation from employees was nearly as big as the one from guests at the Christmas Galas.

Finally, the Gran Meliá Fénix multiplied by 5 the amount raised by guests, also thanks to the funds raised at the “Charity Flea Market” in which employees could buy linen and televisions at symbolic prices. Thanks to all this effort, UNICEF will be able to buy a month’s treatment for 328 children suffering from severe malnutrition.

This pilot project in cooperation with UNICEF has begun to be exported to other company hotels, such as the Meliá Barcelona, who added their support to the initiative in November.

Funds raised by Gran Meliá Fénix for Unicef (EUR)	€
UNICEF BLUE GIFT	304.00
CHARITY AUCTION DURING OPEN DAY	738.00
GUEST CONTRIBUTIONS	1,052.00
CHRISTMAS BANQUET CONTRIBUTION	2,500.00
EMPLOYEE CHRISTMAS BONUS CONTRIBUTION	1,000.00
GRAN MELIÁ FÉNIX DONATION	5,365.00
GRAND TOTAL	10,959.00

(1) GUESTS' INFORMATION BROCHURE

HELP US IN THE FIGHT AGAINST CHILD MALNUTRITION. More than 3 million children under the age of 5 die every year from malnutrition. UNICEF is working to prevent and treat this problem to reduce infant mortality. If you allow us to increase the bill for your stay by just 1€, we can provide enough Plumpy Nut therapeutic nutrition for one child for one day. With 10€, UNICEF can buy the Plumpy Nut needed for a child to get over severe malnutrition. Gran Meliá Fénix promises to double the total amount raised by guests and employees. MANY THANKS FOR YOUR HELP. TOGETHER, ANYTHING IS POSSIBLE. If you wish to make a larger donation or if you do not want to take part in the project, please inform a member of our front desk team.

(2) TEXT FOR EMPLOYEES – UNICEF BLUE GIFT

Dear friends, this year we want to make the memento of our Open Day 2009 a bit different and more charitable and that's why we have chosen the UNICEF Blue Gift. Thanks to the Blue Gift, for every single one of you we have bought 6 sachets of UNICEF Plumpy Nut which will be given to children suffering from severe malnutrition in developing countries.

(3) INTERACTIVE SCREEN PRESENTATION AND POSTER

20 NOVEMBER, UNIVERSAL CHILDREN'S DAY. UNITED FOR CHILDREN, UNITED IN THE FIGHT AGAINST CHILD MALNUTRITION. IF YOU WOULD LIKE TO HELP, TELL OUR FRONT DESK TEAM. MANY THANKS FOR YOUR HELP. TOGETHER, ANYTHING IS POSSIBLE.



The Sol Meliá Control Panel

The Sol Meliá Control Panel is one of the most important management tools to provide support for and monitor the achievement of the objectives defined in the Strategic Plan 2008-2010.

The Control Panel provides a global and holistic view of the company's main objectives and the degree of achievement of their related targets. This tool is common to all of the organisation and so allows us to see the relevance of all the company areas through the selection of its key indicators, many of which are not related to financial objectives

but rather to intangible aspects of the organisation itself. This global view also allows us to appreciate and understand the cause-effect relationship between indicators.

From a theoretical or academic point of view, there are many ways to set up a Control Panel, from a focus mainly on monitoring metrics and indicators (Control Panel) to much more structured and complex systems such as the Balanced Scorecard with its four analytical perspectives (financial, customer, process and personal development-learning).



The Sol Meliá Control Panel may be considered a hybrid model of the above. Although it has a relational and conceptual framework to manage results with a system based on the Balanced Scorecard, it is also a much more practical model in line with the organisational needs for information.

The Sol Meliá Control Panel is therefore built around the company's strategic objectives, incorporating in each of them the main indicators related to the achievement of the most important objectives.

There is also a section on the main indicators related to company financial performance meaning that all of the key information on the company is covered in one single report.

The current market situation and the related Contingency Plan have meant that the Control Panel has been adjusted to monitor more operational variables and indicators often linked to specific areas and departments.

This has been covered by the adaptation of some of the existing Control Panel areas along with the development of an Operational Control Panels, linked to each of the four action areas in the Contingency Plan.

A section on the Employee Portal has also been made available to key personnel to communicate and share news on progress in the action areas. The projects in each action areas as well as quarterly information on the degree of achievement of objectives are also distributed to the rest of the organisation to ensure the alignment of all the company's business and corporate areas.



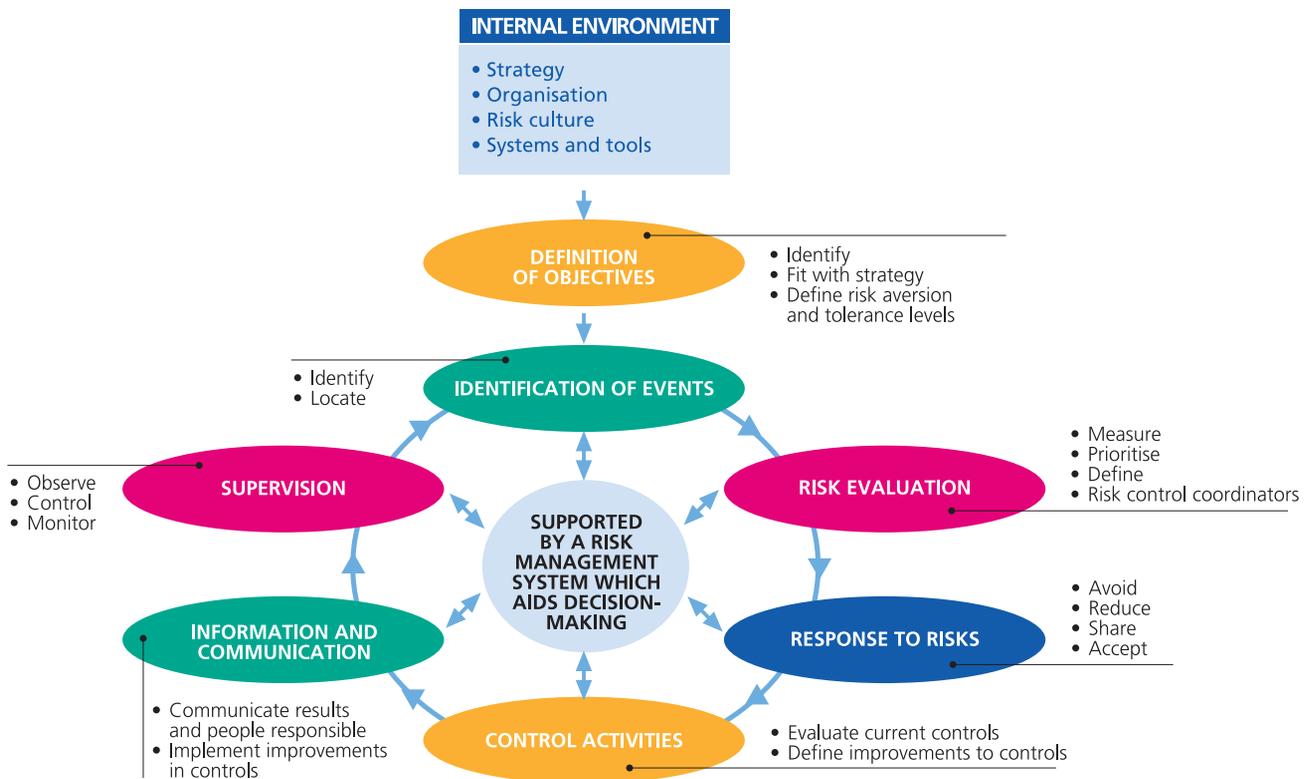
One of the four action areas defined by Sol Meliá to focus the company's activities in 2009 is to guarantee responsibility for Risk Management as a major factor in company activities.

Within this action area in 2009 the company has updated the Sol Meliá High Level Risk Map with the cooperation, support and advice of PriceWaterhouseCoopers.

In general, a culture of risk management is a set of shared attitudes, values and practises which define how the company confronts "day to day" risks, as a value in itself and without requiring specific rules on how to behave.

The model and methodology for Risk Management used in updating the Risk Map are based on eight components in the Integrated Risk Management Framework (COSO II) illustrated below:

Risk Management Comprehensive Framework



As a consequence of the projects carried out in the above-mentioned action area, as well as updating the Risk Map, there is also now a structured, consistent and continuous process across the entire organisation which involves the identification, evaluation, measurement and reporting of threats and opportunities that affect the achievement of objectives.

This process also allows all company employees to improve their comprehension and management of risk. This means that decisions taken by the company are more informed, and have:

- Awareness and acceptance of responsible risk.
- Support in decision making for management.
- Improvements in results.
- Reinforced responsibility.

The great challenge, in which we are already working, is to consolidate this risk and control culture and ensure it is passed down from management to all levels in the company.

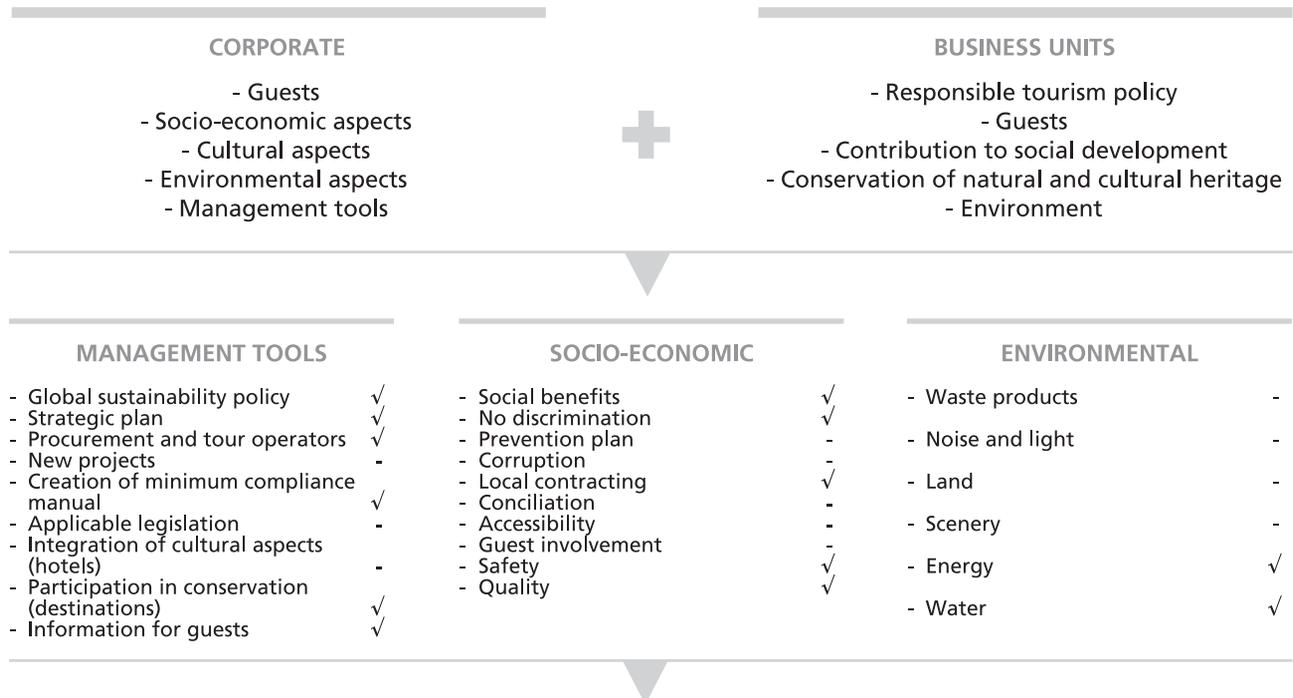


Sol Meliá is the first company to be certified as a Biosphere Hotel Company. This certification includes social, environmental and cultural requirements at all levels in the company and applies these requirements to the relationship with all of our stakeholders. To achieve the certification, Sol Meliá has successfully completed an exhaustive analysis of its activities from the perspective of sustainable tourism:

- Definition of environmental, socio-cultural and economic aspects affected by Sol Meliá's activities to evaluate its influence on the environment in which it operates.
- Analysis of the policies and operational principles developed by Sol Meliá with regard to these aspects.

- Analysis of the operational criteria for Sol Meliá activities and general processes: investment criteria, relationships with destinations, general management processes, and operational and performance criteria in hotels (labour and social, purchasing, accessibility and non-discrimination, guest involvement, integration of local culture, energy and natural resources consumption, etc.).

A Sustainable Development Manual has been produced which is mandatory for all company hotels and corporate areas and contains the criteria to follow with regard to social, environmental and cultural issues.



CERTIFICATION

as a continuous improvement process:

- Annual review: an audit in corporate offices in Palma de Mallorca and a sample audit in hotels (5 to 7 random hotels).
 - 15 hotels will renew certification in 2010.



Gran Meliá Palacio de Isora Biosphere Hotel

In summer 2009 the Gran Meliá Palacio de Isora was awarded Biosphere Hotel certification by the Responsible Tourism Institute, validating from the operational perspective the commitment to sustainable development made in the hotel's design and construction.

The efforts related to this commitment are summarised below together with hotel achievements in sustainability in 2009:

Energy and water management:

- Use of geothermal energy avoiding the annual emission of 1,390 tonnes of CO₂.
- Energy-saving lighting using LED technology: 11,600 LED light bulbs and 3,700 energy-saving bulbs. Avoiding the emission of 296 tonnes of CO₂.
- Producing drinking water using their own waste water de-salination and purification plant.
- Reusing 18,250 m³ of waste water for watering gardens and for use in toilet cisterns.

Waste management and protection of flora and fauna:

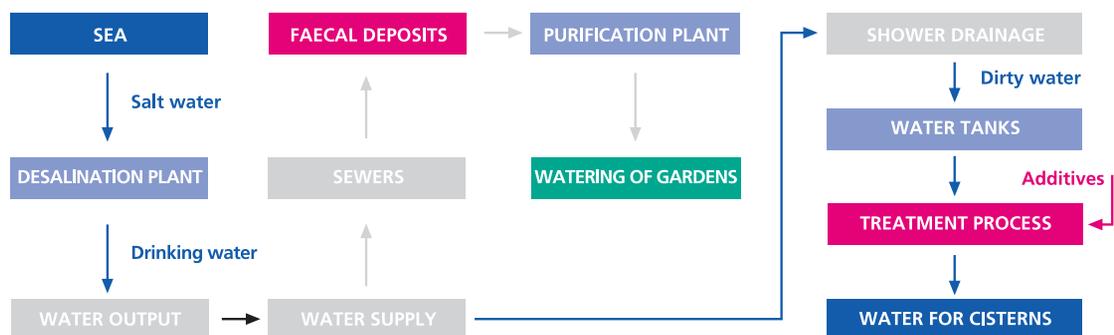
- System of recycling both for employees and guests (waste separation in rooms by housemaids and 150 recycling bins in public areas).
- Example of recycling (kg/month): glass 1,000kg, packaging: 800kg, paper and cardboard 2,500kg, vegetable oil, 450kg, polluted packaging: 250kg.

- Inventory of endangered fauna and flora species in the destination, promoting the cultivation of the most affected local flora species in gardens.
- Restoration of coastal scenery.
- Support for coastal and pathway cleaning campaigns organised by Guía de Isora Town Hall.

Contribution to the socio-cultural development of the destination:

- Promotion of local cuisine with theme nights in the Pangea Restaurant.
- Promotion of local culture by the Activities Department: local flower arrangement workshops, Canary Islands bowls, performance of the Alcalá municipal band, etc.
- Incorporation of local personnel and trainees thanks to contracting agreements with local employment and educational centres.
- Publicity for local shops and services in a municipal external services guide.
- Creation of a path to Alcalá town centre and la Jaquita, improving accessibility, mobility and traffic safety.

Water Self-sufficiency Flow





Standardisation of Efficient Lighting



In line with the Sol Meliá commitment to the environment and its support for sustainable development, as part of the SAVE programme to save energy and maximize energy efficiency, in 2009 the process to standardise lamps and more efficient lighting equipment was carried out in all the hotels in Spain. A change in purchasing management for all the company's lighting materials has also been made to ensure the standardised equipment is purchased.

Financial and energy savings are made due to the reduction in the use of electricity, also reducing emissions and related waste, due to the longer life of the bulbs. All this without any need to invest and in many cases improving the quality of the lighting and comfort in the hotels.

The priority has been to replace as many incandescent or halogen lights as possible for more efficient lights, as well as using energy saving or longer life fluorescent or LED options.

In general, the standardisation process has been:

1. Substitute incandescent or halogen lights for LEDs in areas which require long periods of lighting: approximate energy saving of 85%.
2. Substitute incandescent or halogen lights for fluorescent lights in other areas: approximate energy saving of 70%.
3. Substitute electromagnetic equipment for electronic alternatives: approximate energy saving of 25%.

To help hotel staff a **Lamps and common equipment standardisation manual** was produced with the help of Philips and distributed to all the hotels. The manual is a guide to help hotels find the more efficient standardised alternatives in each area and for each lamp type to substitute their current lamps. It also responds to the most common questions that arise and indicates where to make more specific enquiries. Different complementary technical documentation was also sent with the manual and lighting specialist technicians visited each hotel to reinforce the process.





Mexico: Cooperation in protecting turtles

Mexico is one of the countries with the largest number of turtles in the world. Of the seven species of turtles which exist, six live in Mexican waters and are born on its beaches.

Turtles spend most of their lives in the ocean, but adult females return to dry land to lay their eggs on the beach. As soon as they are born, the baby turtles have to quickly get from the nest to the sea avoiding predators and finding food on their own.

All of the turtle species are under threat of extinction due to excessive hunting for their shells, meat, skin or eggs, death from

accidental capture in fishing nets, and the destruction of beaches and their feeding grounds in the ocean.

Tourism may have a negative impact on turtle populations, mainly due to the degradation and/or destruction of the beaches where they lay their eggs or excessive light which may affect the behaviour of the adult females when nesting and attract the newly born turtles away from the sea.

Summary of Mexican hotel activities to support Green sea and Olive ridley turtles:

Chelonia mydas (Green sea turtle). Included as *Endangered (EN)* on the IUCN Red List of Endangered Species.
Population: approximately 203,000 nesting females*.

Hotel	Number of turtles	Guests involved	Staff involved	Type of cooperation
Paradisus Riviera Cancún	110 eggs 25 baby turtles	0	5	<ul style="list-style-type: none"> • Protection of nests. • Protection of newly-born baby turtles.
Gran Meliá Cancún	1,879 baby turtles	1,600	NA	<ul style="list-style-type: none"> • Participation of customers in releasing baby turtles to the sea • Presentation of information to customers
ME Cancún	1,800 baby turtles	650	15	<ul style="list-style-type: none"> • Preparation and care of nesting areas • Protection of newly-born baby turtles • Participation of customers in releasing baby turtles to the sea • Training of staff to handle baby turtles (carried out by city hall)

Lepidochelys olivacea (Olive ridley turtle). Included as *Vulnerable (VU)* on the IUCN Red List of Endangered Species.
Population: approximately 800,000 nesting females*..

Hotel	Number of turtles	Guests involved	Staff involved	Type of cooperation
Meliá Azul Ixtapa	150 baby turtles	1,200	30	<ul style="list-style-type: none"> • Participation of customers in releasing baby turtles to the sea • Presentation of information to customers
Meliá Puerto Vallarta	262 baby turtles	220	9	<ul style="list-style-type: none"> • Protection and care for nests • Participation of customers in releasing baby turtles to the sea
Meliá Cabo Real	100 baby turtles	100	NA	<ul style="list-style-type: none"> • Participation of customers in releasing baby turtles to the sea

* © 2009 WWF (panda.org). Some rights reserved.

However, tourism can be and must be one of the key factors in protecting turtles, making them part of the attraction of the destination, preserving and avoiding any degradation of their natural habitat, as well as actively helping in guarding and protecting the nests and the baby turtles.

In 2009, 6 of the 9 Sol Meliá hotels in México helped protect more than 4,000 Green sea turtle (*Chelonia mydas*) and Olive ridley turtle (*Lepidochelys olivacea*).

Although all hotels have helped in different ways, there are two main types of cooperation:

- Participation of guests in releasing recently born turtles. This action is important because it raises guest awareness, especially amongst the children, as it also normally includes a presentation about the turtles, their lifecycle and the importance of their preservation.
- Active cooperation in the protection of nests and baby turtles. Hotels whose beaches are used for nesting help the local environmental police to protect and guard the nests and the newly born turtles.

Sustainability in Brazil



Due to its unique socio-cultural identity, Brazil is especially sensitive about sustainability.

The actions carried out by Sol Meliá Brazil with regard to sustainability are based on the support of sustainable development activities and projects that are very local in nature, carried out in areas near the company hotels and helping people from the local communities.

In 2009 efforts were focused on the following projects:

Cidade do Saber: a project with a mobile unit especially adapted for cultural and educational activities which travels through the city of Camaçari and has computers and a games room for children's development. Cidade do Saber tries to increase social inclusion through education, sport and culture, and by reducing social inequalities. The project already has 1,213 members.

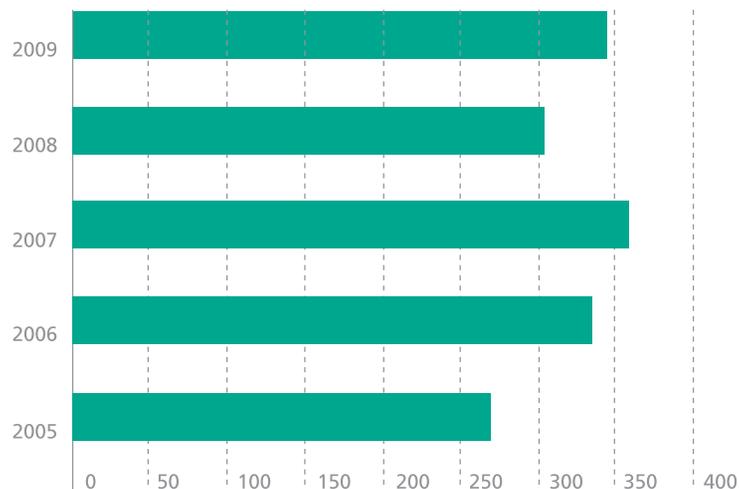
World Wildlife Fund Brazil: After more than 5 years of individual agreements, Sol Meliá made a corporate agreement with

WWF Brazil in 2007 for all the hotels in Brazil. Sol Meliá now asks its guests to make a voluntary contribution to WWF Brazil of R\$1.00 at check-out. In 2009 R\$101,777.83 were raised (38,565 €). The hotels also sell WWF merchandise.

CEDECA-BA: As part of an international corporate project to fight child sexual exploitation, and in cooperation with CEDECA (Yves de Roussan Centre for the Defence of Children and Adolescents), Brazilian staff were trained in 2007 and 2008. After the success of this initiative, several projects were organised to raise total funds of R\$ 13,046.91 (5,515 €) for the NGO.

Abring Foundation: In October 2009 a cooperation agreement was signed with the Abring Foundation, a well-known defender of children's rights in the last 19 years, with the aim of achieving "5 commitments" for the company to be certified as "Child Friendly".

Actions carried out





IMP

In February 2009 the seventh edition of the Internal Management Programme (IMP) began.

What is it?

The IMP is an 18-month theoretical and practical training programme in Sol Meliá hotels to train future hotel managers to cater for company growth.

During the programme the candidates must acquire sufficient knowledge and skills to be able to take on the role of assistant manager within a period of a year and a half.

Who is it for?

Any Sol Meliá employee can apply for selection as long as the following conditions are met:

- A Sol Meliá employee in any position for more than 18 months.
- University degree (middle or senior level) or equivalent training from a Hospitality School.
- Fluent in Spanish or English and strong knowledge of another language: Spanish, English, German, French, etc.
- Geographic mobility: able and willing to travel and change address.

What does the selection process involve?

The selection process takes place over a two week period and consists of a training course with different types of tests to evaluate whether the candidates have the ability and skills to become a Sol Meliá General Manager.

What does the programme involve?

The programme consists of 2 stages, the length of which depends on the projection, profile and development of each participant:

- **Stage one:** practical training in all the hotel departments to understand their structure and function. Duration of approximately 12 months.
- **Stage two:** working as a trainee assistant manager. Duration of approximately 6 months.

Throughout this 18 month period, the participants also receive a 2 week training course in Management Tools and Management Skills.

To date, a total of 198 Development Plans have been made and training activities organised for 108 people.



Since 1 March 2007 when the company was presented with Corporate Certification and named **FAI Gold Corporate Donor**, Sol Meliá has worked with the FAI (Fondo per l'Ambiente Italiano).

The FAI is a non-profit foundation created in 1976 thanks to the enthusiasm of a small group of people. It aims to help, protect and enhance the value of Italy's artistic and environmental heritage. Places of historical, artistic and/or environmental value are donated or loaned to the privately-funded FAI for their restoration. These sites are later opened to the public so that everybody can enjoy them. From the outset, the FAI has made great efforts to ensure the recovery of environmentally important sites in Italy not by criticising existing practises, but rather by "doing something positive". This way of doing things has resulted in the acquisition through donation and inheritance of prestigious historical houses, castles and areas of outstanding natural beauty. Direct ownership or management of these properties has helped save them from neglect or abandon, preventing the loss of their historical identity and the theft of furniture, and avoiding further and permanent natural destruction. The direct ownership and care of these sites help return life to Italian heritage which can then be enjoyed by everyone and, under intelligent management, return them to their communities.

The FAI is active throughout all Italy and has an important network of local branches which, thanks to the work of nearly 1,000 volunteers, organise cultural events to help spread their ideas, ask for cooperation from the public with memberships and collect contributions for the foundation. They also aim to educate the younger generations by organising activities in schools.

Sol Meliá Italy joined forces with the FAI as a Gold Corporate Donor, guaranteeing its own cultural commitment and using its image to support the FAI and also achieving important benefits and work tools. As well as contributing to help the foundation preserve and enhance the value of Italian cultural and natural heritage, the companies involved in the Gold Corporate Donor programme form part of an exclusive group of businesses, institutions and associations, including BMW, Pirelli, IKEA Italia and Telecom Italia, amongst others.

Amongst the most important FAI properties, restored and open to the public, are:

- Avio Castle between Verona and Trento
- Torba Monastery
- Hamlet of San Fruttuoso
- Manta Castle
- Grumello Castle
- Villa Menafoglio
- Kolymbetra Garden
- Gregorian Villa Park
- Villa Necchi Campiglio

In exchange for Gold Corporate Donor membership, Sol Meliá offers 15 All Inclusive stays in any of its hotels in Italy, it also organises meetings and important events and receives 4 FAI memberships and 100 entrance tickets to any of the FAI's sites.



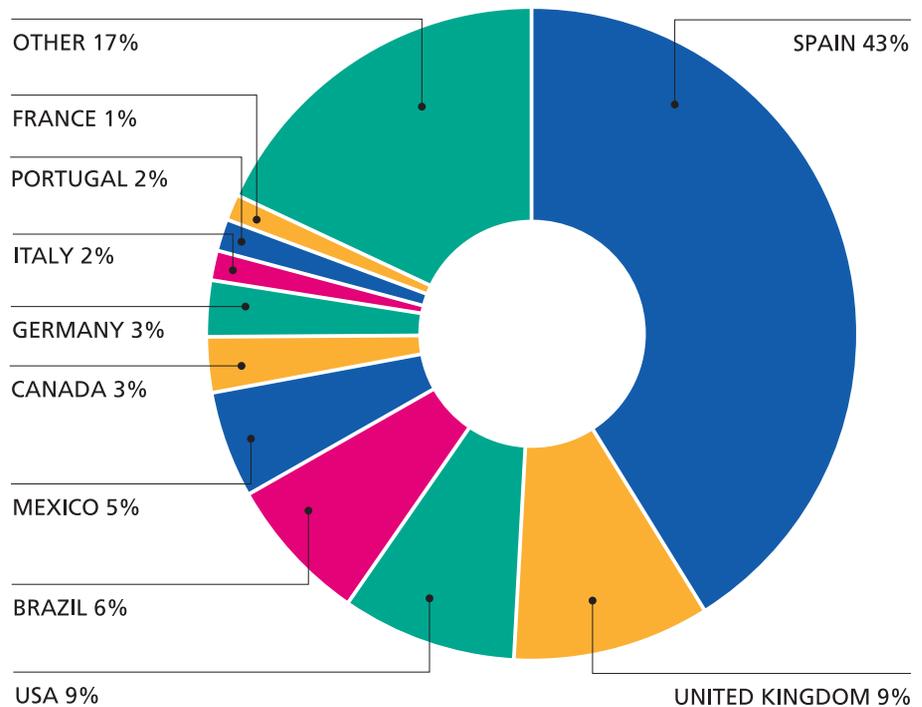
The **mas** rewards loyalty programme forms part of the company's customer relationship management systems. Celebrating its 15th anniversary this year, the programme is considered one of the fundamental foundations at Sol Meliá, with more than 2 million members worldwide demonstrating their loyalty to the company day after day.

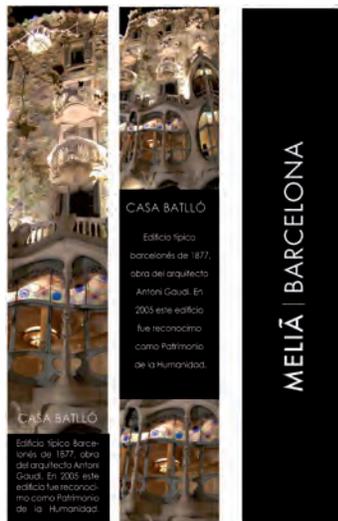
Approximately 500 **mas** rewards members have been with us since the beginning of the programme, returning again and again to Sol Meliá hotels for the past 15 years. The **mas** rewards programme has given its

constant support to all the activities carried out by the company, such as community involvement, via its monthly newsletter, asking for cooperation from all the **mas** rewards members with the donations of points to the organisations with which Sol Meliá has an agreement.

The programme also uses its monthly newsletter to inform all **mas** rewards members about the latest features with regard to progress and actions related to sustainability at Sol Meliá, such as the news of the Biosphere Hotel Company certification.

More than 2 million mas rewards members





Awareness about sustainability has been extended to all of the Sol Meliá hotels. Meliá Barcelona is a typical example. Its involvement in all areas of sustainability demonstrates the importance of interacting with the surrounding environment of company hotels. Below are the most important activities:

Social

- Cooperation with the Little Wish Foundation by donating stays for children suffering from terminal diseases who want a wish to come true. In 2009 a total of 12 stays were organised.
- Donation of old hotel uniforms to *Roba Amiga*.
- Donation of clothes and toys by hotel employees to *Fundació Formació i Treball*. In total 58 kg were donated in 2009.
- Participation in the Plumpy Nut Project (UNICEF) from December 2009 to February 2010 in the fight against infant malnutrition in Ethiopia by adding 1 € to each guest's bill. Total collected: 1,189 €.
- Sale of Solidarity Menus: contribution of 12 € for every 3 menus sold. The funds were given to an Intermon Oxfam project to buy school material for village schools in Brazil.
- On their birthdays every employee was given a birthday card issued by different NGOs, such as Unicef, *Payasos Sin Fronteras*, *Fundación Pequeño Deseo*, with a message about the importance of the commitment to the environment signed by the Hotel General Manager, the Head of Department and the person responsible for Community Involvement.
- Provision of services and facilities:
 - Meeting room with audiovisual equipment to Intermón Oxfam for internal events from 13 to 23 November.
 - Events room with audiovisual equipment for a *Fundació Campaner* dinner on 27 November.
 - Meeting room with audiovisual equipment for the presentation of the 2010 Fundación Talita calendar.

- Sale of the 2010 Fundación Talita calendar and sale of entrance tickets for its presentation.
- Training of staff on the "Celiac disease".

Environmental

Collection of 4,052.94 € from the sale of old hotel items (mattresses, blankets, pillows, etc.) to hotel employees and to TROC (company that buys and sells second hand items). The money will go towards the planting of trees along the banks of the river Llobregat in Rubí, together with ACCIO NATURA in October 2010, to create the MELIÀ BARCELONA WOOD.

Contracting the sustainable message service (TREVOL), which delivers using bicycles or bio diesel fuelled cars.

Training of staff on "Basic boiler concepts".

Cultural

- Training of emergency teams.
- Training in first aid.
- Training in the handling of chemical products and food hygiene.
- Presentation of the guide against Infant Exploitation.
- Presentation of the video on global warming "An inconvenient truth".
- Training in "How to treat disabled guests".
- Presentation and training of "Room cleaning".
- Training in "Quality in customer care".
- Creation of reading areas with images of the highlights of the city's architecture.
- Organization of internal awareness campaigns for employees: monthly departmental meetings attended by person responsible for environment; distribution of visual information on the objectives for energy compliance: posters in internal areas (lifts, cargo lifts, changing rooms, personnel entrance, etc.).

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.	2
Strategy and Analysis	Central	1.2	Description of key impacts, risks, and opportunities.	2
PROFILE				
Profile of the organisation				
Organisational profile	Central	2.1	Name of the organisation.	1
Organisational profile	Central	2.2	Primary brands or services.	11
Organisational profile	Central	2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	11; Financial Report 83, 86
Organisational profile	Central	2.4	Location of organisation's headquarters.	69
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.	1
Organisational profile	Central	2.6	Nature of ownership and legal form.	Financial Report 54
Organisational profile	Central	2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	1
Organisational profile	Central	2.8	Scale of the reporting organization, including number of employees, net sales or net revenues, total 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.	1
Organisational profile	Central	2.9	Significant changes during the reporting period regarding size, structure, or ownership including 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 operations (for private sector organizations).	1, 47
Scope of Sustainability Report				
Organisational profile	Central	2.10	Awards received in the reporting period.	11
Report Parameters				
Report profile	Central	3.1	Reporting period for information provided.	70
Report profile	Central	3.2	Date of most recent previous report.	70
Report profile	Central	3.3	Reporting cycle (annual, biennial, etc.).	70
Report profile	Central	3.4	Contact point for questions regarding the report or its contents.	70
Report scope and boundary	Central	3.5	Process for defining report content, including determining materiality, prioritizing topics within the report, and identifying stakeholders the organization expects to use the report.	70
Report scope and boundary	Central	3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, ...).	1, 70
Report scope and boundary	Central	3.7	State any specific limitations on the scope or boundary of the report.	70
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 16, 17
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.	70
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).	70
Report scope and boundary	Central	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	70
GRI Content Index				
Report scope and boundary	Central	3.12	Table identifying the location of the Standard Disclosures in the report.	Contents

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.	70
			Governance, Commitments, and Engagement	
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.	14
Governance	Central	4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	14
Governance	Central	4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	15
Governance	Central	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	51
Governance	Central	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	14; Financial Report 115, 116
Governance	Central	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	15; Financial Report 128
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.	14; Financial Report 118
Governance	Central	4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	4, 9, 43
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.	14
Governance	Central	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	15
			Commitments to external initiatives	
Governance	Central	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	18
Governance	Central	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	6, 18
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 membership as strategic.	6
			Stakeholder engagement	
Stakeholder engagement	Central	4.14	List of stakeholder groups engaged by the organization.	4
Stakeholder engagement	Central	4.15	Basis for identification and selection of stakeholders with whom to engage.	4, 70
Stakeholder engagement	Central	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	5
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.	5
			Disclosures on Management Approach	
Disclosures on Management Approach	Central	EC	Disclosure on Management Approach EC	1, 20, 53
Disclosures on Management Approach	Central	EN	Disclosure on Management Approach EN	17, 71, 81
Disclosures on Management Approach	Central	EN	Disclosure on Management Approach LA	30, 33, 36, 38, 40
Disclosures on Management Approach	Central	EN	Disclosure on Management Approach HR	38, 40, 63
Disclosures on Management Approach	Central	EN	Disclosure on Management Approach SO	15, 40, 41, 55, 71
Disclosures on Management Approach	Central	EN	Disclosure on Management Approach PR	55, 57, 60, 61

ASPECT	TYPE OF INDICATOR	INDICATOR NUMBER	GRI INDICATORS	LOCATION
ECONOMIC PERFORMANCE				
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.	53
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.	33
Economic performance	Principal	EC4	Significant financial assistance received from government.	53
Market presence				
Market presence	Additional	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	34
Market presence	Principal	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	64
Market presence	Principal	EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	33
Market presence	Principal	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	53, 61
Indirect economic impacts	Additional	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	52
ENVIRONMENTAL INDICATORS				
Materials	Principal	EN1	Materials used by weight or volume.	Not available
Materials	Principal	EN2	Percentage of materials used that are recycled input materials.	Not available
Energy	Principal	EN3	Direct energy consumption by primary energy source.	20
Energy	Principal	EN4	Indirect energy consumption by primary source.	Not available
Energy	Additional	EN5	Energy saved due to conservation and efficiency improvements.	20
Energy	Additional	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	20, 21
Energy	Additional	EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Not available
Water				
Water	Additional	EN8	Total water withdrawal by source.	21
Water	Additional	EN9	Water sources significantly affected by withdrawal of water.	Not available
Water	Additional	EN10	Percentage and total volume of water recycled and reused.	22
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.	24
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.	25
Biodiversity	Additional	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	24
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.	20
Emmissions, effluents and waste	Principal	EN17	Other relevant indirect greenhouse gas emissions by weight.	Not available
Emmissions, effluents and waste	Additional	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	19, 20
Emmissions, effluents and waste	Principal	EN19	Emissions of ozone-depleting substances by weight.	20
Emmissions, effluents and waste	Principal	EN20	NO, SO, and other significant air emissions by type and weight.	20
Emmissions, effluents and waste	Principal	EN21	Total water discharge by quality and destination.	22
Emmissions, effluents and waste	Principal	EN22	Total weight of waste by type and disposal method.	23
Emmissions, effluents and waste	Principal	EN23	Total number and volume of significant spills.	22
Emmissions, effluents and waste	Additional	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not applicable
Emmissions, effluents and waste	Additional	EN25	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.	25

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.	21, 24
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.	18
			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.	20
			Employment	
Employment	Principal	LA1	Total workforce by employment type, employment contract, and region.	30, 31
Employment	Principal	LA2	Total number and rate of employee turnover by age group, gender, and region.	30, 31
Employment	Principal	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	33
			Labour/Management relations	
Labour/Management relations	Principal	LA4	Percentage of employees covered by collective bargaining agreements.	41
Labour/Management relations	Principal	LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	41
			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.	39
Occupational health and safety	Principal	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region.	38
Occupational 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.	39
Occupational health and safety	Additional	LA9	Health and safety topics covered in formal agreements with trade unions.	39
			Training and education	
Training and education	Principal	LA10	Average hours of training per year per employee by employee category.	37
Training 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.	36
Training and education	Additional	LA12	Percentage of employees receiving regular performance and career development reviews.	33
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.	30, 31
Diversity and equal opportunities	Principal	LA14	Ratio of basic salary of men to women by employee category.	33

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 available
Investment and procurement practises	Principal	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	63, 65
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.	40
Freedom of association and collective bargaining	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.	40
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.	40
Forced labour	Principal	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor.	40
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.	40
Indigenous rights	Additional	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	40
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	SO5	Public policy positions and participation in public policy development and lobbying.	71
Public policy	Additional	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	53
Anti-competitive behaviour	Additional	SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	16
Compliance	Principal	SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	31
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.	60
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.	41, 59
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.	59
Communication and Marketing	Principal	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	61
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 outcomes.	60
Communication and Marketing	Additional	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	61
Compliance	Principal	PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	Not available

