



## I. ABOUT THE COMPANY

### I.1 ORGANISATIONAL STRUCTURE

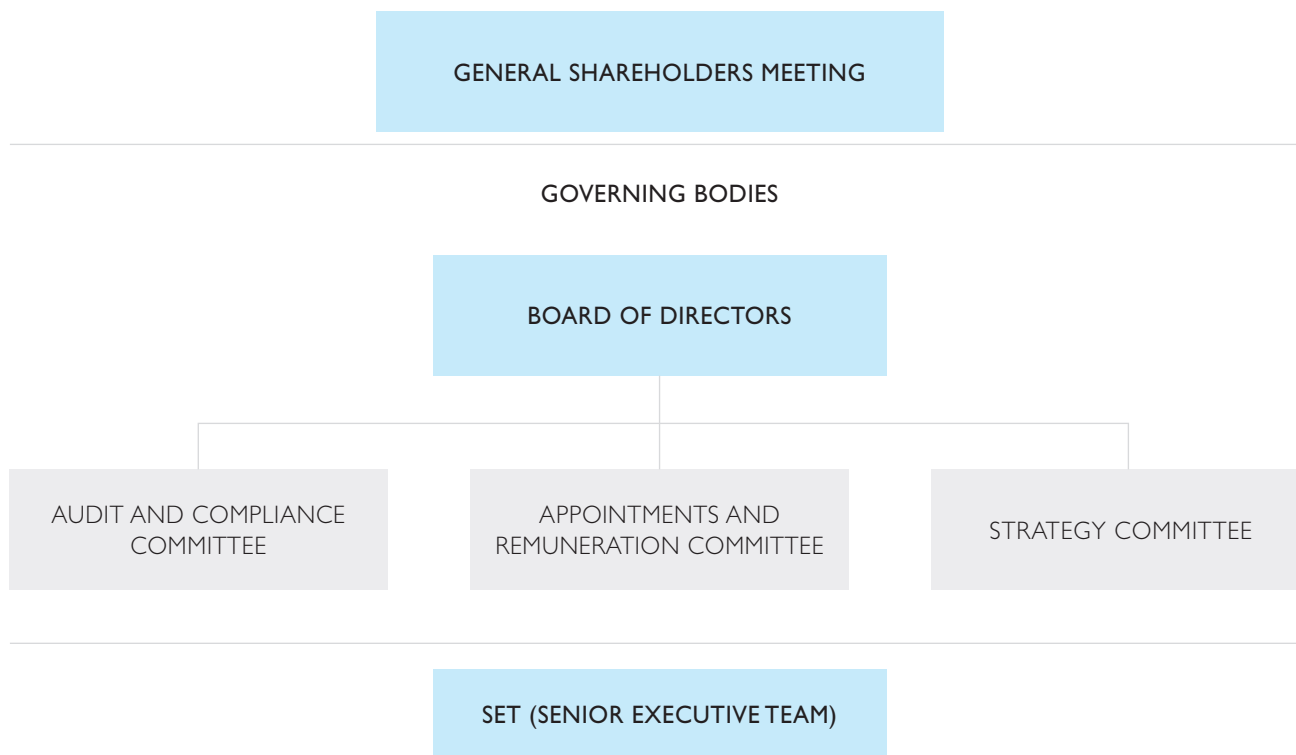
Meliá Hotels International, S.A. and its subsidiaries and associates (hereon the “Group” or the “Company”) form a Group made up of companies that are mainly engaged in general tourist activities and more specifically in the management and operation of hotels under ownership, rental, management or franchise arrangements, and in vacation club operations. The Group is engaged in the promotion of all types of businesses related to tourism and hotel and leisure and recreational activities, as well as participation in the creation, development and operation of new operations, establishments or companies, in the tourist, hotel or any other recreational or leisure business. Some of the companies in the Group also carry out real estate activities by taking advantage of the synergies obtained in hotel development as a result of the major expansion process undertaken.

In any case, those activities, reserved under special laws for companies which fulfil certain requirements that are not met by the Group, are expressly excluded from its corporate purpose; in particular, those activities reserved by Law for Collective Investment Institutions or security brokers are excluded.

The following segments make up the organisational structure of the company and the results are reviewed by the maximum decision-taking body at the Company:

- **Hotel management:** relates to the fees received for managing hotels under management and franchise agreements. This also includes the intra-group charges to Meliá hotels that are owned and rented.
- **Hotel business:** this segment includes the results obtained by the operation of the hotel units that are owned or leased by the Group. The income generated by the restaurant business is also presented as this activity is considered to be fully integrated into the hotel business due to the majority sales of packages whose price includes lodging and meals, which would make an actual segmentation of the associated assets and liabilities impracticable.
- **Other business associated with hotel management:** this segment includes income other than from the hotel business, such as casinos, laundry or tour-operator activities.
- **Real Estate:** includes the capital gains on asset rotation, as well as real estate development and operations.
- **Club Meliá:** reflects the results deriving from the sale of rights to share specific vacation complex units.
- **Corporate:** these items consist of structural costs and results linked to the intermediation and marketing of room and tourism service reservations, as well as Group corporate costs that cannot be assigned to any of the aforementioned three business divisions.

The organisational structure of the company is shown below:



**Board of Directors:** see section C.1 of the Annual Corporate Governance Report

**Board of Directors Committees:** see section C.2 of the Annual Corporate Governance Report

**Senior Executive Team (SET) or Management Committee.** The SET is a collegiate body composed of the Executive Vice Presidents (EVP) of each Department. The committee meets weekly and its functions include developing and promoting control systems to improve the quality of the Company's corporate governance and risk control.



## 1.2 OPERATION

Part E of the Annual Corporate Governance Report titled "RISK MANAGEMENT AND CONTROL SYSTEMS" includes information on the structure mentioned above.

## 2. BUSINESS PERFORMANCE AND RESULTS

### 2.1 BASIC FINANCIAL AND NON-FINANCIAL INDICATORS

#### HOTEL BUSINESS

Considering owned and leased hotels, Revenue per Available Room (from now on, RevPAR) increased by 5.2% versus last year. Total average room rate (ARR) increased by 2.2% while occupancy levels improved 2.9%. Details on the evolution per areas can be found below:

#### America

In America, RevPAR grew by 10.2% due to improvements near 5% in both occupancy and average rates.

The excellent performance of the region is partially explained by the contribution of the two resorts in Playa del Carmen (Cancun Mexico): Paradisus La Perla and Paradisus La Esmeralda, that during their second year of operations these resorts achieved an average of occupancy of almost 60%, while average rates increased in 2013 by more than 15%, generating a total contribution at the EBITDA level of almost \$24 million and becoming the second biggest contributor within the whole portfolio, only behind the Paradisus Palma Real.

Excluding the contribution of the Paradisus resorts in Playa del Carmen, America's RevPAR increased by 5.7%, mainly due to the evolution of the hotels in the Dominican Republic, and specifically due to the strong performance of Paradisus Palma Real and the Reserve at Paradisus Palma Real, which in 2013 achieved historical figures, maintaining its position as the top contributor to the Group's consolidated results. Available rooms decreased by 5.9% versus 2012 due to a change in the regime of the ME Cancun -from owned to a management contract-, during 2012.

Regarding the evolution of RevPAR in the managed hotels, the slow evolution of the hotels in Argentina due to the political unrest in the country were compensated by the strong evolution of the hotels in Mexico, especially highlighting the performance of ME Cancun and ME Cabo. On the other hand, at the end of 2013 was added a new contract in Bahamas, the Meliá Nassau Beach.

Regarding the exchange rate risk in the America's area, especially in emerging markets, the Company's exposure in Brazil and Argentina is limited to management contracts with a very limited contribution to the Consolidate Statements. On the other hand, in Mexico and the Dominican Republic, most of the revenues are in US dollars, while more than 80% of the expenses are in local currency.

#### EUROPE Middle East & Africa (EMEA)

In owned and leased hotels in Europe Middle East & Africa (EMEA) RevPAR increased by 10.8%. Figures have been affected by a hotel reallocation between the different areas.

Excluding the hotel reallocations, EMEA RevPAR in owned and leased hotels increased by +0.2%. By region, the main highlights are the following:

- Germany: the Company recorded positive figures for the full year with a RevPAR increase by 1.4%, even considering the impact of the absence of the most important bi annual trade fairs which had a strong impact especially on the hotels in Düsseldorf, Frankfurt and Munich. The incorporation of the Ininside Düsseldorf Hafen in September 2013 also contributed to an improvement in the figures.
- Paris maintained a positive trend in 2013 with a 4.4% RevPAR improvement thanks to a strategy focused on optimised revenue management and customer segmentation. As a result, in 2013 the Company increased its exposure to the transient business (transient clientele which generates short stays), especially in international markets, highlighting the increase in room nights from the Middle East and Russia. Similarly, the positive results of the outbound strategy implemented by Meliá also contributed to diversification of the client base, especially benefited by the increase in business from the Americas.
- Positive figures in Italy were helped by the excellent performance of the Meliá Genova and more recently the contribution of the Gran Meliá Rome.
- Within the EMEA division, only the United Kingdom registered negative figures versus last year; given the difficulty of maintaining the price levels achieved in 2012 thanks to the celebration of the Olympic Games.

Besides the reclassification between EMEA and Premium Europe, available rooms suffered minimal movements linked to the incorporation of GM Roma and the Ininside Düsseldorf Hafen from September 2013.

Regarding the managed hotels, overall RevPAR registered positive results. Despite the underperforming contribution of the hotels in Egypt, the excellent contribution of the new contracts led to positive figures. Of particular note is the evolution of the Meliá Dubai, added in April 2012, with an increase of RevPAR above 80% and the Meliá Zanzibar with a near 40% increase. More recently, the division added a boutique hotel in Capri, the Meliá Villa Capri, which has also had good results. To end this chapter, highlight should be made of the contribution of the 3 hotels in Spain, Gran Meliá Colón, Meliá Sky Barcelona and Meliá Sancti Petri, which also registered positive figures.

## ME Europe

RevPAR in Premium Europe increased by 33.7%, affected by the change in the reporting perimeter between the different areas.

Since June 2013 leased and owned hotels in this category only include the ME brand, while regarding the management contracts it also includes the new Ininside hotels in Madrid. The rest of the hotels previously included in Premium Europe become part of the EMEA region. If we look at the evolution of the ME brand, there has been an increase of 17.7%, thanks to the contribution of the ME London especially highlighting its contribution to the ME brand recognition while allowing the Company to get additional management contracts. The outlook of this hotel is positive taken into consideration that 2014 will be its second year in operations.

The positive performance of the ME London has been partially offset by the lower contribution of the ME Madrid caused by product renovation.

The fall in the number of rooms is due to the reclassification of hotels between Premium Europe and EMEA, partially offset by the addition of ME London.

Regarding management contracts, the incorporation of the 3 new Ininside hotels in Madrid (Ininside Genova, Luchana and Madrid Suecia) represent the first steps in the internationalization of the brand, becoming flagships for the Ininside brand outside Germany.

## Mediterranean

RevPAR in Spanish resorts increased by 5.5% due to the improvement in the occupancy levels near 6% and despite the slightly decrease of 0.5% in the ARR.

Generally speaking, in the Spanish resort industry the 2013 summer season was excellent, mainly thanks to the strengthening of foreign demand, especially from the UK and, to a lesser extent, from Northern European countries and Eastern Europe. On the other hand, the domestic market saw an unfavourable trend, which in the case of Meliá was reflected in just 20% of roomnights being made by Spaniards. The evolution of the region was explained by the performance of the Balearic Islands and the resorts in mainland Spain, while in the fourth quarter 2013 the highlight was the performance of the Canary Islands, where the evolution of rates and occupancy levels has been above expectations. In the latter region, the negotiations with tour operators for the winter season were closed before the conflicts in Egypt began, so it has been a challenge for the Company to manage additional rate increases in 2013. Nevertheless, currently Meliá hotels in the Canary Islands are registering very positive figures.

The slight fall in available rooms was affected by the change in regime of the Sol Katmandu Park & Resort and Sol S'Argamassa in December 2012, and the Sol Trinidad, Sol Jamaica and Sol Guadalupe in June 2013, partially offset by the incorporation of the Meliá Atlántico Isla Canela during the first semester of 2013.

Managed hotels also registered positive RevPAR due to the overall strong situation of the resorts in Spain, emphasizing the positive evolution of the Calviá Beach project, a commitment to innovation which in 2013 demonstrated its success generating a RevPAR increase by a 12% in RevPAR in the Sol Wave House Hotel. In 2014 the Sol Beach House hotel will be relaunched as the new ME Mallorca, contributing to the complete renewal of the destination. Additionally, the performance of the Meliá Tortuga Beach Resort & Spa in Cape Verde and the hotels in Croatia and Bulgaria was also significant.

All in all, RevPAR for the whole division in 2013 was near 10% above last year, reaching figures above the peak of the cycle in 2007.

## SPAIN

RevPAR declined by 2.0% linked to slowdowns both in the occupancy levels and rates, by 0.8% and 1.2% respectively.

In 2013 the Company took advantage of its leadership in the resort industry to help skew revenue segmentation in the city hotel business. Thanks to this, during the third quarter, city hotels in Spain located in hybrid destinations –and hence biased towards leisure component– registered a better performance, also benefiting from the fact that these destinations generally have a greater exposure to an international clientele.

However, the fourth quarter, which is more dependent on the performance of the business travel segment, saw a weak performance of the individual business travel. The lack of business groups and layovers, as well as the loss of some crews also contributed negatively. On the positive side the ski resorts registered strong results.

Overall, should be considered that in 2013 more than 60% of the deviations versus last year in terms of EBITDA is linked with the slower evolution of the hotels in the neighborhoods of Barajas Airport, where total number of passengers decreased by 12% in 2013, due to its dependence on crews and lay overs.

Available rooms showed a modest decrease by 1.6% linked to:

- The loss of the Tryp Sondika, Tryp Albayzin, and Tryp Las Matas due to the disaffiliation of underperforming hotels which also didn't match with the brand standards
- Offset by the incorporation of the Tryp Bosque before December 2013 under a management contract and now included as an owned hotel.

## MANAGEMENT MODEL

Given the strategy of the Company focused on the asset-light model and the growing importance of Meliá's exposure to management formulas, the Company has changed the reporting method to include more detail on the profitability of the overall management model.

The figures generated by Meliá as a manager, includes:

- At the revenues level: the management fees from third parties but also intergroup charges in Meliá's hotels under owned and leased. Additionally, this item includes "other revenues" being mainly the sales commission's through centralized channels.
- At the expenses lines: mainly includes the sales, marketing, distribution expenses, etc.

Management fees from third parties generated 50 million euros, a slightly decrease versus 2012, which represents minus 2 million euros, mainly due to the slower performance of Brazil and Argentina. Management fees per available room during 2013 reached 1,564 euros.

This management model is mainly possible thanks to the internationalization which is parallel with the reinforcement of the strategy of regionalization and concentration of the administrative and management credit tasks in the different areas (America, EMEA, Spain, the Mediterranean and Asia). The rationale is to endow the regions, the location of the hotels, with the appropriate management resources and sales force, while also strengthening our direct channels strategy and the outbound sales process. This is accompanied by a reduction in the weighting of the corporate layer and sales force in Spain to refocus on the location of the business and feeder markets, generating an overall reduction of structural expenses. This trend is expected to be reinforced in the future.

## OTHER HOTEL BUSINESS

The item Other Hotel Business basically includes the contribution of casinos, golf and Sol Caribe Tours, tour operator based in Latin America.

The better performance versus 2012 lies in the higher contribution of Sol Caribe Tours and the better evolution of the Golf business.

## REAL ESTATE DIVISION

In December 2013, the Company reached an agreement for the sale of the company Bear S.A de CV, owner of the Meliá México Reforma, located in Mexico DF. The transaction amounted to 60 million dollars, generating capital gains at the EBITDA level of approximately 8.1 million Euros.

Furthermore, in the first semester 2013 it was generated additional 42.3 million euros capital gains.

All in all, including asset revaluations, in 2013 the Company generated 50.9 million euros of capital gains, which compares with €93.5 million in 2012.

Regarding the other real estate businesses, in July 2013 the Company sold the rights to build over one property in Madrid, a transaction that generated 3 million Euros.

## CLUB MELIÁ PERFORMANCE

By the end of 2013 Club Meliá showed a slight increase in terms of revenues mainly thanks to the contribution of the Playa del Carmen resorts during the second half.

On the other hand, the fall in the number of weeks sold near 6.5% was offset by the increase in average prices by 8.4%. The average price increase was possible mainly due to:

- The different sales mix skewed towards the sale of bi-annual weeks
- Higher sales of premium products
- Increased generation of upgrades, and
- The improvement in the closing ratio.

More significant was the improvement in costs due to reduced sales and marketing expenses and corporate cost reductions, allowing an EBITDA improvement versus last year by more than 12 million euros, while the EBITDA margin moved up from near 2% to the neighborhood of 19%.

## OVERHEADS STRUCTURE

The Company takes this opportunity to highlight the contribution of IT and Human Resources which are considered core aspects in the Company's strategy.

Regarding the IT contribution, it is worth mentioning the integration in June 2013 of the Company Travel Dynamic Solutions, S.A (from now on Idiso), Meliá's distribution platform, which has become a key driver for income generation in the Company.

In this regards, the Company has progressively strengthened the proportion of investments in IT focused on yield management tools and the improvement of the customer experience in melia.com, which could be directly linked with the increase in sales through this direct channel.

Regarding Human Resources, during 2013 the Company has launched a Comprehensive Model of Talent, completely aligned with Melia strategy. In this regards, one of the main milestones has been the design of Melia's Talent Map, whose main objective is to ensure the competitiveness of Meliá at the international arena and keeping the leadership in the industry, while ensuring the current and future coverage of key positions through development programs.

To this end, is worth to mention the success in the launching of the Performance Review, a key tool to strengthen Meliá leadership model and enhancing the correct identification of the best talent.

On the other hand, it has been developed a training model with global guidelines in order to enhance professional training programs, continuous professional updating and development.

With the results of the employee satisfaction survey, the Company is working collaboratively with the different areas and business units to implement Actions Plans focused on enhance and strengthen the communication and teamwork within the whole organizational levels.

## 2.2 CORPORATE SOCIAL RESPONSIBILITY

Meliá continues along the path of responsible management that has marked its corporate history over almost 60 years. Its commitment to CSR, an integral part of its business, is therefore a strategic lever and key element in terms of its corporate reputation, based on the stability of a family-owned company, committed to social issues and holding firm and solid values.

This responsible management, focused on strengthening links with its stakeholders, has led Meliá to draw up and introduce its first Code of Ethics. In drawing up this Code, a concept that is deeply rooted in the Company, "the commitment", was defined as its cornerstone. A project of this magnitude entails a gradual process of involvement with the key stakeholders. At the close of 2013, 90% of the managers and 75% of the hotels had participated in the Code of Ethics training sessions.

Meliá shares its commitment with its stakeholders, as the suppliers are a strategic group. Since the international launch of the Responsible Purchasing Project, 61% of the target suppliers for 2014 have already made our 'Sustainability Clause' their own. Meliá is also increasing its purchases from suppliers considered to be Special Employment Centres, promoting the employability and social/labour integration of vulnerable groups.

Meliá enhances its commitment through the establishment of stable and high-impact Strategic Alliances in different areas of CSR and social innovation, on a national and international level. Consequently, following three years of success, Meliá has renewed until 2016 its commitment to the Protection of Children, in collaboration with UNICEF International. Meliá actively works to support vulnerable groups in the broadest sense, in collaboration with partners in different social areas, such as the ONCE Foundation, in the promotion of universal accessibility and integration of diversity in tourism. As a result of this commitment to remove barriers, Meliá has developed the first corporate website to meet the Level AA Criteria for Universal Accessibility, in collaboration with Technosite, a technology company and Special Employment Centre.

In order to help improve the employability of young people with high potential and of vulnerable groups, Meliá is actively working with the Príncipe de Girona Foundation ("Sponsoring Talent") and the Accenture Foundation ("Together for Employment"), respectively. What is learned from these kinds of initiatives is then applied internationally in order to strengthen positioning in those key destinations.



Meliá has achieved the highest score in the Spanish hospitality industry in the latest CDP Iberia 125 report, which evaluates performance in the reduction of CO2 emissions and disclosure in reporting these, from the largest listed companies in Spain and Portugal, scoring 83 points out of 100 in terms of disclosure and a Level B performance rating from a range of five levels ('A' being the highest). With these results, Meliá is the leader in the Spanish hospitality industry and would also feature among the top four hotel chains in the world with the best positioning in this ranking. Over the last three years, Meliá has succeeded in advancing 55 points on this index and thus improving its rating. As a result of Meliá's environmental management, in 2013 its Carbon Footprint was reduced by 4% per stay, on the previous year. This is particularly significant, as the conversion factors from electricity to CO2 emissions in 2013 for the countries in which Meliá has a presence, have suffered a weighted increase of 15%, according to equivalence conversion tables per country from the International Energy Agency (IEA)

From a CSR perspective, Meliá has set its objective of continuing to progress in the integration of all the management models of its hotels with an international focus.

### 3. LIQUIDITY AND CAPITAL RESOURCES

Note 4.3 of the consolidated annual accounts provides details of the Group's cash management policy which is designed to ensure that the Group is able to meet its payment obligations.

### 4. PRINCIPAL RISKS AND UNCERTAINTIES

As established in article 5 of the Regulations of the Board of Directors of Meliá Hotels International, the Board of Directors is vested with general supervisory responsibilities. In order to supervise the risks it is indispensable that the risks of the Meliá Group first be identified.

Through the Risk Analysis, Control and Management Policy (approved in November 2011), the Board of Directors established the risk management policy adopted by Meliá Hotels International, S.A. This model, as dictated by the policy, is based on a series of risk management principles and commitments.

The risks to which the Group is exposed are divided into the following categories:

- Global Risks
- Financial Risks
- Business Risks
- Operational Risks
- Compliance Risks (regulatory)
- Information Risks

Section E of the Annual Corporate Governance Report and Note 4 of the Consolidated Annual Accounts provide additional details about the Group's risk management.

## 5. POST-BALANCE SHEET EVENTS

The relevant events that occurred after the balance sheet closing date and which will have a relevant impact on the consolidated annual accounts are detailed in Note 23 of the consolidated annual accounts.

## 6. INFORMATION ON THE OUTLOOK FOR THE COMPANY

### HOTEL BUSINESS PERFORMANCE

The first quarter of 2014 is registering excellent results in the resorts in Latin America and the Caribbean, maintaining a double digit growth in RevPAR. In this regards, the Company is monitoring the evolution of the US dollar; the main currency in the area and the main challenge in maintaining similar growth rates.

In Spain, the first quarter is also contributing with good results thanks to the growth in the resorts in the Canary Islands, where the Company expects to be able to maintain growth rates during the first semester. Going into the second half of the year, its evolution will be linked to the recovery of tourist inflows in Egypt and the rest of North Africa.

Regarding the remaining areas in the Mediterranean, despite the fact that it is early days and the Company prefers to keep a cautious stance, current trends point to a summer season similar or slightly better than 2013, with good figures in the Balearic Islands and the resorts in mainland Spain.

Regarding Spanish cities, the Company confirms the feelings of the last couple of months which point towards a stabilization of the situation. At this stage, the Company observes:

- Some improvements on a global basis such as a higher number of events in specific cities and some optimism linked to a slight rebound in air traffic.
- Better news in the specific case of the Company that facing the second quarter is seeing better figures in advance sales in the Meetings and Incentives segment. The Company is monitoring the situation to evaluate how such improvements are effectively reflected in the macro and microeconomic reality. In any case, it is worth to mention that the second quarter will be impacted by the different calendar of the eastern season.
- Going into 2014, the Company will also see a better performance of hybrid destinations such as Barcelona, Bilbao or Palma de Mallorca, taking advantage of the expertise and leadership of Meliá in the resort travel business.

Main cities in Europe are expected to maintain healthy rates of growth for the whole year in the United Kingdom, Germany, Paris and Italy.

All in all, after a strong first quarter 2014 which will show a RevPAR growth above 7%, the Company expects mid-to high single digit growth in RevPAR, more than 50% explained by price.

### EVOLUTION OF THE REAL ESTATE DIVISION

Going into 2014 the Company reinforces its commitment to generate additional assets sales by a minimum of €100-125 million.

### EVOLUTION OF CLUB MELIÁ

Going into 2014, the Club Meliá is registering results above 2013, so the outlook for 2014 remains positive. Also of note is the commitment on the decrease in the delinquency rates.

## DEVELOPMENT / INTERNATIONALIZATION

As of the date of publication of this report, the Company has in its pipeline 58 hotels and more than 16,000 rooms to be opened in the next years.

Looking ahead, the Company remains committed to expansion through low capital-intensive formulas, as has been the case in 2013 with the signature of 28 additional hotels, a growth rate that Meliá will sustain in 2014.

The latest additions to the Company portfolio have also become one of the key drivers for revenue generation, an example being the contribution of hotels added over recent times such as the Gran Meliá Rome, Gran Meliá Palacio de Isora, ME London, and especially the two Paradisus resorts in Playa del Carmen, which in their second year of operations have become the second largest contributors to EBITDA in the Company, all them intensifying its growth rate.

## FINANCIAL STRATEGY

After a year 2013 fully focused on restructuring our debt maturity schedule and the maintenance of the cost of debt, in 2014 the focus of the Company is now on deleveraging the balance sheet. To this aim will contribute the free cash flow from the operating activities, strengthened thanks to the improvement of the hotel business and the club Meliá together with the asset rotation plan and the possible conversion of the convertible bonds which mature in 2014.

Given the more favorable environment it is expected to optimize liquidity levels, which after having adopted a conservative approach to debt management has remained at higher levels over recent years. Going into the current year, the Company remains confident about the reduction of average interest rates, which in 2013 reached 5.5%.

## 7. ACQUISITION AND DISPOSAL OF TREASURY STOCK

The treasury shares balance does not include 2.5 million shares that the Company has been loaned by the controlling shareholder.

The number of shares loaned to several banks at 31 December 2013 total 15.7 million shares, including 7.7 million shares to Deutsche Bank (Note 13.2).

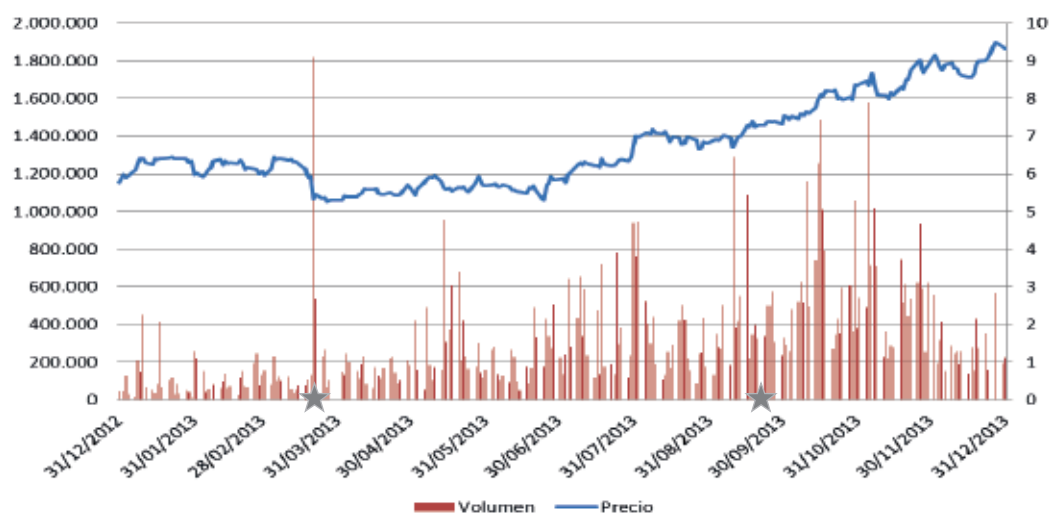
Accordingly, the Group is in possession of 121,304 shares representing 0.065% of share capital. Treasury shares do not exceed the 10% limit established by the Spanish Companies Act 2010.

The price of Meliá Hotels International, S.A.'s shares at the year end is €9.335. At the 2012 year end the share price amounted to €5.775.

## 8. OTHER INFORMATION ON THE EVOLUTION OF THE BUSINESS

### 8.1 STOCK MARKET INFORMATION

In 2013, the price of Meliá's shares rose by 61.65%, which was 10% and 40% higher than the IBEX Medium Cap and IBEX 35 indexes, respectively, as shown on the following chart:



	1 Q. 2013	2 Q. 2013	3 Q. 2013	4 Q. 2013	2013
Average daily volume (thousands of shares)	249.06	493.03	611.45	767.08	<b>533.14</b>
Average evolution	-8%	10%	26%	27%	<b>62%</b>
Ibex 35 evolution	-3%	-2%	18%	8%	<b>21%</b>
Ibex Med Cao evolution	2%	8%	23%	12%	<b>52%</b>

The major milestones in 2013 were:

- On May 13th, Banco Sabadell sold its 6% stake in Meliá Hotels International S.A. As a consequence, the free float of the Company reached 35%. Since then, average trading volume has more than doubled.
- In March and September 2013 (★), the Company issued 250 million EUR in convertible bonds.
- Dividends were paid on 8 August 2013.

### 8.2 DIVIDEND POLICY

In the past, the Company paid out about 20% of the Parent Company's consolidated profits in dividends.

In fiscal year 2013, the Parent Company's consolidated results were losses.

### 8.3 STAFF

The details are contained in note 7.3 of the consolidated annual accounts.

## 8.4 ENVIRONMENTAL RISKS

The annual accounts of the Group do not include any items that should be taken into account in the specific environmental disclosures document, outlined in the Order of the Ministry of Justice of October 8, 2001.

## 8.5 RESEARCH & DEVELOPMENT

The Company does not conduct any research and development activities as they are not part of the corporate purpose.

## 9. ANNUAL CORPORATE GOVERNANCE REPORT

The Annual Corporate Governance Report for fiscal year 2013 is enclosed as an attachment.

### SPECIMEN ANNEX I

### STANDARD FORMAT FOR THE ANNUAL REPORT ON CORPORATE GOVERNANCE OF LISTED COMPANIES

IDENTIFICATION DETAILS OF THE ISSUER

YEAR-END DATE 31/12/2013

A78304516

MELIA HOTELS INTERNATIONAL S.A.

Gremio de Toneleros, 24 Pol.ind. Son Castello, (Palma de Mallorca) Balears

## A. COMPANY OWNERSHIP STRUCTURE

## A.1 Complete the following table on company capital stock:

Date of last modification	Capital stock	Number of shares	Number of voting rights
20/11/2000	36,955,355.40	184,776,777	184,776,777

Indicate if there are different types of shares with any different associated rights: NO

## A.2 Detail of direct or indirect significant shareholders at the close of the financial year, excluding members of the Board of Directors:

Name or corporate name of shareholder	Number of voting rights directly	Number of voting rights indirectly	% of total voting rights
HOTELES MALLORQUINES AGRUPADOS S.L.	25,690,989	0	13.90
HOTELES MALLORQUINES ASOCIADOS, S.L.	30,333,066	0	16.42
MAJORCAN HOTELS LUXEMBOURG, S.A.R.L.	11,542,525	0	6.25

Indicate the most significant changes in share ownership structure during the year:

Name or corporate name of shareholder	Operation date	Operation description
INVERSIONES COTIZADAS DEL MEDITERRANEO, S.L.	13/05/2013	Share capital decreased by 5%.

### A.3 Complete the following tables on the members of the Board of Directors with shares and voting rights:

Name or corporate name of shareholder	Number of voting rights directly	Number of voting rights indirectly		% of total voting rights
		Direct shareholder	Number of voting rights	
GABRIEL ESCARRER JULIA	0	HOTELES MALLORQUINES AGRUPADOS S.L.	25,690,989	13.90
GABRIEL ESCARRER JULIA	0	HOTELES MALLORQUINES ASOCIADOS, S.L.	30,333,066	16.42
GABRIEL ESCARRER JULIA	0	MAJORCAN HOTELS LUXEMBOURG, S.A.R.L.	11,542,525	6.25
GABRIEL ESCARRER JULIA	0	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	49,371,167	26.72
FERNANDO D'ORNELLAS SILVA	0			0.00
JUAN VIVES CERDA	0	FINCA LOS NARANJOS, S.A	375	0.00
JUAN ARENA DE LA MORA	1,000			0.00
SEBASTIAN ESCARRER JAUME	0			0.00
GABRIEL ESCARRER JAUME	0			0.00
FRANCISCO JAVIER CAMPO GARCIA	0			0.00
AMPARO MORALEDA MARTÍNEZ	0			0.00
LUIS M <sup>a</sup> DIAZ DE BUSTAMANTE TERMINEL	300			0.00
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	49,371,167			0.00
ALFREDO PASTOR BODMER	0	MARÍA DEL CARMEN OLIVES PUIG	6,000	0.00

**% of total voting rights held by the Board of Directors: 63.29**

Complete the following tables on the members of the Board of Directors with stock options:

### A.4 Indicate any family, business, contractual or corporate relationships existing between stockholders with a significant interest as far as they are known to the Company, except when of limited relevance or when derived from ordinary Company business:

Related name	Type of relation	Brief description
GABRIEL ESCARRER JULIA HOTELES MALLORQUINES CONSOLIDADOS, S.A.	Family	Indirect interests, which are shown in A.3 above, are based on the holdings directly or indirectly controlled by Gabriel Escarrer Julia, his wife and children.
GABRIEL ESCARRER JULIA MAJORCAN HOTELS LUXEMBOURG, S.A.R.L.	Family	Indirect interests, which are shown in A.3 above, are based on the holdings directly or indirectly controlled by Gabriel Escarrer Julia, his wife and children.
GABRIEL ESCARRER JULIA HOTELES MALLORQUINES AGRUPADOS S.L.	Family	Indirect interests, which are shown in A.3 above, are based on the holdings directly or indirectly controlled by Gabriel Escarrer Julia, his wife and children.
GABRIEL ESCARRER JULIA HOTELES MALLORQUINES ASOCIADOS, S.L.	Family	Indirect interests, which are shown in A.3 above, are based on the holdings directly or indirectly controlled by Gabriel Escarrer Julia, his wife and children.

**A.5 Indicate any business, contractual or corporate relationships existing between stockholders with a significant interest and the Company and / or its group, except when of limited relevance or when derived from ordinary Company business:**

Related name	Type of relation	Brief description
TENERIFE SOL S.A. BANCO SABADELL, S.A.	Corporate	Banco Sabadell and Tenerife Sol, S.A. held interest in Sociedad Inversiones Hoteleras La Jaquita, S.A. but in May 2013 Banco Sabadell ceased to be a significant shareholder of Meliá Hotels International.
MELIA HOTELS INTERNATIONAL S.A. BANCO SABADELL, S.A.	Corporate	Banco Sabadell and Meliá Hotels International held interests in Sociedad Altavista Hotelera, S.L. In May 2013, Banco Sabadell ceased to be a significant shareholder of Meliá Hotels International.
MELIA HOTELS INTERNATIONAL S.A. BANCO SABADELL, S.A.	Corporate	Banco Sabadell and Meliá Hotels International held interests in Sociedad Datolita Inversiones 2010, S.L. In May 2013, Banco Sabadell ceased to be a significant shareholder of Meliá Hotels International.

**A.6 Indicate if any quasi-corporate agreements between shareholders have been reported to the Company and which affect the company according to the criteria of articles 530 and 531 of Spanish Corporate Law (Ley de Sociedades de Capital): If so describe them briefly and indicate the shareholders involved.**

NO

Indicate if the company is aware of concerted actions between Company shareholders. If so describe them briefly:

NO

In the event of any changes or breaking-off of those pacts or agreements or concerted actions, indicate this expressly:

**A.7 Indicate if there is any person or entity which exercises or may exercise control over the Company according to article 4 of Stock Market Law. If so, identify that person or entity:**

YES

Name or corporate name
GABRIEL ESCARRER JULIA
Observations
However, as previously mentioned, all of the shares controlled by the companies Hoteles Mallorquines Consolidados, S.A., Hoteles Mallorquines Asociados, S.L., Hoteles Mallorquines Agrupados, S.L. and Majorcan Hotels Luxembourg, S.A.R.L. are directly or indirectly owned by Gabriel Escarrer Julia, his wife and children



## A.8 Complete the following tables on treasury stock:

At year end

Number of direct shares	Number of indirect shares *	% total share capital
121,304	0	0.07

(\*) Through:

Detail of any significant changes as expressed in Royal Decree 1362/2007 made during the year:

Date of Communication	Number of direct shares acquired	Number of indirect shares acquired	% of share capital social
15/05/2013	3,595,534	0	1.95
16/12/2013	4,093,773	0	2.22

## A.9 Describe the term and conditions of the current mandate of the General Shareholders' Meeting to the Board of Directors to issue, repurchase or transfer treasury stock.

The mandate in effect at this time was passed by the General Meeting of Shareholders on 1 June 2011, authorising the Board of Directors, which in turn has the authority to delegate powers in the Directors as it sees fit, to acquire and dispose of treasury stock by buying, selling, swapping, awarding in payment or take part in any other operation allowed by law, up to the legal limit, for a price that may not be less than 90% or more than 110% of the closing price the day before the transaction. The mandate is in effect for five years from the passage of the motion. The mandate is bound by the limits and requirements of the Capital Companies Act and the company's Internal Code of Conduct for stock market operations.

According to the resolutions passed at the General Meeting of reference, the Board of Directors was authorised to increase the share capital pursuant to the terms of article 297 of the Capital Companies and to suspend any pre-emptive rights to such capital increases pursuant to the terms of article 308 of the Law, up to a total of EUR 18,477,677. The Board is authorised to increase the share capital in one or more operations, determining in each case the amounts and the conditions it deems most appropriate. Any such capital increase must take place within five years of the passage of the resolution and may be carried out by raising the par value of existing shares, in compliance with the legal requirements, or by issuing new ordinary or privileged shares, with or without an issue premium, with or without voting rights, or by issuing redeemable shares or any combination of the above. The price of the newly issued shares or the increase in value of the existing ones will be paid in cash or taken from unrestricted reserves or a combination of the two, as long as this is allowed by law and the provided for in the powers contained in the full contents of the agreement. The Board is specifically empowered to suspend some or all of the pre-emptive rights in relation to any securities issued under this authorisation, pursuant to the terms of article 506 of the Capital Companies Act.

Finally, in relation to the authorisation of the Board of Directors to issue fixed income, convertible and/or swappable shares up to a limit of FIVE HUNDRED MILLION EUROS within five years of the date of the General Meeting's resolution (01/06/2011), the Board was authorised, in accordance with article 297.1.b) of the Capital Companies Act, to increase the share capital by the amount needed to accommodate the conversion requests and to determine the terms and conditions of the conversion and/or swap, with the power to suspend the pre-emptive rights of shareholders and bondholders, to guarantee the issues of subsidiary companies and to increase the capital by the necessary amount. This power may only be exercised to the extent that the Board does not exceed the limit of one-half of the share capital mentioned in article 297.1.b) of the Capital Companies Act, counting the capital that is added to accommodate the debenture or convertible bond issue and the other capital increases authorised by the General Meeting. This includes authorisation to increase the capital to cover the conversion of the securities, the power to issue and circulate the shares that are needed to convert the shares on one or more occasions and, pursuant to article 297.2 of the Capital Companies Act, to amend article 5 of the bylaws relative to the share capital and the number of shares in circulation, and to eliminate the portion of the capital increase that is not needed for the conversion. Pursuant to the terms of article 304.2 of the Capital Companies Act, in the capital increases carried out by the Board of Directors to cover the conversion requests, there will be no pre-emptive rights and the Board of Directors is authorised to delegate the powers referred to in this resolution in any one of its Managing Directors.

## A.10 Indicate whether there are any restrictions on the transfer of shares and/or any restrictions on voting rights. In particular, indicate any restrictions that may hinder the takeover of the company through the purchase of shares on the market:

NO

## A.11 Indicate whether the General Shareholders' Meeting has resolved to adopt anti-takeover measures in accordance with the provisions of Law 6/2007.

NO

If so, explain the measures approved and the terms under which the restrictions will be rendered ineffective:

## A.12 Indicate whether the company has issued securities that are not traded on an EU regulated market.

YES

Where applicable, indicate the different classes of shares and, for each class of shares, the rights and obligations conferred.

During the fiscal year ended 31 December 2013, the Board of Directors, making use of the powers vested in it in the sixth resolution passed by the General Meeting on 1 June 2011, agreed as follows:

(I) On 20 March 2013, to proceed with an issue of bonds convertible and / or swappable for newly issued and/or existing shares in the amount of TWO HUNDRED MILLION EUROS (€200,000,000) with a five-year maturity date, excluding any pre-emptive rights on the part of company shareholders and to entrust the Board with determining the principal characteristics of the issue, which in turn empowered the Managing Director to determine the final terms and conditions of the issue. On 3 April 2013, the issue of convertible and/or swappable bonds was entered in the Mallorca Business Register and the subscription and payment of the bonds took place on 4 April 2013. The bonds were admitted to trading on the Frankfurt stock exchange's unofficial and unregulated Open Market (Freiverkehr) on 24 April 2013.

(II) On 9 September 2013, to proceed with an issue of bonds convertible and / or swappable for newly issued and/or existing shares in the amount of FIVE HUNDRED MILLION EUROS (€500,000,000) with maturity date of 4 April 2018, excluding any pre-emptive rights on the part of company shareholders. Pursuant to clause 16 of the Terms and Conditions of the Convertible and/or Swappable Bond Issue of Meliá Hotels International, S.A., 2013 for a total amount of €200,000,000€ at 4.5 percent, approved by the Board of Directors on 20 March 2013, the issue was an extension of the one approved on 20 March 2013 under the same terms and conditions (except for the first interest payment date), both issues forming a single series of convertible and/or swappable bonds. The Managing Director was empowered to determine the price following the accelerated prospectus process. The deed was entered in the Mallorca Business Register on 19 September 2013. On 25 September 2013, the bonds were subscribed and paid. The bonds were admitted to trading on the Frankfurt stock exchange's unofficial and unregulated Open Market (Freiverkehr) on 25 September 2013.

## B. THE GENERAL MEETING

### B.1 Indicate and, if applicable, explain whether there are any differences between the minimum requirements set out in the Spanish Corporate Law in connection with the quorum needed to hold a valid general Shareholders' Meeting.

YES

	% of quorum different to that established in article 193 of the Spanish Corporate Law for the general circumstances	% of quorum different to that established in article 194 of the Spanish Corporate Law for the special circumstances of the article 194
Quorum required for the first call	0.00	55.00
Quorum required for the second call	0.00	40.00
Description of the differences		

According to article 24.4 of the Articles of Association, in order for the General Meeting to validly modify the corporate purpose, exclude the company's shares from trading or transform or dissolve the company, on first call the motion must be passed by 55% of the share capital with voting rights. On second call, the motion may be passed by 40% of the share capital with voting rights.

### B.2 Indicate and if applicable, explain whether there is a difference between the Board's system for adapting resolutions and the system provided under Spanish Corporate Law:

YES

Describe how they differ from the provisions in the Spanish Corporate Law.

	Qualified majority different to the established in article 201.2 of the Spanish Corporate Law for the special circumstances of the article 194.1 of the Corporate Law	Other case of qualified majority
% established by the Company for adopting resolutions	0.00	60.00
Description of the differences		

According to article 28.2 of the Articles of Association, in order for the General Meeting to validly modify the company's corporate purpose, exclude the company's shares from trading or transform or dissolve the company, the motion must be passed by 60% of the share capital present or represented at the meeting on both first and second calls.

When the shareholders in attendance or represented on the second announced meeting date account for less than fifty percent of the subscribed capital with voting rights, resolutions may only be validly passed with the favourable vote of two-thirds of the share capital present or represented at the Meeting.

**B.3 Rules applicable to the amendment of the by-laws of the Company. In particular, the majorities provided for the amendment of the by-laws will be communicated and, where appropriate, the rules laid down for the protection of the rights of the shareholders in the amendment of the by-laws**

Article 30.1.f) of the Articles of Association establishes that the General Meeting of Shareholders has the authority to modify the Articles of Association. Pursuant to article 24 of the Articles of Association, the General Meeting of Shareholders is validly convened to do business when the number of shareholders present or represented on first call represents the percentage of share capital legally required to address the agenda items according to the laws in force at any given time.

This notwithstanding, in order for the General Meeting to validly modify the corporate purpose, exclude the company's shares from trading or transform or dissolve the company, on first call the motion must be passed by 55% of the share capital with voting rights. On second call, the motion may be passed by 40% of the share capital with voting rights.

According to article 28 of the Articles of Association, the resolutions of the General Meeting will be passed by a majority of votes of the shareholders present or represented at the meeting, unless a higher majority is required by law or by the bylaws. Hence, in order for the General Meeting to validly modify the company's corporate purpose, exclude the company's shares from trading or transform or dissolve the company, the motion must be passed by 60% of the share capital present or represented at the meeting on both first and second calls.

However, when the shareholders at the meeting represent less than fifty (50%) of the subscribed share capital with voting rights on second call, the resolutions mentioned herein may only be passed with the favourable vote of two-thirds (2/3) of the share capital present or represented at the Meeting.

The above notwithstanding, motions to amend articles 3 (Registered Address), 7

(Accounting Register of Shares and Register of Shareholders), 8 (Legitimation of Shareholders), 24.3 (Quorum), 24.4 (Special Quorum), 28 (Majorities for Passage of Resolutions), 33 (Appointment of Officers of the Board of Directors) and 38 (Delegation of Powers) of the Articles of Association shall require the favourable vote of at least sixty percent (60%) of the share capital present or represented at the General Meeting on both first and second call.

**B.4 Details of attendance at general meetings held during the year to which this report refers and the previous year:**

Attendance					
			% Distant vote		Total
Date	% Attendance	% Represented	Electronic vote	Other	
13/06/2012	70.48	4.51	0.00	0.00	74.99
05/06/2013	67.39	8.02	0.00	0.00	75.41

**B.5 Indicate if there are any by-law restrictions that require a minimum number of shares to attend the General Shareholders' Meeting.**

YES

Number of shares required to attend the General Shareholders' Meeting

300

**B.6 It has been agreed that certain decisions involving a structural modification of the company ("affiliation", purchase/sale of essential operating assets, transactions equivalent to the liquidation of the company ...) should be submitted to the approval of the general meeting of shareholders, even they are not required expressly by the Mercantile Law.**

YES

**B.7 Address and access form to the company website to corporate governance information and other information about general meetings to be made available to shareholders through the Company's website.**

The address of the corporate website is: [www.meli-hotelsinternational.com](http://www.meli-hotelsinternational.com). Clicking on Shareholders and Investors takes the user to the corporate governance documentation: <http://www.meli-hotelsinternational.com/es/accionistas-e-inversores/gobierno-corporativo/junta-general-accionistas>

## C. STRUCTURE OF THE COMPANY ADMINISTRATION

### C.1 Board of Directors

C.1.1 Maximum and minimum number of directors provided for in the Company By-laws:

Maximum number of directors	15
Minimum number of directors	5

C.1.2 Complete the following table with the Members of the Board:

Name or corporate name of the Director	Representative	Position	Date of first appointment	Date of last appointment	Selection procedure
GABRIEL ESCARRER JULIA		CHAIRMAN	07/02/1996	01/06/2010	VOTE AT SHAREHOLDERS' MEETING
GABRIEL ESCARRER JAUME		VICE PRESIDENT AND CEO	07/04/1999	13/06/2012	VOTE AT SHAREHOLDERS' MEETING
FRANCISCO JAVIER CAMPO GARCIA		DIRECTOR	13/06/2012	13/06/2012	VOTE AT SHAREHOLDERS' MEETING
AMPARO MORALEDA MARTÍNEZ		DIRECTOR	09/02/2009	02/06/2009	VOTE AT SHAREHOLDERS' MEETING
JUAN VIVES CERDA		DIRECTOR	07/02/1996	01/06/2010	VOTE AT SHAREHOLDERS' MEETING
SEBASTIAN ESCARRER JAUME		DIRECTOR	07/02/1996	13/06/2012	VOTE AT SHAREHOLDERS' MEETING
FERNANDO D'ORNELLAS SILVA		DIRECTOR	13/06/2012	13/06/2012	VOTE AT SHAREHOLDERS' MEETING
JUAN ARENA DE LA MORA		DIRECTOR	31/03/2009	02/06/2009	VOTE AT SHAREHOLDERS' MEETING
ALFREDO PASTOR BODMER		DIRECTOR	31/05/1996	01/06/2010	VOTE AT SHAREHOLDERS' MEETING
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	MARIA ANTONIA ESCARRER JAUME	DIRECTOR	23/10/2000	13/06/2012	VOTE AT SHAREHOLDERS' MEETING
LUIS M <sup>a</sup> DIAZ DE BUSTAMANTE TERMINEL		SECRETARY DIRECTOR	30/11/2010	13/06/2012	VOTE AT SHAREHOLDERS' MEETING
Total number of board members					11

Resignations from the Board of Directors occurred during the period:

Name or corporate name of the Director	Status at time of resignation	Date of resignation
BANCO SABADELL, S.A.	Proprietary	14/05/2013

C.1.3 Complete the following table regarding the members of the Board and each member's status:

Executive Directors		
Name or corporate name of the Director	Committee which proposed the appointment	Position in the company organization
GABRIEL ESCARRER JULIA	APPOINTMENT AND REMUNERATION COMMITTEE	CHAIRMAN
GABRIEL ESCARRER JAUME	APPOINTMENT AND REMUNERATION COMMITTEE	VICE PRESIDENT AND CEO
Total number of executive directors		2
Total % of the Board		18.18

External Proprietary Directors		
Name or corporate name of the Director	Committee which proposed the appointment	Name or corporate name of the significant shareholder they represent or which proposed their appointment
JUAN VIVES CERDA	APPOINTMENT AND REMUNERATION COMMITTEE	HOTELES MALLORQUINES ASOCIADOS, S.L.
SEBASTIAN ESCARRER JAUME	APPOINTMENT AND REMUNERATION COMMITTEE	HOTELES MALLORQUINES AGRUPADOS S.L.
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	APPOINTMENT AND REMUNERATION COMMITTEE	HOTELES MALLORQUINES CONSOLIDADOS, S.A.
Total number of proprietary & external directors		3
Total % of Board		27.27

External Independent Directors	
Name or corporate name of the Director	Profile
FERNANDO D'ORNELLAS SILVA	Born in Madrid on 29 October 1957. EDUCATION: Degree In Law and Economics from ICADE-E3. MBA from IESE, Barcelona (International Section). CURRENTLY: MELIA HOTELS INTERNATIONAL, MEMBER of the Board of Directors since June 2012; DINAMIA, Member of the Board of Directors since March 2013; WILLIS IBERIA, Member of the Advisory Board since March 2013; MITSUBISHI CORPORATION, Senior Advisor since March 2013; LAZARD ASESORES FINANCIEROS, S.A. Senior Advisor, Spain and Latam since June 2013; Member of the International Advisory Board of the Hispanic Society of America; Member of the Advisory Board of the Real Club de la Puerta de Hierro since 2010.
JUAN ARENA DE LA MORA	He has a doctorate in electro-mechanical engineering from the ICAI, and is graduate in Business Administration from ICADE, a graduate in Tax Studies, a graduate in Child Evolutionary Psychology and a graduate in AMP from the Harvard Business School. Director of Ferrovial Laboratorios Almirall, Everis, Meliá Hotels International, PRISA and PANDA. President of the SERES Foundation, Chairman of the Advisory Board of Consulnor, MARSH, Member of the Advisory Board of Spencer Stuart, Chairman of the Professional Council of ESADE, and member of the European Advisory Council of the Harvard Business School and of the Board of Directors of the Deusto Business School; Senior Advisor to Oaktree, Senior Lecturer of at the Harvard Business School. (2009-2010). Former Chairman and CEO of Bankinter and director of TPI and Dinamia.

External Independent Directors	
Name or corporate name of the Director	Profile
ALFREDO PASTOR BODMER	<p>Date and place of birth: La Seu d'Urgell (Lérida) on 30/9/1944. Degrees: Degree in Economics from the University of Barcelona, 1968; Ph.D. in Economics, Massachusetts Institute of Technology, 1972; Ph.D. in Economic, Autonomous University of Barcelona, 1973. Professional Career: Professor of Economic Theory since 1976. Professor of Economics, Boston University, 1980-81. Country Economist, World Bank, 1981-83. Director of Planning, INI, 1983-84. Managing Director, INI, 1984-85. Chairman, ENHER, 1985-90. Director, Bank of Spain, 1990-93. Director, Family Business Institute, 1992-93. Secretary of State for the Economy, 1993-95. Distinguished Professor, Institute for Advanced Business Studies (IESE), 1996-97, Professor, 1997. Spanish Chair, CEIBS, 2000. Dean of CEIBS (China Europe International Business School), Shanghai (China), 2001-2004. Chair of Emerging Economies, Banco Sabadell, 2009. Current Directorships: Member of the Board of the Círculo de Economía since 1995. MELIÁ HOTELS INTERNATIONAL, since 1996. COPCISA, since 2006. BANSABADELL INVERSIÓN, since 2008. EDITORIAL BOARD, Diari ARA, since 2011. Board experience: SCANIA HISPANIA, 1996-2007. Chairman, 1997-2001. Miquel y Costas, 1997-2000. Hidroeléctrica del Cantábrico, 1999-2000. URJAY MENÉNDEZ, Advisor, 1996-2011. ABERTIS Telecom, 2006-2008. NUTREXPA, 2008-2011. GRINÓ ECOLOGIC, 2011-2013. Publications: Efficiency, Stability and Equity: the Padoa-Schioppa Report, OUP (1987) (co-author), España, año cero: una salida para la crisis Espasa-Calpe, 1982, (co-author) Rol y gestión de empresas públicas en PORTOCARRERO, J. (ed.) Intercambio de experiencias sobre políticas económicas en España y en Perú, Lima, 1982. "Spain: Economic policies for modernisation: evidence, analysis and reflection", in JANAGGATHAN, S. (ed.): Industrial Challenges for the 1990s: India and OECD, Srinagar, 1988. "El Mercado común europeo: una perspectiva española, Pensamiento Iberoamericano, enero-Junio 1989. "La política industrial en España: una evaluación global in MARTÍN, C Política industrial, teoría y práctica, Madrid 1991. "The privatization of State enterprises in developing countries: some lessons" in PÖSCHL, J. (ed.): Privatization in Eastern Europe, Friedrich-Ebert-Stiftung, Vienna, 1992. "Estrategias de Política Industrial in ALBI, E. (ed.): Europa y la competitividad de la economía española, Ariel, 1992. "Unión monetaria busca país" in MUNS, J. (ed.): España y el euro: riesgos y oportunidades, Barcelona 1997. "La gestión de la incapacidad temporal en España, Documentación laboral 2001 (with Juan PEROTE). "La transformación de la economía china in Real Instituto Elcano, Perspectivas exteriores 2004. La ciencia humilde, ed. Crítica, 2013. "Globalización, en una cultura de fraternidad", en MELÉ, D. y CASTELLÀ, J.Mª El desarrollo humano integral, Barcelona, 2010. Conde de Godó Journalism Award, 2011</p>
FRANCISCO JAVIER CAMPO GARCIA	<p>With a degree in Industrial Engineering from the Madrid Polytechnic University, he began his career in 1980 with Arthur Andersen. In 1986 he joined Día and was the Chairman of the Día International Group for 24 years. He was a member of the International Executive Committee of Carrefour for 15 years. He is currently the Chairman of the Zena Group (Foster Hollywood, Domino's Pizza, La Vaca Argentina, Cañas &amp; Tapas, Burger King, etc.) He is the President of AECOC, the Spanish Consumers' Association which has more than 25,000 member companies representing more than 20% of Spain's GDP and more than 2 million employees among them. He is also a Director of Bankia and a member of its Risk Committee; Director of Meliá Hotels Internationals, Director of the Alimentación Palacios Group and a member of the Advisory Board of AT Kearney. He is a trustee of the ITER Foundation and member of the Board of Governors of the Carlos III Foundation and the Forum de Alta Dirección.</p>
AMPARO MORALEDA MARTÍNEZ	<p>Education: - Industrial Engineer degree from ICAI. - PDG from IESE. Professional Career: From January 2009 to February 2012, Director of Operations for the International Area of IBERDROLA responsible for the United Kingdom and United States. Also directed Iberdrola Ingeniería y Construcción through January 2011. From 1998 to January 2009, her professional career was linked to IBM and the information technology sector. Throughout her professional career at IBM, held different management positions in North America, Europe and Spain. In June 1999, assigned to IBM headquarters in New York as Deputy Director along with Louis V. Gerstner (Chairman of IBM Corporation). From that position, participating in the company's strategic decisions, especially those affecting Europe, Latin American and Asia-Pacific. In July 2001 named Chairwoman of IBM Spain and Portugal and in June 2005 assumed the executive leadership of a new IBM unit that included Spain, Portugal, Greece, Israel and Turkey. Other information: Member of the Board of Directors of Meliá Hotels International, Member of the Board of Directors of Corporación Financiera Alba, Member of the Board of Directors of Faurecia, Member of the Board of Directors of Solvay, Member of the Board of Directors of Alstom, Member of the Board of Directors of KPMG España, Member of the Advisory Board of SAP España, Member of the Governing Board of CSIC (Council on Scientific Investigation), Member of diverse Boards of Trustees of different bodies and institutions, including: the Academy of Social Sciences and the Environment of Andalucía, Member of the Board of Trustees of the MD Anderson Cancer Center of Madrid, Member of the International Advisory Board of the Business Institute, Member of the Madrid Board of Directors Spanish Executives Association. Awards and recognitions: Excellence Award of the Spanish Federation of Women Executives, Professionals and Businesswomen (Fedep), in 2002. 9th Javier Benjumea Award in 2003 presented by the ICAI Engineers Association in recognition of prestigious engineering professionals for their professional careers. Second Value-Based Leadership Award in 2008 given by the FIGEVA Foundation. In 2005, inducted into the Hall of Fame of the Women in Technology International (WITI) organization. The Hall of Fame is the means by which this institution acknowledges the most distinguished members of the business and technology world who have made valuable contributions to women in the world of technological development. In 2009, included on the list of 10 most highly regarded Spanish business leaders (being the first women in the ranking) according to the MERCO annual report (Spanish Corporate Reputation Monitor)</p>

External Independent Directors	
Name or corporate name of the Director	Profile
LUIS M <sup>a</sup> DIAZ DE BUSTAMANTE Y TERMINEL	<p>Born in Torrelavega (Cantabria, Spain) on 25 August 1952. Law Degree from the Complutense University in Madrid. Practicing attorney since 1975 and partner in the Isidro D. Bustamante firm (1942). His professional career has been focused primarily on the practice of civil and mercantile law, civil and international procedural law and business consulting. Education: Universidad Complutense de Madrid (UCM), School of University Studies and School of Law. Madrid. Law Degree (June 1975). Political Studies Institute, Political Sociology Courses (1974/1976). Menéndez Pelayo International University, Geopolitical Course (1975). School of Legal Practice (UCM-Madrid), Legal Advisers Course (1975/1976) - University of Miami (FL, USA), "Estate Planning" attorney (1977). Secretary of State of CCEE &amp; Association for European Integration (Madrid, 1982), Introductory Course on the European Communities, UCM-Madrid School of Law, Doctoral Course (1990/1991) – ex thesis. Institute for Comparative Law (UCM-Madrid). University Course in Comparative Law (1990/1991). Some of the publications on which he has collaborated include: the Spanish/English Dictionary of Law, Economics and Politics (EDERSA, 1st edition in 1980 and subsequent editions); tax and financial law journal and the books: Spanish Business Law (Kluwers 1985) and Business Law in Spain (Butterworths, 1992). Member of the Madrid (Spain) Bar Association since 1975 practicing law as a partner in the firm of Isidro D. Bustamante (founded by his father, Isidro Díaz de Bustamante y Díaz in 1942), focusing primarily on civil and mercantile law and civil and international procedural law. In 1977, he moved to the United States where he worked at Southeast Banking Corp. (Miami, Florida) in the areas of sovereign and private public debt rating (mainly Brazil and Argentina), legal advice and secretary general to the CEO, as well as at the Roberts Holland law firm, which specializes in tax law). He collaborates with the Board of the Bar Association of Madrid and he gives lectures on matters related to international relations (i.e., Commendation County of Los Angeles &amp; Commendation S.E. District Bar Association, County of Los Angeles). He is practicing court attorney and a legal adviser to numerous businesses and sits on numerous boards of directors. He participates in the Bankruptcy Administration Area of the Madrid Bar Association.</p>
Total number of independent non-executive directors	6
Total % of the Board	54.55

State whether any director classified as independent receives from the company or its group any amount or benefit for items other than director remuneration, or maintains or has maintained during the last financial year a business relationship with the company or with any company of its group, whether in the director's own name or as a significant shareholder; director or senior officer of an entity that maintains or has maintained such relationship. If applicable, include a reasoned statement of the Board regarding the reasons for which it is believed that such director can carry out the duties thereof as an independent director.

#### Other External Directors

Describe the reasons why they cannot be considered proprietary or independent directors as well as their ties, whether with the company, its management, or its shareholders.

Indicate the changes, if any, have occurred during the period in the type of director:

C.1.4 Complete the following table with information about the number of women directors for the last 4 years, and the type of such women directors:

	Number of women directors			
	Year t	Year t-1	Year t-2	Year t-3
Executive	0	0	0	0
Proprietary	1	1	1	1
Independent	1	1	1	1
Other External	0	0	0	0
<b>Total</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>

	% of total directors each class			
	Year t	Year t-1	Year t-2	Year t-3
Executive	0.00	0.00	0.00	0.00
Proprietary	33.33	25.00	33.33	33.33
Independent	16.67	16.67	20.00	20.00
Other External	0.00	0.00	0.00	0.00
<b>Total</b>	<b>18.18</b>	<b>16.67</b>	<b>18.18</b>	<b>18.18</b>

C.1.5 Explain the measures, if any, have been taken to seek to include in the board a number of women that would achieve a balanced representation of women and men.

Explanation of the measures
In the process of selecting Board members, the Appointments and Remuneration Committee evaluates the skills and experience of the candidates objectively, assessing each candidate's profile individually and considering the need to foster equal opportunities among women and men, ensuring that there is no discrimination of any kind based on gender.
In the Board member selection process, the candidate's profile is evaluated, including the potential female candidates whose profile conforms to the professional that is being sought.

C.1.6 Describe any measures approved by the remuneration committee in order for selection procedures to be free of implicit biases that hinder the selection of female directors, and in order for the company to deliberately search for women who meet the professional profile that is sought and include them among potential candidates:

Explanation of the measures
In the process of selecting Board members, the Appointments and Remuneration Committee evaluates the skills and experience of the candidates objectively, assessing each candidate's profile individually and considering the need to foster equal opportunities among women and men, ensuring that there is no discrimination of any kind based on gender.
In the Board member selection process, the candidate's profile is evaluated, including the potential female candidates whose profile conforms to the professional that is being sought

When, despite the measures, if any, have been taken are few or no female directors, explain the reasons therefore:



C.I.7 Explain the form of representation on the board of shareholders with significant holdings.

Significant shareholders are represented on the Board by proprietary directors.

C.I.8 Describe, if applicable, the reasons why proprietary directors have been appointed at the proposal of shareholders whose shareholding interest is less than 5% of share capital.

State whether there has been no answer to formal petitions for presence on the board received from shareholders whose shareholding interest is equal to or greater than that of others at whose proposal proprietary directors have been appointed. If so, describe the reasons why such petitions have not been answered:

NO

C.I.9 State whether any director has withdrawn from the position as such before the expiration of the director's term of office, whether the director has given reasons to the board and by what means, and in the event that the director gave reasons in writing to the full board, describe at least the reasons given thereby:

Name of director	Reason for withdrawal
BANCO SABADELL, S.A.	Stepped down after sale of shares

C.I.10 State any powers delegated to the chief executive officer(s):

Name or Company name of the shareholder	Description
GABRIEL ESCARRER JAUME	Vested with all of the rights of the Board that may be delegated under the law and the Articles of Association

C.I.II Identify, where applicable, any members of the board who are directors or officers of companies within the listed company's group:

Name or corporate name of the member	Corporate name of the group company	Position
GABRIEL ESCARRER JULIA	GEST.HOT.TURISTICA MESOL S.A.	DIRECTOR
GABRIEL ESCARRER JULIA	LOMONDO LIMITED	DIRECTOR
GABRIEL ESCARRER JULIA	MARKTUR TURIZM ISLETMECILIK A.S.	DIRECTOR
GABRIEL ESCARRER JULIA	SOL MELIA VC MÉXICO. S.A. DE C.V.	CHAIRMAN
GABRIEL ESCARRER JULIA	SOL MELIA VC PUERTO RICO CORPORATION	DIRECTOR
GABRIEL ESCARRER JULIA	SOL MELIÁ VC PANAMÁ. S.A.	DIRECTOR
GABRIEL ESCARRER JAUME	ADPROTEL STRAND S.L.	CHAIRMAN
GABRIEL ESCARRER JAUME	ALTAVISTA HOTELERA. S.L.	DIRECTOR
GABRIEL ESCARRER JAUME	APARTOTEL S.A.	CEO
GABRIEL ESCARRER JAUME	BISOL VALLARTA S.A.DE C.V.	CHAIRMAN
GABRIEL ESCARRER JAUME	CADSTAR FRANCE SAS	CHAIRMAN
GABRIEL ESCARRER JAUME	CALA FORMENTOR S.A. DE C.V.	DIRECTOR
GABRIEL ESCARRER JAUME	CARIBOTELS DE MÉXICO S.A.DE C.V.	CHAIRMAN
GABRIEL ESCARRER JAUME	CASINO TAMARINDOS. S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	COMPAGNIE TUNISIENNE DE GESTION HOTELEIRE S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	CORPORACIÓN HOTELERA HISPANO MEXICANA S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	CORPORACIÓN HOTELERA METOR S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	DESARROLLOS HOTELEROS SAN JUAN	DIRECTOR
GABRIEL ESCARRER JAUME	DESARROLLOS SOL S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	DETUR PANAMÁ. S.A.	TREASURER
GABRIEL ESCARRER JAUME	DORPAN S.L.	CHAIRMAN
GABRIEL ESCARRER JAUME	FARANDOLE B.V.	DIRECTOR
GABRIEL ESCARRER JAUME	GEST.HOT.TURÍSTICA MESOL S.A. (SOC. UNIP)	DIRECTOR
GABRIEL ESCARRER JAUME	GUPE ACTIVIDADES HOTELEIRAS S.A.	DIRECTOR
GABRIEL ESCARRER JAUME	HOGARES BATLE S.A.	CHAIRMAN/CEO
GABRIEL ESCARRER JAUME	HOTEL ALEXANDER SAS	CHAIRMAN
GABRIEL ESCARRER JAUME	HOTEL COLBERT. S.A.S.	CHAIRMAN
GABRIEL ESCARRER JAUME	HOTEL FRANCOIS SAS	CHAIRMAN
GABRIEL ESCARRER JAUME	HOTEL METROPOLITAIN S.A.S.	CHAIRMAN
GABRIEL ESCARRER JAUME	HOTEL ROYAL ALMA S.A.S.	CHAIRMAN
GABRIEL ESCARRER JAUME	HOTELES SOL MELIÁ S.L.	CHAIRMAN/CEO
GABRIEL ESCARRER JAUME	ILHA BELA GESTAO E TURISMO LIMITADA	MANAGER
GABRIEL ESCARRER JAUME	IMPULSE HOTEL DEVELOPMENT B.V.	DIRECTOR
GABRIEL ESCARRER JAUME	INMOBILIARIA DISTRITO COMERCIAL C.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	INMOTEL INVERSIONES ITALIA S.R.L.	DIRECTOR
GABRIEL ESCARRER JAUME	INVERSIONES AREITO. S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	INVERSIONES HOTELERAS LA JAQUITA. S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	INVERSIONES INMOBILIARIAS IAR 1997 C.A.	DIRECTOR
GABRIEL ESCARRER JAUME	INVERSIONES Y EXPLOTACIONES TURÍSTICAS S.A.	CEO
GABRIEL ESCARRER JAUME	LOMONDO LIMITED	DIRECTOR
GABRIEL ESCARRER JAUME	LONDON XXI. LIMITED	DIRECTOR
GABRIEL ESCARRER JAUME	MADELEINE PALACE S.A.S.	CHAIRMAN
GABRIEL ESCARRER JAUME	MARKSERV	DIRECTOR

Name or corporate name of the member	Corporate name of the group company	Position
GABRIEL ESCARRER JAUME	MELIÁ INVERSIONES AMERICANAS	DIRECTOR
GABRIEL ESCARRER JAUME	MELSOL MANAGEMENT B.V.	DIRECTOR
GABRIEL ESCARRER JAUME	MONGAMENDA S.L.	DIRECTOR
GABRIEL ESCARRER JAUME	MOTELES ANDALUCES S.A.	CEO
GABRIEL ESCARRER JAUME	NYESA MELIA ZARAGOZA S.L.	CHAIRMAN
GABRIEL ESCARRER JAUME	OPERADORA MESOL S.A. DE C.V.	CHAIRMAN
GABRIEL ESCARRER JAUME	PROMEDRO. S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	PT SOL MELIÁ INDONESIA	CHAIRMAN
GABRIEL ESCARRER JAUME	REALIZACIONES TURÍSTICAS S.A.	CEO/MEMBER
GABRIEL ESCARRER JAUME	SAN JUAN INVESTMENT B.V.	DIRECTOR
GABRIEL ESCARRER JAUME	SECURISOL S.A.	CHAIRMAN/CEO
GABRIEL ESCARRER JAUME	SOL GROUP B.V.	DIRECTOR
GABRIEL ESCARRER JAUME	SOL GROUP CORPORATION	DIRECTOR
GABRIEL ESCARRER JAUME	SOL MANINVEST B.V.	DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIA BALKANS EAD	CHAIRMAN
GABRIEL ESCARRER JAUME	SOL MELIA CHINA LIMITED	DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIA DEUTSCHLAND GMBH	CO-DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIA EUROPE. B.V.	DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIA FRANCE S.A.S.	CHAIRMAN OF THE BOARD
GABRIEL ESCARRER JAUME	SOL MELIA FRIBOURG S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	SOL MELIA HOTEL MANAGEMENT (SHANGHAI) COMPANY LTD.	CHAIRMAN
GABRIEL ESCARRER JAUME	SOL MELIA ITALIA S.R.L.	CO-DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIA MAROC - S.A.R.L. D'ASSOCIÉ UNIQUE	MANAGER
GABRIEL ESCARRER JAUME	SOL MELIA VACATION CLUB ESPAÑA S.L.	CHAIRMAN/CEO
GABRIEL ESCARRER JAUME	SOL MELIA VACATION NETWORK ESPAÑA S.L.	CHAIRMAN/CEO
GABRIEL ESCARRER JAUME	SOL MELIA VC MÉXICO. S.A. DE C.V.	CHAIRMAN
GABRIEL ESCARRER JAUME	SOL MELIA VC PUERTO RICO CORPORATION	DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIÁ GREECE. S.A.	DIRECTOR AND CHAIRMAN
GABRIEL ESCARRER JAUME	SOL MELIÁ INVESTMENT N.V.	DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIÁ LUXEMBOURG. S.À.R.L.	DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIÁ SERVICES. S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	SOL MELIÁ SUISSE S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	SOL MELIÁ VC PANAMÁ. S.A.	DIRECTOR
GABRIEL ESCARRER JAUME	TENERIFE SOL S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	PRODIGIOS INTERACTIVOS, S.A.	CHAIRMAN/CEO
SEBASTIAN ESCARRER JAUME	SOL MELIA CHINA LIMITED	DIRECTOR

C.I.12 Identify the directors of your company, if any, who are members of the board of directors of other companies listed on official stock exchanges other than those of your group, that have been reported to your company:

Name or corporate name of the member	Corporate name of the group company	Position
FERNANDO D'ORNELLAS SILVA	DINAMIA CAPITAL PRIVADO,S.C.R., S.A	DIRECTOR
JUAN ARENA DE LA MORA	ALMIRALL, S.A.	DIRECTOR
JUAN ARENA DE LA MORA	PRISA PROMOTORA DE INFORMACIONES, S.A.	DIRECTOR
JUAN ARENA DE LA MORA	FERROVIAL S.A.	DIRECTOR
FRANCISCO JAVIER CAMPO GARCIA	BANKIA, S.A.	DIRECTOR
AMPARO MORALEDA MARTÍNEZ	CORPORACION FINANCIERA ALBA, S.A.	DIRECTOR

C.I.13 Indicate whether the company has established rules regarding the number of Boards of which its directors may be members:

NO

C.I.14 Indicate the company's general strategies and policies reserved for approval by the full Board:

Investment and financing policy	YES
Definition of the structure of the corporate group	YES
Corporate governance policy	YES
Corporate social responsibility policy	YES
Strategic or business plan, as well as the annual management and budget objectives	YES
Senior executive management evaluation and remuneration policies	YES
Risk control and management policy, and the periodic monitoring of internal information and control systems	YES
Policy on dividends (not laid down) and on treasury shares, and the limits to be applied	YES

C.I.15 Indicate the overall remuneration of the board of Directors:

Remuneration of the Management Board (thousand of euros):	1,496
Amount of the remuneration corresponding to the benefits accrued by the directors on pensions (thousands of euros):	0
Total remuneration of the Management Board (thousands of euros)	1,496

C.I.16 Identify the members of the company's senior management who are not executive directors and state the total remuneration accruing to them during the financial year:

Name or corporate name	Position
GABRIEL CÁNAVES PICORNELL	HUMAN RESOURCES E.V.P.
ONOFRE SERVERA ANDREU	CLUB MELIA E.V.P.
PILAR DOLS COMPANY	FINANCE AND ADMINISTRATION E.V.P.
LUIS DEL OLMO PIÑERO	GROUP MARKETING E.V.P.
JUAN IGNACIO PARDO GARCIA	LEGAL COMPLIANCE E.V.P.
ANDRE PHILIPPE GERONDEAU	HOTELS E.V.P.
MARK MAURICE HODDINOTT	REAL STATE E.V.P.
Total senior management remuneration (in thousand euros)	2,046

**C.I.17** Indicate, if applicable, the identity of the Board members who are also members of the Board of Directors of companies that hold significant shareholdings in the listed company and / or in entities within their Group:

Name or corporate name of the Director	Corporate name of the significant shareholder	Position
GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	CHAIRMAN
GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES AGRUPADOS S.L.	CHAIRMAN
GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES ASOCIADOS, S.L.	CHAIRMAN
GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS S.L.	SECRETARY/DIRECTOR
GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L.	SECRETARY/DIRECTOR
SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	SECRETARY/DIRECTOR
MARIA ANTONIA ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS S.L.	DIRECTOR
MARIA ANTONIA ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L.	DIRECTOR
MARIA ANTONIA ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	DIRECTOR
GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	DIRECTOR
SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS S.L.	DIRECTOR
SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L.	DIRECTOR
GABRIEL ESCARRER JAUME	MAJORCAN HOTELS LUXEMBOURG, S.A.R.L.	DIRECTOR

Describe any significant relationships, other than the ones contemplated in the prior item, of the members of the board of directors linking them to significant shareholders and/or companies within their group:

Name or corporate name of the related Director	Name or corporate name of the related significant shareholder	Description of relationship
GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Escarrer Jaume) own shares in the company
GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES AGRUPADOS S.L.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Escarrer Jaume) own shares in the company
GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES ASOCIADOS, S.L.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Escarrer Jaume) own shares in the company
GABRIEL ESCARRER JULIA	MAJORCAN HOTELS LUXEMBOURG, S.A.R.L.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Escarrer Jaume) own shares in the company
GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Escarrer Jaume) own shares in the company
GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS S.L.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Escarrer Jaume) own shares in the company
GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Escarrer Jaume) own shares in the company
GABRIEL ESCARRER JAUME	MAJORCAN HOTELS LUXEMBOURG, S.A.R.L.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Escarrer Jaume) own shares in the company
SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Escarrer Jaume) own shares in the company
SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS S.L.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Escarrer Jaume) own shares in the company
SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Escarrer Jaume) own shares in the company
SEBASTIAN ESCARRER JAUME	MAJORCAN HOTELS LUXEMBOURG, S.A.R.L.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Escarrer Jaume) own shares in the company

C.I.18 Indicate whether any amendments have been made to the Regulations of the Board of Directors during the financial year:

NO

C.I.19 Indicate the procedures for selection, appointment, re-election, evaluation and removal of Board Members. Detail the competent bodies, the steps to follow and the criteria to use in each of the procedures.

According to article 15 of the Regulations of the Board of Directors, the Appointments and Remuneration Committee is responsible for formulating and revising the guidelines for the composition of the Board of Directors and the selection of candidates, and for making proposals to the Board for the appointment of members (in the case of co-option) or to the General Meeting of Shareholders. Directors are appointed for five years and may be re-elected as provided for in the Articles of Association.

C.I.20 Indicate whether the board has performed an evaluation of its activities during the financial year:

YES

If applicable, explain the extent to which self-evaluation has led to major changes in its internal organization and regarding the procedures applicable to its activities:

#### Description of amendments

There were no significant changes to the internal organization or internal procedures applicable to the Company's operations during the year.

C.I.21 Indicate the events in which Board Members are obliged to resign.

Chapter VIII of the Regulations of the Board regulates the Directors' duties, which include the obligation to work with the diligence of an organised businessperson and a loyal proxy, and in accordance with any other legally required standard of diligence. More specifically, article 30 of the Regulations of the Board states that directors must observe all regulations on behaviour established in stock market legislation and, particularly, those contained in the Internal Code of Conduct. Therefore, a breach of any of these duties or obligations shall be considered grounds for relieving the Director of his/her duties.

C.I.22 State whether the powers of the top executive of the company are vested in the chair of the board. If so, describe the measures that have been taken to mitigate the risks of accumulation of powers in a single person:

NO

State and, if applicable, explain whether rules have been established whereby one of the independent directors is authorised to request that a meeting of the board be called or that new items be included on the agenda, to coordinate and hear the concerns of external directors and to direct the evaluation by the board of directors.

NO

C.I.23 Are higher majorities required, different from the legal majority, in any type of decision?

NO

Where applicable, describe the differences.

C.I.24 Explain whether there are specific requirements, other than those relating to directors, to be appointed chairman of the board of directors.

YES

Description of requirements

Article 33.2 of the By-laws state that in order for a Director to be appointed Chairman or Vice-Chairman, at least one of the following circumstances must occur:

- (a) To have formed part of the Board of Directors during at least the THREE (3) years prior to said designation; or;
- (b) To have previously occupied the position of Chairman or Vice-Chairman of the Board of Directors, regardless of the period of time spent as a Director

Neither of the previous conditions must be met whenever the designated Director is supported by SEVENTY-FIVE PERCENT (75%) or more of the members of the Board of Directors. The re-election as a Director of members of the Board that are currently Chairman and Vice-Chairman will imply their automatic continuity in those positions.

C.I.25 Indicate if the Chairman has a casting vote:

YES

Matters on which there is a casting vote

In the event of a tie.

C.I.26 Indicate if the Company bylaws or the Regulations of the Board of Directors establish any limit on the age of Board Members:

NO

C.I.27 Indicate if the Company Bylaws or the Regulations of the Board of Directors establish a limited mandate for independent Board Members that is different than the term provided by regulatory provisions:

NO

C.I.28 Indicate whether the by-laws or the regulations of the board specific rules for proxy voting at the board, how to do it and, in particular, the maximum number of delegations that can have a director; and if you have established mandatory delegate to a director of the same class. If applicable, briefly detail these rules.

According to the terms of article 18.2 of the Regulations of the Board, representation must be conferred in writing and specifically for each meeting by means of a letter to the Chairman. External Directors may only be represented by another external director.

C.I.29 Indicate the number of meetings that the Board of Directors has held during the financial year. In addition, indicate the number of times the Board has met, if any, at which the chairman was not in attendance. Proxies granted with specific instructions shall be counted as attendance:

Number of Board meetings	8
Number of Board meetings without the presence of the Chairman	0

Indicate the number of meetings held during the year by the different committees of the board of directors:

Board	Meetings
AUDIT COMMITTEE	7
APPOINTMENT AND REMUNERATION COMMITTEE	5
EXECUTIVE OF DELEGATE COMMITTEE	0

C.I.30 Indicate the number of Board meetings held during the year with the attendance of all its members. Proxies granted with specific instructions for the meeting will be considered attendance:

Attendances	8
% Of attendances over total votes during the year	100.00

C.I.31 Indicate whether the individual and consolidated annual accounts presented to the Board for approval are previously certified:

YES

Name	Position
PILAR DOLS COMPANY	EVP FINANCE & ADMINISTRATION
GABRIEL ESCARRER JAUME	VICE PRESIDENT AND CEO

C.I.32 Explain the mechanisms established by the Board of Directors, if any, to prevent the individual and consolidated financial statements which it prepares from being presented at the General Shareholders' Meeting with a qualified auditor's report.

The functions of the Audit and Compliance Committee includes liaising with the external auditors to receive information related to the account auditing process and to exchange the information reflected in the auditing laws and technical auditing standards, directly monitoring the performance of the external auditors. In doing so, the Committee holds numerous meetings with the auditors throughout the year in order to detect and resolve any incidents affecting the annual accounts.

C.I.33 Is the Secretary of the Board of Directors a board member?

YES

C.I.34 Explain the procedures relating to the appointment and stepping down of the Board Secretary, indicating whether the Secretary's appointment and dismissal were reported by the Appointment Committee and approved by the Board in full.

Procedure for appointment and dismissal	
The Secretary of the Board is designated by the Board itself based on the recommendation of the Appointments and Remuneration Committee.	
Does the Appointment Committee report the appointment?	YES
Does the Appointment Committee report the dismissal?	YES
Does the Board in full approve the appointment?	YES
Does the Board in full approve the dismissal?	YES

Is the Secretary of the Board specifically responsible for ensuring compliance with good governance recommendations?

YES

Comments

Among other obligations, Article 12.3 of the Regulations of the Board establishes that the Secretary is responsible for overseeing compliance with the Company's principal corporate governance policies and the rules issued by regulators and taking their recommendations into account.



C.I.35 Indicate the mechanisms established by the company, if any, to preserve the independence of the auditors, of the financial analysts, of the investment banks and the rating agencies.

One of the functions of the Auditing and Compliance Committee is to maintain relations with external auditors so as to receive information from the auditors with regard to matters which may endanger their independence. There is a direct relationship between the members of the Committee and the external auditors, with the latter being invited to attend the Committee meetings. With regard to the mechanisms in place to ensure the independence of financial analysts, mention must be made that the company provides information requested by any analysts with no restrictions and also always aims to ensure the company does not influence the opinion or point of view of any analyst when providing this information. According to article 36.4 of the Regulations of the Board of Directors, under no circumstances will any privileged information be provided to financial analysts that could put them at an advantage over other shareholders.

C.I.36 Indicate whether during the financial year the company has changed its external auditor. If so, identify the incoming and outgoing auditors:

NO

If there were disagreements with the outgoing auditor, explain the content of these:

C.I.37 Indicate whether the audit firm carries out other work for the company and / or its group different to that of auditing and, in such case, state the total fees paid for this work and the percentage this represents of the fees billed to the company and / or its group:

YES

	Company	Group	Total
Fees for work other than that of auditing (thousand euros)	191	286	477
Fees for work other than that of auditing / Total amount invoiced by the audit company (in %)	37.50	30.00	32.60

C.I.38 Indicate whether the audit report of the annual accounts for the previous financial year contains reservations or qualifications. If so, indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of these reservations or qualifications.

NO

C.I.39 Indicate the number of consecutive years during which the current audit firm has been auditing the annual accounts of the company and / or its group. Likewise, indicate the percentage represented by the years audited by the current audit firm of the total number of years in which the annual accounts have been audited:

	Company	Group
Number of consecutive years	5	5
Number of years audited by the current audit firm / Number of years that the company has been audited (in %)	27.80	27.80

C.I.40 Indicate and detail, if applicable, if there is any procedure for the Board Members to obtain external advice:

YES

#### Detail of procedure

According to article 23 of the Regulations of the Board, external directors may request that legal, accounting, financial or other experts be hired at the expense of the Company.

The engagement must necessarily be related to specific problems of certain importance and complexity that arise in performance of office.

The Chairman of the Company must be informed of the decision to request such services and they may be rejected by the Board of Directors under the following circumstances:

- (a) it is not required for the performance of the duties assigned to Outside Directors;
- (b) its cost is not reasonable in relation to the importance of the problem and the assets and revenues of the company; or
- (c) the help requested from outside experts may be provided satisfactorily by experts employed by the company.

#### C.I.41 Indicate and if applicable provide details of any procedure for Board Members to obtain the information required to prepare for the meetings of the management bodies with sufficient time:

YES

#### Detail of procedure

Although article 17 of the Regulations of the Board states that meeting announcement will be sent out at least three days in advance and will be accompanied by the meeting agenda and a summary of the relevant information, barring exceptional circumstances the information is made available to the Directors eight days before the meeting.

Meanwhile, article 22 of the Regulations of the Board establishes that Directors have the authority to obtain information about any aspect of the Company and to examine its books, records, documents and other background information on its operations and to inspect its facilities.

The right to information is channelled through the Chairman or the Secretary of the Board of Directors, who will respond to the Directors' requests by providing them with the information directly or putting them in touch with the right people within the organization or making sure that they are allowed to conduct the desired examinations and inspections.

#### C.I.42 Indicate and, in which case, detail if the company has established rules that require the directors to disclose, and, as the case may be, resign in those cases that could damage the credit and reputation of the company:

YES

#### Explain the rules

Although there are no specific rules in this regard, both the Regulations of the Board and the By-laws stipulate that the Directors should discharge their duties with the diligence and loyalty required of them according to the applicable laws at any given time.

#### C.I.43 State whether any member of the board of directors has informed the company that such member has become subject to an order for further criminal prosecution upon indictment or that an order for the commencement of a bench trial has been issued against such member for the commission of any of the crimes contemplated in section 213 of the Spanish Corporate Law:

NO

Indicate whether the Board of Directors has analyzed the case. If affirmative, explain the reasons for the decision taken on whether or not the director should continue in his/her position or, where appropriate, explaining the actions taken by the board until the date of this report or the ones that intend to take.

#### C.I.44 Detail significant agreements entered into by the company and which come into force, be amended or terminated in the event of change of control of the company following a takeover bid, and its effects.

None

C.1.45 Identify on an aggregate basis and provide a detailed description of the agreements between the company and its management level and decision-making positions or employees that provide for indemnities, guarantee or “golden parachute” clauses upon resignation or termination without cause, or if the labour relationship is terminated as a result of a takeover bid or other type of transaction.

Number of beneficiaries	0
Type of beneficiarie	N/A
Description of the agreement	N/A

Indicate whether such agreements must be reported to and / or approved by the decision-making bodies of the company or its group:

	Board of Directors	General Meeting
Authority that authorizes the clauses	NO	NO
Is the general meeting informed about the clauses?		NO

## C.2 Committees of the Board of Directors

C.2.1 Detail of all the Committees of the Board of Directors, the members thereof, and the proportion of proprietary and independent directors of wich they are comprised:

AUDIT COMMITTEE		
Name	Position	Type
JUAN ARENA DE LA MORA	CHAIRMAN	Independent
ALFREDO PASTOR BODMER	MEMBER	Independent
JUAN VIVES CERDA	MEMBER	Proprietary
AMPARO MORALEDA MARTÍNEZ	MEMBER	Independent
% of executive directors		0.00
% of proprietary directors		25.00
% of independent directors		75.00
% of other external directors		0.00

APPOINTMENTS AND REMUNERATION COMMITTEE		
Name	Position	Type
AMPARO MORALEDA MARTÍNEZ	CHAIRMAN	Independent
FERNANDO D'ORNELLAS SILVA	MEMBER	Independent
FRANCISCO JAVIER CAMPO GARCIA	MEMBER	Independent
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	MEMBER	Proprietary
% of executive directors		0.00
% of proprietary directors		25.00
% of independent directors		75.00
% of other external directors		0.00

STRATEGY COMMITTEE		
Name	Position	Type
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	CHAIRMAN	Proprietary
JUAN VIVES CERDA	MEMBER	Proprietary
ALFREDO PASTOR BODMER	MEMBER	Independent
% of executive directors		0.00
% of proprietary directors		66.67
% of independent directors		33.33
% of other external directors		0.00

C.2.2 Complete the following table with information on the number of women directors comprising the committees of the board during the last four years:

	Number of women directors							
	Year t		Year t-1		Year t-2		Year t-3	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	1	25.00	1	25.00	0	0.00	0	0.00
APPOINTMENTS AND REMUNERATION COMMITTEE	2	50.00	2	50.00	2	40.00	2	40.00
STRATEGY COMMITTEE	1	33.33	1	33.33	1	33.33	1	33.33
EXECUTIVE OR DELEGATE COMMITTEE	0	0.00	0	0.00	0	0.00	0	0.00

C.2.3 Indicate whether the Audit Committee has the following duties.

Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions and the correct application of accounting principles	YES
Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed	YES
Oversee the independence and effectiveness of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the resources to be assigned to the internal audit function; receive regular report backs on its activities; and verify that senior management are acting on the conclusions and recommendations of its reports	YES
Establish and supervise a mechanism whereby staff can report any irregularities, and particularly financial and accounting irregularities they detect in the course of their work anonymously or confidentially	YES
Make recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor; and the terms and conditions of his engagement	YES
Receive regular information from the external auditor on the progress and findings of the audit plan, and check that senior management are acting on its recommendation	YES
Oversee the independence of the external auditor	YES

**C.2.4 Provide a description of the organization and operating rules, as well as the responsibilities attributed to each of the Board committees.**

**Committee Name**  
**STRATEGY COMMITTEE**

**Brief Description**

Minimum of three (3) and a maximum of five (5) members, with a majority of non-executive Directors, including at least one External Independent Director; all named by the Board of Directors and all of whom have the capacity, dedication and experience required to perform the required functions. The Chairman must be replaced every four years, and may be re-elected after a period of one year after being replaced. Will meet as many times as its Chairman deems appropriate or on request from the majority of its members or from the Board of Directors

The responsibilities of the Strategy Committee, none of which may be delegated, and without prejudice to any others that the Board of Directors may specifically assign to the Committee within the applicable Law, Company By-laws and the Regulations of the Board, are as follows: to inform and propose to the Board of Directors medium and long term strategic plans for the company, as well as any relevant strategic decisions, actively taking part in the definition and review of company and group strategy; to inform and advise the Board on the most important milestones in the current Strategic Plan; establish the development of new lines of domestic and international business; investments and divestments that should be known by the Board of Directors due to their amount; to supervise the implementation of the organizational model, guaranteeing the transmission of the company culture and values and cooperating in the communication process both Internally and externally with regard to that model, culture and values. The Committee meeting will be considered valid on attendance, directly or via proxy, of at least half of its members, and will adopt resolutions approved by a majority of participants.

**Committee Name**  
**APPOINTMENTS AND REMUNERATION COMMITTEE**

**Brief description**

Minimum of THREE (3) and maximum of FIVE (5) members, with a majority of External Directors, including at least one External Independent Director; all named by the Board of Directors and all of whom have the capacity, dedication and experience required to perform the required functions. The Chairman must be replaced every four years, and may be re-elected after a period of one year after being replaced. The Committee will meet whenever its Chairman or a majority of its members or at the request of the Board of Directors, whenever it is required a report or the approval of proposals and, in any case, whenever it may be appropriately according to the needs of the Company. The responsibilities of the Appointments and Remuneration Committee defined in article 15 of the Regulations of the Board are: to define and review the criteria to be applied with regard to the composition of the Board of Directors; to submit to the Board any proposals on the appointment of Directors; to propose members of Committees to the Board; to regularly review remuneration policies; to ensure transparency in remuneration; to report on any transactions that imply or may imply conflict of interest. The Committee meeting will be considered valid on attendance, directly or via representatives, of at least half of its members, and will adopt resolutions approved by a majority of participants.

**Committee Name**  
**AUDIT COMMITTEE**

**Brief description**

Article 39 bis of the Company Bylaws state that the Audit Committee will be formed by at least THREE (3) and at most FIVE (5) members, with a majority of non-executive Directors, including at least one External Independent Director; all named by the Board of Directors and all of which have the capacity, dedication and experience required to perform the required functions. The Chairman of the Committee must be one of the External Directors. The Chairman must be replaced every four years, and may be re-elected after a period of one year after being replaced. The Audit Committee will meet at least once per quarter; and as many times as is deemed appropriate with regard to the needs of the Company, as proposed by the Chairman of the Committee or on request from the majority of its members or from the Board of Directors.

The responsibilities of the Audit Committee, none of which may be delegated, regulated in article 39 bis of the Company Bylaws, and without prejudice to any others that the Board of Directors may specifically assign to the Committee, within applicable law and Company Bylaws are as follows: to report to the Annual General Shareholders' Meeting with regard to matters raised by shareholders in the meeting that are within the competence of the Committee; to propose to the Board of Directors the appointment of external auditors; to supervise the services of the internal audit; to be aware of the financial information process and Company internal control systems; to maintain relations with external auditors; to review Company accounts; to ensure that the financial information provided to the markets is produced in line with the same principles, criteria and professional practices used to produce the Annual Accounts and; to examine compliance with the Internal

Regulations on Good Conduct in Stock Markets, the Regulations of the Board of Directors and, in general, with the Company Corporate Governance Regulations, and to formulate appropriate proposals for their improvement. The Committee meeting will be considered valid on attendance directly or via representatives, of at least half of its members, and will adopt resolutions approved by a majority of participants. Company Bylaws on the constitution and approval of resolutions will be applied to the Auditing and Compliance Committee with regard to any matters not covered in this article.

The members of all of the Committees mentioned above will be automatically relieved of their duties if they resign or are removed from their directorships. Each Committee may appoint a Secretary, who may be the Secretary of the Board or another Board member who may or may not be a Committee member; or even a manager. Each Committee will report to the Board on the resolutions passed and the decisions taken and the deciding vote, in the case of a tie, will be cast by the Chairman.

C.2.5 Indicate, where applicable, the existence of regulations governing the Committees attached to the Board, the place where they are available for consultation and any amendments that may have been made during the financial year. Likewise indicate whether an annual report on the activities of each Committee has been voluntarily prepared.

**Committee name**  
STRATEGY COMMITTEE

**Brief description**

The Committee's operations are regulated in article 16bis of the Regulations of the Board of Directors, which can be consulted on the Company's website. The Committee does not prepare annual reports, although it does report to the Board at each Board Meeting on the principal aspects and conclusions reached at the Committee meetings. The Committee's functions have been assumed directly by the Board of Directors which monitors the items falling under the Committee's jurisdiction at each session. In addition, the board holds one monographic meeting per year devoted exclusively to the strategic matters affecting the Company, including a review of the level of compliance with the Strategic Plan.

**Committee name**  
APPOINTMENTS AND REMUNERATION COMMITTEE

**Brief description**

The Committee's operations are regulated in article 15 of the Regulations of the Board of Directors, which can be consulted on the Company's website. The Committee does not prepare annual reports, although it does report to the Board at each Board Meeting on the principal aspects and conclusions reached at the Committee meetings.

**Committee name**  
AUDIT COMMITTEE

**Brief description**

The Committee's operations are regulated in articles 39bis of the By-laws and 14 of the Regulations of the Board. Both documents can be consulted on the Company's website. The Committee does not prepare annual reports, although it does report to the Board at each Board Meeting on the principal aspects and conclusions reached at the Committee meetings.

C.2.6 Indicate whether the composition of the Executive Committee reflects the participation on the Board of the different categories of directors:

NO

If no, explain the composition of the executive committee

Although there are provisions for the creation of an Executive Committee in article 16.1 of the Regulations of the board, such a committee has not yet been formed.

## D. RELATED PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS

### D.1 Identify the competent decision-making body and explain, if applicable, the procedure for approval of transactions with related parties and intragroup.

#### Authority responsible for approving related party transactions

According to article 34.1 of the Regulations of the Board, the competent body is the Board of Directors.

#### Procedure for approving related party transactions

According to article 34.1 of the Regulations of the Board of Directors, in accordance with the applicable legislation, the Board of Directors must be aware of and authorise any transaction made by the Company with its principal shareholders and directors and executives. According to article 34.2 of the Regulations of the Board, under no circumstances must any transaction be authorised unless a report has been received from the Appointments and Remuneration Committee evaluating the operation from the point of view of equality in the treatment of shareholders and of market conditions. Article 34.3 of the Board of Directors Regulations states that the Board of Directors must also ensure compliance with legal and information requirements and transparency in the communication of such operations.

Explain whether the approval of related-party transactions has been delegated, and if so, the body or persons to which the delegation has been made.

NO

### D.2 Detail the relevant transactions that are significant due to the amount or subject-matter thereof between the Company or the entities of the Group and significant shareholders of the Company:

Name or corporate name of the significant shareholder	Name or corporate name of the company or its group	Nature of relationship	Type of operation	Amount (thousand euros)
HOTELES MALLORQUINES ASOCIADOS, S.L.	MELIA HOTELS INTERNATIONAL, S.A.	Commercial	Sale of goods, finished or in progress	10,527
HOTELES MALLORQUINES ASOCIADOS, S.L.	INVERSIONES Y EXPLOTACIONES TURISTICAS	Commercial	Sale of goods, finished or in progress	244
HOTELES MALLORQUINES ASOCIADOS, S.L.	REALIZACIONES TURISTICAS, S.A.	Commercial	Sale of goods, finished or in progress	51
HOTELES MALLORQUINES ASOCIADOS, S.L.	COMUNIDAD DE PROPIETARIOS SOLY NIEVE	Commercial	Sale of goods, finished or in progress	71
HOTELES MALLORQUINES ASOCIADOS, S.L.	APARTHOTEL BOSQUE, S.A.	Commercial	Sale of goods, finished or in progress	78
HOTELES MALLORQUINES ASOCIADOS, S.L.	TENERIFE SOL, S.A.	Commercial	Sale of goods, finished or in progress	672
HOTELES MALLORQUINES ASOCIADOS, S.L.	PRODISOTEL, S.A.	Commercial	Sale of goods, finished or in progress	45
HOTELES MALLORQUINES ASOCIADOS, S.L.	PRODIGIOS INTERACTIVOS, S.A.	Contractual	Services received	296
HOTELES MALLORQUINES ASOCIADOS, S.L.	MELIA HOTELS INTERNATIONAL	Contractual	Services rendered	36
HOTELES MALLORQUINES ASOCIADOS, S.L.	PRODIGIOS INTERACTIVOS, S.A.	Contractual	Operating lease	439

**D.3 Detail of the relevant transactions that are significant due to the amount or subject-matter thereof between the Company or entities of its Group and the company's directors or officers:**

Name or corporate name	Name or corporate name	Nature of relationship	Type of operation	Amount (thousand euros)
BANCO SABADELL, S.A.	MELIA HOTELS INTERNATIONAL, S.A.	CONTRACTUAL	Interest charged	600
BANCO SABADELL, S.A.	LOMONDO LIMITED	CONTRACTUAL	Interest charged	4
BANCO SABADELL, S.A.	MELIA HOTELS INTERNATIONAL	CONTRACTUAL	Financing agreements: loans	21,500
BANCO SABADELL, S.A.	LOMONDO LIMITED	CONTRACTUAL	Financing agreements: loans	262
GABRIEL ESCARRER JULIA	DESARROLLOS SOL, S.A.S	COMMERCIAL	Services received	46
GABRIEL ESCARRER JULIA	SIERRA PARIMA, S.A.S	COMMERCIAL	Services received	32
GABRIEL ESCARRER JULIA	INVERSIONES AREITO, S.A.	COMMERCIAL	Services received	37
JUAN VIVES CERDA	MELIA HOTELS INTERNATIONAL, S.A.	COMMERCIAL	Services rendered	236
JUAN VIVES CERDA	PRODIGIOS INTERACTIVOS, S.A.	COMMERCIAL	Services rendered	192

**D.4 Detail the relevant transactions made by the Company with other companies belonging to the same group, provided that they are not eliminated in the process of preparing the consolidated financial statements and do not form part of the normal business of the Company in terms of its business purpose and conditions:**

In any case, report any intragroup transaction with entities established in countries or territories considered to be tax havens:

Group Company	Description of the operation	Amount (thousands of euros)
SOL MELIA COMMERCIAL	SERVICES RECEIVED FROM THE SOL GROUP CORPORATION (USA) WHICH IS THE GROUP'S CORPORATE HQ IN AMERICA	2,823
SOL MELIA COMMERCIAL	PARTIAL REPAYMENT OF LOAN EXTENDED TO NEALE, S.A. (PANAMA)	2,399
SOL MELIA FINANCE, LTD	IN RELATION TO THE PREFERRED STOCK ISSUED BY SOL MELIA FINANCE LTD, THE SWAP CARRIED OUT BY THE GROUP 2012 WAS FINALISED DURING THE YEAR, AMORTISING THE SWAPPED PREFERRED STOCK WHICH WAS BOUGHT BACK BY SOL MELIA FINANCE FROM SOL MELIA EUROPE (HOLLAND), PARTIALLY OFFSETTING THE INTERGROUP LOAN SIGNED IN THE YEAR 2002, THE ISSUE DATE OF THE PREFERRED STOCK	81,694
SOL MELIA FINANCE, LTD	THE INTERGROUP LOAN MENTIONED ABOVE GENERATED INTEREST IN 2013 WHICH WAS SETTLED QUARTERLY	3,134
SOL MELIA FUNDING	THE CUSTOMER PORTFOLIOS OF THE AMERICAN COMPANIES OPERATING IN THE HOSPITALITY SEGMENT ARE MANAGED BY SOL MELIA FUNDING	4,632
SOL MELIA FUNDING	AS PART OF THE GROUP'S CENTRALISED CASH MANAGEMENT, THERE IS A NO-INTEREST LOAN WITH THE PARENT COMPANY	20,531

**D.5 Indicate the amount of transactions with other related parties.**

**D.6 Describe any mechanisms established to detect, determine and resolve possible conflicts of interest between the Company and /or the Group, and its directors, officers or significant shareholders:**

Directors must inform the Company whenever a situation of direct or indirect conflict of interest may arise with the interests of the Company, as foreseen in article 28 of the Regulations of the Board. As foreseen in article 15.2. of the Regulations of the Board of Directors, the Appointments and Remuneration Committee, must report such situations to the Board of Directors and propose the measures which should be taken to avoid such situations.



D.7 Is more than one Group company listed in Spain?

NO

Identify the subsidiaries that are listed:

Listed subsidiary

Indicate whether they have been publicly defined the respective areas of activity and any business dealings between them, as well as those of the subsidiary with other group companies;

Define any business dealings between the parent company and the subsidiary listed, and between it and the other group companies

Identify the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies:

Mechanisms to resolve potential conflicts of interest

## E. RISK CONTROL SYSTEMS

### E.1 EXPLAIN THE SCOPE OF THE RISK MANAGEMENT SYSTEM OF THE COMPANY.

The Risk Management system is an integral, ongoing system that focuses management on business units or areas, affiliates, geographical areas and support areas (e.g., human resources, marketing or management control) at the corporate level.

Article 5 of the Regulations of the Board of Directors of MELIÁ HOTELS

INTERNATIONAL ("MHI") vests the Board of Directors with general supervisory responsibilities and in particular the responsibility for identifying the most serious risks to which the Company is exposed and for implementing and overseeing internal control and reporting systems.

The Board of Directors, through the General Policy on Risk Control, Analysis and Management ("The Policy" approved in November 2011), defines the general model and framework for the control, analysis and evaluation of potential risks adopted by MHI. This model, as dictated by the Policy, is based on a series of basic principles and the commitments that must guide all risk management activities:

- a. Promote an appropriate internal environment and culture of risk awareness.
- b. Align strategy with the risks detected.
- c. Ensure appropriate levels of independence between areas responsible for risk management and areas responsible for their control and analysis.
- d. Identify and evaluate the different risks faced by the company and the responsibility for their management.
- e. Guarantee appropriate management of the most relevant risks.
- f. Improve the responses to risk.
- g. Provide integrated responses to multiple risks.
- h. Report openly and consistently on company risks to all levels of the organisation.
- i. Always act within the existing legislation, company regulations and the code of ethics.

The object of the Policy is to define the model and general framework for controlling, analysing and evaluating the possible risks to which the Group is exposed, Risk Management being understood as a structured, consistent and continuous processes involving the entire organization and allowing the identification, evaluation, analysis and reporting of potential risks that may affect the achievement of objectives or the implementation of strategy.

The model created for risk management is based on the Enterprise Risk Management (ERM) COSO II methodology and makes it possible to draw up the Group Risk Map based on bringing together the various individual risk maps of the different departments and business areas. The model thus applies to and affects the whole organisation.

To develop this Policy and ensure the correct and efficient operation of the Risk Control system, MHI has developed several internal regulations, amongst them the Risk Control and analysis Regulation which defines the rules, guidelines or criteria to be followed in updating the Group Risk Map, ensuring that it is in line with company strategy, leadership model and culture and values.

MHI has been developing this model since 2009 through its Risk Control Department (forming part of the Legal & Compliance Department), which also makes it possible to analyse the development of key risks over time both at Group level and at that of departments or business areas and compare the risk position in the various risk maps obtained.

Amongst other functions, the Risk Control Department has been assigned the control and analysis of risks, with the responsibility for managing those risks assigned to the different company departments and business areas.

## E.2 IDENTIFY THE DECISION-MAKING BODIES OF THE COMPANY RESPONSIBLE FOR THE DEVELOPMENT AND IMPLEMENTATION OF RISK MANAGEMENT SYSTEM.

1. **Audit and Compliance Committee.** According to article 14 of the Regulations of the Board of Directors, amongst the functions of the Auditing and Compliance Committee are the supervision of the internal audit services and awareness of the Company financial information process and internal control systems.
2. **Senior Executive Team (SET)** The SET is a collegiate body formed by all of the Executive Vice Presidents (EVPs) from each of the areas. It meets weekly and its duties include, developing and promoting control so as to improve the quality of Corporate Governance and risk control management within the Group.
3. **Other bodies/ committees:** The MHI Group also has the following committees:
  - The Strategic Planning Committee: Its mission includes participating in the definition of the annual strategy, annual budget planning and tracking the results of the degree of compliance with the strategic objectives.
  - Operations Committee: Its mission is to oversee business management, set objectives and review and monitor them.
  - Expansion Committee: Its mission is to monitor the company's expansion plan and project approval.
  - Investment Committee: Its mission is to monitor the investments that are approved each year.
4. **Departments.** Within the organisation there are different areas or departments with specific risk management responsibilities:

### I. Risk Control, Analysis and Evaluation

It is responsible for ensuring the functioning and ongoing development of the risk management model, which involves among other tasks supporting and co-ordinating the Group in the development of the necessary capacities to identify, assess and manage any risk which may occur in the company.

It reports to the Audit and Compliance Committee on its activities periodically.

### II. Internal Audit

Reporting to the Auditing and Compliance Committee, its responsibilities include supervision of the internal monitoring system, guaranteeing that risks are identified, quantified and controlled, and verifying compliance with application regulations.

The Internal Audit Department is also responsible for encouraging the adoption of measures required for compliance with FRICS requirements or indicators, and the latter review of procedures defined. The Internal Audit area also includes responsibility for the audit of Information Systems. In regard to corporate offices and the use of company funds, the Internal Audit area also has a section named Corporate Intervention to control the use of funds and travel and representation expenses, implement basic controls in corporate operations, etc.

It reports to the Audit and Compliance Committee on its activities periodically.

### III. Corporate Governance

One of the tasks of corporate governance is to oversee the updates of the Company's internal regulations so that they are constantly adapted to the structure and needs at any given time.

### IV. Credit and Insurance Management

This unit is principally in charge of credit risk management and the contracting of insurance policies at the corporate level to cover certain risks, following the guidelines in the Internal Regulation on Insurance where the processes for taking out the Group's insurance policies are described.

### V. Works and Maintenance

Areas which help with the identification and assessment of risks in facilities to help centralise and ensure the prioritization of certain investments on the basis of previously defined risk criteria

### VI. Occupational Health

This belongs to the Human Resources Group and is responsible for the prevention of occupational risk based on the different legislations.

The Board of Directors of MHI, through its Occupational Risk Prevention Policy, recognises the importance of paying special attention to the prevention of on-the-job accidents.

5. **Other tools.** The following tools are available to the bodies/departments responsible for drafting and implementing the Risk Management System:

**I. Internal Standards and Policies**

MHI has mandatory internal standards and policies in place to regulate the basic aspects of certain processes and functions and to serve as the basis for the implementation of control systems and mechanisms.

All internal standards and policies are available on the Group's intranet (Employee Portal).

**II. Code of Ethics**

Approved in March 2012 by the MHI Board of Directors, the company's Code of Ethics is the highest level of internal regulation.

The Company's commitments as reflected in the Code of Ethics included identifying and assessing the risks that affect not only our business but also our stakeholders.

**III. Reporting Misconduct**

MHI has implemented a system for reporting misconduct where employees can report any type of active or passive behaviour which does not comply with applicable rules, including the Code of Ethics, or any other matter related to irregularities or potential or real anomalies arising from non-compliance, absence of control or situations that may require the attention and immediate action of senior company management.

The reports are processed by the Ethics Committee. The Board of Directors and Senior Executive Team have expressed a firm commitment to deal with all reports with total confidentiality.

**IV. Action protocol for crime detection**

After the modification of the law regarding the penal responsibility of Companies, an action protocol is required to prevent and detect crimes to minimise responsibility.

### E.3 DESCRIBE THE MAIN RISKS THAT MAY AFFECT THE ACHIEVEMENT OF THE OBJECTIVES OF BUSINESS

Due to the fact that MHI does business in different countries with different socio-economic environments and legislation, the risks faced by the group are classified as follows:

1. **Global Risks.** These arise from events beyond the capacity to respond of the company. Amongst others, they include natural disasters, pandemics, health or food crisis, rebellions or demonstrations.

Certain MHI destinations are exposed to one or several of these risks. In countries where there is a high probability of severe weather events or earthquakes, MHI is covered by appropriate insurance.

Hotels with a high degree of exposure to such risks also have action plans designed to protect the health and safety of guests and employees, and the normal functioning of operations.

2. **Financial Risks.** These are related to the financial variables and those arising from the company's difficulty in meeting its commitments or making its assets liquid.

Special attention is paid to liquidity, credit or exchange rate risks. Generally the management and monitoring of these risks is a matter for the company Group Finance department.

3. **Business Risks.** These arise from the evolution of variables intrinsic to the business such as the nature of demand, competition and the market, strategic uncertainty and changes in scenarios.

Amongst others, within this category the risk management model includes and analyses risks associated to customers and suppliers, the market, competition, company investments, company expansion, etc.

4. **Operating Risks.** These are related to faults in internal processes, human resources, physical equipment and computer systems or the fact that they are not appropriate.

5. **Compliance Risks.** These arise from changes in regulations established by the various regulators and / or non-compliance with the applicable legislation, and the internal policies and regulations.

As described above, the internal standards and policies and the system for reporting misconduct are two of the tools available to MHI Group companies in relation to these risks.

6. **Information Risks.** These are related to events caused by inappropriate use, generation and communication of information.

While not forgetting other internal and external information risks, the risk management model pays special attention to Financial Reporting Internal Control Systems (FRICS) which is discussed in detail in Part F of this report.

#### E.4 IDENTIFY WHETHER THE ENTITY HAS A LEVEL OF RISK TOLERANCE.

The evaluation of the events in the risks catalog was performed at residual risk level, i.e. taking into account, or discounting, the effect of the controls implemented at the Company to mitigate the inherent risk.

For each one of these variable, certain ranges or intervals are established using specific criteria (financial, operational, regulatory, reputational, strategic, etc.).

These ranges or intervals are used to create a standardized evaluation scale that also serves as the basis for establishing the risk levels that are considered acceptable at the corporate level.

Once the Group's Risk Map is obtained, the risk profiles of each type of risk are analyzed at the Group level and at the Area or department level. This analysis is also used to determine the risk tolerance level.

The Group is currently preparing a document which will serve as a Declaration of Risk Appetite.

The members of the Executive Committee (Senior Executive Team, SET) and the people who report directly to them, as well as the directors who report to the Vice President and the CEO are all involved in the risk assessment process.

The Comprehensive Risk Management model ensures a standardized and common work structure, through the following stages or processes:

- I. The identification of relevant risks. By way of an exercise of compiling internal and external information which makes it possible to identify the principle risks which might affect the Organization.
- II. The analysis and assessment of these risks, using homogenous assessment procedures and standards, in each one of the business areas and in the various support units. This makes it possible to prioritize the more important events and to obtain individual risk maps department by department, combining which gives the Group's Risk Map.
- III. Risk Treatment, i.e. definition of the measures and assigning of the responsibilities which make it possible to make an effective contribution to risk management.
- IV. Regular risk monitoring by way of annual updates of the Risk Map and the initiatives adopted to mitigate these risks.
- V. Regular and transparent communication of the results obtained to senior management and to the Audit and Compliance Committee and the Board of Directors, which serves as feedback to the system so as to achieve ongoing improvement of the process.

#### E.5 INDICATE WHAT RISKS HAVE MATERIALIZED DURING THE YEAR.

##### Global Risks

Again this year, civil unrest and demonstrations as a consequence of instability in Northern Africa and Turkey have had an impact on MHI, particularly its hotels in Egypt. Two years ago, the Group took measures to reinforce the protection and safety of customers and employees.

However, this risk has been a contributing factor to a shift in traveler flows towards other destinations where the Group has a strong presence, primarily the Canary Islands, which had a positive effect on destinations like the Canary and Balearic Islands.

## Financial Risks

The Group's business is exposed to different financial risks: market risk (exchange rates, interest rates, prices), credit risk and liquidity risk. Among other aspects, the slow recovery of the Spanish economy and tight credit are exacerbating some of these financial risks.

Taking a conservative approach to deal with these risks, during the first half of the 2013 the Company had already managed to renew most of its credit policies and refinance a large part of its debt. At the end of the first half, MHI had EUR 519 million in available, which guaranteed its ability to meet its payment obligations and reinforced its credibility as a solvent company in the eyes of the financial institutions.

In August 2013 the Company repaid the syndicated loan linked to covenants (EUR 312 million), making progress in the process of increasing exposure to capital markets and adjusting the calendar of maturity dates so as to have greater control over the cost of bank borrowings.

On the other hand, due to the evolution in the price of MHI shares in the second half of 2013, the financial derivative linked to the "cash settlement election" on the convertible bond issue had an accounting impact (not a cash outlay) which resulted in an additional 76 million euros in financial expenses in 2013.

This risk of volatility affecting the income statement was eliminated once the Company's Board of Directors agreed to irrevocably waive the cash settlement election on the conversion of the bonds requested by the convertible bondholders. This waiver was published as a relevant event on the website of the Comisión Nacional del Mercado de Valores (CNMV) on 20 December 2013.

## Business Risks

- A. Country Risk.** In Spain, the urban segment is still suffering from the consequences of the decline in domestic demands and the deceleration of internal demand. Generally speaking, the factors that have contributed to this effect include: a weak Business Travel segment; a reduction in the airline crew revenues, fewer flights; macroeconomic factors such as increases in airport fees and VAT.

The Group took two important steps towards mitigating this risk:

First of all, the inbound & outbound business strategy which seeks to attract business in all regions and for all of the destinations where Meliá does business. This has reduced the Group's dependence on the Spanish market, which has been offset by greater exposure to a more diversified international clientele.

Secondly, the development of online channels (online agencies) and particularly the melia.com website which has seen significant increases to the point where it has become the Company's principal account.

- B. Mature tourist destinations.** In order to revitalise a mature tourist destination where the Company already has a strong presence, MHI has decided to renovate and reposition its product and add new value through innovation, key factors in differentiating the company from its competitors.

An example of this is the "Calviá Beach" project, (Magaluf, Mallorca), where MHI is renovating its hotels in this mature tourist zone in Mallorca with high added value products like the Sol Wave House (with the first Wave House in Europe and the world's first Tweet Experience Hotel), the Sol Katmandu Park & Resort (hotel with a theme park on the premises) or what will be the Hotel ME Mallorca starting in 2014. Four of the MHI Group's hotels in Magaluf are in the Top 5 recommended by TripAdvisor for this destination.

In short, the response/control systems have worked, allowing the Company to implement the right measures to mitigate or attenuate the effects of the risks.

## E.6 EXPLAIN THE MONITORING AND RESPONSE PLANS FOR THE MAJOR RISKS OF THE ENTITY.

The information given in the previous point explains the actions that have been taken to deal with materialised risks.

Another fundamental part of the Risk Management model is the way in which risks are treated, monitored and controlled (stages III and IV of the Model, as indicated in part E.4).

Once the Risk Map is updated, the risks are presented to the Audit Committee and the Board of Directors. Then, once the responsibilities for these risks have been assigned, each one of the areas and the people responsible for them define the actions to be taken to mitigate the principal risks. Indicators are also defined to monitor and control the evolution of the risks.

The Risk Control, Analysis and Evaluation Department is responsible for coordinating, controlling and monitoring this process.

The Audit and Compliance Committee is informed periodically.

In short, the primary responsibilities for the most serious risks faced by the MHI Group lies with the areas affected. Therefore, risk management is something that is done on a daily basis by the areas involved and in line with the risk management strategy.

Furthermore, to ensure that this is the case, the main actions or initiatives identified to mitigate the most serious risks faced by the Company are taken into account in the objective-setting process.

## F. INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN CONNECTION WITH THE PROCESS OF ISSUING FINANCIAL INFORMATION (SCIIF)

Describe the mechanisms making up the risk control and management systems with respect to the process of issuing the entity's financial information (SCIIF)

### F.1 CONTROL ENVIRONMENT AT THE ENTITY

Report, noting the main features of at least:

F.1.1 What bodies and/or functions are responsible for: (I) the existence and maintenance of an adequate and effective internal financial information control system (SIIF); (II) the implementation thereof; and (III) oversight thereof.

The bodies within the Meliá Hotels International Group responsible for ensuring the existence, maintenance, implementation and monitoring of an appropriate and effective financing reporting, and the roles and responsibilities attributed to these bodies are as follows:

#### Board of Directors

As part of its general supervisory function, the regulations of the Board of Directors assigns to the Board of Directors the ultimate responsibility for identifying the principal risks to which the company is exposed, especially the risks of implementing and monitoring internal control systems and adequate information (Art. 5 of the Regulations of the Board).

#### Audit and Compliance Committee

Both the Bylaws of Meliá Hotels International, S.A. and the Regulations of the Board of Directors assign to the Audit and Compliance Committee, among others, the role of awareness of the financial reporting process and internal company control systems, as well as ensuring that the financial information provided to the markets is prepared according to the same criteria as those used for the Annual Accounts (Art. 39 bis of the Bylaws and Article 14 of the Regulations of the Board of Directors).

The organization and operation of the Audit and Compliance Committee is regulated by Article 14 of the Regulations of the Board of Directors. The Committee currently consists of four directors, three of whom are independent and the fourth a proprietary director, who have held senior positions in finance and also positions as Directors in several companies. The meetings of the Committee are also attended by representatives of the internal and external audit teams and representatives of senior management of the Group, depending on the subjects on the agenda.

#### Senior Management

Financing reporting procedures at the Meliá Hotels International Group assigns to senior management the responsibility for the design, implementation and maintenance of SCIIF, with each Directorate General responsible for their area of influence. This responsibility thus affects the entire organization in as far as the financial information is derived from the activity and information generated by the business areas and the other support areas.

#### Internal Audit Department

The Audit Committee is the body responsible for overseeing financial reporting and the Internal Audit department is responsible for verifying its correct operation, keeping the Board of Directors and senior management informed (through the Audit and Compliance Committee) about whether the mechanisms authorized by management effectively mitigate the risk of errors, with a material impact on financial information.

F.1.2 Particularly in relation to the preparation process for financial information, report on the following (if such exists):

Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) clearly defining the areas of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) ensuring that there are sufficient procedures for their correct reporting to the organisation.



The process of defining and reviewing the organizational structure is governed by the Human Resources Regulations of the Meliá Hotels International Group and applies to all companies within the Group. According to the provisions of these Regulations, approved by senior management of the Group, the Human Resources Department is responsible for ensuring fairness, balance and the optimisation of the company's organizational structure and its periodic review. The heads of the different areas of the Group must ensure that the size of its workforce is appropriate and optimal.

Any changes to the organizational structure as well as the appointment and removal of senior management and remuneration policy must be approved by the Board of Directors of Meliá Hotels International, SA after proposal by the Appointments and Remuneration Committee.

The Human Resources area is also responsible, together with other areas of the Group, for the analysis and definition of processes and the description of positions, functions and responsibilities, including positions related to the preparation of financial information. The Human Resources Regulation is available to all employees on the Group Intranet.

Code of conduct, body of approval, degree of dissemination and instruction, principles and values included (indicating whether there is any specific reference to record keeping and the preparation of financial information), the body responsible for investigating breaches and proposing corrective actions and penalties.

The Meliá Hotels International Group has numerous documents that make reference to employee conduct.

### Code of Ethics

The Meliá Hotels International Group has a Code of Ethics which was communicated to the entire organization in December 2012. The code and all the information required for understanding it are accessible to all Group employees through the Group Intranet.

In March 2012, the Board of Directors approved the content of the Code. The Remuneration and Appointments Committee approved the channels required for its implementation in October 2012.

The Code of Ethics is a collection of operating principles that organize and give meaning to the Company values while also helping to understand them and know how to apply and prioritise them. The Code of Ethics is the highest level of the internal regulatory framework. It provides the basis from which to create policies, standards, processes and procedures.

The Code of Ethics contains a number of rules that are binding. It has four main parts:

1. Values on which it is based.
2. Company commitments.
3. Principles of employee behaviour.
4. Operating systems.

The Code of Ethics includes a section that regulates the principles applicable to the relationship with shareholders and investors, which specifically mentions the commitment to ensure maximum reliability and accuracy in financial and accounting records and to comply with transparency obligations in securities markets.

Ultimate responsibility is assumed by the Board of Directors, which assumes the obligation to implement the Code through the Appointments and Remuneration Committee. Responsibility for ensuring compliance and assisting in the resolution of dilemmas rests with the Group's senior management, also including Regional Directors and Hotel Directors. The obligation for ensuring the Code is operational is assumed by the Office of the Code of Ethics, which is an independent body established to constantly review and update the Code of Ethics

### Internal Regulations on Matters related to Stock Markets

Applicable to members of the Board of Directors and employees of the Meliá Hotels International Group who perform any activity related to the stock market or have access to relevant information. Among the general principles set out in these internal regulations is the "Policy and Procedures for the processing of relevant information and its communication to the CNMV and the market" and "The procedures for the treatment of privileged information."

This regulation is communicated and delivered in writing to the people to whom it applies when they are hired, based on the CNMV requirements, and must be signed and accepted by them. The head of finance is responsible for monitoring and controlling compliance with the regulation, reporting on the issue to the Audit and Compliance Committee

#### Management Behaviour Policy and Human Resources Regulations

Additionally, Meliá Hotels International, S.A. also has a Management Behaviour Policy and Human Resources Regulations, which regulate the conduct of executives (in the first case) and all other employees (in the second) in relation to certain matters.

**Report if there is a complaints channel that allows the Audit Committee to be informed of any financial or accounting irregularities of, breaches of the code of conduct and malpractice in the organization, and whether any such channel is confidential.**

After publication of the Code of Ethics, the Meliá Hotels International Group also opened up a Complaints Channel system through which all Group employees can file complaints or claims related to the breach or non-observance of any aspects of the Code of Ethics and, in particular, of the Business Principles, applicable regulations, potential conflicts of interest or any other topic related to irregularities or potential or actual anomalies created by regulatory failures, lack of internal control, irregularities of a financial nature or situations or events that may require immediate attention and action by the senior Group management.

The procedure provides that complaints should be registered, guaranteeing at all times an independent and confidential analysis, with the Chairman of the Audit and Compliance having access to all complaints received.

The complaints channel is managed by an Ethics Committee which acts independently and with the utmost respect for the confidentiality of any complaints or grievances received, reporting directly to the Audit and Compliance Committee and the Chief Executive of the Group at any time it sees fit as well as at regularly intervals regarding its activities.

The Ethics Committee's main function is to receive, manage and coordinate the complaint and investigation process through the complaints channel, and is the only body with access to the complaints received, thereby ensuring confidentiality.

The operation of the channel is regulated by corporate procedure and accessible by any employee through the Intranet. The channels available for complaints are: Intranet (Employee Portal), Internet and regular post addressed to the Ethics Committee.

**Report whether there are training programs and refresher courses for staff involved in the preparation and review of financial information, as well as in the evaluation of SCIF, covering at least accounting standards, auditing, internal control and risk management.**

The heads of the departments responsible for the preparation of financial information must ensure the training of staff working in these areas.

Corporate staff who are involved in preparing financing information receive refresher training each year to keep their knowledge of the latest changes up to date. More specifically, they receive refresher training in the areas of personal income tax, payroll, year-end closing, and new regulations on financial derivatives.

In addition to the above actions, the company uses external expertise to raise awareness and knowledge of the staff involved, and is subscribed to several publications and participates as corporate partners in IGREA (Spanish Association of Risk Managers), IIA (Internal Audit Institute) and AECA (Spanish Association of Accounting and Business Administration).

## F.2 EVALUATION OF RISKS IN FINANCIAL INFORMATION

Indicate, at least the following

F2.1 Report on the main characteristics of the process for identifying risks, including risks of error or fraud, in terms of:

Whether the process exists and is documented.

The Meliá Hotels International Group has:

- A policy on Risk Control, Analysis and Evaluation approved by the Board of Directors.
- A Risk Management Policy developed and approved by the Audit and Compliance Committee.
- A process for the preparation of the company Risk Map.

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

The Risk Management Department leads the process for regularly updating the Group's Risk Map and oversees the definition of actions and assignment of responsibilities in mitigating the most important risks.

The annual Risk Map preparation involves the heads of all Group departments and areas identifying and assessing the risks that affect them. In addition to the Consolidated Risk Map the Group thus also obtains Risk Maps for each of the different departments and areas in the Organization.

On an annual basis, and in collaboration with the Internal Audit Department, the Group Risk Map is reviewed and updated in order to identify which of the risks affect financial reporting objectives established by the CNMV: existence and occurrence, integrity, recognition, measurement, disclosure and comparability.

The existence of a process for identifying the scope of consolidation, taking into account, among other things, the possible existence of complex corporate structures and instrumental or special purpose entities

In order to identify the scope of consolidation at all times, the Corporate Administration Department maintains an updated corporate registry that contains all of the Group's holdings, whatever their nature. The procedures for updating the scope of consolidation are contained in a manual, in accordance with the provisions of the Group Companies and Joint Ventures Regulations. The scope of consolidation is updated monthly in accordance with the provisions of International Accounting Standards and other local accounting regulations.

Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) to the extent that they affect financial statements.

The Risk Map preparation process takes into account the impact that risks may have on the financial statements, regardless of the type of risk. Meliá Hotels International Group has identified risks in the following categories:

- Global risks.
- Financial risks.
- Business risks.
- Operational risks.
- Compliance risks.
- Information risks.

**Which governing body oversees the process.**

The results are reported and reviewed by senior management and the Audit and Compliance Committee and Board of Directors.

### F.3 CONTROL ACTIVITIES

Report, noting their main features, if you have at least:

**F.3.1 Procedures for review and authorisation of financial information and Description of SCIF, to publish in the securities markets, indicating their Persons in charge, as well as documentation describing the activities flows and controls (including those relating to fraud risk) of the different types of transactions that may materially affect the financial statements, including the accounting close process and specific review of significant judgments, estimates, evaluations and projections.**

Meliá Hotels International, S.A. and its consolidated group provides financial information to the stock market on a quarterly basis. This financial information is prepared by the Corporate Administration Department (a part of Hospitality Business Solutions), a shared service centre operated by the Meliá Hotels International Group.

The senior executive of the Finance (Executive Vice President Group Finance) and Administration (Executive Vice President Hospitality Business Solutions) areas analyse the reports, provisionally approving the said financial information for submission to the Audit and Compliance Committee, which is responsible for the supervision of the financial information that is presented.

At the close of the year, the Audit and Compliance Committee also has information prepared by the Group's external auditors on the results of their work. From 2012, the Committee also has information from the external auditors to monitor the interim financial statements.

At the close of each semester, the Audit and Compliance reports to the Board of Directors its findings on the financial information presented so that, once approved by the Board of Directors, it may be published in the securities markets.

Note that in 2013, two ad hoc meetings of the Audit and Compliance Committee have been organised to supervise and approve the Interim Management report for the 1st and 3rd quarter and, in turn, deliver the report from the Secretary of the Committee to the Board of Directors for their information and approval

The Meliá Hotels International Group has a procedures manual which defines the internal process for the preparation and issuance of consolidated financial information, covering the entire process of preparation, approval and publication of financial information regularly required by the CNMV.

All those areas that may significantly affect the financial statements of the Group have critical process controls to ensure the reliability of financial information. These controls are included in internal procedures or in the form of running information systems that serve as basis for the preparation of financial information.

The methodology uses the analysis of the consolidated financial statements to select the most relevant items and notes to financial statements according to quantitative (materiality) and qualitative (automation, susceptibility to fraud or error; accounting complexity, degree of estimation and risk of loss or contingent liabilities.) criteria.

The selected items and notes are grouped into processes. In 2011 and 2012 most of the processes considered critical and the control activities associated with them were systematically documented. This descriptive documentation comprises process flowcharts and control and risk matrices. Additionally, and throughout this process, we have also identified potential fraud risks and formalized controls to mitigate those risks.

The activities which required formal documentation are included in processes pertaining to the areas of Administration, Tax, Treasury and Finance, Personnel Management, Hotel Business and Vacation Club.

The different areas are responsible for documenting and updating each of these processes, identify potential control weaknesses, and establishing any corrective measures required.

The judgments, estimates and projections to quantify certain assets, liabilities, income, expenses and commitments recorded or disclosed in financial statements, are carried out by the Finance Department of the Group with the support of other areas.

The Meliá Hotels International Group reports in its financial statements on the most relevant areas where there are judgment and estimate parameters and on key assumptions behind those judgments and estimates. The main estimates relate to the valuation of goodwill, provision for income taxes, fair value of derivatives, fair value of real estate investments, pension benefits and the useful life of tangible and intangible assets.

As part of the processes documented, a procedure has been defined for the closure of accounts, the review and approval of financial information generated by the different units of the group and the consolidation of all of the information.

**F3.2 Report whether policies and internal control procedures for information systems (among others, access security, change control, operations, operational continuity and segregation of functions) that support the relevant processes in the organization in relation to the preparation and publication of financial information.**

The Meliá Hotels International Group information systems department has a set of security policies and procedures to ensure control of access to applications and business systems in order to ensure the confidentiality, availability and integrity of information.

The Meliá Hotels International Group has standard procedures for changes in the financial management platform, and a process for developing and maintaining transactions. These procedures define the controls that ensure the proper development and maintenance of applications, assessing the impact of changes and associated risks, in addition to procedures for testing changes before they are implemented in production systems.

There is a model for managing accesses and authorisations which is based on segregating the system functions that support financial management processes, with defined control procedures to prevent the existence of users who could act as both judge and jury in handling such information. In 2013, the status of this model was reviewed and validated by looking at employee authorisations and system access.

There are controls in place for managing and monitoring the assignment of special privileges to access the systems that support the financial information.

Among the actions designed to build continuity strategies over the past year, the areas began to develop recovery plans for two hotel management platforms so as to ensure business continuity in the case of a disaster. These activities will be finalised and tested to ensure their effectiveness during the current year.

**F3.3 Report whether there are policies and internal control procedures for overseeing the management of outsourced activities, as well as the appraisal, calculation or valuation made by independent experts, which may materially affect the financial statements.**

When the Group uses the services of an independent expert, it ensures technical competence and of that expert through outsourcing only to third parties with proven experience and prestige.

To validate the independent experts' reports, the Group employs internal staff trained to validate the reasonableness of the conclusions, and define and manage the service levels required in each case.

Additionally, there is also an internal regulation on Contracting Services which governs the approval by the senior executive in the area contracting the service and verification that the supplier possesses sufficient professional qualifications to provide the service and are also registered with the relevant professional bodies.

## **F.4 INFORMATION AND COMMUNICATION**

Report, noting their main features, if you have at least:

**F.4.1 Report whether you have a specific function in charge of defining and updating accounting policies (accounting policy area or department) and resolving questions or disputes arising from their interpretation, maintaining regular communication with people responsible for operations within the organization.**

The function of defining and updating accounting policies and the interpretation of those policies and other accounting regulations affecting the Meliá Hotels International Group's financial statements is managed centrally by the Corporate Administration department.

The functions of this department, among others, are:

- To define the Group's accounting policies.
- To analyze individual operations and transactions carried out or envisaged for the Group to determine their appropriate accounting.
- To monitor new regulation projects and new rules adopted by the IASB and European Union, and the impact their implementation will have on the consolidated accounts of the Group.
- To resolve any doubts Group companies may have concerning implementation of Group accounting policies.

There is a formal communication channel to handle any doubts about the interpretation of accounting policies through which the different business areas can seek advice for specific or complex cases which may raise doubts about the methodology for registering them in Group accounts

The channel was launched through a message on the Group intranet announcing the creation of an e-mail account to which to address any doubts. The account is managed by the Corporate Administration Department which is also responsible for the response.

Meliá Hotels International Group presents its consolidated financial statements in accordance with International Financial Reporting Standards. There is a manual of accounting policies which is reviewed and updated whenever accounting regulations applicable to the Group's financial statements are amended in any significant respect.

All the people responsible for preparing the financial statements for Group companies have access to this document through the Intranet.

#### **F.4.2 Report whether there are mechanisms to gather and prepare financial information in standard formats for their use by all the units in the company or group, which support the primary financial statements and notes, as well as the information required on SCIIF.**

The Meliá Hotels International Group has implemented a software tool to meet the reporting needs for its individual financial statements and to facilitate consolidation and analysis based on an integrated financial management tool.

This tool centralizes all the information on accounting for the financial statements of all the Group subsidiaries for the preparation of annual accounts and also allows the preparation of the Group's consolidated accounts. The system is managed centrally from Group corporate headquarters.

Information is loaded into this consolidation system automatically from the financial management tool in each of the subsidiaries.

## **F.5 SUPERVISION OF SYSTEM OPERATIONS**

Report, noting its main characteristics:

#### **F.5.1 The SCIIF monitoring activities undertaken by the Audit Committee and whether the company has an internal audit function whose responsibilities include supporting the Committee in its oversight of the internal control system, including SCIIF. Also report on the scope of the SCIIF evaluation carried out during the year and the procedure by which the team in charge of performing the evaluation reports its results, whether the company has an action plan that details the possible corrective measures, and whether it has considered its impact on financial reporting.**

The FRICS supervisory activities undertaken by the Audit Committee mainly include: (i) regular meetings with external auditors, internal auditors and senior management to review, analyze and comment on financial information, the accounting principles applied and, where appropriate, any significant internal control weaknesses identified, and (ii) with the support of the internal Audit Department, review the design and operation of internal control systems to evaluate their effectiveness

The meetings of the Audit and Compliance Committee are carried out quarterly and always included an agenda item for information on FRICS assessment activities carried out by the Internal Audit Department.

As stated in the Bylaws and the Group Internal Audit Regulations, verifying the correct operation of internal control systems is a fundamental responsibility of the department, including the reliability of financial reporting (FRICS), keeping the Board of Directors (through the Audit and Compliance Committee) and senior management informed of the existence, adequacy and effectiveness of methods, procedures, standards, policies and existing instructions, which are also available to Group employees.

The Internal Audit Department reports functionally to the Audit and Compliance Committee, and hierarchically to the EVP Legal & Compliance, who in turn reports to the Vice Chairman and Group CEO. The head of the Internal Audit has direct access to both the Vice Chairman and CEO and to the Audit and Compliance Committee and, if necessary, the Board of Directors

Among the attributes of the Audit and Compliance affecting the Internal Audit Department are: ensuring the independence and effectiveness of the internal audit, approving the budget and annual audit plan, receiving regular reports on their activities and verifying that senior management takes into account the conclusions and recommendations of its reports.

In order to ensure the independence of the Internal Audit team with regard to the operations or areas which they audit and over which they have no authority or responsibility, internal auditors are not assigned any other duties and functions other than its that of internal auditor.

The internal audit plan for 2013 included various activities designed to assess the degree of compliance with internal control systems through different types of audits, mainly business audits (hotels and resort clubs), information systems audits, financial audits and the evaluation of control activities in areas associated with Corporate Administration and Finance processes.

The main business of the Group is hotel operations. In relation to the control of the financial information in this area, in 2013 two processes were audited, divided into 8 sub-processes and 2,088 control activities. These reviews have been carried out in 90 hotels in Europe (73), America (15), and Asia (2).

As indicated in Auditing regulations, if the evaluations made by the Audit Department detect control weaknesses in the audited areas, these must be brought to the attention of the area management team and reported to the Audit and Compliance Committee if appropriate. The managers of the mentioned areas are required to respond to the weaknesses identified through measures or by implementing prevention plans.

**F.5.2 Whether there is a discussion process by which the auditor (in accordance with the provisions of the NTA), the internal audit function and other experts may report to senior management and the Audit Committee or company managers any significant weaknesses in internal control identified during the review of the annual accounts or any other processes entrusted to them. Also whether there is an action plan to correct or mitigate the weaknesses observed.**

The Group's executive management body, the Senior Executive Team, meets regularly and meetings are also regularly attended by the Vice Chairman and CEO, ensuring the constant flow of information between the Board and the Group's main executive body.

Pursuant to its regulations, the Board of Directors must meet at least five times a year. Coinciding with the meeting of the Board, the Audit and Compliance Committee also holds meetings which are regularly attended by guests including internal and external auditors and senior managers of the Group as appropriate.

The company Auditor also attends the Board meeting in which the Annual Accounts are approved and any other Board meeting in which his/ her presence is requested.

Internal Audit regularly reports to senior management and the Audit and Compliance Committee on any internal control weaknesses identified in internal audits. Every year the auditor also presents to the Audit and Compliance Committee a report detailing the internal control weaknesses identified in the performance of their work. The people affected by the weaknesses identified should respond to them. As part of their duties the Internal Audit team must also monitor responses to the weaknesses detected and assess whether they are effective.

## F.6 OTHER RELEVANT INFORMATION

N/A

## F.7 AUDITOR'S REPORT

Report whether:

F.7.1 The SCIF information sent to the markets has been reviewed by the external auditor, in which case the company should include the report as an Annex. If not, the company should report the reasons why not.

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



## G. DEGREE OF COMPLIANCE WITH GOOD GOVERNANCE RECOMMENDATIONS

Indicate the degree of compliance of the Company with respect to the recommendations made by the Unified Code of Good Governance. If the Company does not comply with any recommendations, explain the recommendations, rules, practices or criteria applied by the Company. Not be acceptable general explanations general.

1. The bylaws of listed companies may not limit the number of votes held by a single shareholder, or impose other restrictions on the company's takeover via the market acquisition of its shares.

See sections: A.10, B.1, B.2, C.1.23 y C.1.24.

Complies

2. In the event that a parent and subsidiary company are separately listed, they must publish an exact definition of:

- The respective activity areas and possible business relations between them, as well as those of the listed subsidiary with the other group companies;
- The mechanisms envisaged for resolving conflicts of interest that may arise.

See sections: D.4 y D.7

Not Applicable

3. Even if not expressly required under company law, transactions involving a structural change in the company, and particularly the following, are subject to the approval of the General Shareholders' meeting:

- The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating to subsidiaries core activities that were previously carried out by the originating firm, even though the latter retains full control of the former;
- The acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;
- Operations that effectively add up to the company's liquidation.

See section: B.6

Complies

4. The proposed resolutions to be adopted at the General Shareholders' Meeting, including the information referred to in recommendation 27, be made public on the date on which the notice of the meeting is published.

Complies

5. Separate votes are to be taken at the General Meeting on materially separate items, so shareholders can express their preferences in each case. This rule particularly applies to the following:

- Appointment or ratification of directors, with separate voting on each candidate;
- Changes to the bylaws, with votes taken on all articles or groups of articles that are materially different.

Complies

6. Companies shall allow split votes, so that financial intermediaries who are shareholders of record but acting on behalf of different clients can issue their votes according to instructions.

Complies

7. The Board of Directors shall perform its duties with unity of purpose and independence, according all shareholders the same treatment. It shall be guided at all times by the company's best interest, to be understood as maximizing the company's value over time.

It shall ensure that the company abides by the laws and regulations in its relations with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Complies

8. The core components of the Board's mission shall be to approve the company's strategy, authorize the organizational resources to carry it forward, and ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the Board in full shall approve:

- a) The company's general policies and strategies, and specifically:
  - i) The strategic or business plan, management targets and annual budgets.
  - ii) Investment and financing policy.
  - iii) Definition of the structure of the corporate group
  - iv) Corporate governance policy
  - v) Corporate social responsibility policy
  - vi) Senior management remuneration and performance evaluation policy.
  - vii) Risk control and management policy, and the periodic monitoring of internal information and control systems.
  - viii) Policy on dividends and on treasury shares, and the limits to apply.

See sections: C.I.14, C.I.16 y E.2

- b. The following decisions:
  - i) On the proposal of the company's chief executive, the appointment and removal of senior executives and their termination clauses.
  - ii) The remuneration of the Board Members and in the case of executive directors, additional consideration for their management duties and other conditions that should be respected under their contracts.
  - iii) The financial information to be periodically disclosed by the Company given that it is listed on the stock exchange.
  - iv) Investments or operations considered strategic by virtue of their amount or special characteristics; unless their ratification requires approval by the General Shareholders' Meeting;
  - v) The incorporation or acquisition of special purpose vehicles or entities resident in countries or territories defined as tax havens, as well as any analogous transactions or operations whose complexity may impair the Group's transparency.

Transactions conducted by the Company with directors, significant shareholders, shareholders with Board representation or other persons related thereto (related party transactions).

It is understood, however, that said authorization from the Board shall not be necessary in those linked operations in which the follow three conditions are simultaneously fulfilled:

  1. They are governed by standard contracts applied on an across-the-board basis to a large number of clients;
  2. They are performed at the general prices or rates set by the supplier of the good or service at issue;
  3. The transaction amount does not exceed 1% of the company's annual revenues.

It is recommended that related party transactions only be approved by the Board on the basis of a favorable report from the Audit Committee, or other committee to which this task was assigned. Directors related to the transaction may neither exercise nor delegate their votes, and shall be absent from the meeting room while the Board deliberates and votes.

It is recommended that the powers attributed to the Board not be allowed to be delegated, with the exception of those mentioned in b) and c), which can be delegated to the Executive Committee in urgent cases, subject to subsequent ratification by the full Board.

See sections: D.1 y D.6

#### Partially compliant

Although the Board approves general company policies and strategies, it is not specifically responsible for approving each and every one of the items in the Recommendation. The Board is also not involved at the degree of detail stated in the Recommendation with regard to decisions relating to compensation clauses or senior executives, although it is foreseen that this should be handled by the Appointment and Remuneration Committee.

- 9. **In the interests of the effectiveness and participatory nature of its functioning, the Board of Directors should comprise between five and fifteen members.**

See sections: C.I.2

#### Complies

- 10. **A broad majority of the Board shall be external proprietary and independent directors and the number of executive directors should be the minimum necessary, taking into account the complexity of the group of companies as well as each executive shareholders' holding in the share capital of the company.**

See sections: A.3 y C.I.3.

#### Complies

11. Among external directors, the relation between proprietary members and independents should reflect the proportion between the capital represented on the Board and the remainder of the company's capital.

This criterion of strict proportionality may be relaxed, so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent, in the following cases:

1. In large cap companies where few or no equity stakes attain the legal threshold or significant shareholdings, despite the considerable sums actually invested.
2. In companies with a plurality of shareholders represented on the Board but not otherwise related.

See sections: A.2, A.3 y C.1.3j

Complies

12. The number of independent directors shall represent at least a third of all Board Members.

See section: C.1.3

Complies

13. The nature of each director must be explained to the General Shareholders' Meeting, which shall make or ratify his or her appointment. Such determination shall subsequently be reviewed in each year's Annual Corporate Governance Report following verification by the Appointment Committee. This report shall also explain the reasons for having appointed a proprietary director at the proposal of shareholders holding less than 5% of the share capital, as well as the reasons for any rejection of a formal request for a Board place from shareholders whose ownership interest is equal to or greater than that of others at whose request proprietary directors were appointed.

See sections: C.1.3 y C.1.8

Complies

14. When women Board Members are few or non existent, the Board should state the reasons for this situation and the initiatives taken to correct it. In particular, in the event of new vacancies, the Appointment Committee should take steps to ensure that:

- a. Recruitment processes are not implicitly biased in a manner which hinders the selection of women Board Members;
- b. The company makes a conscious effort to include women with the target profile among potential candidates.

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 y C.2.4.

Complies

15. The Chairman shall be responsible for the proper operation of the Board of Directors. He or she will ensure that Board Members are supplied with sufficient information in advance of board meetings, and will work to ensure a good level of debate. He or she will organize and coordinate regular evaluations of the Board and, when different from the Chairman of the Board, the company's chief or top executive.

See section: C.1.22

Complies

16. When the Chairman and chief executive are one and the same, one of the company's independent directors shall be empowered to request the convening of Board meetings or the inclusion of new business on the agenda, in order to coordinate and voice the concerns of external directors and will take charge of the Chairman's evaluation.

Ver epígrafe: C.1.22

Not Applicable

17. The Secretary of the Board of Directors shall take steps to assure that the Board's actions:
- a. Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;
  - b. Comply with the company Bylaws, General Shareholders' Meeting Bylaws, Rules of the Board of Directors and any other related rules;
  - c. Take into account the good governance recommendations of this Unified Code accepted by the company.
- To safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal must be proposed by the Appointment Committee and approved by a full Board meeting. This appointment and removal procedure must be detailed in the Rules of the Board of Directors.
- See section: C.I.34

Complies

18. The Board of Directors shall meet as often as required to properly carry out its duties, following the timetable of dates and issues agreed at the beginning of the year, Board Members may propose that business not initially foreseen be included on the agenda of these meetings.
- See section : C.I.29

Complies

19. Board Member absences will be kept to the bare minimum and quantified in the Annual Corporate Governance Report. In the event that Board Members' votes must be delegated, proxies shall be provided with proper instructions.
- See sections: C.I.28, C.I.29 y C.I.30

Complies

20. When Board Members or the Secretary express concerns about some proposal or, in the case of Board Members, about the company's performance, and such concerns are not resolved at the meeting, the member expressing them will request that they be recorded in the minute book.

Complies

21. The full Board shall evaluate the following points on a yearly basis:
- a. The quality and efficiency of the Board's stewardship;
  - b. Based on the report issued by the Appointment Committee, how well the Chairman and chief executive officer have carried out their duties;
  - c. The performance of the Board's Committees, on the basis of the reports furnished thereby.
- See sections: C.I.19 y C.I.20

Complies

22. All Board Members shall be entitled to exercise their right to receive additional information they may consider necessary on matters within the scope of the Board's power. Any such requests should be made to the Chairman or the secretary to the Board unless the company bylaws or regulations of the Board of Directors indicate otherwise
- See section: C.I.41

Complies

23. All Board Members shall be entitled to call on the company for the advice they need to carry out their duties. The company shall establish suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.
- See section: C.I.40

Complies

24. Companies shall organize induction courses for new Board Members to supply them rapidly with the information they need on the company and its corporate governance rules. Board Members shall also be offered refresher courses when circumstances so advise.

Complies

25. The companies shall require their Board Members to devote sufficient time and effort to perform their duties effectively. As such:
- a. Board Members shall apprise the Appointment Committee of their other professional obligations which might detract from the necessary dedication;
  - b. The companies shall set rules regarding the number of Board positions their Board Members may hold.
- See sections: C.I.12, C.I.13 y C.I.17

Complies partially

The Company has no set rules regarding the number of boards on which their directors may sit.

26. The proposal for the appointment or renewal of Board Members which the Board submits to the General Shareholder's Meeting, as well as provisional appointments through cooptation, shall be approved by the Board:
- a. At the proposal of the Appointment Committee, in the case of independent directors.
  - b. Subject to a report from the Appointment Committee in the case of all other Board Members.
- See section: C.I.3

Complies

27. Companies shall post the following information regarding the Board Members on their websites, and keep them permanently updated:
- a. Professional experience and background;
  - b. Other Boards of Directors of which they are a member, regardless of whether or not the related companies are listed on the stock exchange;
  - c. Indication of the Board Member's classification as executive, proprietary or independent, as the case may be. In the case of proprietary directors, the shareholder they represent or to whom they are affiliated shall be stated.
  - d. The date of their first and subsequent appointments as a company Board Member; and;
  - e. Shares held in the company and any options on the same.

Complies

28. Proprietary directors shall resign when the shareholders they represent dispose of the shares owned in their entirety. The corresponding number of proprietary directors shall also resign, when the shareholders they represent reduce their ownership interest to a level requiring a reduction in the number of proprietary directors.
- See sections: A.2 , A.3 y C.I.2

Complies

29. The Board of Directors may not propose the removal of independent directors before the expiry of the statutory term for which they were appointed, as mandated by the bylaws, except where just cause is found by the Board based on a report of the Appointment Committee. In particular, just cause shall be deemed to exist whenever the Board Member has failed to perform the duties inherent in the position held thereby or comes under any of the circumstances causing the Board member to no longer be independent pursuant to the provisions of Orden ECC/461/2013.
- The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate operation causes changes in the capital structure of the company, in order to meet the proportionality criterion set out in Recommendation 11.
- See sections: C.I.2, C.I.9, C.I.19 y C.I.27

Complies

30. The companies shall lay down rules requiring Board Members to inform the Board, and if necessary, resign, in cases where the company's name and reputation is harmed. In particular, Board Members shall be required to inform the Board immediately of any criminal charges brought against them and the progress of any subsequent trial.
- If a Board Member is indicted or brought to trial for any of the crimes stated in article 213 of the Spanish Corporate Law, the Board will examine and, in view of the particular circumstances, determine whether or not the Board Member shall continue in his position. The Board shall provide a reasonable explanation of all determinations made in the Annual Corporate Governance Report.
- See sections: C.I.42, C.I.43

Explain

While there are no specific rules on this subject, the Regulations of the Board of Directors state that Directors must discharge their duties with the diligence and loyalty required by the laws in force at any given time.

31. All Board Members should express clear opposition when they feel a proposal submitted for the Board's approval might harm the corporate interest. In particular, independent directors, and other Board Members not subject to a potential conflict of interest should strenuously challenge any decision that might unjustifiably harm the interests of shareholders lacking board representation.

When the Board makes material or reiterated decisions about which a Board Member has expressed serious reservations, then he or she must draw the pertinent conclusions. Board Members resigning for such causes should set out their reasons in the letter referred to in the next Recommendation. The term of this Recommendation will also apply to the Board Secretary in the discharge of his or her duties even if they are not themselves directors.

Complies

32. Board Members who resign or otherwise step down before their term expires, shall explain their reasons for doing so in a letter sent to all the Board Members. Notwithstanding whether it is reported as a relevant fact, the removal of any director and the motives for the same must be explained in the Annual Corporate Governance Report.

See section: C.1.9

Complies

33. To be confined to executive directors remuneration in the form shares of the company or group companies, stock options or variables based instruments of action, compensation tied to performance of the company or pension schemes.

This recommendation does not apply to the delivery of shares when it is conditional upon retain them until the end of their position.

Complies

34. Board Member remuneration shall sufficiently compensate them for the commitment, qualifications and responsibility that the position entails, but should not be so high as to jeopardize their independence.

Complies

35. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the independent auditor's report.

Complies

36. In the case of variable pay, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

Complies

37. When the company has a Delegate or Executive Committee (hereafter, "Executive Committee"), the breakdown of its Board Members by category should roughly mirror that of the Board itself and that the Secretary should be a member of the Board.

See sections: C.2.1 y C.2.6

Not Applicable

38. The Board shall be kept fully informed of the business transacted and decisions made by the Executive Committee. All Board members will receive a copy of the Committee's minutes.

Not Applicable

39. In addition to the Audit Committee, which is mandatory under the Securities Market Law, the Board of Directors shall form a Committee, or two separate committees, of Appointment and Remuneration.

The rules governing the make-up and operation of the Audit Committee and the Committee or committees of Appointment and Remuneration will be set forth in the Rules of the Board of Directors, and shall include at least the following:

- a. The Board of Directors shall appoint the members of these committees with regard to the knowledge, skills and experience of its Board Members and the duties each committee; shall discuss their proposals and reports; and at the first meeting of the Board following their meetings, the committee members shall report on and take responsibility for the work performed.
- b. These committees shall be composed exclusively of external directors and shall have a minimum of three members. This is without prejudice to executive directors or senior managers attending meetings, for informational purposes, at the committees' invitation.
- c. Their Chairmen shall be independent directors.
- d. They may engage external advisors, when they feel this is necessary for the discharge of their duties.
- e. Meeting proceedings shall be recorded in minutes, a copy of which is to be sent to all Board members.

See sections: C.2.1 y C.2.4

Complies

40. The task of supervising compliance with internal codes of conduct and corporate governance rules will be assigned to the Audit Committee, the Appointment Committee or, as the case may be, separate Compliance or Corporate Governance committees.

See sections: C.2.3 y C.2.4

Complies

41. All members of the Audit Committee, particularly its Chairman, will be appointed with regard to their knowledge and experience in accounting, auditing or risk management matters.

Complies

42. Listed companies will have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal information and control systems

See section: C.2.3

Complies

43. The head of internal audit shall present an annual work program to the Audit Committee, report to it directly on any incidents arising during its implementation, and submit an activities report at the end of each year.

Complies

44. Control and risk management policy shall specify at least:

- a. The different types of risk (operational, technological, financial, legal, reputational, etc.) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;
- b. The determination of the risk level the company sees as acceptable;
- c. The measures provided to mitigate the impact of the risks identified, in the event that they were to materialize;
- d. The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

See section: E

Complies

**45. The Audit Committee's role will be as follows:**

1° In relation to internal control and reporting systems:

- a. Properly manage and disclose the main risks, if any, identified as a result of supervising the effectiveness of the internal control of the company and internal auditing.
- b. Oversee the independence and effectiveness of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the resources to be assigned to the internal audit function; receive regular report backs on its activities; and verify that senior management are acting on the conclusions and recommendations of its reports
- c. Establish and supervise a mechanism whereby staff can report any irregularities, and particularly financial and accounting irregularities they detect in the course of their work anonymously or confidentially.

2° In relation to the external auditor:

- a. Receive regular information from the external auditor on the progress and findings of the audit plan, and check that senior management are acting on its recommendation
- c. Oversee the independence of the external auditor; to which end:
  - i) The company will notify any change of auditor to the Spanish Stock Market Commission in the form of a relevant fact, stating the reasons for its decision.
  - ii) The Committee will investigate the issues giving rise to the resignation of any external auditor.

See sections: C.1.36, C.2.3, C.2.4 y E.2

Complies

**46. The Audit Committee may meet with any company employee or manager, even ordering their appearance without the presence of any senior manager.**

Complies

**47. The Audit Committee will report on the following points from Recommendation 8 before any decisions are taken by the Board:**

- a. The financial information to be periodically disclosed by the Company given that it is listed on the stock exchange. The Committee shall ensure that intermediate statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.
- b. The incorporation or acquisition of special purpose vehicles or entities resident in countries or territories defined as tax havens, as well as any analogous transactions or operations whose complexity may impair the Group's transparency.
- c. Related-party transactions, unless this responsibility has been another supervision and control Committee.

See sections: C.2.3 y C.2.4

Complies

**48. The Board of Directors shall present the financial statements to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Committee Chairman and the auditors will give a clear account to shareholders of their scope and content**

See section: C.1.38

Complies

**49. The majority of the members of the Appointment Committee or of the Appointment and Remuneration Committee, in the case that there is only one, of independent directors**

See section: C.2.1

Complies



50. The Appointment Committee shall have the following functions in addition to those stated in earlier Recommendations:
- a. Evaluate the skills, knowledge and experience of the Board, define the roles and abilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
  - b. Examine or organize, in appropriate form, the succession of the Chairman and chief executive officer; making the pertinent recommendations to the Board so the handover proceeds in a planned and orderly manner.
  - c. Report on the senior management appointments and removals which the chief executive officer proposes to the Board.
  - d. Report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: C.2.4

Complies

51. The Remuneration Committee will consult with the Chairman or chief executive officer, especially on issues involving executive directors and senior executives.

Any Board Member may request that the Appointment Committee take into consideration potential candidates considered to be appropriate to fill Board Member vacancies.

Complies

52. The Remuneration Committee shall have the following functions in addition to those stated in earlier Recommendations:

- a. Make proposals to the Board of Directors regarding:
  - i) The remuneration policy for Board Members and senior executives;
  - ii) The individual remuneration of Board Members and other contract conditions;
  - iii) The basic conditions of the contracts of senior executives.
- b. Oversee compliance with the remuneration policy set by the company.

See section: C.2.4

Complies

53. The Remuneration Committee will consult with the Chairman or chief executive officer, especially on issues involving executive directors and senior executives.

Complies

## H OTHER INFORMATION OF INTEREST

- 1 If it is considered that there is some principle or matter that is relevant with respect to the practices of corporate governance applied by the Company that has not been covered by the present report, include it below and explain its content.
- 2 This section can include any other information, clarification or nuance related to the previous sections of this report insofar as they are relevant and not reiterative.

*Note to part A.2: Regarding the contents of part A.2 on changes in the shareholding structure, on 13 May 2013, Inversiones Cotizadas del Mediterráneo sold its entire holding in Meliá Hotels International, S.A., which was 6.007% of the share capital.*

Specifically, indicate if the company is subject to legislation other than Spanish legislation in terms of corporate governance and, where appropriate, include information that it is obligated to provide and is different to that required in this report.

- 3 The company may also indicate whether has voluntarily acceded to other codes ethical or good practices, international, industry or other field principles. If so, identify the code in question and the date of adherence thereto.

This annual corporate governance report was approved by the Board of Directors of the company at its meeting held on

**31/03/2014**



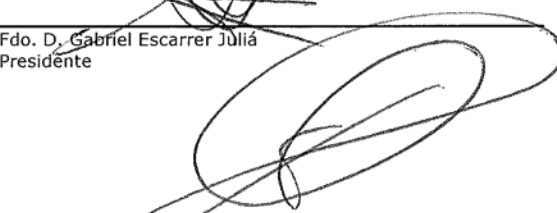



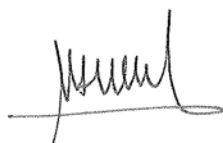

Indicate whether there were any directors who voted against or abstained in relation to the approval of this report.

**NO**

FORMULATION OF THE CONSOLIDATED FINANCIAL STATEMENTS  
AND DIRECTORS' REPORT FOR FISCAL YEAR 2013

These Consolidated Annual Accounts and Directors' Report were approved by the Board of Directors at its meeting held on 31 March 2014 and submitted to the auditors for verification and subsequent approval by the General Shareholders Meeting.

The consolidated Annual Accounts and Directors' report are contained on 209 pages, all signed by the Secretary and the last page signed by all of the Directors.

  
Fdo. D. Gabriel Escarrer Juliá  
Presidente  
Fdo. D. Juan Vives Cerdá  
Vicepresidente Honorario  
Fdo. D. Gabriel Escarrer Jaume  
Vicepresidente y Consejero Delegado  
Fdo. D. Sebastián Escarrer Jaume  
Consejero  
Fdo. D. Alfredo Pastor Bodmer  
Consejero  
Fdo. Hoteles Mallorquines Consolidados, S.A.  
(Representado por Dña. María Antonia Escarrer Jaume)  
Consejera  
Fdo. D. Juan Arens de la Mora  
Consejero  
Fdo. D. Francisco Javier Campo García  
Consejero  
Fdo. Fernando d'Ornellas Silva  
Consejero  
Fdo. Dña. Amparo Moraleda Martínez  
Consejera  
Fdo. D. Luis Mª Díaz de Bustamante y Terminié  
Secretario y Consejero Independiente



*A free translation of the report on the "Internal Control over Financial Reporting" originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails*

Report of the auditors on "Information relating to the Financial Information Internal Control System (FIICS)" of Meliá Hotels International, S.A. for 2013

To the Directors:

At the request of the Board of Directors of Meliá Hotels International, S.A. (the Entity) and pursuant to our letter of proposal dated 10 January 2014, we have applied certain procedures on the "Information relating to the Financial Information Internal Control Systems" (FIICS) included in information additional to the Annual Corporate Governance Report for listed companies of Meliá Hotels International, S.A. for 2013, which includes a summary of the Entity's internal control procedures relating to the annual financial report.

The Board of Directors is responsible for taking the appropriate measures to reasonably assure the implementation, maintenance and supervision of an appropriate internal control system, and for development improvements to said system and preparing and establishing the content of the accompanying information relating to the FIICS.

In this connection, it must be borne in mind that, irrespective of the design and efficiency of the financial information internal control system used by the Entity, it can only allow a reasonable, but not absolute, degree of assurance in relation to the objectives it seeks to achieve due to the limitations inherent to any internal control system.

In the course of our audit work on the annual accounts and in accordance with Technical Audit Standards, the sole purpose of our evaluation of the Entity's internal control system is to enable us to establish the scope, nature and timing of the audit procedures on the Entity's annual accounts. Accordingly, our internal control evaluation performed for the purposes of our audit is not sufficient in scope to enable us to issue a specific opinion on the efficiency of the internal control over regulated annual financial information.

For the purposes of the present report, we have only applied the specific procedures described below and indicated in the Guidelines concerning the auditor's report referring to the information concerning the Financial Information Internal Control System for listed companies, published by the National Securities Market Commission on its web site, which lays down the work to be performed, the minimum scope of the work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or review or an internal control system review, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Entity annual financial information for 2013 described in the accompanying FIICS information. Therefore, had we applied additional procedures to those determined by said Guidelines or had we performed an audit or internal control review in relation to the regulated annual financial information, other matters could have come to light of which you would have been informed.

Additionally, as this special work is not an audit of the accounts and is not subject to the revised Audit Act introduced under Royal Decree Law 1/2011, we do not express an audit opinion in the terms of those regulations.

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The procedures applied are as follows:

1. Reading and understanding of the information prepared by the Entity in relation to the FIICS – breakdown included in the Directors' Report – and evaluation of whether said information covers all the data required as per the minimum content described in Section F of the description of the FIICS, in the model Annual Corporate Governance Report in CNMV Circular nº 5/2013 dated 12 June 2013.
2. Making enquiries with personnel in charge of preparing the information mentioned point 1 above, in order to: (i) obtain an understanding of the preparation process; (ii) obtain information that enables us to assess whether the terminology used is in line with the definitions of the framework of reference; (iii) obtain information as to whether the control procedures described are implemented and functioning in the Company.
3. Review of supporting documentation explaining the information detailed in point 1 above which mainly comprises the information made directly available to the persons responsible for preparing the information on the FIICS. In this respect, said documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in their support duties towards the Audit and Control Committee.
4. Comparison of the information described in point 1 above with knowledge of the FIICS obtained from the application of the procedures performed within the framework of the audit work on the annual accounts.
5. Reading of the minutes of meetings with the board of directors, audit committee and other committees of the entity for the purpose of evaluating consistency between the matters dealt with therein in relation to the FIICS and the information described in point 1 above.
6. Obtaining of the letter of representation concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in point 1 above.

As a result of the procedures applied to the Information concerning the FIICS, no inconsistencies or incidents have come to light which could affect it.

This report has been prepared exclusively within the framework of the requirements of Law 24/1988, of 28 July on the Securities Market, amended by Law 2/2011, of 4 March on Sustainable Economy and by Circular nº 5/2013 of the National Securities Market Commission dated 12 June 2013 for purposes of the description of the FIICS in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original signed in Spanish by  
Stefan Mundorf  
Auditor

4 April 2014

MELIA.COM