Meliá Hotels International, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2020 and Directors' Report, together with Independent Auditor's Report

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

Deloitte, S.L.
Avda. Comte de Sallent, 3
07003, Palma de Mallorca
España

Tel: +34 971 71 97 27
Fax: +34 971 71 00 98
www.deloitte.es

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

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Meliá Hotels International, S.A. ("the Parent") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2020, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

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

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

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

Key Audit Matters

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

Impairment test on assets associated with the hotel activity

Description

As described in Note 1 to the accompanying consolidated financial statements, the Group's business activities, consisting of the management and operation of more than 326 hotels (owned, leased, managed and franchised) in more than 40 countries, have been adversely affected by the covid-19-related crisis, which has led to the closure of hotels and other significant operating and logistical challenges, and a 70% decrease in its operating income with respect to the previous year.

Each year, management performs an impairment test in order to determine the recoverable amount of assets associated with the hotel activity, which include goodwill, property, plant and equipment, intangible assets, right-of-use assets and investment property with a carrying amount of EUR 3,075 million at 31 December 2020. The pandemic, the closure of hotels and the general decrease in the operations of the Group were identified by management as indications of the impairment of the aforementioned assets.

In order to calculate the recoverable amount of each cash-generating unit ("CGU"), Group management generally considers the calculation of the value in use of each of those units based on the estimate of future cash flows, taking into consideration the impacts of covid-19 and applying growth rates and a discount rate adjusted for each country in which the Group operates, after having obtained appraisals by independent valuers in the case of owned assets with the greatest indications of impairment. As a result of the test carried out, the Group recognised impairment losses on the assets associated with the hotel activity and change in property investment fair value amounting to EUR 132.5 million.

In this context, the circumstance described represents a key audit matter, given the significance of the carrying amount of the assets associated with the hotel activity in the consolidated balance sheet and because the valuation method used requires the use of significant estimates involving a significant degree of uncertainty, exacerbated by the current covid-19 situation, such as

Procedures applied in the audit

Our audit procedures included, among others, evaluating the accounting policies for determining the recoverable amount of the assets associated with the hotel activity described in Note 3 to the accompanying consolidated financial statements for 2020, in order to evaluate their consistency with the applicable regulatory financial reporting framework.

Also, in order to identify possible bias in management's assumptions, we retrospectively reviewed the predictions made in prior years, evaluating the degree to which they, historically, and the forecasts made in the first half of 2020 for the second half of the year were realised. Moreover, we obtained the impairment test performed by management of the Parent on the Group's hotel assets, and we verified its clerical accuracy and the appropriateness of the valuation methodology used, with the assistance of our internal valuation specialists. We also obtained the most recent budgets approved by the Parent's directors adjusted to the current circumstances of the market in which the Group operates, and evaluated the reasonableness of the main operating assumptions applied for a sample of hotels, taking into account the current covid-19 situation. Additionally, we analysed the reasonableness of the discount rate and the long-term growth rate applied for a sample of hotels, also with the assistance of our internal valuation specialists, and we reviewed the sensitivity analyses performed in relation to these assumptions, after having performed our own independent sensitivity analysis to evaluate other less favourable scenarios.

Lastly, we evaluated whether the disclosures made by the Group in relation to these matters, which are included in Notes 4.2, 10, 11, 12 and 18 to the accompanying consolidated financial statements, reflected an appropriate level of transparency of the consequences of the pandemic and contained the information required by the applicable accounting regulations, including the uncertainty existing in relation to the outcome of the covid-19 crisis situation and the effects it might have on the future operations of the Group and, as the case may be, on the certain operating assumptions, including the reopening of hotels and the reduction in both costs and investments, the discount rate and the long-term growth rate.

determination of the recoverable amount of the assets associated with the hotel activity.

Liquidity situation

Description

As indicated in Note 4.3 to the accompanying consolidated financial statement for 2020, the crisis caused by covid-19 has had a negative impact on the Group's profit or loss and liquidity situation. At 31 December 2020, the Group's bank borrowings, bonds, notes and other financial liabilities amounted to EUR 1,416 million. With the aim of covering its working capital requirements and of adapting the maturity of its debt to its capacity to generate cash projected in the business plan, in 2020 the Group entered into financing agreements amounting to EUR 575 million.

In addition, to cater for a possible unfavourable evolution of the health crisis that might lead to the cash flows generated in the next 12 months being lower than those initially envisaged in the aforementioned plan, the Parent's directors analysed various alternative measures to enable the Group to settle its debt on maturity.

In this context, as described in Notes 3.2 and 4.3 to the accompanying consolidated financial statements, in the preparation of their cash budget the Parent's directors had to apply a high level of judgement and significant estimates, taking into account the Group business plan, which contains relevant assumptions concerning hotel reopenings and a decrease in both costs and investments, and the probability that, if necessary, the alternative measures determined by the Parent's directors could be implemented for the amounts and in the time periods envisaged, in order to assess the Group's ability to meet the liquidity needs and, therefore, the situation described was considered to be a key matter in our audit.

Procedures applied in the audit

Our audit procedures included, among others, the evaluation of the overall reasonableness of the estimates made by the Parent's directors in relation to the approved business and cash plans, and the sufficiency of the net inflows of funds envisaged in the aforementioned estimates to cover the Group's financial needs.

Also, we obtained and reviewed the financing agreements in force at 31 December 2020, and those entered into prior to year-end, in order to gain an adequate understanding of the milestones and repayment obligations assumed by the Group and to check their consistency with the projections of debt maturities and liquidity needs included in the estimates made.

In addition, we analysed the Group's ability to meet its obligations in the event of variances from its projections through alternative measures, evaluating the reasonableness of the projections and the probability of their being realised by, inter alia, verifying the minutes of the meetings of the managing bodies held up to the date of this report, reviewing the documents associated with the various alternatives considered and checking them with senior executives of the Group through meetings with them.

Lastly, we checked that the disclosures included in Note 4 to the accompanying consolidated financial statements in connection with this matter were in conformity with those required by the applicable accounting regulations.

Recognition of vacation club revenue

Description	Procedures applied in the audit
The Group sells timeshare rights for specific holiday complex units. The revenue recognised in the accompanying consolidated statement of profit or loss for 2020 arising from this vacation club activity amounted to EUR 53 million, and the amounts contracted but not yet recognised in profit or loss, which are recognised under "Grants Related to Assets and Other Deferred Income" in the accompanying consolidated balance sheet as at 31 December 2020, amount to EUR 266 million. Although the recognition of revenue from the exercise of rights of use by customers, under the Group's habitual terms and conditions, is not complex, it does involve the consideration of specific circumstances associated with the various terms and conditions entered into with the customers and includes a manual recording process. Also, the Group recognises revenue arising from the club for customer rights not exercised on the basis of the customer's pattern of use, and provided that the probability of the customers exercising their remaining rights becomes remote, which requires the use of significant estimates and judgements by management. Accordingly, this matter was a key audit matter in our audit.	Our audit procedures included, among others, the review of the revenue recognition accounting policies of the Group's vacation club, which are described in Note 3.11 to the accompanying consolidated financial statements for 2020, in order to evaluate whether these policies are in conformity with the applicable regulatory financial reporting framework, as well as checking the design and implementation and the operating effectiveness of the relevant controls identified in the process of recognising revenue from the vacation club. Also, we performed substantive procedures consisting of checking, for a randomly selected sample, the timeshare rights exercised in the year, whether the recognition for accounting purposes of the exercise of these rights was consistent with the related contractual documentation and the appropriateness of the recognition of the revenue for accounting purposes taking into consideration the contractual terms and obligations of the programme contracted by the customer of the club. Also, we obtained the calculation performed by management of the revenue recognised for the customer rights that had not been exercised, evaluating the clerical accuracy thereof and the most significant assumptions, especially the percentage of the rights not exercised, based on historical information. Lastly, we evaluated the reasonableness of the disclosures contained in Notes 7 and 17 to the accompanying consolidated financial statements on the revenue from the Group's vacation club.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2020, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the consolidated directors' report, in accordance with the audit regulations in force, consists of:

a) Solely checking that the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report, to which the Spanish Audit Law refers, have been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.

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

Based on the work performed, as described above, we observed that the information described in section a) above was furnished as provided for in the applicable legislation and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2020 and its content and presentation were in conformity with the applicable regulations.

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

European Single Electronic Format

We have examined the digital files in European Single Electronic Format (ESEF) of Meliá Hotels International, S.A. and its subsidiaries for 2020, which comprise the XHTML file including the consolidated financial statements for 2020 and the XBRL files with the tagging performed by the Group, which will form part of the annual financial report.

The directors of Meliá Hotels International, S.A. are responsible for presenting the annual financial report for 2020 in accordance with the format and markup requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation"). Our responsibility is to examine the digital files prepared by the Parent's directors, in accordance with the audit regulations in force in Spain. Those regulations require that we plan and perform our audit procedures in order to ascertain whether the content of the consolidated financial statements included in the aforementioned digital files corresponds in full to that of the consolidated financial statements that we have audited, and whether those consolidated financial statements and the aforementioned files were formatted and marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined correspond in full to the audited consolidated financial statements, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Additional Report to the Parent's Audit and Compliance Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and compliance committee dated 23 February 2021.

Engagement Period

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

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

Pablo Hurtado March
Registered in ROAC under no. 20408

25 February 2021

Appendix to our auditor's report

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

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

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

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

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

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

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

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

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

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

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

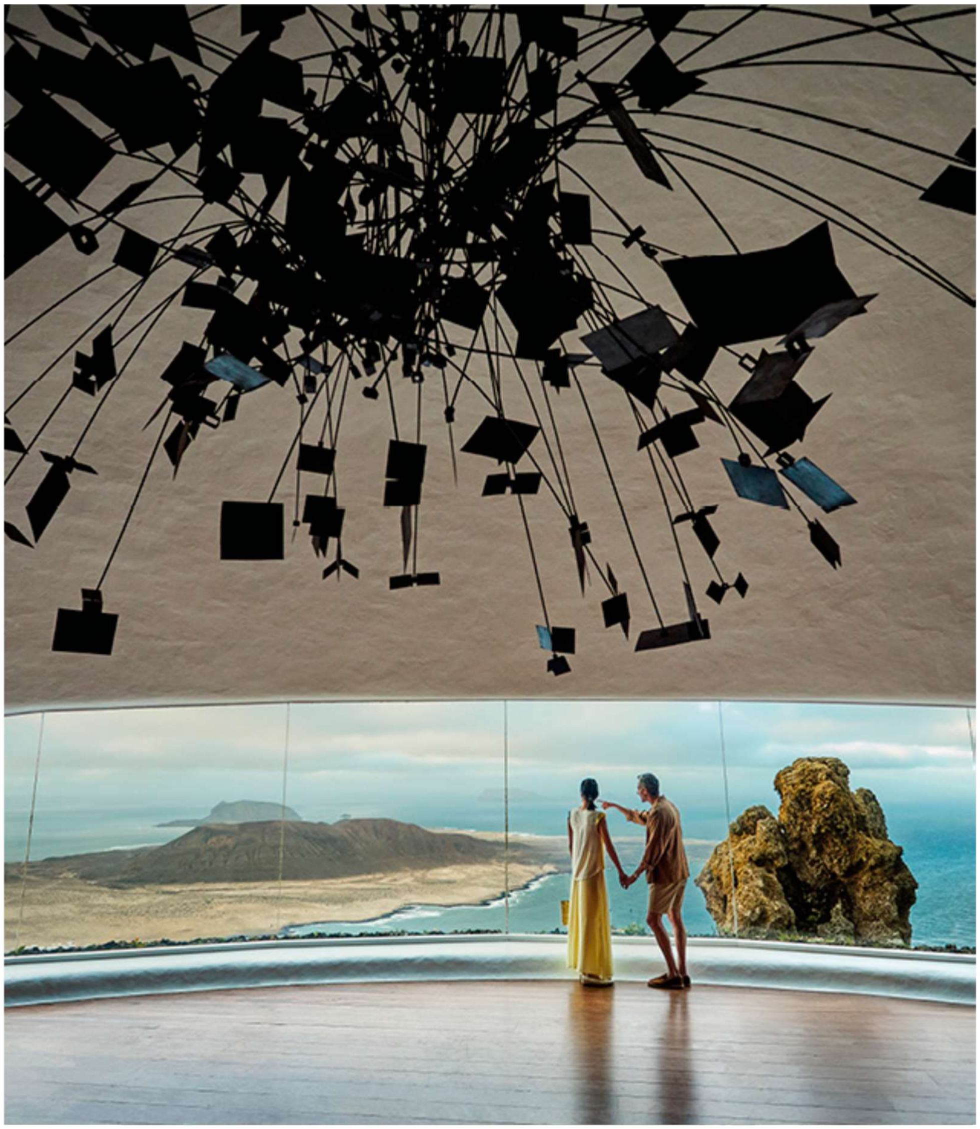
From the matters communicated with the Parent's audit and compliance committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

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

Consolidated management report and annual accounts

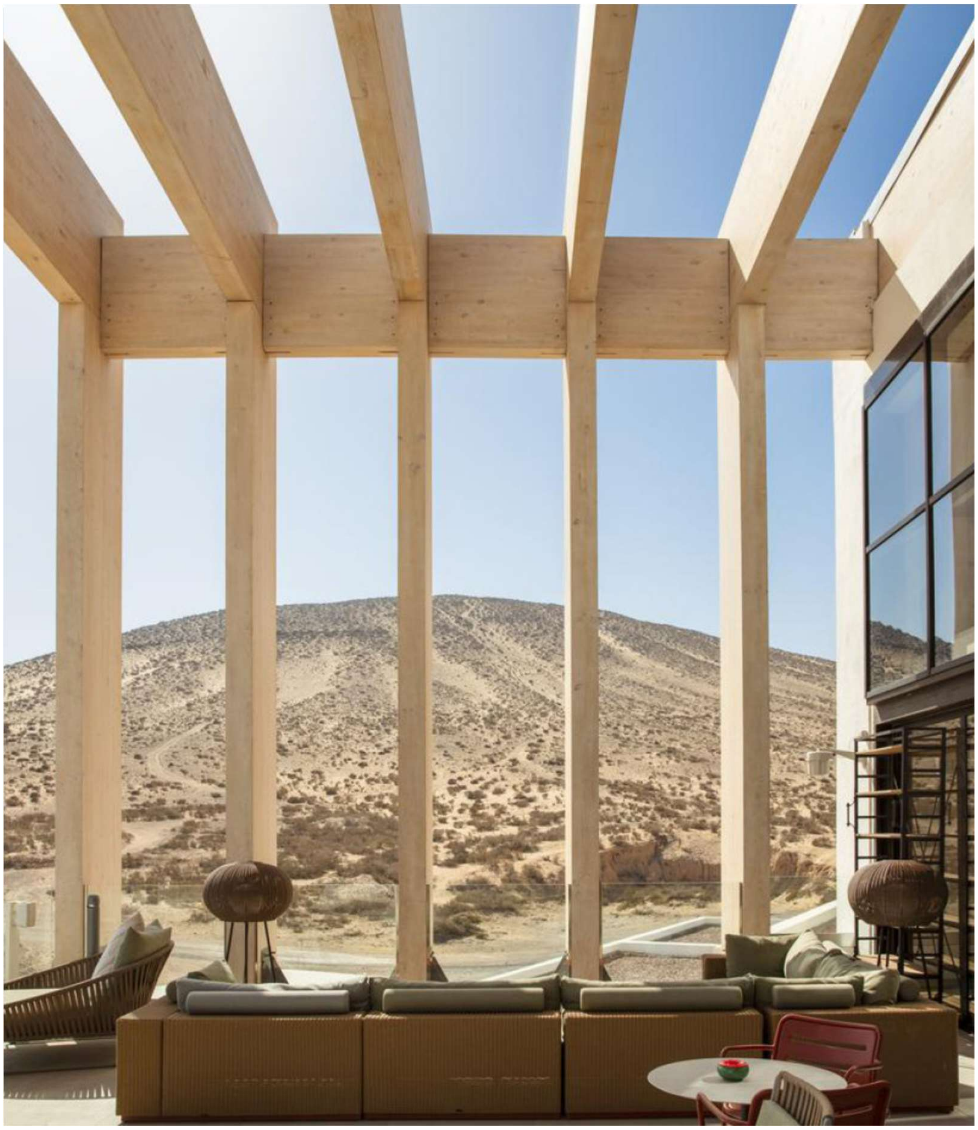
2020

MELIÃ HOTELS INTERNATIONAL | Leisure at heart, business in mind



Consolidated Management Report
2020

MELIÃ HOTELS INTERNATIONAL | Leisure at heart, business in mind



Message from the Executive Vice President and Chief Executive Officer

GRI 102-14

Dear shareholders, employees, customers and partners,

I would like to be able to start this introductory message to our Annual Report just as I would any other year, with a retrospective analysis of our performance and our strategy and an update on our commitments. Unfortunately, 2020 was not like any other year.

Throughout 2019, our company had been preparing for an environment that seemed to be becoming increasingly volatile, uncertain, complex and ambiguous (otherwise known as VUCA), but then just as we started the new year, we were hit by a “tsunami” named COVID-19. The excitement we all shared at the beginning of a new decade was cut short in March 2020 when the WHO declared a global pandemic with its origin in Wuhan (China) that would go on to unleash the worst health, social and financial crisis known to current generations, and with a particularly dramatic impact on the travel industry. Over the last year, the travel industry has lost more than 70% of its revenues, with similar falls in the number of travellers and air traffic worldwide.

The management of the crisis at Meliá Hotels International was characterised by our ability to anticipate events thanks to our presence in China and our experience in managing previous crises such as the SARS pandemic in 2004. It was also characterised by the advantageous position we enjoyed when the pandemic broke out thanks to our strategy and financial management over recent years, (with a net debt/EBITDA ratio slightly higher than 2 at the start of 2020), our strong commitment to digitalisation (after having invested more than €170Mn since 2015) and having a portfolio of renovated assets valued at more than €3,000Mn. As one of the most sustainable hotel companies in the world according to the S&P Global Corporate Sustainability Assessment in 2020, and one of the top seven companies with the most sustainable management in 2020 according to the Wall Street Journal, among other awards, the solid reputation of Meliá was also a major strength in facing the greatest crisis in its history.

After having to close most of our hotels around the world, we focused all our efforts on offering an agile, effective, responsible, and cooperative response to a crisis that even today continues to surpass all risk forecasts and analyses. Our Contingency Plan thus focuses on five fundamental areas:

- **The health and safety of our employees and customers**, which inspired our Stay Safe With Meliá programme, certified by Bureau Veritas, which is now a benchmark for the industry and one of our most important sales arguments.

- **Preservation of employment and talent**, which led us to accelerate the implementation of teleworking and online training systems and boost our support for employees over such difficult times. Our management would not have been possible without the commitment and professionalism of our teams and their successful adaptation to working from home during the pandemic.

- **Guarantee our liquidity**, working in two key areas: on the one hand, expanding our financing, leveraging our market credibility and thus reducing cash burn through questioning and then reducing all of our expenses, and on the other, cooperation with such essential stakeholders as the suppliers of goods and services and the owners of our leased hotels Overall, we estimate the savings achieved in 2020 at €226 million.

- We are also focused on the **continuity of our operations,** effectively managing hotel closures and re-openings with the aim of opening as many hotels as possible without compromising our liquidity any more than necessary. Thanks to the combination of our sales strength and the flexibility and safety of our value proposition, our hotels have shown an above-average performance despite the circumstances.

- Finally, from the outset, we understood that in times like these it would be more important than ever to remain faithful to our corporate values and purpose, and we decided to use the time to **strengthen public trust and our reputation**. We therefore helped out during the emergency by allowing hotels to be converted into hospitals and also used to provide accommodation for essential workers, whose work we acknowledged through our "Nights for your days” campaign offering them more than 32,000 free hotel nights, among other actions to show our solidarity. Through intense transparency and communication, we have also strengthened our ***engagement*** with our stakeholders and improved our positioning.

Gabriel Escarrer Jaume

Executive Vice President and CEO

At Meliá Hotels International we have combined these short-term actions in response to the crisis with a profound strategic review that has resulted in the adaptation of our Strategic Plan, which we have named "**The Day After**". The major strategic areas for transformation are our **organisational evolution**, adapted to a digitalised operating model, **the drive for greater digitalisation** (both in sales and marketing and also in back-office and front-office processes and the customer experience) and the **integration of sustainability in the day-to-management** of the company, supported by the Global Compact Principles to which we are a signatory**.**

Outlook and trends for 2021

The first quarter of 2021 has seen the so-called "third wave" of the pandemic followed by the start of the vaccination process, meaning the world of travel and hospitality continues to be strongly affected by the evolution of the pandemic and the continuity of almost indiscriminate restrictions.

Looking to the future, we see the current financial year as a year of transition, in which we may begin to see a gradual recovery in the second semester. This will be conditioned, however, by health factors such as the vaccination process in key destinations and feeder markets, and the existence of international standards and regulations that will allow trips to resume safely. Similarly, the speed of the recovery will be influenced by economic factors, such as the survival of businesses and jobs, or the spending power of families after the pandemic. Considering all these factors, we believe that the recovery of the activity and revenue levels we saw prior to the pandemic will not be achieved until 2023 or 2024.

Trends in the post-Covid era point towards more conscious and responsible travellers, for whom health and safety will continue to be an essential factor, and more online reservations than ever before, in line with the boost to the "digital society" seen during the pandemic, accompanied by the desire for a much more comprehensive and satisfying digital experience. During the transition to normality, the preference for domestic and short-haul travel and the difficulties in the recovery of urban hotels and business travel, will benefit resort hotels, a segment in which Meliá is a major leader, and the destinations more focused on domestic markets.

Among the somewhat more positive news, our industry was relieved to see the agreement between the European Union and the United Kingdom on December 24, which avoided the worst possible Brexit scenarios, and awaits the distribution of the Next Generation European Funds to boost economic recovery and competitive transformation. Our Company has assumed the responsibility of leading a number of large-scale projects which we have presented to the Spanish Government in collaboration with many other companies and organisations, focused on the digitalisation and sustainable transformation of our tourism model, hotel decarbonisation and the regeneration of mature travel destinations, among other objectives.

A turning point

I will end my introduction to this Report by recalling that the correctness of our response to the health crisis has not prevented a massive destruction of value; our revenues plummeted by more than 70% in 2020, our Net Income showed a loss of €575 million, and our Net Debt increased by €575 million over the year. However, as we stated in the motto of our strategic plan, "from contingency to resilience and recovery", despite the fact that there are still several very hard months ahead, we are convinced that we will emerge stronger and in a position to take advantage of opportunities and re-generate value.

At the start of 2021, the world faces a turning point, and as part of an industry that is a major driving force behind GDP and employment in the countries in which we are present, travel companies have a responsibility to support the global recovery, reactivating their business and generating the employment and wealth we saw prior to the pandemic.

As an industry leader, at Meliá Hotels International we are happy to assume that commitment and responsibility, and we reach out to all our stakeholders in order that we may achieve it together, through our most honest and loyal collaboration.

Gabriel

Gabriel Escarrer Jaume
Executive Vice President and CEO

MELIÁ IN 2020

1. BUSINESS MODEL

2. STRATEGY

3. VALUE CREATION FOR OUR STAKEHOLDERS

4. KEY INDICATORS

5. ANNEXES

About this report

GRI 102-48; GRI 102-49; GRI 102-53; GRI 102-54; GRI 102-55; GRI 102-56

CONTEXT

The COVID-19 pandemic has created historic conditions for all industries worldwide and, in particular, for the travel and hospitality industries. Border closures and travel restrictions have paralysed our activity and caused the closure of a large part of our hotel portfolio, affecting operations and, consequently, the reporting of data.

However, the increasing demands of our stakeholders and the environment encourages us to continue to share a vision of our annual performance with the greatest transparency. Following international reporting standards and recommendations, we therefore assume our commitment to publish corporate information that reflects both our performance and the challenges and opportunities we face.

REPORTING FRAMEWORKS

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Guide, the International Integrated Reporting Council (IIRC), which allows us to continue moving forwards towards a fully Integrated Report, and also in accordance with financial materiality in the hotel industry as defined by the Sustainability Accounting Standards Board (SASB). These international reporting frameworks ensure that the information we share with our stakeholders is consistent, comparable and reliable, while also conveying the alignment between our strategy, material issues, our governance model and our performance, both financial and non-financial.

MATERIALITY AND STAKEHOLDER PARTICIPATION

Based on the principles in the GRI Standards, the Integrated Annual Report focuses on the material issues identified in the materiality analysis updated in 2019, whose preparation process and results are described in the chapter on “Value creation for our stakeholders” in this report.

The preparation of the materiality analysis has allowed the company to identify the most relevant issues for each of its stakeholders, defining the areas or aspects considered essential in the preparation of this report and thus allowing an evaluation of company performance in these areas.

With regard to the quality of the information, we always aim to strike a balance between both the positive and negative aspects of our performance in 2020 in the key material issues identified. We therefore publish this information in the most precise, detailed, clear, comprehensible and reliable way possible, offering stakeholders an assessment of the evolution over time of material issues for their information and to ensure comparability with other companies or industries.

NON-FINANCIAL INFORMATION STATEMENT

Additionally, and in accordance with Law 11/2018 of December 28 on non-financial information and diversity, and article 44 of the Commercial Code, we have incorporated into this report the Non-Financial Information Statement for 2020.

INFORMATION SCOPE

This Integrated Annual Report consists of:

- The Consolidated Management Report (from page 1 to page 216) presented by the Board of Directors on February 25, 2021, which also includes the Non-financial Information Statement, the contents of which can be seen in the table “Non-financial and diversity information requirements (Law 11/2018)” in the annexes.
- The Annual Corporate Governance Report (in the Annex from page 217 to page 309)
- The Consolidated Annual Accounts (from page 310 to the end of this report) presented by the Board of Directors on February 25, 2021.

On the other hand, the content of the Management Report regarding the following can be found in the notes to the Consolidated Annual Accounts (CAA):

- Alternative measures to performance: Note 2.4 to the CAA

- Treasury stock: Note 16.3 to the CAA
- Payments to suppliers: Note 23 to the CAA
- Subsequent events: Note 24 to the CAA

This report contains relevant information on company management, financial results and non-financial information for Meliá Hotels International. The information corresponds to a control perimeter aligned with the subsidiaries that are fully consolidated in the Annual Accounts. For some non-financial indicators, in addition to the **consolidated perimeter**, the **aggregated perimeter** is also reported, corresponding to companies in which Meliá Hotels International does not have operational control (consolidation by equity method or not consolidated in Annual Accounts). Throughout the report, the perimeter within which each data is reported is stated.

In order to ensure the comparability of information and allow visibility of the evolution of the Meliá performance over time, the report also shows indicators with historical data and, where appropriate, with the objectives that were defined. It should also be noted that the pandemic has significantly affected indicators due to the disruption of our activity, thus affecting all comparisons with historical data.

VERIFICATION

In order to ensure the transparency and reliability of the information, since 2010 Meliá Hotels International has submitted its non-financial information report for verification by an independent, external body.

The 2020 non-financial information has been verified by Deloitte, with a limited level of assurance, obtaining the attached independent review report based on essential GRI standards, which includes the objectives and scope of the process as well as the verification procedures used and their conclusions.

QUESTIONS

If you have any question or suggestion related to this report, please use the following channels for direct contact:

Financial information:

Investor Relations Department (***investor.relations@melia.com***)

Non-financial information:

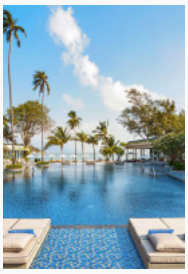
Corporate Responsibility Department (***csr@melia.com***)

Meliá in 2020

Meliá in 2020

Most important milestones

JANUARY



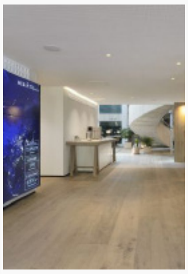
We start with very positive news: the opening of Meliá Koh Samui in Thailand, the 20th anniversary of Meliá Hanoi in Vietnam, a Gold Medal in the 2020 Sustainability Yearbook published by S&P Global and the presentation of our commitment to the 2030 Agenda at Fitur.

FEBRUARY

We topped the Corporate Responsibility ranking prepared by Merco, a business monitor that ranks the 100 Spanish companies with the best corporate reputation.

COVID-19 begins to spread rapidly outwards from China, creating an exceptional situation which leads to a gradual shutdown of the hotel industry. We launch our Global Contingency Plan and create our Crisis Management Committee.

MARCH

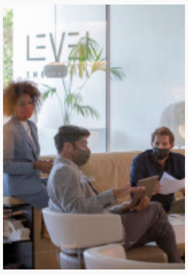


With nearly half of the world's population in lockdown due to the spread of COVID-19, we close virtually all of our hotels and corporate offices worldwide.

APRIL

Our solidarity extends to the people fighting the pandemic through the "Meliá with the Heroes" campaign, providing thousands of free stays to healthcare workers and security forces. We refocus our social media strategy to strengthen emotional bonds with our audiences while also reinforcing online training for all our employees, opening up the eMeliá training platform to more than 45,000 employees and offering more than 22,000 training courses.

MAY

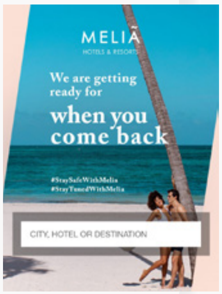


We take a major step in managing the health crisis with the launch of the "Stay Safe with Meliá" programme and also prepare to begin reopening our hotels.

JUNE

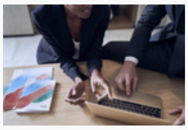
We launch the "When you come back, stay safe with Meliá" campaign to stimulate summer sales, getting more than 80% of bookings through melia.com and more than 90% of revenue from MeliáRewards members.

We also created the "Linen for Life" project together with Diversey to support the most vulnerable people in developing countries.



JULY

We continue to innovate in our customer relationships through social media, creating Meliá Pro Travel Labs to strengthen our relationship with travel agents in this increasingly digital age, and looking for new ways to reach the next generation of travellers. In partnership with the Student League of the World Tourism Organization, we create a challenge for 59 universities around the world to help us design our social media strategy for Tik-Tok.



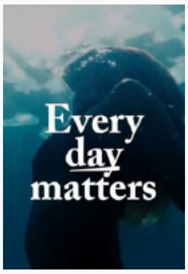
AUGUST

We complete the Stay Safe with Meliá certification process carried out by Bureau Veritas, one more step towards excellence. The containment of the pandemic in China has immediate positive effects on the economy and on the recovery of the travel industry.

SEPTEMBER

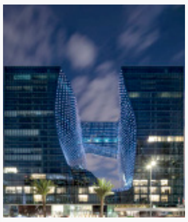
We continue our expansion and open our sixth hotel: the Gran Meliá Chengdu. We also achieve the highest number of open hotels (176) since the beginning of a pandemic which has put our capacity for reinvention and resilience to the test. With the collapse of business travel and travel restrictions, we look for new ways to improve occupancy and revenue, such as Workation by Meliá, a new teleworking experience from a base in our hotels.

OCTOBER



We present Leading a New Future, a key project in our cultural transformation for the new era. Our digital transformation continues to move forward at pace through our Be Digital 360 programme. We also present the "Every day matters" series of mini-documentaries to highlight our commitments to society and the environment and our response to current challenges

NOVEMBER



We open the ME Dubai, one of the most long-awaited company projects, with an extraordinary design by the architect Zaha Hadid. And we launch our Black Friday campaign during a period of growing optimism thanks to the announcement of the approval of vaccines.

DECEMBER

Before closing the year, we present the evolution of our strategy under the name "The Day After", preparing us to recover business and re-emerge even more competitive than before. eMeliá also says goodbye to the year with good news, after having completed more than half a million training sessions.

2020

Key indicators

Financial	Business	Governance	People	Environment	Society
Total consolidated revenue **528.4**M€ **(-70.7%)**	Aggregate revenue **649.0**M€ **(-77.2%)**	Board Members **11**	Total active workforce **22,571** **(-50.6%)**	Scope 1 emissions (SBTi) **35.8**k TCO_2 **(-51.1% base year)**	Total donations **5.2**M€
EBITDA (excluding capital gains) **-130.5**M€ **(-127.7%)**	Aggregate RevPAR **34.3**€ **(-50.3%)**	External independent directors **54.4**%	Female staff members **40.4**% **(-4.2 pp)**	Scope 2 emissions (SBTi) **166.9**k TCO_2 **(-51.9% base year)**	Financial value of "Meliá with the heroes" **4.9**M€
Net profit attributed to parent company **-595.9**M€ **(-627.8%)**	Aggregate ARR **98.2**€ **(-7.3%)**	Board attendance (in person and by proxy) **100**%	Women in management positions **25.5**% **(-1.8 pp)**	Renewable energy use **25.9**% **(-13.3 pp)**	Project "Linen for Life" **37**k masks **(1.5 Tn recycled linen)**
Net debt **2,603.8**M€ **(+28.3%)**	Aggregate occupancy **34.9**% **(-30.3 pp)**	Average membership of the Board **9.8** **years**	Workforce covered by collective agreements **79.2**% **(+23.2 pp)**	Portfolio located in protected areas **49** hotels	"Stay Safe with Meliá" investment **+2.2**M€ **(Hotels and offices)**
Consolidated RevPAR **43,2**€ **(-50.3%)**	NPS customers **48.1**% **(+2 pp)**	Female Board members **27.3**%	Total hours of training **+510**k **(+75.6%)**	Portfolio located in areas with water stress **93** hotels	Hotels converted to hospitals (COVID-19) **6**
Consolidated ARR **110,2**€ **(-10.2%)**	Melia.com revenue **32.2**% **(+5.5 pp)**	Board meetings **7**	Training hours per employee **22.61** **(+57.2%)**	Recycling rate (selective waste collection) **61.5**% **(+4.8 pp)**	Portfolio with no risk in Human Rights issues **98**%

Our contribution to the SDGs

GRI 413-1

Both the United Nations and other sustainable development experts have confirmed that the COVID-19 pandemic has had a strong impact on the **2030 Agenda**. Many of these impacts have been positive, such as in the areas of climate change and biodiversity. However, many others have been seen to be negative, including public health or an increase in inequality due to the global economic slowdown. The latter point may also place the implementation of national sustainable development programmes and the Paris Agreement on Climate Change at risk.

The new decade began as a time for action, and we are now faced with an economic and health crisis that has become a turning point for an agenda which we have used as a reference guide ever since it was approved in our efforts to build a responsible tourism model and make a positive contribution to major global challenges. Ever since then, we have made significant progress in making it part of our sustainability strategy and in the definition of specific objectives.

That is why Meliá is one of the leading international hotel companies due to its commitment and progress in sustainability, and why we continue to promote a responsible management model that generates real value in the destinations in which we operate and in which the SDGs play a key role.

Although our 2019 Sustainability Master Plan defined SDGs 8, 12, 13, 16 and 17 as key priorities due to their direct link with our activity, the current situation requires that we also consider SDG 3 Good Health & Wellness as a priority.

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

	CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS	PROGRESS ON PRIORITY SUSTAINABLE DEVELOPMENT GOALS
3 HEALTH AND WELL-BEING	The health and safety of our stakeholders has always been important to us. The current situation requires that it become our top priority *The section on Occupational Health & Safety provides details of our progress*	• Activation of the Crisis Management Committee • Preparation of the Stay Safe with Meliá Programme • Conversion of hotels into hospitals for patients and also accommodation for essential workers • Recognition campaigns for essential workers
8 DECENT WORK AND ECONOMIC GROWTH	People are at the heart of our approach. More than ever before, we are committed to maintaining the employment of our people, providing them with constant training and developing their talent *The section on People offers details of our progress*	• Activation of measures to maintain employment and provide support and financial assistance • Implementation of emotional support activities • Encouragement of teleworking and digitalisation of workplaces • Opening of the eMeliá platform to the entire workforce and new training programmes
12 RESPONSIBLE PRODUCTION AND CONSUMPTION	We continue to make progress in integrating sustainability and ethical management in our supply chain, working together with suppliers who share our values and commitments. *The section on the Supply Chain offers details of our progress*	• Update of the Procurement and Service Contracting Policy to define selection criteria for quality, safety, sustainability and efficiency • Promotion of 4th and 5th-range food products • Progress in sustainable packaging • Progress and new developments in the circular economy with social repercussions
13 ACTION FOR THE CLIMATE	We continue to promote an efficient and responsible hotel management model both regarding our use of resources and minimising our impact *The section on Environment & Climate Change offers details of our progress*	• We joined the *Green Recovery Alliance* and consolidated our presence in *CDP Climate & Water* • More than 60% of the energy we use is now green energy • We are committed to investing in our portfolio under sustainable and efficient criteria • We continue making progress in the reduction and management of waste
16 PEACE, JUSTICE AND SOLID INSTITUTIONS	We understand that the best way to move towards an ethical and responsible management model is to ensure the integration of sustainability in our Governing Bodies *The section on Good Governance provides details of our progress*	• Creation of the Meliá Sustainability Committee • Approval of the Director Selection and Diversity Policy, including the new recommendations on Corporate Governance for Listed Companies from the CNMV regarding diversity issues
17 ALLIANCES TO ACHIEVE OBJECTIVES	Dialogue and direct cooperation with our stakeholders is essential in creating lasting alliances and ensuring their involvement in achieving our objectives together *The section on Stakeholders provides details of our progress*	• Updating of the Stakeholder Map, defining management priorities and new measurement guidelines • We have also strengthened bonds with numerous suppliers that have supported us in our management of the pandemic

1

Business model

Mission, vision and values

GRI 102-16

LEISURE AT HEART, BUSINESS IN MIND

The combination of excellence in hospitality and rigour in management, combining natural instincts with data, feelings with observations, and intuition with analysis. At Meliá Hotels International we blur the lines between what we think and what we feel, because we represent holidays, getaway breaks, emotions and well-being. **But we are also about success, effort and teamwork. We are business**

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

We are a company with more than 60 years of history, defined by four **attributes of our corporate identity** which reach across all our brands...	... that inspire the **values** of our organisational culture...	... and that come to life in our day to day through our **behaviour**
Warmth and conviviality **Caring and nurturing** **Little extras** **Innovation**	**Proximity** **Excellence and consistency** **Service vocation** **Innovation**	**Warm** **Professional** **Hospitable** **Creative**

All of this this defines a unique way of living, stemming from a feeling of belonging to a large family: our family. It is precisely this feeling that inspires the way we interact with our customers and with our own team members.
At the end of 2019, in a business environment in a constant state of change and with increasing volatility, complexity and uncertainty, we launched a new Strategic Plan for 2020 to 2022 ("Reinventing Value”) which was designed to help us continue to move towards our **2030 Vision:**

> **"To position ourselves among the leading hotel companies in the world in the midscale and upscale segment, strengthen our leadership in resort and bleisure hotels, and be seen as a world leader in excellence, responsibility, and sustainability".**

CUSTOMER VALUE PROPOSITION

Belonging Means More

We aim to earn the loyalty and trust of our customers and continue to surprise them every day with experiences enveloped in the Spanish warmth and passion that characterise us.

Belonging is about feeling special.

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

SERVICE CULTURE

Belonging Begins Here

We are the result of a united and committed group that shares a passion for what it does. Together, we help make that feeling of belonging that begins in every one of us grow day by day.

EMPLOYEE VALUE PROPOSITION

Starring you

At Meliá, everyone is the star of their own story.

Together, we are building the future of this great family, where every achievement is a step forward we make together, and every success is the success of us all.

LEISURE AT HEART, BUSINESS IN MIND

Meliá Hotels International

This is what we are

Business model

AN EXCELLENT AND SUSTAINABLE MANAGEMENT MODEL...

OWNED HOTELS (14%)*
Meliá both owns and manages the hotel

LEASED HOTELS (32%)*
Meliá is leases and manages the hotel

MANAGED HOTELS (39%)*
Meliá manages the hotel for a third party under one of its brands and charges a management fee

FRANCHISED HOTELS (15%)*
The hotel owner operates the hotel under one of the Meliá brands and is present in the Meliá sales network

(*) Portfolio activo

OUR BRANDS

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

... WITH A BUSINESS CONTINUITY PLAN FOCUSED ON 5 AREAS FOR RECOVERY...

CULTURE AND VALUES

... AND A FIRM COMMITMENT TO THE SUSTAINABLE DEVELOPMENT GOALS...

WITH THE MAIN FOCUS ON...

SUSTAINABLE DEVELOPMENT GOALS

- 3 HEALTH AND WELL-BEING
- 8 DECENT WORK AND ECONOMIC GROWTH
- 12 RESPONSIBLE PRODUCTION AND CONSUMPTION
- 13 ACTION FOR THE CLIMATE
- 16 PEACE, JUSTICE AND SOLID INSTITUTIONS
- 17 ALLIANCES TO ACHIEVE OBJECTIVES

Brand portfolio & positioning

GRI 102-2; 102-6

Our experience in the leisure and bleisure hotel industry forms part of each of our brands, each with its own distinct personality and essence, but all of them sharing the same company values and principles. Each of our brands is aimed at a clearly defined psychographic and demographic profile in order to respond to the different needs of the current market, adapting to changes and new trends as part of continuous review process that prioritizes innovation, excellence and quality in their constant evolution.

	+ DEMOGRAPHIC	**+ PSYCHOGRAPHIC**
Upper upscale **12%** **5%** Gran Meliá Hotels & Resorts **3%** ME by Meliá **4%** Paradisus by Meliá	GRAN MELIÁ HOTELS & RESORTS PARADISUS BY MELIÁ	ME BY MELIÁ
Upscale **52%** **40%** Meliá Hotels & Resorts **12%** Innside by Meliá	MELIÃ HOTELS & RESORTS	INNSiDE BY MELIÃ
Midscale **29%** **18%** Sol by Meliá **11%** Tryp by Wyndham	SOL BY MELIÃ TRYP BY WYNDHAM	

Affiliated by Meliá **7%**

SUSTAINABLE BRANDS

Our commitment to sustainability is also tangible in our brand portfolio. Modern customers favour companies that are committed to the social and environmental challenges we face as a society, and our brands ensure that customers sense this commitment during their stay at the hotel, developing products and services aligned with these new standards.

- Promotion of healthy and local cuisine
- Sustainable mobility
- Efficient management of energy and water resources
- Events and meetings designed to offer sustainable experiences
- Elimination of single-use plastics
- Acquisition of sustainable products
- We are very much aware of the importance of sustainability in the tourism industry, and we are working on promoting specific sustainable attributes in each of our brands to respond to the growing concern, strengthening our value proposition according to the real social and environmental situation in each of the destinations in which we operate.

GRAN MELIÁ
HOTELS & RESORTS

A life well lived

GRAN MELIÁ
HOTELS & RESORTS

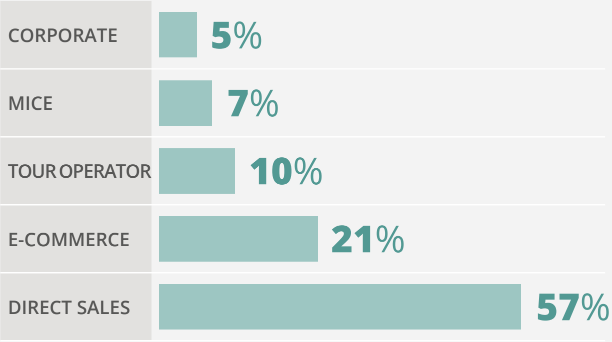
BRAND POSITIONING

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

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

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

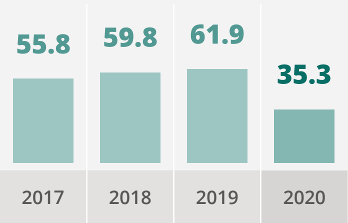
REVENUE SEGMENTATION



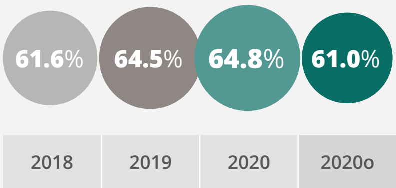
*Of total centralised sales

PRESENCE

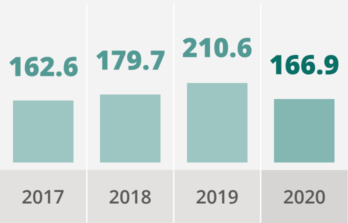
OCCUPANCY (%)



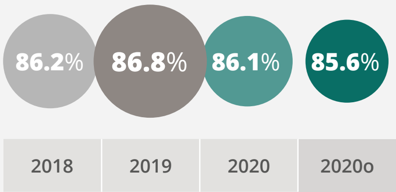
NET PROMOTER SCORE (NPS)



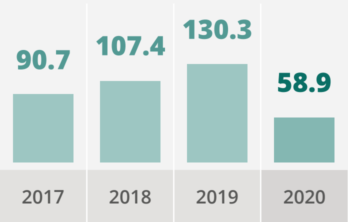
ARR (€)



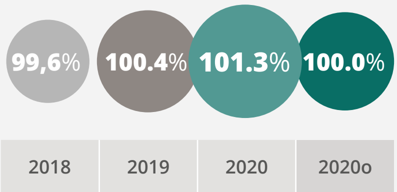
GUEST SATISFACTION SCORE (GSS)



REVPAR (€)



QUALITY PENETRATION INDEX (QPI)



	Hotels	Rooms	Countries
OPERATIONAL	14	3,302	6
PIPELINE	6	1,575	5

HOTEL STAYS **+0.3** million

ME

BY MELIÃ

HOTELS WITH EXPRESSION

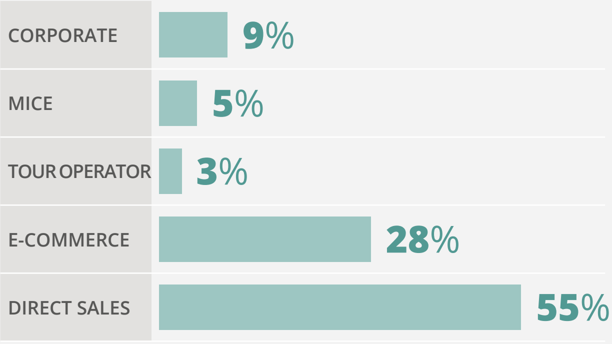
BRAND POSITIONING

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

Considering the uniqueness of each destination, we create customer experiences that contain the best of local culture so that each

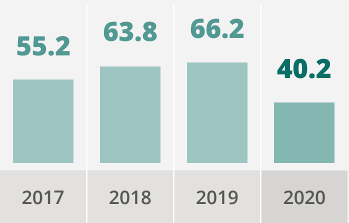
ME hotel is a reflection of the destination in which it is located. Through our strong cultural connections, we bring local and international talent into our hotels, working with artists, influencers and creative technologists to create social epicentres which buzz with energy and inspiration.

REVENUE SEGMENTATION

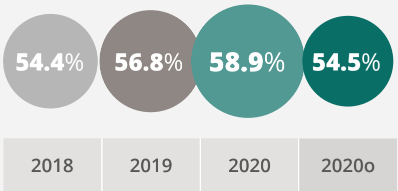


*Of total centralised sales

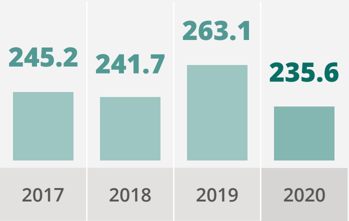
OCCUPANCY (%)



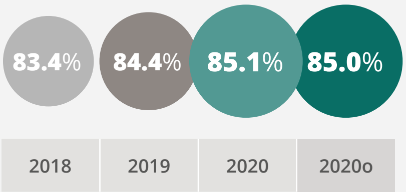
NET PROMOTER SCORE (NPS)



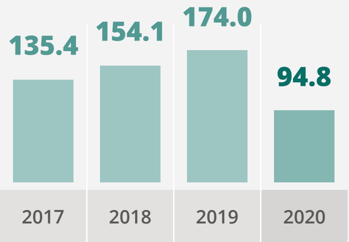
ARR (€)



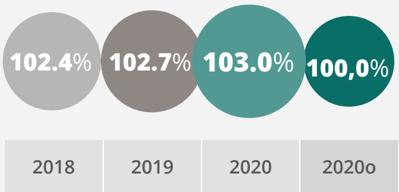
GUEST SATISFACTION SCORE (GSS)



REVPAR (€)



QUALITY PENETRATION INDEX (QPI)



PRESENCE

	Hotels	Rooms	Countries
OPERATIONAL	7	1,149	5
PIPELINE	4	745	4

HOTEL STAYS	**+0.1** million

PARADISUS

BY MELIÃ

EMBRACE YOUR NATURE

PARADISUS
BY MELIÃ

BRAND POSITIONING

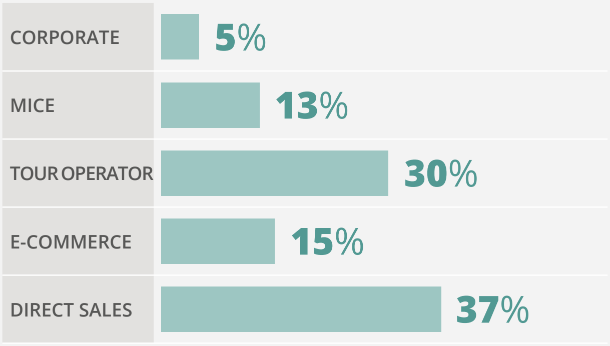
Set against the most renowned and emergent resort hot spots around the world, Paradisus transports guests into a paradise that reflects the natural beauty of its destination.

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

This commitment to balance with the destination can be seen in every part of the resort, from menus inspired by local cuisine to environmentally responsible in-room products.

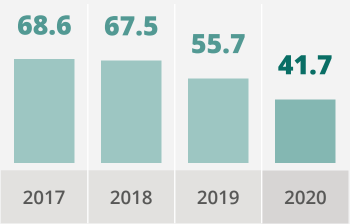
Guests can expect to be transported into a resort environment that perfectly balances the feel of luxury with an unpretentious atmosphere.

REVENUE SEGMENTATION

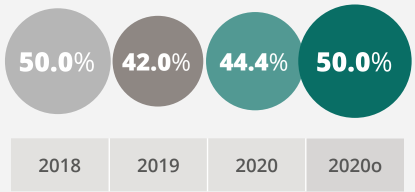


*Of total centralised sales

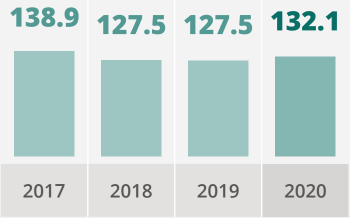
OCCUPANCY (%)



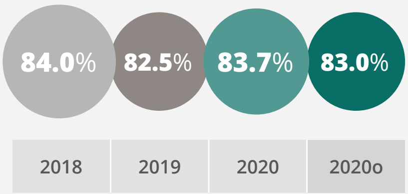
NET PROMOTER SCORE (NPS)



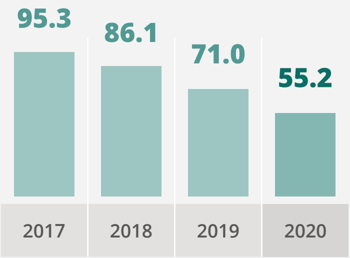
ARR (€)



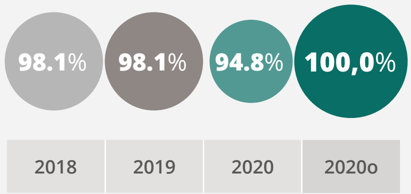
GUEST SATISFACTION SCORE (GSS)



REVPAR (€)



QUALITY PENETRATION INDEX (QPI)



PRESENCE

	Hotels	Rooms	Countries
OPERATIONAL	12	6,316	3
PIPELINE	1	498	1

HOTEL STAYS	+0.7 million

MELIÃ
HOTELS & RESORTS

Soul Matters

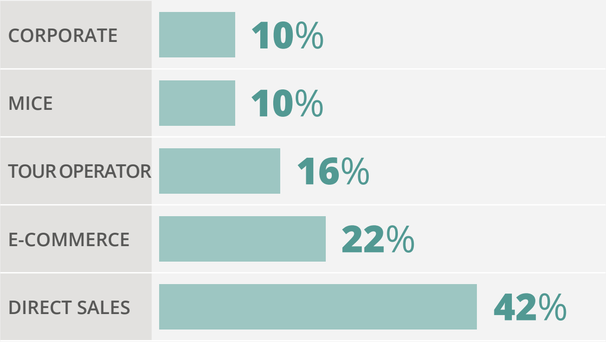
BRAND POSITIONING

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

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

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

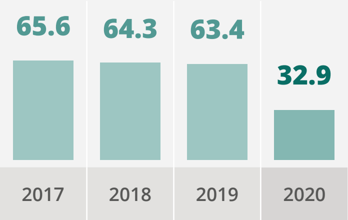
REVENUE SEGMENTATION



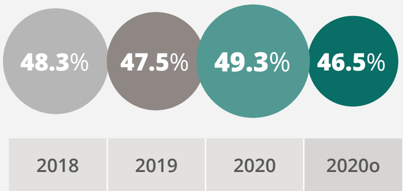
*Of total centralised sales

PRESENCE

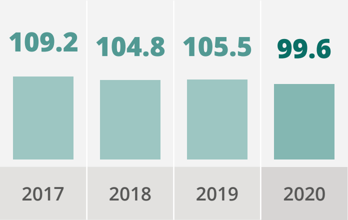
OCCUPANCY (%)



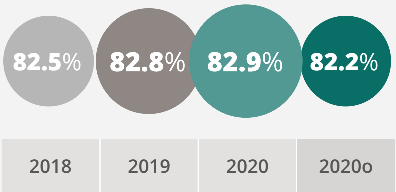
NET PROMOTER SCORE (NPS)



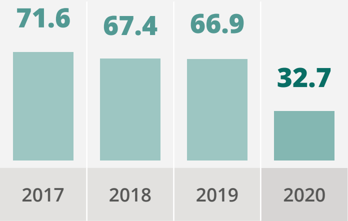
ARR (€)



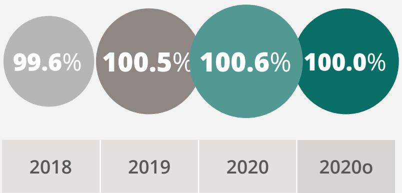
GUEST SATISFACTION SCORE (GSS)



REVPAR (€)



QUALITY PENETRATION INDEX (QPI)



	Hotels	Rooms	Countries
OPERATIONAL	120	36,638	34
PIPELINE	25	6,959	10

HOTEL STAYS	+4 million

Stay Curious.

INNSiDE
BY MELIÃ

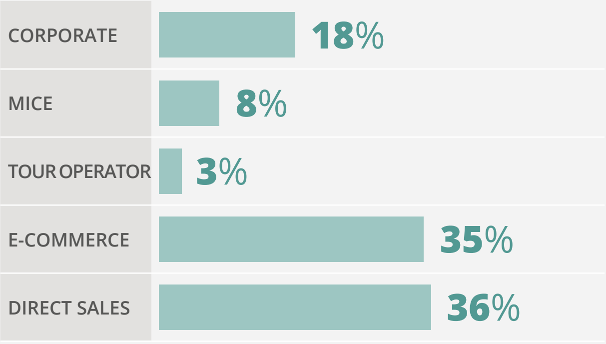
BRAND POSITIONING

INNSiDE by Meliá hotels are design-led lifestyle and resort hotels that give guests the freedom to relax and explore, whether they are travelling for work or leisure. The brand embraces the local culture of each destination through an extensive events calendar, city guides, artwork and free bicycle hire to encourage guests to discover new neighbourhoods.

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

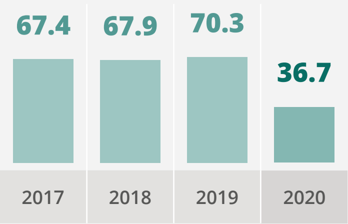
We have given a lot of thought about how to take better care of our planet, which is why we have reduced the use paper and single-use plastics and ensured that room amenities, sheets and towels are manufactured with organic materials

REVENUE SEGMENTATION

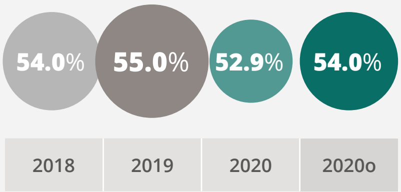


*Of total centralised sales

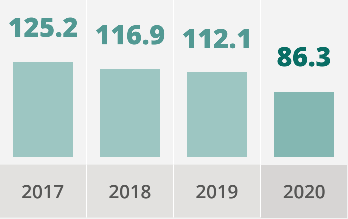
OCCUPANCY (%)



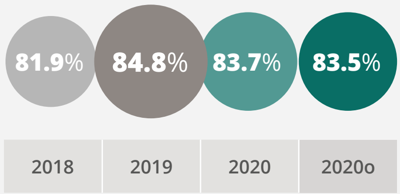
NET PROMOTER SCORE (NPS)



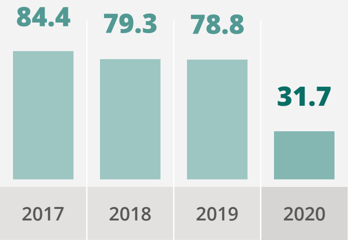
ARR (€)



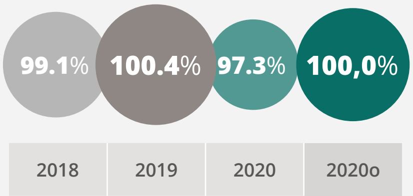
GUEST SATISFACTION SCORE (GSS)



REVPAR (€)



QUALITY PENETRATION INDEX (QPI)



PRESENCE

	Hotels	Rooms	Countries
OPERATIONAL	32	5,737	12
PIPELINE	11	1,932	9

HOTEL STAYS	+0.7 million

SOL

BY MELIÃ

#LetYourSolShine

SOL
BY MELIÃ

BRAND POSITIONING

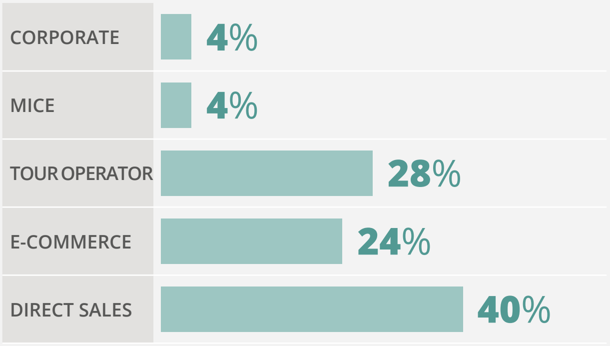
Sol by Meliá is dedicated to the most important type of holiday – the one you share with the people you love. A place where you feel the joy, fun and relaxation that are so vital during your time away, and where the memories created last a lifetime.

A new generation of resorts designed for modern families and contemporary travellers that includes fantastic facilities for children and experiences geared towards adults. Our design is colourful, vibrant and full of energy, as well as welcoming and homely, something that becomes clear in the service that we provide.

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

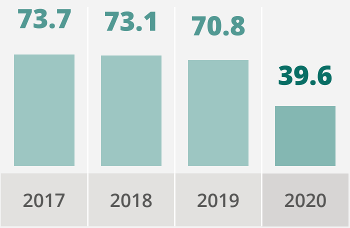
At SOL, our goal is to satisfy our guests, personalise their experience and anticipate their every need.

REVENUE SEGMENTATION

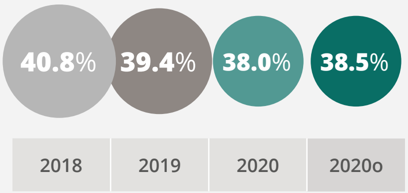


*Of total centralised sales

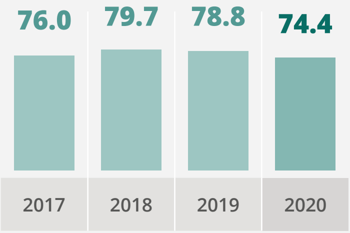
OCCUPANCY (%)



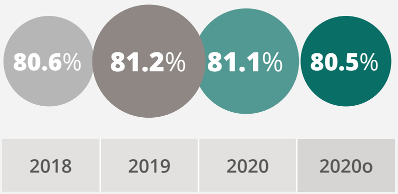
NET PROMOTER SCORE (NPS)



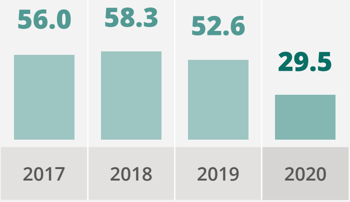
ARR (€)



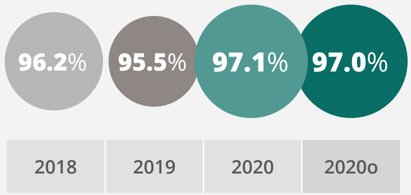
GUEST SATISFACTION SCORE (GSS)



REVPAR (€)



QUALITY PENETRATION INDEX (QPI)



PRESENCE

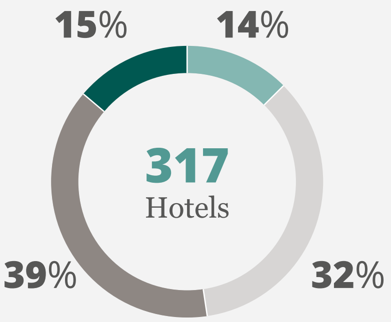
	Hotels	Rooms	Countries
OPERATIONAL	65	19,593	7
PIPELINE	2	490	2

HOTEL STAYS	+1.4 million

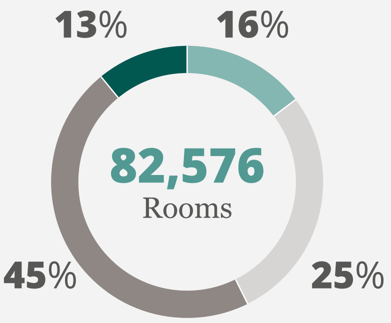
Location map

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

ACTIVE PORTFOLIO



48%	52%

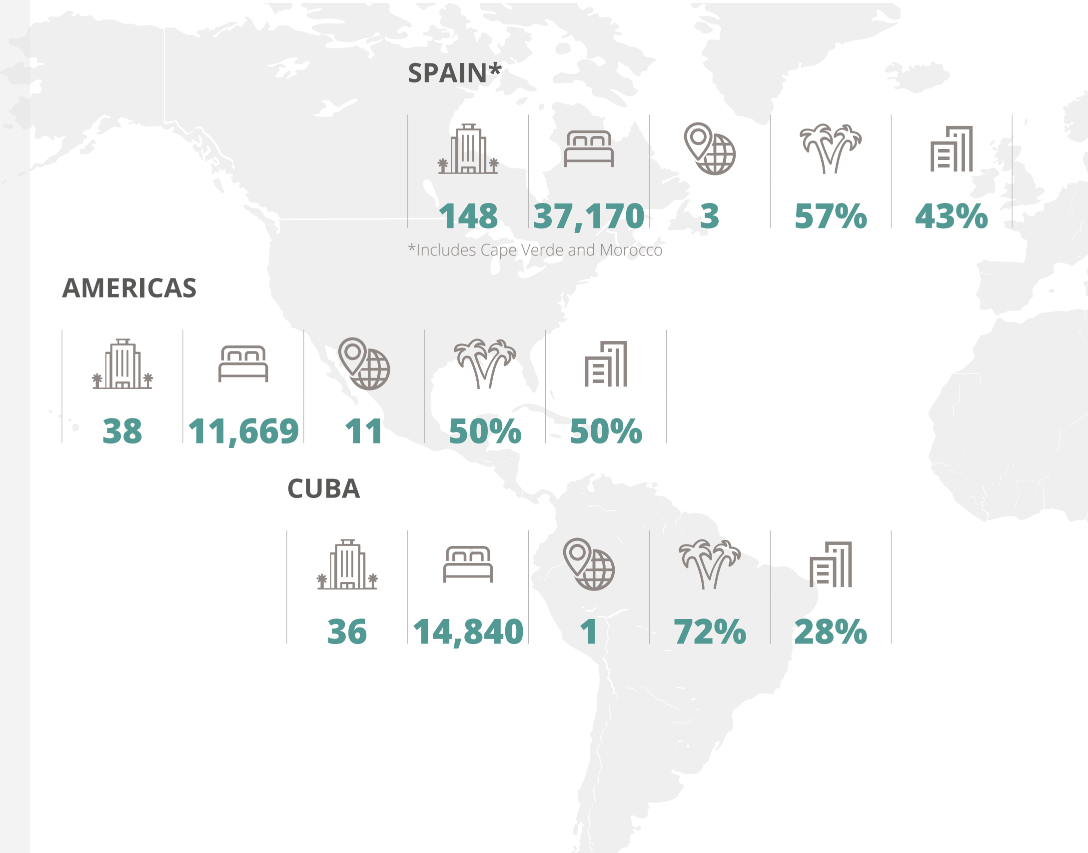


61%	39%

● Owned ● Leased ● Managed ● Franchised

PORTFOLIO & PIPELINE

367 Hotels	**94,928** Rooms	**41** Countries	**48%** Resort	**52%** City



SPAIN*

148	37,170	3	57%	43%

*Includes Cape Verde and Morocco

AMERICAS

38	11,669	11	50%	50%

CUBA

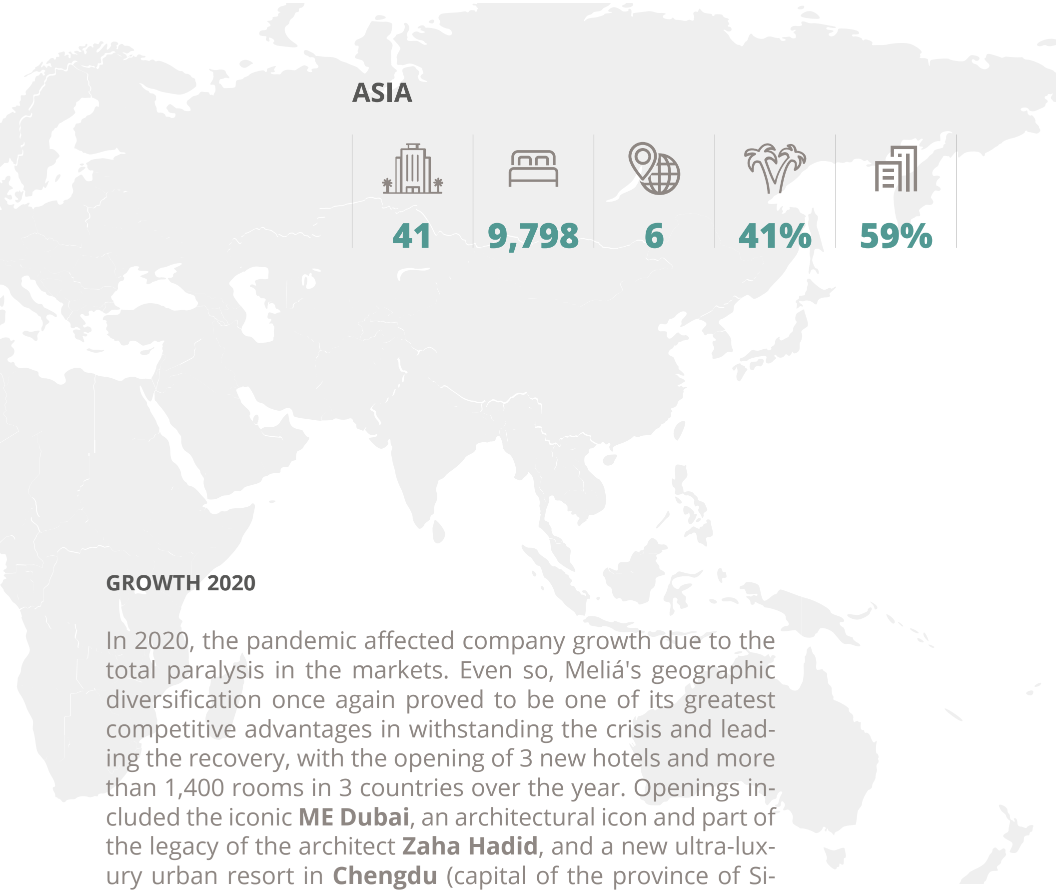
36	14,840	1	72%	28%

EVOLUTION 2020

From April to December, 40% of our portfolio of hotels remained closed. City hotels suffered more than resort hotels, particularly those in major cities due to their dependence on MICE, Business Travel and international markets. The peak periods of the virus also occurred during the high season for city hotels (March to May and October to December).

The MICE and Business Travel segments will take the longest time to recover as companies have implemented strong cost containment measures to minimise the impact of the pandemic on financial results. With regard to international markets, major flight restrictions have caused a very sharp drop in the number of visitors. Resort hotels also offer larger and more open spaces, which is what customers will be increasingly looking for in the current situation.

With regard to the regions, **Cuba** has seen the biggest impact, with 60% of the portfolio remaining closed. This is due to the high dependence on international markets. In **Spain**, the country in which we have the largest number of hotels, we tried to optimise openings (52%) and maximise operational efficiency by concentrating customers in a single hotel in destinations in which we had critical mass. In **America**, although 32% of hotels remained closed, 40% of them opened for between 6 and 9 months. That is because almost all the hotels in the area are resort hotels and Mexico was the first international destination to reopen, which had a positive impact on our business. In **EMEA**, especially during the first wave of the virus, central European countries managed the situation very well, and there were even countries such as Austria or Luxembourg where hotels never closed. Germany was the first large country in Europe to open and also the country in which Meliá has the greatest presence. These countries have a strong domestic market, which also helped in our recovery. The situation was very different in France, where our entire portfolio is in Paris, a city which is highly dependent on international markets and has suffered the consequences of the decline in international travel. Finally, **Asia** was the first region affected by the pandemic and also one of the first to recover. In China in particular, but also in countries like Vietnam with a significant domestic market, hotels have stayed open almost permanently (78% of the portfolio).



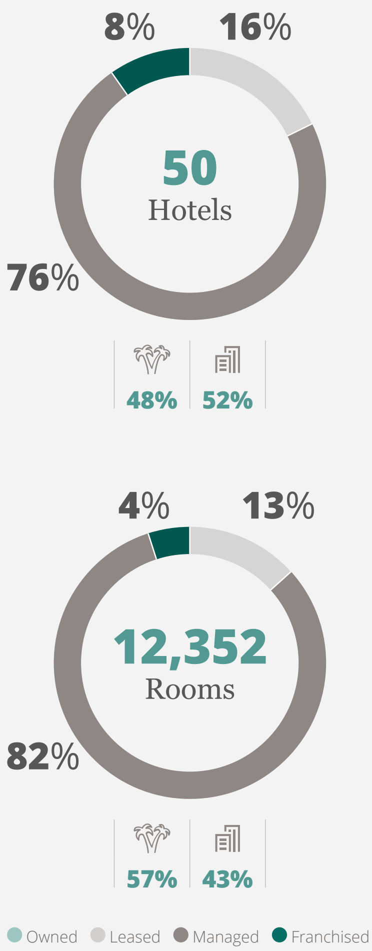
EMEA

104	21,451	20	29%	71%

ASIA

41	9,798	6	41%	59%

PIPELINE



GROWTH 2020

In 2020, the pandemic affected company growth due to the total paralysis in the markets. Even so, Meliá's geographic diversification once again proved to be one of its greatest competitive advantages in withstanding the crisis and leading the recovery, with the opening of 3 new hotels and more than 1,400 rooms in 3 countries over the year. Openings included the iconic **ME Dubai**, an architectural icon and part of the legacy of the architect **Zaha Hadid**, and a new ultra-luxury urban resort in **Chengdu** (capital of the province of Sichuan, in southwest China), a city with 3,000 years of history that has become one of the greatest exponents of the country's modern prosperity. As part of our expansion plan in the Mediterranean, during the year we also completed the opening of more than 1,000 rooms in Bulgaria at the new Meliá Sunny Beach.

We continued with our growth plan over the year, seeing a reactivation in China and Southeast Asia as business began to recover, with three new hotels signed up to the portfolio: **Meliá Detian Falls** in China and two new hotels in **Nha Trang** in Vietnam, which will add a new 324-room Meliá and a new *premium* Gran Meliá hotel with 380 rooms to our portfolio in the country.

FUTURE EVOLUTION

Our future growth strategy will continue to strengthen our positioning as one of the leading hotel groups in upscale and premium hotels, strengthening our leadership in the most important holiday and bleisure destinations in alignment with criteria of excellence and sustainability. Over the next decade, **Meliá Hotels International will focus its growth strategy on key destinations and resorts in the Mediterranean** (with a focus on Spain, Portugal, Greece, Italy, Croatia, Montenegro and other destinations with a "*bleisure*" or leisure profile), **the Caribbean and Southeast Asia**. To respond to current market needs caused by Covid-19, the ***"Affiliated by Meliá"*** strategy is seen as a way of providing independent hotels and small hotel chains with the ***expertise*** of MHI and the support of its powerful distribution network. Our **asset-light growth strategy** will focus on generating new agreements under franchise and management models.

At the end of the year, our pipeline comprised 50 hotels, mostly under **asset-light management agreements** (84%) and in our **premium** (22%) and **upscale** (72%) brands. We continue to strengthen our international presence, with 98% of our future additions outside Spain. Meliá Hotels International remains committed to growth in Asia, where our current pipeline stands at 16 hotels (32%), strengthening our position in countries such as China, Indonesia, Malaysia, Thailand and Vietnam.

Over the coming year we expect to open 20 hotels with more than 5,500 rooms, highlighting the debut of the ME by Meliá brand in Barcelona and the new Paradisus resort in Playa Mujeres (Mexico).

Asset management strategy

GRI 203-1; 203-2

Meliá's Asset Management Strategy is based largely on the identification in a highly volatile contextof trends in the markets considered appropriate for our investments in assets, as well as on an analysis of their evolution to respond appropriately to any new opportunities which may facilitate investment processes in real estate assets, divestment or even the redesign of the operation of hotel assets.

The implementation of this strategy in recent years has meant that Meliá had gradually sold the vast majority of its non-strategic assets before 2020, taking advantage of the positive cycles in real estate markets in the affected destinations. Likewise, over recent years the company has invested heavily in the modernisation of strategic hotels in order to optimise their value.

As expected, the global crisis caused by COVID-19 has also had a major impact on asset management, and particularly on tourism industry assets.

After the crisis erupted in March 2020, the company drew up a roadmap aimed fundamentally at minimising the impact of the pandemic:

- Preservation of employment and talent
- Employee and customer safety
- Liquidity and financial position

The last two aspects mentioned above have had a direct impact on our asset management strategy.

Employee and customer safety required a number of investments to adapt hotels and corporate offices to new COVID-19 safety measures. Meliá led most of the industry in the development of the Stay Safe With Meliá programme certified by Bureau Veritas, which involved investments in both our hotels and corporate offices as well as a redesign of hotel operations.

Special emphasis was also placed on the ventilation of indoor spaces in our buildings, with renovation plans aiming to include the enhancement of ventilation mechanisms in our buildings.

It is also important to highlight that the investments in recent years to extend outdoor spaces such as rooftop terraces and indoor spaces converted into porches, have allowed us to offer customers safer spaces and enhance leisure experiences during their stay. This has also helped minimise impacts caused by the reduction of capacity in closed environments, thus creating an advantage both in terms of health and ventilation and also in guest satisfaction, with guests increasingly preferring to enjoy their time in outdoor spaces.

With regard to our **liquidity**, given the difficulty of forecasting during the pandemic, the company continues to consider its liquidity position a top priority, allowing it to face the coming months with a certain peace of mind.

Thanks to the work carried out since the 2008 crisis to consolidate the company balance sheet and rationalise and enhance the value of our portfolio, the company was in a position of relative strength when the crisis began. Over only the last five years, we had invested more than €750 million in our assets, and the value of assets considered non-strategic was also fairly insignificant.

As of March 2020, every single item on the company budget was reviewed, adjusted and prioritised to ensure compliance with our essential commitments and obligations. The Annual Investment Plan was also adjusted, giving priority to product maintenance and adaptation, aware that this would create a competitive advantage in the post-Covid recovery phase.

Despite the adjustments in the Annual Investment Plan, in 2020 the company invested 45.69 millions euros in product improvements. A large part of this amount was allocated to the repositioning of a number of strategic assets located in major European cities and destinations, the most important of which are highlighted below.

MELIÁ WHITE HOUSE

Located in a building with outstanding architecture in a charming area alongside Regent's Park. The improvement of its facilities began in 2018 and is expected to be completed in 2021. The comprehensive reform began in the hotel public areas and then later in its 580 rooms. The total cost will reach around 35 million euros.

To minimise our environmental impact, the façade of this iconic hotel has been renovated and room windows have been replaced to reduce temperature loss, creating an estimated saving of 5% in gas consumption.

MELIÁ PARÍS VILLA MARQUIS AND MELIÁ PARIS NOTRE-DAME

The renovation of two hotels owned by the company in downtown Paris is also of note: the Meliá Paris Villa Marquis and the Meliá Paris Notre-Dame. The Eiffel Tower and the beauty of its engineering was the main inspiration for the design of the interiors and architecture of the recent remodelling of the Villa Marquis. Emphasis was placed on refined colours, sophistication and shapes that become art. The Notre-Dame hotel will be under renovation until the first half of 2021. Around 15 million euros will be invested in the repositioning of the two hotels.

Meliá Villa Marquis

Meliá Paris Notre-Dame

MELIÁ SALINAS

Iconic hotel in the luxury travel space in Spain, located on the island of Lanzarote. The building is classified as an "Asset of Cultural Interest". It was designed by the architect Fernando Higueras together with the world-famous architect César Manrique, who helped in the design of the gardens and building interior and the lake-style pool. There are also several murals and works of art by Manrique.

A comprehensive reform of the hotel has been carried out over the last 3 years involving an investment of around 14 million euros, including the restoration of many unique features with the support of the César Manrique Foundation and the Cabildo de Lanzarote.

COVID-19 CONTEXT

During the pandemic we focused on active listening to our **lessees and managers of other businesses** in order to help them remain viable and create long-term value and a sensation of trust and proximity through transparent and proactive dialogue.

We have tried to ensure **balanced, fair and equal treatment** for all of these stakeholders and all their different activities. We have responded to all of them and given priority to those that have been most affected. Without breaching their confidentiality, we may say that internal resources have been allocated and information shared to enable agreements that have ensured the continuity of their businesses, despite closures and temporary restrictions, giving them total flexibility with regard to reopening to adapt to each specific situation.

2

Strategy

Tourism industry vision

GRI 102-15

THE GREATEST CONTRACTION IN PEACETIME

2020 was a dramatic year for all the world's economies, with unimaginable consequences that have created the greatest health, economic and social crisis and a collapse in world GDP never before recorded in peacetime.

We started the year with the announcement of an incipient pandemic in Wuhan (China), assuming that it would have a limited reach just like other health crises such as SARS. Unfortunately, the alarm was raised at the end of January with the declaration of an international public health emergency.

In 2020, **the world economy contracted by 3.5%**, which was somewhat better than the forecast in October which estimated a decrease of 4.4% due to a slowdown in economic activity and loss of revenue, although the decrease obviously differs by country and industry. The health and economic crisis is made even more acute by the impact of the loss of human life and a loss of employment for millions of people, many of them facing a situation of poverty and vulnerability.

Today, the key short-term priorities of governments are controlling the pandemic, guaranteeing a rapid and extensive distribution of the vaccine and providing monetary and fiscal mechanisms to regenerate the business fabric and promote the sustainable growth of their economies.

The economy in Spain contracted by 11% (one of the worst-hit economies in the world) and we have to go back more than 80 years to find a worse scenario in terms of productivity. The loss of employment has been softened by measures that have managed to limit job destruction, although Spain still has the second highest unemployment rate of all the countries in the EU, at 16.54%.

IMPACT OF COVID-19 ON TOURISM

Tourism and the entire tourism value chain is one of the industries most affected by a pandemic whose impact has been unprecedented. For many countries, tourism is one of the biggest industries in the economy, and on a global level it represents 7% of world trade (2019). Over the last decade, tourism has seen solid growth, exceeding the level of average GDP growth in some countries.

2020 saw a **drop in international arrivals of around 75%** due to the unprecedented slump in demand, widespread travel restrictions and low consumer confidence, falling back to levels of around 30 years ago. In comparison, during the global economic crisis of 2009, demand declined by only 4%.

This caused **estimated losses of $1.3 trillion in export earnings**, a figure that is 11 times greater than in the 2009 crisis. Globally, tourism generates one in ten jobs, and the effect of the pandemic has put between 100 and 120 million direct jobs at risk, many of them in small and medium-sized companies.

Despite a small yet brief rebound in the summer, in **Europe** there was a **70% decrease in the number of arrivals**, which in absolute terms is a loss of 500 million tourists over the year.

Spain, the second most-visited country in the world by international tourists in 2019, behind only France, saw a **fall in tourism GDP of around 70%** (-106,000 M€) compared to 2019, with the contribution of the industry to GDP falling from 12.4% to 4.3%.

This has caused the **loss or risk of loss of 728,000 jobs**. This has been mitigated by measures taken by the Spanish government to protect around 435,000 people through temporary furlough programmes.

On the other hand, unlike other European countries, Spain has not offered any direct aid to the industry, even though the country leads the global ranking of tourism competitiveness and tourism and its satellite activities are one of the country's leading industries.

OUTLOOK FOR A SLOW RECOVERY

Although the global economy appears to have begun a moderate recovery, with growth of 5.5% expected for 2021, the challenges are still enormous and the recovery still fragile. To overcome the impacts of the pandemic a major effort is needed to improve the business environment, increase flexibility in the labour market and enhance transparency and governance.

Short-term prospects remain highly uncertain and the results for growth might well be different to the forecasts if infections continue to increase and the distribution of vaccines is delayed.

In the more developed economies, the GDP of the USA and China are forecast to grow by 4.3% and 8.1% respectively. In the **Euro zone**, estimates point towards **growth of 5.1%**.

On the other hand, **Spain** is experiencing new restrictions due to a growing number of infections and slowness in the vaccination programme, and has seen its growth forecast reduced. The IMF has lowered the forecast for Spanish GDP growth in 2021 by 1.3 percentage points, with the estimate now standing at 5.9% compared to the 7.2% forecast last October.

This compares with the IMFs forecasts for the rest of the world, which have been revised upwards by 0.3 percentage points with respect to the previous forecast to overall growth of 5.5% in 2021.

A DECISIVE YEAR FOR THE TOURISM INDUSTRY

The beginning of 2021 shows no positive signs for hope and the long-awaited recovery of the industry. Prospects for a recovery in the first half of the year appear to have faded. The negative evolution of the health crisis, with many countries suffering a third wave of the pandemic and higher numbers in terms of infections and deaths, combined with travel restrictions, mandatory tests, quarantines and the closure of some borders, will make it difficult to resume international travel.

The greatest hope lies in the arrival of vaccines which will restore consumer confidence, encourage the relaxation of restrictions and normalise travel for the remainder of the year. Unfortunately, the difficult logistics involved in vaccinating the population in the main feeder markets to achieve herd immunity and facilitate mobility and the opening of borders, is not happening with the speed that the travel industry demands and requires to improve employment as it faces the second year of the crisis.

Faced with this uncertainty and volatility in the spread of the virus, making forecasts becomes a high-risk exercise. In European economies, the advance of the virus points towards a delay in economic recovery and the dilution of opportunities for growth in the first half of the year.

The year began with **85.9% of potential tourist demand to Spain prevented from travelling**. Businesses expect a 79% fall in sales in the first quarter of an extremely complex year. Tourism companies in general expect to end the year with sales around 45% below the levels of 2019.

The association for tourism excellence, Exceltur, is urgently calling for support and a specific rescue plan for the tourism industry based on three areas: accelerating the vaccination programme, implementing a more flexible and appropriate furlough programme, and direct aid of around 5,000 million euros to ensure the survival of viable Spanish tourism companies. This is accompanied by a call for rapid implementation of standardised international regulations on mobility and the opening of borders.

A very slow first quarter is expected, with a smooth and gradual recovery in domestic demand in the second quarter and a summer season which is substantially better than 2020 due to greater domestic demand and a notable reactivation of inbound international travel. All this would lead to a recovery of 48,000 million euros in tourism activity and a contribution to Spanish GDP of 8.2%, 3.9 percentage points above 2020.

Despite the hope created by the vaccines, businesses do not expect to return to the levels of activity seen in 2019 until the second half of 2022 (31.6%) or the first half of 2023 (38.3%), and some see it coming in even later years (13.6%).

Although the reactivation of the industry may take a few years, **five major priorities** have been defined with the World Tourism Organization:

Mitigate the socio-economic effects on employment

Enhance competitiveness and resilience through diversification

Encourage innovation and the digital transformation of tourism, including support for innovation and investment in digital skills

Promote sustainability and the green economy to ensure a tourism industry which is resilient, competitive and efficient in the use of resources

Coordination and partnerships to transform the industry and achieve the Sustainable Development Goals

Source: WTTC, UNWTO, International Monetary Fund, World Bank, Expansión, Hosteltur, Exceltur

Strategic priorities

Pre COVID-19 Scenario: Strategic Plan 2020-2022

At the end of 2019, in an environment of constant change with increasing volatility, complexity and uncertainty, we announced our new Strategic Plan for 2020 to 2022, **"Reinventing Value"**, to drive our **2030 Vision**: "To position ourselves among the leading hotel groups in the world in the midscale and upscale segments, enhancing our leadership in leisure and ***bleisure*** hotels and our position as a global benchmark for excellence, responsibility and sustainability".

To do this, we had to create a plan that responded to the two major challenges facing the company: consolidating and optimising our basic strengths, and implementing a sustainable growth model.

With the key objective of **"providing differential value to our stakeholders by becoming a global benchmark for the hotel industry in leisure and "bleisure" hotels through a profitable business model which is agile and focused on excellence and sustainability"**, we designed a number of projects that would form the basis of our roadmap in three clear areas:

- Begin a new coherent, profitable and responsible strategy which reinforces our core values and strengths (ESG Impact)
- Evolve towards a competitive and digital operating model that guarantees the efficiency and professionalism of the services offered to our customers, business units and our other stakeholders through innovation, technology, more efficient processes and the commitment of our people (Be Digital 360, Customer Experience and Empowering People)
- Ensure our shareholders perceive the differential value this transformation brings to our business model (Shareholder Value)

Aware of how ambitious this plan was in the business environment at the time, we also focused on a number of **basic principles** that have allowed us to continue to retain the essence of our Strategic Plan:

- **Simplicity:** with a clear focus which is easy to transmit
- **Transversality**: enhancing teamwork and an inter-departmental vision
- **Governance**: ensuring a governance model that guarantees communication and support for our people
- **Flexibility**: allowing us to adapt to the risks and opportunities in the environment

COVID-19 context: Impact on the industry and the company

At the start of 2020 we began to implement our new Strategic Plan with a new mindset that made us even more attentive to changes in our environment. However, we could never have imagined that we would go through everything we have now been through, and that we would be in the situation in which we find ourselves today.

For the first time in history, we have seen international borders closed, countries ordering the mandatory confinement of its citizens and the suspension of every kind of event, and many other unprecedented situations that have left the world economy in tatters, and industries such as ours having suffered the worst of the crisis.

Both the behaviour and preferences of our customers have changed significantly. In addition to the almost complete elimination of business trips and long-distance travel, customers now prioritise health and safety and are increasingly digital and more aware of the environment, society and the impacts of travel.

In this scenario, and with no historical precedents, in March we drastically interrupted our hotel operations worldwide, closing up to 261 hotels and managing more than 40,000 employees from their homes. In parallel, we announced a tactical management plan to tackle the crisis.

As a result of our company culture, from the very first moment we knew that we could not focus solely and exclusively on this tactical plan. Although it has taken longer than we imagined at the beginning, we have always been confident that at some point it would all end, and that, once it was all over, the rules of the game would have changed. In this situation, companies with sufficient resilience to wait out the return of demand and ready and prepared to compete in a contracting and consolidating market will come out ahead. Of these, only those that are prepared to be more agile, more digital, more competitive and more responsible will triumph and grow stronger.

That is why, in addition to our tactical management plan, in parallel in March we were working on the adaptation of our Strategic Plan to a new paradigm that we called "The Day After", with the objective of ensuring that we were fully prepared to compete in a more competitive market, with more demanding customers and in a totally new scenario.

The Day After: from contingency to resilience and recovery

“The Day After” is therefore an **evolution of our Strategic Plan** with a special focus on the next 12-18 months. It maintains both the principles and priorities of the Strategic Plan, adapted to the new business context under a motto of “from contingency to resilience and recovery”, which will allow us to maintain our position as a benchmark in the industry.

Although we are aware that the uncertainty of the present makes it difficult to envision the future, we have identified certain challenges that we will have to face, some of which we are already working on, and which are included in the adaptation of our strategy to the new paradigm:

- Firstly, we are very clear that the most agile and most resilient companies, those that adapt quicker to the new challenges that will arise, will be the companies who will win the battle.
- Secondly, the fact that COVID-19 has accelerated the way in which people use technology, meaning that the changes and industrial revolution caused by technology has happened in our homes before happening in our companies. We must therefore accelerate our digital evolution, adapting not only the way we interact with customers, but also our organisational models and talent management.
- Thirdly, the trends we were already seeing in certain aspects of customer relationships have gathered pace: the greater importance of online channels, an increase in the "experience economy", a contraction in demand and personalisation as a differentiating factor throughout the entire customer journey.
- Based on our initial objective of "providing differential value to our stakeholders by becoming a global benchmark for the hotel industry in leisure and “bleisure” hotels through a profitable business model which is agile and focused on excellence and sustainability", we have added a commitment to "create a safe space for both external and internal customers". This has led to us organising and prioritising projects around 5 key areas with two different time horizons: the short term, in which efforts are focused on tactical management of the crisis; and the long term, where we prepare to be attentive to market signals and to take advantage of opportunities that will allow us to emerge stronger from this situation.

THE DAY AFTER

5 keys for recovery

TACTICAL MANAGEMENT OF COVID-19

Business continuity plan designed to get through the hardest months of the crisis

ORGANISATIONAL EVOLUTION

Guarantee the efficiency and professionalism of the service offered to our business units

COMMITMENT TO DIGITALIZATION

Move towards a digital operating model through innovation, technology and more efficient processes

SUSTAINABLE MANAGEMENT

Move towards a sustainable future from a responsible present

BUSINESS STRENGTHS

Enhance our basic business strengths (melia.com direct sales, MeliáRewards loyalty programme and the value of our brands) through selective, quality growth, a focus on Total Revenue and the enhancement of the “Meliá system”

AREA 1: TACTICAL MANAGEMENT OF COVID-19

Although the negative effects of the crisis surprised us all, at Meliá we were privileged to start from a situation that has allowed us to overcome the crisis with moderate success. For example, at the beginning of the crisis we had a low level of debt and a healthy balance sheet, we had been clearly focused on digitalisation since 2015, with investments of more than €172 million allowing 60% of our bookings to come through our direct sales channels, and we had a renewed portfolio of assets with a current value of over €3,000 million.

From this base, and with the experience acquired through our operations in China, we were able to anticipate the worst months of the pandemic and implement a Tactical Management Plan structured around 5 areas:

- **Health and safety assurance:** with a clear focus on the safety of our customers and employees through the #StaySafeWithMeliá programme.
- **Preservation of employment and talent**: through protection measures, collaborative teleworking and reinforced communication and support for our employees.
- **Liquidity and financial position**: a key factor in ensuring the viability of the company
- **Business continuity**: defining a plan for the agile management of hotel openings and closures and enhancing sales and marketing through our direct channels
- **Reputational management**: through intense communication and reinforcing our social commitment

AREA 2: ORGANISATIONAL EVOLUTION

One of the challenges of the future will be that only the most agile and most resilient companies, those that adapt quicker to the new challenges that will arise, will be the companies who will win the battle. This not only means changing the way we coordinate internally, but also encouraging a cultural change in which innovation, agility and constant learning are key.

In this context of constant evolution, in which new technology, new procedures and even new business opportunities will constantly arise, we need an organisation in which adaptability and a desire to learn are one of the most important skills of our team members.

In order to guarantee the efficiency and professionalism of the service offered to our business units, Meliá aims to implement an **organisational evolution** in **three key areas**:

- **Operating Model:** becoming an agile organisation built around a digital transformation that allows us to confront the dynamism and constant disruption faced by the hotel industry. The organisation and its talent are transformed by focusing on the business units and the delivery of service, thus achieving greater efficiency and profitability.
- **Culture**: reinforcing some of the key features of our company culture, a fundamental way to make our employees feel they are part of our mission, strengthening their links with our values and enhancing the leadership skills required to manage change.
- **Reskilling**: transformation requires new skills and a constant learning environment to adapt to the internal and external challenges we face. Organisational evolution therefore requires a transformation of profiles into traditional critical roles.

AREA 3: COMMITMENT TO DIGITALISATION

Even before 2015, we were actively committed to the digitalisation of the company, which began with our sales and distribution model and the Be More Digital programme. The situation we are currently experiencing shows that that was an astute decision.

That is why digitalisation is a priority in our Strategic Plan, and we have decided to extend it to other areas in the company under a 360º vision, focusing on both market needs and pioneering initiatives in the industry.

With the **objective** of moving towards a more digital operating model through innovation, technology and more efficient processes, we are focusing on both back and front-office processes and the customer experience, with a portfolio of projects in **three different areas**:

- **Distribution:** evolving our model and focusing on the customer experience while ensuring an omnichannel experience and the personalisation of our service
- **Front Office**: offering a unique digital experience to customers throughout their journey with us
- **Back Office**: guaranteeing the efficiency and professionalism of services offered to our business units

AREA 4: SUSTAINABLE MANAGEMENT

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

The global context after the pandemic and a trend towards more sustainable management models is accelerating the transformation of companies, requiring us to assume an active role both in the protection of the planet and our contribution to society.

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

Our approach, commitments and progress in this area have allowed us to **position ourselves as one of the leading hotel companies in sustainability in the world** according to the SAM 2020 Corporate Sustainability Assessment made by the sustainable investment agency S&P Global. This reinforces the trust placed in us by our stakeholders as well as our leadership in an area that is of vital importance for the tourism industry, an industry which is a driver of economic and social development.

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

- **Global challenges and social change** as a point of reference for defining actions, as the challenges and changes require organisations to make commitments and take responsibility for leading the transformation
- **The sustainable transformation of the tourism model**, bringing social and environmental issues into the management model, ensuring sustainable and consistent value creation.
- **Ensure ethical and transparent management** under an agile and flexible governance model, guaranteeing the transformation and adaptation of the company to the new paradigm.

AREA 5: BUSINESS STRENGTHS

The Strategic Plan we presented a year ago was based on a number of basic principles, of which flexibility was one of the most important. Together with the fact that there were a number of premises which are now a reality, such as, for example, accelerating change in the industry, economic downturns or a rise in the experience economy, this means that we can now continue to work on strategic initiatives which are closely linked to the business and which the current situation makes extremely important for the future.

These initiatives were also designed to ensure our resilience through the creation of a more agile and dynamic company, and are now increasingly focused on reinforcing our basic business strengths (our direct channel melia.com, our MeliáRewards loyalty programme and the value of our brands) through selective, quality growth, a focus on Total Revenue and the enhancement of the "Meliá system":

- **Quality Growth**: a selective and quality-based international growth model which leverages the value of our management model and consolidates our position as a benchmark for leisure and bleisure hotels.
- **F&B Performance Growth**: a new approach to F&B based on becoming a business partner in the contribution to total revenue and higher margins.
- **Personalised Distribution**: becoming the owners of our distribution strategy and the customer relationship.
- **Efficient Management Model**: leveraging our management ability to become more competitive, more profitable and more flexible.

Sustainability strategy

ESG Impact

Sustainability has already crossed the border of mere good intentions in a **society which is increasingly demanding** with companies. The ambitious global challenges defined by the 2030 Agenda are now joined by a new situation, with the **prioritisation** of health and safety and a need to manage an unprecedented economic and social situation and a recovery in which companies will play a **critical role**.

That is why it is more necessary than ever to have a **solid management model** under environmental, social and governance (ESG) criteria, encouraging a system of partnerships to face changes and new demands or exploring opportunities through strategic alliances, among others. These challenges are the basis for the need to aspire to a management model that transcends purely economic concerns.

After the definition of the first Sustainability Master Plan in 2008, this area has been a significant part of the company's strategic vision ever since 2012. Since then, **our approach has evolved** from a model focused on corporate social responsibility to a more comprehensive approach to the hotel business and operations, with the aim of promoting a more sustainable and responsible management model. The evolution of the concept at Meliá has been the natural consequence of the evolution of the term itself, currently more focused on **value creation in the core business** of the company.

The promotion of a sustainable, responsible and long-term management model is precisely the aspiration in terms of sustainability in our current Strategic Plan 2021-2022, approved at the end of 2019, in which sustainability is the basis of a strategic area which we call **ESG Impact** that allows us to make progress in our strategy based on our corporate values and a long-term perspective.

Constant progress in the **integration and influence** of ESG criteria is now a maxim for the company as we aim to become a benchmark for the way we understand hotel management based on sound governance, ethics, transparency, and authenticity, an attribute that is increasingly valued by society as a whole.

Along these lines, our participation over the last three years in the sustainability ranking prepared by **S&P Global**, as well as the **recognition** we have achieved for our sustainability management, has been key to consolidating an approach to the business with a triple objective: to be economically viable, socially beneficial and environmentally responsible.

We are very much aware that **sustainability** and our social contribution have played a key role **in overcoming** a very complicated year, and that is why our ability to sustainably manage the business will be an essential driver of our recovery.

The long year of health crisis has forced us to make certain adjustments to our strategy and prioritise social issues in order to help minimise the impacts and effects of the pandemic on our key stakeholders; employees, customers, partners and society. That is why we have focused on:

- Ensuring a safe environment for our customers and employees through our Stay Safe with Meliá programme
- Supporting our team members, preserving our talent as much as possible, offering opportunities for development and training our teams even after the closure of hotel operations
- Strengthening relationships with our key stakeholders based on the values that characterise us as a family business
- Acknowledging all the people on the front line of the health crisis through the "Meliá with the Heroes" campaign
- Carrying out actions to support the most vulnerable people in society affected by the pandemic
- Allowing our hotels to be converted into hospitals or accommodation for essential workers

All these activities have come together with a huge number of solidarity projects led by businesses and industries all over the world.

Even though the pandemic has slowed the development and implementation of our strategy, throughout the year we dedicated efforts to **designing the tools and systems** we would need to assist in our transformation towards a more sustainable management model on a global level. After we restart our activity, these same tools and systems will not only speed up implementation, they will also strengthen our corporate purpose "To move towards a sustainable future from a responsible present"

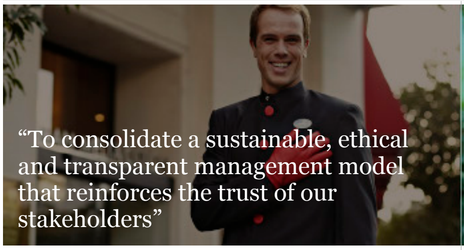
Our purpose takes on a new dimension if we put it in the context of the EU New Green Deal, with which our approaches are already aligned. The Deal emphasises the need for large companies to work under sustainable management models and help combat climate change. It also considers tourism as one of the key industries in economic recovery and job creation, recovering its position as one of the industries with the greatest contribution to global GDP, although this time around with a more sustainable model, cleaner and more respectful of the natural environment and its surroundings.

We have made progress in different areas of our ESG Impact Programme that, despite the pandemic, have allowed us to improve and move towards integrating them in the Meliá value chain.

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

ESG IMPACT

“Working towards a sustainable future from a responsible present”



“To consolidate a sustainable, ethical and transparent management model that reinforces the trust of our stakeholders”

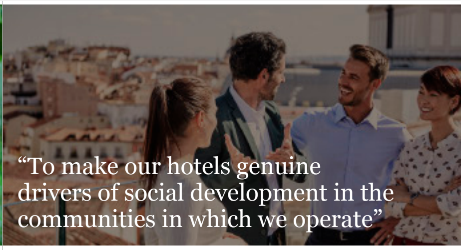
We have strengthened our management model to continue enhancing trust and transparency

16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

“To lead the transition in the industry towards a sustainable tourism model that helps protect the planet and reduce its impact”

We remain committed to an ecological transition, promoting a more sustainable hotel model

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
17 PARTNERSHIPS FOR THE GOALS



“To make our hotels genuine drivers of social development in the communities in which we operate”

Our focus on people, their safety, their health and their talent was a priority in 2020

3 GOOD HEALTH AND WELL-BEING
8 DECENT WORK AND ECONOMIC GROWTH
17 PARTNERSHIPS FOR THE GOALS

Governance of sustainability

SUSTAINABILITY COMMITTEE

To reinforce the integration of sustainability as part of our business strategy and throughout our value chain, in 2020 Meliá created a Sustainability Committee. The main objective of this new governing body is to support the development and implementation of projects that ensure value creation in all three dimensions (environmental, social and governance) in the face of social change and global challenges, as well as to promote the recognition and reputation of Meliá as a responsible and sustainable company in the long term.

NATURE & MISSION

"Responsible for ensuring the integration of sustainability at all levels of the organisation, ensuring that the roadmap contributes to complying with the public commitments made on ESG and facing the main challenges of the 2030 Agenda."

FUNDAMENTAL PRINCIPLES

1

Medium-term vision

Ensure a strategic focus with the 2030 Agenda as a point of reference

2

Transversality

Promote teamwork and a 360º vision of sustainability

3

Coherence

We act in line with our values and commitments as a responsible company

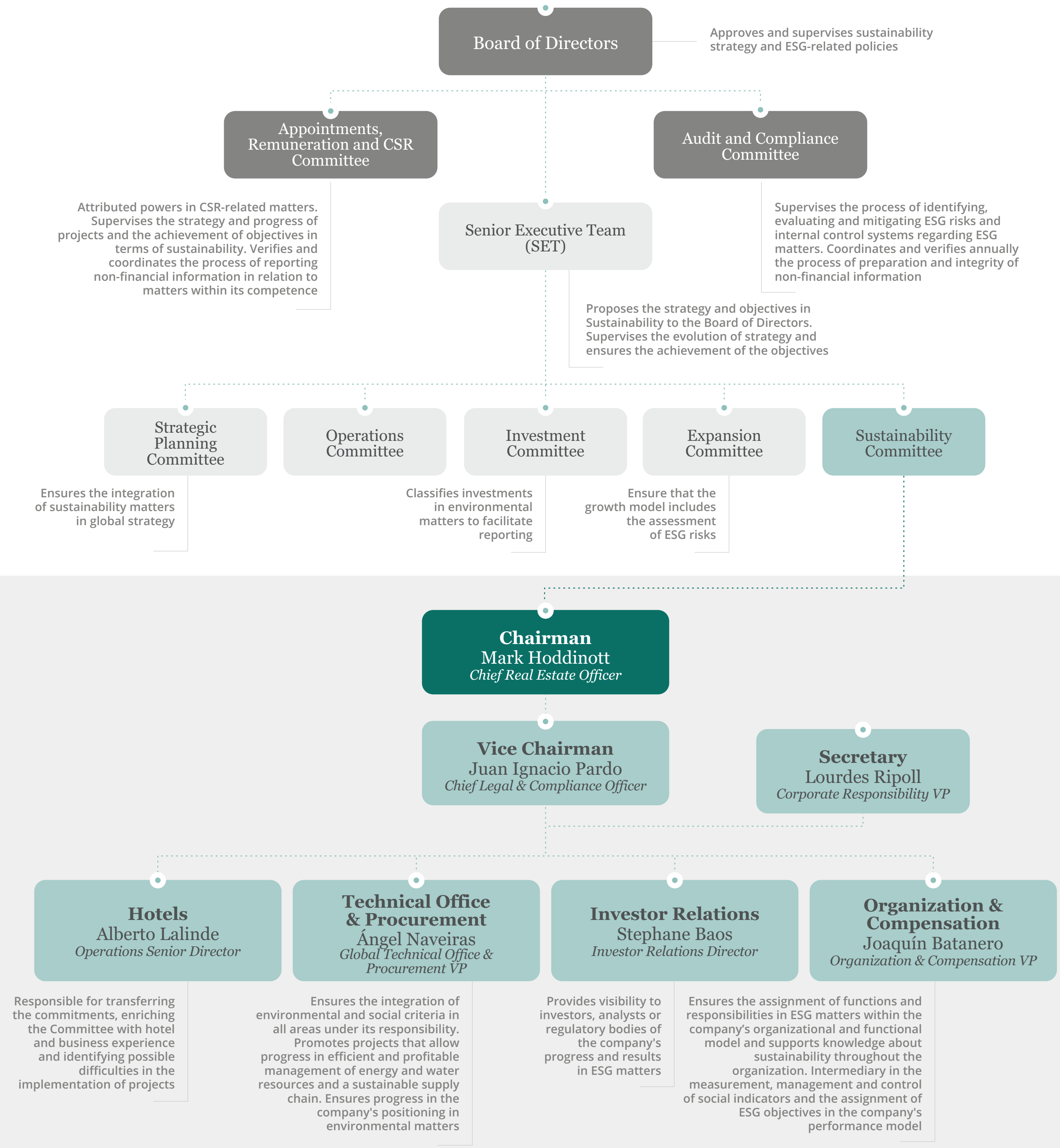
4

Consistency

We promote sustainability in our business model to reinforce our responsibility

SUSTAINABILITY GOVERNANCE STRUCTURE

Following the recommendations in the CNMV's Unified Code of Good Governance, and with the aim of continuing to strengthen our governance model, we have made sustainability part of the decision-making process for the Board of Directors, the Delegate Committees and the Senior Management team. The creation of the Sustainability Committee is a link between the management and the operation of the company.



Board of Directors

Approves and supervises sustainability strategy and ESG-related policies

Appointments, Remuneration and CSR Committee

Attributed powers in CSR-related matters. Supervises the strategy and progress of projects and the achievement of objectives in terms of sustainability. Verifies and coordinates the process of reporting non-financial information in relation to matters within its competence

Audit and Compliance Committee

Supervises the process of identifying, evaluating and mitigating ESG risks and internal control systems regarding ESG matters. Coordinates and verifies annually the process of preparation and integrity of non-financial information

Senior Executive Team (SET)

Proposes the strategy and objectives in Sustainability to the Board of Directors. Supervises the evolution of strategy and ensures the achievement of the objectives

Strategic Planning Committee

Ensures the integration of sustainability matters in global strategy

Operations Committee

Investment Committee

Classifies investments in environmental matters to facilitate reporting

Expansion Committee

Ensure that the growth model includes the assessment of ESG risks

Sustainability Committee

Chairman
Mark Hoddinott
Chief Real Estate Officer

Vice Chairman
Juan Ignacio Pardo
Chief Legal & Compliance Officer

Secretary
Lourdes Ripoll
Corporate Responsibility VP

Hotels
Alberto Lalinde
Operations Senior Director

Responsible for transferring the commitments, enriching the Committee with hotel and business experience and identifying possible difficulties in the implementation of projects

Technical Office & Procurement
Ángel Naveiras
Global Technical Office & Procurement VP

Ensures the integration of environmental and social criteria in all areas under its responsibility. Promotes projects that allow progress in efficient and profitable management of energy and water resources and a sustainable supply chain. Ensures progress in the company's positioning in environmental matters

Investor Relations
Stephane Baos
Investor Relations Director

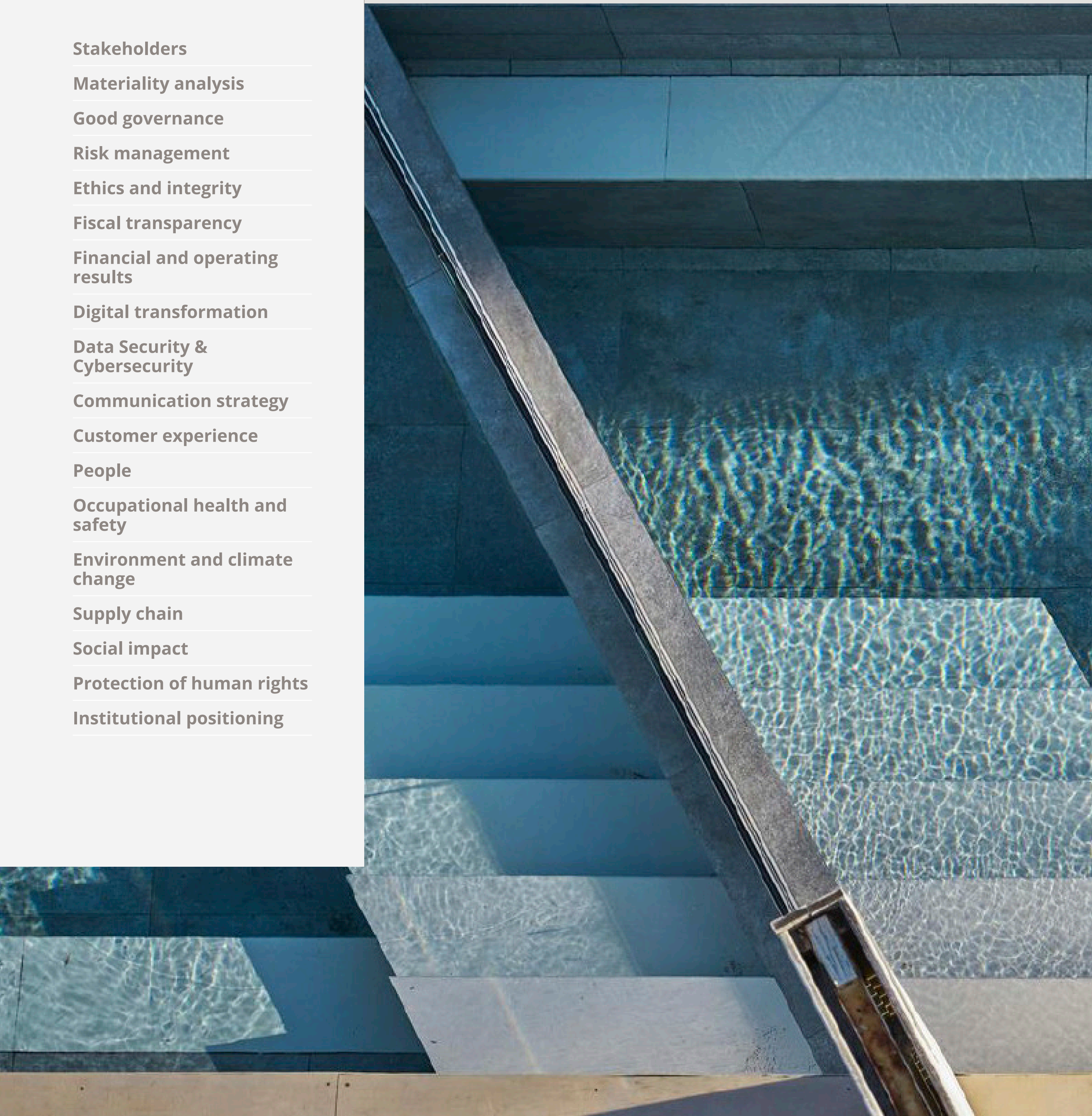
Provides visibility to investors, analysts or regulatory bodies of the company's progress and results in ESG matters

Organization & Compensation
Joaquín Batanero
Organization & Compensation VP

Ensures the assignment of functions and responsibilities in ESG matters within the company's organizational and functional model and supports knowledge about sustainability throughout the organization. Intermediary in the measurement, management and control of social indicators and the assignment of ESG objectives in the company's performance model

3

Creation of value for our stakeholders



Stakeholders

GRI 102-40; 102-42; 102-43

Our stakeholders are an essential part of Meliá as a company. We understand that direct, transparent, sincere and empathetic dialogue with stakeholders is a driver for **jointly creating value.**

That is we make every effort to understand their concerns and offer responses that meet their expectations, building long-term relationships based on trust and transparency.

And it was during this exceptional year that our **proximity** to our stakeholders was activated in a very special way. The situation required additional empathy in understanding how to continue to earn their **trust** through **proximity** and making their health and safety the backbone of all our actions and activities.

An intense year of dialogue and cooperation

To achieve greater proximity we used all the means at our disposal, allowing us to share their concerns, understand their expectations and seek solutions together.

We are aware that this close and permanent relationship model with all of our stakeholders has allowed us to **manage the crisis in better conditions**, taking into account the reality for each of our key stakeholders and at a time when our corporate values were to take on a new role.

CORPORATE VALUES

Proximity

because we love sharing, listening, feeling

We have been in close contact with society as our hotels were needed for patients and key workers, acknowledging their work and sacrifices

Service vocation

born of our spirit of hospitality

We have adapted our service to a new type of customer with special needs, but without losing our spirit of hospitality

Excellence and coherence

because we do things well, with professionalism, efficiency, coherence and flexibility

As a part of society and a responsible company, we have continued to seek excellence in all our activities

Innovation

because we anticipate change and innovate to become better every day

We have adapted hotels, products, processes and management models quickly, rigorously and openly at critical times

More details in the section on Social Contribution during COVID-19

RELATIONSHIPS, DIALOGUE AND INFLUENCE

The closure of all our hotels and uncertainty about the evolution of the pandemic and the financial impact on our results, meant we had to strengthen our internal and external communication to keep alive our employees' commitment to Meliá and the trust of our customers.

We designed a **Communication Plan** which aimed to ensure fluid, permanent and transparent communication with them throughout the year, informing them promptly of the evolution of the crisis itself and its impact on the business, the progress that we were making as a company, and regular information on alternatives for our customers and on the employment situation of the workforce.

EXTERNAL COMMUNICATION

Our Management Committee, led by the Executive Vice President & CEO, gave more than 90 interviews with the media and has appeared in major Spanish and international media. The interviews aimed to keep our stakeholders informed and also place our capacity to influence and the position of our EVP & CEO as President of Exceltur, the most important association in the Spanish tourism industry, at the service of the industry.

The reputation of our EVP & CEO and the power of social media were key factors in the process of getting out our message to customers over the months of greatest uncertainty.

INTERNAL COMMUNICATION

Well aware that we needed to be closer than ever to our teams, we made a **special effort in direct communication with employees,** supporting them in both furlough situations and in teleworking, ensuring they were aligned tactically and strategically, and providing motivation and constant support in exceptional circumstances. Communication was made through internal campaigns, videos, posters, infographics, and other supports which allowed us to stay close to our more than 45,000 employees. The response of our teams was exemplary and worthy of praise and recognition, demonstrating their commitment, loyalty and sense of pride in the company.

COLLABORATION WITH THE TRAVEL INDUSTRY

The pandemic has highlighted both the ability and the need of the entire industry working together and sharing knowledge and experiences to ensure the health and safety of our customers, employees and suppliers as an industry.

The fact that we had already lived through the early stages of the crisis in China allowed us to use that experience to anticipate events in other regions. We believe that it is our role as a leading company to share our experience and help other travel companies design their own proposals.

That's why we have actively cooperated with industry bodies and the health authorities all over the world, including the WTTC, Health and Safety Institutes in the Spanish Autonomous Communities, AESPLA and ICTE in Spain, contributing to the drafting of guidelines for hotel operations which could be shared with the entire hotel industry.

RIGOROUS INFORMATION FOR CUSTOMERS

Customers have continued to show their trust in us, and that is why we have increased our efforts to ensure the quality of our customer relationships beyond the hotel experience, offering them rigorous and updated information and also alternatives with regard to their bookings.

We have focused our communication channels on our customers in order to enhance our reputational positioning. It is at times like this that a responsible and empathetic brand such as ours needs to be even closer to its customers.

DIRECT INVOLVEMENT OF OUR SUPPLIERS

In addition to our direct involvement, we would also like to highlight the enormous wave of solidarity we saw after we began to convert hotels into hospitals, with 18 of our suppliers altruistically offering products or services to improve the stay for patients and make them more comfortable (food, drinks, entertainment services, free maintenance services or supplies, among others). Several of our training partners also helped enrich our own team members by providing free online training content on our eMeliá platform.

DIRECT DIALOGUE WITH SOCIAL AND HEALTH ORGANISATIONS

Given the seriousness of the situation, we also wanted to offer support to the most vulnerable people in society, reinforcing our support through the donation of sanitary materials, linen and basic foodstuffs to social organisations.

We enhanced our active listening to provide direct assistance to all those social organisations, soup kitchens, hospitals and NGOs to which we could lend a hand, covering the needs they reported to us and delivering essential items over the first few weeks of the crisis. The staff in our hotels have also benefited from the donations of food and perishable items.

POSITIVE IMPACT ON OUR REPUTATION

We have received a lot of support and affection from society in general, particularly welcoming our recognition of essential workers through the **Meliá with the Heroes** campaign and our support for soup kitchens, hospitals and other organisations.

The impact of our communication has been positive. In addition to generating significant notoriety, we also achieved a positive evaluation of our ***Stay Safe with Meliá*** programme, with 83% of customers expressing their approval.

The impact of our management, especially during the first two months of the crisis, was reflected in the research by **Merco Consumption** in April 2020 on the impact of COVID-19 on the reputation of companies. According to the research, involving more than 6,000 consumers, 13.3% had a better perception of the company, 4.7 percentage points above the average for companies in the survey and 0.9 points above the industry average.

Among the participants who stated that they were Meliá customers, **23.2% said that their perception of the company had improved** as a consequence of our management of the crisis. Among those who said they were not Meliá customers, 7.9% had improved their perception.

Stakeholder map

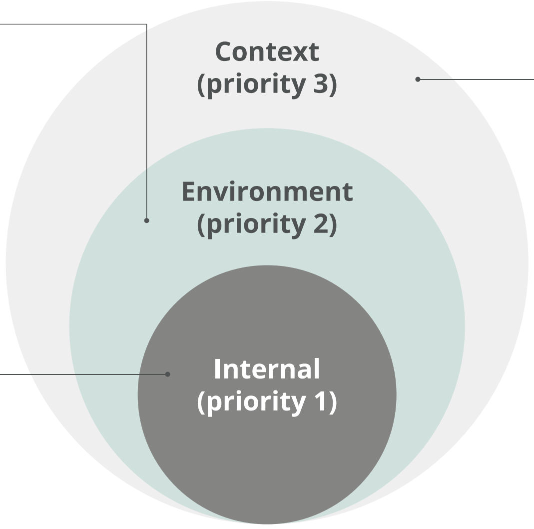
In 2020 we **reviewed our model** to improve the management of our individual relationships with stakeholders to ensure they perceive the positive impact of their relationship with Meliá and thus consolidate a relationship based on mutual trust, a long-term focus, proximity and mutual benefits.

We understand that the review of our model will allow us to improve our coordination and communication, reinforce our corporate message and generate a greater positive impact on our relationship with stakeholders and on our reputation.

The process has involved a **significant multi-departmental analysis** which led us to review the composition of the different segments in each stakeholder group and structure our new stakeholder map around **3 priority levels** (Priority 1 - Internal, Priority 2 - Environment and Priority 3 - Context) mainly based on their direct link with our core activity and the degree of intensity of the relationship with them on a day-to-day basis

We also reviewed the channels we have for dialogue and the intensity and frequency of our relationships, identifying opportunities for improvements and for the measurement of relationships in the future with stakeholders with which we do not currently measure our relationship.

STAKEHOLDER MAP



Customers
- B2C (individual)
- B2B (corporate)
- Travel agents
- Intermediaries, OTAs, TOs

Suppliers
- Of products
- Of services

Shareholders and investors
- Institutional investors
- Minority shareholders
- Proxy advisors
- Financial institutions
- Financial analysts
- Rating agencies
- Sustainability analysts

Owners and partners
- Asset owners
- Partners – Joint Ventures

Employees
- Workers
- Unions

Industry and competitors
- Regulatory bodies
- Tourism industry (competitors)
- Private business associations or bodies
- Public-private bodies
- Lobbies

Public authorities
- National, regional and local authorities
- Public bodies
- Public-private bodies

Media

Society
- Academic and educational bodies
- Neighbourhood organisations
- Social organisations and NGOs
- Society in general

Note: The Meliá Stakeholder Map mentioned in our Code of Ethics considers the Environment as a stakeholder

This analysis has allowed us to identify new opportunities to create spaces for dialogue and promote a culture of measurement and multi-stakeholder satisfaction to define objectives for improvement in the medium term. Throughout 2021 we will work on implementing the improvement opportunities that have been identified.

Despite having reviewed our model and our stakeholder map, the guiding principles behind them remain unchanged, taking into account our *Stakeholder Relationship Policy* based on the principles of **Accountability AA1000SES (2011) for Stakeholder Commitments**, a tool which focuses on providing a comprehensive and balanced response to relevant issues, impacts, opportunities and risks in our relationship with stakeholders. These principles are:

- **Inclusion principle:** offering stakeholders the chance to take part in the development and achievement of our commitments to sustainability
- **Relevance principle:** the matters that are material, transcendent and significant for our stakeholders are key aspects in our strategy
- **Response principle:** through which we offer solutions, actions, performance and communication aligned with material concerns

Commitments and channels

Our Code of Ethics defines the specific commitments we have defined with each of our stakeholders. Although those commitments are still in force, during our review of our relationship management model we have updated our communication channels and spaces for dialogue, and also identified opportunities to create new spaces and mechanisms to measure the quality of our relationships.

VISION FOR EACH STAKEHOLDER

Shareholders & Investors

Commitments
Transparency, consistency, rigour, good governance, profitability, value creation, reliability and compliance

Composition
Institutional investors
Minority shareholders
Vote advisers
Financial entities
Financial analysts
Rating agencies
Sustainability analysts

Measurement
Satisfaction survey (2021)

Communication channels	Channel manager	Frequency
Investor Relations Office	Investor Relations	Permanent
Institutional website	Investor Relations	Permanent
Newsletters	Corporate communication	Periodic
Proxy advisers	Corporate Governance (CG)	Linked to JGA
Shareholder Service Desk (email)	Investor Relations	Permanent

Dialogue spaces	Space manager	Frequency
Investor Relations Office	Investor Relations	Permanent
Institutional website	Investor Relations	Permanent
Newsletters	Corporate communication	Periodic
Proxy advisers	Corporate Governance (CG)	Linked to JGA
Shareholder Service Desk (email)	Investor Relations	Permanent

Employees

Commitments
Health and safety
Development opportunities
Stability, robustness and fairness

Composition
Employees
Trade unions

Measurement
You Have the Word Survey
NPS People

Communication channels	Channel manager	Frequency
Employee portal	Global Human Resources	Permanent
eMeliá	Global Human Resources	Permanent
Internal communications	Global Human Resources	Permanent

Dialogue spaces	Space manager	Frequency
Performance Management	Global Human Resources	Annual
Meetings with teams	Meliá Hotels International*	Permanent
Equality Commission	Industrial Relations	Annual
Health & Safety Committees	Occupational Health	Quarterly
Social dialogue with unions	Industrial Relations	Annual
Surveys	Global HR	Annual
Social Media (external talent)	Global HR	Periodic
Learning/Collaboration Communities	Global HR	Occasional (in pilot stage)

* The most appropriate Meliá area or department depending on the topic or scope of the work.

Owners & Partners

Commitments
Professional management
Seriousness and trust
Long-term relationships

Composition
Asset owners
Partners
Joint ventures

Measurement
Owner NPS (2021)
Bilateral survey for partners (2021)

Communication channels	Channel manager	Frequency
Owner's Office and Portal	Owner Relations	Permanent
Press office	Corporate communication	Permanent
Press office	Real Estate	Periodic

Dialogue spaces	Space manager	Frequency
Governing bodies	Real Estate / Owner Relations	Quarterly
Meetings with owners	Owner Relations	Periodic
Meetings with partners	Real Estate	Periodic

Suppliers

Commitments
Long-lasting business relationships
Trust and respect
Mutual benefit
Objective selection criteria

Composition
Product suppliers
Service suppliers

Measurement
Supplier NPS (2021)

Communication channels	Channel manager	Frequency
Supplier Code of Ethics mailbox	Global Procurement	Permanent
Central purchasing offices		Permanent
Releases and info updates		Periodic
Procurement Platform (new)		Permanent

Dialogue spaces	Space manager	Frequency
Procurement Platform (under development)	Global Procurement	To be determined

Customers

Commitments
Personalised experiences
Excellent service.
Quality and safety
Honesty and ethics
Protection and security

Composition
B2C (individual)
B2B (corporate)
Travel agents
Intermediaries, OTAs and TOs

Measurement
Customer NPS
MeliáRewards NPS
ReviewPro surveys

Communication channels	Channel manager	Frequency
Melia.com / MeliaPro	Business Dev & Marketing	Permanent
Mobile apps	Business Dev & Marketing	Permanent
MeliáRewards	Global Loyalty	Permanent
Social Media	Social media	Permanent
GEX quality and service mailbox	Quality & GEX	Permanent
Advertising and campaigns	Business Dev.	Monthly

Dialogue spaces	Space manager	Frequency
Webinars	Marketing	Periodic
Surveys	Loyalty	Occasional
Workshops	Business Development	Sporadic

Public Administration

Commitments
Cooperation
Serve general interests
Transparency, truthfulness
Honesty and proximity
Neutrality and impartiality

Composition
National, regional or local administrations
Public entities
Public-private organisations

Communication channels	Channel manager	Frequency
Communication Office	Corporate communication	Permanent
Regional Corporate Offices	VP Operations	Permanent
Press Room	Corporate communication	Permanent
Secretary to the President / CEO	Secretary to the President / CEO	Permanent

Dialogue spaces	Space manager	Frequency
Institutional relations	Meliá Hotels International*	Permanent
Institutional presence	Meliá Hotels International*	Permanent
Forums, events and meetings	Meliá Hotels International*	Periodic

Industry & Competitors

Commitments
Respect and transparency
Active listening and collaboration
Ethical competition
Good faith and cordial relationships
Serve general interests

Composition
Regulatory bodies
Tourism industry (competitors)
Private business associations or organisations
Public-private organisations
Lobbies

Communication channels	Channel manager	Frequency
Institutional Communications	Corporate communication	Permanent
Communication Office	Corporate communication	Permanent
CEO & Meliá Social Media	Corporate communication	Permanent
Secretary to the President / CEO	Secretary to the President / CEO	Permanent
Regional Corporate Offices	VP Operations	Permanent

Dialogue spaces	Space manager	Frequency
Institutional relations	Meliá Hotels International*	Permanent
Institutional presence	Meliá Hotels International*	Permanent
Forums, events and meetings	Meliá Hotels International*	Periodic

The Media

Commitments
Cooperation
Search for general interest
Transparency, truthfulness
Honesty and proximity
Neutrality and impartiality

Composition
The Media

Measurement
Quality survey segmented by media type (2021)

Communication channels	Channel manager	Frequency
Press Office (reactive / proactive)	Corporate communication	Permanent
Virtual press room		Permanent
Social Media		Permanent

Dialogue spaces	Space manager	Frequency
Institutional relations	Meliá Hotels International*	Permanent
Forums and meetings	Meliá Hotels International*	Periodic
Press conferences	Corporate communication	Occasional

Society & Community

Commitments
Cooperation
Search for local social interest
Transparency, truthfulness
Honesty and proximity
Neutrality and impartiality

Composition
Academic and educational environment
Neighbourhood associations
Social bodies and NGOs
Society in general

Communication channels	Channel manager	Frequency
Press Room	Corporate communication	Permanent
Social Media	Corporate communication	Permanent

Dialogue spaces	Space manager	Frequency
Forums and meetings	Meliá Hotels International*	Periodic
	Corporate Responsibility	

* The most appropriate Meliá area or department depending on the topic or scope of the work.

Materiality analysis

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

The current Materiality Analysis is the result of a review and update carried out in 2019 to ensure alignment between the expectations of our stakeholders and the 2020-2022 strategic vision.

The **identification** in 2019 of the 16 material issues in our Materiality Matrix were based on an analysis of the context at the time, combining issues related to the business and its strategic vision, environmental, social and governance issues, an analysis of global trends, industry benchmarks, the standards of the **Global Reporting Initiative (GRI)** and the **United Nations 2030 Agenda**.

The **response level** reached 25%, above that for the analysis carried out in 2017. The analysis also included for the first time a global and regional vision of the internal and external importance of material issues for all our global stakeholders.

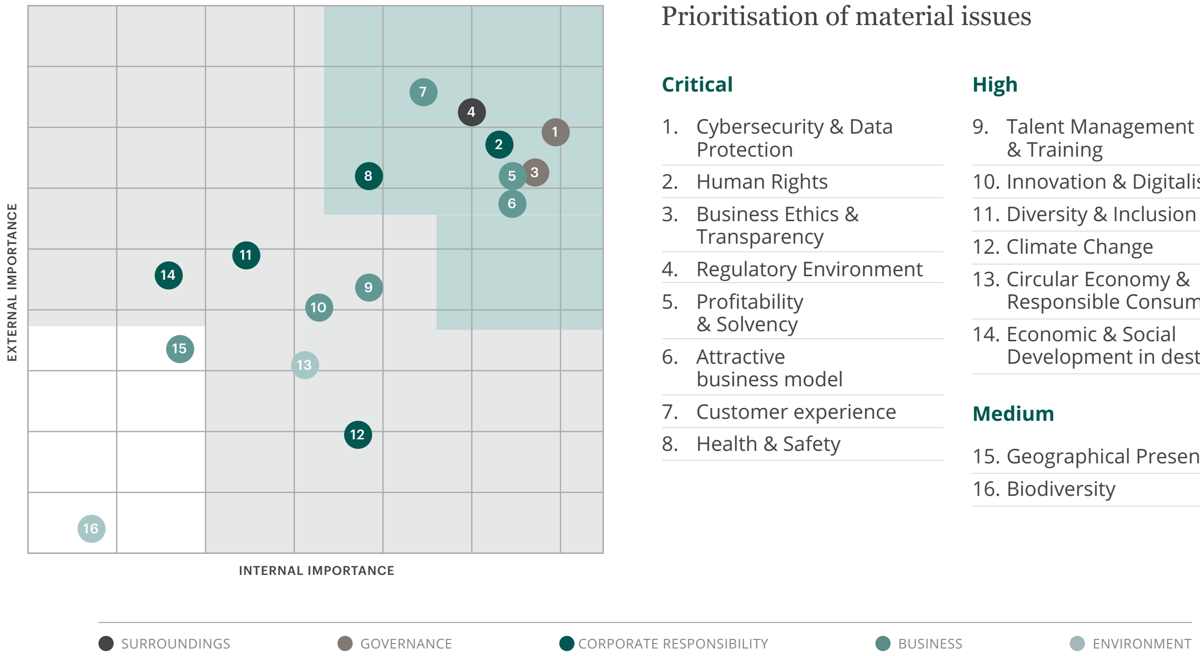
Its evaluation and validation was carried out with transparency and rigour, ensuring the quality and veracity of the results obtained, whose prioritisation followed a double analysis of their internal importance, as defined by the Board of Directors, Senior Management and executives with a prominent role in company decision making, and their external importance, as determined by our priority stakeholders (shareholders and investors, hotel owners, customers, employees and suppliers).

PRIORITY STAKEHOLDER RESPONSE RATE

Our objective during the update was to focus our objectives and efforts on providing an appropriate response to the most significant global challenges and social changes, as well as the opportunities and trends in the environment that we perceived at the time.

In 2021 we will update our Materiality Analysis in line with the biannual update to which we are committed.

Materiality Matrix



Prioritisation of material issues

Critical

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

High

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

Medium

15. Geographical Presence
16. Biodiversity

Material issues

In the first year of our latest Strategic Plan, the context has seen a radical change as a result of COVID-19. Nevertheless, this has not diminished the importance of the Materiality Analysis for the year. What's more,the situation we have had to live through in the last year has allowed us to confirm our success in identifying material issuesand the expectations of our stakeholders in various matters that the World Economic Forum considers TOP 10 risks in terms of their probability and impact, such as risks related to climate change, cybersecurity and infectious diseases, all of which were identified in our ESG risk map.

The crisis is affecting the entire tourism value chain very significantly, and the ***COVID-19 Risks Outlook: A Preliminary Mapping and its Implications***, published by the World Economic Forum in May 2020, considers a prolonged recession in the world economy one of the most important global risks.

This situation will certainly lead to a wave of bankruptcies in the industry, both among large companies and SMEs, caused by strict restrictions on national or cross-border mobility for both people and goods. However, this also opens up an opportunity for the consolidation of the industry with the creation of larger operators in all of the different stages in the value chain.

Despite this adverse context, the tourism value chain has managed the crisis and **reinforced its reputation** as an industry by protecting jobs, implementing all kinds of measures to protect the health and safety of customers and employees, obtaining credit and ensuring liquidity, and even partially reactivating their activity despite all the adversity and uncertainty, adapting products to new demands and using technology to adapt to teleworking in the safest possible conditions. Furthermore, the crisis has unleashed a **wave of solidarity** to help alleviate the social crisis caused by the economic crisis provoked by COVID-19.

The growing importance of health and safety, the protection of employees, the protection of data and cybersecurity in a context in which teleworking has become vital, the adaptation of customer experiences to a context full of uncertainty, the work done on digitalisation, combined with continued concern for the protection of the environment and destinations, among other things, have given us the chance to act coherently with regard to the material issues we identified. We have thus been able to respond to the expectations of our stakeholders.

The global tourism industry faces **significant complexity and uncertainty.** After months of inactivity and an uncertain reopening schedule which means major demand periods have been lost, a lack of liquidity has forced many companies in the industry to resort to credit lines and temporary furloughs for a large part of their workforce to try to ensure their survival in a situation that has lasted for many months with no revenue being earned.

All these aspects have become material issues for our stakeholders and Meliá has continued to manage its activity for them ever since March 2020.

Material issues		Report page	SDG	GRI issue	GRI indicator
Cybersecurity & Data Protection	We face data-related risks with a solid data security model that extends throughout our value chain	73-79 103-104	16 PEACE, JUSTICE AND SOLID INSTITUTIONS	• Customer privacy	418-1
Human Rights	We work on management models that guarantee the protection of human rights and ensure a safe and fair environment for people	168-171	AGENDA 2030	• Non-discrimination • Freedom of association and collective bargaining • Child, forced or compulsory labour • Rights of indigenous peoples • Evaluation in Human Rights.	406-1, 407-1 408-1, 409-1 411-1, 412-1 412-3
Business Ethics & Transparency	We ensure ethical and transparent management under a solid governance model aligned with the relevant best practices.	59-66 73-79	16 PEACE, JUSTICE AND SOLID INSTITUTIONS 17 ALLIANCES TO ACHIEVE OBJECTIVES	• Ethics and transparency • Governance • Reporting practices • Anti-corruption • Anti-competitive behaviour	102-16, 102-17 102-18 to 102-39 102-45 to 102-56 205-1 to 205-3 206-1
Regulatory Environment	We adapt quickly to regulatory changes and new legal requirements that might affect the normal development of our operations		16 PEACE, JUSTICE AND SOLID INSTITUTIONS	• Environmental compliance • Public policy • Socio-economic compliance	307-1, 415-1 419-1
Profitability & Solvency	Our liquidity and financial position are key factors in ensuring the company's viability and sustainability.	32-34 82-99	8 DECENT WORK AND ECONOMIC GROWTH	• Economic performance	201-1 a 201-4
Attractive business model	We encourage the constant transformation of our business model under criteria of excellence in a business environment that is increasingly digital, competitive and connected.	14-34	12 RESPONSIBLE PRODUCTION AND CONSUMPTION 6 CLEAN WATER AND SANITATION 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• Management approach	103-1 to 103-3
Customer experience	We are committed to an experience economy approach aligned with the new challenges in the tourism industry, continuing to focus on customer relationships and reinforcing the personalisation of the customer journey	112-119	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• Customer health and safety Customer privacy • Customer privacy	416-1, 416-2 418-1
Health & Safety	We enhance the safety of our customers and employees through our #StaySafeWithMeliá programme, creating a safe and reliable environment	134-140	3 HEALTH AND WELL-BEING	• Occupational Health • Health and safety	403-1 to 403-4
Talent Management & Training	We accompany our employees by offering them tools, programmes and collaborative environments for their professional development and thus contributes to the greater professionalism of our teams	120-133	8 DECENT WORK AND ECONOMIC GROWTH 4 QUALITY EDUCATION	• Employment • Training • Training	401-1 to, 01-3 404-1 to, 04-3
Innovation & Digitalisation	We are committed to the digitalisation of our entire value chain, with a 360-degree vision to create a more agile, more efficient and more competitive management model to face new challenges	100-102	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE		
Diversity & Inclusion	We foster a diverse human team and the resulting creativity, innovation and continuous improvement	131-133	5 GENDER EQUALITY 10 REDUCTION OF INEQUALITIES	• Diversity • Equal opportunities • Non-discrimination	405-1 405-2 406-1
Climate Change	Committed to combatting climate change, minimising our footprint and helping reduce our environmental impact in all our destinations	151-157	13 ACTION FOR THE CLIMATE	• Emissions	305-1 a 305-7
Circular Economy & Responsible Consumption	The new context demands greater efficiency in the use of resources, better waste management and an evolution towards a circular economy	141-148 158-161	2 NO HUNGER 7 AFFORDABLE AND NON-CONTAMINANT ENERGY 12 RESPONSIBLE PRODUCTION AND CONSUMPTION	• Energy & Water • Effluents and waste • Supplier environmental assessment • Procurement practices	302-1 a, 02-5 303-1 a, 03-3 306-3, 308-1 204-1
Economic & Social Development in destinations	Tourism is a major driver of economic and social development and we work to generate value in those destinations where we operate	162-167	1 END OF POVERTY 8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES	• Indirect economic impacts • Local communities	203-1, 203-2 413-1
Geographical Presence	Our geographic diversification is one of our major competitive advantages with regard to the resilience and sustainability of the business	30-31	11 SUSTAINABLE CITIES AND COMMUNITIES	• Market presence	202-1, 202-2
Biodiversity	We preserve and protect biodiversity in the destinations in which we operate	149-150	15 LIFE OF TERRESTRIAL ECOSYSTEMS	• Biodiversity	304-1 a 304-4

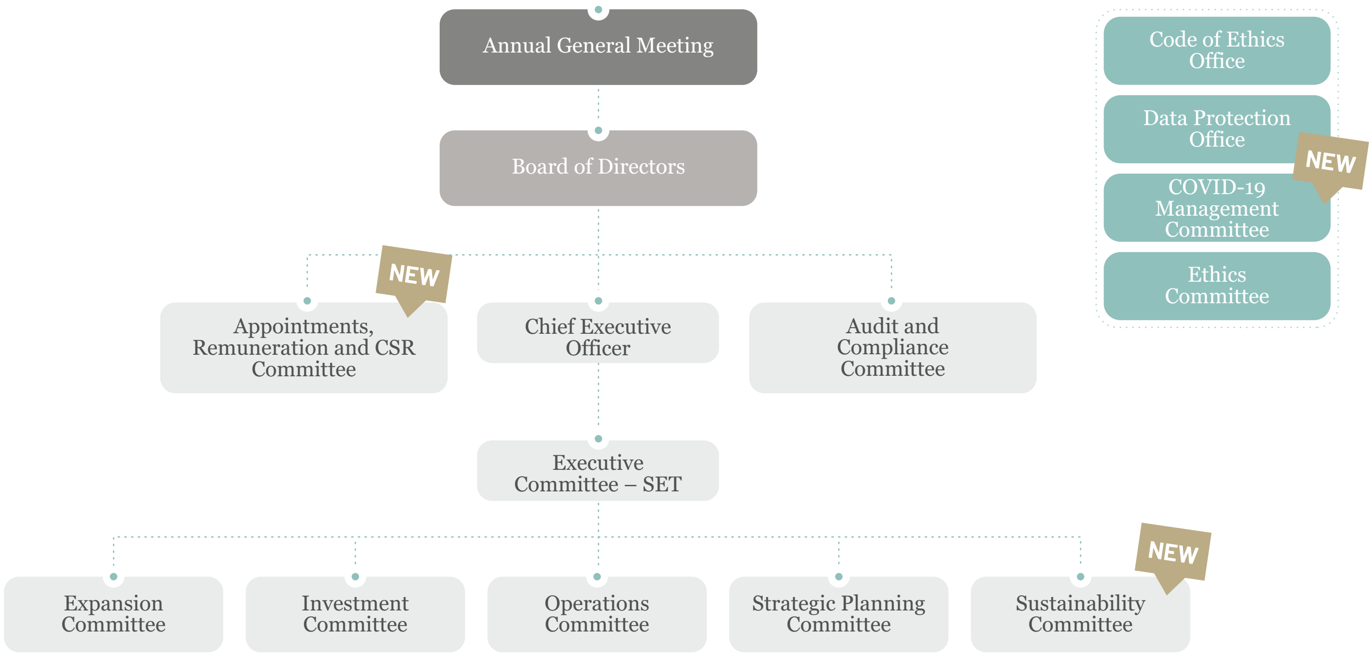
Good governance

Governance Structure

GRI 102-18; 102-19; 102-22; 102-23

In 2020, the following **changes** were made to the company governance structure:

- Creation of the COVID-19 Management Committee, as foreseen in internal protocols for the management of exceptional situations (in this case, COVID-19).
- Creation of the Sustainability Committee, as an internal body focused on ESG matters.
- Change in the name of the Appointments and Remuneration Committee, now renamed the "Appointments, Remuneration and CSR Committee.



Board of Directors

COMPOSITION OF THE BOARD

GRI 405-1

Members	Women	External proprietary directors	External independent directors	"Other" external directors	Meetings 2020	Attendance
11	3 (27.3%)	4 (36.4%)	6 (54.5%)	0 (0%)	7**	100%*

* Includes attendance in person and by proxy ** Includes a meeting in writing and not in session

During the financial year, the following **appointments and re-elections** were made within the Board of Directors and its Delegate Committees:

- Resignation of the External Proprietary Director, Sebastián Escarrer Jaume, after more than 20 years on the Board.
- Re-election of Carina Szpilka Lázaro as an External Independent Director.
- Appointment of the company Hoteles Mallorquines Agrupados, S.L. as an External Proprietary Director and Mr. Jose María Vázquez-Pena as its representative, replacing Mr. Sebastián Escarrer Jaume.
- With regard to the Delegate Committees, their Chairpersons have exchanged positions by virtue of the existing Corporate Governance recommendations and after having held their positions for four years.

Thus, Fernando d'Ornellas has become Chairman of the Appointments, Remuneration and CSR Committee, and Francisco Javier Campo has become Chairman of the Audit and Compliance Committee. Likewise, Carina Szpilka Lázaro joined the Appointments, Remuneration and CSR Committee and Cristina Henríquez de Luna became a member of the Audit and Compliance Committee, thus increasing the presence of both women and independent members on both Committees.

100% of the members of the Audit and Compliance Committee are currently independent.

NEW DIRECTOR SELECTION AND DIVERSITY POLICY

GRI 102-24

Applicable regulations and**recommendations on diversity (and equality)** support the objectives defined by the company in this respect. Therefore, after the amendment of the CNMV's Good Governance Code for Listed Companies (CBG), and after proposal by the Appointments, Remuneration and CSR Committee, the Meliá Hotels International Board of Directors has approved a new ***Director Selection and Diversity Policy***, in which the new diversity objectives are applicable both to the Board and Senior Company Management.

FUNCTIONS OF THE BOARD OF DIRECTORS

GRI 102-26

- Act as the company's maximum legal representative
- Define and approve company policies and strategies
- Make decisions regarding the appointment and remuneration of Senior Management
- Identify the main risks to which the company is exposed
- Supervise internal information and control systems
- Call General Meetings and ensure compliance with the agreements adopted by the company
- Approve the company's Strategic Plan
- During the pandemic, reporting to and communication with the Board of Directors has increased considerably. The CEO reported weekly (in the first few months of the pandemic) and/or biweekly (in the following months) on the measures taken by the management team as well as on the contingency plan implemented by the company.

In general, both the Board and the Executive Committees have strengthened their supervisory functions, while also increasing their level of involvement in crisis management.

COMPETENCIES MATRIX

GRI 102-27

In 2019 and 2020, the Appointments, Remuneration and Corporate Social Responsibility Committee led the preparation of a competencies matrix for the Board of Directors based on a ***self-assessment process***. In 2020 the matrix was published on the *corporate website* and has been updated according to the changes in the composition of the Board.

Among the members of the Meliá Board of Directors, the knowledge and experience of members in financial matters and risk management stand out.

COMPETENCIES MATRIX OF THE BOARD OF DIRECTORS

	Board member	Category	Board Position	Delegate Committees	Years as a Board member	Membership of other Boards of Directors*	COMPETENCIES AND EXPERIENCE												TRAINING				
							Tourism industry	Risk management	Financial management:	Human Resources	Fiscal	CSR	Legal and Compliance	Asset management	IT	Marketing	Retail	International Experience	Engineering / Technical training	Finance (BA, Economics, etc.)	Legal	Technology (IT, new technology)	Languages (English, French, Italian, Chinese, etc.)
	**Gabriel Escarrer Juliá**	Proprietary	President		24		✓			✓		✓		✓		✓		✓					✓
	**Gabriel Escarrer Jaume**	Executive	Vice President and CEO		21		✓		✓	✓		✓			✓			✓		✓			✓
	**Francisco Javier Campo García**	Independent	Spokesperson	Audit and Compliance Appointments, Remuneration and CSR	8	Bankia		✓	✓	✓						✓	✓	✓	✓				✓
	**Fernando D'Ornellas Silva**	Independent	Spokesperson and Coordinating Director	Audit and Compliance Appointments, Remuneration and CSR	8	Prosegur		✓	✓					✓				✓		✓	✓		✓
	**Luis María Díaz de Bustamante y Terminel**	Independent	Secretary	Appointments, Remuneration and CSR	9		✓						✓					✓			✓		✓
	**Maria Antonia Escarrer Jaume** **Hoteles Mallorquines Consolidados, S.L.**	Proprietary	Spokesperson	Appointments, Remuneration and CSR	19		✓			✓		✓				✓		✓					✓
	**Alfredo Pastor Bodmer** **Hoteles Mallorquines Asociados, S.L.**	Proprietary	Spokesperson		1-star					✓								✓					✓
	**Juan Arena de la Mora**	Independent	Spokesperson	Audit and Compliance	11			✓	✓	✓		✓	✓	✓					✓	✓			✓
	**Carina Szpilka Lázaro**	Independent	Spokesperson	Audit and Compliance Appointments, Remuneration and CSR	4	Abanca, Grifols		✓	✓	✓						✓	✓	✓		✓		✓	✓
	**Cristina Henríquez de Luna Basagoiti**	Independent	Spokesperson	Audit and Compliance	1	GSK, Applus		✓	✓	✓						✓	✓	✓		✓			✓
	**José María Vázquez-Pena Pérez** **Hoteles Mallorquines Agrupados, S.L.**	Proprietary	Spokesperson	-	0		✓			✓		✓	✓			✓		✓			✓		✓

BOARD EVALUATION

GRI 102-28

Our Board of Directors evaluates the **operation and composition** both of the Board itself and the Delegate Committees on an annual basis. The Appointments, Remuneration and CSR Committee is responsible for reviewing and updating the corresponding questionnaires as well as approving and initiating the process.

The report with the results of the assessment for 2020 was presented to the Board of Directors at the meeting on February 23, 2021.

In relation to recommendation 36 of the Code of Good Governance of Listed Companies on assistance from external consultants, due to cost containment measures caused by the economic situation, the company decided not to employ external assistance in 2020.

However, given the situation, the Appointments, Remuneration, and CSR Committee, has been supported by the Human Resources and Corporate Governance departments of the company in the review and update of evaluation forms, which have added issues related to the management of COVID-19 and introduced improvements in line with recommendations and best practices.

CBG RECOMMENDATIONS

After the publication of the latest amendment to the Code of Good Governance by the CNMV, this year both Delegate Committees have **reviewed the scope of the new recommendations** and devised an action plan to ensure compliance. In particular, we would like to highlight the following measures:

- Review and update of the policy on communication and contacts with shareholders, institutional investors and proxy advisers regarding the incorporation of the new recommendation number 4 in the CBG.
- Update to the Director Selection Policy to incorporate new measures regarding diversity in the Board and in Senior Management.
- Reduction of the limit in the authorisation given at the Annual General Meeting to the Board of Directors for a capital increase without preferential subscription rights to 20% of the share capital in compliance with recommendation 5 of the CBG.

Delegate Committees

GRI 102-20; 102-22; 102-26; 102-32

Just like the Annual General Meeting, in order to comply with health and safety recommendations after the declaration of a state of emergency in March 2020, all the meetings of the Board of Directors and the Delegate Committees have been **held virtually**.

This year **saw the end of the review of the functions of the Delegate Committees**, highlighting the change to the name of the Appointments and Remuneration Committee and the creation of a Sustainability Committee, an internal body responsible for ensuring the integration of ESG criteria in our business strategy and throughout our value chain.

Like other internal committees, the Sustainability Committee reports to the ***Senior Executive Team*** (SET) and comprises the senior managers of the areas of ***Legal & Compliance***, ***Global Procurement***, Operations, Organisation, Investor Relations, ***Real Estate*** and Corporate Responsibility, also reporting to the Appointments, Remuneration and CSR Committee.

APPOINTMENTS, REMUNERATION AND CSR COMMITTEE

Members	Women	External proprietary directors	External independent directors	Meetings 2020	President	Attendance (in person or online)
5	2 (40%)	1 (20%)	4 (80%)	8	Independent Director	98%

Among other functions, the **Committee is responsible for**preparing proposals for the appointment and re-election of directors and senior managers and defining their remuneration policy. The committee also reports on transactions that involve or may involve conflicts of interest and leads the periodic assessment of the structure, size, composition and performance of the Board of Directors and the specialist Committees, making the recommendations it deems necessary and convenient in each case.

On the other hand, the Committee is also the **highest governance body with functions and responsibilities in regard to Corporate Responsibility and Diversity,** including the monitoring of strategy and practices in this regard, the evaluation of compliance with environmental and social objectives, the management of our corporate reputation, recognition and visibility, and the coordination and verification of the reporting of non-financial information.

We would like to highlight the participation of the Committee in the following matters over the year:

- Monitoring of the employment and remuneration measures taken by the company as a result of COVID-19
- Review of the remuneration of the Board of Directors and adaptation to the current socio-economic situation.
- Updating of the Director Selection and Diversity Policy.
- Review and update of the evaluation questionnaires for the Board and the Chief Executive.

AUDIT AND COMPLIANCE COMMITTEE

Members	Women	External proprietary directors	External independent directors	Meetings 2020	President	Attendance (in person or online)
5	2 (40%)	0 (0%)	5 (100%)	13	Independent Director	100%

Among other things, this Committee is responsible for providing **support** for the Board of Directors in monitoring the effectiveness of the company's internal control and risk management systems, acting as a communication channel with internal and external auditors. It also monitors the preparation and presentation of financial and non-financial information to the Board of Directors, as well as compliance with legal provisions and internal regulations.

We would like to highlight the significant increase over the year in the number of meetings of the Committee (+30%) as well as its participation in the following **matters**:

- Monitoring company liquidity, debt and high-level cost containment measures.
- Monitoring and supervising financial and non-financial information statements.
- Supervision of the relationship with the account auditor and follow-up on the recommendations of the financial, non-financial and ICFR audits.
- Monitoring of compliance with the Internal Code of Conduct, including a proposal to modify the measures applicable to personal operations.
- Monitoring and supervising the company tax strategy.
- Monitoring and supervising the Treasury Shares Repurchase Programme.
- Supervision of the adaptation of the internal audit plan and monitoring of relevant recommendations.

Executive Committee (SET)

The SET (Senior Executive Team) is the body that **leads the management of Meliá Hotels International** and the constant review of the business, ensuring compliance with the objectives defined by the Board of Directors and supporting the CEO in his management.

It also ensures the sustainable growth of company activity and the creation of value for shareholders, supporting projects we undertake as a company for which they have been assigned responsibility, defining priorities, allocating the required resources and ensuring the achievement of objectives. The SET is also responsible for providing the Board of Directors with updated, objective and sufficient information to allow it to carry out its supervisory functions.

Given the global pandemic, from the outset the SET has assumed **the leadership of the crisis management function** at Meliá. It has supported, coordinated and ensured the implementation of all the measures taken to respond to the needs created by the COVID-19 crisis.

Among the measures taken, we would like to highlight the following:

- Activation of the COVID-19 Management Committee.
- Preparation of proposals to reduce the remuneration of senior management.
- Analysis and preparation of proposals for organisational restructuring.
- Health and safety measures in hotels (Stay Safe with Meliá)
- Prioritisation and support for the company's digitalisation process and the enablement of digital media to allow the continuity of business activity.
- Analysis of the different financing alternatives to guarantee the viability and liquidity of the company in the short, medium and long term.
- Supervision of a communications plan and the training plan for all employees.

From March 2020, **their activity,** as is the case for all Meliá governing bodies, has **increased considerably**, holding daily meetings during the first three months of the pandemic and combining both face-to-face and online sessions.

Remuneration of the Board of Directors

GRI 102-35; 102-38

The remuneration of the Board of Directors of Meliá Hotels International is based on the *Remuneration Policy*, best market practices, and applicable recommendations and regulations, including, where appropriate, remuneration surveys or analyses made by independent external bodies.

The *Remuneration Policy* in force in 2020 is the Policy applicable for 2019 to 2021 which was approved at the 2018 Annual General Meeting and modified at the 2019 Annual General Meeting, in order to include a clawback clause in the variable remuneration of the CEO.

MEASURES TO REDUCE THE REMUNERATION OF THE BOARD OF DIRECTORS

In line with best Corporate Governance practices, and in the context of the economic situation caused by the COVID-19 crisis, the following measures have been taken in terms of remuneration:

- The Executive Vice President & CEO, members of the SET (Senior Executive Teams) and VPs (Senior Management), voluntarily reduced their fixed salaries by 50% for four months, starting in mid-March, and by 25% until December 31, 2020.
- Along the same lines, the remuneration of the members of the Board of Directors for attending Delegate Committees (allowances) was reduced by 50% from March to December 31, 2020.
- The short and long-term remuneration plan for the CEO has also been suspended.

In 2021 we continued with measures to reduce remuneration:

- the remuneration of members of the Delegate Committees for attendance has been extended until June 30, 2021.

(In thousands of €)	2019						2020					
	SALARY	FIXED REMUNERATION	ALLOWANCES	SHORT-TERM VARIABLE REMUNERATION	LONG-TERM VARIABLE REMUNERATION	TOTAL	SALARY	FIXED REMUNERATION	ALLOWANCES	SHORT-TERM VARIABLE REMUNERATION	LONG-TERM VARIABLE REMUNERATION	TOTAL
CEO	761	22	32	434	1,251	2,500	578	22	32	-	-	632
Non-Executive Directors		237	608			845		206	549			755
Senior Management		1,930		679	2,229	4,838		1,467		-		1,467
Total	**761**	**2,189**	**640**	**1,113**	**3,480**	**8,183**	**578**	**1,695**	**581**	**-**	**-**	**2,854**

- In 2020, the difference between the annual remuneration of the Executive Vice President & CEO and the average remuneration in the consolidated perimeter was a multiple of 27.4.
- The average remuneration for Directors and Senior Executives (including the Internal Auditor) is €95,151 for women and €164,880 for men.
- The fixed salary of the CEO reported in the table has been impacted by the salary adjustment applied to the company as well as the suspension of Variable Remuneration for the short and long term to respond to the crisis caused by COVID-19

In addition to the reductions made in 2020, the company expects to approve a new Board Remuneration Policy for 2022 to 2024 which will be submitted for approval to the Annual General Meeting in 2021. The Policy will incorporate new recommendations on remuneration and transparency from the Good Governance Code (i.e. malus clause) and the Draft Law on the long-term involvement of shareholders.

PROCESS FOR DETERMINING THE REMUNERATION POLICY AND THE INVOLVEMENT OF STAKEHOLDERS

GRI 102-36

In accordance with article 15 of the ***Regulations of the Board of Directors***, the Appointments, Remuneration and CSR Committee is responsible for remuneration policy and for (i) proposing to the Board of Directors the criteria and conditions of the Remuneration Policy, and (ii) ensuring the transparency of the same. The Board of Directors is responsible for (i) approving the Remuneration Policy and (ii) proposing their approval to the Annual General Meeting.

During the preparation of the ***Annual Remuneration Report for the Board for 2020*** the recommendations received from proxy advisers during preparations for the Annual General Meeting (Glass Lewis and ISS) and best market practices applicable in the current socio-economic situation were also taken into account.

As indicated above, the new Remuneration Policy for 2022 to 2024 is expected to be submitted for approval to the Annual General Meeting in 2021. The new recommendations of the Code of Good Governance for Listed Companies (i.e, malus clause) will be taken into consideration in the preparation of said Policy, along with the new transparency requirements defined in the Draft Law for amending the Companies Act.

2020 highlights

SHARE REPURCHASE AND CAPITAL REDUCTION PROGRAMME

In the first semester of the year, the Treasury Share Buyback Programme approved by the Board of Directors at the end of 2019 came to an end, with the corresponding capital reduction due to the amortization of treasury shares approved at the Annual General Meeting of July 10, 2020. The capital and shares resulting from said capital reduction is as follows:

Shareholder equity	Actions	Nominal value
44,080,000 Euros	220,400,000	0.20 Euros

Our President and Founder, Gabriel Escarrer Juliá, through the company Tulipa Inversiones 2018, S.A., and the Executive Vice President and CEO, Gabriel Escarrer Jaume, have increased their participation in Meliá Hotels International through the purchase of shares in September 2020.

VIRTUAL GENERAL MEETING AND CANCELLATION OF DIVIDEND

Given the restrictions on mobility and meeting attendance caused by COVID-19, and following the recommendations of the new Good Governance Code for Listed Companies, Meliá chose to **implement virtual attendance and voting systems** to allow shareholders and investors to actively participate in the 2020 Annual General Meeting through a digital platform specially designed for that purpose. Attendance at the 2020 AGM was therefore representative of 71.178% of the share capital with voting rights.

Due to the situation caused by COVID-19, the Board of Directors also agreed to cancel the proposal for the distribution of dividends against freely available reserves in order to strengthen the solvency and liquidity of the company.

OLIVENCIA AWARD 2020

We took part in the third edition of the Manuel Olivencia Good Corporate Governance Awards organised by the Cuatrecasas Foundation which aims to acknowledge appropriate and transparent management by listed companies as an essential factor in the generation of sustainable value. The 2020 awards focused on aspects related to good governance during the pandemic, while continuing to monitor other corporate governance practices designed to encourage appropriate, transparent and sustainable management.

Risk management

Risk management governance

GRI 102-30

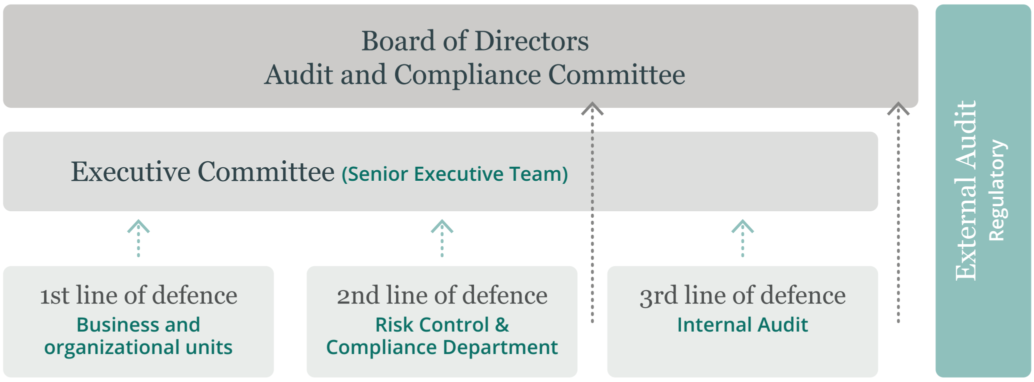
Our Risk Control and Management Model, and its governance, is based on **3 essential areas:**

- The *Risk Control Policy* and corresponding Internal Regulation define the general framework for action and the basic principles, guidelines and criteria that the company's Risk Management System should apply to guarantee total alignment with strategy. Both documents were updated and approved by the Audit and Compliance Committee in 2020.
- A **structure consisting of Governing Bodies** with specific functions and responsibilities related to Risk Management.

BODY	ROLE / RESPONSIBILITY
Board of Directors	Approve the Policy
Audit and Compliance Committee	Supervises internal control and risk management systems.
Executive Committee	Ensures the integration of risk management in critical processes, assigning ownership of risks and monitoring performance

- A **system to segregate and ensure the independence of functions** following the 3 lines of defence model, ensuring comprehensive and integrated management across the entire company, and with maximum responsibility lying with the Board of Directors.
  - **First line:** business and organisational units which assume responsibility for identifying, assessing and managing risks and, as a direct consequence, defining and implementing the measures required to mitigate those risks.
  - **Second line:** the Risk Control and Compliance department, whose main functions are: i) to guarantee compliance with the risk control policy and regulation, ensuring the implementation and appropriate operation of the Risk Management System; ii) to assist in the identification, analysis and assessment of risks; iii) to control and monitor key risks; iv) to report to the Governing Bodies.
  - **Third line:** the Internal Audit department, responsible for ensuring the proper functioning of the Risk Management System through supervision of the first and second lines of defence.

Meliá Hotels International ensures and guarantees **maximum independence in risk management,** since both the second and third lines of defence depend directly on the Audit and Compliance Committee.



Risk management model

Meliá's Risk Management model is based on **COSO methodology**. Every year we use standardised criteria to identify and evaluate the key risks that may affect both our strategy and objectives.

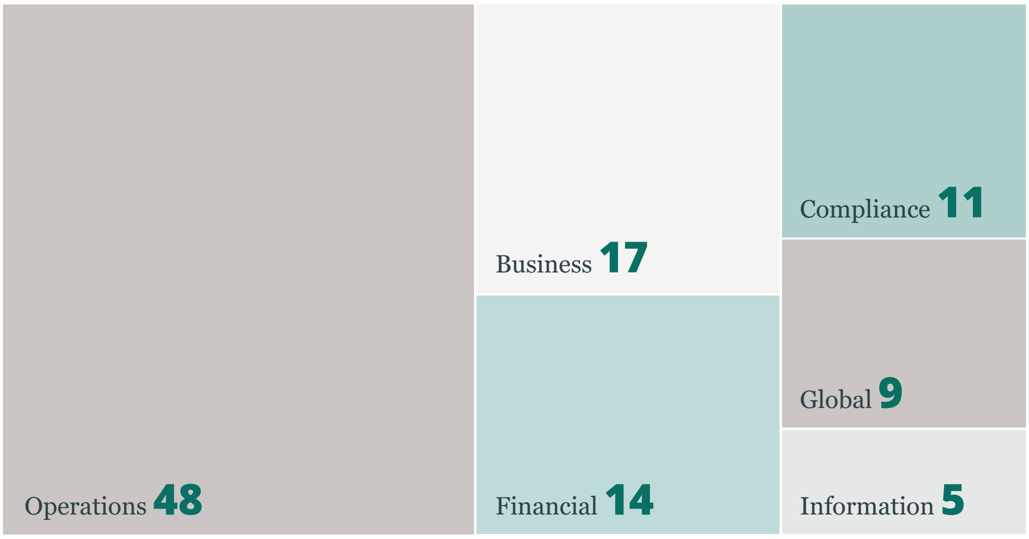
The model is implemented in **5 stages**:

- Identification of risks that affect business strategy and objectives
- Assessment of the risks identified
- Response to risks and definition of appropriate action plans
- Monitoring and control of risks and the measures adopted
- Reporting to Governing Bodies and the rest of the organisation

We have identified **104 key risks** in 6 categories:

- Global
- Financial
- Business
- Operations
- Compliance
- Information

104 Risks Identified



Key risks

GRI 102-15

The Risk Management Model is **shared by the entire organisation**. This means that both business units and corporate areas participate directly and use standardised criteria to identify and assess those risks that affect them directly.

The update in 2020 of the Group's Risk Map directly involved **79 managers** from different areas, leading to the creation of **92 Risk Maps**.

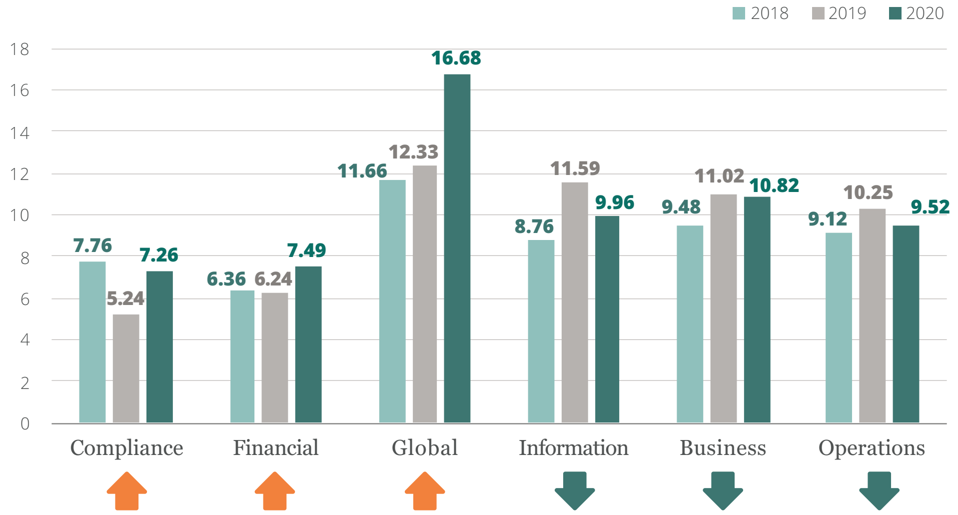
Risk maps

92

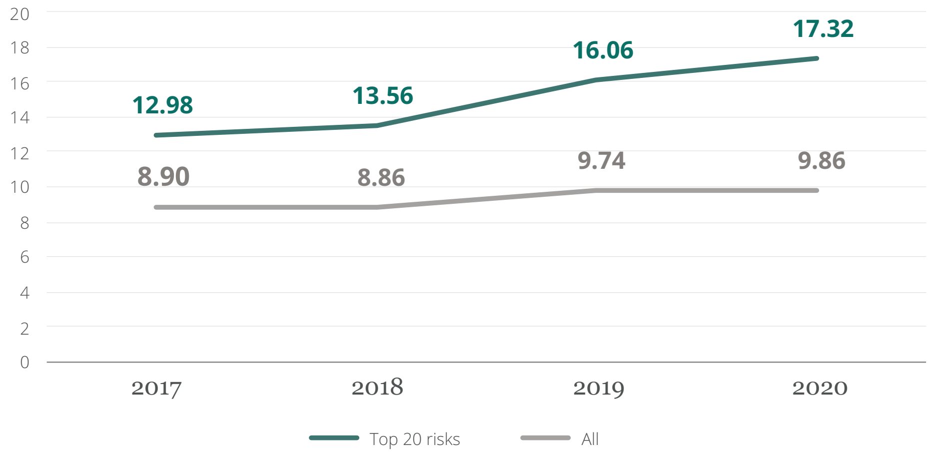
Managers involved

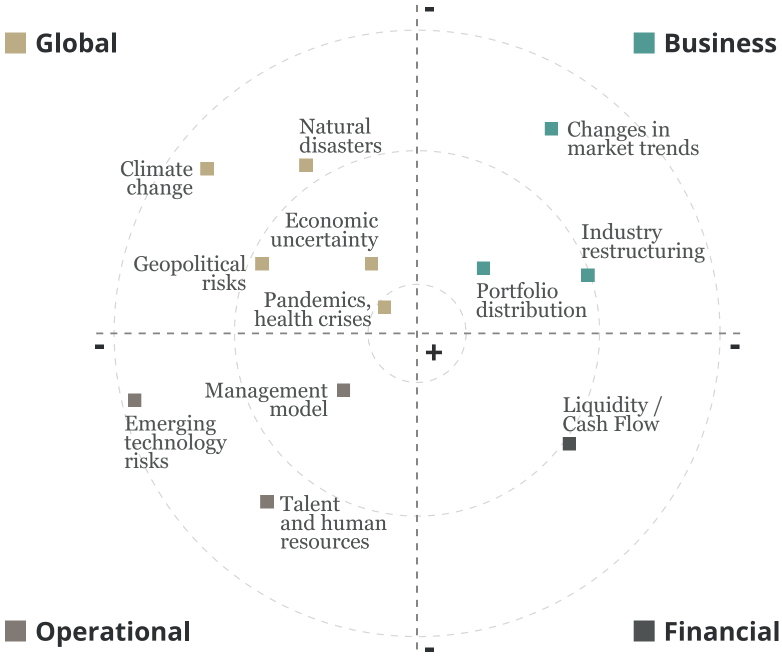
79

EVOLUTION OF THE AVERAGE VALUE BY RISK CATEGORY



EVOLUTION OF THE AVERAGE VALUE OF RISKS





Below are the key risks and the control and management measures the company has implemented in order to mitigate them.

CATEGORY	RISKS	ESG	DETAIL	TREND
Global	Pandemics, health crises	☑	Inability to adapt or respond to minimise impact	↑
	Economic uncertainty		Economic uncertainty or crises at the national or international level	↑
	Geopolitical risks	☑	Terrorism Political crises or insecurity in countries in which we operate Wars, popular uprisings or military coups	↓
	Catastrophes or natural disasters	☑	Hurricanes; Earthquakes; Volcanoes	↓
	Climate change	☑	Adverse effects of climate change Lack of adaptation to climate change	↑
Business	Portfolio distribution			↓
	Industry restructuring		Mergers, acquisitions, closures	↑
	Changes in market trends	☑	Demographic changes Changes in preferences, habits, values, purchasing systems, etc.	↑
Operational	Talent and human resources	☑	Loss or flight of talent Difficulty attracting or recruiting talent Some dependence on key personnel in certain positions Change management	↓
	Management model	☑	Competitiveness of the Management Model Hotel Management Culture Generation of new revenue streams Customer-market dependency Budget management Profitability	↑
	Emerging technology risks	☑	Computer security breaches from cyberattacks Risks related to data protection and security and intellectual property Lack of evolution or adaptation of systems to technological risks	↓
Financial	Liquidity / Cash Flow		Liquidity / Cash Flow	↑

MANAGEMENT AND CONTROL MEASURES

THE DAY AFTER - 5 AREAS FOR RECOVERY AND RISK MANAGEMENT

TACTICAL MANAGEMENT OF COVID - 19

Business continuity plan with 5 key areas:

1. **Confidence about health and safety**

   through the #StaySafeWithMeliá Programme

2. **Preservation of employment and talent**

   Through the application of job protection measures, collaborative teleworking and greater communication and support for our employees

3. **Liquidity and financial position**

4. **Business continuity**

   Defining a plan for the agile management of hotel openings and closures as well as marketing and sales activities

5. **Reputational management**

   With intense communication and further enhancements to our social commitments

ORGANISATIONAL EVOLUTION

Carry out an organisational evolution in three areas:

- **Organisational Model:** becoming a more agile organisation
- **Culture:** reinforcing some of the key aspects of our company culture
- **Re-skilling:** transformation requires new skills and a constant learning environment.

COMMITMENT TO DIGITALISATION

Moving towards a digital operating model through innovation, technology and more efficient processes based on a collection of projects in three areas:

- **Distribution**
- **Front Office**
- **Back Office**

SUSTAINABLE MANAGEMENT

Our Sustainability Master Plan is based on the following premises:

- Global challenges and social change as a point of reference and guidelines for action.
- The sustainable transformation of the tourism model, integrating social and environmental issues into the management model.
- Ensure proper and transparent management through an agile and flexible governance model.

BUSINESS STRENGTHS

Strategic projects to reinforce our basic business strengths:

- **Quality Growth:** a commitment to a selective and quality-based international growth model.
- **F&B Performance Growth:** bringing a new approach to traditional F&B.
- **Personalised Distribution:** becoming owners of our distribution strategy and the relationship with customers.
- **Efficient Management Model:** emphasising our capacity as managers with a view to becoming more competitive, more profitable and more flexible.

Note 1 - For more information on management and control measures, see the chapter on Strategic Priorities - The Day After: from contingency to resilience and recovery.
Note 2 - The identification of risks does not imply their materialisation during the year. However, the Group does work on ensuring that the necessary mechanisms are in place for their management and control.
Note 3 - Greater detail of the Risk Management Model available in the Annual Corporate Governance Report (section E)

Emerging risks

An important part of the Meliá Risk Management Model is the identification of **risks that are the result of increased exposure or susceptibility to new environmental factors,**as is the case with COVID-19, and also risks related to increased exposure to an already identified danger, such as risks derived from climate change. These risks form part of our risk map, but we analyse them in greater depth to identify the **potential long-term impact** and the mitigation measures we have to put in place.

EMERGING RISK 1: DESTINATIONS WITH WATER SHORTAGES

Water is an indispensable natural resource for the hotel industry and our services and activities. As a leading hotel company in sustainability issues, we are very much aware of the **importance of responsible, sustainable, and efficient water management** in line with the 2030 Agenda (SDG 6). For Meliá and the entire hotel industry, the risk of water shortages and/or droughts can have a negative impact on the business in several ways:

- Damage to facilities and equipment. Insufficient supplies due to problems with water sources
- Increase in operating costs due to limited access to water
- Discontinuity of operations and/or loss of business
- Breach of service quality standards and customer dissatisfaction.
- Loss of attractiveness as a tourism destination

The adaptation and mitigation measures include an **Environmental and Energy Management System "SAVE"** which monitors 95% of the water use in our hotels and allows us to measure and control our water consumption and also evaluate water-related risks and opportunities in the areas in which we operate, allowing a more strategic focus on water management and consumption.

We also work with the ***Aqueduct Water Risk Atlas***, which allows us to identify areas with the highest risk of water stress worldwide and monitor our portfolio in these areas and adopt any necessary preventative measures.

In line with our commitment to guarantee the efficient use of resources, for the second consecutive year we have participated voluntarily in ***CDP Water Security,*** a prestigious international ranking which measures our capacity to ensure water safety and quality.

More information in the chapter on ***Environment & climate change***.

EMERGING RISK 2: CHANGES IN CUSTOMER BEHAVIOUR

The exceptional situation caused by the pandemic and the paralysis of tourism in 2020 is also an **important catalyst for changes in travel behaviour**. Governments around the world have restricted travel and even taken drastic measures such as closing borders. Together with the fear and insecurity created by the virus, these measures led to travel and hotel occupancy being reduced to historic lows.

Despite the efforts of the private sector and governments to reactivate tourism, **changes are expected** in the behaviour of customers and a greater need to ensure they are completely safe when they are travelling.

The impact of changes in customer behaviour have been **reflected in phenomena** such as a decrease in travel by plane, an increase in domestic travel, a reduction in business travel due to technology used for virtual meetings or a change in accommodation preferences towards more rural or natural environments, all of which alter forecasts for demand and reduce profitability.

At Meliá, we aim to anticipate these changes by adapting our services to offer options such as the **Workation Programme** explained in more detail in the chapter on ***Customer experiences*** and by implementing the most stringent health and safety measures to guarantee the safety of customers, such as the **Stay Safe with Meliá programme,** described in more detail in the chapter on ***Occupational Health and Safety***.

ESG risks

ESG refers to the three key criteria under which the sustainability of a company or an investment are evaluated: environmental, social and governance. This approach is the result of the **evolution of the triple bottom line framework,**with a focus on people, the planet and profit. Current trends consider all three concepts as equally important to ensure long-term sustainability and a **triple objective**: economically viable, socially beneficial and environmentally responsible.

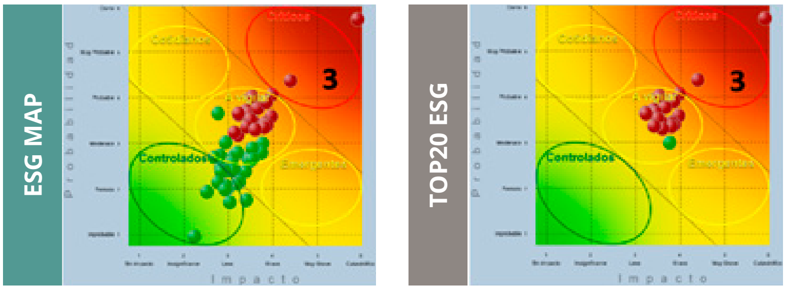
At Meliá, risk analysis under ESG criteria is **integrated in our Risk Management Model** . Once the preparation of the Group Risk Map is completed, ESG risks can be identified and the ESG Risk Map extracted, applying the same management, monitoring and control model to measures adopted for their mitigation.

For the first time ever, this year **we created a specific ESG Risk Map**which identifies 47 risks in this area. The map will be reviewed every year following the same process as the Global Risk Map and analysed by the Sustainability Committee created this year.

ESG risks

47

ESG RISK HEAT MAP



The most important ESG risks are shown below. The TOP 20 ESG Risks form part of the 30 top global risks for the Group, 11 of which are in the TOP 20 on the Global Risk Map.

ESG TOP 3 RISKS (BY DIMENSION)

Position	Environmental Dimension	Position	Social Dimension	Position	Governance Dimension
4	Catastrophes or natural disasters	1	Pandemics, health crises	3	Integration of ESG criteria in the growth model
7	Lack of adaptation to climate change	5	Changes in market trends	10	Emerging technology risks
24	Inadequate environmental management	6	Talent retention	18	New legal or regulatory requirements

The identification of ESG risks is aligned with the main risks included by the *World Economic Forum* in their reports *Global Risks Report 2020 and COVID-19 Risks Outlook A Preliminary Mapping and Its Implications.*

Codes of conduct

GRI 102-17

MELIÁ HOTELS INTERNATIONAL CODE OF ETHICS

The *Meliá Hotels International Code of Ethics* includes all our **principles and public commitments,** as well as **guidelines for activities** that give greater meaning to our values as a company.

Although we have made many public commitments in different areas which involve all our collaborators, we would like to highlight two that particularly set the tone for the way we carry out our activity.

- Comply with applicable national and international legislation and regulatory obligations
- Act with the greatest rigour and decisiveness with regard to corruption, fraud or bribery.

This code defines principles that **ensure alignment** between our internal policies, regulations, processes and procedures. It was specifically created to serve as a guide to ensure ethical relationships with our stakeholders and the fulfilment of our commitments to all of them.

All the **people** that form part of Meliá Hotels International are required to **act and manage responsibly** while also behaving ethically and honestly. They therefore must accept and comply with our Code of Ethics, which is available to them both on the institutional website *www.meliahotelsinternational.com* and the Employee Portal. The guidelines for all Group employees are even more demanding for people in managerial positions, and must be reviewed and accepted every two years through signature of the Management Code of Conduct.

To guarantee compliance with our Code of Ethics we have implemented **three mechanisms**:

- **Complaints Channel:** A key tool in channelling complaints to the company.
- **Ethics Committee:** Independent body whose main function is to ensure the proper management of any complaints received.
- **Code of Ethics Office:** Responsible for the interpretation and application of the Code.

Both the Complaints Channel and the Ethics Committee have their own operating regulations, approved by the Audit and Compliance Committee.

01 The person submits a complaint

02 The Ethics Committee decides whether to accept or reject the complaint

03 The committee names the person responsible for investigating the complaint

04 The person responsible submits a report and proposes actions to be taken

05 The Ethics Committee analyses and, if appropriate, approves the proposed actions

06 The Committee, if appropriate, informs the complainant about the actions taken

If the complaint is rejected

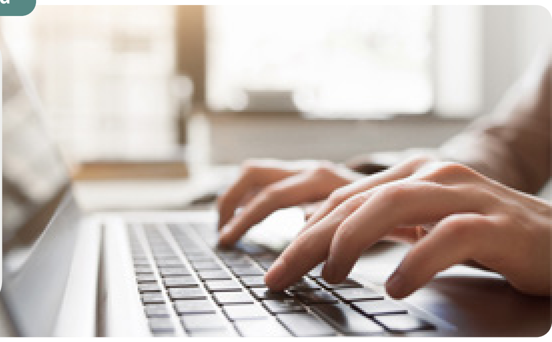
How?

Through Meliá Home (employee portal) in the "Code of Ethics" section, clicking on Complaints Channel.

Visiting the URL: http://melia.xperta.es/incidencias/crear

Through the Meliá corporate website: : https://www. meliahotelsinternational.com/es/accionistas-einversores/gobiernocorporativo/codigo-etico, clicking on Complaints Channel.

By courier or regular mail to:
Ethics Committee,
Meliá Hotels International, S.A.,
Gremio Toneleros, nº 24,
(Polígono de Son Castelló)
07009. Palma de Mallorca



In 2020 a total of 18 complaints were received. One of them was in reference to suppliers and behaviour contrary to the Code of Ethics. The other 17 were filed by employees, and are of the following types:

Total employee complaints	Unethical behaviour	Laws and/or external regulations	Business principles	Policies, rules and procedures	Total supplier complaints
17	**12**	**1**	**1**	**3**	**1**

SUPPLIER CODE OF ETHICS

Meliá not only complies with applicable legislation, we also focus on a key objective to work on the **constant and gradual implementation of criteria, practices and recommendations** related to good corporate governance and a sustainable and responsible business model. This also applies to our supply chain. That is why our Code of Ethics includes commitments and general guidelines related to all our stakeholders, including our suppliers.

We aim to build long-term relationships based on a model of trust, respect and mutual benefit, with a strong commitment to ethics and responsibility. Suppliers are an essential part of our success, so **cooperation with them** will allow us to ensure high quality services and guarantee both the present and future of our companies.

Social awareness, the competitive environment and the evolution of the business have led companies to be held increasingly responsible for impacts in their supply chain. At Meliá we aim to consolidate a sustainable and responsible business model to enhance our reputation and also integrate this model into our business and ethical principles.

As a result of this commitment, in 2018 we published our ***Supplier Code of Ethics***, a document which brings together all of our principles and values as a company. We trust that these principles and values are shared by our suppliers, and that in addition to compliance with regulations, they understand and apply the Code of Ethics with the conviction and peace of mind of knowing that they are doing the right thing.

Our model is strengthened by our support for business conduct models such as the **Universal Declaration of Human Rights**, the **Principles of the Global Compact**, the **Sustainable Development Goals (SDG)** and the **Convention on Children's Rights**, which define the challenges and general commitments for the sections in the Code. We also support industry initiatives, including the **Tourism Code of Ethics of the World Tourism Organisation**, which defines the principles for tourism development, the **ECPAT code *(*Eradicating Child Prostitution, Abuse and Traffic)** focused on the abolition of child exploitation, and the **Global Sustainable Tourism Council**, that encourages the development of sustainable practices in the industry (see Annex 1 for more information). Our Supplier Code of Ethics also recommends and encourages our suppliers to also adhere to these business conduct principles while also complying with the **specific principles** in the Code on matters such as;

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

All our suppliers have a specific ***Complaints Channel*** available to them, through which they can report any conduct contrary to the code. The Complaints Channel works in a similar way to the channels available to Meliá employees, and has its own regulations, approved by the Audit and Compliance Committee.

Compliance model

The guiding principles of our Compliance Model are defined in the *Compliance Policy*. The key elements that ensure its proper implementation are the following:

- The Board of Directors, through the Audit and Compliance Committee, is responsible for supervising Risks and Compliance.
- The Risks and Compliance Department reports directly to the Audit and Compliance Committee through the company's Compliance Officer. The Compliance Officer is responsible, among other things, for developing the Compliance Model and supervising the validity of the controls in place, with a special focus on criminal compliance.
- The Meliá Hotels International Code of Ethics and its regulatory framework, consisting of policies, regulations and processes. Additionally, this section also includes the Supplier Code of Ethics.
- The Ethics Committee guarantees the proper management of complaints reported through the complaints channels provided by the company.

Crime prevention and detection model

A solid Crime Prevention and Detection Model forms part of the Compliance Model. This model helps prevent criminal offences by our employees. It is reviewed every year and structured as follows:

- **Criminal risk map:** Identifies the criminal offences to which we are exposed as a company. We have currently identified **23 risks** of this type.
- **Inventory of controls for each crime.** At the end of 2020, this inventory consisted of **343 controls**. The review carried out this year allowed us to eliminate 27 controls and include 26 new controls.
- **Control verification system:** Allows an assessment of the suitability of the controls identified, with the evidence from said controls appropriately documented
- **Reporting model:** The analysis is reported to the Executive Committee, the Audit and Compliance Committee and the Board of Directors, as well as to all those responsible for it.

In 2020, after the audit carried out by AENOR, we renewed the certification of our **Criminal Compliance Management System**, verifying that it meets the requirements in the **UNE 19601: 2017** standard.

Criminal risks

23

Controls

343

iuriscert
COMPLIANCE PENAL
UNE 19601
AENOR
conform

CORRUPTION AND BRIBERY

GRI 205-1; 205-2

We have a firm commitment to combat corruption in any of its forms. This is publicly expressed in our *Anticorruption Policy*. This policy **governs the actions of all company managers and employees** in order to prevent, detect, report and remedy any actions that, in accordance with applicable regulations, may be considered corrupt or criminal.

In relation to crimes related to corruption forming part of our Crime Prevention and Detection Model, we have identified **99 specific controls** which we reassess every year and which form part of the aforementioned verification system.

We also have an **Internal Hotel Management and Control Regulation**, accessible to all employees through the Employee Portal which defines clear guidelines in the accounts payable and cash management areas to avoid corruption and fraud in processes related to:

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

Specific controls

99

MONEY LAUNDERING

The way we act to prevent this crime is included in the **Money Laundering Manual**. This manual is accessible to all employees through the Employee Portal, and defines the due diligence measures that must be applied in hotels that offer foreign currency exchange services.

We also have an **Internal Control body** which is ultimately responsible for all internal control procedures to prevent money laundering in currency exchange activities. The mentioned Crime Prevention and Detection Model has identified **61 controls** to avoid this criminal offence.

The Internal Audit Department is the third line of defence and reviews the Crime Prevention Model every year. This ensures that the correct implementation of the controls in the model is guaranteed. It also conducts a review of the **Internal Control System for Financial Information (SCIIF)**, and the correct implementation in business units and corporate areas of the Policies, Regulations and internal processes, including those indicated.

In 2020, this department made **144 audit reports** on a global level, covering all regions, areas and businesses of the company.

As a result, based on the results of the audits, in 2020 we have not detected any practices that might expose the company to crimes of corruption or fraud.

Controls criminal offences

61

Audit reports

144

TRAINING IN ETHICS AND COMPLIANCE

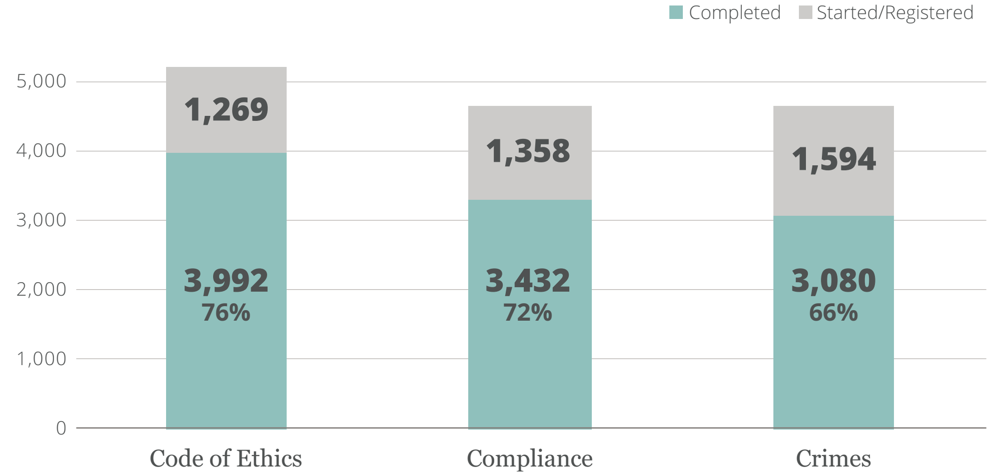
We believe that to ensure ethical management and compliance on an ongoing basis, we have to increase knowledge of the matter among our teams. The **eMelia** training platform has **three multimedia training courses** which are mandatory for more than 4,500 company employees, including corporate personnel, Hotel General Managers, Hotel Assistant General Managers and Heads of Department in our hotels.

Participants must successfully pass a specific test for each of the courses.

- **Code of Ethics and Complaints Channel:** Specific training on the Code, its content and objectives.
- **Compliance:** A specific focus on compliance, its role and management culture, as well as an explanation of the responsibilities of the company's Compliance Officer.
- **Most Important Crimes:** Training course that indicates the main criminal offences to which the company is exposed, as well as the conduct or situations that might lead to the commission of crimes and the mechanisms available for their prevention and reporting, including specific training on the prevention of Corruption and Money Laundering.

At the end of 2020, approximately 70% of the employees with access to the online training platform had completed these courses. By category, around 82% of the company's management team have completed the training or are currently taking it. The following image shows the details of the trained personnel for each module:

PEOPLE TRAINED, BY MODULE



Privacy protection

GRI 418-1

In a context in which we are immersed in a digital transformation and in which data is an asset in itself that must be protected, we are firmly committed to **"Protecting the personal data that stakeholders have provided us to guarantee its integrity, availability, security and confidentiality."**

To ensure the fulfillment of this commitment we have a **Privacy Management Model** consisting of a number of complementary tools:

DATA SECURITY POLICY

The *Data Security Policy* defines the framework for data security. It is based on internationally recognized best practices in Data Security to guarantee at all times the confidentiality, integrity and availability of the data we manage and ensure it is handled appropriately.

PRIVACY POLICY

The *Privacy Policy* defines the guidelines to be followed by all our employees and refers to the creation, collection, processing, storage and/or deletion of information.

PRIVACY REGULATION

The **Privacy Policy** contains the criteria and principles that govern the incorporation, handling and use of personal data by our employees. It also defines the roles and responsibilities of the people who have access to processing personal data, the principles to be applied in processing and the minimum measures required to comply with the Policy.

It also defines the guidelines to follow to ensure that people can exercise their rights, notification procedures in the event of any possible contingencies, and the monitoring and control mechanisms required to ensure the effective implementation of the Meliá privacy management system.

The regulation also has a chapter on non-compliance which aims to promote a philosophy of **zero tolerance** with regard to any conduct that may involve breaches of legislation, regulations or internal processes.

NOTIFICATION PROCEDURE

The procedure for notification, management and registration of data security incidents has been defined with a double objective. Firstly, to minimise the impact, loss or deterioration of said data, and secondly, to make it easier to detect any possible security breaches and accelerate their notification.

DATA PROTECTION OFFICE

The Data Protection Office is **responsible for the protection of personal data**. It consists of representatives of corporate areas that are directly involved in monitoring and controlling personal data protection.

In addition to the aforementioned tools, the Internal Audit Department also plays an active role in supervising compliance with policies, regulations and procedures related to data protection. The most relevant aspects reviewed are:

- Access control
- Adequate information for customers
- Collection of consent for personal data processing
- Custody and destruction of data

Through the eMeliá online training platform all our employees have access to mandatory courses related to Data Protection and Cybersecurity, as well as other related courses such as Phishing and PCI.

Thanks to the **appropriate management and operation** of the Privacy Management Model, in 2020, no case has been opened by any authorities, nor have any substantiated claims related to violations of customer privacy been registered.

Fiscal transparency

Fiscal strategy

GRI 207-1; 207-2

The company's *Fiscal Strategy* was approved by the Board of Directors on February 25, 2016 and updated on June 6, 2018, in accordance with the provisions of article 529 ter of the Companies Act and article 5 of the regulations of the Board of Directors.

The **guiding principles**s of our Fiscal Strategy are:

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

In addition, the Fiscal Strategy is **aligned with our vision, values and long-term business strategy** as well as our *Corporate Responsibility Policy* in two areas: the first states that one of its objectives is to ensure a proactive attitude towards the identification, prevention and mitigation of financial and non-financial risks; the second is a guiding principle focused on compliance with applicable legislation and regulations in force in all the countries in which we operate, and with our own *Code of Ethics*, which includes an express commitment to the public authorities to respect the laws and regulations in all the places in which we operate, ensuring transparency and maximum cooperation with all public authorities.

Fiscal Control and Risk Management Policy

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

The Fiscal Control and Risk Management System is part of the function developed by our Tax Department with the support of all the business units and is deployed to ensure compliance with applicable tax legislation and internal policies (including the Tax Strategy).

In 2019, AENOR certified our **Criminal Compliance Management System** based on the **UNE 19601: 2017 standard**. As part of the certification process, **55 controls** to prevent and/or avoid tax crimes were analysed with a favourable result.

Our Tax Department reports directly to the Board of Directors at least once a year and through the Audit and Compliance Committee on a recurring basis and whenever there may be a particularly relevant issue to report. The Tax Department has reported directly to the Board of Directors and the Audit and Compliance Committee.

Among others, the reports include the following aspects: information on taxes paid in the previous period; relevant information about tax policies applied, litigation and tax inspections in progress or completed in the year, and legislative changes and tax impacts derived from the Covid-19 pandemic; as well as information on the operations that have required approval from the Board for which a tax report has been provided.

Tax crime controls

55

Structure and presence in tax havens

Within the framework of our **commitment to responsible taxation,**we have a structure aligned with the business and appropriate to legal requirements, all within a transfer pricing policy framework aligned with value creation and the principles of free competition.

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

At the close of 2020, the only Group company registered in a tax haven is Sol Meliá Funding, which is registered in the Cayman Islands. Its activity is residual and related to the former vacation club, and it applies the same criteria and general procedures for management administration and control as the rest of the Group, cooperating with the authorities involved in providing whatever information they deem necessary regarding the activities carried out.

The Group also has hotel activities in countries that, while not considered tax havens according to Spanish legislation, are considered by certain external observers as jurisdictions that enjoy a tax system that is more favourable than the Spanish system, as may be the case in Panama, Holland or Luxembourg. It should be mentioned, firstly, that our presence in these jurisdictions is due to genuine hotel operations, and, secondly, that all of them are jurisdictions that have signed an agreement with Spain to avoid double taxation and with an information exchange clause.

From a tax perspective, in 2020 there were no significant changes in the corporate structure.

Tax contribution

GRI 207-4

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

Table A refers to results before taxes and contains aggregate data for each jurisdiction and excludes dividends from other group entities following the guidelines for the preparation and presentation of country-by-country reports issued by the OECD (Action 13 BEPS report).

Taxes on profits paid in 2020 are shown in **Table B**, detailed by jurisdiction.

TABLE A - RESULT BEFORE TAXES (2020)

Country	€ thousand	Country	€
Germany	(42,600)	Cayman Islands	(253)
Argentina	75	Italy	(11,744)
Austria	(4,047)	Luxembourg	(923)
Brazil	(35,909)	Mexico	(15,650)
Bulgaria	115	Panama	66
China	525	Peru	343
Costa Rica	(4)	Puerto Rico	845
Cuba	(3,949)	United Kingdom	(34,361)
USA	(12,520)	Dominican Rep.	(54,303)
Spain	(381,894)	Switzerland	(251)
France	(21,097)	Venezuela	(3,674)
Greece	(90)	Vietnam	60
Indonesia	(528)		
Total			**(621,768)**

TABLE B - TAXES PAID ON PROFITS (2020)

Country	€ thousand	Country	€
Germany	(1,354)	Luxembourg	235
Argentina	33	Mexico	3,755
Austria	87	Netherlands	(115)
Brazil	74	Peru	229
Cuba	57	United Kingdom	(154)
USA	(387)	Dominican Rep.	678
Spain	2,663	Switzerland	358
France	(93)	Venezuela	3
Indonesia	5		
Total			**6,074**

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

We would like to highlight that full tax information is included in the Consolidated Annual Accounts and the Individual Annual Accounts for Meliá Hotels International, S.A. and each of its subsidiaries and, in particular, the Tax Note includes Tax Expenses and the most important litigation related to tax issues.

Other relevant tax information

NON-PROVISION OF TAX SERVICES BY THE ACCOUNT AUDITOR

The Group does not receive any tax advisory services from the firm that audits its accounts.

Financial and operating results

Global indicators

FINANCIAL RESULTS

OWNED & LEASED HOTELS (millions of €)	2019	2020	Δ%
Revenues Owned and Leased Hotels	1,545.4	413.8	-73.2%
Owned	733.6	213.7	
Leased	811.8	200.1	
Of which, Room Revenues	996.1	235.4	-76.4%
Owned	403.0	106.3	
Leased	593.1	129.2	
EBITDAR	405.6	-62.3	-115.4%
Owned	177.1	-32.8	
Leased	228.5	-29.5	
EBITDA	385.2	-63.0	-116.3%
Owned	177.1	-32.8	
Leased	208.1	-30.2	
EBIT	157.9	-409.6	-359.4%
Owned	108.9	-156.2	
Leased	49.0	-253.4	

MANAGEMENT MODEL (millions of €)	2019	2020	Δ%
Revenue	299.0	80.2	-73.2%
Fees from third parties	49.1	10.4	-78.9%
Fees from owned and leased hotels	93.7	17.2	-81.6%
Other revenues	156.2	52.6	-66.3%
EBITDA	99.8	-18.6	-118.7%
EBIT	94.0	-37.4	-139.7%

OTHER HOTEL REVENUES (millions of €)	2019	2020	Δ%
Revenue	62.9	18.1	-71.3%
EBITDA	5.3	-4.2	-179.2%
EBIT	4.1	-5.5	-234.9%

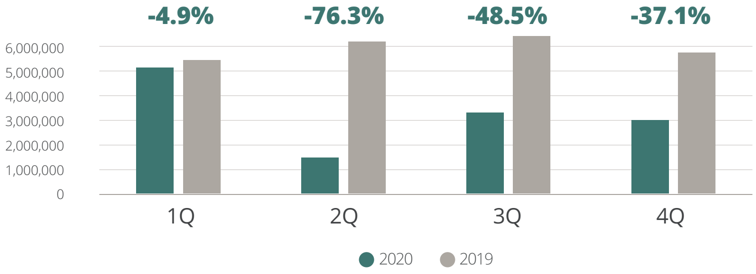
BUSINESS RESULTS

KEY STATISTICS

	OWNED & LEASED						OWNED, LEASED AND MANAGED					
	OCCUPANCY		ARR		REVPAR*		OCCUPANCY		ARR		REVPAR*	
	%	Δ (pp)	€	Δ%	€	Δ%	%	Δ (pp)	€	Δ%	€	Δ%
Total Hotels	39.2%	-31.6	€ 110.2	-10.2%	€ 43.2	-50.3%	34.9%	-30.3	€ 98.2	-7.3%	€ 34.3	-50.3%
AMERICA	37.1%	-23.9	€ 109.4	-8.0%	€ 40.6	-44.1%	29.6%	-31.1	€ 100.9	-7.7%	€ 29.9	-55.0%
EMEA	34.3%	-39.5	€ 117.1	-16.0%	€ 40.1	-61.0%	33.1%	-39.3	€ 122.2	-13.3%	€ 40.4	-60.4%
SPAIN	44.2%	-29.0	€ 106.5	-8.9%	€ 47.1	-44.9%	41.4%	-30.3	€ 99.5	-7.9%	€ 41.2	-46.8%
ASIA	-	-	-	-	-	-	33.4%	-17.4	€ 91.2	14.2%	€ 30.4	-24.9%
CUBA	-	-	-	-	-	-	31.0%	-33.4	€ 69.9	-5.4%	€ 21.7	-54.4%

(*) Note: the calculation of RevPAR only takes into account open hotels. If we took into account all our hotels, the decreases in occupancy and the impact on RevPAR would be much greater

ROOMS AVAILABLE



OPERATIONAL PORTFOLIO & PIPELINE

	OPERATIONAL PORTFOLIO				PIPELINE							
	2019		2020		2021		2022		>2022		TOTAL	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Owned	43	13,128	43	13,126	-	-	-	-	-	-	-	-
Leased	108	22,093	103	20,984	6	1,413	-	-	2	197	8	1,610
Management	128	38,509	124	37,538	14	4,135	18	4,400	6	1,653	38	10,188
Franchised	47	10,048	47	10,928	-	-	-	-	4	554	4	554
Total	**326**	**83,778**	**317**	**82,576**	**20**	**5,548**	**18**	**4,400**	**12**	**2,404**	**50**	**12,352**

CHANGES TO THE PORTFOLIO

OPENINGS				DISAFFILIATIONS			
HOTEL	CITY	MANAGED	ROOMS	HOTEL	CITY	MANAGED	ROOMS
ME Dubai	Dubai	Management	93	Tryp Valencia Almussafes	Valencia	Franchised	133
Meliá Sunny Beach	Sunny Beach	Franchised	1,013	Meliá Villa Capri	Capri	Management	27
Gran Meliá Chengdu	Chengdu	Management	265	Meliá Budva Petrovac	Budva	Management	114
				Meliá Cayo Guillermo	Morón	Management	301
				Sol Cayo Guillermo	Morón	Management	268
				Sol Cayo Largo	Isla de la Juventud	Management	296
				Tryp Düsseldorf Airport	Ratingen	Leased	137
				Tryp Alicante City	Alicante	Management	70
				Innside Niederrad	Frankfurt	Leased	146
				Sol Calas de Mallorca All Inclusive (*)	Manacor	Leased	473
				Sol Cala Antena	Manacor	Leased	334

(*) Includes two hotels (Sol Calas de Mallorca All Inclusive & Mirador de Calas)

Results by region

Region SPAIN

FINANCIAL INDICATORS

OWNED & LEASED HOTELS (millions of €)	2019	2020	Δ%
Revenues Owned and Leased Hotels	770.8	167.6	-78.2%
Owned	267.3	71.6	-73.2%
Leased	503.5	96.0	-80.9%
Of which, Room Revenues	542.1	107.7	-80.1%
Owned	180.6	43.6	-75.9%
Leased	361.4	64.2	-82.3%
EBITDAR	206.4	-28.4	-113.7%
Owned	65.5	-11.3	-117.2%
Leased	140.9	-17.1	-112.1%
EBITDA	193.0	-28.3	-114.7%
Owned	65.5	-11.3	-117.2%
Leased	127.5	-17.0	-113.3%
EBIT	67.8	-210.5	-410.6%
Owned	40.1	-51.4	-228.2%
Leased	27.7	-159.1	-675.0%

MANAGEMENT MODEL (millions of €)	2019	2020	Δ%
Revenue	73.6	17.7	-75.9%
Fees from third parties	24.8	5.2	-78.9%
Fees from owned and leased hotels	47.8	6.9	-85.6%
Other revenues	0.9	5.6	-509.9%

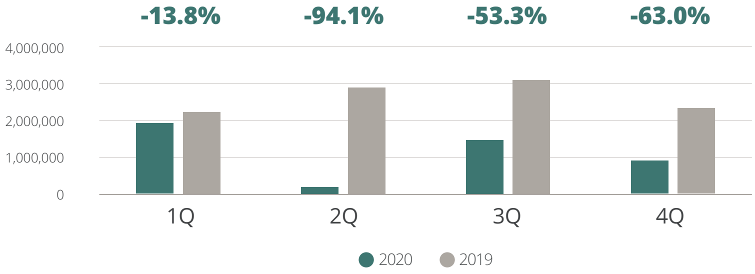
BUSINESS INDICATORS

KEY STATISTICS

	OWNED & LEASED						OWNED, LEASED AND MANAGED					
	OCCUPANCY		ARR		REVPAR*		OCCUPANCY		ARR		REVPAR*	
	%	Δ (pp)	€	Δ%	€	Δ%	%	Δ (pp)	€	Δ%	€	Δ%
Total SPAIN Hotels	44.2%	-29.0	€ 106.5	-8.9%	€ 47.1	-44.9%	41.4%	-30.3	€ 99.5	-7.9%	€ 41.2	-46.8%
City	48.0%	-26.3	€ 118.8	6.9%	€ 57.0	-31.0%	43.7%	-28.1	€ 104.6	4.2%	€ 45.7	-36.6%
Resort	41.5%	-30.7	€ 95.9	-21.6%	€ 39.8	-54.9%	38.7%	-32.6	€ 92.5	-22.1%	€ 35.8	-57.7%

(*) Note: the calculation of RevPAR only takes into account open hotels. If we took into account all our hotels, the decreases in occupancy and the impact on RevPAR would be much greater.

ROOMS AVAILABLE



OPERATIONAL PORTFOLIO & PIPELINE

	OPERATIONAL PORTFOLIO				PIPELINE							
	2019		2020		2021		2022		>2022		TOTAL	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Owned	20	5,325	20	5,328	-	-	-	-	-	-	-	-
Leased	69	15,333	66	14,509	1	164	-	-	-	-	1	164
Management	43	13,176	42	13,104	2	1,046	4	908	-	-	6	1,954
Franchised	14	2,244	13	2,111	-	-	-	-	-	-	-	-
Total SPAIN	**146**	**36,078**	**141**	**35,052**	**3**	**1,210**	**4**	**908**	**-**	**-**	**7**	**2,118**

CHANGES TO THE PORTFOLIO

OPENINGS				DISAFFILIATIONS			
HOTEL	CITY	MANAGED	ROOMS	HOTEL	CITY	MANAGED	ROOMS
-				Tryp Valencia Almussafes	Valencia	Franchised	133
-				Tryp Alicante City	Alicante	Management	70
-				Sol Calas de Mallorca All Inclusive	Manacor	Leased	473
-				Sol Cala Antena	Manacor	Leased	334

PERFORMANCE

Hotels began to close in Spain in the second week of March after the declaration of the state of emergency and lockdown of the population. From the end of March, we converted several of our hotels and a Conference Centre into medical centres for patients with COVID-19 or other illnesses, and also made other hotels available for healthcare workers and other key workers. With the easing of lockdown measures, the Spanish government allowed the opening of hotels with certain restrictions from May 11. However, given the limitations on travel between provinces, the demand for accommodation remained at practically zero, basically consisting only of assistance for essential services.

From mid-June, with the end of the post-lockdown stages and freedom of movement between Spanish provinces, we opened a number of hotels on the coast of mainland Spain to accommodate Spanish travellers, although occupancy levels remained low.

The third quarter was affected by outbreaks in different areas of the country, which led to restrictions on people travelling to Spain (mandatory quarantine on their return to their home country), the main impact of which was seen in the tour operator segment. In these circumstances, the sales strategy focused mainly on generating demand in the domestic market.

In resort destinations, as a result of the quarantines announced from July 25, mainly in the UK, some resort hotels closed early due to their dependence on international markets. Despite the lack of international travellers, in the **Canary Islands** hotel openings were delayed until almost the end of July and were then activated by last-minute domestic demand. **City destinations** were affected in two different ways. Second-tier cities performed well, but major cities such as Madrid and Barcelona achieved more discrete results due to the absence of the MICE and Business Travel segments in September.

In the final part of the year, travel restrictions greatly affected the situation, bringing forward the closure of some hotels and delaying or preventing other hotels opening.

OUTLOOK 2021

At the start of the new year, visibility in Spain is very low due to the fact that current demand is very short-term focused and there is a dependence on domestic travellers, making us cautious about the schedule for opening and closing hotels. In resort hotels the focus is on the Canary Islands, where the lockdown in the UK and Germany has delayed the planned opening of 5 hotels. In city destinations, restrictive policies regarding potential lockdowns force us to be prudent. Although a reactivation of the market is expected, especially in the third quarter and in resort hotels, much depends on the evolution of the vaccination programme in Spain and in feeder markets.

EMEA Region

FINANCIAL INDICATORS

OWNED & LEASED HOTELS (millions of €)	2019	2020	Δ%
Revenues Owned and Leased Hotels	383.1	120.3	-68.6%
Owned	107.2	23.4	-78.2%
Leased	275.9	96.9	-64.9%
Of which, Room Revenues	278.3	72.0	-74.1%
Owned	73.8	12.6	-82.9%
Leased	204.5	59.4	-71.0%
EBITDAR	105.2	-17.1	-116.3%
Owned	28.0	-8.3	-129.7%
Leased	77.2	-8.8	-111.4%
EBITDA	101.0	-16.7	-116.6%
Owned	28.0	-8.3	-129.7%
Leased	72.9	-8.4	-111.5%
EBIT	40.0	-119.8	-399.5%
Owned	18.3	-46.1	-351.5%
Leased	21.7	-73.7	-440.1%

MANAGEMENT MODEL (millions of €)	2019	2020	Δ%
Revenue	29.3	6.2	-78.8%
Fees from third parties	1.4	0.5	-64.0%
Fees from owned and leased hotels	22.7	4.2	-81.5%
Other revenues	5.3	1.5	-71.0%

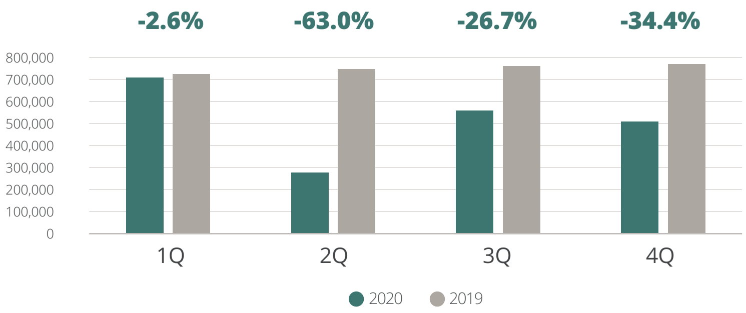
BUSINESS INDICATORS

KEY STATISTICS

	OWNED & LEASED						OWNED, LEASED AND MANAGED					
	OCCUPANCY		ARR		REVPAR*		OCCUPANCY		ARR		REVPAR*	
	%	Δ (pp)	€	Δ%	€	Δ%	%	Δ (pp)	€	Δ%	€	Δ%
Total EMEA Hotels	34.3%	-39.5	€ 117.1	-16.0%	€ 40.1	-61.0%	33.1%	-39.3	€ 122.2	-13.3%	€ 40.4	-60.4%
Germany	33.3%	-39.1	€ 97.0	-12.7%	€ 32.3	-59.9%	33.3%	-39.1	€ 97.0	-12.7%	€ 32.3	-59.9%
France	52.0%	-25.1	€ 123.8	-25.0%	€ 64.3	-49.5%	52.0%	-25.1	€ 123.8	-25.0%	€ 64.3	-49.5%
United Kingdom	32.8%	-43.1	€ 175.7	-1.2%	€ 57.6	-57.3%	31.8%	-44.1	€ 173.8	-1.1%	€ 55.2	-58.6%
Italy	35.6%	-36.1	€ 177.8	-17.9%	€ 63.4	-59.2%	35.6%	-35.7	€ 177.8	-19.5%	€ 63.4	-59.8%
Other EMEA	27.8%	-51.8	€ 137.4	-12.8%	€ 38.2	-69.5%	25.4%	-39.9	€ 164.1	4.2%	€ 41.7	-59.5%

(*) Note: the calculation of RevPAR only takes into account open hotels. If we took into account all our hotels, the decreases in occupancy and the impact on RevPAR would be much greater.

ROOMS AVAILABLE



OPERATIONAL PORTFOLIO & PIPELINE

	OPERATIONAL PORTFOLIO				PIPELINE							
	2019		2020		2021		2022		>2022		TOTAL	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Owned	7	1,397	7	1,395	-	-	-	-	-	-	-	-
Leased	37	6,211	35	5,926	5	1,249	-	-	2	197	7	1,446
Management	9	858	8	812	3	667	6	1,730	2	390	11	2,787
Franchised	31	7,518	32	8,531	-	-	-	-	4	554	4	554
Total EMEA	**84**	**15,984**	**82**	**16,664**	**8**	**1,916**	**6**	**1,730**	**8**	**1,141**	**22**	**4,787**

CHANGES TO THE PORTFOLIO

OPENINGS				DISAFFILIATIONS			
HOTEL	CITY	MANAGED	ROOMS	HOTEL	CITY	MANAGED	ROOMS
ME Dubai	Dubai	Management	93	Tryp Düsseldorf Airpot	Ratingen	Leased	137
Meliá Sunny Beach	Sunny Beach	Franchised	1,013	Innside Niederrad	Frankfurt	Leased	146
				Meliá Villa Capri	Capri	Management	27
				Meliá Budva Petrovac	Budva	Management	114

PERFORMANCE

The year started fairly normally, with revenues increasing by around 3% in the first two months of the year. As of March, with the start of travel restrictions and the closure of hotels due to the pandemic, the situation evolved slightly differently in each destination, although with many common features.

In general, the closures and restrictions in March and April were followed by a tepid recovery that generated a certain optimism for the summer. However, the second wave of the virus arrived in mid-July and brought the summer season to a halt, leading to new restrictions and hotel closures.

The end of the year came in the middle of a third wave, with many European countries almost in total lockdown, including the United Kingdom and France, and others with minimal hotel operations and many difficulties, such as Germany and Italy. The good news came from the **MEA sub-region**, where the Melia Zanzíbar was able to capitalize on demand, particularly from eastern Europe, to operate at above 80% occupancy. **Dubai** also operated within a certain normality, with very satisfactory results at the Meliá Desert Palm and an opportunity for the ***ramp-up*** of our recently opened ME Dubai.

GERMANY

Although the country ended the year with a situation similar to the rest of Europe, it is also true that Germany performed slightly differently throughout the year. There are several factors behind this. Firstly, ever since the beginning of the pandemic Germany had registered a lower number of infections than the rest of Europe, projecting an image of more efficient crisis management. Secondly, and as a result of the first, the restrictions in the first wave were far more lax than in the rest of Europe. Thirdly, around 60 to 65% of guests in German hotels are domestic travellers, a much higher percentage than other countries, which also contributed over the year to significantly better results.

These factors allowed Germany to show a lot of resilience in the first half of the year, with 80% of our hotels remaining open, although obviously with a significant decrease in results. In the summer season, hotels focused on corporate travel obviously saw a reduction in their activity, while destinations with a strong domestic leisure component **(Leipzig, Dresden, Bremen, Aachen and Hamburg)** performed strongly, with occupancy in July and August above 70%.

The second and third waves of the pandemic hit Germany with the same force as in the rest of Europe, forcing the country to impose similar restrictions. The leisure component disappeared at the end of the summer season and the bad weather combined with the lack of MICE and Corporate Travel segments to force us to close half of the hotels as the year ended.

FRANCE

Paris is probably the capital city in the region that has suffered most from the impact of COVID-19, seeing very little of the minor recovery we have seen in other European cities. On March 17, we closed 6 of our 7 hotels in the city, leaving only the Innside Charles de Gaulle open for air crews and transit at Paris CdG Airport. The lockdown was lifted in May, and on June 15 we decided to open a second hotel in the centre, the Meliá Vendome, to take the pulse of the city and help us make decisions about opening the rest of the hotels. The hotel remained open until September without any more hotels opening during that period.

ITALY

Italy was the first country to see outbreaks of COVID-19 in Europe, particularly in the Milan and Lombardy regions where we have most of our hotels. This made the first impact very severe, although once the virus spread to more countries the situation began to change, with an even stronger recovery being achieved at certain times compared to other neighbouring countries. **Milan** was the area most affected by the pandemic, suffering the worst restrictions after it was classified as a high-risk area. Despite this, the city has shown greater resilience than many other Italian destinations, with signs of recovery in the summer, even though summer is typically the off season, and achieving its best results in September and early October. **Rome**, despite being less affected by the pandemic and classified as a medium-risk area for most of the emergency, trends were similar to those in high-risk areas such as Milan, with an even greater decrease in occupancy in the fourth quarter.

UNITED KINGDOM

London began to feel the impact of the pandemic in early February 2020, when it began to receive cancellations and a significant decrease in business from countries already impacted by travel restrictions.

At the end of March, the government decided to implement a lockdown, forcing hotels to close their doors. As in other destinations, London seemed to flourish in summer, and in early July restrictions were finally lifted and we were able to reopen the ME London

At the beginning of the fourth quarter, new outbreaks hit the UK leading to new restrictions and measures limiting leisure activities and requiring teleworking, reversing the recovery that had begun in the third quarter.

OUTLOOK 2021

In EMEA, in recent weeks, expectations have been changing due to the measures implemented by governments in different countries to face the second wave of COVID.

Expectations for the first quarter of 2021 in this region are very uncertain. MICE business is on hold, all of the important trade fairs for the first and second quarters have been cancelled or postponed, and most companies are focusing on teleworking, keeping travel to a minimum and with heavy budget cuts. Under these conditions, we hope to see half of our hotels open in January and February (those that are financially viable), and will wait until the end of February and March to recover greater normality as travel restrictions are gradually lifted.

Americas Region

FINANCIAL INDICATORS

OWNED & LEASED HOTELS (millions of €)	2019	2020	Δ%
Revenues Owned and Leased Hotels	391.5	125.8	-67.9%
Owned	359.1	118.7	-66.9%
Leased	32.4	7.1	-78.0%
Of which, Room Revenues	175.7	55.7	-68.3%
Owned	148.6	50.1	-66.3%
Leased	27.2	5.6	-79.3%
EBITDAR	94.0	-16.9	-117.9%
Owned	83.6	-13.2	-115.7%
Leased	10.4	-3.7	-135.6%
EBITDA	91.3	-17.9	-119.6%
Owned	83.6	-13.2	-115.7%
Leased	7.7	-4.8	-161.9%
EBIT	50.1	-79.3	-258.3%
Owned	50.5	-58.7	-216.3%
Leased	-0.4	-20.6	5,282.5%

MANAGEMENT MODEL (millions of €)	2019	2020	Δ%
Revenue	43.7	16.5	-62.2%
Fees from third parties	7.2	1.6	-77.7%
Fees from owned and leased hotels	23.2	6.1	-73.7%
Other revenues	13.3	8.8	-33.9%

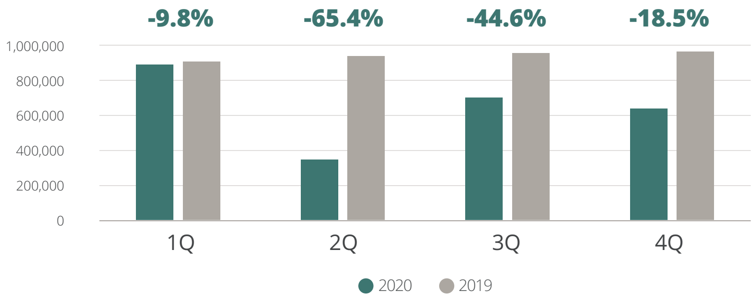
BUSINESS INDICATORS

KEY STATISTICS

	OWNED & LEASED						OWNED, LEASED AND MANAGED					
	OCCUPANCY		ARR		REVPAR*		OCCUPANCY		ARR		REVPAR*	
	%	Δ (pp)	€	Δ%	€	Δ%	%	Δ (pp)	€	Δ%	€	Δ%
Total Hotels AMERICA	37.1%	-23.9	€ 109.4	-8.0%	€ 40.6	-44.1%	29.6%	-31.1	€ 100.9	-7.7%	€ 29.9	-55.0%
Brazil	-	-	-	-	-	-	18.0%	-43.0	€ 61.6	-22.4%	€ 11.1	-77.1%
Mexico	41.1%	-27.1	€ 125.9	4.0%	€ 51.7	-37.4%	41.1%	-27.1	€ 125.9	4.0%	€ 51.7	-37.4%
Dominican Republic	46.4%	-13.8	€ 98.8	-8.1%	€ 45.9	-29.2%	46.4%	-13.8	€ 98.8	-8.1%	€ 45.9	-29.2%
Others AMERICA	25.0%	-24.5	€ 92.7	-33.4%	€ 23.2	-66.3%	27.9%	-27.1	€ 106.8	-16.6%	€ 29.8	-57.7%

(*) Note: the calculation of RevPAR only takes into account open hotels. If we took into account all our hotels, the decreases in occupancy and the impact on RevPAR would be much greater.

ROOMS AVAILABLE



OPERATIONAL PORTFOLIO & PIPELINE

	OPERATIONAL PORTFOLIO				PIPELINE							
	2019		2020		2021		2022		>2022		TOTAL	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Owned	16	6,406	16	6,403	-	-	-	-	-	-	-	-
Leased	2	549	2	549	-	-	-	-	-	-	-	-
Management	17	4,280	17	3,933	1	498	-	-	-	-	1	498
Franchised	2	286	2	286	-	-	-	-	-	-	-	-
Total AMERICA	**37**	**11,521**	**37**	**11,171**	**1**	**498**	**-**	**-**	**-**	**-**	**1**	**498**

CHANGES TO THE PORTFOLIO

In 2020 there were no new openings or disaffiliations in the AMERICA portfolio.

PERFORMANCE

DOMINICAN REPUBLIC

Results up to February in the Dominican Republic were affected by a falling contribution from the US market (mainly in the MICE segment, still affected by the negative news campaigns which, in large part, turned out to be false), in spite of the company's efforts to increase sales in alternative markets such as Europe and Latin America.

Prior to the official declaration of outbreaks of the virus in the destinations, the company already began the closure process from the third week of March. In the second and third trimester, all the hotels in **Punta Cana** were closed due to a lack of demand and the slow recovery in the number of flights. In the last quarter we began to see a recovery, mainly due to arrivals from the United States.

MEXICO

In Mexico, the first two months of the year saw a positive change in trend due to the end of the sargassum seaweed crisis and the success of the company's efforts to focus on the recovery of the North American market and the MICE segment. As in other destinations, the pandemic caused a collapse in tourism that began in March followed by a gradual reactivation from June onwards, which meant that in the third quarter most of the hotels in Mexico were opened, leaving just 2 hotels pending opening in the final quarter of the year.

UNITED STATES

After a good start to 2020 in January and February, with occupancies of 70% and 80% at the Innside New York and Meliá Orlando, tourism slowed in March and stopped almost completely in April, causing both hotels to close. The Meliá Orlando was the first hotel in the region to reopen in mid-May. Despite the difficult situation in **Florida**, the hotel managed to end the year with occupancy of over 40% and with a positive EBITDA in December, which is great news for 2021. The opening of the Innside New York had to be delayed until October.

OUTLOOK 2021

In **Mexico**, the MICE segment is expected to remain inactive until the second half of 2021 due to the restrictions. We will continue to prioritise direct channel sales, in addition to OTAs, and we will continue with tactical strategies in tour operation to recover revenues from countries with demand for Mexico such as the United States, Mexico, Brazil, Chile and Colombia.

In the **Dominican Republic**, recent measures taken by governments in feeder markets to control the pandemic (imposition of tests and quarantine for travellers when returning to their country), is once again causing flight cancellations, leading to greater uncertainty amongst travellers and slowing demand for travel. Given the risk of border closures, some MICE events planned for the first quarter have also been moved to future dates. A positive evolution is expected for individual travel segments from the summer onwards as the vaccination process makes progress in feeder markets and alternative markets are also tapped. In the group segment, leads are expected to pick up for 2022 and 2023.

The expectations for the beginning of 2021 in the **US** are not very positive as the evolution of the pandemic in North America is not good and there is a significant risk of exposure to the virus. Added to the continuing travel restrictions, this means that the projections, especially for the first semester, are not very positive. At the same time, the latest positive news about vaccination programmes around the world suggests that the situation may improve, but in the short term we expect the situation to continue to be complicated in the country.

Region ASIA

FINANCIAL INDICATORS

OWNED & LEASED HOTELS (millions of €)	2019	2020	Δ%
Revenues Owned and Leased Hotels	N.A.	N.A.	-
Owned			
Leased			
Of which, Room Revenues	N.A.	N.A.	-
Owned			
Leased			

MANAGEMENT MODEL (In millions of €)	2019	2020	Δ%
Revenue	6.9	2.3	-67.1%
Fees from third parties	5.7	1.6	-72.8%
Fees from owned and leased hotels	0.0	0.0	-
Other revenues	1.2	0.7	-40.1%

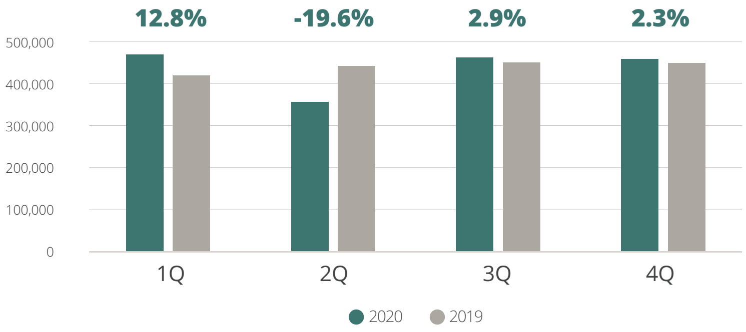
BUSINESS INDICATORS

KEY STATISTICS

	OWNED & LEASED						OWNED, LEASED AND MANAGED					
	OCCUPANCY		ARR		REVPAR*		OCCUPANCY		ARR		REVPAR*	
	%	Δ (pp)	€	Δ%	€	Δ%	%	Δ (pp)	€	Δ%	€	Δ%
Total ASIA Hotels	-	-	-	-	-	-	31.0%	-33.4	€ 69.9	-5.4%	€ 21.7	-54.4%
China	-	-	-	-	-	-	48.6%	-22.4	€ 64.0	-1.7%	€ 31.1	-32.7%
Southeast Asia	-	-	-	-	-	-	24.9%	-37.3	€ 73.8	-4.1%	€ 18.4	-61.6%

(*) Note: the calculation of RevPAR only takes into account open hotels. If we took into account all our hotels, the decreases in occupancy and the impact on RevPAR would be much greater.

ROOMS AVAILABLE



OPERATIONAL PORTFOLIO & PIPELINE

	OPERATIONAL PORTFOLIO				PIPELINE							
	2019		2020		2021		2022		>2022		TOTAL	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Owned	-	-	-	-	-	-	-	-	-	-	-	-
Leased	-	-	-	-	-	-	-	-	-	-	-	-
Management	24	5,414	25	5,773	7	1,523	5	1,239	4	1,263	16	4,025
Franchised	-	-	-	-	-	-	-	-	-	-	-	-
Total ASIA	**24**	**5,414**	**25**	**5,773**	**7**	**1,523**	**5**	**1,239**	**4**	**1,263**	**16**	**4,025**

CHANGES TO THE PORTFOLIO

OPENINGS				DISAFFILIATIONS			
HOTEL	CITY	MANAGED	ROOMS	HOTEL	CITY	MANAGED	ROOMS
Gran Meliá Chengdú	Chengdu	Management	265	-			

PERFORMANCE

Unlike other regions, in Asia the Covid-19 crisis began with the arrival of the Chinese New Year (last week in January), with a significant impact on such important dates for the region, although we ended January with results fairly much in line with expectations. February was the month we closed four of our five hotels in **China**, with the Chinese market falling drastically both for ***inbound*** and ***outbound*** travel. However, our hotels in **Southeast Asia** enjoyed good occupancy levels mainly thanks to the Australian, European and domestic markets. March was when we really began to notice the impact in Southeast Asia, with 10 hotels open and 14 closed. In the second quarter, the infection rate fell across the region, with the exception of Indonesia which was still in a critical situation.

Countries began to recover at different rates, with China and Vietnam having applied the strictest measures to combat and contain the disease and therefore experiencing a greater recovery in their respective economies. Countries such as **Thailand, Malaysia and Myanmar** have had greater difficulties, but with the situation fairly much under control. We believe **Indonesia** will take longer to recover, especially in Bali, where there is a greater dependence on the international market which continues to be non-existent. With regard to demand, there is an evident improvement in China and Vietnam, where the travel industry is also seeing a considerable recovery. At the moment the market is purely domestic, with the challenge being to recover the international market in the medium term.

In the second half of the year, there were positive trends in hotels in **China**, with figures similar to 2019, especially in terms of occupancy. However, as we have said, the situation is different in **Indonesia, Malaysia, Thailand and Myanmar,** where the pandemic continues to have a strong impact, causing borders to be closed and making it difficult or impossible for international flights to arrive. Dependence on the domestic market is having a negative effect on the business. Our hotels in **Vietnam** have seen some improvements in city hotels thanks to a focus on local customers. However, the volume is still behind 2019 levels, with decreases in demand from corporate travellers. Resort hotels are doing better due to demand from local leisure travellers.

OUTLOOK 2021

In APAC, our expectations for the first quarter of 2021 is that we will continue with the same trend seen in the fourth quarter of 2020: no international market, lack of corporate business and MICE, and with a focus only on the local market. We believe that we may start to see some recovery in the second half of 2021. Our forecast for our hotels in China for 2021 is to achieve figures similar to 2019 as long as Covid19 remains under control in the country.

CUBA Region

FINANCIAL INDICATORS

OWNED & LEASED HOTELS (millions of €)	2019	2020	Δ%
Revenues Owned and Leased Hotels	N.A.	N.A.	-
Owned			
Leased			
Of which, Room Revenues	N.A.	N.A.	-
Owned			
Leased			

MANAGEMENT MODEL (millions of €)	2019	2020	Δ%
Revenue	12.1	1.9	-84.0%
Fees from third parties	9.9	1.5	-85.3%
Fees from owned and leased hotels	-	-	-
Other revenues	2.1	0.5	-77.9%

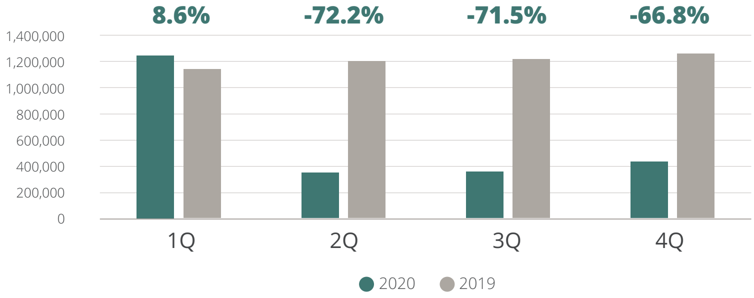
BUSINESS INDICATORS

KEY STATISTICS

	OWNED & LEASED						OWNED, LEASED AND MANAGED					
	OCCUPANCY		ARR		REVPAR*		OCCUPANCY		ARR		REVPAR*	
	%	Δ (pp)	€	Δ%	€	Δ%	%	Δ (pp)	€	Δ%	€	Δ%
Total CUBA Hotels	-	-	-	-	-	-	33.4%	-17.4	€ 91.2	14.2%	€ 30.4	-24.9%

(*) Note: the calculation of RevPAR only takes into account open hotels. If we took into account all our hotels, the decreases in occupancy and the impact on RevPAR would be much greater.

AVAILABLE ROOMS



PORTFOLIO IN OPERATION AND PIPELINE

	OPERATIONAL PORTFOLIO				PIPELINE							
	2019		2020		2021		2022		>2022		TOTAL	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Owned	-	-	-	-	-	-	-	-	-	-	-	-
Leased	-	-	-	-	-	-	-	-	-	-	-	-
Management	35	14,781	32	13,916	1	401	3	523	-	-	4	924
Franchised	-	-	-	-	-	-	-	-	-	-	-	-
Total CUBA	**35**	**14,781**	**32**	**13,916**	**1**	**401**	**3**	**523**	**-**	**-**	**4**	**924**

CHANGES TO THE PORTFOLIO

OPENINGS				DISAFFILIATIONS			
HOTEL	CITY	MANAGED	ROOMS	HOTEL	CITY	MANAGED	ROOMS
				Meliá Cayo Guillermo	Morón	Management	301
				Sol Cayo Guillermo	Morón	Management	268
				Sol Cayo Largo	Isla de la Juventud	Management	296

PERFORMANCE

The cancellation of flights from Canada announced on March 17 in the wake of the spread of the Covid-19 pandemic marked a turning point. From that day on, hotels gradually began to close as cancellations, repatriations and the final departures of customers staying in our hotels began. On March 23, the country's authorities finally ordered the closure of the country's airports. As a result of the closure of borders and internal restrictions on travel, in the second quarter of 2020 practically all the hotels were closed. The exception was a few hotels which remained open to accommodate tourists who could not be repatriated before the borders were closed and foreign advisers from international companies who remained in the country to await reopening.

At the beginning of July, the reopening of a number of hotels for the domestic market was authorised, as well as the opening of borders to international travellers for the hotels in **Cayo Santa Maria, Jardines del Rey and Cayo Largo**. For the domestic market, we opened the Melia Internacional and Sol Palmeras hotels, both in Varadero, as until mid-July the Luna Mares Complex in Holguín.

No regular commercial flights were available for most of the second and third quarters. The first Air Canada Vacations flights returned to Cayo Coco in September. Two major Russian tour operators also resumed weekly flights to Cayo Coco.

This incipient recovery finally allowed us to reopen several hotels in the region to international travellers in the final months of the year.

At the same time, at the end of the year we partially reopened hotels in **Havana,** with occupancy mainly focused on air crews, online business and companies. Several airlines resumed regular flights to Havana although with limited frequencies.

During the period the hotels were closed, major repairs were carried out in several of them that would not have been possible to do under normal conditions.

Taking into account the limited sales opportunities and operational problems over recent years, in the final quarter of the year the Sol Cayo Guillermo, Meliá Cayo Guillermo and Sol Cayo Largo hotels were disaffiliated.

OUTLOOK 2021

The recent measures taken by governments in feeder markets (especially Canada) to control the pandemic, have once again caused flight cancellations and hindered the arrival of tourists.

Due to its global implications, the most relevant news in the first quarter of the year was the significant monetary reform that came into effect in Cuba on January 1. The Cuban Convertible Peso (CUC) was eliminated as a regular currency and accounting unit in the business sector, and replaced by the Cuban Peso (CUP). The Cuban peso was also devalued with respect to the USD, with the official rate changing from 1 to 1 to 24 to 1, causing an upward surge in all wholesale and retail prices in the country as well as in wages.

As a result of the radical readjustment in relative prices, a notable improvement in the profitability (now measured in Cuban pesos) of export activities is expected, which will directly benefit the country's tourism industry.

Club Meliá & The Circle

Just like the hotel business, Club Meliá & The Circle were affected by the impact of COVID-19, with operations closed down in mid-March. Sales in USD for the year fell by 69.7% compared to the previous year as sales operations were closed for six months in two hotels and three months in one of the three properties active with sales activity.

In the fourth quarter, membership sales continued to be affected by the pandemic despite the fact that sales operations resumed in **Punta Cana** and **Cancun**, with Playa del Carmen being the only centre that began operations from the third quarter.

On the other hand, a telephone sales campaign began in Punta Cana to encourage people to upgrade and update membership even with the hotels closed. The “Improve your Membership: Upgrade and Save ” was launched on August 17 for Circle members and on September 22 for Club Meliá members, generating US$800,000 in membership sales since its launch.

Revenue (IFRS 15) decreased by 25.3% over the year compared to the previous year. This result highlights the resilience of the Club's business model and its ability to continue generating income despite the effects of the pandemic and the prolonged closure of the hotels, as well as the conversion or transition of Options to other redemption systems.

Real Estate Business

In 2020 we did not make any asset sales and therefore generated no capital gains. In the same period in the previous year we sold two hotel assets in Spain for a total amount of €21.2 M, generating net capital gains at the EBITDA level of €10.1 M. We also registered an impairment of €3.1Mn as a result of the fair-value adjustment of a shopping centre located in Caracas and other commercial premises.

However, as a result of the effects of the crisis caused by COVID, some of our assets have seen a decrease in their value:

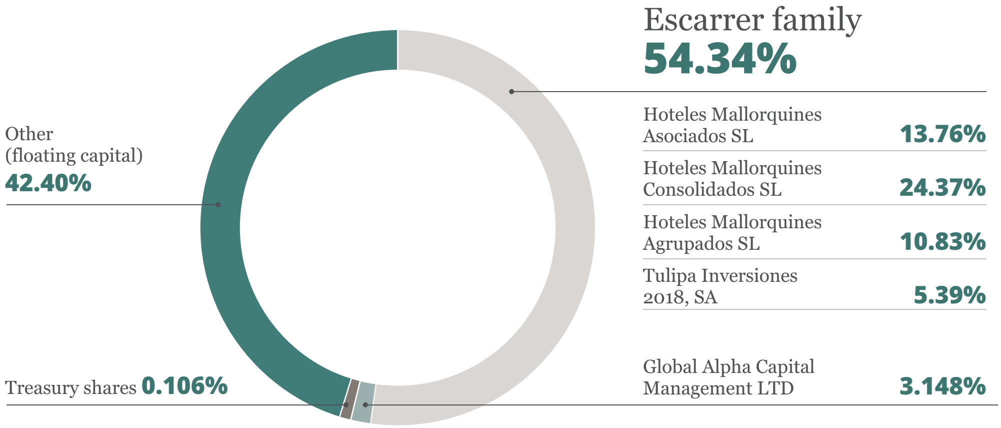
- **Owned hotel assets:** For owned assets that have possibly lost value, an updated valuation has been obtained through a combination of valuations carried out by independent experts and internally by the company. As a result of these valuations, a negative income statement impact of €80.3 M has been recorded, of which €41.5 M corresponds to recently acquired hotel assets, €21 M to real estate investments held at market value and €17.7 M to assets in companies valued using the equity method.
- **Rights of use over hotel assets (hotel assets under lease):** We have estimated the recoverable amount by determining the value of use based on an updated business plan for the period 2020-2030, resulting in an impairment of €70 million.

Note that these impairments are on the accounting level and have no effect on company liquidity. We continue to believe in the strength of our asset portfolio, both in terms of its quality and its underlying value. Excluding assets accounted for as Real Estate Investments, the Group's properties are recorded at their depreciated historical acquisition cost. Despite the value adjustments made in 2020, if we apply the discount rates used to the last asset valuation in 2018, which registered a total value of €3,750 million, which range between low single-digit and double-digit rates, depending on the location and relevant factors applicable to each asset, the company still shows significant underlying capital gains over the book value of the assets.

Value for our shareholders

SHAREHOLDER DISTRIBUTION

After the incorporation in 2019 of Global Alpha Capital Management Ltd as a significant shareholder and the capital reduction this year, as of December 31, 2020, the shareholders of Meliá Hotels International are as described in the following graph.

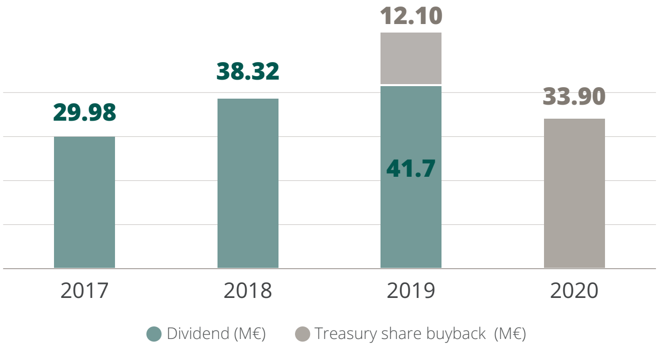


SHAREHOLDER REMUNERATION

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

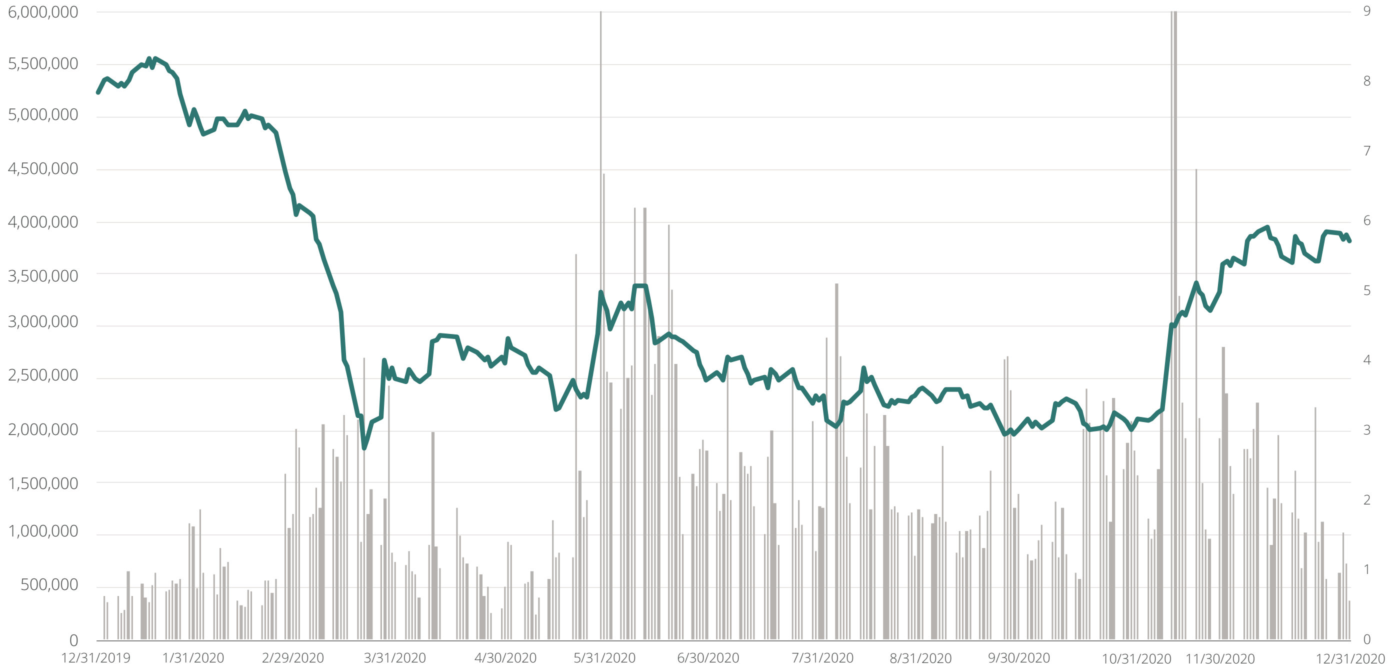
Due to the difficult situation caused by the pandemic, to strengthen solvency and liquidity, the Board of Directors in its session of May 18, 2020 unanimously decided, among other things, the following:

1. Cancel the proposal for the distribution of dividends initially included in the Annual Accounts presented by the Board of Directors on February 26, 2020; and
2. The early termination of the Treasury Shares Buyback Programme



STOCK MARKET EVOLUTION

In 2020 our shares lost 27.2% of their value while the Ibex 35 fell by 15.5%.



MAIN STOCK MARKET INDICATORS

	1T 2020	2T 2020	3T 2020	4T 2020	2020
Average daily volume (thousands of shares)	934,536	1,727,593	1,529,369	1,749,226	1,486,545
Meliá (% change)	-50.64%	-2.53%	-17.13%	82.51%	-27.23%
Ibex 35 (% change)	-28.94%	6.57%	-7.07%	20.21%	-15.45%

	2020	2019
Number of shares (millions)	220.4	229.7
Average daily volume (thousands of shares)	1,486.5	623.9
Maximum price (€)	8.34	9.18
Lowest price (€)	2.74	6.93
Latest price (€)	5.72	7.86
Market capitalisation (€ M)	1,260.7	1,805.4
Dividend (€)	-	0.183

SHARE REPURCHASE PROGRAMME

At the meeting of October 17, 2019, the Board of Directors of Meliá Hotels International S.A. agreed to carry out a treasury share buyback programme to reduce the company's share capital.

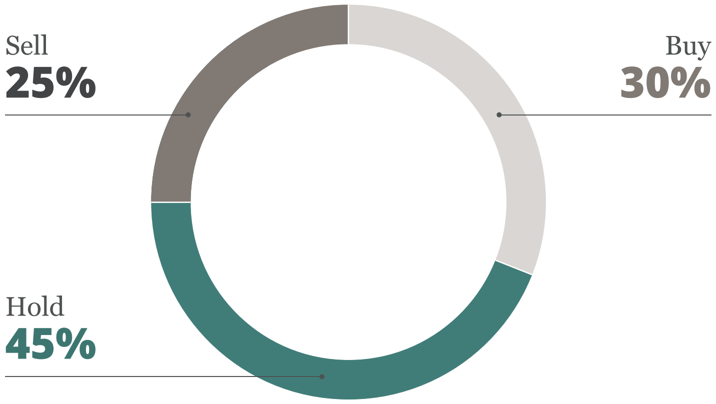
As previously indicated, in the session of May 18, 2020, the Board of Directors unanimously agreed the early termination of the Treasury Share Buyback Programme to strengthen company solvency and liquidity.

During the execution of the Buyback Programme, the company acquired 7,846,246 treasury shares (corresponding to 3.416% of the share capital) and invested a total of €46,051,882 (including expenses).

On July 10, 2020, the Board of Directors, as delegated by the Annual General Meeting held on the same day, agreed to reduce capital through the amortisation of treasury shares also approved by the Annual General Meeting.

The purpose of the capital reduction through the amortisation of treasury shares was to improve shareholder remuneration.

ANALYST RECOMMENDATIONS



Target price

€5.05
per share

Coverage by

20
Analysts

Digital transformation

The Meliá digitalisation process

For more than 5 years we have been actively investing in the digital transformation of the company, beginning with our distribution model through the **Be More Digital** programme. The current circumstances have shown that to be a very astute decision.

For example, since 2015 total online sales have been higher than the total sales through traditional offline channels. In 2020 our digital sales through different online channels represented 70% of total sales.

Together with the fact that the pandemic has caused a technological revolution in both work and home life, that is why digitalisation remains one of our key strategic priorities. We have thus decided to extend the digital transformation to other areas of the company under a 360-degree, humanistic and sustainable vision, attending both to market requirements and to pioneering initiatives in the industry based on the following premises:

Suppliers

We continue to see digitalisation as a route to growth, with the firm objective of maintaining and improving our leadership in the industry.

Customers

Focusing on offering a digital experience to customers that meets their needs and expectations, in line with the value proposition of each of our brands.

Employees

Involve the entire organisation in our digital transformation, enhancing their skills and attracting the best talent as the key to success.

Processes

Seek maximum efficiency in processes that are "unseen", but which form the basis of our digitalisation.

With the objective of evolving towards a digital operating model through innovation, technology and more efficient processes, that is why we are focusing on Back and Front-Office processes and the customer experience based around 12 projects in three different areas:

DISTRIBUTION

Evolving our model and focusing on the customer experience while ensuring an omnichannel experience and the personalisation of our service

1. **Experience Customer Service Centre**: transform our call centre into a centre focused on improving the customer experience, increasing our sales and service abilities through the improvement, automation or elimination of processes and prioritising high-value customers. To make it happen, we will focus on three key areas:

    - Efficiency: improvement, automation or elimination of calls, emails or processes that contribute little or no value
    - Revenue: Our commitment to an omnichannel experience as a driver of greater revenues and improved profitability
    - Service: Differentiate service levels and operational ratios for "high-value customers" through personalisation

2. **CRS technology evolution (our booking engine):** The value generated by new technologies has led us to consider evolving our booking engine (CRS) towards a more agile, efficient, dynamic and flexible model using cloud-based technology which will help us significantly optimise our transaction costs.

3. **New generation melia.com:** Develop a unique site in which B2C, B2B and Circle sales and our brand strategies coexist, providing a coherent, personalised and modern experience for users and integrating personalisation, experiences and omnichannel.

FRONT OFFICE

Offering a unique digital experience to our customers throughout their customer journey:

4. **Meliá APP Evolution:** We want the Melia APP to be a useful tool for travellers and are implementing best market practices to:
   - Use it as a platform which consolidates all of the different tools and services that customers have at their disposal
   - Enhance customer autonomy to improve their perception of the efficiency of some processes and their level of satisfaction
   - Generate extra revenues during the stay, making it easier for guests to use F&B services or book Spa services, for example.
   - Reduce stationery both in rooms and public areas (directories, menus, hotel information, etc.), contributing to our commitment to the environment.

5. **Point of Sale Management (POS)**: aligned with the previous project and helping offer a digital experience to all our customers, we work on the digitalisation of all the products and points of sale that customers encounter on their customer journey: room service, self-ordering, restaurant reservations and even management of F&B points of sale.

6. **PMS Opera Cloud centralisation:** the evolution towards a single PMS is a major step in increasing efficiency as it allows a single database, the use of next-generation Cloud technology, accessibility online, platform agnosticism, openness to every kind of integration, unique versions and standards for all hotels, constantly ensuring availability, performance levels, security and optimal costs thanks to a SaaS (Software as a Service) model.

BACK OFFICE

To guarantee the efficiency and professionalism of the services offered to our business units

7. **Cash Flow Evolution:** project to optimise real-time information on Cash Flow to make cash management more efficient thanks to a tool that will allow us to integrate all the different information sources involved and centralise and automate all the related tasks.

8. **Employee Central:** evolution of the personnel management system towards a core system for talent management with the ability to digitalise the major part of Human Resources processes. We aim to centralise global data to allow more agile and more efficient decision making, while also allowing the standardisation, optimisation and decentralisation of processes while still retaining control over them. Responsive cloud-based system accessible from any device to improve the employee experience.

9. **Digital Procurement:** evolve the purchasing function and cost management towards a 100% digital model using best-in-class systems as a catalyst to drive change.

10. **Digital Experience :** promote major progress in the digitalisation of the work of employees through:

    - Tools that facilitate both remote work and learning
    - Raise awareness among employees about new technologies and solutions that help them in their work with a focus on greater efficiency
    - Digitalisation of processes to allow the relocation of resources to perform tasks remotely.

11. **Transformation of Operational Processes**: after a study of current operations in a pilot hotel, to define new more efficient internal processes to optimise both operations and profitability through greater cost efficiency, the simplification of processes and the elimination of inefficiencies

12. **Analytics 360:** Finally, a company-wide project in all three areas. Analytics 360 aims to obtain greater value from information we already have and also add new dimensions of information to help us implement even more advanced analytics as a key driver of profitability. The new digitalisation projects will have their own analytical capabilities and this will also help optimise the analytical function and the value of data as a key creator of value for Melia in its digital transformation process.

Data Security & Cybersecurity

Cybersecurity governance

In line with our digital transformation, we are committed to facing data security risks through the implementation of a solid governance model which includes the representation and ***expertise*** of the Board of Directors as well as the ***Data Security Policy*** approved in 2017 and the new **Systems Security Regulation** approved by the Executive Committee in September 2020.

Guiding Principles of the Data Security Policy:

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

For Meliá, the protection of the personal data of its customers and other stakeholders is a top priority. To guarantee protection, the company has all the required structures, plans and control mechanisms to ensure alignment with the applicable legislation and regulations in each country.

The main aspects covered by the Systems Security Regulation are:

- Classification of the sensitivity of data by level of confidentiality
- Data classification process
- Information systems security framework
- Associated roles
- Mandatory compliance with PCI and its external certification
- Security incidents and crisis management
- Procedures for non-compliance

Supply chain security

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

Security in payment systems

As part of the commitment of the company to safeguard and correctly manage credit card information, in 2020 we guaranteed PCI DSS certification of the booking environment for the tenth consecutive year. Similarly, best practices in security are also applied to ensure proper use in the different means of payment offered to customers.

CLOUD solutions

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

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

COVID-19 context: IT infrastructure resilience

Given the current number of people teleworking due to the pandemic, it is essential we have the technical and organizational systems to allow us to continue operating in the safest way possible. Thanks to the best practices we have implemented in Cybersecurity, we have been able to face the new demands and risks in the most agile and safest way.

We have a Security Operations Centre (SOC) which manages cybersecurity globally, monitoring and controlling security on our networks and in our system environments. We also control user access and permissions both internally and externally and also use VPN technology, double authentication and virtual desktops. We keep the software used on the computers up to date and protect our private network through firewalls that block unauthorized access and also allow authorised communication. We use a state-of-the-art antivirus programme installed in all of our systems and hardware and we carry out mandatory cybersecurity training programmes on an annual basis to raise awareness about cybersecurity issues throughout the company. Our objective is to ensure that all our employees can work from home with the maximum security guarantees, just as if they were in the workplace.

Employees trained in cybersecurity	**4,225**
Employees trained in PCI	**4,202**
Employees trained in GDPR	**7,391**

Communication strategy

Communication and reputation management

A NEW MULTI-CHANNEL AND MULTI-STAKEHOLDER STRATEGY

The current business environment has emphasised the need to transmit a sensation of trust and transparency to our stakeholders, showing that we are closer to them than ever and emphasising our involvement with the community and our company values. Travel companies suffered the almost total paralysis of our activity and forced closures which also presented an unprecedented challenge in the way we could communicate with our different audiences.

We decided to be proactive and adapt our strategy based on **new strategic communication objectives**: keeping our company in the top of mind of our audience and strengthening engagement during a period in which reputation and trust were above any commercial concerns, and thus turning the crisis into an opportunity to be seen as an even more leading, innovative and responsible brand.

We had two very important factors in our favour: firstly, our high degree of digitalisation, which provided us with powerful online communication tools for our customers and other stakeholders, and secondly, our considerable strength in social media, in which there has been a spectacular increase in use during the lockdown with 62% of consumers getting their information through these channels.

Mentions in digital media

79k

Estimated total impacts

135.2B.

Positive and neutral sentiment

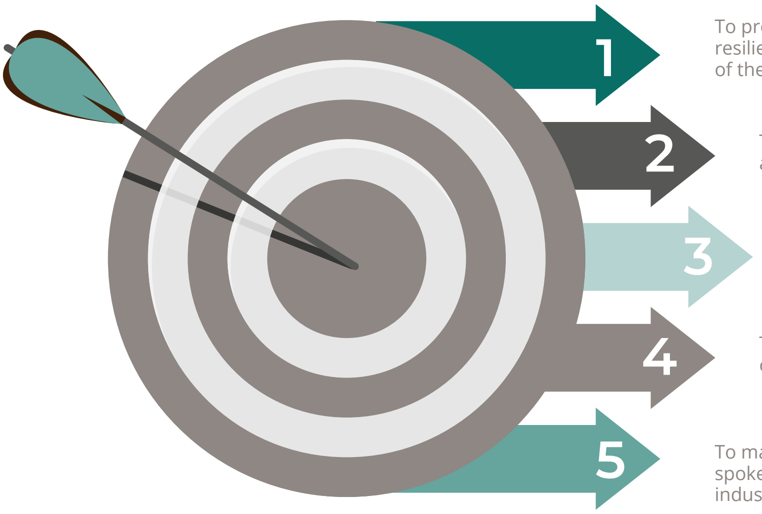
91.2%

NEW 360º APPROACH

Since the beginning of this extraordinary situation, internal and external communication through all channels has been essential in the management of the crisis and the consolidation of the reputation of the Group. That is why we decided to implement a coordinated strategy across the different corporate and sales communication areas, focusing on teamwork and alignment with the company's objectives and needs. The Corporate Communications management team formed part of the COVID-19 Crisis Management Committee to guarantee alignment, and both the CEO and the Senior Executive Team were actively involved in communication.

Given the poor visibility and the unexpected nature of the pandemic, an **evolutionary strategy** was designed, starting with a "shock and responsible adaptation" stage in March and April, followed by a "building confidence" stage in the 2nd quarter, and a progressive return to activity and "preparation for recovery" stage thereafter, which we had to make compatible with the management of occasional outbreaks of the virus from summer 2020.

We defined **five major goals and areas** to which all communication should contribute:



1. To promote our positioning as a solid, responsible and resilient company, building an image of strength in the face of the pandemic and mitigating any negative impacts.
2. To support the return to activity of hotels and the destinations in which we are present.
3. To accompany our employees and customers in this exceptional situation.
4. To affirm our confidence in the renaissance of tourism and in our proposals for the future.
5. To make Meliá, and particularly our CEO, spokespersons and leaders of the tourism industry through the crisis

This multichannel communication strategy has allowed us to align all our efforts and investments to amplify our key messages. Actions such as **"Meliá with the Heroes"**, the **"Stay Safe with Meliá"** programme and the "**Every day matters**" campaign are clear examples of the planning ofpublic relations, social media, corporate communication and digital marketing activities which have allowed us to create visibility and enhance the value of Meliá Hotels International and our collaboration with society, achieving excellent results with regards to audience perception.

Messages received in customer service

355,866

Positive and neutral sentiment

93%

INTERNAL COMMUNICATION

Communication is one of the fundamental factors in our relationship with our employees. The complex context of 2020 and the impact on employees has forced us to adapt and reinforce our communication strategy to ensure greater coherence and proximity and ensure "no one gets left behind", making everyone feel themselves an indispensable part of this large family in spite of the terrible circumstances.

Teleworking or furloughs for many employees have created a new relationship environment that led us to strengthen our digital communication to retain our bonds with employees, allowing them to participate in the changes the company was going through in real time and responding to all their doubts and concerns while keep them promptly informed about everything that affects them.

To do this, we strengthened **three fundamental channels**. Firstly, the creation of a new weekly ***Newsfeed*** sent to all employees and beginning with a message from the CEO, who has become our chief spokesperson and strengthened his proximity to employees. The ***newsfeed*** contains the most relevant recent company news, news from hotels and news about new projects focused on our recovery from the crisis, with a very special emphasis on acknowledging the efforts made by our teams and their commitment to the company.

Within the **Meliá Home** portal we have also created new ***sites* or virtual communities** that have also been very important in communications about the crisis and changes. Two of them are particularly important: the creation of the COVID-19 management site for the distribution of all the protocols and materials created to assist in crisis management, and the creation of the Be Digital 360 site on the company's digital transformation programme, which accelerated its implementation in 2020 with the launch of numerous new projects.

Finally, the **eMelia** training platform has been a key tool in reinforcing digital communication and the bonds with employees. During lockdown, eMelia was opened up to a much larger group of employees, offering them excellent online learning opportunities to continue developing their talent, skills and abilities. The tool was also used to carry out numerous internal webinars to share experiences and ***best practices*** between our team members.

News	**353**
Internal memorandums	**88**
Newsfeeds	**49**

Greater use of Social Media

Social media have been the media most used during the pandemic and the main channel we have used to promote positive feelings towards the company. Our total number of followers increased by 5.87% compared to the previous year with **8 million followers** with a reach of 680 million and 866 million impressions. Our **Communication Plan** was specifically adapted for social media to leverage this audience and provide high-value content in each of the different stages of the pandemic. The adaptation was based on 3 objectives:

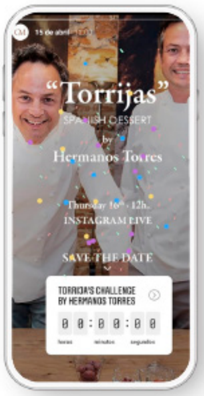
1. Improve social communication with our audience
2. Support the reactivation of the business through different brand campaigns and influencer marketing
3. "Viralise" our responsible behaviour and social contribution in the fight against the pandemic

ACTION STAGES

Our Social Media strategy consisted of **5 stages** in which our communication strategy was adapted according to the evolution of Covid19 and the sentiment of our audience.

1
Shock

Information stage and promotion of Social Responsibility to users



2
Covid-19 Peak

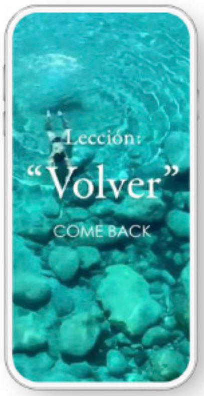
Entertainment and Awareness Content

3
Aftermath

Solidarity Values of Companies: Hotel-Hospitals and Meliá With The Heroes

4
Rebirth

Positive News, Reopening of Hotels and "Stay Safe With Meliá" Safety and Hygiene Measures



5
Dream again

Hope about travelling again and occasional sales promotions

Messages received during the first weeks of COVID-19 compared to the previous year (claims and questions)

+153%

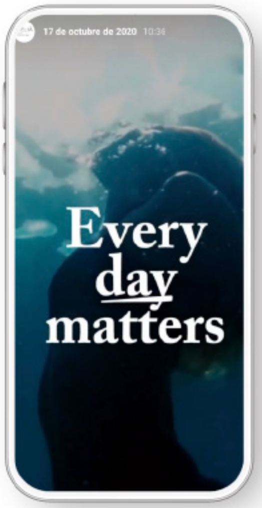
	4 Rebirth	5 Dream again
Mentions	**10.1k**	**85**
Interactions generated	**1.2M**	**3.1k**
Total estimated impacts in Social and Digital Media	**2.3B.**	INFLUENCER **3.2M**

MARKETING

Collaboration with influencers on social media was key to communicating, amplifying and enhancing trust in the **Stay Safe with Meliá** programme, as well as generating traffic and boosting bookings on our website.

Influencer marketing aimed at generating greater relevance, resonance and authenticity through the use of professional content generated by the most qualified users. We also used the analytical capacity of **Traackr,** a partner specialising in identifying the influencers most closely related to the brand, to measure the performance and contribution of each collaboration.

Total 2020	*During Covid*	
97 Influencers	**34** Influencers	**61M** Total followers of influencers
965 Posts	**478** Posts	**6** Nationalities of influencers
2.4M Interactions	**1.8 M** Interactions	**14** Promoted hotels
4.14% Engagement rate	**3.9%** Engagement rate	**249** Bookings
1.079M Estimated total impacts	**851M** Estimated total impacts	**€147,145** Booking value
14.54% Traffic for melia.com		



“EVERY DAY MATTERS” CAMPAIGN

The impact of COVID-19 on tourism has highlighted more than ever its importance in economic and social development. At Meliá we have assumed the responsibility and challenge of making our involvement in society and our values as a company more visible.

This was the basis for the “Every day matters” project, consisting of a series of mini-documentaries designed for our followers on social media. The videos were narrated by Gabriel Escarrer and starred different employees, allowing us to share with our audience in an innovative way our commitments to the environment, talent development, digitalisation or, now more than ever, the safety of the experience we offer our customers.

Mentions	Users reached	Estimated total impacts	Interactions generated	Video views
197	**1,319,265**	**24,709,597**	**231,256**	**1,081,916**

Positioning and reputational transfer of the CEO

One of the fundamental aspects of our communication and reputational management strategy during the crisis has been the participation of the CEO who, also as President of Exceltur, has strengthened his personal brand and influence through participation in numerous forums, having a positive impact on the evolution of the industry and the reputation of the company.

AN INDUSTRY LEADER

As President of the Exceltur Alliance since 2019, an organisation which brings together more than 30 of Spain’s leading travel companies, together with the Executive Vice President Jose Luis Zoreda, Gabriel Escarrer has led an active campaign of communication and influence with public authorities and the rest of the industry. Escarrer has met with representatives of both the public and private sectors both in Spain and abroad to encourage greater dialogue with the industry, raise awareness among government officials about the needs of the industry, and encourage collaboration between companies and public-private partnerships.

He also represented the industry in UNWTO assemblies and international summits, such as the WTTC summit with G-20 Tourism Ministers on October 12, or as a speaker at the European Tourism Convention organised by the European Union.

With the same objectives and the same commitment, other members of the management team delegated by the CEO have actively participated and exerted an influence in areas such as Labour Relations in the industry, as is the case of our Chief Human Resources Officer, Gabriel Cánaves, or our Chief Legal & Compliance Officer, Juan Ignacio Pardo, in legal and regulatory matters, the transposition of European regulations and resolutions, as well tourism organisations (WTO) or multi-sectorial organisations (Chambers of Commerce, etc.) of which Meliá is a member or participant.

Participation in

28

public events, forums and webinars

Participation in

113

tourism industry, business and public sector meetings

More than

90

interviews with the media

A TEAM LEADER AND TRANSMITTER OF KNOWLEDGE

Internally, the CEO's communication with our employees was greatly reinforced, understanding that employees have been strongly affected by the crisis and that proximity and transparency are vital factors in nurturing their motivation and trust. That is why the CEO has sent a message every week to all employees since March 2020 to personally communicate the measures in the contingency plan, people management, preparation for the return to work or digital transformation; key messages in bolstering the cohesion and commitment of our people at such a critical time for the company, particularly due to the fact that the response of our talent will be key to how we face the recovery period.

Both the CEO and other members of the Senior Executive Team have also actively participated in transmitting knowledge and supporting team development through several webinars and video-streaming sessions.

A SOCIAL CEO AND COMMUNICATOR

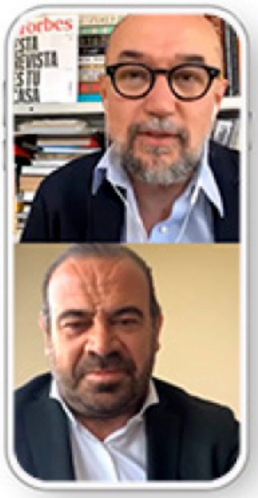
Gabriel Escarrer has also worked intensely on both proactive and reactive communication in his role as both CEO of the leading Spanish hotel company and as the most senior representative of Exceltur. He has increased his presence in traditional and online media, and enhanced the communication strategy on social media sites such as Twitter and Linkedin, amplifying Meliá's achievements and becoming a key spokesperson for the tourism industry. Escarrer has become a **"LinkedINfluencer"** and, at the end of 2020, had more than 30,000 followers between both networks.

Followers on Twitter (+73.8% vs 2019)
6,298

Posts on Twitter (-0.06% vs 2019)
276

Interactions on Twitter (+122% vs 2019)
37,896

"THE SOCIAL CEO"



9.1k
Mentions in digital media

3,055,244
Impressions

15B
Estimated total impacts of mentions in digital media

55,848
Interactions generated

87.4%
Positive and neutral sentiment in mentions

18
Articles on LinkedIn

29,899
Total followers (+100.44% vs 2019)

17,784
Visits to CEO profile

Customer experience

Sales strategy & structure

Meliá Hotels International is committed to a transformation of the sales function to adapt to the new challenges faced by the tourism industry, maintaining a focus on customer relationships and reinforcing our leadership in the main leisure and ***bleisure*** markets.

In a rapidly changing environment, we have adapted our global sales strategy to the reality in each of the destinations and regions in which we operate with the assistance of specialist teams in each market segment. In a year in which travel has been severely restricted, stimulating demand has been one of our top objectives.

DIRECT SALES

Our melia.com website remains our most relevant sales channel, generating 2.3 million stays. After significant growth in recent years, melia.com has become an essential driver of improvements to company performance and also our greatest strength in an increasingly competitive environment.

Over this very complex year, we have launched several campaigns and sales actions to stimulate demand and increase direct sales. The first campaign we launched after lockdown was to show our solidarity. The **"Nights for your days"** campaign gave away free stays to people that had been working on the front line of the battle against COVID-19. More than 40 million users visited the promotion site and its success was demonstrated by the fact that the 1,000 stays we gave away every day were booked in less than 5 minutes.

Shortly after, we launched the **"When you come back, stay safe with Meliá"** campaign as our hotels gradually began to reopen, seeing a positive response in terms of bookings in spite of all the uncertainty. At the same time we launched other support activities such as a new online check-in functionality, new free cancellation policies, the “Stay Safe With Meliá” health and safety measures, and emails to customers to recover possible cancellations and implement an “on-hold” reservation system.

We ended the year with the **Wonder Weeks** and **Black Friday** campaigns. Boosted by the hope created by the recently announced vaccines, they managed to boost bookings for future stays, with sales of 20 million euros for Black Friday.

On the whole, we should highlight the very positive increase in the proportion of bookings that our direct sales channel has generated since the beginning of the pandemic. Proof of this is that **32.2% of revenues** have come from direct sales this year, and we expect that to reach 38%in2021.

MELIA SYSTEM SOURCES*	
Direct Sales	32%
Leisure	23%
E-commerce	22%
Business Travel	13%
Meetings & Events	10%

(*) of total revenue

SATISFACTION LEVELS

Satisfaction scores at the company level have increased with respect to the previous year and with respect to objectives. In addition, this year 1,784 complaints were registered, of which 100% of them were answered.

The **NPS (Net Promoter Score)** improved compared to the previous year. Bearing in mind the pandemic, this is a sign that the management of the customer experience in hotels has been highly satisfactory.

NPS	2017	2018	2019	2020	2020o
Customer NPS	48.30%	46.90%	46.10%	48.10%	47.00%

In terms of the **GSS (Guest Satisfaction Survey)**, the results for the company as a whole and by brand show a positive evolution and are above objectives.

GSS	2017	2018	2019	2020	2020o
Customer GSS	82.10%	82.30%	82.80%	83.00%	82.00%

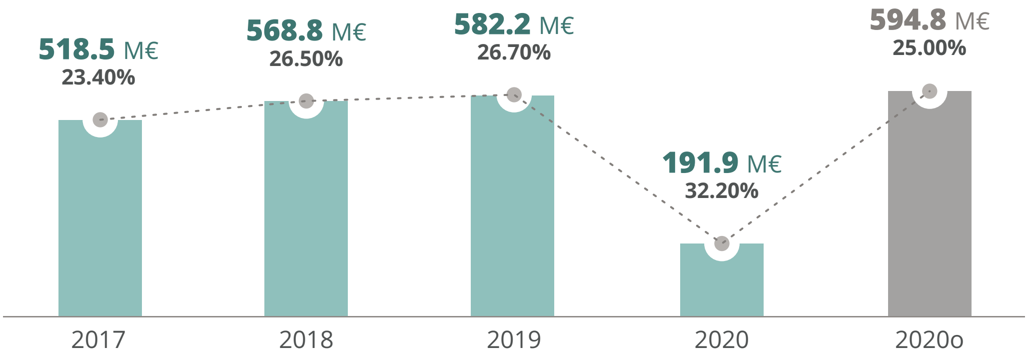
The **QPI (Quality Performance Indicator)** ***on*** a company level decreased slightly compared to the previous year, falling below our objective. This was due to a greater drop in our online reputation than our competitors

QPI	2017	2018	2019	2020	2020o
Customer QPI	96.30%	96.50%	96.60%	96.50%	97.00%

MELIA.COM CUSTOMERS

2017	2018	2019	2020	2020o
18.50%	19.80%	20.40%	28.10%	23.10%

DIRECT SALES REVENUE*



* Percentage calculated on aggregate revenue (room + meal plan)
(**) Revenue affected by the closure of hotels due to COVID-19

MeliáPRO

Our commitment to creating long-term relationships with our customers is achieved in the B2B space through MeliáPRO, a platform designed to offer the best advantages and exclusive benefits to our B2B customers.

MeliáPRO has become the best means of contact with our business partners and has 48,845 registered travel agencies and 382,426 registered companies with access to our corporate programme. We also continue to promote our loyalty programmes in the B2B space and have 124,153 travel agents who are currently members of MeliáRewards.

Given the lack of trade fairs and with very few events and sales visits, our teams had to reinvent their relationship with B2B customers in 2020 taking advantage of technology and social media.

New communication and interaction channels emerged, such as the “TravelLabs” project which opens permanent communication channels with our B2B customers through exclusive communities for travel agents and meeting planners on Facebook and LinkedIn. The team organised online sessions to transmit news about the company, using the Stay Safe with Meliá programme to leverage greater connections with the industry. Different operational areas in our hotels, starting with the Hotel General Managers, also got involved in live streaming events to explain to customers the way the programme was being implemented.

The rest of the company's sales and operations teams also joined in and we currently have an extensive calendar of weekly events, some focused on our premium products, others specially prepared for key accounts and others much more general in nature.

OTAs (ONLINE TRAVEL AGENCIES)

OTAs are still a key segment, even more so in 2020 as online channels are more resilient in difficult times. We have reinforced our strategic agreements on a global level with the most important OTAs to ensure that we are a priority chain for them.

Over the year we also worked with the main OTAs, taking part in their campaigns and requesting their support in giving greater visibility to our own campaigns, the most important of which were: Stay Safe & Come Back, Early Booking, Black Friday, semi-flexible rates, online check-in and health and safety measures.

The **main OTA campaigns** in which we participated in 2020 were:

- Recovery of bookings that could not be enjoyed during lockdown, offering alternative future dates.
- Deeply discounted marketing campaigns.
- Partial refund of booking commissions for certain periods.
- Staycations for key domestic markets. This is because customer preferences changed dramatically during the year. Customers now prioritize health and safety and choose local destinations rather than long-distance trips.

CORPORATE

This segment includes sales to companies and also travel agency sales, regardless of whether they are for business or leisure travel. The average decrease in this segment was 72% compared to 2019.

During the pandemic companies have drastically reduced travel by employees. Travel agencies have also been hit hard and also had to close their offices to the public for some time. Many of them are still closed or working reduced hours.

Just like in other segments, we have implemented total flexibility policies for new bookings. We have also extended all negotiated corporate rates until December 2021 and increased dynamic discounts for SMEs, guaranteeing them a 15% discount for their bookings for both leisure and business travel. Finally, we have also been carrying out tactical campaigns for destinations where hotels are open or for groups for special accounts, such as premium travel, consortia, associations or employee programmes.

MEETINGS & EVENTS

The MICE segment has seen an average decrease of 76% compared to 2019. Given that this segment books well in advance, we already have indicators that 2021 will continue to see business volume well below 2019, but nowhere near as low as 2020. We are currently down 43% compared to the previous year. Looking ahead to 2022, we see a positive trend, with confirmed business 10% higher than we had a year ago for 2021, when the pandemic had not yet broken out.

COVID-19 has forced us to make several changes:

- New set-ups: signage and transit

    - New concepts of personal space and social distancing depending on the regulations in each country
    - New capacity limits, signage systems and directional indications for transit
    - Digital applications for meeting planners such as virtual inspection visits and 3D previews of event room layouts
    - Hospitality Desk with protective screens and gel
    - Advance delivery of detailed information

- Additional health and safety measures

    - Viricidal protocols and products
    - Drinks in glass bottles and sealed cutlery
    - Elimination of textiles and reduction of decoration
    - Gel dispensers

- Dining

    - In private rooms or reserved areas
    - Minimisation of self-service and possibility of take-away service
    - Coffee breaks and buffets with service staff to avoid customers handling items
    - Show-cooking and pop-up stations with service staff
    - Promotion of outdoor events

Our sales efforts focus on the following areas:

- Maximum flexibility for changing the date of confirmed events if the origin or destination is affected by restrictions
- Redefinition of force majeure criteria and adaptation of group contracts signed by hotels, with total flexibility with regard to pandemics
- Attraction of new business, with more flexible cancellation policies up to 60 days before arrival and the chance to change dates up to 30 days before arrival
- Launch of a global campaign aimed at attracting groups for 2021 and for the first half of 2022

TOUR OPERATORS

The tour operator segment has been severely affected by the pandemic. The health crisis prevented operations restarting in non-EU countries and in the EU operations only lasted for a few weeks.

In July most countries restricted travel to Spain and package operations were all cancelled. Under the circumstances, between the end of August and the beginning of September, many of the hotels closed early. In mid-October we saw some hope when Germany and the UK lifted travel restrictions to Spain, but unfortunately the impact of the second wave in early November led most European countries to enter a new lockdown.

Although the outlook remains uncertain, we believe some factors such as the requirement of a negative PCR test in certain destinations, the vaccine and the improving weather will reactivate travel.

Measures against COVID-19

Our sales policies in previous years helped us prepare and quickly react to the complex circumstances throughout 2020. One of the biggest achievements was the early preparation of clear and tangible solutions for the “new normal” period in our industry, offering guarantees of excellence, innovation and health and safety to our customers.

STAY SAFE WITH MELIÁ

In addition to defining the protocols for the most important operating processes and hygiene and disinfection measures, the programme emphasises employee training and the emotional aspect of customer relationships. More information in the chapter on *Occupational Health and Safety.*

The results of our customers' evaluation of the Stay Safe with Meliá programme are very positive, with all brands showing satisfaction levels above 82%. The results show that the programme designed to transform the customer experience in the context of COVID-19 has been very well received by our customers.

Stay Safe with Meliá (GSS)

83.3%

MeliáRewards members

13,153,949

MELIÁREWARDS

This year MeliáRewards has become the umbrella brand for all of the company's brand sales and marketing campaigns. With this in mind, we intend to continue building our brand recognition worldwide and maximising use of the programme and the satisfaction of its members.

As a consequence of the pandemic and travel restrictions, one of the most important decisions in 2020 was the extension of the Silver, Gold and Platinum levels for an extra year. Other benefits were also extended, such as the expiration date of points and the validity of birthday gifts.

Another campaign to highlight was the purchase of MeliáRewards points in summer, under the slogan, **"When you come back, you'll enjoy your holidays even more"**. Customers were offered 50% extra points for every points purchase. The action was repeated in September with 40% extra points.

CANCELLATION POLICY

Given the uncertainty caused by the pandemic, we also changed our cancellation policies to adapt to the new circumstances. We began to offer customers and partners the greatest possible flexibility when booking their trips, safe in the knowledge that they could change or cancel their booking for free.

WORKATION

Another test of our resilience has been our ability to reinvent ourselves and adapt. In October we launched the Workation programme, a new experience based on teleworking from hotels while enjoying all the hotel services and the safety of our Stay Safe With Meliá programme. The company leveraged its know-how and leadership in the bleisure segment to respond to a growing demand from companies and employees who needed a well-equipped, comfortable and safe place to work.

CONTACT CENTRE

Our Contact Centre has also been transformed during the pandemic to adapt and extend its services and technology to respond to the requirements that both the situation and customers demanded. Some of the highlights were:

- Move the entire team from a physical location to a virtual desktop environment through system connectivity, including the entire worldwide telephone network.
- Centralise all calls related to closed hotels.
- Creation of 11 specific customer service lines in 5 languages and 2 email addresses.
- Expansion of the Customer Service team to respond to any contact in less than 48 hours, attending to more than 100,000 contacts.
- Enable a virtual assistant in Spanish to improve efficiency.
- Enable chat in both Spanish and English in the final two stages of the purchase process.
- Implement a booking modification process adapting to the Covid-19 cancellation policy and an "on-hold" booking status which allows cancellations to be transformed into future bookings with the dates of the next stay pending confirmation.
- Increased emphasis on the call process to avoid cancellations and measurement of the reasons for cancellation to help optimise guidelines.
- Creation of a new functionality to call customers who have previously contacted us to make a tentative booking.
- Definition and implementation of an SOP for re-housing customers based on the weekly openings and closures of hotels.

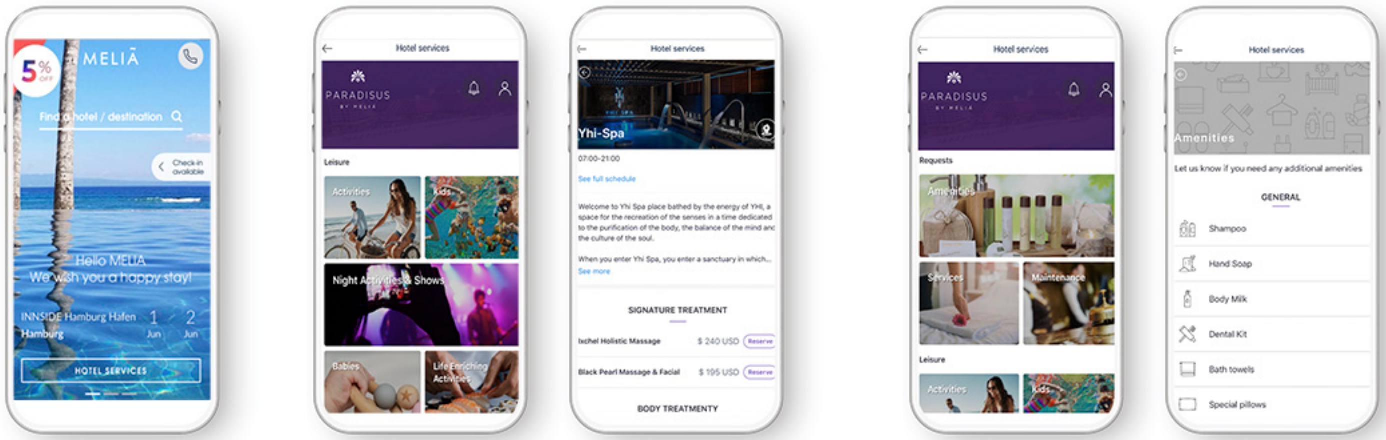
Strategic projects

In 2020 we adapted our hotels and the entire sales structure to the challenges posed by the pandemic. We have thus developed a number of projects to improve the customer experience in these new circumstances.

DIGITALISATION OF THE STAY

Our Meliá App has now become the cornerstone of the digitalisation of the hotel stay, providing customers with full information on the hotel and also carry out transactions and thus avoid physical contact with hotel employees. Functions such as requests for services, viewing restaurant menus, booking activities or chatting with the hotel are now increasingly important in this new situation.

MELIÁ APP



Homepage **Bookings** **Requests**

NEW MELIÁ.COM WEBSITE

Another of the major challenges in 2020 was to develop a unique website in which sales for B2C, B2B, Circle and Club Meliá could coexist alongside our brand strategy. We are therefore working on creating a modern, personalised experience for customers and improving the generation of organic traffic, our positioning and conversion rates.

The new platform will integrate other strategic projects such as personalisation, high-end sales, omnichannel consistency and travel experiences, with a special emphasis on the latter.

All these updates and improvements will allow melia.com to continue to position itself at the forefront of online websites and consolidate the channel's enormous growth expectations.

ANALYTICS DEVELOPMENT AND IMPROVEMENT

In a business environment in which it is increasingly important to have accurate information for decision-making and where data is a key asset to improve customer relationships, Meliá continues to implement and redesign its analytical architecture to make it more cost-effective, quick and efficient, taking advantage of all the capabilities that cloud-based environments allow us. One of the most important challenges is knowing how to recognise relevant information and use that information in "near real time".

The company's pricing strategy must also take full advantage of all our available analytical capabilities. Meliá has developed an advanced system of powerful and user-friendly dashboards for the Opera and Sihot PMSs.

The efficient management of digital marketing investments is still a fundamental factor in our leadership in direct sales. The optimisation of our attribution models in a changing environment and the construction of statistical models that allow us to measure impacts on sales are key factors behind our success.

In the data value chain, the ultimate goal is for customers to receive personalised recommendations thanks to our intelligent systems.

TRANSFORMATION OF THE CONTACT CENTRE

The transformation of our ***Call Centre*** into an ***Experience Customer Service Centre*** is another major 2020 milestone. The main objective was to eliminate low-value processes and implement new interactions that would help us increase revenue and profitability, implementing a "High-Value Customer" vision through specialisation and team building.

All this was carried out through the implementation of **23 projects** focused on efficiency, revenues and service improvements, as well as adapting the organisational structure to this new vision.

1. PROFESSIONALISATION AND CONNECTIVITY

The professionalisation of the ***Experience Contact Centre*** has been supported by the use of agile, automated, intelligent and interconnected processes. The initial milestone was the implementation of Salesforce Customer Service, bringing a change to the way we manage the customer with a 360º-view of information from different channels and also knowledge of the reasons that customers contact us.

2. MULTICHANNEL - OMNICHANNEL

We also launched a virtual assistant to allow us to be more efficient in situations in which an agent does not add any greater value than a machine. This was especially relevant during the first stage of COVID, in which certain types of interactions such as cancellations or inquiries about the status of hotels increased exponentially. The improvement of processes and automation in areas such as email channels led to a 30% reduction in manual interactions and the auto-classification of certain interactions in Salesforce that had an impact on 25% of cases. These improvements in efficiency have also allowed us to include a Chat functionality in Spanish and English for all channels.

3. TRAINING

Transformation does not only involve technology. We have also focused on training our teams in order to improve their product knowledge and communication and sales skills so that we can gradually move towards greater specialisation. To achieve this, we designed training programmes based on our agents' profiles. The training went from being solely technical and face-to-face to being digital through the eMeliá platform, fulfilling one of the basic requirements and making the training process, especially on-boarding, far more agile and dynamic.

Regarding quality measurement, we went from evaluating customer satisfaction in a survey at the end of the call to a far more complete analysis. With interactions segmented by type (service, sale or cancellation) and an assessment of processes and skills also included, this allowed us to identify both training needs and areas for improvement.

4. CENTRALISATION

Our experiences prompted us to begin to centralise Experience Contact Centre booking services in order to implement standardised methodologies, tools and ratios, laying the foundations for a future cloud-based Experience Contact Centre.

People

COVID-19 context

The exceptional situation generated by the COVID-19 pandemic caused the closure of a large part of our hotel portfolio. Given the significant negative impact this had on our employees, we have taken different measures to ensure the preservation of employment and talent.

The **COVID-19 Management Committee**, led by the Executive Vice President & CEO and made up of members of the Executive Committee and other areas involved, was created with **three key objectives**:

- Guarantee the health and safety of our customers and employees
- Ensure the continuity of the business while preserving as many jobs as possible and our talent
- Prepare for the recovery of the business and the destinations in which we operate

EMPLOYMENT PROTECTION MEASURES

In general terms, we are committed to maintaining employment in all countries to the extent that operations allow, with special attention to critical groups and personnel on development programmes. In each country, we have observed the specific employment regulations implemented due to the pandemic.

In 2020, the active workforce was reduced by 50%, mainly due to the reduction in the number of open hotels due to the pandemic. Despite this, the company has chosen to maintain employment as far as possible in all markets, adapting to openings and closures at all times. The workforce decreased compared to the previous year as a result of the non-renewal of temporary contracts and the absence of recruitment in seasonal hotels due to the decrease in operations.

Globally, the Company's Senior Management, Vice Presidents, Operations Directors and Hotel Directors all reduced their salary by 50% from March 15 to September 15, and at the end of the year continued to receive a reduction of 25% on their gross annual salary.

In all those countries where we are present and in which we directly manage our employees (owned, leased and managed hotels), we have adopted measures to preserve employment and talent. With considerable help from governments, we continue to work incessantly to support our teams and transmit peace of mind as we all work together to reactivate the business.

SPAIN

Since the beginning of the state of emergency on March 16, a **furlough system** caused by force majeure has been in place for all employees in Spain with two different levels: a 50% reduction for essential positions required for continuity in company management; and a 100% reduction for positions mainly involved in hotel operations.

In order to ensure financial support for our employees, unemployment benefit was also supplemented up to 100% for furloughed staff who were not receiving at least 50% of their gross salary. From July 16, a decision was made to raise the subsidy for furloughed staff from 50% to 75% of gross salary.

In addition, variable bonuses and the extra summer and Christmas payments were paid in full .

DOMINICAN REPUBLIC

The Government approved two subsidy schemes:

- Stage 1, assistance of up to RD$8,500 (equivalent to €120) for employees while furloughed
- Stage 2, assistance for the company of up to a maximum of RD$5,000 (equivalent to €70) for employees who return to their functions.

The following additional support measures were also implemented:

- Advance of half a month of salary between May and June and aid of US$750/month furloughed Operating and Executive Committees. As of August, salaries were completed up to 75%, extended until December 27, 2020.
- Extra help of US$150/month for 200 working employees for working in dangerous conditions, extended until October 31, 2020.
- 100% payment of health insurance, life insurance and housing assistance

MEXICO

In general terms, the employment of permanent and trusted personnel was maintained and the minimum wage was guaranteed to unionised personnel. For key workers, the working day was reduced to 50%.

- Special attention was paid to vulnerable employees (employees with disabilities, pregnant and lactating women, and employees over 60 years of age to whom 100% of their salary was paid according to government regulations.
- Once the hotels are open, the trusted and unionised staff will begin to receive 100% of their salary and the key workers 75%, adapting operational staff according to the volume of business in each hotel.

INDONESIA

A reduction in working hours has been applied adjusted to the amount of business in each hotel, with a corresponding salary reduction, paying special attention to employees with lower salaries. The Government has provided aid for employees with a salary of less than 5 million rupees.

GERMANY

Ever since March a process to reduce working hours has been in place (Kurzabeit). This process was in effect until December 31, 2021 for most work centres in Germany. The system assumes a reduction in working hours of 70-77% from the fourth month and 80-87% from the seventh month. The government temporarily pays up to two-thirds of wages as a job preservation measure in addition to reimbursing social security costs (100% until June, 50% until the end of 2021).

Among other support measures provided by Meliá, employees who are not eligible for Kurzarbeit received 50% of their gross salary until July 2020 and 75% of their salary from that date. This measure is in effect until March 31, 2021.

OTHER COUNTRIES

In all those countries where we are present and in which we directly manage our employees (owned, leased and managed hotels), we have adopted measures to preserve employment and talent. With considerable help from governments, we continue to work incessantly to support our teams and transmit peace of mind as we all work together to reactivate the business.

SUPPORT DURING LOCKDOWN

The COVID-19 crisis meant that a large part of our teams had to work from home. To help them cope with this new work environment, communications focused on promoting the physical and emotional well-being of employees and providing them with the tools required to acquire the new habits that virtual and remote work need, including weekly recommendations for training and audiovisual resources.

WEBINARS

Our eMeliá training platform hosted 27 webinars so employees could continue with their learning and professional development in spite of the circumstances. Together with experts in the field or internal experts, the themes of the webinars revolved around current affairs, professional development and emotional well-being, aiming to respond to needs arising as a result of COVID-19 such as:

- How to enhance your emotional well-being in uncertain times (Affor)
- How to succeed in online presentations, videoconferences or webinars without being a communication expert (Sebastian Lora)
- The future of work in VUCA environments (Future for Work Institute)
- Remote leadership (Deloitte)
- Meliá hotel-hospitals in Spain
- How to make the most of eMeliá training.
- Tips for language learning (Busuu and Learnlight)
- The power of attitude (Goodhabitz)
- APAC Operational vision: Hotel Management during the COVID-19 Crisis
- Training on Cleaning and Disinfection Protocols in Food and Beverages (Diversey)
- Training in Floor Cleaning and Disinfection Protocols (Diversey)

LEADERSHIP IN PERIODS OF CRISIS AND UNCERTAINTY

A specific support program was designed, together with the IE Business School for three groups of employees that have responsibility for customers and employees in their day-to-day activities.

The programme consists of 4 online sessions, the first of them for all the groups, "The future of the hospitality sector - Challenges ahead", and the other three sessions, one per week, were specific for each group:

- Hotel management and operations: Leadership on the edge - Taking care of your health - Critical Thinking

- Guest Experience and Front Office: Empowering your influence - Conflict management and difficult conversations - The customer experience at critical moments

- Human Resources: Empowering your influence - Conflict management and difficult conversations - Personal transformation and how to help others transform

A collaboration area was also made available for each group online so they could offer their thoughts on the sessions and share their experiences, situations, questions, etc., to enhance collaboration and peer support.

Participants

438*

Satisfaction

9.39

eNPS

7.9

(*) Hotel Management and Operations Module (201 people), Guest Experience and Front Office Module (91 people), HR Module (146 people)

New organisational model

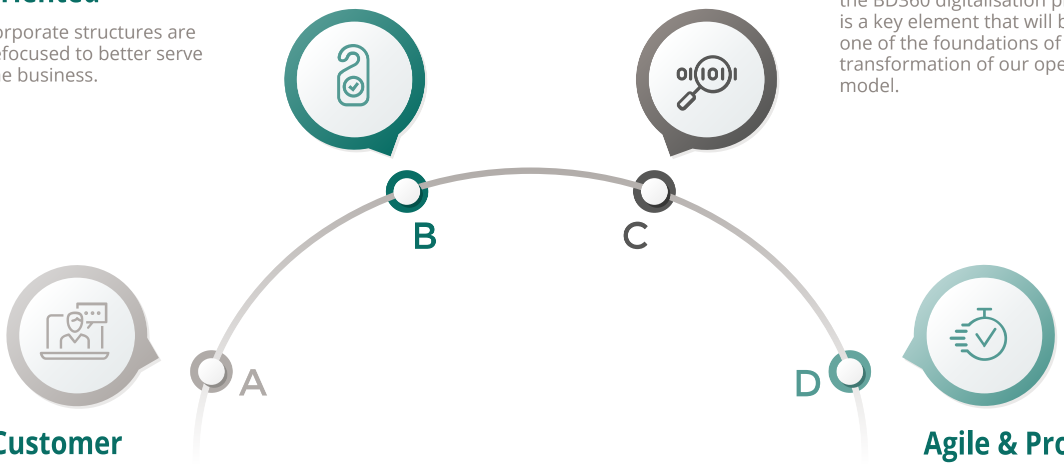
The acceleration of digitalisation, the confirmation of sustainability as a key success factor, the importance of optimising organisational models and particularly flexibility and agility are all essential to guarantee the competitiveness and survival of companies in an industry that has been as hard hit as travel. These are some of the things the crisis has taught us.

Our current organisational model ***"Competing by Design"*** has allowed us to face uncertain times with robustness and certain guarantees. But this now has to be re-examined and adjusted to the current circumstances to better prepare ourselves for a quick and agile return to activity and to ensure we remain competitive in a contracting market which will put extra pressure on our operating margins.

With this in mind, in 2020 we developed a new organizational model named ***"Leading a New Future"***, aligned with the current circumstances and with the fundamental objective of enhancing the competitiveness of the organisation, incorporating our digital transformation and providing us with the agility and dynamism required to face the disruption in the hotel industry.

We have therefore organised hotel operations in **11 business areas** that form the backbone of the new model and around which the global service areas have to pivot.

The **4 basic principles** on which the design of the new model is based are:



Hotel & Customer Centric

the hotel and customer are at the heart of the organisation

Hotel Services oriented

corporate structures are refocused to better serve the business.

Digital & Analytics

the BD360 digitalisation process is a key element that will be one of the foundations of the transformation of our operations model.

Agile & Profitable

ensure an agile and profitable organisation in an industry that will be increasingly variable and competitive.

In the last quarter of 2020, the CEO communicated the basic principles and foundations of ***"Leading a New Future"*** to the entire Organization. By the end of the year, the most important organisational structures in the new model had been defined and communicated to ensure they are fully implemented once the Group's activity is 100% restored.

Training and Development

GRI 404-1, 404-2

The COVID-19 pandemic has forced a rethink of our internal development strategy, maintaining and enhancing best internal practices and the commitment of our employees, and prioritising those actions that provide a rapid response to the business.

TRAINING PROGRAMMES

EXECUTIVE DEVELOPMENT: DIRECTOR TALENT POOL

The development programme aims to generate new competencies, acquire greater knowledge and develop skills in different areas in order to create a pool of leaders prepared to assume positions of greater responsibility in the organisation.

In response to COVID-19, we have worked with Deloitte on a **Resilience Coaching Programme** where members of the Talent Pool reflect on how to face uncertain and complex situations, how to manage their own emotions and those of their teams, and how to develop collective resilience.

Participants

24

Satisfaction

100%

HOTEL MANAGEMENT TALENT POOL

For yet another year, our Hotel Management Talent Pool is under way to ensure the development and training of the skills required by those people responsible for the company's most important business units. As a result of the closure of hotels, in 2020 face-to-face training was suspended and individual monitoring and virtual training was implemented, supported by the eCornell academy and the new "Hotel Leadership Programme" training course in three areas: Lead your personal development, Lead your relationships, and Lead your vision with exclusive content from LinkedIn Learning.

Participants

64

Satisfaction

100%

EXECUTIVE GRADUATE PROGRAMME

The Graduate Programme aims to respond to critical talent needs, either due to the scarcity of candidates in the market or high demand for them in our company. To do this, we initially launched the following programmes for base-level personnel in the first year of their contract or for interns.

The ***Executive Graduate Programme*** aims to identify base-level personnel with potential for hotel management, allowing them to occupy an intermediate management position after 18 months with future projection towards a position in Hotel Management.

FINANCE, F&B, REVENUE GRADUATE PROGRAMMES

Programmes lasting about 12 months whose objective is to identify and train internal talent occupying positions on the operating committee with the aim of promoting them to the executive committee.

During the lockdown we have maintained these resources and the experience in hotels in every case in which it has been possible. In addition, online training has also been strengthened in the absence of face-to-face training through inclusion in the Hotel Leadership Programme - Graduates Edition.

Participants in both programmes

17

Satisfaction

100%

UNDER30 BOOTCAMPS

Millennials and ***centennials*** now represent 50% of our workforce and Generation Z, having recently entered the labour market, represent almost 26% of the world's population. Around **20% of our employees are under 30 years of age** in our corporate offices worldwide.

Bearing in mind the above, and also the need to develop new talent management and retention strategies for the younger generations, we launched the UNDER30 Bootcamp Programme. The programme consists of monthly sessions to share the company's vision through internal sponsors, offering an inspiring vision through external collaborations and launching challenges in which ideas and proposals for actions are collected to help drive constant improvement.

The themes for the sessions led by internal experts in each area revolved around the priorities and concerns of the younger generations and the needs detected in our workplace climate survey "You have the Word" from the previous year.

- Employee Experience
- Sustainability Strategy #Meliá4ThePlanet
- Key factors in teamwork
- Hospitality Masters
- Social Media
- Challenges in a VUCA environment (volatile, uncertain, complex and ambiguous)

Participants	**31**
Satisfaction	**93%**
eNPS	**52%**

RISING STARS

Meliá is committed to monitoring our team members at key moments in their careers. The Rising Stars Programme was created to support new employees and help them perform successfully in their new positions.

The programme is structured around three main areas:

- Interpersonal skills: skills focused on people management, self-awareness and transformative leadership
- Global and strategic vision: Business-oriented skills aligned with the company strategy
- Management skills: Technical know-how, methodologies and tools for efficient project management
- Adapting to the current context and the impossibility of carrying out face-to-face sessions, the programme was redesigned to be followed online on the eMeliá platform.

eMELIÁ

Five years ago, we launched the first version of eMELIÁ, reaching as many employees as we were able, to assist them in their professional growth, share know-how and constantly development core training content. After five years, and especially during a year with an even greater need for online training, we wanted to improve the learning experience for employees and be able to manage all the learning programmes for employees all over the world.

That's why we launched the new eMELIÁ with the support of Cornerstone at the beginning of the year. The launch was carried out worldwide in all corporate offices and hotels simultaneously, both virtually and in person with several eMELIÁ Open Days being held in which we informed employees about the new functionality and content.

Employee reach**	Active users	Total hours of training*	Hours per employee*	Satisfaction*	eNPS *
+45,000	**21,839**	**510,218**	**22.6**	**87.1%**	**56%**

(*) Aggregate scope (**) Includes total workforce employed pre COVID-19

eMELIÁ TRAINING CONTENT

We have several prestigious partners in the creation of content:

- **GOODHABITZ**: As its name implies, their content helps promote good habits on a personal and professional level. Over the year, Meliá was the company with the highest number of visits internationally (+184,500), the highest number of completed courses (+28,600) and the highest number of training hours (+57,000 hours)
- **THINKING HEADS**: Content on global trends with internationally renowned speakers
- **LANGUAGE SCHOOL:** To improve the language skills of employees, regular invitations are made to employees to access courses on more than 12 languages. In 2020, two invitations attracted 476 employees to cover 100% of the available places. In total, more than 36 hours of training per user were received through two suppliers: Busuu, with classes via APP and Learnlight, which also includes one-to-one calls with native teachers.
- **LINKEDIN LEARNING:** Tutorials from internationally renowned experts, allowing employees to earn certificates and add them to their LinkedIn profile to validate their skills and enhance their professional reputation. In total, 393 courses have been completed since January 2020, and 9,699 videos viewed with 192 hours of viewing.

DEVELOPMENT OF DIGITAL SKILLS

Just as important as the digitalisation of processes and the work environment, it is also vital that we ensure that our employees have the skills they need for the new digital environment. To acquire these new digital skills, eMeliá has an area in which users can improve their knowledge of all the internal and external tools used by the company in its day-to-day activities.

- Discover and master all the tools in the Microsoft 365 package.
- Discover all the internal tools used at Meliá Hotels International
- Learn to work with collaborative and communication tools.

FUNDAULA PLATFORM (ACCENTURE FOUNDATION)

Platform developed by the Accenture Foundation together with Meliá and other members forming part of the Foundation's "Together for Employment" project, aimed at people with a basic level of training and focused on improving their digital know-how and personal skills so that they can get started in the digital world

- On the road to digital: works on the skills and knowledge required to adapt to the transformation in the labour market and society in an increasingly digital environment.
- Highly collaborative teams: works on the skills and knowledge required to enjoy the range of opportunities offered by new technology for efficient organisation and work collaboratively from any location and device using cloud-based services.

AWARENESS COURSES

Employees benefited	Hours
19	**58**

ADVANCED COURSES

Employees benefited	Hours
14	**68**

DIGITAL COURSES

Employees benefited	Hours
36	**187**

MELIÁ HOSPITALITY SERVICES ACADEMY

100% internal training programme for Hotel Administration personnel and coordinated by members of Meliá Hospitality Services (MHS) with a double objective:

- ensure that MHS team members acquire the skills and knowledge required to form part of the team and carry out the tasks assigned to them: digital skills, document management, work methodologies, on-boarding of new employees, etc.
- reinforce the feeling of belonging, creating forums where MHS team members can share their know-how and experiences.

COVID-19 TRAINING PLAN

STAY SAFE WITH MELIÁ

Before the end of the first half of the year, we launched the Stay Safe with Meliá programme including all the new hygiene and safety procedures and protocols implemented in all our hotels worldwide.

The training programme is aimed at all employees in hotels and corporate offices worldwide, guaranteeing the deployment of the protocols and procedures, developed jointly by Meliá and Bureau Veritas for correct operations in hotels to ensure an appropriate environment for customers and employees.

Available in all our corporate languages and with an approximate duration of 12 hours, the course must be completed through the eMELIÁ platform by all hotel staff, who receive a certificate at the end of the programme.

The online training programme has two main blocks:

- New operating procedures for the different departments and new occupational health and safety measures
- Skills required to offer the best customer service, manage resilience and emotional well-being for better self-management and team management

Participants	Training hours	Satisfaction	eNPS
21,839	**294,854**	**89.6%**	**75%**

VIRTUAL WORKING GROUPS

Created in eMeliá to offer a more informal space to view and share recommendations, experiences, best practices, expert advice, etc., to help our employees adapt and cope with the current situation.

- Leadership in virtual environments group for team leaders to help them adapt their leadership methods when managing teams remotely. Used to share articles, tips, help to organize work, support and guide teams.
- Teleworking group, aimed at sharing best practices and providing advice about effective teleworking, how to organise work and the keys to achieving good results. In addition, it includes a playlist with articles, TED talks and an online training that can help employees be more efficient in teleworking.
- Conciliation group at home #MeQuedoEnCasaconNiños, created to support employees with children working from home in which we offer ideas and advice about how to spend lockdown and better manage our time.

BENEFITS FOR EMPLOYEES

GRI 102-35

At Meliá we are committed to providing benefits for employees through one single programme, **MyBenefits**, which has flexible options adapted to the needs of each employee.

BeFlex is a flexible remuneration programme for employees which offers a range of options to buy products and services such as health insurance, childcare, transportation, training or daily meals with significant tax advantages.

Privilege, an employee discount programme offering a wide range of discounted products and services for all employees, regardless of their place of work.

My Insurance, with access to special coverage for vehicles, home, life, death, travel and overseas health.

My Finances, programme providing access to Bankinter financial products through a **virtual** office.

Me Wellness, a programme to promote healthy lifestyles among our employees. Through an agreement with AndJoy, our teams in Spain and Italy have access to more than 1,000 gyms.

My social responsibility, through which employees can make donations to charitable causes and benefit from special prices on sustainable and socially responsible products.

My MeliáBenefits es la nueva y exclusiva plataforma donde podrás encontrar todo sobre los beneficios que tienes a tu alcance por pertenecer a Meliá Hotels International. Una plataforma diseñada por y para ti.

My MeliáRewards

¿Conoces las ventajas de tu programa fidelización? ¡Hasta 50% de descuento en tus reservas, compra de puntos, 30% dto en bares y restaurantes y mucho más!

Meliá Careers

Muéstranos tu talento, da el impulso definitivo a tu carrera y haz brillar tu futuro. Aquí podrás encontrar ofertas de empleo en cualquier parte del mundo.

MeliáRewards Shopping

Consigue puntos comprando online en iTunes, JustEat, Aliexpress, etc.

eMeliá, tu plataforma de formación

eMeliá es tu plataforma de formación, donde encontrarás cientos de recursos formativos para conocer Meliá Hotels International, potenciar tus competencias y habilidades, y conocer las herramientas que utilizas en tu día a día.

New ways of working

ORGANISATION OF WORK HOURS

Continuing with the measures taken in 2019 to improve **conciliation** between our employees' personal and professional lives, in which employees could choose **to leave work earlier** (less time for lunch) **and flexible hours** (start and end of the working day adapted to employee needs). In 2020 we ensured that these measures were also adapted to the new virtual work environment.

TELEWORKING AND WORKPLACE DIGITALISATION

As a result of lockdowns, remote work has become the norm and we have had to focus on reinforcing measures and procedures to help people adapt to teleworking, develop digital skills and find a balance between work and their personal lives.

During the lockdown period, guidelines for remote work were created in different countries to facilitate the transition to virtual work and remote team management. We have therefore promoted the implementation and correct use of tools for remote work such as Microsoft Teams through the #adoptaTeams programme, including live events hosted on the tool itself focused on productivity and efficiency, including:

- Effective meetings
- Teamwork
- Files in Teams
- Teams vs Group Chat

A total of 168 people took part in the different training sessions. Additionally, the AdoptaTeams site and all the relevant content was also published on MeliaHome.

To date, TEAMS has a total of:

Active teams	Active employees	Meetings held
923	3,745	+60,000

In 2020 Teams has been used by more than 95% of corporate personnel and more than 85% of Hotel General Managers and Assistant General Managers.

KNOWLEDGE MANAGEMENT - MELIÁ HOME

Knowledge management has been improved by encouraging, coordinating and assisting different areas in creating functional and project sites on MeliáHome using SharePoint Online to make information available to employees and help them work more efficiently.

The following sites have been created:

- Risk Control-COVID: 93,456 Visits
- Hotel Administration: 390 Visits
- Legal: 607 Visits
- Be Digital: 11,173 Visits
- Brandbook Innside: 4,104 Visits
- Sales B2B: 14,001 Visits

Digital Disconnection

To the extent that business activity allows, Meliá recognises and respects employees' rights to digital disconnection outside of the working hours defined by law or convention, respecting rest periods, leave and holidays, as well as personal and family privacy. That is why the Digital Disconnection Policy was approved last year as part of the ***Human Resources Policy***.

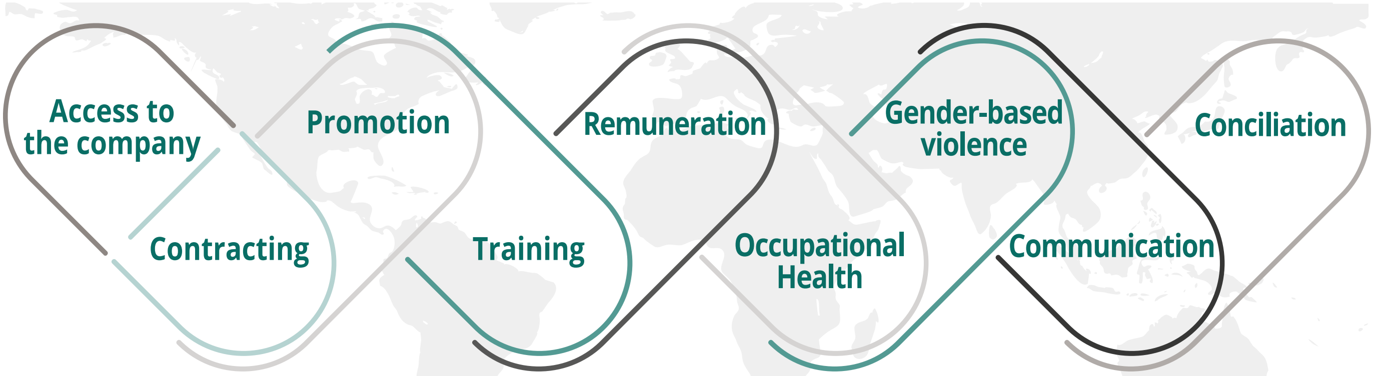
The Digital Awareness course associated with the policy is part of the mandatory training that company employees have to take to be aware of the legal measures and policies that have been adopted. We make sure that employees are aware of the implications of hyperconnection and the impact it has, and we encourage digital disconnection, especially in a year in which the virtual work environment has become predominant.

Equality, diversity and inclusion

EQUALITY PLAN

GRI 405-1

In 2019, we approved our second Equality Plan, an update and improvement to the first plan created in 2011. The Plan has already been implemented in Spain. The **International Decalogue on Equality** helps us promote the global implementation of the commitments in the Plan, based around nine areas:



We are also signatories of an agreement with **UITA (International Trade Union for the tourism industry)** against sexual or workplace harassment. We have therefore introduced improvements related to victims of gender violence in matters such as time off work and help in moving house, justification of absences and refuge in hotels, among others.

In terms of **work-life balance**, the plan improves access to training and promotion and extends facilities for people with children or other dependants, introducing greater flexibility so they can accompany children to school tutorials, visits to the doctor or hospital, greater flexibility in adjusting shifts and the possibility of reaching a mutual agreement with the company to change their working hours during the first year after the birth of a child without the need to reduce the number of hours.

Total women in the workforce*	41.2%
Women in managerial positions (% of total in category)*	25.5%
Women in junior management positions (% of total in category)*	48%
Women in senior management positions at a maximum of 2 levels from the CEO (% of total in category)*	19.4%
Women in management positions in revenue-generating positions (% of total in category)*	57.7%

(*) Aggregate scope

CLOSINGAP

Since 2018 Meliá has participated in the **Closingap "Women for a healthy economy"** project led by Merck Spain together with 11 other leading companies representing different industries in the Spanish economy. Our vision is to promote social transformation in terms of women and the economy in close collaboration with the public and private sectors to allow us to become a benchmark cluster in terms of equality.

Among our main objectives, the following are worth highlighting:

- Leading cluster in the generation of data, knowledge and debate on women and the economy
- Source of innovation in initiatives related to women and the economy
- Driver of social and economic transformation through public-private partnerships
- Committed to promoting the Sustainable Development Goals of the 2030 Agenda

To achieve the objectives defined, a number of initiatives are being supported:

- Publication of sectorial reports on gender gaps and opportunity costs
- Creation of an annual indicator of the impact of inequality on Spanish GDP
- Presence at relevant economic events, forums and business and economic organisations
- Publications in the media and social media
- Celebration of an annual event - "Closingap Economic Equality Summit"
- Creation of the Closingap Awards
- Institutional, economic and business Relationship Plan

Despite the health crisis, Closingap has increased its notoriety and public presence in the media, forums and in the digital sphere, in addition to sticking to its action plan despite COVID-19.

The main milestones and deliverables over the year, which can also be viewed on its website *(www.closingap.com)*, are as follows.

- Best Practices ToolKit Publication
- Launch of the First Cross-Mentoring Programme
- Consumption Gap
- Employment Gap
- Digital Divide
- Report on post-coronavirus economic and social reconstruction
- Redesign of an accessible Closingap website
- II Edition Closingap Economic Equality Summit
- I Closingap Awards

WORKPLACE INTEGRATION OF PEOPLE AT RISK

We believe that one of the best ways to contribute to the development of people is to offer them a job opportunity. Since 2018 we have been members of the **Incorpora Programme run by the La Caixa Bank Foundation** through which we offer work and learning opportunities in different hotel operating areas. The frame of reference for projects of this type is the **SDG 8 (Decent work and economic growth).**

This area of work has suffered significantly as a result of the pandemic and the closure of hotels for most of the year. Our objective is to continue contributing to generating job opportunities to the extent that the recovery of our activity allows us to do so.

Active hotels	Job offers	Candidates	Insertions
11	**29**	**56**	**39** **(69.6% success)**

*INSERTIONS BY TYPE OF RISK**

Persons deprived of liberty	Immigrants	Youngsters	Aged 45 or over	Victims of gender violence	Vulnerable people aged 30-45
3%	**23%**	**41%**	**15%**	**8%**	**10%**

* A person can belong to more than one group

TRAINING PROCESSES

People completing internship processes	People that have been hired
21	**47%** **(10% at Meliá, 37% by other companies)**

UNIVERSAL DISABILITY AND ACCESSIBILITY

Meliá understands that disability management is something that has to be considered for both internal and external customers. Raising our sustainability standards requires us to act at different levels of technical and sustainable management.

Our design and construction manuals include universal accessibility criteria such as motion sensors for lighting, wide lifts, ramps, pool lifts, public areas free of any obstacles and specially adapted guestrooms, among others. The manuals provide our teams with design criteria and standards which must be applied to all renovation projects or new hotels, regardless of their location.

Employees with disabilities (consolidated perimeter)
136

Employees with disabilities (aggregate perimeter)
202

Occupational health and safety

A new global priority

Undoubtedly this year will be marked by a pandemic that has made **health and safety a top priority** in global terms and at all levels. The impact on the global tourism industry has been devastating, although the sector has responded appropriately in terms of managing the health and safety of its customers and employees.

However, at Meliá we already had **crisis management protocols and previous experience in health crises** that we had had to face in the past. Together with the fact that we have operations in China, the first country to adopt measures to contain the pandemic in January, this allowed us not to anticipate the enormity of the crisis, but at least to adopt appropriate measures to face the crisis such as the immediate activation of a **COVID-19 Management Committee** led by our Executive Vice President & CEO, defining new protocols, reviewing processes, adapting our products and services, approving certain investments and, of course, training our teams.

Occupational health and safety management system

GRI 403-2; 403-3; 403-6; 403-8

At Meliá we have evolved from the health and safety approaches we were developing based on the OHSAS 18001: 2007 standard towards a system aligned with the international standards defined by the international **ISO 45001: 2018** standard**.**

In parallel, we have been following the **Healthy Work Environment Programme** of the World Health Organization (WHO), complying with its by including individual and organisational actions to create healthy and safe work environments that allow the participation and interaction of employees at all levels, without discrimination of any kind, working on different themes and areas and with a vocation of permanence over time. Among the **measures taken in corporate offices and hotels,** the following stand out;

- Promotion of training on well-being and healthy habits
- Adaptation of spaces to promote training and for the use of internal trainers in matters of health, well-being, relaxation...
- Promotion of healthy habits and rationalisation of the food offered in staff canteens
- Improvement in the management of chemical products in work centres
- Hygiene campaigns at all levels of the hotel
- Standardisation of staff uniforms
- Promotion of warm-up exercises before the start of work for the housekeeping department

In 2019 we started the certification process for both our **Health and Safety Management System** and the WHO Healthy Work Environment Programme at Meliá based on **ISO 45001: 2018** standards. This process aimed to ensure compliance with legal, regulatory and contractual requirements, confirm their suitability in meeting our objectives and provide appropriate tools to identify areas for potential improvement.

However, the certification process was interrupted in 2020 as a result of the pandemic. Despite this, and before forced closure of practically all of our hotels, we made significant progress that allowed us to achieve 100% verification of the system, pending audit processes in the 9 hotels selected by the certification body. We intend to resume the process as soon as we can, and the audit processes will be rescheduled for 2021.

In parallel to external certification, over the year our Internal Audit Department carried out 3 specific audits of the Health and Safety Management System in hotels in Spain, with support, control and advice from our Occupational Health Department to ensure that hotel activities conform to the requirements of the Management System.

Internal Audit

3

COVID-19 Crisis Management Committee

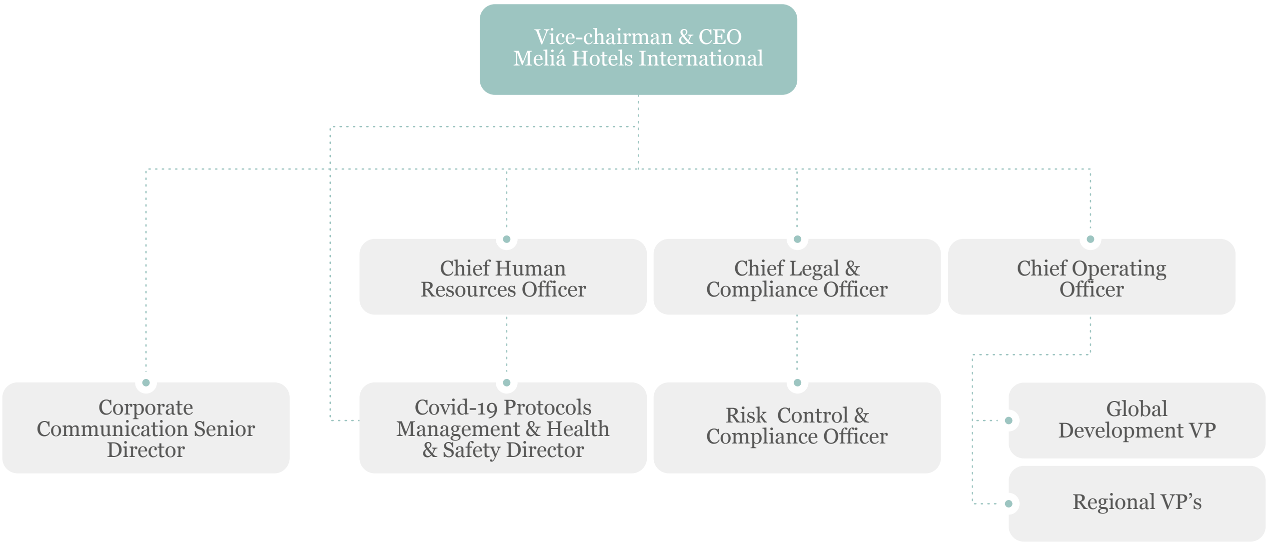
GRI 403-1

Although this committee was not new, its activation was essential in ensuring a space for reflection, debate and coordination at the highest level.

Led from the beginning by our Executive Vice President & CEO, it defined the appropriate guidelines for managing the crisis based on coordinated work and agile and effective decision-making, always with the health and safety of employees and customers as the top priority.

The decisions made in the committee combined reflections on the impact of the crisis on the business and operations with all of the health and safety measures the company had to undertake.

COVID-19 CRISIS MANAGEMENT COMMITTEE



Given the exceptional nature of the crisis, the **Health & Safety Director,** with a direct report to both the **Chief Human Resources Officer (CHRO)** and the **Chief Executive Officer (CEO)**, assumed the leadership of all the company's health and safety protocols on a global level to define guidelines for our response to the pandemic. The decisions made by the committee have been communicated downwards to ensure their correct implementation at the corporate level and in the business units.

To make the analysis and response to each situation quicker, Meliá defined a specific management and feedback process in which all the members of the committee assumed a specific role to ensure the resolution of any incidents detected.

Global Response Plan

We created a **comprehensive pandemic response plan** with clear objectives in which information, motivation and awareness were essential factors in implementing the plan quickly, efficiently and objectively.

To achieve this, we brought all the **experience** acquired in China in the initial months of the crisis before it became globally relevant. This involved multidisciplinary teams (occupational health, catering, risk management, customer experience, procurement, sales and technology, among others). We also had the support and experience of other partners with expert knowledge in health, hygiene and food safety.

We also directly involved our customers through focus groups and questionnaires, and integrated best practices in the hotel industry both in Spain and internationally.

Among the **measures taken**, highlights include:

- Maximising preventative measures in all our facilities in accordance with scientific knowledge and in line with the guidelines and recommendations of national and international health authorities

- Aligning the company's response on a global level with standardised guidelines which can also be adapted to the demands, guidelines, regulations and recommendations made by local authorities.

- Providing all our corporate and hotel teams worldwide with scientifically-based information on the virus and specific, clear and simple guidelines for our teams and customers.

- Sharing guidelines and measures with our teams in terms of booking changes and cancellation policies, depending on the degree of emergency in the different destinations and in coordination with central services.

- Providing our directors with guidelines for reporting to the COVID-19 Management Committee and coordinating requests for information from our main stakeholders (hotel owners, partners, distribution, media, etc.). This aspect was essential as times of uncertainty require that information must be rigorously verified.

- Providing appropriate information to our teams through their managers to answer questions and resolve specific situations of all kinds.

Additionally, a **Functional Site**, was created usingSharepoint Online with information on preventative measures and action protocols available to the entire workforce and with frequent updates due to the ever-changing pandemic situation. Specifically, all Meliá employees have access to guidelines on returning to work, cleaning and disinfection, communication, global operations, recommendations for technical facilities, information on auditing and certification processes and regulations applicable to COVID-19, among others.

In addition to the **involvement and excellent predisposition of our teams**, the implementation of all the guidelines in operating units was also made possible due to the direct involvement of hotel Health and Safety Committees which normally play a very important role in day-to-day hotel operations.

STAFF REPRESENTED ON HEALTH & SAFETY COMMITTEES

	Americas	EMEA	APAC	Spain
Consolidated	5.94%	45.02%	-	78.06%
Aggregated	14.39%	36.42%	67.45%	95.63%

Risk assessment and incident handling

GRI 403-2

At Meliá we update our risk assessment whenever conditions or the work environment change. On a regular basis, working conditions are evaluated and adapted to ensure the correct health and safety of employees as defined in the Meliá Health and Safety Management System. The minimum frequency for reviewing the risk assessment is once a year, and this may be increased depending on the needs of the workplace affected. The Internal Audit department verifies the validity of the risk assessments in its regular audits.

This monitoring verifies compliance with corrective measures and action plans through indicators such as the incidence rate and frequency, severity index, average duration, days lost due to accident,% of absenteeism due to work contingencies and, in Spain, % of absenteeism due to common contingencies.

Given our activity, Meliá has no job positions with a high risk of occupational illness. However, there are positions that are exposed to illnesses motivated by the work performed, among which those related to musculo-skeletal disorders (mainly carpal tunnel, rotator cuffs) are most prominent. The positions with the greatest exposure to risk are those in the housekeeping and food and beverage departments

Stay Safe with Meliá

GRI 403-5;416-1

Meliá has managed to adapt to the situation in a very agile way. Having defined the management guidelines and governance model for the crisis, the company defined a new way of understanding the hotel industry in a situation with a great deal of uncertainty and in which health and safety measures became increasingly important.

The company thus defined a new ***Customer Journey Map*** to continue adding value for customers through a 360º perspective with health, safety and quality as the top priorities.

Ensure the **total safety of employees** and customers and make them feel safe

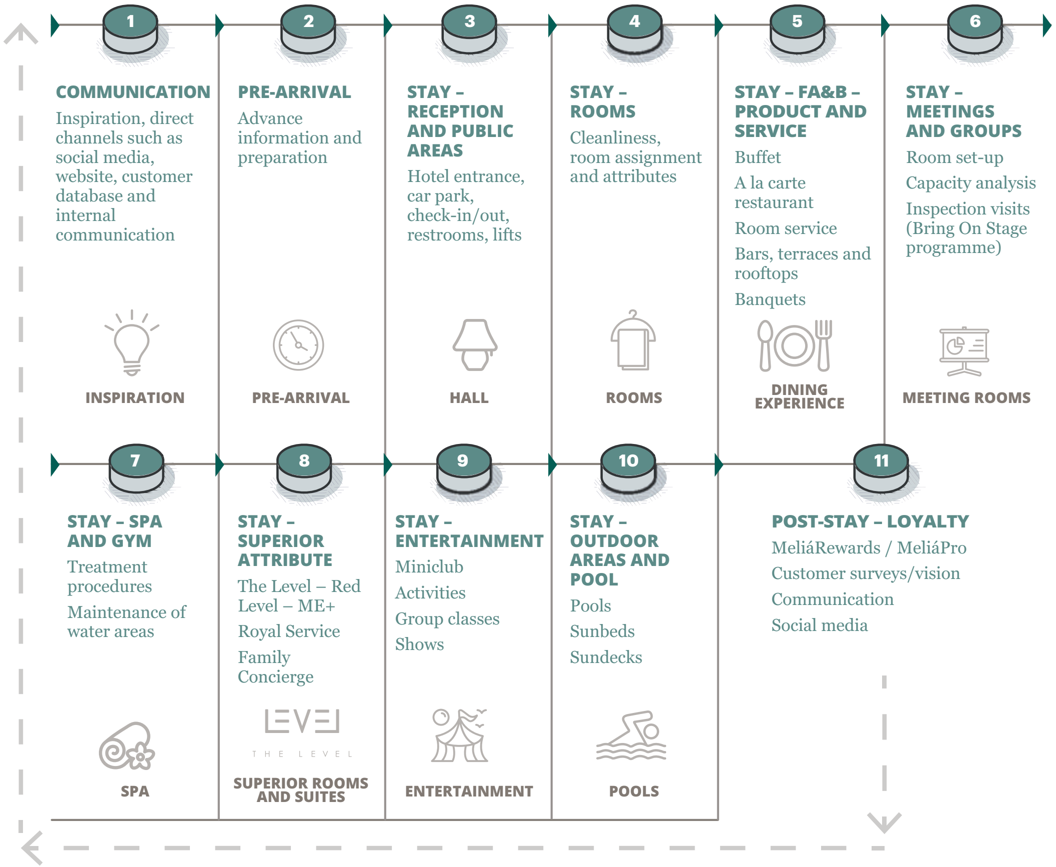
Reduce contact between employees and customers

Optimisation of operational processes with the simplification of products and services and digitalization

Enhance **our brands** to adapt them to the **new paradigms and customer needs**

Before being implemented globally, all of these approaches were piloted in hotels to confirm their suitability, lay the foundations for training processes and, ultimately, prepare and train our teams. The adaptation of the programme involved a 360º redefinition of the traditional hotel experience and intense and specific training for employees.

Throughout the **11 stages** of the journey, customers see that their safety, health and confidence are at the centre of the experience.



1 **COMMUNICATION**
Inspiration, direct channels such as social media, website, customer database and internal communication

2 **PRE-ARRIVAL**
Advance information and preparation

3 **STAY – RECEPTION AND PUBLIC AREAS**
Hotel entrance, car park, check-in/out, restrooms, lifts

4 **STAY – ROOMS**
Cleanliness, room assignment and attributes

5 **STAY – FA&B – PRODUCT AND SERVICE**
Buffet
A la carte restaurant
Room service
Bars, terraces and rooftops
Banquets

6 **STAY – MEETINGS AND GROUPS**
Room set-up
Capacity analysis
Inspection visits (Bring On Stage programme)

7 **STAY – SPA AND GYM**
Treatment procedures
Maintenance of water areas

8 **STAY – SUPERIOR ATTRIBUTE**
The Level – Red Level – ME+
Royal Service
Family Concierge

9 **STAY – ENTERTAINMENT**
Miniclub
Activities
Group classes
Shows

10 **STAY – OUTDOOR AREAS AND POOL**
Pools
Sunbeds
Sundecks

11 **POST-STAY – LOYALTY**
MeliáRewards / MeliáPro
Customer surveys/vision
Communication
Social media

From the beginning, we have regularly measured and evaluated customer satisfaction with the programme through a specific question in satisfaction surveys. The results indicate a positive perception of the programme. From the beginning to the end of the year, the results were as follows:

Region	Stay Safe with Meliá (GSS)
EMEA	82.0%
Spain	82.9%
Americas	85.8%
Asia	87.4%
Global	**83.3%**

Brand	Stay Safe with Meliá (GSS)
Innside	82.6%
ME	87.4%
Gran Meliá	86.1%
Meliá	82.6%
Paradisus	89.0%
Sol	82.5%
Tryp	83.9%
Affiliated by Meliá	87.8%
Global	**83.3%**

The programme includes new cleaning and hygiene measures, guarantees of social distancing and the reinforcement of cleaning and hygiene processes existing in business units prior to COVID-19. In addition, the creation of training hotels allowed us to directly test the new measures, among which the following stand out:

HEALTH AND SAFETY MEASURES

- Definition of new cleaning and disinfection protocols, including new cleaning equipment and products to be used from the arrival of customers until their departure in all contact points. The protocols have been defined by Diversey, a strategic partner of Meliá specialising in cleaning and sanitisation systems.
- Creation of Ambassadors, responsible for ensuring the adaptation of the programme in the hotel and the emotional well-being of customers.
- Special prevention and maintenance plan for air-conditioning, heating, refrigeration and water systems to guarantee air quality and the disinfection of equipment.
- Specific personal protection equipment (PPE) and focus on training in hygiene and food health standards prior to opening for all employees.
- New procedures for laundry services, defining a protocol for washing and collecting linen during the stay and after the customer's departure to avoid contamination.
- After disinfection of guest rooms and meeting rooms, sealing of frequently used items such as glasses, rolls of paper and remote controls. Whenever possible, depending on hotel occupancy levels, rooms are not assigned to a new guest until at least 48 hours after the departure of the previous guest.
- Elimination of waste bins and all stationery in the rooms, with the implementation of a digital directory on the TV and in the Meliá App. Only the bathroom waste bin remains in place, and must have a lid, a double bag and a non-manual opening system.
- Elimination of items requiring dry cleaning such as decorative items that cannot comply with new cleaning protocols (wash at more than 60º)
- Dispensers and prevention kits with hydroalcoholic solutions for hand disinfection in public areas and personal protection kits (masks, gloves and gel) for customers who wish to use them.

MEASURES TO ENSURE SOCIAL DISTANCING

- Information prior to the arrival of customers at the hotel to let them know all the measures and how their stay will be. The information is always available and updated on melia.com.
- A new signage system to inform customers and indicate how spaces must be used and the need for social distancing.
- Protective screens in the reception and in new dining services.
- Training courses to connect with customers in this new space, focused on their well-being.
- Capacity reduction and implementation of space reservation management tools to reduce capacity in restaurant areas, meeting rooms and swimming pools.
- Evolution of the buffet towards a market-type concept, offering the same variety of products but served directly to customers, optimising customer flows and reducing food handling.
- New take-away food services through which customers can enjoy meals wherever they wish (pool, room ...)
- Virtual visits through the implementation of the Spazius diagramming tool to design new layouts for the MICE segment and allow virtual inspection visits.
- Digital concierge through WhatsApp for direct service for individual customers and groups.

The guarantees of a certified programme

In addition to designing a full programme, we worked with **Bureau Veritas**, a leader in testing, inspection and certification, to certify our programme as a **Global Safe Site** and thus guarantee our stakeholders compliance with all preventative measures, protocols and safety and hygiene processes implemented in the hotels.

Since launching the programme in March 2020, Bureau Veritas has certified **47 hotels**. Those hotels that did not open in 2020 will be certified gradually as they begin to reopen.

	Americas	Asia	Spain	EMEA	Total
Certified hotels	4	8	14	21	47
Certified hotels open in 2020	13%	47%	18%	44%	27%

In 2021, as we recover our hotel activity, we will resume the system verification process under the **ISO 45001: 2018 standard** in selected hotels which was suspended in 2020. We will also resume the audit process carried out by Bureau Veritas to certify the Stay Safe with Meliá Programme in our hotels.

Apart from all the exceptional measures taken to deal with COVID-19, Meliá has always considered the safety and health of its employees a top priority. That's why in 2021 we will continue to introduce new measures to make our workspaces even safer, extending our ergonomic reviews and the evaluation of physical work through heart-rate monitoring for different positions.

Hotels certified by Bureau Veritas

47

Environment and climate change

Environmental management model

Since 2017, we have an *Environmental Policy* which defines our key commitments to ensure responsible and sustainable activity and the efficient management of resources, preserving biodiversity and fighting climate change.

The **Environmental Management System known as "SAVE"** has been in force since 2007, ensuring the measurement and management of our energy and water consumption. As the system has matured, other relevant indicators have been added, such as the control and management of waste generated in our hotels or the identification of areas with water stress. The scope of the implementation of the SAVE project includes 100% of owned, leased and managed hotels.

The system was designed by our in-house engineers and allows us to measure consumption in hotels, guaranteeing the identification of opportunities for improvement and monitoring progress towards objectives for energy and water use, the reduction of emissions and waste management.

Our environmental and energy management system, the latter certified under the **ISO 50001** standard, has been recognized over the years for its commitment to sustainability and reducing our impact on the climate.

Due to the stoppage of activity caused by COVID-19 and the need to activate contingency plans, in 2020 we suspended the certification processes in sustainable tourism with organisations endorsed by the GSTC (Earthcheck and Travelife) . These processes will be resumed as soon as our hotel activity gets back to normal.

SAVE Hotels

272

SAVE Portfolio (aggregate)

100%

CO2 emissions covered by SAVE

100%

Environmental performance in the context of COVID-19

In 2020, Meliá experienced a situation unique in all its history, having to close practically all of its hotels. Despite the major difficulties, we remain even more committed to sustainable development than ever before. That is why we have joined the European initiative known as the Green Recovery Alliance to promote sustainable solutions in rebuilding the European economy in response to the COVID-19 pandemic.

The initiative is based on the **European Green Pact** and growth strategy based on three concepts: digitalisation, decarbonisation and resilience, understanding that competitiveness and the environment go hand in hand. The initiative has the express support of more than 230 Spanish personalities from the worlds of business, politics, journalism, academia or services.

The exceptional nature of 2020 has also placed greater emphasis on operational control of our facilities in accordance with our management system to guarantee the efficient use of resources. The objectives are several: to ensure cost reductions, identify possible incidents in facilities and ensure the correct maintenance of equipment in closed hotels.

In line with the commitments and objectives in our *Environmental Policy*, we also continue to focus on prioritising the acquisition of renewable energies, the promotion of investments to reduce emissions, and the permanent monitoring of energy and water use to identify deviations, potential improvements and corrective actions.

Energy management

GRI 302-1, 302-3, 302-4, 302-5

ENERGY EFFICIENCY MEASURES

PROJECT CO$_2$PERATE

In 2019, we launched the CO$_2$PERATE project with the aim of gradually implementing a remote management system using artificial intelligence in air-conditioning systems and also monitor 80% of energy use to reduce consumption in a total of **98 hotels.**

In 2020 installation was completed in of all the hotels involved in the project, including hotels that were inoperative due to the pandemic, thus getting everything ready to resume the project when they reopen. In parallel to the completion of the installation, training on the system was also given to our hotel teams.

The total investment since the start of the project in 2019 has been €2,471,061, achieving savings of €994,291, equivalent to a total of 11,078,832 kWh saved and 6,120 tons of CO$_2$ emissions avoided. The monitoring of consumption in hotels that were closed due to COVID-19 also allowed us to reduce consumption through energy monitoring and overconsumption alarms. It is estimated that in a normal year the project would generate savings of €3.3 million.

The CO$_2$PERATE Project received the **National Award for Corporate Responsibility** in January 2020 at FITUR at the Caixabank Hotels & Tourism Awards.

CO$_2$PERATE INDICATORS (2019-2020)

Accumulated investment

€2,471,061

Financial savings

€994,291

Energy saving

11,078,832
kWh

Emissions avoided

6,120
Tn CO2

DESIGN AND CONSTRUCTION MANUALS

We include sustainability criteria in all of our investments, making a major effort to invest in new technologies that help us be more efficient and thus reduce both costs and our carbon footprint. One of the examples of this is the **Meliá Sustainable Construction Manual**, which defines the design guidelines (including construction materials, equipment, etc.) adapted to the climate in each of the locations in which we operate to ensure the greatest possible efficiency and integration with the environment.

To optimise the environmental impact of our hotels, **in 2020 we invested €11.2 M in works and renovations or the renewal of equipment under environmental and energy efficiency criteria.**

In this regard, the rebranding of the Innside Cibeles and rehabilitation of Meliá Madrid Serrano received awards for Best Sustainability and Best Hotel Rehabilitation Projects at the annual Habitat Futura Group awards.

ENERGY AUDITS

In accordance with Royal Decree 56/2020, of July 15, in 2020 we carried out 98 energy audits to review our energy management system and identify potential improvements that we could analyse and potentially implement to further demonstrate our commitment to energy transition.

In 2019, we consolidated the certification of our **energy management system under ISO 50001 standards**, validating our proposed actions and objectives along with the rigorous monitoring and management of indicators to ensure that we meet our objectives and identify corrective actions for constant improvement.

Energy audits

98

MEASURES ANALYZED

Analysis phase

858

Approved and executed

70

Approved and in execution

10

In 2020, €0.5 M was allocated to the SAVE Programme to implement all the energy improvement opportunities detected in our facilities. Over the year, 70 measures were implemented, including both continuity of the CO_2PERATE project and energy-saving measures with a value of €305.5 M. In 2021, the implementation of measures delayed by COVID-19 will continue so that we can complete the investment programme assigned to the SAVE project.

ENERGY CONSUMPTION

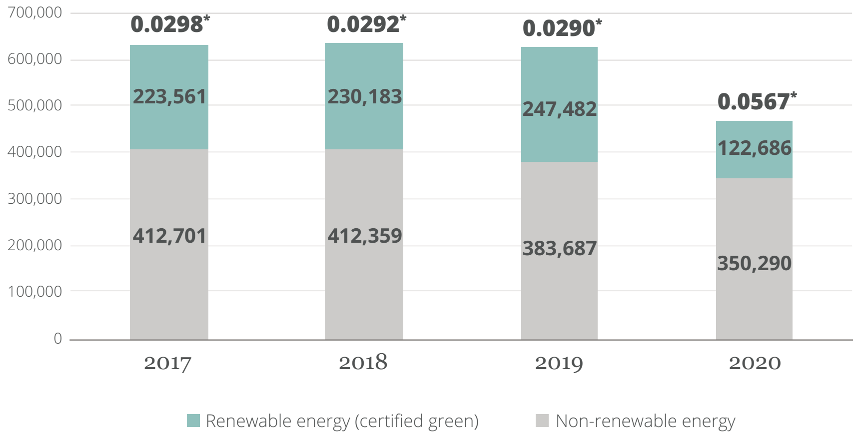
GRI: 302-1; 302-3; 302-4

In 2017 we designed a global contracting strategy for our energy management system which focused on minimising the impact of energy acquisition and prioritised the purchase of certified green energy. In recent years, the contracting of energy from renewable sources has been gradually extended to all of those countries that have centralised energy procurement and/or the required energy market mechanisms. The results so far have been very positive, having progressed from 49% green electricity use in 2016 to 61% in 2020 (consolidated perimeter).

Regarding the energy intensity ratio, the following should be taken into account:

- The increase in the measurement perimeter (67 hotels)
- The reduction of almost 62% in the number of stays compared to previous years due to the pandemic

CONSUMPTION OF RENEWABLE AND NON-RENEWABLE ENERGY (MWH) **



(*) Intensity ratio (MWh per stay) (**) Aggregate perimeter

Water management

GRI: 303-1; 303-4, 303-5

WATER EFFICIENCY MEASURES

Water is a scarce natural resource and of vital importance for our activity, with our main source of supply being municipal water networks. As is the case with energy, our SAVE system monitors 95% of the water consumption in hotels under our operational control (owned, leased and managed).

SAVE allows us to optimise water consumption through:

- Performance indicators to stimulate constant improvement
- Creation of reports for analysis and control
- Definition of global reduction targets
- Water efficiency improvement measures
- Definition of best water management practices
- Awareness and joint actions with stakeholders

We have also implemented the following measures for water efficiency:

- More efficient installations that guarantee the reduction of water consumption.
- Installation of taps with aerators in new buildings and existing buildings
- Collection of sewage and/or rainwater for (re)use
- As part of our commitment to digitise the company and guarantee the quality of data, our water use is entered in a database according to the billing of public services or daily water measurements in line with environmental management system procedures. Investing in improvements in facilities and sharing best practices with our customers and employees are fundamental factors in proper water management.

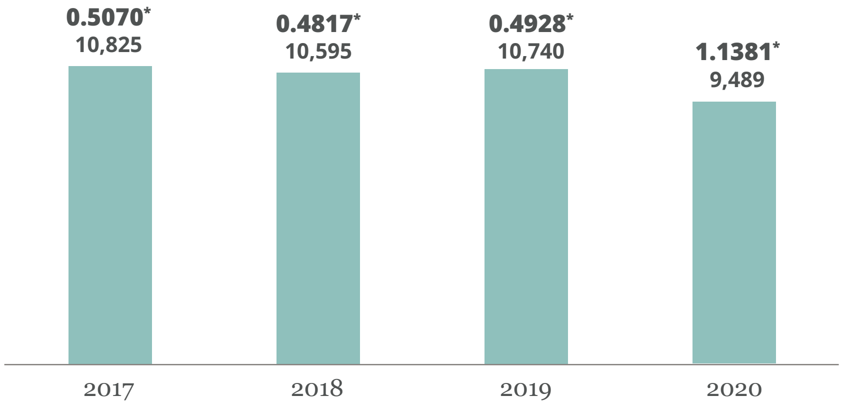
In line with our commitment to guarantee the efficient use of resources, for the second consecutive year we took part in the ***CDP Water Security*** programme, earning a **B rating**. This ranking measures the impact of companies on the environment in general and on the safety and quality of water, in particular. Our participation allows us to continue to make progress in sustainable water management and also assess water risks and opportunities in areas where we operate, facilitating decision-making and a better water management strategy.

WATER USE

GRI 303-5

2020 was used to improve the measurement of water consumption and identify the different sources of water extraction in our hotels. The objective is to define better action plans and generate constant improvements in the water management system, prioritising actions in areas with the greatest water risk.

NET WATER CONSUMPTION (THOUSANDS M³) **



(*) Intensity ratio (m³ per stay) (**) Aggregate perimeter

Regarding the water intensity ratio, the following should be taken into account:

- The increase in the measurement perimeter (67 hotels). Of these hotels, 30 are located in Cuba, representing **2.3%** of the company's total water consumption
- The reduction of almost 62% in the number of stays compared to previous years due to the pandemic

The increase in water consumption and drastic drop in occupancy caused by COVID-19 increased the intensity ratio. 2020 also helped us define better measurement procedures and improvements to the implementation of the environmental management system, in which water consumption is one of the main impacts of the company. This will allow us to define a better water management strategy over the coming years.In 2019, we achieved a reduction in water consumption of 8.51% (m3 per stay) as a result of measures implemented in previous years and constant communication and awareness messages in hotels about the responsible use of water.

WASTEWATER DISCHARGE

GRI 303-2

Wastewater is mainly discharged into the public sewer network (6,323,391 m^3, 66.6%) and wastewater treatment plants (3,084,487 m^3, 32.5%), with an insignificant percentage reaching the sea (27,362 m^3, 0.29%) or septic tanks (54,050 m^3, 0.57%). Wastewater management is always handled in accordance with applicable regulations and our management system requires the analysis of the main environmental impacts of our activity, including those related to water spills. The tool created for risk identification and analysis also allows the early identification of key risks and their prevention, as explained in the section on “Audit of risks associated with hotel activity” in this chapter.

PORTFOLIO LOCATED IN AREAS OF WATER STRESS

SASB: SV-HL-140a.1, SV-HL-450a.1

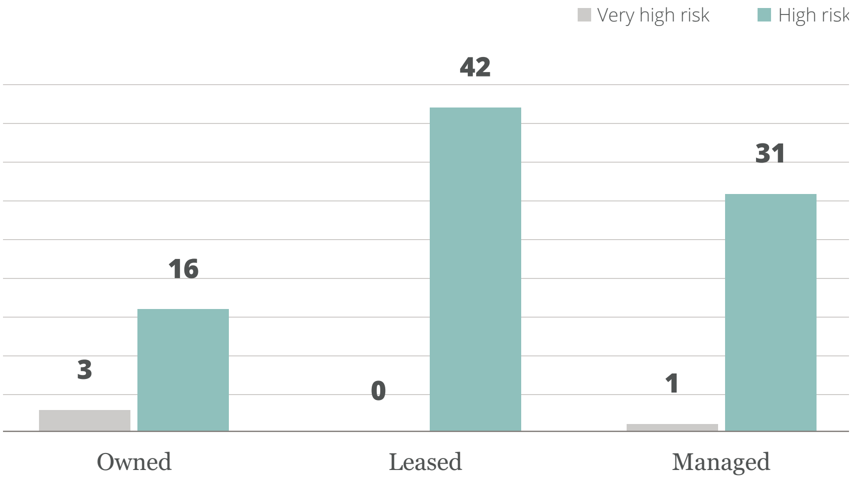
In 2020, the ***Aqueduct Water Risk Atlas*** tool allowed us to update our water stress analysis, including data on the quality and availability of water by geographical area. Mapping data allowed us to identify risks related to both the quantity and quality of water, so we have greater visibility for hotels in areas with high water risk created by climate change and can begin to develop risk management strategies and possible adaptation and mitigation plans.

To assess the risks related to water safety and determine whether they are significant, we have analyzed the entire operating portfolio and considered two parameters: probability and magnitude of the impact.

The probability is evaluated according to the results of the ***Aqueduct Water Risk Atlas*** for water stress, assigning a score of 3.5 to high-risk hotels and 4.5 to those with extremely high risk. The magnitude is determined by the importance of each hotel to the business based on its annual revenue.

These two parameters have been used to calculate the financial impact for each hotel. When the financial impact is above the significance threshold (> 3% of total annual revenue), a hotel is considered to have a substantial impact on the business.

According to the results this year, we have 93 owned, leased and managed hotels with a risk of water stress, of which only 4 of the currently active hotels have a very high risk and the potential to cause a financial impact on the company.



To estimate the possible financial impact of this risk, we have considered the supposed loss of revenue due to the closure of the hotels due to a lack of enough water to maintain the service quality levels expected of the hotel.

This analysis allows us to have relevant information to respond to possible risks caused by climate change in the short, medium and long term.

Hotels in areas with water stress

93
(aggregated perimeter)

61
(consolidated perimeter)

Hotels in areas at risk of flooding

41
(aggregated perimeter)

28
(consolidated perimeter)

Waste management

PREVENTION, RECYCLING, REUSE, RECOVERY AND DISPOSAL MEASURES

One of the key aspects of our Environmental Management System is the treatment of the waste we generate: urban solid waste, hazardous waste and spillages.

To make progress in our Scope 3 reduction strategy and mitigate the impact of waste generated by our activity, we have adopted the following measures:

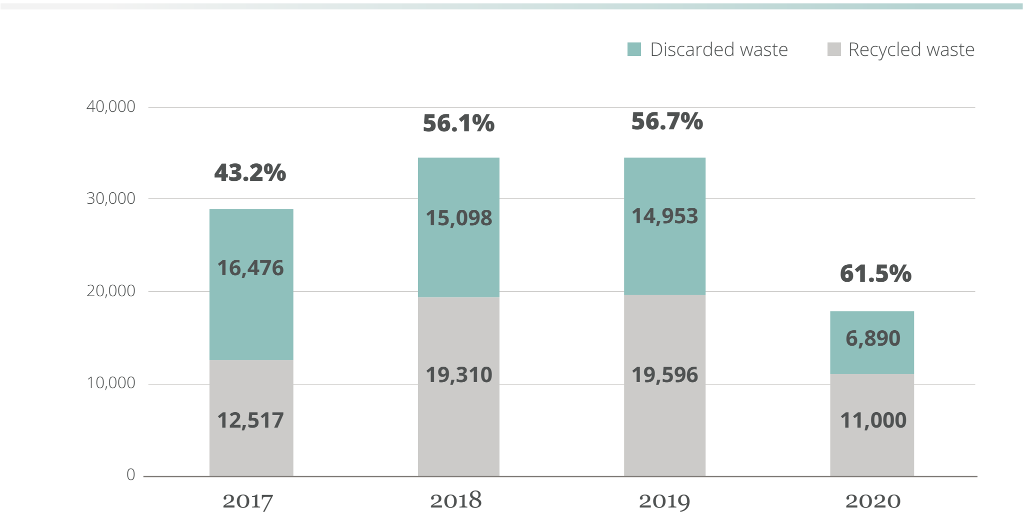
- Digitalisation of waste measurement through a pilot project with the Mallorcan start-up company WDNA
- Identification of opportunities in the management of urban solid waste and hazardous waste and the definition of a roadmap based on data from operational risk audits
- Implementation of an operational risk management tool to identify the key needs in hotels to improve the management of solid urban and hazardous waste

RECYCLED AND DISCARDED WASTE

GRI: 306-2

As far as possible, the stoppage in our activity has been used to update the existing waste management model and extend the measurement of urban solid waste to all the countries in which we operate. This has made it possible to increase the measurement to **146 hotels**, with the goal of having all hotels report the data by the end of 2021 according to the segregation of waste carried out in each country. This improvement has helped us to have more information on the separation of MSW in 2020.

VOLUME OF RECYCLED AND DISCARDED WASTE (TN)**



(*) Recycling rate (selective collection) (**) Aggregate perimeter

INITIATIVES TO COMBAT FOOD WASTE

LEANPATH PILOT PROJECT

In line with our commitment to promote the efficient and responsible use of raw materials and reduce waste, in 2019 we started a project to reduce food waste with the help of technology that can trace the entire process from beginning to end and then use the data the system provides to make improvements.

In 2020, the temporary closure of a large part of our portfolio put the project on hold, although progress has continued to be made in the launch of pilot hotels in Spain, specifically in the Meliá Tamarindos and Sol Lanzarote hotels, as soon as hotel operations get back to normal. Likewise, pilots at the Paradisus Playa del Carmen La Perla and Esmeralda in Mexico and the Meliá Caribe Beach and The Circle hotels in the Dominican Republic are ready to start as soon as the project resumes.

In 2021, the pilot is expected to be extended to 3 more hotels in Spain: Gran Melia Palacio de Isora, Melia Salinas and Meliá Calvia Beach.

Main estimated benefits:

FINANCIAL

- 30% reduction in food waste
- 4.5% reduction in direct food costs
- Decrease in organic waste management fees

ENVIRONMENTAL

- Carbon footprint reduction, per hotel
- Reduction of water consumption (cleaning)
- Commitment to employees in raising awareness about climate change

OIL FILTER PILOT PROJECT

Using the **"Fried Oil's Cleaner"** system for fryers we were able to extend the life-cycle of oil from 2 days to approximately 10 days. During the year, pilot projects were carried out in 6 hotels, with the following conclusions on food safety and environmental impact:

- With the oil being cleaned daily, we offer our customers much healthier meals
- Reduction of polar compounds and acidity, extending the useful life of the product by 300% after different filtration processes
- Using the new filter cycles, both the presentation and flavour of fried products also improved.
- Reduced risk of acrylamides, controlled according to Regulation (EU) 2017/2158
- The “Fried Oil`s Cleaner” filtration system reduces the consumption of plastics by 33% (5L oil jugs)

Circular economy with social repercussions

Our involvement in initiatives that help promote a more sustainable and safer tourism value chain encourages us to continue promoting a hotel model that uses circular economy criteria with social repercussions as a key driver for generating value in destinations. Both initiatives are clearly focused on the SDGs. Specifically, **SDG 3 (Health & Well-being)** as the ultimate goal involves the free delivery of soap and masks for protection against COVID-19, **SDG 10 (Reduction of inequalities)**, allowing access to essential materials to people with real difficulties in finding them, and **SDG 12 (Responsible consumption and production)**, as it allows us to offer new life to waste products such as soap and hotel linen.

SOAP FOR HOPE PROJECT

In 2018 we began the **Soap for Hope™** , project with **Diversey** to generate health, social and environmental benefits. The project remained active throughout 2020 and aims to recycle hotel soap for social purposes. Through local NGOs we deliver free bars of soap to vulnerable people. The project has extended access to basic hygiene products at the precise time that the WHO is recommending extreme hand washing as a preventative measure against the virus.

Both projects have been a challenge given the difficult operating conditions that our teams and Diversey have faced with the closure of activities and reopening of certain hotels. Despite this, we are extremely proud to have continued with two very positive community projects at such a difficult time.

Participating countries

8

Hotels involved

19

	2017-2019	2020	Accumulated
Recycled soap (Tn)	45.9	8.8	54.7
Beneficiaries (k)	31.9	16.5	48.4

LINENS FOR LIFE PROJECT

We have also launched the **Linens for Life™** project together with **Diversey.** The project aims to convert sheets and pillowcases into masks for local communities, essential in preventing the spread of COVID-19, and which in certain communities are not easy to get hold of.

The project started in June and allowed us to make thousands of masks that were delivered free of charge to vulnerable local communities in America and Asia through hotels which continued to operate despite all the limitations. In addition to preventing the spread of the virus, the project has also generated employment through workshops managed by partner NGOs and helped reduce water consumption and environmental impacts by reducing carbon emissions through the recycling of hotel linen.

	2020*
Recycled linen (Tn)	1.5
Masks made (k)	37
Water saved (M. litres)	7
CO2 emissions saved (Tn)	18
Hotels involved	19

(*) June-December 2020

Biodiversity management

GRI: 304-2

Our significant presence in resort destinations and our commitment to moving towards a sustainable tourism model highlight the importance of preserving biodiversity in those destinations in which we operate. For this reason, and in line with SDG 15 of the 2030 Agenda, we have implemented mechanisms and projects within a biodiversity management model to reduce our impact and protect biodiversity.

KEY ACTION AREAS

Environmental value: Ensure the environment and its ecosystems is seen as an essential part of the destination, respecting and protecting the environment from the perspective of responsible and sustainable tourism.

Fauna & Flora: Defence, protection and awareness of our responsibility to protect native animal and plant species, especially those at risk, as part of the natural heritage of destinations.

Alliances: Work together with local organisations, institutions or businesses to define shared objectives.

Measurement & Mitigation: Manage hotel activity in a responsible way, measuring the use of natural resources and potential externalities that hotel activity could cause to ecosystems and biodiversity and activating appropriate protection and mitigation measures.

Protection & Preservation: Take an active role in protecting the areas of influence of our assets through proactive management of maintenance and prevention.

Awareness: Involve our stakeholders with a message of co-responsibility in the protection of biodiversity, making them part of our commitments.

BUSINESS CASE: SOS PROJECT (Sargassum Ocean Sequestration)

At the end of 2019, we joined a project led by the **Dominican Popular Bank** with 11 other companies to combat **sargassum**, a sea-based macroalgae that floats on the surface of the ocean and is an important habitat for many marine species, as it provides food, shade and shelter for fish, shrimp, crabs and turtles. However, in recent years, excessive growth caused by increased water temperatures, ocean currents and winds, has had an important impact on environmental balance in the affected areas.

The main objective of the project was to detect opportunities or methodologies to eliminate the sargassum off the coast of the Dominican Republic with assistance from the ***Massachusetts Institute of Technology (MIT)*** and financed by the companies participating in the project.

The funds were used to design and manufacture machinery and equipment that would speed up the process of collecting and cleaning the beaches in one of the top tourist destinations in the country, installing it on a boat to facilitate collection of the sargassum and its deposit on the seabed. After tests carried out in the destination itself under more favourable conditions than in previous years, the research has concluded without having met the expectations the company considered suitable to guarantee that the machinery could act effectively to combat the growth of sargassum.

HOTELS IN PROTECTED AREAS

GRI: 304-1

SASB: SV-HL-160a.1, SV-HL-160a.2

Through ***Protected Planet***, the world's most comprehensive source of information on protected areas, we regularly update the analysis of our hotels in such areas. Actually, **49 of the owned, leased or managed hotels** in our portfolio (operational + pipeline) are located either in or near protected areas (17 hotels in the consolidated perimeter).

Among the hotels in or near protected areas, 42 are resort hotels in which we are even more rigorous in the implementation of our environmental management model, and 7 are in urban areas and less affected. The areas in which the resorts are located are especially attractive due to their natural beauty, an essential part of their attractiveness for tourists.

An example is the Balearic Islands, with both protected land and sea areas and home to invaluable biodiversity. In 2019, a project was started with the **Palma Aquarium Foundation Marine Fauna Recovery Centre** (Mallorca, Spain), managed by the Consortium for the Recovery of Fauna of the Balearic Islands (Cofib). The main focus was research to help **protect loggerhead turtles *(Caretta Caretta)***, as well as actions to clean the turtle habitat and environmental outreach tasks, including training given by Palma Aquarium experts to employees and suppliers on action protocols and awareness-raising.

Although these activities were not possible due to the pandemic, at the beginning of 2020, before the pandemic struck, employees from Meliá headquarters and their families visited both Palma Aquarium and the Centre for the Recovery of Marine Fauna. During the visits, both young and old were able to see first-hand the actions carried out by the centre to protect biodiversity and the sea.

Hotels in protected areas	**49**
Resort Hotels	**42**
Urban Hotels	**7**

Climate change

GOVERNANCE MODEL FOR CLIMATE CHANGE MANAGEMENT

The Board of Directors has defined a sustainability strategy which includes, among other things, initiatives to combat climate change, one of the greatest challenges currently facing our society, and requiring a decisive response from governments, legislators, companies and society ingeneral.

Following relevant recommendations and best practices, in 2020 the company created a **Sustainability Committee** to ensure the integration of ESG (environmental, social and governance) criteria in company strategy and throughout the value chain. The Committee is chaired by members of the Executive Committee and reports directly to the **Appointments, Remuneration and CSR Committee**.

This helps us address the climate emergency, one of the most important challenges of our times, and which urgently requires companies to define governance models and strategic models that provide appropriate responses to the risks and opportunities of climate change.

RISK MANAGEMENT AND OPPORTUNITIES CREATED BY CLIMATE CHANGE

GRI: 201-2

Climate change has become one of the major challenges to which we all must respond given its global nature and the economic and social consequences its evolution implies.

To address the different challenges and consequences of climate change, Meliá is working on addressing the changes required to contribute to the adaptation and mitigation of climate change and its consequences. We have identified the main potential risks and opportunities caused by climate change as a global company, classifying them into physical risks (derived directly from the direct effects of the climate) and transitional risks (derived from regulations and other related changes), and concluding with their identification in the short, medium and long term.

TRANSITION RISKS				
Risk type	**Description of risk**	**Temporal horizon**		
		Short Term (<= 3 years)	**Medium Term (> 3 Years <= 10)**	**Long Term (> 10 years)**
Policy and legal. Extension of the legal framework for climate change and resource management				
Increase in the price of greenhouse gas emissions	We may see the value of emission rights extended to emerging markets or countries currently without a developed market in this area. Regulatory changes may also transfer these rights to our industry in the same way as they have for other industries such as industry or energy, and thus raise energy costs.	x	x	
Regulation regarding current products or services	New product and service certification standards may put Meliá at a disadvantage compared to other companies in the industry	x		
	Current regulations on Climate Change, Energy Transition, Circular Economy and Waste are undergoing important changes due to growing concern about short and long-term global challenges, and the travel industry is not immune to these changes.			
Increase in reporting requirements concerning emissions	Increase in financial resources required for the analysis of climate change, increasing requirements for measurement, reporting and verification of data	x		
Possibility of lawsuits concerning environmental issues	Failure to comply with regulations on climate change, adaptation and mitigation, may lead to fines and other sanctions from the authorities. In the most severe cases, this may lead to closure of the business and reputational damage	x	x	
	Risk of non-compliance with environmental regulations in the supply chain			
Technological				

TRANSITION RISKS

Risk type	Description of risk	Temporal horizon		
		Short Term (<= 3 years)	Medium Term (> 3 Years <= 10)	Long Term (> 10 years)
Replacement of current products and services with low-carbon alternatives	Current regulations regarding the circular economy and responsible consumption requires us to adapt purchasing decisions according to the type of material (for example, single-use packaging) or the processes associated with the service (storage, replacement, etc.)	X		
Unsuccessful investments in new technologies	The application of new technologies in energy efficiency or the need to modify processes may be unsuccessful, with a consequent financial loss. In the short term, the pandemic may negatively influence the return on these investments.	X		
Transition costs to a low-carbon technology	The adaptation of existing buildings or new buildings to new regulations on energy efficiency may require significant investments, which may pose a risk for Meliá in terms of its financial capacity and the time allowed for adaptation	X		
Market				
Changes in consumer behaviour	Increase in social and environmental awareness among citizens which may modify travel behaviour, reducing travel by plane to typical holiday destinations, reducing the size of our key European markets who provide strong demand for destinations such as the Caribbean or Spain		X	
Market uncertainty	Poor predictability of events in aspects such as energy markets, which may bring unexpected changes in the prices of energy and raw materials		X	
Increase in raw material costs	Changes in weather patterns associated with global warming may lead to losses in the agri-food industry, affecting supply and the price of raw materials		X	
Reputation				
Changes in consumer preferences	An inability to adapt to new customer expectations with regard to climate change creates a risk of being considered an unsustainable organisation which may also affect brand reputation		X	
Stigmatisation of the industry	The stigmatisation of mass tourism, seen as an industry that puts natural resources and their allocation at risk, may affect the attractiveness of certain travel destinations, especially those in the resort segment in which Meliá has a greater presence		X	
Increased concern or negative feedback from stakeholders	The demand for greater reporting and transparency regarding information on climate change and a lack of leadership in this matter may cause reputational damage and a loss of trust with stakeholders		X	

PHYSICAL RISKS

Risk type	Description of risk	Temporal horizon		
		Short Term (<= 3 years)	Medium Term (> 3 Years <= 10)	Long Term (> 10 years)
Acute				
Increased severity of extreme weather events	One of the main risks to which the tourism industry is exposed is extreme weather events, the potential consequences of which may lead to higher operating costs, decreased revenue due to damage to hotel facilities, more expensive supplies or increased insurance premiums.	X		
Chronic				
Changes in rainfall patterns and extreme variability in weather patterns	Part of our portfolio is located in areas with a higher risk of exposure to climatic events and changes in rainfall patterns, which may cause damage to assets if there are torrential rains or floods, preventing them opening or carrying out their normal activity	X		
	Changes in rainfall patterns can also cause operational risks due to water quality and supply problems, which may lead to a loss of asset value and increased operating costs.			

PHYSICAL RISKS				
Risk type	Description of risk	Temporal horizon		
		Short Term (<= 3 years)	Medium Term (> 3 Years <= 10)	Long Term (> 10 years)
Increase in average temperatures	Chronic physical risks may cause tourist destinations to become less attractive due to significant variations in temperature, which may alter the holiday season and affect revenue	X		
	An increase in the number of sunny days and high temperatures in the winter season in mountain areas may cause a lack of snow in ski resorts and make them less attractive for our customers.			
Rising sea levels	Rising sea levels can jeopardize coastal assets or holiday areas. This risk can cause a direct loss of the asset if it is located in flooded areas or due to the loss of attractiveness of its location (loss of sand or biodiversity, among others)			X

OPPORTUNITIES				
Risk type	Description of risk	Temporal horizon		
		Short Term (<= 3 years)	Medium Term (> 3 Years <= 10)	Long Term (> 10 years)
Greater resource efficiency				
More efficient buildings with better standards	The renovation of buildings, applying sustainability criteria in the construction and renovation processes, allows us to reduce operating costs (energy consumption and maintenance) and increase asset value	X		
Reduction in the use of energy and water	Our commitment to improvements in the efficiency of energy and water use helps us manage processes more efficiently, with actions such as the digitalisation of consumption and investments in energy efficiency measures helping us meet our public commitments	X		
	Projects such as CO$_2$PERATE allow the use of technology and artificial intelligence in buildings to make them increasingly smart and sustainable, thus anticipating regulatory requirements and achieving improvements in energy performance			
Minimisation of carbon footprint	A carbon tax in any of the countries in which we operate could bring significant extra operating costs. Energy efficiency measures help us reduce our emissions and therefore reduce any potential payments	X		
Recycling	Encouragement of recycling in our facilities and the inclusion of sustainability criteria in purchasing processes to guarantee reuse and recycling, help anticipate regulatory changes in the countries in which we operate.	X		
Energy resources				
Use of renewable energies and diversification of energy use	The inclusion of renewable energies reduces operating costs associated with electricity and/or fossil fuels, reduces emissions and therefore helps us achieve our emission reduction targets		X	X
	Progress in the purchase of renewable energy allows us to also make progress in our decarbonization strategy			
Use of less carbon-intensive energy sources	A reduction in the number of facilities that consume fossil fuels allows us to eliminate or reduce the risk of regulatory changes regarding the most pollutant energy sources, thus reducing our exposure to future increases in the price of fossil fuels.		X	X
Use of regulatory incentives	Adopting energy reduction measures may offer the possibility of regulatory incentives or access to financing	X		
	Constant improvement in energy, water and waste management provides a competitive advantage by offering access to higher ratings in public and private tenders			
Resilience				
Renewable energy programmes and energy efficiency measures	Our investment in energy efficiency and alliances or participation in renewable energy development programmes allows us to increase our market value due to a sustainability strategy and more resilient planning.		X	

AUDITS OF RISKS ASSOCIATED WITH HOTEL ACTIVITY

In 2018, we initiated a pioneering project in the hotel industry with the implementation of a tool to detect and manage risks associated with global hotel activity. This tool allows a systematic, periodic and objective assessment of risks to people, physical assets and the environment. It also helps evaluate compliance with legal requirements and risks associated with significant environmental aspects, including adequate measures for prevention and mitigation.

In 2019, **93 audits** were completed in Spain, France, Germany, Italy and the United Kingdom. As a result of these audits, substantial improvements have been seen in the detection of risks in hotels. In 2020, and in spite of the pandemic, Melia Hotels International allocated approximately **€7.75 M** to preventative measures in response to the risks detected.

At the end of 2020, the company also proposed updating the audits carried out in 2019 to contrast results. This update will allow a measurement of the effectiveness of the action plans and thus ensure constant improvement and support for the firm policies and commitments defined by the company regarding risk.

EMISSIONS COMPENSATION PROGRAMME “SUSTAINABLE MELIÁREWARDS"

The growing demand for more sustainable products and services led us to offer our MeliáRewards members the chance to get directly involved in emission compensation, becoming the first hotel company in the world to apply blockchain technology to help the environment.

In 2019 we signed and announced during COP25 an agreement with ClimateTrade, a Spanish start-up company and international leader in environmental blockchain technology, which allows the online compensation of emissions in a simple, direct and certified way, eliminating intermediaries and extra costs and enhancing trust and security. MeliáRewards members can now redeem points in exchange for internationally certified carbon credits and use them to support a choice of sustainable projects of their choice which help develop, protect and conserve natural ecosystems. These carbon credits and the projects for which they are used are endorses and certified by the UN CDM Registry and the Verified Carbon Standard (VCS).

Our objective was to launch the project in 2020. However, the pandemic forced us to postpone the launch until 2021, with the projects having already been selected and explained below.

"WIND PROJECT" IN OAXACA (MEXICO)

The project is led by Acciona, a leading Spanish company in infrastructures and sustainability, and endorsed by AENOR, and will help build a better planet by responding to infrastructure, water and energy needs through innovative and responsible solutions in Mexico. The objective is to operate a wind farm in Oaxaca (Mexico) to:

- Improve the living conditions of a community of more than 12,000 people
- Bring clean electricity to more than 700,000 Mexican homes
- Avoid the emission of more than 670,000 tons of CO2, equivalent to the cleaning effect on the atmosphere of the photosynthesis of 33.5 million trees

"WASTE4ENERGY" PROJECT IN RÍO DE JANEIRO (BRAZIL)

This pioneering project aims to cut greenhouse gas emissions by 50% by capturing and burning methane generated by the decomposition of organic waste from landfill sites, generating non-polluting electricity to be distributed to local households with limited resources. This project has already given more than 200,000 people access to electricity from renewable sources. The donation of MeliáRewards points will help achieve:

- Collect, destroy or use the gas emitted by the landfill site and also minimise the risk of explosions on the site
- Protect the subsoil by preventing gases seeping into the water table and polluting water sources
- Generate clean electricity and deliver it to thousands of homes
- Encourage the transfer of technology from the project to other similar projects in other countries
- Promote green employment in the region as the project requires specialist know-how

---

CARBON FOOTPRINT AND EMISSION REDUCTION TARGETS (SBTi)

GRI: 305-1, 305-2, 305-3, 305-5

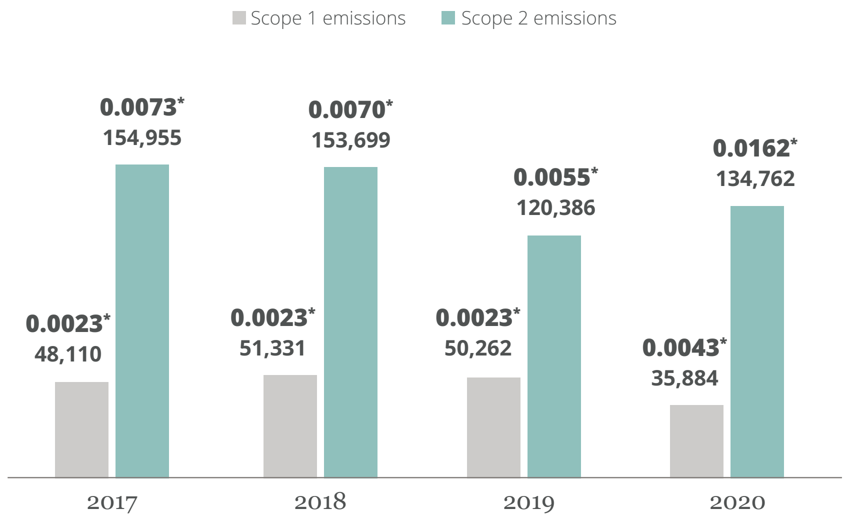
In 2019 we validated our objectives to reduce our carbon footprint in line with the Science-Based Target Initiative to contribute to the objective to keep global temperature increases well below 2 ºC compared to pre-industrial levels. This is the basis for our projects to combat climate change in line with the commitment we assumed in 2015 as a result of the Paris Agreements (COP 21).

SCOPE 1 & 2

Meliá's greenhouse gas emissions, Scopes 1 and 2, are caused by burning fuel in our own facilities (direct emissions - Scope 1) or in supplier facilities (indirect emissions - Scope 2). In 2020 we measured emissions in 100% of our owned, leased and managed hotels, compared to 76% in 2019. This explains why direct emissions in 2020 are higher than in 2019, despite a large part of the hotels being closed due to the pandemic.

In 2020 we continued to make progress in the implementation of our environmental management system to guarantee the measurement of consumption in hotels that up until now had not been able to report data. New hotel openings have also been added to the perimeter of energy measurement, estimating the data according to the climatic characteristics of the area and/or the number of hotel rooms. The measurement perimeter is thus increased by 67 hotels in total energy and emission measurements. Of note is the inclusion of the 30 hotels in Cuba, representing 23.3% of total consumption in the company.

DIRECT EMISSION CARBON FOOTPRINT (TCO$_2$EQ)**



(*) Intensity ratio (TCO$_2$eq per stay) (**) Aggregate perimeter

EMISSION SAVINGS (BASE YEAR 2018)*

Scope 1

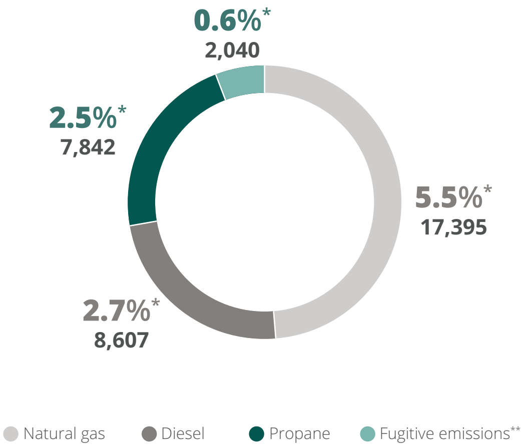
-51.2%

Scope 2

- 51.9%

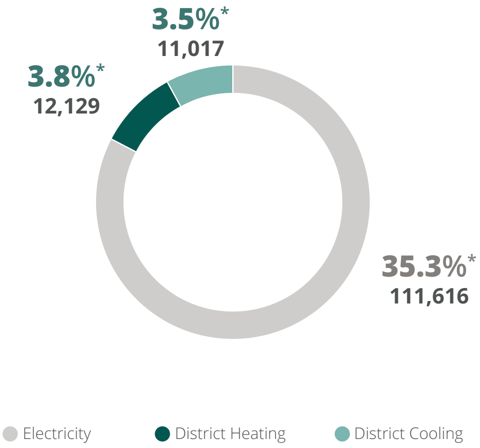
(*) For comparability purposes and to assess progress in our reduction targets, data from the centres included in the 2020 perimeter have been added to the base year 2018.

COMPOSITION OF SCOPE 1 EMISSIONS (TCO$_2$EQ)



(*) Proportion of total emissions (Scopes 1, 2 and 3).
(**) Calculation of emissions for Spain extrapolated to the rest of the portfolio.

COMPOSITION OF SCOPE 2 EMISSIONS (TCO$_2$EQ)



(*) Proportion of total emissions (Scopes 1, 2 and 3).
Note: Calculated according to the "Located Based" methodology

Scope 1 of our footprint represents **11.34%** of all emissions, with natural gas and diesel being the most important fuels. In recent years we have converted facilities from diesel to natural gas, thus minimising the use of diesel and reducing emissions. Together with leading partners in the energy industry, we are analyzing how natural-gas facilities can be adapted to operate with other energy sources such as hydrogen and biodiesel.

Scope 2 represents **42.60%** of our carbon footprint, among which electricity contributes 35.29% of total emissions.

In recent years, energy saving and efficiency projects have helped reduce emissions, including the CO$_2$PERATE project to reduce electricity and fuel use in hotels through the application of artificial intelligence and energy-saving and efficiency strategies.

EMISSION REDUCTION TARGETS (SBTI)

Scope 1 and 2 (2023)

-13%

Scope 1 and 2 (2035)

-51%

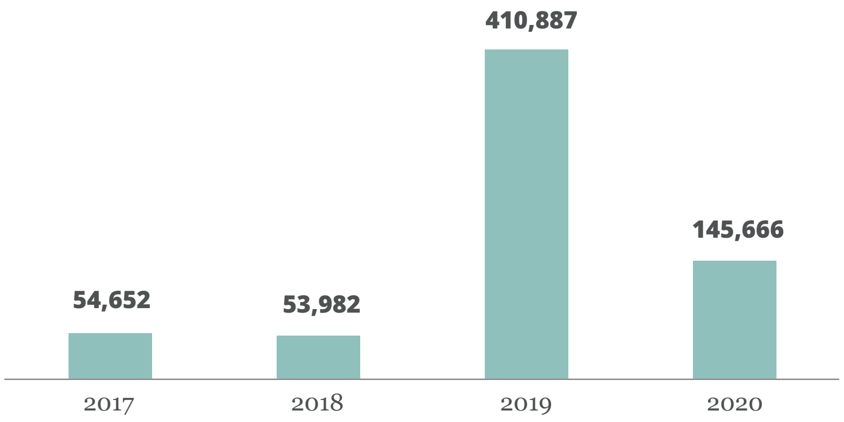
SCOPE 3

Given the nature of our business, Scope 3 emissions are the most significant in our activity. Therefore, following recommendations and best practices, we continue to make progress in measuring our Scope 3 footprint, which includes all the indirect emissions that occur in our value chain. In 2020, Scope 3 emissions were affected by the closure of hotels, which caused a reduction in the purchase of goods, and travel restrictions which limited business travel. Teleworking also had a positive impact by limiting the amount of travel made by our employees.

MEASUREMENT CATEGORIES

01	**Category 1**	Materials & Services
02	**Category 2**	Capex
03	**Category 3**	Transportation & Distribution
04	**Category 4**	Waste
05	**Category 5**	Travel
06	**Category 6**	Travel to the workplace

CARBON FOOTPRINT SCOPE 3 (TCO$_2$EQ)**



(*) Aggregated perimeter
Note: Scope 3 emissions increase dramatically from 2019 as we extend measurement categories

EMISSION REDUCTION TARGETS (SBTI)

Scope 3 (2023)

-8%

Scope 3 (2035)

-21%

Supply chain

GRI 102-9, 308-2

At Meliá, we ensure that our sustainability standards and requirements, including social, environmental and good governance criteria, are applicable to all our suppliers, with the comprehensive management of the supply chain contributing to the development of our responsible business model.

The pandemic led to the paralysis of our hotel activity and also greatly disrupted our usual supply of products and services. This had a significant impact on our purchasing volume affecting thousands of local and global suppliers. As a leading company in the industry, we are committed to strengthening our relationships with suppliers, enabling mechanisms to support them during the crisis, and supporting the creation of a safer and more sustainable supply chain more than ever before.

To respond to the new situation, we have updated our *Procurement and Service Contracting*, approved by the Board of Directors, reinforcing the commitments in our *Supplier Code of Ethics* and defining criteria for the selection of suppliers based on quality, safety, sustainability and efficiency.

Procurement strategy

MISSION

Constantly supply and improve service in terms of quality and supply periods while also optimising savings and supporting the development and constant improvement of the commitments in our sustainability strategy.

In 2020, after the update to the *Procurement and Service Contracting Policy*, we have developed a new procurement strategy based on 4 key areas:

- **Excellence** in our operating model to maximise savings and service quality
- **Digital transformation** to ensure greater agility, control and efficiency in our processes
- Investment in **training and the development** of digital skills
- Integration of **sustainability** criteria in the selection and evaluation of suppliers

COVID-19 context

The pandemic has provoked important changes in our supply lines. One of the most significant changes this year was an increase in our commitment to **4th** (minimally processed fruit and vegetables) **and 5th-range** (pre-cooked dishes) products. Despite hotel occupancies being at historic lows, the consumption of these type of products has increased from 130% to 150% depending on the region.

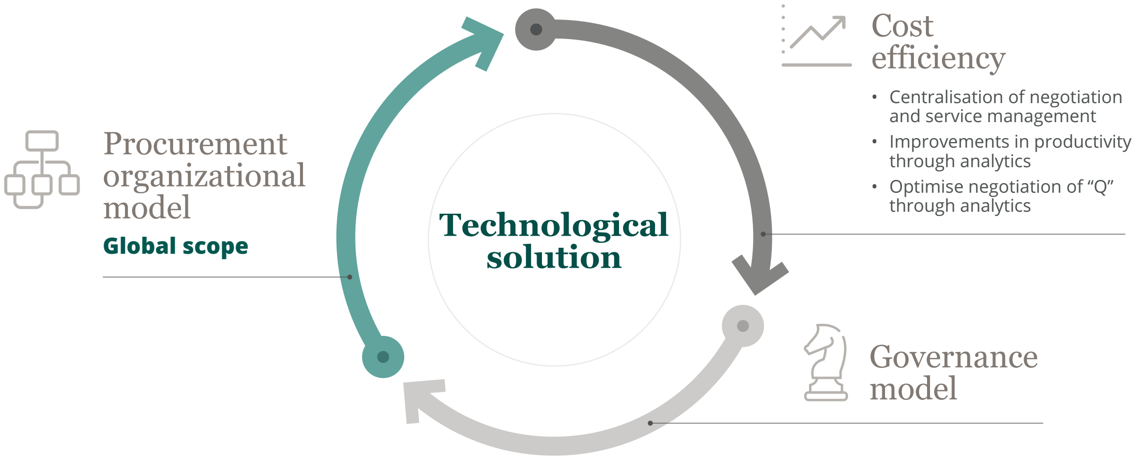
This has had important repercussions in reducing food waste, reducing the cost of direct labour in food preparation and consequently reducing the infrastructure required and investments in machinery and kitchen facilities.

These variations will be more accurately measured in the near future when we have more stable occupancy levels, but for now they have led us to implement measures to improve operations and optimise consumption while also ensuring stringent health and safety guarantees for our customers.

Digital transformation of the supply chain

In line with the company digitalisation process, one of the key priorities is the digital transformation of the supply chain. The aim is to evolve towards a purchasing and cost management model which is 100% digital, using best-in-class systems as a catalyst to drive change.

DIGITAL TRANSFORMATION PROCESS



Procurement organizational model

Global scope

Technological solution

Cost efficiency

- Centralisation of negotiation and service management
- Improvements in productivity through analytics
- Optimise negotiation of "Q" through analytics

Governance model

ESG risk management

To assess the degree of risk that our main suppliers have in relation to environmental, social and governance criteria, we conducted an ESG risk analysis including issues related to human rights, occupational health and safety, talent, diversity, vulnerability, ability to adapt to climate change, availability of natural resources, biodiversity, institutional relations and corruption. The analysis gives us greater visibility on the risks to which we are exposed in countries where we operate and allows us to take the measures required to anticipate these risks should they ever occur.

ESG RISK ANALYSIS PROCESS

Identification of issues/indicators

Selection of specific issues or indicators that determine the degree of risk of the ESG matters identified

Assessment of each country

Analysis of each of the indicators to generate a country-level risk assessment

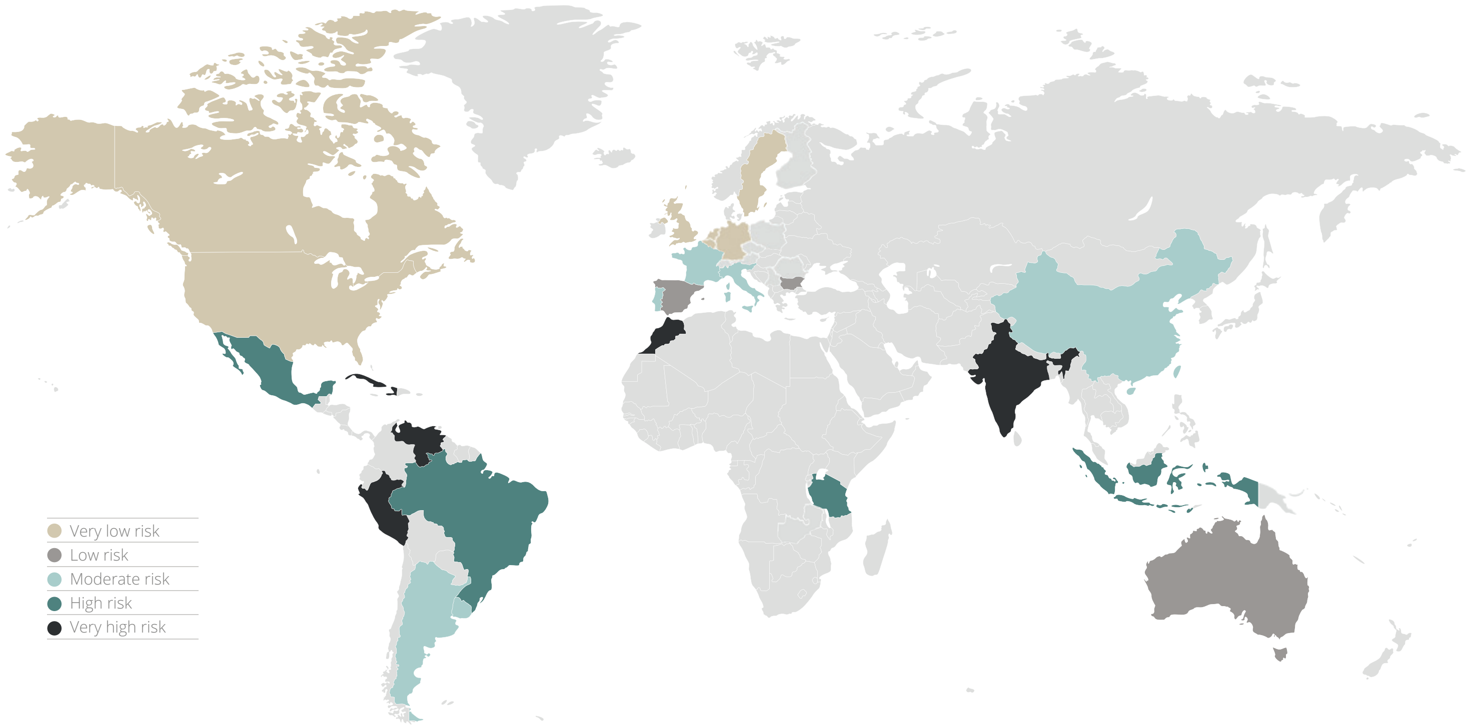
Weighting of risk levels

In line with Meliá principles and values, greater weight is given to risks associated with human rights, job security and corruption

Definition of final risk

Application of percentiles to country-level risk to map countries compared to total risk

ESG RISK MAP



Identification of critical suppliers

Based on the results of the ESG risk analysis, a process was defined to identify critical suppliers based on **three criteria: purchase volume** (minimum of 1% of total centralised purchases), **ESG risk by country** (location of the main purchasing centres) and **product family** (food and beverage categories considered most critical as their expiry may affect the health of customers).

Total Tier 1 suppliers (consolidated perimeter)	Critical Tier 1 Suppliers (consolidated perimeter)	Critical Non-Tier 1 Suppliers (consolidated perimeter)
4,187	**27**	**61**

ESG evaluation of our suppliers

GRI 308-1, 414-1

To ensure compliance with commitments in the *Procurement and Service Contracting Policy* and the Supplier Code of Ethics, we regularly evaluate suppliers to assess their performance regarding sustainability, proposing actions to ensure greater alignment with our strategy and public commitments as well as incorporating the results into our contract selection and renewal process.

The evaluation process is carried out with the support of **EcoVadis**, a leading international partner in ESG assessments, which uses online questionnaires adapted to the size of the supplier, the country in which it is located or the industry to which it belongs, also applying global standards such as the United Nations Global Compact.

To create a benchmark for best practices, Meliá also underwent evaluation in 2019, obtaining **Gold Level recognition from EcoVadis**. Previously, this process used to be carried out internally using a sustainability questionnaire that was completed by suppliers. From 2021 onwards, and in line with the company digitalisation process, the assessment will be carried out using this platform.

The exceptional situation this year has prevented us making all the progress we expected in the evaluation process. That is why our goal of completing the evaluation of 50% of our portfolio of suppliers in 2020 has not been achieved. We remain very much aware of the importance of this process, and in 2021 we will continue to move forwards as the reactivation of the business allows.

Suppliers evaluated by EcoVadis (last 2 years)	Objective for suppliers evaluated 2020
86	**50%**

Selection of suppliers with sustainable criteria

GRI 308-1, 414-1;

Supplier selection is based on technical, financial and sustainability criteria using a rigorous and transparent process which ensures the selection of the best possible suppliers, aligned with our principles, values and public commitments.

When entering into a partnership with Meliá, all suppliers must accept our ***Supplier Code of Ethics***, or, if they have a Code of their own, sign a ***Conformity Statement***, which guarantees they are in alignment with the principles of our Code. They must also sign a **Sustainability Clause** in which they accept that they are aware of our requirements in this matter and promise to support them, accepting the possibility that we may audit their compliance and progress.

SUPPLIER CODE OF ETHICS COMMITMENTS

Comply with legislation

No tolerance of slavery

Prohibition of child labour

Ensure safe working environment

No tolerance for abuse or coercion

Fair wage

Respect for the environment

No discrimination

Responsible supply chain

Freedom of opinion and association

New suppliers selected under sustainable criteria	Suppliers with signed Sustainability Clause (last 2 years)	2020 objective for suppliers with signed Sustainability Clause	Suppliers with signed/ accepted Code of Ethics	2020 objective for suppliers with a signed/ accepted Code of Ethics	Local suppliers 2020 (consolidated perimeter)	2020 objective for local suppliers
1,499 (35.8%)	**1,792** (42.8%)	**60%**	**1,834** (43.8%)	**50%**	**3,695** (88.3%)	**90%**

Social impact

GRI 102-12; 413-1

At Meliá we understand our social contribution is the result of a **combination** of the impact of our activity, the way we redistribute value to our stakeholders and our support for charitable causes or philanthropy.

2020 was a complex year which inevitably affected our ability to create value given the paralysis in our activity as a result of the pandemic.

However, it was also a very intense year in regard to our contribution to society, and in the private sector we were seen as leaders of social causes due to our solidarity in the initial months of the crisis.

As a leading hotel company with a certain degree of influence and ability to mobilise resources, we aimed to offer solutions to our employees and partners, show our public support for healthcare workers and support a wide range of different social organisations, among other activities.

FINANCIAL VALUE CREATED AND DISTRIBUTED

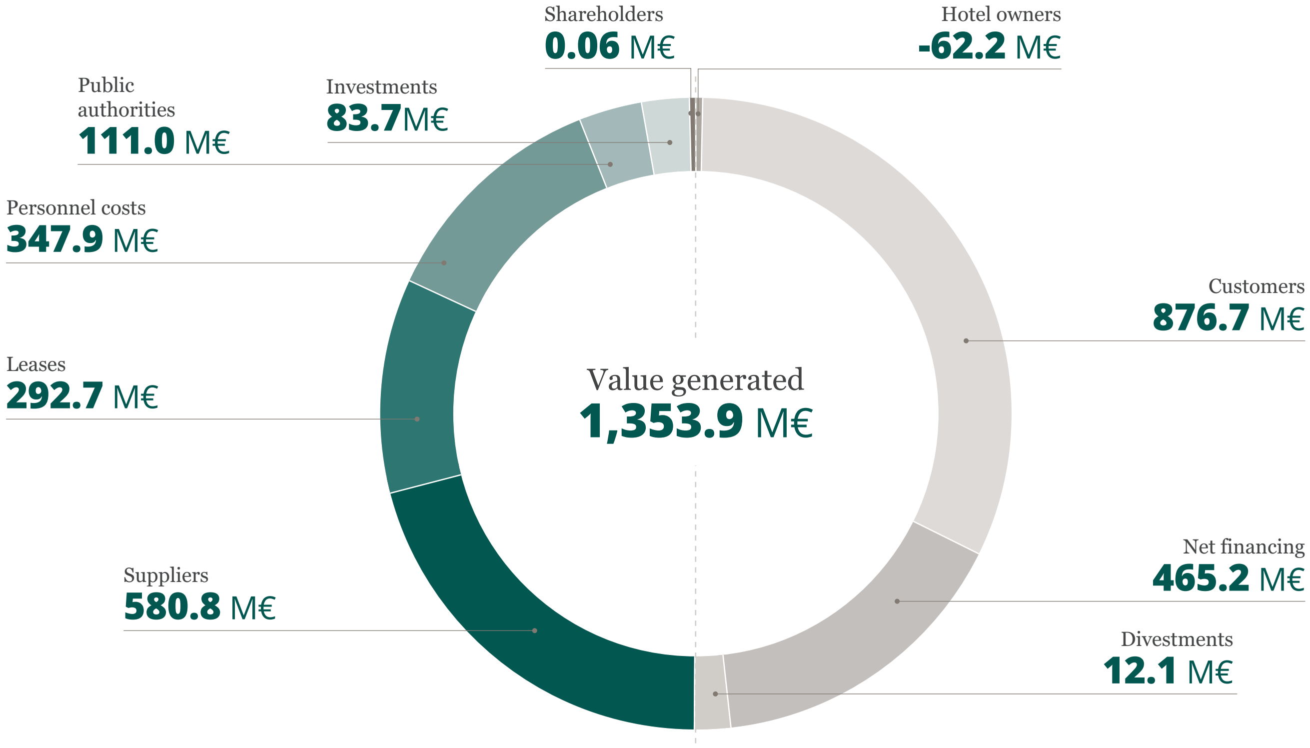
GRI 201-1

We are aware that **travel contributes significantly** to economic and social progress in destinations and in many other industries that form part of the travel value chain.

We were pioneers in the Spanish travel industry in calculating the so-called Social Cash Flow. Since 2008, we have been measuring the wealth and positive impact we generate as a Group. We understand Social Cash Flow as an economic representation of the direct benefits we generate for society as a whole and for all of our stakeholders.

The calculation of our **Social Cash Flow 2020** reflects the negative impact of the crisis, not only on our activity, but also on the other players affected by the travel industry. The important role that travel plays in world economies is abundantly clear. The industry is a fundamental driver of the creation of economic and social value.

SOCIAL CASH FLOW 2020



Incoming value

Customers
Revenue from hotels and other assets and businesses

Divestments
Revenues from divestments in real estate, group companies, financial assets, etc.

Net financing
Revenues from bank financing

Outgoing value

Suppliers
Payments to suppliers of food and beverage, external services, transportation, utilities, etc.

Leases
Payments to the owners of the real estate used for hotel management or other activities

Employees
Payments to personnel in corporate offices and owned and managed hotels

Public authorities
For taxes on profits, social costs, taxes on activity, etc.

Investments
Payments for investments made, maintenance or reform of company assets

Shareholders, hotel owners and others
Shareholder dividends, payments to owners, financial costs, exchange rate variations, loans to subsidiaries, etc.

PHILANTHROPY

Up to March, our business units continued their social activities through direct support for social organisations as normal, and in line with our *Philanthropy Policy* and its associated management system. With regard to the system, this year we created and launched a specific Philanthropy training programme which reached a total of 214 people.

Although in 2020 we only made financial contributions to one foundation (Born to Learn), **we have continued to support** other organisations, mainly in kind, both at the corporate level and through our business units, up to a value of more than €5.2 M.

Total donations	In-kind Donations	Economic Donations
€ 5,236,403	€ 5,211,071 (99.52%)	€ 25,332 (0.48%)

In the first quarter of the year, our business units continued to encourage our customers to raise funds to help children, raising more than €46k for UNICEF to assist in programmes to **promote the rights and well-being of children** and society, as well as fight against the commercial sexual exploitation of children all over the world. Despite the practically total paralysis in our activity, this area has continued to be a priority in our work. We thus continue with our approach aligned with **SDG 10 (Reduced inequalities)** and **SDG 17 (Partnerships to achieve goals)**

March saw a turning point with regard to our philanthropy. The forced lockdown in our activity meant that we had to refocus our social activity towards approaches coordinated on the corporate level and focused on supporting needs arising from the pandemic. Actions centred on **SDG 3 (Good Health & Well-being)** have therefore dominated our philanthropic contribution this year and become a **top priority**.

Despite refocusing our priorities, and with a reach that was greatly reduced given the circumstances, we continued working in other areas we consider essential, such as **cooperation in projects to support greater responsibility** (see more detail in the section on *Circular economy with social repercussions* and projects to improve the **employability** of people at risk of exclusion (see more detail in the section on *Integration in the workplace of people at risk*), with a desire to continue strengthening these areas as the business recovers.

SOCIAL CONTRIBUTION DURING COVID-19

The health crisis in 2020 was greater than any of the crises seen in the past. The paralysis of the global economy, travel restrictions and lockdown in countries where more stringent measures were required have had a profound, abrupt and unexpected impact on our society, generating a level of uncertainty and social impact which is unprecedented in modern history.

But the pandemic has also allowed us to show the best of ourselves, allowing our commitment, responsibility, solidarity, empathy, collaboration and values to emerge, taking part in numerous initiatives focused on mobilising financial, human, technological and health resources to mitigate the effects the virus right from the outset.

Meliá Bali. Linen 4 Life Project

SOCIAL IMPACT OF COVID-19

01 We offer protection and support to our teams

02 We are close to and responsible with our stakeholders

03 We have a permanent communication channel open to employees

04 We act quickly to resolve customer requests

05 We share our know-how and experience with the authorities

06 We cover the most crucial needs of social and governmental organisations

07 We open up our hotels to key workers away from home

08 We convert hotels into hospitals for recovering patients

Our company joined this common effort and **aimed to be an active participant** in helping alleviate some of the most critical needs, showcasing the transformative power and multiplier effect of our commitment and our service to society.

The health crisis caused a near collapse in global hospital systems, particularly the Spanish health system, in March and April 2020, leading us to become one of the first hotel groups to make our **hotels available to the health authorities,** which in some cases lasted throughout the whole year. **SDG 3 - Good Health & Well-being** has therefore been our guiding light for a large part of the activities we supported in 2020 and which were our **greatest priority.**

Our support in Spain also extended to other countries given the need for more beds to allow recovering patients to be able to stay in a safe environment supported by health workers.

We also offered local authorities hotels that we kept open to accommodate people who had to stay in quarantine or people working away from home and providing essential services.

> **“Every day we see how healthcare workers go out of their way to help fight the virus over a period of months, and that’s why, in addition to offering our facilities, we also want to offer them the chance to look forward to a well-deserved rest in a hotel of their choice when all this is over”.**

stated the Executive Vice President & CEO of Meliá Hotels International, Gabriel Escarrer.

After this commitment, we activated **Meliá with the Heroes**, our tribute to all the heathcare workers and other essential workers such as the security forces and others, in what was the most important solidarity action in our more than 60 years of history. We gave away more than 30,000 free hotel nights to more than 17,000 people, all of them key workers on the front line during the pandemic.

Engaging with employees was also a priority during the long months of the pandemic. As a family business, **protecting talent** and ensuring the **health and safety** of our employees was a top priority, as well as providing financial or emotional support for all those people who needed special assistance.

The progress made in **digitalisation** in recent years made it easier for our teams to train during the closure of hotels, allowing access to the eMeliá online training platform which offers a wide range of courses, activities and webinars for all types of employees with different needs.

We also worked tirelessly with hotel owners, partners and all the other stakeholders who have placed their trust in the company to address their concerns and prepare for the restart of our activity.

Finally, given the seriousness of the situation, we also offered our support to the most vulnerable people in society, **increasing our support by** donating sanitary and hygiene products, linen and basic foods to social organisations primarily in the first stage of COVID-19, and also supporting members of our own team who needed food or other basic products.

The crisis has shown the importance of **collaboration and cooperation** in exceptional circumstances and given us the opportunity to act in line with our business purpose.

The importance of travel to the world economy has become even more dramatically evident, and our desire is that we may return to normality and normal activity, alleviating the effects of the crisis and boosting economic growth and employment in all our destinations.

SOCIAL IMPACT OF COVID-19

WE HAVE CONTINUED TO FOCUS ON THE TALENT OF OUR TEAMS

eMeliá Reach (people)	Active eMeliá users	Total hours of training	Training hours/employee
+45,000	**+21,000**	**+510000**	**22.61**

STAY SAFE WITH MELIÁ, A HEALTH AND SAFETY PROGRAMME TO REINFORCE TRUST

Trained people	Total hours of training	Training hours per employee	Hotels certified by Bureau Veritas	Investment in adapting hotels and offices	Positive customer feedback
+21.000	**+294,800**	**8.59**	**47**	**+€2.2 M**	**83.3%**

"NIGHTS FOR YOUR DAYS", WE RECOGNIZE THE EFFORTS OF OUR HEROES

Hotel nights donated	Economic value	Essential workers benefited (people)	Media impact
+32,000	**+€4.9 M**	**+17,000**	**+60 M**

WE HAVE CONVERTED HOTELS

Hotel hospitals (Spain)	Essential worker hotels (5 countries)	COVID-19 patients received	Supplier donations received
6	**11**	**738**	**+€180,000**

WE HAVE PROVIDED SUPPORT TO SOCIAL ORGANISATIONS

Hotels involved	Organisations assisted	Material donations	Masks made
81	**41**	**+104€k**	**+37,000**

Protection of human rights

Anticipation of the new regulatory framework

Our company values allow us to contribute to the protection of human rights in our value chain as they form the backbone of a hotel management model that incorporates ethical and responsible criteria. This is especially relevant given that Meliá manages hotels in more than 40 countries.

This requires us to define frameworks that guarantee the defence of human rights in hotel operations and ensure regulatory compliance, either from the reporting perspective, such as **Law 11/2018 on the disclosure of non-financial information** that requires companies to publish annual reports on their environmental, social and corporate governance impacts, or with regard to new European Union regulations that will shortly require companies to apply criteria based on the "Due Diligence Requirements Through The Supply Chains" report published in February 2020.

This new human rights legislation will form part of the European Green Deal and ***European Recovery Plan*** based on the **United Nations Guiding Principles on Business and Human Rights** and the **OECD and ILO principles,** holding European companies accountable for human rights and environmental impacts in their supply chains.

The future new regulatory frameworks have led Meliá to take part in specialist meetings and forums to understand the new regulations and share knowledge and experiences.

In both cases, we have already made progress in compliance with requirements thanks to the Code of Ethics we first implemented in 2012, which already includes human rights issues and their key regulatory references. Since 2018 we also have a specific policy, we report non-financial information regarding human rights and we also have a Supplier Code of Ethics that defines the principles that guide our relationships and selection criteria. As a **signatory partner of the Global Compact**, we also ensure the integration of the **10 Guiding Principles** in our activity and continue to make progress in defending children's rights through the **ECPAT code (2006)** against child sexual exploitation. Meliá was a pioneer in the Spanish tourism industry in this respect, being the first company to express its public support in 2006.

New self-assessment

We anticipated this situation with a global **Control Self-Assessment (CSA)** in 2019 to identify potential risks related to human rights in our value chain and thus create action plans for their mitigation.

The self-assessment helped reinforce controls, and since 2018 the Company risk map includes potential impacts our activity may have in human rights matters in addition to identifying and monitoring risks of a financial, operational, strategic or reputational nature.

In 2020, Meliá carried out a new and more detailed analysis involving 94% of owned, leased and managed hotels, with the exception of Cuba, in 9 different areas covering all the company's public commitments and containing 54 specific questions.

The analysis assigned a specific weight to each of the 9 areas taking into account the risks and opportunities identified in preparing the 2019 Integrated Annual Report, the criteria of the EINF Law, GRI standards, the company's public commitments in different areas and company priorities.

Personal dignity, equality and a safe workplace	**15%**
Avoidance of forced labour, child labour and slavery	**5%**
Freedom of association and collective bargaining	**10%**
Support for equal opportunities in personal development and growth	**7%**
Fair and dignified work conditions and remuneration	**15%**
Zero tolerance for corruption	**20%**
Environment and local community	**15%**
Society and stakeholders	**5%**
Training and communication in ethics and human rights	**8%**

A global analysis of the 9 areas and a detailed analysis of each of them was carried out bearing in mind the situation in each region and country in the following management areas.

Identification of human rights risks

The context of the pandemic has allowed Meliá to confirm a management style focused on people and demonstrate a significant capacity to adapt to a complex environment characterised by uncertainty in general and also in terms of its impact on human rights. The measures implemented in labour rights and health protection, among other areas, confirm the degree of integration of human rights in the day-to-day running of the company.

Although our management in this respect does not present any critical risks, we have identified some exceptional situations in Jamaica, Morocco and the Bahamas which do not pose a critical risk as they only affect 4 hotel units.

This analysis is particularly important due to the fact that the company operates hotels in 16 countries which ***Human Rights Watch 2020*** claims do not respect these rights. Our diligence in managing this aspect and the situation in each country allows us to conclude that our management has been largely appropriate, given that only one of the countries presents opportunities for improvement.

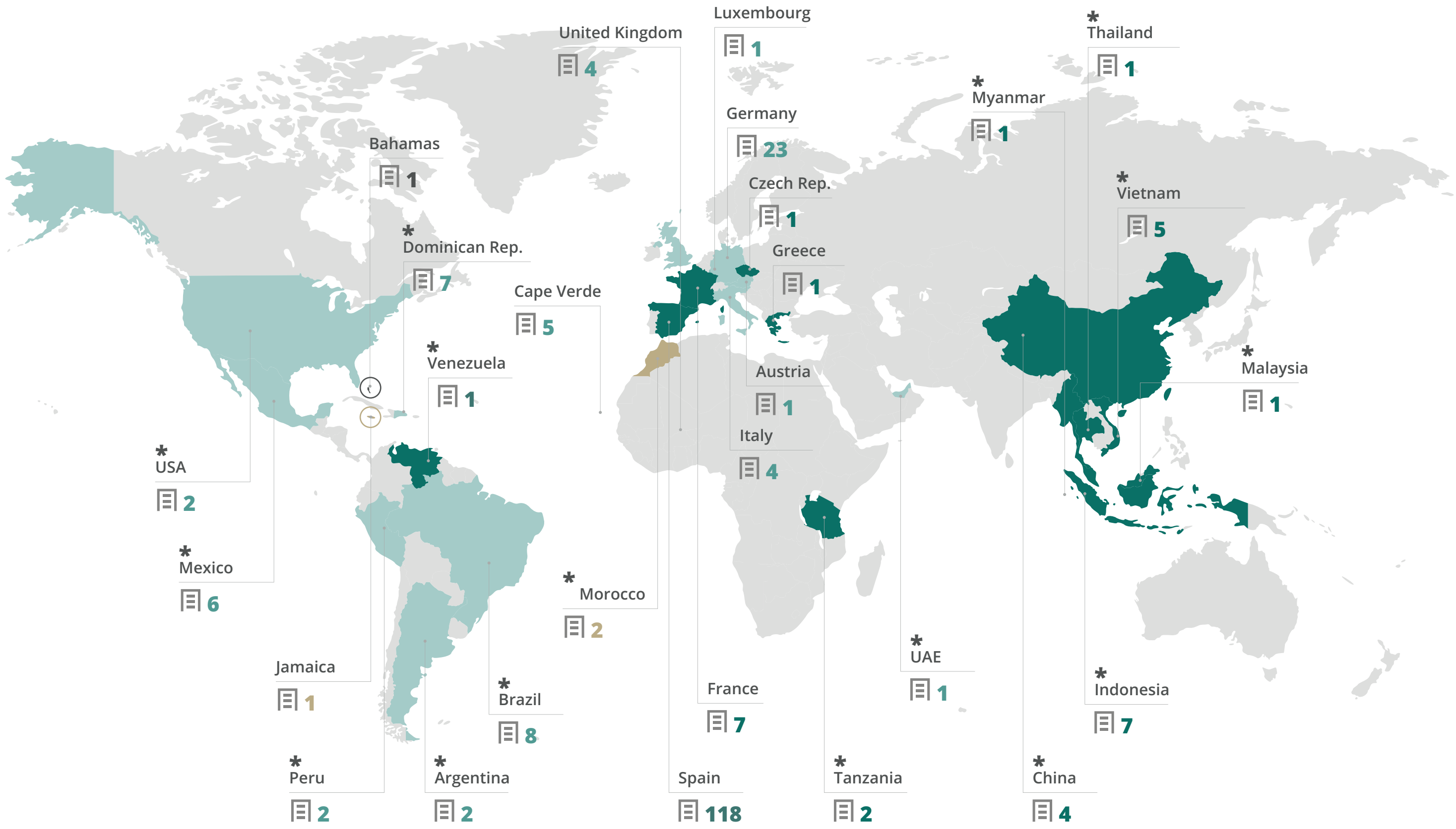
From 2021 we will update our self-assessment and carry out a new analysis while also increasing the number of hotels. We will also define a global protocol and specific regional plans to consolidate the integrated management of human rights and explore specific training options for key employees through the eMeliá platform.

LEVEL OF PARTICIPATION IN SELF-DIAGNOSIS

	Americas	EMEA	Spain	Asia
Participating portfolio	81%	94%	99%	86%
# of hotels	30	48	125	19
# of countries	10	11	3	6

Global participation

94%



Management ranges

- ● Excellent: > 90%
- ● Good: 75%-90%
- ● Adequate: 60%-75%
- ● Risk: < 60%

▤ Number of hotels

* Note: violation of human rights according to Human Rights Watch 2020. Countries in which human rights are violated.

Integration in the supply chain

GRI 412-3; 414-1

After the launch in June 2019 together with EcoVadis of a process aligned with the Guiding Principles on Business and Human Rights to evaluate a group of key suppliers based on their purchase volume, product and country of origin, In the last two years we have evaluated 86 suppliers, finding no significant risks regarding the violation of rights such as freedom of association, collective bargaining, and aspects related to child labour or forced labour.

Suppliers evaluated regarding human rights by Ecovadis (last 2 years)

86

Impact of COVID-19 on Human Rights

The COVID-19 pandemic is greater than just a global health crisis, being the cause of an economic and social crisis that has directly affected certain human rights in the world of business.

This has made the 2030 Agenda and the Sustainable Development Goals (SDGs) even more closely associated than ever with the Universal Declaration of Human Rights, becoming the framework of reference for facing this situation.

To respond to the situation in line with its own ***Human Rights Policy***, Meliá has made a special effort to meet the needs and expectations of two of its main stakeholders in the following areas;

- Health, mainly of customers and employees as our priority stakeholders.
- Employment and the protection of unemployment without any discrimination.
- Consumption, transparency and flexibility for the enjoyment of our customers

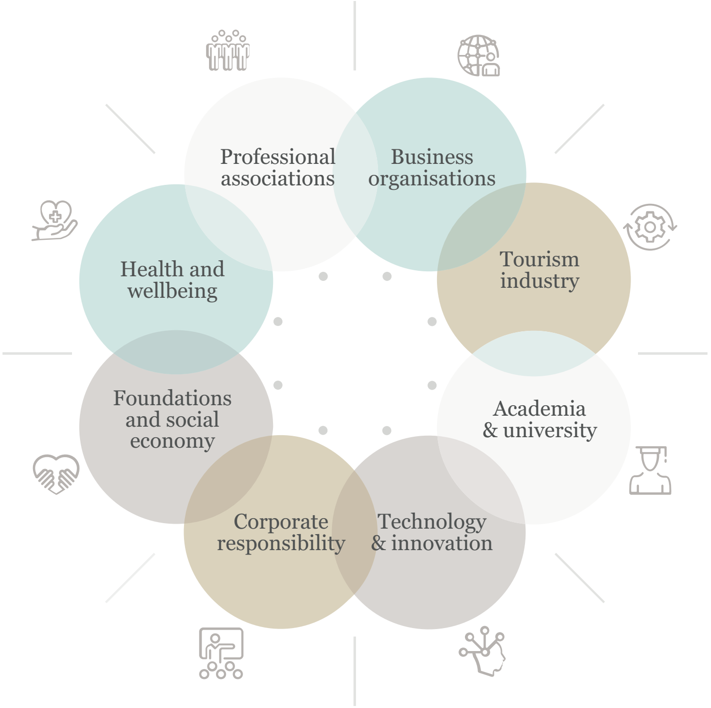
Institutional positioning

As an international company and travel industry leader, **we aim to be an active player in local associations** in the destinations in which we operate, sharing our experience and defending the common interests of the industry.

These **relationships** allow us to acquire new knowledge, anticipate new trends, participate in debates with other leading companies or explore collaborative work opportunities to enrich our business management system.

We are committed to a **balanced presence-** both at home and abroad, participating in those areas* that we consider essential for our business and in which we can add **tangible value**.

AREAS OF ACTIVITY



This year was particularly intense in terms of institutional activity. The health crisis has required a large amount of **cooperation and networking** between different players in the public and private sectors to manage the impact of the pandemic on the tourism industry and the economy.

Working together, we have been able **communicate the concerns of society in general and those of our industry**in particular. We have also shared our experience in China, as it was the first country to suffer the onset of the health crisis, and thus help others reinforce their approach to the pandemic.

On the other hand, **we also joined in** many of the activities carried out by Spanish businesses to meet the initial needs created by the pandemic and extending our social commitment to other destinations in which we operate.

To promote an appropriate institutional positioning between our business objectives and the context of the pandemic, during the year we reviewed our model to apply strategic criteria with a long-term vision.

A **solid positioning aligned** with our business objectives will help improve our corporate reputation and strengthen bonds with our key stakeholders. Over the coming year, we will continue to strengthen our model and explore new opportunities

---

* The details of our presence in associations and other organisations can be seen in the Institutional Relations section (policy influence)

Key forumsand institutions

Business organisations

Helps companies face the challenges and opportunities of globalisation. We form part of the Corporate Social Responsibility and Anti-Corruption Committee.

Members since 1997.

Its main objective is to represent, promote and defend the general interests of Spanish companies. Given our international presence, we also form part of the Spanish Chambers of Commerce in the United Kingdom, France, Belgium, Luxembourg and Peru.

Members since 2014.

Global community of companies and executives aiming to build a stronger and more dynamic society, better prepared to face present and future challenges, through the professional and personal development of the business community.

Tourism Industry

Private travel and tourism forum of international repute that brings together more than 200 companies worldwide, aiming to enhance the importance of the tourism industry and its economic and social impact in the world.

Members since 2017.

United Nations agency in charge of promoting responsible, sustainable and accessible tourism for all. During the year, we renewed our commitment to the International Code of Ethics for Tourism.

Members since 2011.

Bringing together 34 of the most relevant companies in the Spanish tourism value chain. Members since 2002. Our Executive Vice President & CEO has chaired the organisation since 2019.

Corporate Responsibility

International initiative to promote corporate social responsibility.

Members since 2011. ***Signatory*** partners since 2018.

Non-profit organisation that supports commitments by companies to improve society and generate economic value and social impact. We are also present in some of the governing bodies of the foundation such as the Board of Trustees and the Advisory Council.

Members since 2010.

INDICES, RANKINGS AND MONITORS

We form part of several **specialist ESG indices** that assist us in measuring our performance in environmental, social and governance matters.

SAM Now a Part of S&P Global

Leading international organisation that assesses company performance in sustainability and responsible management. Meliá has participated in this annual index since 2018.

FTSE4Good

Global index that assesses business ethics, corporate responsibility and alignment with the SDGs in companies listed on the Spanish stock market.

Present since 2008.

ISS QualityScore

Index that analyses corporate risk in areas such as corporate governance, remuneration, shareholders' rights, auditing and risk management.

In 2020 we achieved a maximum score of 1 out of 10.

"Meliá is the leader in sustainability in Spain and Europe according to the SAM 2020 Corporate Sustainability Assessment carried out by S&P Global "

SUSTAINALYTICS

Leading independent global provider of ESG and corporate governance research and ratings for investors.

Meliá obtained a score of 24.3 points out of 100, with 100 representing the highest level of risk.

ecovadis

Present since 2019. Ecovadis is the benchmarking platform for assessing corporate social responsibility in supply chains. Meliá currently holds **Gold standard** recognition.

We also take part in several **ranking and benchmark systems** in areas related to our priorities and needs or that are aligned with our strategy.

EVOLUTION IN RANKING AND BENCHMARK SYSTEMS

			2018	2019	2020
ESG Management & Leadership	SAM Now a Part of S&P Global	**S&P GLOBAL - International** Corporate Sustainability Assessment Participants since 2018	★ 3	★ 1	★ 2
	mE	**MERCO EMPRESAS - Spain** 100 Spanish companies with the best corporate reputation in Spain Present since 2011	★ 19	★ 19	★ 30
	mL	**MERCO LEADERS - Gabriel Escarrer Jaume** 100 top-rated business leaders Present since 2012	★ 29	★ 26	★ 25
Responsibility & Corporate Governance	mR	**MERCO RESPONSABILITY & CORPORATE GOVERNANCE - Spain** 100 most responsible Spanish companies and with the best corporate governance in Spain Present since 2014	★ 17	★ 17	★ 21
Climate Change and the Environment	CDP CLIMATE	**CDP CLIMATE - International** International ranking that evaluates the best companies in climate management Participants since 2011	-	B	★ A-
	CDP WATER	**CPD WATER - International** International assessment that rank companies for their water management Participants since 2019	-	★ B	★ B
People and talent	mT	**MERCO TALENTO - Spain** 100 Spanish companies that best manage talent Present since 2011	★ 16	★ 16	
	mTU	**MERCO UNIVERSITY TALENT - Spain** 100 most attractive Spanish companies for university students Present since 2017	37	★ 29	
	MOST ATTRACTIVE EMPLOYERS SPAIN universum 2017	**UNIVERSUM - Spain** Preferred companies for business studies students Present since 2016	★ TOP 10	★ TOP 10	★ TOP 10

Position in ranking ★ Leadership in the Spanish tourism industry

The 2020 results of the Merco Talent and Merco University Talent surveys had not been published as of the preparation date of this report.

Awards & recognition

At Meliá Hotels International we value extremely highly the awards we receive every year from prestigious organisations and forums which **acknowledge our progress** in creating a management model that continues to move forward towards excellence in many different areas.

This year, for the third consecutive year, we were named one of the **leading hotel companies in the world in sustainability**, occupying the second position in the global tourism industry in the 2020 annual Corporate Sustainability Assessment carried out by S&P Global, which also named the company in its **Silver Class** category in its **Sustainability Yearbook 2021**. A new milestone in our history and significant recognition of our firm commitment to sustainability and responsible tourism.

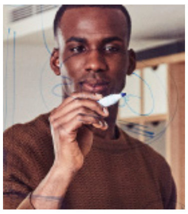
Sustainability Award
Silver Class 2021
S&P Global

AWARDS RECEIVED BY HOTELS

Total	Social and cultural	Environmental	Health and safety	Quality and service
325	**6%**	**7%**	**7%**	**80%**

GABRIEL ESCARRER

- **#25 business leaders with the best reputation in Spain.** Merco Líderes.
- **#25 TOP 50 best CEOs in Spain.** Forbes



REPUTATION AND LEADERSHIP

- **#21 Top 50 Most Valuable Hotel Brands.** *Brand Finance Annual Report.*
- **#10 Top 10 Strongest Hotel Brands.** *Brand Finance Annual Report.*
- **#30 Companies with the best reputation in Spain.** Merco Empresas.
- **Major Spanish company with outstanding prospects.** Exporters and Investors Club
- **Best Investor Relations in the industry *Leisure & Hotels*** awarded by Institutional Investor.

EMPLOYMENT QUALITY AND EMPLOYER BRAND

- **TOP 50 best companies to work for in Spain.** Forbes Spain
- **TOP 10 Most Attractive Employers 2020 (Universum)** for business studies students, and the most attractive in the industry for six of the seven groups interviewed

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

- **#21 company with best corporate responsibility and governance.** Merco Responsibility and Corporate Governance
- **#2 Silver Class Recognition** in the S&P Global Sustainability Yearbook 2021.
- **# 7 Most Sustainably Managed Companies in the World.** *Wall Street Journal 2020*
- **National Corporate Responsibility Award.** *Caixabank Hotels & Tourism Awards*

4

KPIs

Financial indicators

Economic performance

CONSOLIDATED INFORMATION (In millions of €)	UNIT	2018	2019	2020
Total consolidated revenue	M€	1,831.3	1,800.7	528.4
Total revenue (excluding capital gains)	M€	1,790.2	1,789.5	528.4
EBITDA	M€	500.9	477.9	-151.5
EBITDA (excluding capital gains)	M€	482.1	470.9	-130.5
EBIT/Operating revenue	M€	258.9	222.8	-557.3
Result before taxes	**M€**	**195.2**	**156.3**	**-663.8**
Consolidated result	**M€**	**151.7**	**121.7**	**-612.7**
Net profit attributed to parent company	M€	147.1	112.9	-595.9
EBITDA margin (excluding capital gains)	%	26.9%	26.3%	N/A
Net debt	M€	1,884.9	2,028.8	2,603.8
Net debt / EBITDA ratio (excluding capital gains)	Multiple (x)	3,91x	4,31x	N/A

Stock market evolution

	UNIT	2017	2018	2019	2020
No. of shares	M	229.70	229.70	229.70	220.40
Average daily volume	Thousands of shares	714.88	724.36	623.87	1,486.55
Maximum share price	€	13.89	12.66	9.18	8.34
Minimum share price	€	10.42	7.96	6.93	2.74
Closing price (as of December 31)	€	11.50	8.21	7.86	5.72
Market capitalization	M€	2,641.55	1,885.84	1,805.44	1,260.69
Dividend	€	0.13	0.17	0.18	-

Good Governance indicators

Corporate Governance

GRI 102-11

	UNIT	2017	2018	2019	2020
Board Members	Number	11	11	11	11
External proprietary directors	%	36.4	36.4	36.4	36.4
External independent directors	%	45.5	45.5	54.5	54.5
Board attendance (in person and by proxy)	%	100.0	100.0	100.0	100.0
Average membership of Board	Years	13.2	14.2	11	9.8
Directors' average age	Years	63.5	64.5	62.6	65.3
Female board members	%	18.2	18.2	27.3	27.3
Board meetings	Number	6	6	7	7
Quorum at the AGM	%	87.60	77.30	76.80	71.20
Compliance with CUBG CNMV recommendations (Compliant)	%	70.30	67.20	75.00	70.30

Policies

POLICY	YEAR APPROVED	LINK	DESCRIPTION
Treasury Stock Policy	2020	*See Policy*	This defines the general framework to be respected when carrying out any operation that affects Meliá treasury stock, including the purchase and sale of its own shares by the company or any of the Group companies
Director Selection & Diversity Policy	2020	*See Policy*	This defines the principles that must govern procedures for the selection and proposal of appointments, ratification and re-election of members of the Board of Directors
Risk Control and Analysis Policy	2020	*See Policy*	This defines the basic principles that govern risk management and the general framework for the control, analysis and assessment of possible risks, including tax risks, faced by Meliá and its Group.
Data Security Policy	2017	*See Policy*	This defines the data security framework for the activities of Meliá and its Group
Joint Venture Policy	2017	*See Policy*	This defines the principles that govern the relationships of Meliá and its Group with its different partners
Investment and Financing Policy	2019	*See Policy*	Policy that defines the principles that govern investment and financing of projects by Meliá and its Group in order to optimize financial resources and maximise value. It defines general guidelines and criteria for the selection and determination of investments, objectivity in decision-making and optimal financial planning in response to strategic, regulatory and operational or tactical needs
Corporate Governance Policy	2017	*See Policy*	Policy that defines the corporate governance principles for Meliá and its Group, leading to the creation of a governance model that complies with the pertinent regulations and recommendations and also guarantees the proper segregation of functions, coordination, monitoring and control
Marketing, Advertising and Communication Policy	2017	*See Policy*	This contains the guidelines and principles regarding Meliá's communication with its different stakeholders
Sales Policy	2017	*See Policy*	Policy that defines the guidelines for contracting processes with third parties (customers, tour operators, etc.) for Meliá and its Group, as well as guidelines on relationships with customers, competitors and the tourism industry in general
Procurement and Service Contracting Policy	2020	*See Policy*	Policy that defines common and global guidelines and principles that must be applied in relationships with suppliers of goods or services
Privacy policy	2018	*See Policy*	This defines the guidelines to be followed by Meliá and its Group in its own activities with regard to the generation, collection, treatment, storage and/or deletion of information
Communication Policy with Shareholders, Institutional Investors and Proxy Advisors	2020	*See Policy*	This defines the principles that must govern Meliá's communication procedures with shareholders and investors and, insofar as is applicable, with other interested parties, such as financial analysts and proxy advisors, among others
Anti-Corruption Policy	2017	*See Policy*	Policy that defines the principles that govern the conduct of all company directors and employees to prevent, detect, report and remedy any actions that under applicable regulations may be considered corrupt or criminal
Occupational Health and Safety Policy	2018	*See Policy*	Policy that includes the objectives and commitments of Meliá in terms of occupational health and safety
Environmental Policy	2017	*See Policy*	Policy that defines operational guidelines for Meliá and its Group with special attention to the environmental dimension and efficient, responsible and sustainable management

POLICY	YEAR APPROVED	LINK	DESCRIPTION
Human Resources Policy	2019	*See Policy*	Policy that defines the basic principles for the respect of labour rights, the assurance of a satisfactory work environment, the prevention of occupational risks and the management of talent at the service of the professional development of the people
Corporate Responsibility Policy	2017	*See Policy*	Policy that defines the general principles that ensure an ethical, responsible and sustainable management model
Fiscal Strategy Policy	2018	*See Policy*	This defines the principles and guidelines for the company's performance within the framework of its fiscal strategy
Compliance Policy	2018	*See Policy*	Policy that defines the principles and commitments of Meliá and its Group in terms of regulatory compliance
Human Rights Policy	2018	*See Policy*	Policy that defines the principles, guidelines and commitments assumed by Meliá in relation to the protection and defence of human rights
Philanthropy Policy	2018	*See Policy*	This defines the principles of Meliá and its Group in relation to social or philanthropic activities
Stakeholder Relationship Policy	2018	*See Policy*	Policy that defines the principles and guidelines that govern the relationships of Meliá and its Group with the different stakeholders with which it interacts

HR indicators

Aggregated Perimeter

Average workforce by gender, region, professional category and age (No.)

GRI 102-8, 405-1

REGION	GENDER	YEAR	MANAGEMENT				MIDDLE MANAGEMENT				STAFF				TOTAL
			<30	30-50	>50	TOTAL	<30	30-50	>50	TOTAL	<30	30-50	>50	TOTAL	
EMEA	M	2020	0.50	15.31	10.57	26.39	11.27	119.99	16.67	147.93	530.89	747.69	77.91	1,356.49	**1,530.81**
		2019	-	22.20	17.37	39.57	26.97	229.33	46.17	302.47	934.62	1,106.15	143.15	2,183.92	**2,525.96**
	F	2020	-	4.86	1.05	5.91	13.21	64.88	13.87	91.96	508.70	485.15	53.46	1,047.32	**1,145.19**
		2019	-	4.92	2.87	7.79	37.78	182.62	29.22	249.62	962.90	929.82	127.65	2,020.37	**2,277.78**
	TOTAL	2020	0.50	20.17	11.62	32.30	24.47	184.87	30.54	239.89	1,039.59	1,232.84	131.38	2,403.81	**2,675.99**
		2019	-	27.12	20.25	47.36	64.75	411.96	75.39	552.09	1,897.51	2,035.98	270.80	4,204.29	**4,803.74**
CUBA	M	2020	-	-	-	-	10.00	158.00	60.00	228.00	679.00	1,954.24	803.00	3,436.24	**3,664.24**
		2019	-	13.98	9.00	22.98	223.00	12.17	1.00	236.17	5,947.00	23.06	1.62	5,971.68	**6,230.83**
	F	2020	-	-	-	-	9.00	90.00	41.00	140.00	390.00	1,301.00	420.00	2,111.00	**2,251.00**
		2019	-	1.00	-	1.00	153.00	3.00		156.00	5,394.37	9.28	2.00	5,405.65	**5,562.65**
	TOTAL	2020	-	-	-	-	19.00	248.00	101.00	368.00	1,069.00	3,255.24	1,223.00	5,547.24	**5,915.24**
		2019	-	14.98	9.00	23.98	376.00	15.17	1.00	392.17	11,341.37	32.34	3.62	11,377.33	**11,793.48**
SPAIN	M	2020	-	58.24	50.69	108.93	9.84	274.77	138.48	423.09	275.43	963.44	662.50	1,901.36	**2,433.39**
		2019	1.00	83.44	56.48	140.92	52.87	461.35	220.44	734.65	1,287.91	2,414.34	1,250.87	4,953.13	**5,828.70**
	F	2020	-	38.41	9.88	48.29	10.96	210.00	72.24	293.20	264.15	1,041.19	578.62	1,883.96	**2,225.45**
		2019	-	54.41	11.88	66.28	33.38	401.01	131.79	566.17	1,209.22	2,887.06	1,399.77	5,496.05	**6,128.51**
	TOTAL	2020	-	96.65	60.57	157.22	20.80	484.78	210.71	716.29	539.58	2,004.62	1,241.11	3,785.32	**4,658.83**
		2019	1.00	137.85	68.35	207.20	86.25	862.36	352.22	1,300.83	2,497.14	5,301.40	2,650.64	10,449.18	**11,957.21**
ASIA	M	2020	-	13.46	5.75	19.20	14.45	162.88	29.78	207.11	641.83	1,079.65	329.44	2,050.92	**2,277.23**
		2019	-	20.93	5.11	26.04	23.36	209.61	32.22	265.19	939.25	1,375.91	421.19	2,736.35	**3,027.59**
	F	2020	-	2.49	0.76	3.25	26.82	136.24	10.47	173.54	521.23	618.49	127.55	1,267.27	**1,444.06**
		2019	-	5.84	1.00	6.84	24.67	148.05	15.43	188.16	728.99	762.12	144.76	1,635.86	**1,830.86**
	TOTAL	2020	-	15.95	6.51	22.46	41.27	299.12	40.25	380.65	1,163.06	1,698.14	456.99	3,318.19	**3,721.30**
		2019	-	26.77	6.11	32.88	48.03	357.66	47.66	453.35	1,668.24	2,138.02	565.95	4,372.22	**4,858.45**
AMERICAS	M	2020	-	16.58	10.32	26.90	8.80	141.63	52.84	203.27	1,053.65	1,854.47	410.78	3,318.90	**3,549.07**
		2019	-	18.47	25.75	44.21	18.52	310.98	105.84	435.35	2,730.32	3,752.94	748.19	7,231.45	**7,711.01**
	F	2020	-	3.16	1.41	4.58	6.06	118.93	35.45	160.44	594.84	1,105.93	184.78	1,885.55	**2,050.57**
		2019	-	4.96	10.66	15.62	21.22	247.03	64.05	332.30	1,559.75	2,267.84	418.30	4,245.89	**4,593.82**
	TOTAL	2020	-	19.74	11.74	31.48	14.86	260.57	88.29	363.72	1,648.49	2,960.40	595.55	5,204.45	**5,599.64**
		2019	-	23.43	36.41	59.84	39.74	558.01	169.90	767.65	4,290.08	6,020.79	1,166.48	11,477.35	**12,304.83**
TOTAL		2020	**0.50**	**152.52**	**90.43**	**243.45**	**120.40**	**1,477.34**	**470.80**	**2,068.54**	**5,459.72**	**11,151.25**	**3,648.04**	**20,259.01**	**22,571.00**
		2019	**1.00**	**230.15**	**140.11**	**371.26**	**614.77**	**2,205.16**	**646.16**	**3,466.09**	**21,694.34**	**15,528.53**	**4,657.50**	**41,880.37**	**45,717.71**

Note: The 2019 workforce has been recalculated due to the fact that positions have been redistributed in Management, Middle Management and Staff categories to align the data with the company's new organisational model

Average workforce by gender, region, professional category and type of working day (No.)

GRI 102-8

REGION	GENDER	YEAR	MANAGEMENT			MIDDLE MANAGEMENT			STAFF			TOTAL
			FULL-TIME	PART-TIME	TOTAL	FULL-TIME	PART-TIME	TOTAL	FULL-TIME	PART-TIME	TOTAL	
EMEA	M	2020	26.39	-	26.39	147.30	0.63	147.93	1,327.24	29.25	1,356.49	**1,530.81**
		2019	39.57	-	39.57	301.95	0.53	302.47	2,122.87	61.05	2,183.92	**2,525.96**
	F	2020	5.91	-	5.91	87.80	4.16	91.96	1,003.19	44.12	1,047.32	**1,145.19**
		2019	7.79	-	7.79	240.56	9.06	249.62	1,916.57	103.80	2,020.37	**2,277.78**
	TOTAL	2020	32.30	-	32.30	235.09	4.79	239.89	2,330.43	73.37	2,403.81	**2,675.99**
		2019	47.36	-	47.36	542.51	9.58	552.09	4,039.43	164.85	4,204.29	**4,803.74**
CUBA	M	2020	-	-	-	228.00	-	228.00	3,285.99	150.00	3,435.99	**3,663.99**
		2019	22.98	-	22.98	229.17	7.00	236.17	5,695.68	276.00	5,971.68	**6,230.83**
	F	2020	-	-	-	140.00	-	140.00	1,983.25	128.00	2,111.25	**2,251.25**
		2019	1.00	-	1.00	153.00	3.00	156.00	5,157.65	248.00	5,405.65	**5,562.65**
	TOTAL	2020	-	-	-	368.00	-	368.00	5,269.24	278.00	5,547.24	**5,915.24**
		2019	23.98	-	23.98	382.17	10.00	392.17	10,853.33	524.00	11,377.33	**11,793.48**
SPAIN	M	2020	107.21	1.71	108.93	415.33	7.77	423.09	1,799.14	102.22	1,901.36	**2,433.39**
		2019	138.85	2.06	140.92	723.76	10.89	734.65	4,786.91	166.22	4,953.13	**5,828.70**
	F	2020	48.29	-	48.29	289.13	4.07	293.20	1,750.75	133.21	1,883.96	**2,225.45**
		2019	66.28	-	66.28	561.86	4.32	566.17	5,179.75	316.31	5,496.05	**6,128.51**
	TOTAL	2020	155.50	1.71	157.22	704.46	11.83	716.29	3,549.89	235.43	3,785.32	**4,658.83**
		2019	205.14	2.06	207.20	1,285.62	15.21	1,300.83	9,966.65	482.53	10,449.18	**11,957.21**
ASIA	M	2020	19.20	-	19.20	206.24	0.86	207.11	2,044.10	6.82	2,050.92	**2,277.23**
		2019	26.04	-	26.04	265.11	0.08	265.19	2,735.02	1.33	2,736.35	**3,027.59**
	F	2020	3.25	-	3.25	173.54	-	173.54	1,263.87	3.40	1,267.27	**1,444.06**
		2019	6.84	-	6.84	188.16	-	188.16	1,635.09	0.78	1,635.86	**1,830.86**
	TOTAL	2020	22.46	-	22.46	379.78	0.86	380.65	3,307.97	10.22	3,318.19	**3,721.30**
		2019	32.88	-	32.88	453.27	0.08	453.35	4,370.11	2.11	4,372.22	**4,858.45**
AMERICAS	M	2020	26.90	-	26.90	202.78	0.50	203.27	3,304.00	14.90	3,318.90	**3,549.07**
		2019	44.21	-	44.21	435.35	-	435.35	7,225.55	5.91	7,231.45	**7,711.01**
	F	2020	4.58	-	4.58	159.94	0.50	160.44	1,875.09	10.46	1,885.55	**2,050.57**
		2019	15.62	-	15.62	332.30	-	332.30	4,240.97	4.92	4,245.89	**4,593.82**
	TOTAL	2020	31.48	-	31.48	362.72	1.00	363.72	5,179.09	25.36	5,204.45	**5,599.64**
		2019	59.84	-	59.84	767.65	-	767.65	11,466.52	10.83	11,477.35	**12,304.83**
TOTAL		**2020**	**241.74**	**1.71**	**243.45**	**2,050.05**	**18.49**	**2,068.54**	**19,636.62**	**622.39**	**20,259.01**	**22,571.00**
		2019	**369.20**	**2.06**	**371.26**	**3,431.21**	**34.87**	**3,466.09**	**40,696.05**	**1,184.32**	**41,880.37**	**45,717.71**

Note: The 2019 workforce has been recalculated due to the fact that positions have been redistributed in Management, Middle Management and Staff categories to align the data with the company's new organisational model

Average workforce by gender, region, professional category and type of contract (No.)

GRI 102-8

REGION	GENDER	YEAR	MANAGEMENT			MIDDLE MANAGEMENT			STAFF			TOTAL
			PERMANENT	TEMPORARY	TOTAL	PERMANENT	TEMPORARY	TOTAL	PERMANENT	TEMPORARY	TOTAL	
EMEA	M	2020	24.85	1.54	26.39	142.14	5.78	147.93	1,167.18	189.31	1,356.49	**1,530.81**
		2019	39.57	-	39.57	287.55	14.92	302.47	2,011.13	172.79	2,183.92	**2,525.96**
	F	2020	5.91	-	5.91	88.39	3.57	91.96	886.75	160.56	1,047.32	**1,145.19**
		2019	7.79	-	7.79	241.66	7.96	249.62	1,834.51	185.86	2,020.37	**2,277.78**
	TOTAL	2020	30.76	1.54	32.30	230.54	9.35	239.89	2,053.93	349.88	2,403.81	**2,675.99**
		2019	47.36	-	47.36	529.21	22.88	552.09	3,845.64	358.64	4,204.29	**4,803.74**
CUBA	M	2020	-	-	-	221.00	7.00	228.00	3,172.40	263.59	3,435.99	**3,663.99**
		2019	22.98	-	22.98	232.17	4.00	236.17	4,437.68	1,534.00	5,971.68	**6,230.83**
	F	2020	-	-	-	136.00	4.00	140.00	1,947.95	163.30	2,111.25	**2,251.25**
		2019	1.00	-	1.00	147.00	9.00	156.00	3,834.65	1,571.00	5,405.65	**5,562.65**
	TOTAL	2020	-	-	-	357.00	11.00	368.00	5,120.35	426.89	5,547.24	**5,915.24**
		2019	23.98	-	23.98	379.17	13.00	392.17	8,272.33	3,105.00	11,377.33	**11,793.48**
SPAIN	M	2020	107.99	0.93	108.93	409.14	13.95	423.09	1,417.63	483.73	1,901.36	**2,433.39**
		2019	140.10	0.82	140.92	694.05	40.61	734.65	3,188.50	1,764.63	4,953.13	**5,828.70**
	F	2020	48.29	-	48.29	284.19	9.01	293.20	1,386.18	497.78	1,883.96	**2,225.45**
		2019	66.28	-	66.28	541.61	24.56	566.17	3,334.29	2,161.76	5,496.05	**6,128.51**
	TOTAL	2020	156.28	0.93	157.22	693.33	22.96	716.29	2,803.81	981.51	3,785.32	**4,658.83**
		2019	206.38	0.82	207.20	1,235.66	65.17	1,300.83	6,522.79	3,926.39	10,449.18	**11,957.21**
ASIA	M	2020	17.69	1.52	19.20	207.11	-	207.11	2,050.75	0.17	2,050.92	**2,277.23**
		2019	25.34	0.70	26.04	265.19	-	265.19	2,736.16	0.19	2,736.35	**3,027.59**
	F	2020	3.25	-	3.25	167.65	5.89	173.54	1,264.43	2.84	1,267.27	**1,444.06**
		2019	6.84	-	6.84	182.82	5.34	188.16	1,634.21	1.65	1,635.86	**1,830.86**
	TOTAL	2020	20.94	1.52	22.46	374.76	5.89	380.65	3,315.18	3.01	3,318.19	**3,721.30**
		2019	32.18	0.70	32.88	448.01	5.34	453.35	4,370.37	1.84	4,372.22	**4,858.45**
AMERICAS	M	2020	26.72	0.18	26.90	192.05	11.23	203.27	2,645.27	673.62	3,318.90	**3,549.07**
		2019	43.36	0.85	44.21	398.08	37.26	435.35	5,912.17	1,319.28	7,231.45	**7,711.01**
	F	2020	4.58	-	4.58	153.61	6.83	160.44	1,471.31	414.24	1,885.55	**2,050.57**
		2019	15.62	-	15.62	313.18	19.13	332.30	3,382.79	863.10	4,245.89	**4,593.82**
	TOTAL	2020	31.30	0.18	31.48	345.66	18.06	363.72	4,116.58	1,087.87	5,204.45	**5,599.64**
		2019	58.99	0.85	59.84	711.26	56.39	767.65	9,294.96	2,182.39	11,477.35	**12,304.83**
TOTAL		**2020**	**239.28**	**4.18**	**243.45**	**2,001.29**	**67.26**	**2,068.54**	**17,409.85**	**2,849.16**	**20,259.01**	**22,571.00**
		2019	**368.89**	**2.37**	**371.26**	**3,303.30**	**162.78**	**3,466.09**	**32,306.10**	**9,574.27**	**41,880.37**	**45,717.71**

Note: The 2019 workforce has been recalculated due to the fact that positions have been redistributed in Management, Middle Management and Staff categories to align the data with the company's new organisational model

Employed and active staff by region (No.)

REGION	EMPLOYED WORKFORCE	ACTIVE WORKFORCE
SPAIN	9,318.96	4,658.83
AMERICAS	8,315.65	5,599.64
EMEA	4,571.39	2,675.99
ASIA	4,696.48	3,721.30
CUBA	Note*	5,915.24
TOTAL	**26,902.48**	**22,571.00**

(*) Note: The average workforce employed through the state agency in Cuba in 2020 was 5,915.24 FTE

New contracts by gender, age, professional category and type of contract (%)

GRI 401-1

LEVEL	AGE	PERMANENT			TEMPORARY			TOTAL
		F	M	TOTAL	F	M	TOTAL	
MANAGEMENT	< 30	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	30 - 50	0.1%	0.3%	0.3%	0.0%	0.1%	0.1%	0.4%
	>50	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.1%
	Total	0.1%	0.4%	0.5%	0.0%	0.1%	0.1%	0.6%
MIDDLE MANAGEMENT	< 30	0.5%	0.4%	0.9%	0.1%	0.0%	0.2%	1.1%
	30 - 50	2.0%	2.6%	4.6%	0.5%	0.6%	1.1%	5.7%
	>50	0.2%	0.3%	0.5%	0.1%	0.0%	0.1%	0.6%
	Total	2.7%	3.3%	6.1%	0.7%	0.6%	1.4%	7.4%
STAFF	< 30	10.8%	15.5%	26.4%	9.3%	11.1%	20.5%	46.8%
	30 - 50	5.7%	12.9%	18.6%	11.0%	10.9%	21.9%	40.5%
	>50	0.3%	0.9%	1.2%	1.9%	1.5%	3.5%	4.7%
	Total	16.8%	29.3%	46.1%	22.3%	23.6%	45.9%	92.0%
TOTAL		**19.6%**	**33.0%**	**52.7%**	**23.0%**	**24.4%**	**47.4%**	**100.0%**

New contracts by gender, age, professional category and type of working day (%)

GRI 401-1

LEVEL	AGE	FULL-TIME			PART-TIME			TOTAL
		F	M	TOTAL	F	M	TOTAL	
MANAGEMENT	< 30	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	30 - 50	0.1%	0.4%	0.4%	0.0%	0.0%	0.0%	0.4%
	>50	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.1%
	Total	0.1%	0.5%	0.6%	0.0%	0.0%	0.0%	0.6%
MIDDLE MANAGEMENT	< 30	0.6%	0.4%	1.1%	0.0%	0.0%	0.0%	1.1%
	30 - 50	2.5%	3.0%	5.6%	0.1%	0.1%	0.2%	5.7%
	>50	0.3%	0.4%	0.6%	0.0%	0.0%	0.0%	0.6%
	Total	3.4%	3.8%	7.3%	0.1%	0.1%	0.2%	7.4%
STAFF	< 30	18.9%	25.4%	44.3%	1.3%	1.2%	2.5%	46.8%
	30 - 50	15.3%	23.1%	38.4%	1.3%	0.7%	2.1%	40.5%
	>50	2.0%	2.3%	4.3%	0.2%	0.1%	0.3%	4.7%
	Total	36.2%	50.9%	87.1%	2.9%	2.0%	4.9%	92.0%
TOTAL		**39.7%**	**55.2%**	**94.9%**	**2.9%**	**2.1%**	**5.1%**	**100.0%**

Turnover rate for average workforce by gender, region and age (%)

GRI 401-1

REGION	GENDER	VOLUNTARY TURNOVER				TOTAL TURNOVER			
		<30	30-50	>50	TOTAL	<30	30-50	>50	TOTAL
EMEA	M	8.7%	7.3%	6.3%	7.8%	39.5%	31.4%	24.4%	34.1%
	F	9.8%	8.8%	8.3%	9.3%	37.4%	31.0%	18.9%	33.2%
	TOTAL	9.3%	8.0%	7.2%	8.5%	38.5%	31.3%	22.0%	33.7%
CUBA	M	38.3%	17.2%	13.4%	20.3%	38.3%	17.2%	13.4%	20.3%
	F	50.4%	22.1%	11.3%	24.9%	50.4%	22.1%	11.3%	24.9%
	TOTAL	42.7%	19.1%	12.7%	22.0%	42.7%	19.1%	12.7%	22.0%
SPAIN	M	5.3%	3.3%	5.7%	4.4%	49.5%	26.0%	14.7%	26.5%
	F	4.2%	2.8%	2.7%	3.0%	49.3%	31.0%	19.4%	30.6%
	TOTAL	4.7%	3.0%	4.3%	3.7%	49.4%	28.7%	17.0%	28.7%
ASIA	M	9.9%	6.2%	9.5%	7.9%	25.7%	18.4%	19.5%	20.9%
	F	10.2%	4.4%	7.8%	7.1%	31.0%	22.2%	22.9%	25.9%
	TOTAL	10.0%	5.5%	9.1%	7.6%	28.2%	19.8%	20.4%	22.9%
AMERICAS	M	28.0%	19.9%	9.3%	21.8%	64.0%	51.2%	40.8%	54.8%
	F	30.4%	20.1%	9.6%	22.7%	65.2%	50.7%	44.9%	55.1%
	TOTAL	28.9%	20.0%	9.4%	22.1%	64.4%	51.0%	42.3%	54.9%
TOTAL		**18.8%**	**11.3%**	**7.1%**	**12.7%**	**49.2%**	**33.4%**	**21.2%**	**35.7%**

Training by professional category and gender (No. hours)

GRI 401-1

PROFESSIONAL CATEGORY	GENDER	TOTAL HOURS	HOURS / EMPLOYEE
MANAGEMENT	M	5,130.29	28.28
	F	2,581.20	41.61
	TOTAL	7,711.49	31.68
MIDDLE MANAGEMENT	M	43,352.45	35.85
	F	34,406.20	40.05
	TOTAL	77,758.66	37.59
STAFF	M	223,856.94	18.56
	F	200,890.46	24.51
	TOTAL	424,747.40	20.97
TOTAL		**510,217.55**	**22.61**

Consolidated Perimeter

Average workforce by gender, region, professional category and age (No.)

GRI 102-8, 405-1

REGION	GENDER	YEAR	MANAGEMENT				MIDDLE MANAGEMENT				STAFF				TOTAL
			<30	30-50	>50	TOTAL	<30	30-50	>50	TOTAL	<30	30-50	>50	TOTAL	
EMEA	M	2020	-	11.28	9.38	20.66	4.07	67.76	13.67	85.50	175.51	245.58	49.58	470.68	**576.84**
		2019	-	15.86	14.62	30.48	18.25	148.36	33.92	200.54	382.25	541.79	115.58	1,039.62	**1,270.65**
	F	2020	-	2.15	1.05	3.20	10.70	46.11	12.87	69.69	207.71	170.89	36.65	415.25	**488.13**
		2019	-	3.62	2.87	6.50	36.37	133.69	26.82	196.89	403.98	438.96	97.78	940.72	**1,144.10**
	TOTAL	2020	-	13.43	10.43	23.86	14.77	113.88	26.54	155.18	383.22	416.48	86.23	885.93	**1,064.97**
		2019	-	19.48	17.50	36.98	54.63	282.06	60.74	397.43	786.23	980.74	213.37	1,980.34	**2,414.75**
CUBA	M	2020	-	-	-	-	-	-	-	-	-	-	-	-	**-**
		2019	-	-	-	-	-	8.25	1.00	9.25	-	22.56	1.62	24.18	**33.43**
	F	2020	-	-	-	-	-	-	-	-	-	-	-	-	**-**
		2019	-	1.00	-	1.00	-	3.00	-	3.00	0.37	9.28	2.00	11.65	**15.65**
	TOTAL	2020	-	-	-	-	-	-	-	-	-	-	-	-	**-**
		2019	-	1.00	-	1.00	-	11.25	1.00	12.25	0.37	31.84	3.62	35.83	**49.08**
SPAIN	M	2020	-	53.28	44.69	97.96	3.03	194.78	89.81	287.61	178.23	613.88	323.32	1,115.43	**1,501.00**
		2019	1.00	76.50	48.29	125.79	22.78	358.35	162.52	543.65	776.58	1,744.42	864.24	3,385.25	**4,054.68**
	F	2020	-	35.77	9.88	45.65	8.86	172.45	53.12	234.42	164.53	670.43	326.92	1,161.88	**1,441.95**
		2019	-	51.58	11.88	63.45	23.06	336.38	103.33	462.77	749.88	2,110.95	953.74	3,814.57	**4,340.79**
	TOTAL	2020	-	89.04	54.57	143.61	11.89	367.22	142.92	522.04	342.76	1,284.30	650.25	2,277.30	**2,942.95**
		2019	1.00	128.07	60.16	189.24	45.84	694.73	265.85	1,006.42	1,526.46	3,855.37	1,817.98	7,199.81	**8,395.47**
ASIA	M	2020	-	4.55	2.28	6.83	-	3.46	-	3.46	0.76	-	-	0.76	**11.05**
		2019	-	8.70	1.33	10.03	-	6.05	-	6.05	2.00	0.83	-	2.83	**18.92**
	F	2020	-	0.76	0.76	1.52	2.14	9.74	-	11.88	3.86	4.71	-	8.57	**21.96**
		2019	-	1.28	1.00	2.28	2.41	12.12	0.33	14.85	3.24	4.16	-	7.41	**24.55**
	TOTAL	2020	-	5.31	3.04	8.35	2.14	13.20	-	15.34	4.62	4.71	-	9.33	**33.01**
		2019	-	9.98	2.33	12.32	2.41	18.17	0.33	20.91	5.24	5.00	-	10.24	**43.47**
AMERICAS	M	2020	-	13.24	9.02	22.27	6.26	106.25	43.46	155.98	851.67	1,526.49	335.06	2,713.22	**2,891.46**
		2019	-	10.81	20.48	31.29	12.38	211.79	77.52	301.69	2,189.84	3,040.64	571.99	5,802.48	**6,135.47**
	F	2020	-	3.11	1.41	4.52	2.94	90.82	28.79	122.56	480.02	823.46	111.74	1,415.22	**1,542.30**
		2019	-	1.00	9.66	10.66	11.80	157.13	49.23	218.16	1,191.18	1,556.04	189.90	2,937.11	**3,165.94**
	TOTAL	2020	-	16.35	10.44	26.79	9.21	197.08	72.25	278.54	1,331.69	2,349.95	446.79	4,128.43	**4,433.76**
		2019	-	11.81	30.14	41.96	24.18	368.93	126.75	519.86	3,381.02	4,596.68	761.89	8,739.59	**9,301.40**
TOTAL		**2020**	**-**	**124.13**	**78.47**	**202.60**	**38.00**	**691.38**	**241.72**	**971.10**	**2,062.29**	**4,055.44**	**1,183.26**	**7,300.99**	**8,474.69**
		2019	**1.00**	**170.35**	**110.14**	**281.49**	**127.05**	**1,375.14**	**454.67**	**1,956.86**	**5,699.33**	**9,469.63**	**2,796.86**	**17,965.82**	**20,204.17**

Note: The 2019 workforce has been recalculated due to the fact that positions have been redistributed in Management, Middle Management and Staff categories to align the data with the company's new organisational model

Average workforce by gender, region, professional category and type of working day (No.)

GRI 102-8

REGION	GENDER	YEAR	MANAGEMENT			MIDDLE MANAGEMENT			STAFF			TOTAL
			FULL-TIME	PART-TIME	TOTAL	FULL-TIME	PART-TIME	TOTAL	FULL-TIME	PART-TIME	TOTAL	
EMEA	M	2020	20.66	-	20.66	84.87	0.63	85.50	441.68	29.00	470.68	**576.84**
		2019	30.48	-	30.48	200.01	0.53	200.54	982.96	56.66	1,039.62	**1,270.65**
	F	2020	3.20	-	3.20	65.52	4.16	69.69	371.13	44.12	415.25	**488.13**
		2019	6.50	-	6.50	187.83	9.06	196.89	841.61	99.11	940.72	**1,144.10**
	TOTAL	2020	23.86	-	23.86	150.39	4.79	155.18	812.81	73.12	885.93	**1,064.97**
		2019	36.98	-	36.98	387.84	9.58	397.43	1,824.57	155.77	1,980.34	**2,414.75**
CUBA	M	2020	-	-	-	-	-	-	-	-	-	**-**
		2019	-	-	-	9.25	-	9.25	24.18	-	24.18	**33.43**
	F	2020	-	-	-	-	-	-	-	-	-	**-**
		2019	1.00	-	1.00	3.00	-	3.00	11.65	-	11.65	**15.65**
	TOTAL	2020	-	-	-	-	-	-	-	-	-	**-**
		2019	1.00	-	1.00	12.25	-	12.25	35.83	-	35.83	**49.08**
SPAIN	M	2020	96.40	1.56	97.96	281.57	6.04	287.61	1,077.34	38.09	1,115.43	**1,501.00**
		2019	123.87	1.91	125.79	534.78	8.86	543.65	3,299.47	85.78	3,385.25	**4,054.68**
	F	2020	45.65	-	45.65	231.21	3.21	234.42	1,103.88	58.00	1,161.88	**1,441.95**
		2019	63.45	-	63.45	459.25	3.52	462.77	3,627.69	186.88	3,814.57	**4,340.79**
	TOTAL	2020	142.05	1.56	143.61	512.78	9.25	522.04	2,181.22	96.08	2,277.30	**2,942.95**
		2019	187.32	1.91	189.24	994.04	12.38	1,006.42	6,927.15	272.66	7,199.81	**8,395.47**
ASIA	M	2020	6.83	-	6.83	3.46	-	3.46	0.76	-	0.76	**11.05**
		2019	10.03	-	10.03	6.05	-	6.05	2.83	-	2.83	**18.92**
	F	2020	1.52	-	1.52	11.88	-	11.88	8.57	-	8.57	**21.96**
		2019	2.28	-	2.28	14.85	-	14.85	7.41	-	7.41	**24.55**
	TOTAL	2020	8.35	-	8.35	15.34	-	15.34	9.33	-	9.33	**33.01**
		2019	12.32	-	12.32	20.91	-	20.91	10.24	-	10.24	**43.47**
AMERICAS	M	2020	22.27	-	22.27	155.98	-	155.98	2,709.28	3.93	2,713.22	**2,891.46**
		2019	31.29	-	31.29	301.69	-	301.69	5,799.34	3.14	5,802.48	**6,135.47**
	F	2020	4.52	-	4.52	122.56	-	122.56	1,413.73	1.49	1,415.22	**1,542.30**
		2019	10.66	-	10.66	218.16	-	218.16	2,934.77	2.34	2,937.11	**3,165.94**
	TOTAL	2020	26.79	-	26.79	278.54	-	278.54	4,123.01	5.42	4,128.43	**4,433.76**
		2019	41.96	-	41.96	519.86	-	519.86	8,734.11	5.48	8,739.59	**9,301.40**
TOTAL		**2020**	**201.04**	**1.56**	**202.60**	**957.06**	**14.04**	**971.10**	**7,126.37**	**174.63**	**7,300.99**	**8,474.69**
		2019	**279.57**	**1.91**	**281.49**	**1,934.90**	**21.97**	**1,956.86**	**17,531.91**	**433.91**	**17,965.82**	**20,204.17**

Note: The 2019 workforce has been recalculated due to the fact that positions have been redistributed in Management, Middle Management and Staff categories to align the data with the company's new organisational model

Average workforce by gender, region, professional category and type of contract (No.)

GRI 102-8

REGION	GENDER	YEAR	MANAGEMENT			MIDDLE MANAGEMENT			STAFF			TOTAL
			PERMANENT	TEMPORARY	TOTAL	PERMANENT	TEMPORARY	TOTAL	PERMANENT	TEMPORARY	TOTAL	
EMEA	M	2020	19.12	1.54	20.66	79.80	5.70	85.50	341.30	129.38	470.68	**576.84**
		2019	30.48	-	30.48	187.86	12.68	200.54	906.05	133.58	1,039.62	**1,270.65**
	F	2020	3.20	-	3.20	66.62	3.06	69.69	270.17	145.08	415.25	**488.13**
		2019	6.50	-	6.50	190.97	5.91	196.89	800.23	140.49	940.72	**1,144.10**
	TOTAL	2020	22.32	1.54	23.86	146.42	8.77	155.18	611.47	274.46	885.93	**1,064.97**
		2019	36.98	-	36.98	378.83	18.59	397.43	1,706.28	274.07	1,980.34	**2,414.75**
CUBA	M	2020	-	-	-	-	-	-	-	-	-	**-**
		2019	-	-	-	9.25	-	9.25	24.18	-	24.18	**33.43**
	F	2020	-	-	-	-	-	-	-	-	-	**-**
		2019	1.00	-	1.00	3.00	-	3.00	11.65	-	11.65	**15.65**
	TOTAL	2020	-	-	-	-	-	-		-	-	**-**
		2019	1.00	-	1.00	12.25	-	12.25	35.83	-	35.83	**49.08**
SPAIN	M	2020	97.03	0.93	97.96	279.04	8.57	287.61	851.41	264.01	1,115.43	**1,501.00**
		2019	124.97	0.82	125.79	517.09	26.55	543.65	2,207.71	1,177.54	3,385.25	**4,054.68**
	F	2020	45.65	-	45.65	228.00	6.42	234.42	878.24	283.64	1,161.88	**1,441.95**
		2019	63.45	-	63.45	446.45	16.32	462.77	2,332.20	1,482.37	3,814.57	**4,340.79**
	TOTAL	2020	142.68	0.93	143.61	507.04	15.00	522.04	1,729.65	547.66	2,277.30	**2,942.95**
		2019	188.42	0.82	189.24	963.54	42.88	1,006.42	4,539.91	2,659.90	7,199.81	**8,395.47**
ASIA	M	2020	5.31	1.52	6.83	3.46	-	3.46	0.76	-	0.76	**11.05**
		2019	9.33	0.70	10.03	6.05	-	6.05	2.83	-	2.83	**18.92**
	F	2020	1.52	-	1.52	7.37	4.51	11.88	5.73	2.84	8.57	**21.96**
		2019	2.28	-	2.28	10.23	4.63	14.85	5.92	1.49	7.41	**24.55**
	TOTAL	2020	6.83	1.52	8.35	10.83	4.51	15.34	6.49	2.84	9.33	**33.01**
		2019	11.61	0.70	12.32	16.28	4.63	20.91	8.75	1.49	10.24	**43.47**
AMERICAS	M	2020	22.08	0.18	22.27	144.75	11.23	155.98	2,056.15	657.07	2,713.22	**2,891.46**
		2019	30.44	0.85	31.29	268.72	32.98	301.69	4,521.99	1,280.49	5,802.48	**6,135.47**
	F	2020	4.52	-	4.52	117.86	4.70	122.56	1,010.69	404.53	1,415.22	**1,542.30**
		2019	10.66	-	10.66	201.43	16.73	218.16	2,099.75	837.36	2,937.11	**3,165.94**
	TOTAL	2020	26.60	0.18	26.79	262.61	15.93	278.54	3,066.84	1,061.60	4,128.43	**4,433.76**
		2019	41.11	0.85	41.96	470.15	49.71	519.86	6,621.75	2,117.85	8,739.59	**9,301.40**
TOTAL		**2020**	**198.43**	**4.18**	**202.60**	**926.89**	**44.21**	**971.10**	**5,414.45**	**1,886.54**	**7,300.99**	**8,474.69**
		2019	**279.12**	**2.37**	**281.49**	**1,841.06**	**115.81**	**1,956.86**	**12,912.51**	**5,053.31**	**17,965.82**	**20,204.17**

Note: The 2019 workforce has been recalculated due to the fact that positions have been redistributed in Management, Middle Management and Staff categories to align the data with the company's new organisational model

Employed and active staff by region (No.)

REGION	EMPLOYED WORKFORCE	ACTIVE WORKFORCE
SPAIN	6,983.04	2,942.95
AMERICAS	6,210.61	4,433.76
EMEA	2,214.18	1,064.97
ASIA	39.36	33.01
CUBA	-	-
TOTAL	**15,447.18**	**8,474.69**

New contracts by gender, age, professional category and type of contract (%)

GRI 401-1

LEVEL	AGE	PERMANENT			TEMPORARY			TOTAL
		F	M	TOTAL	F	M	TOTAL	
MANAGEMENT	< 30	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	30 - 50	0.1%	0.1%	0.2%	0.0%	0.1%	0.1%	0.3%
	>50	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.1%
	Total	0.1%	0.2%	0.4%	0.0%	0.2%	0.2%	0.6%
MIDDLE MANAGEMENT	< 30	0.0%	0.1%	0.1%	0.2%	0.0%	0.2%	0.3%
	30 - 50	0.9%	1.5%	2.3%	0.4%	0.7%	1.1%	3.4%
	>50	0.2%	0.4%	0.6%	0.0%	0.1%	0.1%	0.7%
	Total	1.1%	2.0%	3.1%	0.6%	0.8%	1.3%	4.4%
STAFF	< 30	7.5%	12.3%	19.9%	12.5%	14.7%	27.1%	46.9%
	30 - 50	4.6%	11.4%	16.0%	13.4%	13.8%	27.2%	43.2%
	>50	0.3%	0.9%	1.2%	1.9%	1.8%	3.7%	5.0%
	Total	12.4%	24.6%	37.0%	27.8%	30.3%	58.1%	95.0%
TOTAL		**13.6%**	**26.8%**	**40.5%**	**28.4%**	**31.2%**	**59.6%**	**100.0%**

New contracts by gender, age, professional category and type of working day (%)

GRI 401-1

LEVEL	AGE	FULL-TIME			PART-TIME			TOTAL
		F	M	TOTAL	F	M	TOTAL	
MANAGEMENT	< 30	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	30 - 50	0.1%	0.4%	0.4%	0.0%	0.0%	0.0%	0.4%
	>50	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.1%
	Total	0.1%	0.4%	0.6%	0.0%	0.0%	0.0%	0.6%
MIDDLE MANAGEMENT	< 30	0.2%	0.1%	0.3%	0.0%	0.0%	0.0%	0.3%
	30 - 50	1.2%	2.2%	3.4%	0.1%	0.0%	0.1%	3.4%
	>50	0.2%	0.4%	0.7%	0.0%	0.0%	0.0%	0.7%
	Total	1.6%	2.8%	4.3%	0.1%	0.0%	0.1%	4.4%
STAFF	< 30	18.2%	25.9%	44.1%	1.8%	1.0%	2.8%	46.9%
	30 - 50	16.3%	24.4%	40.6%	1.8%	0.7%	2.5%	43.2%
	>50	1.8%	2.6%	4.5%	0.4%	0.1%	0.5%	5.0%
	Total	36.3%	52.9%	89.2%	3.9%	1.9%	5.8%	95.0%
TOTAL		**38.0%**	**56.1%**	**94.1%**	**4.0%**	**1.9%**	**5.9%**	**100.0%**

Turnover rate for average workforce by gender, region and age (%)

GRI 401-1

REGION	GENDER	VOLUNTARY ROTATION				TOTAL TURNOVER			
		<30	30-50	>50	TOTAL	<30	30-50	>50	TOTAL
EMEA	M	41.1%	25.9%	21.0%	30.7%	15.2%	11.0%	7.0%	12.0%
	F	38.6%	29.9%	16.1%	32.6%	15.6%	13.3%	10.5%	14.1%
	TOTAL	39.7%	27.7%	18.8%	31.6%	15.5%	12.0%	8.5%	13.1%
SPAIN	M	46.2%	24.8%	14.9%	25.6%	5.6%	3.4%	6.4%	4.7%
	F	47.9%	29.9%	19.2%	29.9%	4.4%	2.9%	2.8%	3.1%
	TOTAL	47.0%	27.6%	17.1%	27.9%	5.0%	3.1%	4.6%	3.9%
ASIA	M	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	F	0.0%	15.0%	0.0%	10.7%	0.0%	0.0%	0.0%	0.0%
	TOTAL	0.0%	10.0%	0.0%	7.1%	0.0%	0.0%	0.0%	0.0%
AMERICAS	M	67.5%	54.5%	40.9%	58.0%	31.8%	23.0%	11.1%	25.2%
	F	69.0%	54.7%	37.3%	59.0%	36.0%	26.0%	15.2%	29.0%
	TOTAL	68.0%	54.6%	39.9%	58.4%	33.2%	24.1%	12.2%	26.5%
TOTAL		**58.2%**	**39.9%**	**22.6%**	**42.3%**	**23.6%**	**13.7%**	**6.7%**	**15.4%**

Number of dismissals by professional category, age and gender

LEVEL	AGE	WOMEN	MEN	TOTAL
MANAGEMENT	<30	-	-	-
	30-50	7	3	10
	>50	3	7	10
	TOTAL	10	10	20
MIDDLE MANAGEMENT	<30	26	27	53
	30-50	8	12	20
	>50	1	2	3
	TOTAL	35	41	76
STAFF	<30	195	220	415
	30-50	31	67	98
	>50	162	184	346
	TOTAL	388	471	859
TOTAL		**433**	**522**	**955**

Average remuneration and pay gap by professional category and age (€ and ratio)

GRI 405-2

TYPE OF REMUNERATION	GENDER	MANAGEMENT			MIDDLE MANAGEMENT			STAFF			TOTAL
		<30	30-50	>50	<30	30-50	>50	<30	30-50	>50	
FIXED REMUNERATION	M		€ 88,598	€ 114,920	€ 30,806	€ 37,927	€ 39,015	€ 8,808	€ 12,672	€ 18,428	€ 15,130
	F		€ 77,188	€ 85,032	€ 29,894	€ 34,808	€ 38,108	€ 11,998	€ 15,220	€ 19,233	€ 16,952
	GAP		0.87	0.74	0.97	0.92	0.98	1.36	1.20	1.04	1.12

Notes:
a. The remunerations used in this calculation by the Group refers to the employees that would have been present in a normal situation were it not for the pandemic (especially furloughed staff), with the aim of facilitating a comparison with previous and future years. The Group has taken into account the situation in each country and the measures allowed by employment regulations to make different decisions with respect to the protection of employment and the compensation of remuneration paid to employees by national social security systems. For more information see the chapter on People - Employment protection measures. The actual remuneration received by Group employees can be seen in Note 8.3 of the Consolidated Accounts.
b. Neither partial retirements, interns, extras for banquets nor hourly wages have been taken into account in any of the calculations.
c. Due to the exceptional circumstances caused by COVID-19, the best estimate the Group has been able to make regarding variable remuneration does not allow allocation by age groups, professional category or gender (see Note 8.3 of the Consolidated Accounts regarding Personnel Costs)

Wage gap by professional category and country (ratio)

GRI 405-2

FIXED REMUNERATION	SPAIN	DOMINICAN REPUBLIC	MEXICO	GERMANY	FRANCE	ITALY	UNITED KINGDOM	BRAZIL	CHINA	USA
BUSINESS UNITS										
HOTEL MANAGEMENT	0.83		0.74	0.65	1.11		1.29			
MIDDLE MANAGEMENT	0.92	0.88	0.92	0.90	0.80	0.94	1.09			0.98
STAFF	0.94	1.08	0.99	0.93	0.98	0.99	0.94			1.11
CORPORATE OFFICES										
MANAGEMENT	0.81	0.70	0.96						0.86	0.78
MIDDLE MANAGEMENT	0.87	0.59	0.66	0.89	0.87	0.81	0.97	0.61	1.03	0.92
TECHNICIANS	0.93	1.32	0.67	0.70	0.91		1.67	1.07	0.56	1.01
STAFF	0.96	0.74	0.74							

The wage gap ratio does not include countries with a very reduced workforce (Luxembourg, Austria, Peru, Croatia and Bulgaria), but they are included in the gap calculations by age and by category. Venezuela is also not included due to the hyperinflation in the country.

Ratio of basic wage to local minimum wage by gender

GRI 202-1

RATIO	GENDER	SPAIN	DOMINICAN REPUBLIC	MEXICO	GERMANY	FRANCE	ITALY	UNITED KINGDOM	BRAZIL
BASIC WAGE / MINIMUM WAGE FOR COUNTRY	M	1.01	1.00	1.00	1.08	1.00	1.01	1.00	1.34
	F	1.01	1.00	1.00	1.00	1.00	1.01	1.00	1.34

Training by professional category and gender (No. hours)

GRI 404-1:

PROFESSIONAL CATEGORY	GENDER	TOTAL HOURS	HOURS / EMPLOYEE
MANAGEMENT	M	3,855.15	26.10
	F	2,361.56	43.03
	TOTAL	6,216.71	30.68
MIDDLE MANAGEMENT	M	22,319.54	41.91
	F	20,270.16	46.22
	TOTAL	42,589.70	43.86
STAFF	M	140,574.26	32.69
	F	126,539.37	42.17
	TOTAL	267,113.62	36.59
TOTAL		**315,920.04**	**37.28**

Occupational health and safety indicators

Aggregated Perimeter

Occupational health indicators

GRI: 403-2; 403-9; 403-10

		WORKPLACE ACCIDENTS	OCCUPATIONAL ILLNESS*
INDICATOR	GENDER	2020	2020
INCIDENT INDEX	M	31.26	0.92
	F	34.48	2.95
	TOTAL	32.59	1.90
FREQUENCY INDEX	M	17.61	0.55
	F	19.58	1.75
	TOTAL	18.41	1.13
SEVERITY INDEX	M	0.21	0.09
	F	0.33	0.12
	TOTAL	0.26	0.11
NUMBER OF WORK ACCIDENTS	M	298.00	2.00
	F	230.00	6.00
	TOTAL	528.00	8.00
NUMBER OF DEATHS	M	0	0
	F	0	0
	TOTAL	0	0

(*) Scope - Spain
Note: In 2020 the measurement was extended to the aggregated perimeter, so no data is available for 2019

Absenteeism

GRI: 403-2; 403-9; 403-10

		WORKPLACE ACCIDENTS	OCCUPATIONAL ILLNESS*	COMMON ILLNESS*	COVID-19*	TOTAL ABSENTEEISM*
INDICATOR	GENDER	2020	2020	2020	2020	2020
ABSENTEEISM RATE	M	0.16	0.07	10.95	0.79	12.05
	F	0.26	0.09	16.68	0.67	17.81
	TOTAL	0.20	0.08	13.72	0.73	14.84
NUMBER OF DAYS LOST	M	3,093.75	343.00	50,201.00	3,632.00	55,246.75
	F	3,787.95	405.00	71,426.00	2,864.00	76,291.45
	TOTAL	6,881.70	748.00	121,627.00	6,496.00	131,538.20
NUMBER OF HOURS LOST	M	24,229.02	2,744.00	401,608.00	29,056.00	441,974.00
	F	30,070.08	3,240.00	571,408.00	22,912.00	610,331.60
	TOTAL	54,299.10	5,984.00	973,016.00	51,968.00	1,052,305.60

(*) Scope - Spain. Note: In 2020 the measurement was extended to the aggregated perimeter, so no data is available for 2019

Calculation methodology:

Incident index: (No. Incidents x 1,000) / Average Workforce
Frequency index: (No. Incidents x 1,000,000) / Hours worked
Severity index: (Days lost x 1,000) / Hours worked
Percentage of absenteeism: (Hours lost x 100) / Hours worked

Consolidated Perimeter

Occupational health indicators

GRI: 403-2; 403-9; 403-10

		WORKPLACE ACCIDENTS		OCCUPATIONAL ILLNESS*	
INDICATOR	**GENDER**	**2019**	**2020**	**2019**	**2020**
INCIDENT INDEX	M	47.71	35.41	0.49	0
	F	64.28	39.62	1.84	4.12
	TOTAL	54.76	37.15	1.19	2.02
FREQUENCY INDEX	M	26.43	19.35	0.27	-
	F	35.04	22.02	1.04	2.44
	TOTAL	30.12	20.44	0.67	1.20
SEVERITY INDEX	M	0.38	0.26	0.04	-
	F	0.52	0.32	0.21	0.16
	TOTAL	0.44	0.28	0.13	0.08
NUMBER OF WORK ACCIDENTS	M	463.00	177.00	2.00	-
	F	385.00	139.00	8.00	6.00
	TOTAL	948.00	316.00	10.00	6.00
NUMBER OF DEATHS	M	0	0	0	0
	F	0	0	0	0
	TOTAL	0	0	0	0

(*) Scope - Spain

Absenteeism

GRI: 403-2; 403-9; 403-10

		WORKPLACE ACCIDENTS		OCCUPATIONAL ILLNESS*		COMMON ILLNESS*		COVID-19*		TOTAL ABSENTEEISM*	
INDICATOR	**GENDER**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**
PERCENTAGE OF ABSENTEEISM	M	0.31	0.20	0.03	0	3.76	11.86	N/A	0.77	**4.13**	**12.85**
	F	0.42	0.25	0.17	0.13	5.91	17.46	N/A	0.66	**6.49**	**18.55**
	TOTAL	0.35	0.22	0.10	0.06	4.86	14.60	N/A	0.73	**5.35**	**15.64**
NUMBER OF DAYS LOST	M	6,717.50	2,401.75	276.00	0	55,476.00	37,975.00	N/A	2,474.00	**58,868.50**	**41,158.75**
	F	7,210.30	1,996.75	1,638.00	405.00	93,471.00	53,563.00	N/A	2,113.00	**99,119.30**	**56,910.75**
	TOTAL	13,927.80	4,398.50	1,914.00	405.00	148,947.00	91,538.00	N/A	4,587.00	**157,987.80**	**98,069.50**
NUMBER OF HOURS LOST	M	53,468.50	18,702.10	2,208.00	0	273,540.29	303,800.00	N/A	19,792.00	**300,680.29**	**329,270.00**
	F	58,053.40	15,905.20	13,104.00	3,240.00	455,217.78	428,504.00	N/A	16,904.00	**500,404.18**	**455,286.00**
	TOTAL	111,521.90	34,607.30	15,312.00	3,240.00	728,758.07	732,304.00	N/A	36,696.00	**801,084.47**	**784,556.00**

(*) Scope - Spain

Calculation methodology:

Incident index: (No. Incidents x 1,000) / Average Workforce
Frequency index: (No. Incidents x 1,000,000) / Hours worked
Severity index: (Days lost x 1,000) / Hours worked
Percentage of absenteeism: (Hours lost x 100) / Hours worked

Social Indicators

Supply chain

GRI 204-1, 308-1, 414-1

CENTRALISED PROCUREMENT	UNIT	2017	2018	2019	2020
Total supplier portfolio (Tier 1)	Number	6,996	5,883	6,263	5,405
Local supplier portfolio	Number	6,501	5,360	5,611	4,882
	%	92.92%	91.11%	89.59%	90.32%
Critical Tier 1 suppliers	Number		29	43	29
Critical Non-Tier 1 suppliers	Number	205	571	170	61
Total purchase volume	€	452,943,809	451,789,368	467,454,705	233,655,037
Local purchase volume	€	422,968,487	414,462,284	413,174,893	193,677,671
	%	93.38%	91.74%	88.39%	82.89%
Central Spain purchase volume	€	293,959,686	292,322,906	293,067,408	160,854,569
Central Dominican Rep. purchase volume	€	53,964,430	55,415,219	63,143,026	14,291,824
Central Mexico purchase volume	€	41,430,375	38,393,391	36,139,605	16,665,942
Central Germany purchase volume	€	17,885,048	14,471,250	15,584,489	3,201,672
Central UK purchasing volume	€	5,763,360	7,870,507	11,916,068	16,712,976
Central France purchase volume	€	4,645,846	4,552,725	5,388,466	7,943,027
Central Italy purchase volume	€	3,613,966	3,294,229	3,914,624	1,273,227

Social action

GRI 102-12

CATEGORY	PERCENTAGE
Charity donations (1)	5%
Community investment (2)	95%
Commercial Initiatives (3)	0%
Total	**100%**

(1) We see charity donations as occasional support for certain causes as a response to specific needs and requests from social organisations that are aligned with our Philanthropy Policy. This year, our main contributions focused on covering basic needs for food and hygiene, cleaning and sanitary materials, mainly as a consequence of COVID-19 and especially during the first 3 months of the pandemic from March to May.
(2) Investment seen as a long-term strategic participation with social organisations or communities to address or cover certain aspects of our choice, aligned with our long-term interests and also with a significant positive impact on our reputation. Given the importance for Spain of certain essential workers during the hardest months of the pandemic (healthcare workers, security forces, firefighters and the army), that's why we wanted to help acknowledge their work while also showing that Meliá is a long-term player in society through the support it provides, thus ensuring a positive impact on our reputation. The allocation of free stays was made exclusively to accredited members of the aforementioned groups, officially and by name.
(3) Understood as business-related activities in the community to directly support company objectives, promoting corporate and brand identity in association with charities and community organizations. In 2020 we did not make any financial contributions to foundations or entities for this purpose as a direct consequence of the contingency plans caused by COVID-19.

TYPE OF CONTRIBUTION	AMOUNT (€)
Economic (1)	25,322
Time: corporate volunteering during working hours (2)	-
In kind: donated products or services (3)	5,211,071
Total	**5,236,403**

(1) Understood as the monetary amount paid to support community projects. In 2020 we supported Born to Learn, a Spanish NGO that operates in Tanzania in the area of influence of the Meliá Serengeti Lodge hotel. Meliá thus directly contributed to meeting the needs of the aforementioned entity in achieving its social objectives: early childhood education and the empowerment of local women.
(2) Understood as the cost to the company of the time spent by employees on community programmes during working hours. The need for teleworking and social distancing and the closure of hotels mean that no contribution has been made through paid employee time.
(3) Refers to the contribution of products, equipment, services and other non-monetary company items to the community. Our social contribution this year has been almost entirely in kind through the use of accommodation or hotel spaces by essential workers and social organisations or the donation of food to vulnerable people.

Contribution to organizations and associations

GRI 102-12, GRI 102-13

(In thousands of €)	2017	2018	2019	2020
Total contribution to industry organizations and associations*	**329.3**	**417.3**	**731.8**	**430.7**

(*) Selection of organisations
(**) The contribution in 2020 is substantially lower than the previous year, mainly because we were forced to suspend contributions to many organisations as a cost containment measure in the face of the COVID-19 crisis

RELEVANT ISSUES FOR MELIÁ	AMOUNT (€)
Sustainable tourism	64,200
Institutional positioning	35,687

RELEVANT CONTRIBUTIONS IN 2020 (Organisations)	AMOUNT (€)
Exceltur	57,000
Inverotel	15,000
UN Global Compact	4,700

LIST OF ORGANISATIONS

INSTITUTIONAL

- Institute of Internal Auditors Association
- Associació d'Empreses i Institució 22 @
- Spanish Chamber of Commerce in Belgium and Luxembourg
- Lima Chamber of Commerce
- International Chamber of Commerce (ICC)
- National Chamber of Commerce and Tourism Services of Cancun
- National Tourism Office
- Official Chamber of Commerce of Spain in Peru
- Official Chamber of Commerce of Spain in France
- Official Chamber of Commerce of Spain in Germany
- Chambre de Comerce Luxembourg
- Exceltur
- Palma 365 Tourism Foundation
- International Chamber of Commerce - Institute of World Business Law
- Information Systems Audit and Control Association
- Institute of Travel Management
- Institute of Compliance Officers
- Inverotel
- London Chamber of Commerce and Industry
- World Tourism Organization
- Spanish Chamber of Commerce
- Stiftung Juniorenkreis der Handelskammer-bremen (Foundation of the Chamber of Commerce)
- UN Global Compact

BUSINESS

- La Palma Tourism Development Association
- Balearic Hotel Chains Group
- Los Cabos HR Executives Association
- Sierra Nevada Business Association
- Costa del Sol Hotel Association
- Cozumel Hotel Association
- Riviera Maya Hotel Association
- Los Cabos Hotel Association
- Association of Hotels and Tourism Projects of the East
- Association of Spanish Congress Centres
- Seville Hotel Association
- Benidorm Hotel Association
- Madrid Hotel Association
- Cordoba Hotel Association
- Lleida Hotel Association
- Biscay Hotel Association
- Alcudia Hotel Association
- Menorca Hotel Association
- Palma Hotel Association
- Tenerife, La Palma, Gomera and El Hierro Hotel Association
- Palmanova and Magaluf Hotel Association
- Puerto Vallarta Hotel Association
- Seville Hotel Association
- Mexican Association of Human Resources Management
- National Association of Business Executives
- National Association of Hotels and Restaurants
- Provincial Association of Tourist Accommodation Businesses of Valladolid
- Huelva Hotel Association
- Alicante Hotel Association
- Venezuelan Association of Five-Star Hotels
- Association des Hoteliers du Grand Roissy
- Assolombarda
- Lima Convention and Visitors Bureau
- Central Hotel & Lodging Association
- Confederazione Generale Dell'industria Italiana
- Convention Bureau Granada
- Convention Bureau Italy
- Convention Bureau Mallorca
- Convention Bureau Seville
- Convention Bureau Sitges
- Barcelona Tourism and Convention Bureau
- German Hotel and Restaurant Association
- European Hotel Manager Association
- European Tour Operators Association
- European Tourism Association
- Event Managers Association
- Florida Hospitality Industry Association
- Global Business Travel Association
- Sitges Hotel Guild
- Barcelona Hotel Guild
- Vielha Hotel Guild
- Hamburg Convention Bureau
- Hokla Nrw Gmbh
- Hotel Booking Agents Association
- Hospitality Technology Next Generation
- International Hospitality Sales and Marketing Association
- Ibiza Convention Bureau
- International Association of Convention Centres
- International Association of Golf Tour Operators
- International Business Travel Association
- International Congress and Convention Associations
- Madrid Convention Bureau
- Peru Hotel Association

Environmental indicators

Aggregated Perimeter

INDICATOR FOR INTENSITY RATIOS	UNIT	2017	2018	2019	2020
Stays in owned, leased and managed hotels	Number	21,349,781	21,994,362	21,796,651	8,338,039

Energy

GRI: 302-1; 302-3; 302-4 / SASB: SV-HL-130a.1

INDICATOR	UNIT	2017	2018	2019	2020	Δ% 2017-2020	2020o
Non-renewable fuel (A + B + C)	GJ	788,795	816,422	802,506	547,879	-44%	
	MWh	121,722	133,307	135,449	85,303	-43%	
A. Natural gas	GJ	440,091	482,026	489,798	308,425	-43%	
	m³	10,175,989	11,145,635	11,325,335	7,131,536	-43%	
B. Propane	GJ	204,458	200,315	190,671	123,306	-66%	
	Tn	4,494	4,403	4,191	2,710	-66%	
C. Diesel	GJ	144,245	134,081	122,036	116,148	-24%	
	m³	3,769	3,504	3,189	3,035	-24%	
Non-renewable electricity	GJ	757,622	725,469	614,431	807,337	6%	
	MWh	210,451	201,519	170,675	224,260	6%	
Steam / heating / cooling and other non-renewable energy	GJ	289,901	279,119	279,228	146,614	-98%	
	MWh	80,528	77,533	77,563	40,726	-98%	
Total non-renewable energy use	**GJ**	**1,836,318**	**1,821,010**	**1,696,165**	**1,501,830**	**-22%**	**1,653,761**
	MWh	**412,701**	**412,359**	**383,687**	**350,290**	**-18%**	**374,095**
Renewable electricity (with green certification)	GJ	804,821	828,657	890,934	441,669	-82%	
	MWh	223,561	230,183	247,482	122,686	-82%	
Total energy use (non-renewable + renewable)	**GJ**	**2,641,139**	**2,649,667**	**2,587,099**	**1,943,499**	**-36%**	
	MWh	**636,262**	**642,542**	**631,169**	**472,975**	**-35%**	
Energy intensity ratio	**GJ / stay**	**0.124**	**0.120**	**0.119**	**0.233**	**47%**	
	MWh / stay	**0.030**	**0.029**	**0.029**	**0.057**	**47%**	
Total cost of energy use	€	61,467,817	64,602,536	78,812,082	52,295,572	-18%	
Percentage of renewable energy	% total consumption	35.1%	35.8%	39.2%	25.9%	-35%	
Percentage of electricity	% total consumption	68.2%	67.2%	66.3%	73.4%	7%	
Data coverage	% portfolio	79%	78%	76%	100%		

Water

GRI: 303-5 / SASB: SV-HL-140a.1

INDICATOR	UNIT	2017	2018	2019	2020	Δ% 2017-2020	2020o
Total municipal water use (or other water services)	m³	N/A	N/A	N/A	6,640,761		
Surface freshwater extraction	m³	N/A	N/A	N/A	21,668		
Fresh groundwater extraction	m³	N/A	N/A	N/A	2,826,862		
Total water extraction	**m³**	**10,825,071**	**10,595,067**	**10,740,348**	**9,489,291**	**-14%**	
Discharge: Water returned to the source with a quality similar or superior to the water extracted	m³	N/A	N/A	N/A	N/A		
Total net water consumption	**m³**	**10,825,071**	**10,595,067**	**10,740,348**	**9,489,291**	**-14%**	**10,632,945**
Intensity ratio of net water consumption	**m³ / stay**	**0.507**	**0.482**	**0.493**	**1.138**	**55%**	
Data coverage	% portfolio	79%	78%	76%	100%		

Waste

GRI: 306-2

INDICATOR	UNIT	2017	2018	2019	2020	2020o
A. Volume of waste generated	Tn	28,993	34,408	34,549	17,890	
B. Volume of waste used / recycled / sold	Tn	12,517	19,310	19,596	11,000	
Net waste generated (A-B)	Tn	16,476	15,098	14,953	6,890	7,845
Recycling rate	% selective collection.	43.2%	56.1%	56.7%	61.5%	
Data coverage	% portfolio	79%	78%	76%	100%	

NOx and SOx emissions

GRI 305-7

INDICATOR	UNIT	2017	2018	2019	2020	Δ% 2017-2020
Total NOx emissions	Kg	95,643.12	98,140.79	96,017.00	64,469.14	-48%
Total SOx emissions	Kg	15,404.61	14,641.70	13,555.00	12,115.78	-27%

Carbon footprint

GRI: 305-1; 305-2; 305-3; 305-4; 305-5

INDICATOR	UNIT	2017	2018	2019	2020	Δ% 2017-2020
Total emissions scope 1	TCO$_2$eq	48,110	51,331	50,262	35,884	-34%
Emissions intensity ratio scope 1	**TCO$_2$eq / stay**	**0.002**	**0.002**	**0.002**	**0.004**	**48%**
Total emissions scope 2	TCO$_2$eq	154,955	153,699	120,386	134,762	-15%
Emissions intensity ratio scope 2	**TCO$_2$eq / stay**	**0.007**	**0.007**	**0.006**	**0.016**	**55%**
Total emissions scope 3	TCO$_2$eq	54,652	53,982	410,887	145,666	62%
Emissions intensity ratio scope 3	**TCO$_2$eq / stay**	**0.003**	**0.002**	**0.019**	**0.017**	**85%**
Data coverage	% portfolio	79%	78%	76%	100%	21%

(*) Scope 3 emissions increase dramatically from 2019 as we expand the measurement categories

Science Based Target initiative (SBTi)

GRI: 305-1; 305-2; 305-3; 305-4; 305-5

INDICATOR	UNIT	2017	2018	2019	2020	Δ% 2018-2020	2020o
Total emissions scope 1 (SBTi)	TCO$_2$eq	N/A	73,455	64,603	35,884	-51.1%	72,831
Total emissions scope 2 (SBTi) *	TCO$_2$eq	N/A	347,243	256,306	166,981	-51.9%	248,873
Data coverage	% base year portfolio SBTi	N/A	100%	100%	100%		

(*) Scope 2: Total electricity emissions including renewable electricity. There are countries in which contracted electricity is 100% renewable (Spain, Italy, France, Germany and the United Kingdom). However, these emissions are counted in this section to make the impact of the improvements carried out in terms of savings and energy efficiency more visible.

Environmental investment

INDICATOR	UNIT	2017	2018	2019	2020
Total environmental investment (Capex)	€	3,540,000	4,720,500	3,520,441	10,489,748
Total environmental expenditure (Opex)	€	8,276,844	8,284,694	8,253,814	6,330,537
Total savings generated	€	644,856	691,842	1,173,600	994,291
Data coverage	% portfolio	100%	100%	100%	100%

Consolidated Perimeter

INDICATOR FOR INTENSITY RATIOS	UNIT	2017	2018	2019	2020
Stays in owned and leased hotels	Number	14,653,275	14,571,012	14,129,439	3,826,372

Energy

GRI: 302-1; 302-3; 302-4 / SASB: SV-HL-130a.1

INDICATOR	UNIT	2017*	2018	2019	2020	Δ% 2017-2020	2020o
Non-renewable fuel (A + B + C)	GJ	N/A	585,716	597,736	292,024	-101%	
	MWh	N/A	98,273	102,009	53,734	-83%	
A. Natural gas	GJ	N/A	355,379	368,897	194,335	-83%	
	m³	N/A	8,216,862	8,529,411	4,493,497	-83%	
B. Propane	GJ	N/A	149,790	156,886	73,781	-103%	
	Tn	N/A	3,292	3,448	1,622	-103%	
C. Diesel	GJ	N/A	80,546	71,953	23,908	-237%	
	m³	N/A	2,105	1,880	625	-237%	
Non-renewable electricity	GJ	N/A	440,441	331,912	204,444	-115%	
	MWh	N/A	122,345	92,198	56,790	-115%	
Steam / heating / cooling and other non-renewable energy	GJ	N/A	276,904	279,228	146,614	-89%	
	MWh	N/A	76,918	77,563	40,726	-89%	
Total non-renewable energy use	**GJ**	**N/A**	**1,303,061**	**1,208,876**	**643,082**	**-103%**	**1,178,654**
	MWh	**N/A**	**297,536**	**271,770**	**151,250**	**-97%**	**264,975**
Renewable electricity (with green certification)	GJ	N/A	580,069	658,431	318,111	-82%	
	MWh	N/A	161,130	182,897	88,364	-82%	
Total energy use (non-renewable + renewable)	**GJ**	**N/A**	**1,883,130**	**1,867,307**	**961,193**	**-96%**	
	MWh	**N/A**	**458,666**	**454,667**	**239,614**	**-91%**	
Energy intensity ratio	**GJ / stay**	**N/A**	**0.129**	**0.132**	**0.251**	**49%**	
	MWh / stay	**N/A**	**0.031**	**0.032**	**0.063**	**50%**	
Total cost of energy use	€	N/A	N/A**	N/A**	24,593,193	-	
Percentage of renewable energy	% total consumption	N/A	35.1%	40.2%	36.9%	5%	
Percentage of electricity	% total consumption	N/A	61.8%	60.5%	60.6%	-2%	
Data coverage	% portfolio	N/A	100%	100%	100%		

(*) In 2017 the data was reported only in the aggregate perimeter. (**) In 2018 and 2019 the total cost of energy consumption was calculated only in the aggregate perimeter.

Water

GRI: 303-3; 303-5 / SASB: SV-HL-140a.1

INDICATOR	UNIT	2017*	2018	2019	2020	Δ% 2017-2020	2020o
Total municipal water use (or other water services)	m³	N/A	N/A	N/A	2,004,988	-	
Surface freshwater extraction	m³	N/A	N/A	N/A	-	-	
Fresh groundwater extraction	m³	N/A	N/A	N/A	2,567,450	-	
Total water extraction	m³	N/A	7,442,823	7,439,954	4,572,438	-63%	
Discharge: Water returned to the source with a quality similar or superior to the water extracted	m³	N/A	N/A	N/A	N/A	-	
Total net water consumption	**m³**	**N/A**	**7,442,823**	**7,439,954**	**4,572,438**	**-63%**	**7,365,554**
Intensity ratio of net water consumption	**m³ / stay**	**N/A**	**0.511**	**0.527**	**1.195**	**57%**	
Data coverage	% portfolio	N/A	100%	100%	100%		

(*) In 2017 the data was reported only in the aggregate perimeter. (**) In 2018 and 2019, no data was available by source of extraction or discharge. In 2020 we have information by source of extraction and continue to work on being able to measure discharges.

Waste

GRI: 306-2

INDICATOR	UNIT	2017*	2018-star	2019-star	2020	2020o
A. Volume of waste generated	Tn	N/A	N/A	N/A	8,210	
B. Volume of waste used / recycled / sold	Tn	N/A	N/A	N/A	5,048	
Net waste generated (A-B)	Tn	N/A	N/A	N/A	3,162	3,600
Recycling rate	% selective collection.	N/A	N/A	N/A	61.5%	
Data coverage	% portfolio	N/A	N/A	N/A	100%	

(*) From 2017 to 2019 the data were only reported in the aggregate perimeter

NOx and SOx emissions

GRI 305-7

INDICATOR	UNIT	2017*	2018	2019	2020	Δ% 2017-2020
Total NOx emissions	Kg	-	71,185	73,159	35,626	-100%
Total SOx emissions	Kg	-	9,136	8,427	3,146	-190%

(*) In 2017 the data was reported only in the aggregate perimeter

Carbon footprint

GRI: 305-1; 305-2; 305-3; 305-4; 305-5

INDICATOR	UNIT	2017*	2018	2019	2020	Δ% 2018-2020	2020o
Total emissions scope 1	TCO_2eq	N/A	36,698	37,069	18,404	-99%	36,754
Emissions intensity ratio scope 1	**TCO_2eq / stay**	**N/A**	**0.003**	**0.003**	**0.005**	**48%**	
Total emissions scope 2	TCO_2eq	N/A	148,143	81,923	48,888	-203%	79,547
Emissions intensity ratio scope 2	**TCO_2eq / stay**	**N/A**	**0.010**	**0.006**	**0.013**	**20%**	
Total emissions scope 3**	TCO_2eq	N/A	38,535	367,565	88,221	56%	
Emissions intensity ratio scope 3	**TCO_2eq / stay**	**N/A**	**0.003**	**0.026**	**0.023**	**89%**	
Data coverage	% portfolio	N/A	100%	100%	100%		

(*) In 2017 the data was reported only in the aggregate perimeter. (**) Scope 3 emissions increase dramatically from 2019 as we expand the measurement categories.

5

Annexes

ICorporate Information & Contacts

GRI 102-3

Corporate headquarters

CENTRAL
Gremio Toneleros, 24. Polígono Son Castelló
07009 Palma de Mallorca, Spain
T. +34 971 22 44 00

SPAIN
Mauricio Legendre, 16
28046 Madrid, Spain
T. +34 913 153 246

CHINA
Unit 2-3, 34th Floor JinMao Tower, 88 Century Avenue, Pudong District
Shanghai, 200120, China
T. +86 21 3382 0800

INDONESIA
Marquee Office Suite M01, Equity Tower 37th Floor, Sudirman Central Business District (SCBD) Lot. 9, Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190, Indonesia
T. +62 21 5080 4500

VIETNAM
#A01-03, Hoang Anh Gia Lai Riverview Building 37 Nguyen Van Huong street, Thao Dien ward, District 2
Hochiminh City, Vietnam
T. +84 (0) 909 43 9892

CUBA
5ª Avenida e/20 y 22 No. 2008 Playa
Havana, Cuba
T. +53 7 204 0910

MEXICO
Blvd. Kukulcan Km. 16.5
77500 Cancun
Quintana Roo, Mexico

AMERICAS
Sol Group Corporation*
800 Brickell Avenue 6th floor
33131 Miami, Florida, USA

* The Sol Group Corporation is a separate corporation with an office in Miami that provides services to owners and/or operators of hotels located in the Americas that are affiliated with Meliá brands. Melia Hotels International SA does not have an office or otherwise conduct business in the United States of America.

Corporate departments

INVESTOR RELATIONS
investors.relations@melia.com
T. +34 971 22 44 64

SHAREHOLDER SERVICE
club.accionista@melia.com
T. +34 971 22 45 54

COMMUNICATION AND PRESS
comunicacion@melia.com
T. +34 971 22 44 64

CORPORATE RESPONSIBILITY
csr@melia.com
T. +34 971 22 45 98

Non-financial and diversity information requirements (Law 11/2018)

Non-Financial Information Statement

Content	GRI related	Report chapters	Pages	Reporting scope	External verification
Business Model					
Description of the group's business model, including the business environment, organisation and structure, markets in which it operates, objectives and strategies, and the main factors or trends that may affect its evolution	102-1	GRI Standards table of contents	209 - 213	Aggregated	✓
	102-16	Mission, vision and values	14 - 15		✓
	201-1	Business model	16		✓
	102-2; 102-6	Brand portfolio & positioning	17 - 29		✓
	102-15	Tourism industry vision	36 - 38; 68		✓
	from 102-18 to 102-20; from 102-22 to 102-27	Good governance	59; 62		✓
	102-4; 102-7; 102-10	Location map	30 - 31		✓
	-	Strategic priorities	39 - 43		✓
Environmental Issues					
Policies & Risks					
A description of the policies applied by the group, including due diligence procedures for the assessment, prevention and mitigation of risks and impacts, as well as the procedures for verification and control	103-2	Environment and climate change	141 - 157	Aggregated	✓
The main risks related to the group's activities, including how the group manages those risks and what procedures it uses to detect and evaluate them	102-15;102-29; 102-30; 102-31; 201-2	Risk management	67 - 72		✓
		Management of risks and opportunities derived from climate change	151		✓
Global Information					
Detailed information on the current and foreseeable effects of the company's activities on the environment, environmental assessment or certification procedures, resources dedicated to the prevention of environmental risks and the application of the precautionary principle	102-11; 102-29; 102-30; 307-1	Environment and climate change	141 - 157	Aggregated	✓
Pollution					
Measures to prevent, reduce or repair carbon emissions taking into account any form of atmospheric pollution specific to an activity	302-4;302-5; 305-1 a 305-5; 305-7	Environment and climate change	142- 143; 155 - 157; 198	Aggregated & Consolidated	✓
Circular economy					
Measures of prevention, recycling, reuse, other forms of recovery and disposal of waste	103-2; 306-2	Waste management	146 - 148; 198; 200	Aggregated & Consolidated	✓
Actions to combat food waste	103-2	Projects to combat food waste	147	Aggregated	✓
Sustainable use of resources					
Water use	303-5	Water management	143 - 145; 197; 199	Aggregated & Consolidated	✓
Consumption of raw materials and the measures taken to improve the efficiency of their use		This data is not reported as it is not a material issue for the company.		N/A	✓
Energy consumption and measures taken to improve energy efficiency and the use of renewable energy.	302-1; 302-3; 302-4; 302-5	Energy management	142 - 143; 197; 199	Aggregated & Consolidated	✓

Content	GRI related	Report chapters	Pages	Reporting scope	External verification
Climate Change					
The important elements of greenhouse gas emissions produced as a result of company activities	201-2; 305-1 to 305-5; 305-7	Climate change	151 - 157	Aggregated & Consolidated	✓
Measures taken to adapt to the consequences of climate change	201-2; 305-5	Climate change	151 - 157		✓
The reduction targets defined voluntarily in the medium and long term to reduce greenhouse gas emissions	103-2; 305-5	Climate change	151 - 157		✓
Protection of biodiversity					
Measures taken to preserve or restore biodiversity and the impacts caused in protected areas	304-1; 304-2	Biodiversity management	149 - 150	Aggregated & Consolidated	✓
Impacts caused by activities or operations in protected areas	304-1	Biodiversity management	150		✓
Social and Personnel Issues					
Policies & Risks					
A description of the policies applied by the group, including due diligence procedures for the assessment, prevention and mitigation of risks and impacts, as well as the procedures for verification and control.	103-2	People	120 - 133	Aggregated	✓
The main risks related to the group's activities, including how the group manages those risks and what procedures it uses to detect and evaluate them	102-15;102-29; 102-30; 102-31	Risk management	36 - 38; 56 - 57; 66 - 67		✓
Employment					
Total number and distribution of employees by gender, age, country and professional classification	102-8; 405-1	HR indicators	181 - 183; 186 - 188	Aggregated & Consolidated	✓
Total number and distribution of employment contract types	102-8	HR indicators	183 - 184; 188 - 189		✓
Annual average of permanent contracts, temporary contracts and part-time contracts by gender, age and professional category	102-8, 401-1	HR indicators	181 - 191		✓
Number of dismissals by gender, age and professional classification	401-1 (b)	HR indicators	190		✓
Average remuneration and its evolution by gender, age and professional classification or equal value	405-2	HR indicators	190	Consolidated	✓
Salary gap, remuneration for equal or average jobs in the company	405-2	HR indicators	190		✓
Compensation for equal or average jobs in the company	202-1	HR indicators	191		✓
The average remuneration of directors and executives	102-28; 102-35 to 102-39	Composition of the Board of Directors	61; 64 - 65	Aggregated	✓
Implementation of employee disconnection policies		Digital disconnection	131		✓
Employees with disabilities		Disability and universal accessibility	133	Aggregated & Consolidated	✓
Organisation of work					
Organisation of working hours	102-8 (c)	Organisation of working hours	130	Aggregated	✓
Number of hours of absenteeism		S&SL indicators	192 - 193	Aggregated & Consolidated	✓
Measures designed to facilitate a work-life balance and encouraging joint responsibility for both parents	401-3 (b,c,e)	New ways of working	130		✓
Health and safety					
Health and safety conditions at work	103-2	Occupational health and safety	134 - 140	Aggregated	✓
Work-related accidents, in particular their frequency and severity	403-2 (a)	S&SL indicators	192 - 193	Aggregated & Consolidated	✓
Occupational diseases by gender	403-2 (a)	S&SL indicators	192 - 193		✓

Content	GRI related	Report chapters	Pages	Reporting scope	External verification
Social relationships					
Organisation of social dialogue	102-42; 102-43; 402-1	Stakeholders Table of contents GRI Standards	49; 212	Aggregated	✓
Percentage of employees covered by collective agreement	102-41	GRI Standards table of contents	209	Aggregated & Consolidated	✓
The balance of collective agreements, particularly in the area of health and safety at work	403-4	GRI Standards table of contents	213		✓
Training					
Policies implemented	103-2 ; 404-2	Training and Development	124. 179	Aggregated	✓
Total number of hours of training by professional category	404-1	HR indicators	124; 191	Aggregated & Consolidated	✓
Universal accessibility					
Universal accessibility for people with disabilities	103-2	Disability and universal accessibility	133	Aggregated & Consolidated	✓
Equality					
Measures taken to promote equal treatment and opportunities between women and men; equality plans, measures adopted to promote employment, protocols against sexual and gender-based harassment, integration and universal accessibility for people with disabilities; policy against all types of discrimination and, if necessary, management of diversity	103-2; 404-2; 405-1; 406-1	Equality, diversity and inclusion	131 - 133	Aggregated	✓
Human Rights					
Policies & Risks					
A description of the policies applied by the group, including due diligence procedures for the assessment, prevention and mitigation of risks and impacts, as well as the procedures for verification and control.	103-2	Protection of human rights	168 - 171	Aggregated	✓
The main risks related to the group's activities, including how the group manages those risks and what procedures it uses to detect and evaluate them	102-15;102-29; 102-30; 102-31	Risk management	67 - 72		✓
Human Rights					
Application of due diligence procedures in human rights Prevention of the risks of human rights violations and, where appropriate, measures to mitigate, manage and repair possible abuses	414-2	Protection of human rights	168 - 171	Aggregated	✓
Complaints about human rights violations	102-17; 411-1	"Protection of human rights table of content GRI Standards"	168 - 171; 212		✓
Support and compliance with the provisions of the fundamental conventions of the International Labour Organization related to respect for freedom of association and the right to collective bargaining. The elimination of discrimination in employment and occupation. The elimination of forced or compulsory labour. The effective abolition of child labour	103-2; 406-1; 408-1; 409-1	"People Protection of human rights Table of contents GRI Standards"	120; 168; 212		✓
Corruption and Bribery					
Policies & Risks					
A description of the policies applied by the group, including due diligence procedures for the assessment, prevention and mitigation of risks and impacts, as well as the procedures for verification and control	103-2	Ethics and integrity	73 - 78	Aggregated	✓
The main risks related to the group's activities, including how the group manages those risks and what procedures it uses to detect and evaluate them	102-15;102-29; 102-30; 102-31	Risk management	67 - 72		✓

Content	GRI related	Report chapters	Pages	Reporting scope	External verification
Corruption and Bribery					
Measures taken to prevent corruption and bribery	205-1; 205-3	Corruption and bribery	76	Aggregated	✓
Measures to combat money laundering	103-2	Money laundering	76		✓
Contributions to foundations and non-profit organisations	102-12; 102-13; 201-1; 415-1	Social indicators	162; 195 - 196		✓
Society					
Policies & Risks					
A description of the policies applied by the group, including due diligence procedures for the assessment, prevention and mitigation of risks and impacts, as well as the procedures for verification and control	103-2	Social impact	162 - 167	Aggregated	✓
The main risks related to the group's activities, including how the group manages those risks and what procedures it uses to detect and evaluate them	102-15;102-29; 102-30; 102-31	Risk management	67 - 72		✓
Commitments of the company to sustainable development					
The impact of the company's activity on employment and local development	103-2; 413-1; 413-2	Social impact	162 - 167	Aggregated	✓
	202-2	People	120 - 133		✓
The impact of the company's activity on local populations and on the territory	204-1; 413-1; 413-2	Supply chain	158 - 161		✓
The relationships with people in the local communities and the channels for dialogue with them	102-43; 413-1	Stakeholders	49		✓
Partnership or sponsorship activities	102-13	Social indicators	194 - 196		✓
Subcontracting and Suppliers					
Inclusion in the purchasing policy of social, gender equality and environmental issues	102-9; 103-2	Supply chain	158 - 161	Aggregated	✓
Consideration given to suppliers and subcontractors regarding their social and environmental responsibility	308-1; from 407-1 to 409-1; 414-1	ESG evaluation of our suppliers	158 - 161		✓
Supervision and audit systems and their results	308-2; 414-2	ESG evaluation of our suppliers	158 - 161		✓
Consumers					
Measures taken for the health and safety of consumers;	416-1	Stay Safe with Meliá	115	Aggregated	✓
Claims systems, complaints received and their resolution	416-2; 417-2; 417-3; 418-1	Customer experience	112 - 119		✓
Fiscal Information					
"Profits obtained by country Taxes paid on profits"	201-1	Fiscal transparency	79 - 81	Aggregated	✓
Public grants received	201-4	GRI Standards table of contents	210		✓
Other significant information					
Other information about the company profile	102-1; 102-3; 102-5	GRI Standards table of contents	209	Aggregated	✓
Identification of material issues	102-21; 102-44	Materiality analysis	56 - 57		✓
About this report	102-14; 102-32; from 102-45 to 102-56	About this report	6 - 7		✓
Other information used in the preparation of the document	201-3; 206-1; 419-1	GRI Standards table of contents	210		✓

SASB Standards table of contents

Sustainability disclosure topics and accounting metrics

Code SASB	Indicator	Unit	2019	2020
Energy management				
SV-HL-130a.1	Total energy consumed	GJ per stay	0.1187	0.2331
		GJ	2,587,099	1,943,499
	Percentage total energy from grid electricity	%	66.3%	73.4%
	Percentage total energy from renewables	%	39.2%	25.9%
Water management				
SV-HL-140a.1	Total water withdrawn	Thousands m^3 per stay	0.0005	0.0011
		Thousands m^3	10,740	9,489
	Total water consumed	Thousands m^3 per stay	0.0005	0.0011
		Thousands m^3	10,740	9,489
	Portfolio in regions with high or extremely high baseline water stress	# hotels	N/A	93
		%	N/A	29.3%
Ecological Impacts				
SV-HL-160a.1	Number of lodging facilities located in or near areas of protected conservation status or endangered species habitat	# hotels	50	49
SV-HL-160a.2	Environmental management policies and practices to preserve ecosystem services	Qualitative	Environment & Climate Change	
Employment practices				
SV-HL-310a.1	Voluntary turnover rate for lodging facility employees	Rate	18.7%	12.7%
	Involuntary turnover rate for lodging facility employees	Rate	24.2%	23.0%
SV-HL-310a.2	Total amount of monetary losses as a result of legal proceedings associated with labor law violations	€	N/A	N/A
SV-HL-310a.3	Average hourly wage of minimum wage employees (by region)	€	N/A	N/A
	Percentage of employees earning minimum wage (by region)	%	N/A	N/A
SV-HL-310a.4	Policies and/or programmes to prevent workplace harassment	Qualitative	People Chapter	
Adaptation to climate change				
SV-HL-450a.1	Number of lodging facilities located in 100-year flood zones	# hotels	N/A	41

Activity metrics

Code SASB	Indicator	Unit	2019	2020
SV-HL-000.A	Available rooms	Number	24,099,227	13,126,297
SV-HL-000.B	Occupied rooms	Number	15,711,990	4,585,827
	Average occupancy ratio	%	65.2%	34.9%
SV-HL-000.C	Total area of hotel facilities	m^2	N/A	N/A
SV-HL-000.D	Property Portfolio	# hotels	43	43
		%	13%	14%
	Lease Portfolio	# hotels	108	103
		%	33%	32%
	Managed Portfolio	# hotels	128	124
		%	40%	39%

GRI Standards table of contents

GRI code	GRI	Page	Comments / Omissions
GRI 102: General data			
Organisation profile			
102-1	Organisation name	209	Meliá Hotels International
102-2	Activities, brands, products and services	17 - 29	
102-3	Headquarters location	200	
102-4	Location of operations	30 - 31	
102-5	Ownership and legal entity	213	Note 1
102-6	Markets served	17 - 29	
102-7	Organisation size	30 - 31	
102-8	Information about employees and other workers	181 - 183; 186 - 188	
102-9	Supply chain	158	
102-10	Significant changes in the organisation and its supply chain	30 - 31	
102-11	Precautionary principle or approach	213	Note 2
102-12	External initiatives	162; 194 - 195	
102-13	Association membership	194 - 195	
Strategy			
102-14	Statement by senior executives responsible for decision making	3 - 4	
102-15	Main impacts, risks and opportunities	36 - 38; 68	
Ethics and transparency			
102-16	Values, principles, standards and rules of conduct	14 - 15	
102-17	Advisory mechanisms and ethical concerns	73 - 78	
Governance			
102-18	Governance structure	59	
102-19	Delegation of authority	59	
102-20	Executive-level responsibility for economic, environmental and social issues	62	
102-21	Consultation with stakeholders on economic, environmental and social issues	56 - 57	
102-22	Composition of the highest governance body and its committees	59; 62	
102-23	Chair of the highest governance body	59	
102-24	Nomination and selection of the highest governance body	60; 213	Note 3
102-25	Conflicts of interest	213	Note 4
102-26	Role of the highest governance body in defining objectives, values and strategy	60	
102-27	Collective knowledge of the highest governance body	61	
102-28	Performance assessment of the highest governance body	61	
102-29	Identification and management of economic, environmental and social impacts	56 - 57	
102-30	Effectiveness of risk management processes	66 - 67	
102-31	Assessment of economic, environmental and social issues	56 - 57	
102-32	Role of the highest governance body in sustainability reporting	209	Preparation of the Integrated Report by the Board of Directors
102-35	Remuneration policies	64	
102-36	Process to determine remuneration	65	
102-38	Annual total compensation ratio	64	
102-38	Annual total compensation ratio	64	
Stakeholder participation			
102-40	List of stakeholders	49	
102-41	Collective bargaining agreements	209	At the consolidated level, 96% of our workers are subject to collective agreements. At the aggregated level, 79%
102-42	Identification and selection of stakeholders	49	
102-43	Approach to stakeholder engagement	49	
102-44	Key issues and concerns raised	56 - 57	
Reporting practices			

GRI code	GRI	Page	Comments / Omissions
102-45	Entities included in the consolidated financial statements	210	Consolidated Annual Accounts 2020
102-46	Definition of the report content and coverage of issues	56 - 57	
102-47	List of material issues	56 - 57	
102-48	Restatement of information	6 - 7	
102-49	Changes in reporting	6 - 7	
102-50	Reporting period	210	January 1, 2020 to December 31, 2020
102-51	Date of most recent report	210	Annual Report 2019
102-52	Reporting cycle	210	Annual
102-53	Point of contact for questions about the report	6 - 7	
102-54	Declaration of report preparation in accordance with GRI Standards	6 - 7	
102-55	Table of contents GRI	6 - 7	
102-56	External verification	6 - 7	
GRI 103: Management approach			
103-1	Explanation of the material issue and its coverage	56 - 57; 59 - 66; 67 - 72; 73 - 79; 82 - 99; 100 - 102; 120 - 133; 134 - 140; 141 - 157; 158 - 161; 162 - 167; 168 - 171; 172 - 176	
103-2	The management approach and its components		
103-3	Assessment of the management approach		
GRI 201: Financial Performance			
201-1	Direct economic value generated and distributed	163	
201-2	Financial implications and other risks and opportunities due to climate change	151	
201-3	Benefit plan obligations and other retirement plans	210	Note 4
201-4	Financial assistance received from the government	210	Subsidies for the year amounted to €215,302.56 at the consolidated level and €368,739.53 at the aggregate level. Additionally, as a result of employment assistance granted by different countries, exemptions from the payment of social security have amounted to €24,673,757.68 at the consolidated level and €25,864,964.18 at the aggregate level. Training grants of €245,950.63 at the consolidated level and €310,540.69 at the aggregate level were received during 2020. Governments are not part of the shareholding structure
GRI 202: Market presence			
202-1	Ratio of standard entry-level wage by gender compared to the local minimum wage	191	
GRI 203: Indirect economic impacts			
203-1	Investments in infrastructure and support services	32 - 34	
203-2	Significant indirect economic impacts	32 - 34	
GRI 204: Procurement practices			
204-1	Portion of spending on local suppliers	194	
GRI 205: Anti-corruption			
205-1	Operations assessed for corruption-related risks	76	
205-2	Communication and training on anti-corruption policies and procedures	76	
205-3	Confirmed cases of corruption and measures taken	211	During the year there were no cases of corruption
GRI 206: Anti-competitive behaviour			
206-1	Legal action related to unfair competition and monopolies and contrary to free competition	211	In 2020, a financial sanction amounting to €6,678,000 imposed by the European Commission within the scope of the collaboration procedure was paid. AT. 40528 Meliá (Holiday Pricing)
GRI 207: Taxation			
207-1	Tax approach	79 - 81	
207-2	Tax governance, control and risk management	79 - 81	
207-4	Reporting by country	81	

GRI code	GRI	Page	Comments / Omissions
GRI 302: Energy			
302-1	Energy consumption within the organisation	142 - 143; 197; 199	
302-3	Energy intensity	142 - 143; 197; 199	
302-4	Reduction of energy consumption	142 - 143; 197; 199	
302-5	Reductions in the energy requirements of products and services	142	
GRI 303: Water			
303-1	Interaction with water as a shared resource	143	
303-2	Management of impacts related to water discharges	145	
303-3	Water extraction	197	
303-4	Water spills	143	
303-5	Water use	143 - 144; 195; 197	
GRI 304: Biodiversity			
304-1	Operations centres in owned, leased or managed hotels within or next to protected areas or areas outside protected areas with high levels of biodiversity	150	
304-2	Significant impacts of activities, products and services on biodiversity	149	
GRI 305: Emissions			
305-1	Direct GHG emissions (Scope 1)	155 - 157	
305-2	Indirect GHG emissions (Scope 2)	155 - 157	
305-3	Other indirect GHG emissions (Scope 3)	155 - 157	
305-5	GHG emission reductions	155 - 157	
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant atmospheric emissions	198; 200	
GRI 306: Effluents and waste			
306-2	Waste by type and disposal method	198; 200	The waste data has been calculated by extrapolation based on a sample of 146 hotels
306-3	Significant spills	211	
GRI 307: Environmental compliance			
307-1	Breach of environmental laws and regulations	211	The sanction proposed in 2019 due to the installation of furniture for which payment was planned in 2020 is still pending. We expect its enforcement in 2021
GRI 308: Supplier environmental assessment			
308-1	New suppliers screened under environmental criteria	160	
308-2	Negative environmental impacts on the supply chain and measures taken	158	
GRI 401: Employment			
401-1 (b)	New employee hires and employee turnover (partial)	184; 185; 189	
GRI 402: Labour relations			
402-1	Minimum notice periods regarding operational changes	212	Depending on the country and hotel, the minimum notice periods are met as stipulated by the applicable collective agreements or, in their absence, as stipulated in the corresponding legislation
GRI 403: Health and Safety at Work			
403-1	Occupational health and safety management system	135	
403-2	Hazard identification, risk assessment and incident investigation	134; 137; 192; 193	
403-3	Occupational health services	134	
403-4	Worker participation, consultation and communication on health and safety at work	213	Note 5

GRI code	GRI	Page	Comments / Omissions
403-5	Training of workers in health and safety at work	134; 137	
403-6	Support for workers' health	134	
403-8	Coverage of the occupational health and safety management system	134	
403-9	Work-accident injuries	192; 193	
403-10	Occupational illnesses	192; 193	
GRI 404: Training and education			
404-1	Average hours of training per year per employee	124; 191	
404-2	Programmes to improve employee skills and transition assistance programmes	124	
GRI 405: Diversity and equal opportunities			
405-1	Diversity in governance bodies and employees	131 - 133; 186	
405-2	Ratio of basic salary and remuneration of women compared to men	190	
GRI 406: Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	212	In 2019, no discrimination cases were detected.
GRI 407: Freedom of association and collective bargaining			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	212	Meliá Hotels International has an agreement with UIFUITA that includes these aspects
GRI 408: Child labour			
408-1	Operations and suppliers with significant risk of incidents related to child labour	212	There is no risk within the company. Meliá Hotels International has an agreement with UIF-UITA that includes these aspects, as well as an agreement with UNICEF. In 2018, specific clauses were added to the code of ethics, supplier code of ethics and human rights policy
GRI 409: Forced or compulsory labour			
409-1	Operations and suppliers with significant risks related to forced or compulsory labour	212	There is no risk within the company. Meliá Hotels International has an agreement with UIF-UITA that includes these aspects, as well as an agreement with UNICEF. In 2018, specific clauses were added to the code of ethics, supplier code of ethics and human rights policy
GRI 411: Rights of indigenous peoples			
411-1	Cases of violations of the rights of indigenous peoples	212	Cases of violations of the rights of indigenous peoples
GRI 412: Human rights assessment			
412-3	Significant investment agreements and contracts that include human rights clauses or subject to human rights assessment	171	
GRI 413: Local communities			
413-1	Operations with local community engagement, impact assessments and development programmes	12; 162	
413-2	Operations with significant and potential negative impacts on local communities	212	No operations with a negative impact were detected in local communities
GRI 414: Supplier social assessment			
414-1	New suppliers screened using social criteria	160 - 161; 171; 194	
GRI 415: Public policy			
415-1	Contributions to parties and/or political representatives	213	No political contribution was made during the year. Our code of ethics does not allow it
GRI 416: Customer health and safety Customer privacy			
416-1	Assessment of the health and safety impacts of products or services	137	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	213	There have been no incidents with regulatory non-compliance regarding health and safety in products and services
GRI 417: Marketing and labelling			
417-2	Incidents of non-compliance concerning product and service information and labelling	213	No regulations regarding information and labelling of products and services have been breached

GRI code	GRI	Page	Comments / Omissions
417-3	Incidents of non-compliance related to marketing communications	213	No cases have been detected regarding non-compliance with regulations or voluntary codes on marketing communications
GRI 418-1: Customer privacy			
418-1	Substantiated claims regarding breaches of customer privacy and loss of customer data	213	During the year there were no complaints about violation of privacy or leakage of customer data
GRI 419-1: 2016 socio-economic compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	213	No significant fines (>30,000 euros) were received as a result of non-compliance with social and economic laws and regulations

NOTE 1

Meliá Hotels International, SA (the Company) is a company legally constituted in Madrid on June 24, 1986, under the name Investman, S.A. On June 1, 2011 the corporate name was changed to Meliá Hotels International, S.A. and the company moved its registered office in 1998 to 24 Calle Gremio Toneleros, Palma de Mallorca. Meliá Hotels International, S.A. (the Group) is the parent company of the Meliá Hotels International Group, which presents (in accordance with the requirements of the Commercial Code) consolidated annual accounts in order to show the Group's financial and asset-related position.

NOTE 2

In regard to the initiatives to mitigate the impact of our activity and taking into account the precautionary principle, the system of pre-openings includes a series of environmental criteria, which are reviewed before the opening of any hotel that is built or acquired from a third party. The criteria reviewed are:

- Availability of the pertinent corporate environmental information
- Waste management
- Control of discharges to drains or direct discharges into the natural environment
- Energy and water efficiency
- Control of atmospheric emissions

NOTE 3

It is the obligation of the directors to inform the Company of any situation of direct or indirect conflict that they may have with the interest of the company, in accordance with the provisions in Article 28 of the Regulations of the Board of Directors. Likewise, the Nomination and Remuneration Committee, in accordance with the provisions in Article 15.2. of the Regulations of the Board of Directors, must inform the Board of Directors about transactions that involve or could involve conflicts of interest and proposing, where appropriate, the measures to be adopted.

NOTA 4

Post-employment benefits: the cost of defined benefit pension plans is determined by actuarial valuations. Actuarial valuations require the use of hypotheses about discount rates, the return on assets, salary increases, employee mortality and turnover tables, as well as the retirement age of employees entitled to these benefits. These estimates are subject to significant uncertainties due to the long term settlement of these plans. The valuation of these obligations has been carried out by independent experts of recognised prestige, using actuarial valuation techniques. Defined benefit pension plans: Pension plans that do not have the nature of defined contribution are considered defined benefit plans. Generally, defined benefit plans set out the amount of the benefits the employee will receive at the time of retirement, usually based on one or more factors, such as age, years of service and compensation. The Group recognises on the balance sheet a provision with respect to the defined benefit premiums established in the collective agreements for the difference between the present value of the compensations paid and the fair value of the possible assets subject to the commitments with which the obligations will be settled, reduced, if applicable, by the amount of the costs for past services not yet recognised. If an asset arises from the previous difference, its valuation cannot exceed the current value of the economic benefits available in the form of reimbursements from the plan or reductions in future contributions to the same. The costs for past services are recognised immediately in the profit and loss account, except in the case of revocable rights, in which case they are charged to the profit and loss account on a straight-line basis in the remaining period until the rights for past services are irrevocable. The present value of the obligation is determined by actuarial calculation methods and financial and actuarial assumptions that are unbiased and compatible with each other. The Company recognises directly in the statement of comprehensive income, the gains and losses arising from the variation in the present value and, where applicable, the assets affected by changes in actuarial assumptions or adjustments due to experience. Certain collective agreements in force and applicable to some group companies establish that permanent staff who choose to terminate their contract with the Company after a certain number of years linked to it shall receive a cash award equivalent to a number of monthly payments proportional to the years worked. During the year, an assessment of said agreements was carried out using the actuarial assumptions of the Group's own employee turnover model, applying the calculation method known as Projected Unit Credit and demographic hypotheses corresponding to the PER2000P tables. The balance of provisions, as well as the activation of payments for future services, cover these commitments acquired, according to an actuarial study carried out by an independent expert. More details on this valuation are provided in Note 17.2 of the Consolidated Annual Accounts. With regard to pension commitments and obligations stipulated in collective agreements affected by the Ministerial Order of 2 November 2006, the Group has made the corresponding outsourcing. The assets affected by these outsourcing operations are presented by reducing the balance of the commitments acquired.

NOTE 5

Meliá does not maintain specific agreements with trade unions regarding safety and health beyond those included in collective agreements. These agreements include, where applicable, aspects such as health and safety training, insurance and safety equipment, among others. If these agreements do not include specific aspects on Health and Safety, ultimately, they shall meet at least the stipulations regarding health and safety legislation applicable in each country. In 2019, there were no negotiations within collective agreements.

Global Compact table of contents

Since 2013, Meliá has been a member of the Spanish Global Compact Network, and since 2018 a signatory partner of the same. The integration of these guiding principles in the 2020 Integrated Annual Report can be seen in the following table.

Scope	Principles	Focus	Page
General	1 & 2	Support and respect for the protection of fundamental human rights	168 - 171
Employment	3	Freedom of affiliation, recognition of the right to collective bargaining and social dialogue	11, 54, 169, 171, 206, 202
	4	Support the suppression of all forms of forced labour	169, 171, 212
	5	Support for the eradication of child labour	74, 120, 161, 169, 171, 212
	6	Support for the elimination of discrimination at work in any of its forms	131 - 134, 161, 169, 212
Environment	7	Preventive approach that favours the environment, risk assessment, management and communication systems	141 - 157
	8	Promote initiatives with greater environmental responsibility, self-regulation, integrated initiatives throughout the activity	141 - 157
	9	Development and distribution of technologies that respect the environment	141 - 157
Corruption	10	Fight against corruption in all its forms	76 - 78

Meliá Hotels International is a signatory member of the Spanish Global Compact Network. This 2020 Consolidated Management Report responds to the Global Compact criteria in its CoP (Communication on Progress), through which Meliá, as an associated company, reports on actions carried out in relation to the 10 Principles in the Global Compact and communicated to its stakeholders following the Global Compact reporting policy. This document reaches an advanced reporting level following the Global Compact guidelines.

Glossary

2020o	2020 Objective
APAC	Asia Pacific
ARR - Average Room Rate	Average price per every occupied room
B2B - Business to Business	Transactions involving products and services between two companies
B2C - Business to Consumer	Sales of products and services to end consumers
Bleisure - Business + leisure	The combination of business and leisure travel
CBG	Good Governance Code
CDP - Carbon Disclosure Project	Organisation that evaluates the positioning of companies in climate change
CNMV	Spanish Securities Market Commission.
COSO - Committee of Sponsoring Organizations of the Treadway Commission	Framework for the implementation of risk management and internal control systems
CSA - Corporate Sustainability Assessment	Annual evaluation of companies with regard to sustainability carried out by S&P Global
CUBG	Unified good governance code
Customer Journey	Contact points with customers during their trip or stay at the hotel (before the stay, during the stay and after their departure)
EBIT - Earnings Before Interest and Taxes	Results before interest and taxes
EBITDA - Earnings before Interest, Taxes, Depreciation and Amortisation	Gross operating profit before interest, taxes, depreciation and amortization
EBITDAR - Earnings before interest, taxes, depreciation, amortization, and restructuring or rent costs	Gross operating profit without considering the expenses derived from leases or rentals
E-commerce - Electronic commerce	Distribution, purchase or sale of products and services over the Internet
EMEA - Europe, Middle East and Africa	Europe, Middle East and Africa
ESG - Environmental, Social & Governance	Environment, social and governance
F&B - Food & Beverage	Food and Beverage
Fees	Fees
GDPR - General Data Protection Regulation	General Data Protection Regulation of the European Union for the protection of personal data
GRI - Global Reporting Initiative	Global standard for the preparation of sustainability reports that evaluates the economic, environmental and social performance of companies
GSS - Guest Satisfaction Score	Indicator that measures customer satisfaction
GSTC - Global Sustainable Tourism Council	Manages global standards for sustainability in travel and tourism
High-end	A segment characterised by high purchasing power and demanding exclusivity, luxury, authenticity and excellence.

Aggregate Information	Includes information on owned, leased and managed hotels
Consolidated Information	Includes information on owned and leased hotels (Consolidation perimeter)
JV - Joint ventures	Joint investment company that acquires the ownership of a hotel
Lead	Potential opportunity for a reservation or contracting of hotel services or products
Leadership	Leadership
Leading	Lead
Lifestyle	A type of hotels that have their own identity and personality.
Meeting & Events	Meetings and Events Segment
Midscale	Hotel category medium-priced or budget segments
Newsletters	Newsletters
Next Generation	Renewal or generation of any product or service
NIIF 15	International Accounting Standard that regulates the treatment of revenue from customer contracts
NPS - Net Promoter Score	Indicator that measures the level of recommendation from customers with regard to the hotel
SDG	Sustainable Development Goals, part of the United Nations 2030 Agenda
OHSAS - Occupational Health and Safety Assessment Series	Regulations governing occupational health and safety management systems
Onboarding	Induction of a new employee
OTA - Online Travel Agency	Online travel agencies mainly dedicated to the sale of travel services or products on the Internet
Partners	Partners
PCI - Security Standards Council	System that ensures the data security in credit card payments
Phishing	A method used by cybercriminals to deceive, defraud or obtain personal or professional data
Pipeline	Portfolio of hotels signed and pending opening
PMS -Property Management System	Technology used for hotel operations
Premium	Segment of hotels offering high-quality products and services and luxury experiences
Proxy advisers	Entities that provide advisory services to investors, mainly institutional, in relation to the exercise of voting rights derived from the ownership of shares in listed companies
Q - Quarter	Quarter
QPI - Quality Penetration Index	Quality index providing a comparison with competitors. Provides a reputation indicator compared to competitors
Ramp up	An increase in revenue due to greater demand for a hotel
Revenue Management	The management and improvement of hotel revenue and sales
ReviewPRO	Satisfaction surveys for a specific customer segment (agencies)

RevPAR - Revenue Per Available Room	Indicator that measures the revenue generated by room sales divided by the total number of rooms available over a given period of time
CSR	Corporate Social Responsibility
SBTI - Science Based Targets initiative	An initiative that aims to help define science-based strategies to combat climate change and reduce greenhouse gas emissions
ICFR	An internal control system for financial information that defines a series of processes to provide reasonable assurance regarding the reliability of financial information published in the markets.
SET - Senior Executive Team	Management Committee made up of the senior management of the company
Shareholders	Shareholders
Silver class	Silver class
Stakeholders	Stakeholders
Statement	Statement
Stay safe	Program designed to ensure the health and safety of our customers and employees during COVID-19
Sustainability Yearbook	Published by S&P Global and evaluating companies based on their performance in sustainability and environmental, social and governance criteria
Tour Operators	Companies that offer package-travel products to consumers
Upgrade	An offer to a customer to enjoy a service or product of a higher category than the one they originally booked
Upper upscale	Segment of hotels with the highest product and service standards or of a superior category
VP	Vice President
VUCA (Volatility, Uncertainty, Complexity & Ambiguity)	Acronym that defines the business context in a volatile, uncertain, complex and ambiguous environment

IDENTIFICATION OF ISSUER

Ending date of reference financial period: 31/12/2020

CIF: A78304516

Registered name: MELIÁ HOTELS INTERNATIONAL S.A.

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

A. Capital Structure

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

Date of last change	Share capital (€)	Number of shares	Number of voting rights
01/09/2020	44,080,000.00	220,400,000	220,400,000

Remarks

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

YES ☐ NO ☒

(At the General Shareholders' Meeting held on July 10, 2020, it was resolved to reduce the share capital of Meliá Hotels International, S.A. by the total amount of ONE MILLION EIGHT HUNDRED AND SIXTY THOUSAND EUROS (1,860,000 €), through the redemption of 9,300,000 treasury shares, of 0.20€ par value each, and representing 4.049% of the share capital of the Company.)

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

Name or corporate name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
Global Alpha Capital Management Ltd	0.00	3.15	0.00	0.00	3.15

(The shareholding of the shareholder Global Alpha Capital Ltd. has been increased as a result of the execution of the capital reduction indicated in section A.1 above.
The Company has no further information on the direct holder of the voting rights attributed to Global Alpha Capital Ltd.)

Breakdown of the indirect holding:

Name or corporate name of indirect shareholder	Name or corporate name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
No data				

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

Most significant movements

(Due to the capital reduction executed by the Company on July 10, 2020, the participation of all the shareholders in the share capital of Meliá Hotels International, S.A. has been proportionally increased.

Also, the Chairman of the Board of Directors, Mr. Gabriel Escarrer Juliá, acquired on September 22, 2020, through the company Tulipa Inversiones 2018, S.A., a total of 332,224 shares of Meliá Hotels International, S.A., which represents 5.388% of the share capital.)

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

Name or corporate name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% of voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Mr. Juan Arena De La Mora	0.02	0.02	0.00	0.00	0.05	0.00	0.00
Mr. Gabriel Escarrer Juliá	0.00	5.39	0.00	0.00	5.39	0.00	0.00
Mr. Luis María Díaz de Bustamante y Terminel	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Hoteles Mallorquines Consolidados S.L.	24.37	0.00	0.00	0.00	24.37	0.00	0.00
Hoteles Mallorquines Asociados S.L.	13.76	0.00	0.00	0.00	13.76	0.00	0.00
Hoteles Mallorquines Agrupados S.L.	10.83	0.00	0.00	0.00	10.83	0.00	0.00
Mr. Gabriel Escarrer Jaume	0.08	0.00	0.00	0.00	0.08	0.00	0.00

Total percentage of voting rights held by the Board of Directors
54.46

Breakdown of indirect holding:

Name or corporate name of director	Name or corporate name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% of voting rights that can be transmitted through financial instruments
Mr. Juan Arena de la MoraD	Doña Bárbara Pan de Soraluce Muguiro	0.02	0.00	0.02	0.00

Mr. Gabriel Escarrer Juliá	Tulipa Inversiones 2018 S.A.	5.39	0.00	5.39	0.00

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

Name or corporate name of related party	Type of relationship	Brief description
Hoteles Mallorquines Agrupados, S.L. / Mr. Gabriel Escarrer Juliá	Corporate	According to that indicated in the Significant Event dated 11 October 2018 (registered with number 270438), the companies Hoteles Mallorquines Consolidados, S.L., Hoteles Mallorquines Agrupados, S.L. and Hoteles Mallorquines Asociados, S.L., for the sole purpose of complying with the notification requirements for significant shareholdings, jointly notified the total percentage of voting rights in Meliá Hotels International, i.e. 10.388 %, resulting from their direct participation. The said notification of significant shareholdings stated that the members of the Escarrer family continue to hold 100% of the share capital (namely, Mr. Escarrer Juliá, his wife and their six children) and that there is no controlling shareholder in any of the companies, although, they have the same shareholders. Following the capital reduction agreed by the General Shareholders' Meeting on July 10, 2020, its total percentage of voting rights in Meliá's capital is 10.826%.
Hoteles Mallorquines Asociados, S.L. Mr. Gabriel Escarrer Juliá	Corporate	According to that indicated in the Significant Event dated 11 October 2018 (registered with number 270438), the companies Hoteles Mallorquines Consolidados, S.L., Hoteles Mallorquines Agrupados, S.L. and Hoteles Mallorquines Asociados, S.L., for the sole purpose of complying with the notification requirements for significant shareholdings, jointly notified the total percentage of voting rights in Meliá Hotels International, i.e. 13.206 %, resulting from their direct participation. The said notification of significant shareholdings stated that the members of the Escarrer family continue to hold 100% of the share capital (namely, Mr. Escarrer Juliá, his wife and their six children) and that there is no controlling shareholder in any of the companies, although, they have the same shareholders.

		Following the capital reduction agreed by the General Shareholders' Meeting on July 10, 2020, its total percentage of voting rights in Meliá's capital is 13.763%.
Hoteles Mallorquines Consolidados S.L. Mr. Gabriel Escarrer Juliá	Corporate	According to that indicated in the Significant Event dated 11 October 2018 (registered with number 270438), the company Hoteles Mallorquines Consolidados, S.L., (together with Hoteles Mallorquines Asociados, S.L. and Hoteles Mallorquines Agrupados), S.L., for the sole purpose of complying with the notification requirements for significant shareholdings, jointly notified the total percentage of voting rights in Meliá Hotels International, i.e. 23.379 %, resulting from their direct participation. The said notification of significant shareholdings stated that the members of the Escarrer family continue to hold 100% of the share capital (namely, Mr. Escarrer Juliá, his wife and their six children) and that there is no controlling shareholder in any of the companies, although, they have the same shareholders. Following the capital reduction agreed by the General Shareholders' Meeting on July 10, 2020, its total percentage of voting rights in Meliá's capital is 24.365%.

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

Name or corporate name of related party	Type of relationship	Brief description:
No data		

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

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

Name or corporate name of related director or representative	Name or corporate name of related significant shareholder	Name of the group company of the significant shareholder	Description of relationship / position

Mr. Gabriel Escarrer Juliá	Tulipa Inversiones 2018, S.A.	N/A	Mr. Gabriel Escarrer Juliá is the Founder of the Meliá Group and in turn holds control of the company Tulipa Inversiones 2018, S.A., a significant shareholder of the company.
Mrs. Maria Antonia Escarrer Jaume	Hoteles Mallorquines Consolidados SL	N/A	Mrs. María Antonia Escarrer Jaume is the daughter of Mr. Gabriel Escarrer Juliá, and shareholder (without holding control) of the companies Hoteles Mallorquines Consolidados, S.L., Hoteles Mallorquines Asociados, S.L. and Hoteles Mallorquines Agrupados, S.L. - being in turn being the natural person representative of the external proprietary director - Hoteles Mallorquines Consolidados, S.L.
Mr. Alfredo Pastor Bodmer	Hoteles Mallorquines Asociados SL	N/A	Prior to his appointment as individual representative of the proprietary director Hoteles Mallorquines Asociados, S.L. Mallorquines Asociados, S.L., Mr. Alfredo Pastor Bodmer was an Independent External Director, and subsequently, after the course of 12 years, External Director "others".
Mr. José María Vázquez-Pena Pérez	Hoteles Mallorquines Agrupados SL	N/A	Mr. Jose María Vázquez-Pena is the representative of the proprietary director Hoteles Mallorquines Agrupados, S.A. Mallorquines Agrupados, S.L.

A.7 State whether any shareholders' agreements affecting the company pursuant to Articles 530 and 531 of the *Ley de Sociedades de Capital* (Spanish Corporate Enterprises Act) have been reported to the company. If so, briefly describe them and list the shareholders bound by the agreement:

YES ☐ NO ☒

According to that indicated in the Significant Event dated 11 October 2018, Mr. Gabriel Escarrer Juliá, his wife and their six children in their capacity as direct or indirect shareholders of the companies through which they hold interest in the share capital of Meliá; notified the CNMV and the companies that a shareholders' agreement was reached, whose purpose was to reinforce, on a temporary basis, the majority system required to adopt a specific and limited number of resolutions by the General Shareholders' Meeting and the Board of Directors in Commercial Companies which affect some specific matters, with each of their signatories maintaining free vote and, therefore, without negotiation on the management of the companies or Meliá. In the signatories' opinion, the Shareholders' Agreement does not have the status of an 'agreement subject to disclosure' as per the Spanish Corporate Enterprises Act, and its registration with the Commercial Register is not required, although, for the sake of transparency, the signatories sent a copy of the Agreement to both Meliá and the CNMW.

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

YES ☐ NO ☒

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

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

YES ☐ NO ☒

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

At year end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
234,014		0,11

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

During the 2020 financial year, the following stock purchase transactions have been notified under the program of repurchase of own shares.

In relation to the Own Shares Repurchase Program and within the framework of the situation and impact derived from the COVID-19, the Board of Directors' agreement for its definitive suspension and early termination was communicated through Other Relevant Information, No. 2291 of May 18, 2020.

Likewise, after the finalization of the aforementioned Share Repurchase Program, the Company resumed the liquidity agreement entered into between GVC Gaesco Beka Sociedad de Valores, S.A. and the Company on July 7, 2017, which was suspended due to the execution of the Repurchase Program.)

(*) Through:

Name or corporate name of the direct shareholder	Number of direct shares
No data	

Explain any significant changes during the year:

Explain any significant changes

(At the General Shareholders' Meeting held on July 10, 2020, it was resolved to reduce the share capital of Meliá Hotels International, S.A. (the "Company") in the total amount of ONE MILLION EIGHT HUNDRED AND SIXTY THOUSAND EUROS (€1,860,000), through the redemption of 9,300,000 treasury shares, of €0.20 par value each, and representing 4.049% of the share capital of the Company, which correspond, in turn, to the sum of:

- TWO HUNDRED AND NINETY THOUSAND SEVEN HUNDRED AND FIFTY EUROS AND EIGHTY CENTS (290,750.80 €), corresponding to 1,453,754 treasury shares held as treasury stock at that time, with a par value of €0.20 each and representing 0.63% of the share capital, acquired under the authorizations granted by the General Shareholders' Meeting held on June 4, 2015 and June 1, 2011 and within the limits established by articles 144 to 148 and 509 of the Capital Companies Act; and

- ONE MILLION FIVE HUNDRED AND SIXTY-NINE THOUSAND TWO HUNDRED AND FORTY-NINE EUROS AND TWENTY CENTS (€1,569,249.20),corresponding to 7,846,246 treasury shares, with a par value of €0.20 each, representing 3.416% of share capital, acquired under the treasury share buyback program launched by the Board of Directors on October 21, 2019 and finalized on May 18 2020 (the "Buyback Program"), also under the authorization granted by the General Shareholders' Meeting held on June 4, 2015 under item 12 of the agenda.

Consequently, it was resolved to amend Article 5 of the Company's Bylaws, the wording of which is as follows: "ARTICLE 5.-CAPITAL AND SHAREHOLDERS' EQUITY.

5.1.-Capital stock. The share capital is FORTY-FOUR MILLION EIGHTY THOUSAND EUROS (44,080,000.-€), represented by TWO HUNDRED AND TWENTY MILLION FOUR HUNDRED THOUSAND (220,400,000) SHARES of TWENTY CENTS OF EURO (0.20.-€) par value each.

5.2 Shares. The shares are fully subscribed and paid up, constituting a single class and series.")

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

(The General Shareholders' Meeting held on July 10, 2020, adopted, among others, the following resolution:

"To expressly authorize the Board of Directors for the derivative acquisition and disposal of shares of the Company under the following conditions:

- The acquisition and disposal may be carried out by means of sale and purchase transactions, swap or any other transaction permitted by law, on one or more occasions, directly or through subsidiaries.

- The acquisitions must be made for a price or value of consideration that may not be less than 90% or more than 110% with respect to the closing price of the previous day's session.

- This authorization is granted for a term of five (5) years from the adoption of this resolution.

- The acquisitions may be made, at any time, up to the maximum amount permitted by law, and shall be subject to the provisions established at any time in the Treasury Stock Policy and other applicable regulations, as well as the limitations established for the acquisition of treasury stock by the regulatory authorities of the markets where the Company's shares are admitted to trading.

- For the purposes of the provisions of Article 146 of the Capital Companies Act, the shares acquired under this authorization, as well as those previously held by the Company, may be delivered, in whole or in part, directly or within the framework of the exercise of option rights, to the employees or directors of the Company and/or its Group.

By means of this resolution and in accordance with Article 249 bis section l) of the Capital Companies Act, the Board of Directors is expressly authorized so that, in turn, it may delegate to Director Delgado the powers referred to in this resolution.

This authorization implies that the authorization granted to the Board of Directors at the General Shareholders' Meeting, dated June 4, 2015, shall be rendered null and void, without affecting the acquisitions formalized thereunder.")

A.11 Estimated free float:

	%
Estimated free float	42.39

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

YES ☐ NO ☒

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

YES ☐ NO ☒

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

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

YES ☐ NO ☒

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

B. General Shareholders' Meeting

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

YES ☐ NO ☒

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

YES ☒ NO ☐

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

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

(Pursuant to Article 28.2 of the Bylaws, in order that the General Shareholders' Meeting may validly approve the change in the Company's object, the request for delisting of the Company's shares, or the transformation or winding up of the Company, a favorable vote of SIXTY PERCENT (60%) of the share capital with voting rights present or represented at the General Shareholders' Meeting will be required, both at first and second call.

Nevertheless, when, at second call, the Shareholders representing less than FIFTY PERCENT (50%) of the subscribed share capital with voting rights are in attendance, the resolutions mentioned in this section may only be passed with the favorable vote of TWO THIRDS (2/3) of the share capital present or represented at the General Shareholders' Meeting.

The merger, as well as the demerger, either total or partial, segregation and global assignment of assets and liabilities of the Company will also require the favorable vote of the abovementioned qualified majority, except when said merger or demerger involves companies that, either directly or indirectly, are majority owned by the Company, in which case the general system provided for in Section 28.1 (simple majority of votes of shareholders present or represented at the meeting, except in those cases where the Law or the Bylaws require a higher majority) shall apply.

On the other hand, Article 28.3 of the Bylaws states that in order to change Articles 3 (Registered Address), 7 (Accounting Register of Shares and Register of Shareholders), 8 (Legitimation of Shareholders), 24.3 (Quorum), 24.4 (Special quorum), 28 (Majorities for the approval of resolutions), 33 (Appointments to the Board of Directors) and 38 (Delegation of powers) of the Company Bylaws, a favourable vote of at least SIXTY PERCENT (60%) of the share capital with voting rights present or represented at the General Shareholders' Meeting will be required, both at first and second call.)

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

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

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

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

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

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

	Attendance data					Of which, free float				
Date of General Meeting	% physically present	% present by proxy	% distance voting		Total	% physically present	% present by proxy	% distance voting		Total
			Electronic voting	Other				Electronic voting	Other	
10/072020	54,29	6,76 %	0.00%	10,12%	71,17%	0.00 %	6,76%	0.00%	10,12%	16,88%
18/06/2019	52.43%	10.37%	0.00%	14.03%	76.83%	0.02 %	10.37 %	0.00%	14.03%	24.42%
06/06/2018	52.38%	19.91%	0.00%	5.00 %	77.29%	0.00 %	19.91 %	0.00%	5.00 %	24.91%
08/06/2017	52.50%	35.15%	0.00%	0.00 %	8.65 %	0.00 %	35.15 %	0.00%	0.00 %	35.15%

(Given the context of restrictions on movement and attendance at meetings due to the health and social distance measures required by the health authorities, and following the recommendations of the new Good Governance Code for Listed Companies, the Company has opted for the implementation of telematic attendance and voting measures, thus allowing shareholders and investors to actively and informedly participate in the Ordinary General Meeting of 2020 through a digital platform designed for this purpose.)

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

YES ☐ NO ☒

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

YES ☒ NO ☐

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

(The Company made available to the shareholders an explanatory document on the exercise of the rights of information, remote voting, representation and remote attendance at the General Shareholders' Meeting:

https://www.meliahotelsinternational.com/en/shareholdersAndInvestors/ShareholdersDocs/2020/4.%20MHI_JGA%202020_Doc%20informacion%20derechos%20voto%20asistencia%20e%20informacion_ENG.pdf

It also made available to its shareholders and proxies, a Telematic Participation Platform that allowed remote attendance to offer the same opportunities for participation as a face-to-face meeting, with shareholders and their proxies being able to follow the meeting through its live broadcast, cast votes or make interventions.)

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

YES ☐ NO ☒

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

(Address for accessing the company's website is: www.meliahotelsinternational.com, and the Company's corporate governance documentation is displayed by clicking on 'Shareholders and Investors' section, where the information on General Shareholders' Meetings is also included: https://www.meliahotelsinternational.com/en/shareholders-investors/corporate-governance/general-meeting-of-shareholders

In addition, the Company makes available to shareholders and their representatives its Telematic Participation Platform for the General Shareholders' Meeting and the Electronic Forum: https://www.councilbox.com/melia/.)

C. Structure of the Company's Management

C.1 Board of Directors:

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

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

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

Name or corporate name of director	Representative	Director category	Position on the Board	First appointment date	Last appointment date	Election procedure
Mr. Gabriel Escarrer Julia		Proprietary	Chairman	07/02/1996	18/06/2019	Resolution at General Shareholders' Meeting
Mr. Gabriel Escarrer Jaume		Executive	Vice Chairman-Chief Executive Officer	07/04/1999	08/06/2017	Resolution at General Shareholders' Meeting
Hoteles Mallorquines Consolidados SL	Mrs. María Antonia Escarrer Jaume	Proprietary	Director	23/10/2000	08/06/2017	Resolution at General Shareholders' Meeting
Hoteles Mallorquines Asociados SL	Mr. Alfredo Pastor Bodmer	Proprietary	Director	18/06/2019	18/06/2019	Resolution at General Shareholders' Meeting
Hoteles Mallorquines Agrupados SL	Mr. José María Vázquez Pena Pérez	Propietary	Director	10/07/2020	10/07/2020	Resolution at General Shareholders' Meeting
Mr. Juan Arena de la Mora		Independent	Director	31/03/2009	06/06/2018	Resolution at General Shareholders' Meeting
Mr. Luis Mª Diaz de Bustamante Terminel		Independent	Secretary Director	30/11/2010	08/06/2017	Resolution at General Shareholders' Meeting
Mr. Fernando d'Ornellas Silva		Independent	Independent Coordinator Director	13/06/2012	08/06/2017	Resolution at General Shareholders' Meeting

Mr. Francisco Javier Campo García		Independent	Director	13/06/2012	08/06/2017	Resolution at General Shareholders' Meeting
Mrs. Carina Szpilka Lázaro		Independent	Director	25/02/2016	10/07/2020	Resolution at General Shareholders' Meeting
Mrs. Cristina Henríquez de Luna Basagoiti		Independent	Director	18/06/2019	18/06/2019	Resolution at General Sahreholders' Meeting

Total number of directors	11

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

Name or corporate name of director	Director category at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
Mr Sebastián Escarrer Jaume	Propietary	08/06/2017	16/05/2020	-	YES

Cause of termination, if before the end of the term of office and other observations; information on whether the director has sent a letter to the other members of the board and, in the case of termination of non-executive directors, explanation or opinion of the director who has been removed by the general meeting.

(Mr. Sebastián Escarrer Jaume resigned as External Proprietary Director on May 16, 2020 through voluntary resignation, as informed by means of Other Relevant Information sent to the CNMV on May 18, 2020. Mr. Sebastián informed of his resignation through a letter addressed to the Secretary and Chairman of the Board where he indicated that his resignation was due to personal reasons.)

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

EXECUTIVE DIRECTORS

Name or corporate name of director	Position held in the company's organisation chart
Mr. Gabriel Escarrer Jaume	Vice Chairman and Chief Executive Officer

Profile
Gabriel Escarrer represents the second generation of the founding family of what is now Meliá Hotels International, a multinational company with a presence in more than 40 countries and a member of the Ibex 35, with more than 390 hotels on 4 continents. After graduating from the Wharton School, Gabriel Escarrer Jaume worked at Salomon Brothers investment bank in New York, where he participated in the successful IPO of Meliá Hotels International, founded by his father, Gabriel Escarrer Juliá, in 1956. Escarrer combines a strong vision and a financial focus, with a purely hotel vocation, and after joining the company, he led the strong drive for the company's expansion, bringing Meliá greater financial solidity in an increasingly complex environment in the international tourism sector, as well as a solid competitive position. Since he was appointed Vice Chairman and CEO of the Group in 2009, Escarrer also drove unprecedented cultural and organizational change, with a clear focus on corporate responsibility. In 2016, following the Founder's

relinquishment of his executive powers, he became the top executive, leading since then an intense process of digital and cultural transformation of the company, which has positioned it at the forefront of the industry in digitalization, and which, together with the process of financial consolidation and the evolution of the business model, allowed Meliá Hotels International to be better prepared for the major disruption that would be caused by the COVID-19 pandemic in the entire tourism industry, starting in the early 2020s. Rated as one of the top 10 business managers in Spain and one of the most influential CEOs in Spain according to Forbes magazine, in 2019 he was appointed Chairman of Exceltur, the Spanish Tourism Alliance for Excellence, assuming strong leadership at the helm of the sector most punished by the pandemic. A staunch defender of the values on which the family business is based, under his leadership, Meliá Hotels International was recognized in 2019 as the most sustainable hotel company in the world according to the Corporate Sustainability Assessment conducted by the sustainable investment agency SAM, and as the seventh company with the most internationally sustainable management, according to the Wall Street Journal.

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

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment
Mr. Gabriel Escarrer Juliá	Tulipa Inversiones 2018, S.A.
Profile	
In 1956 Mr. Gabriel Escarrer Juliá was only 21 years old when he founded what is now called the Meliá Hotels International group, by acquiring and managing a 60-room hotel on the island of Majorca, where he was born, and where he still maintains the headquarters of what has now become one of the most successful hotel companies in the world. Prior to that and for 6 years, Escarrer worked in tour operations, where he had access to the emerging tourism industry, of which he later became a visionary, pioneer and transforming entrepreneur. Over his six decades as Chairman, the Group consolidated its leadership in Spain, hub of the vacation travel in Europe, which later was extended to the American Caribbean and Southeast Asia, where today the Group is still growing and is considered as one of the reference companies in the hotel sector. Over these years, Escarrer built strategic alliances that strengthened the Group's positioning in destinations such as Cuba and Indonesia, and in the 1990s, he extended the strategy to urban hotels in Spain, Europe, Asia and Americas, an approach that has led him to be considered one of the drivers of the internationalisation of the Spanish enterprise. One decisive event in the history of the company took place in the 80s, when the Group founded by Escarrer acquired two of the most important hotel chains at that time in Europe: Hotasa and Meliá, which represented the incorporation of nearly 70 hotels in just one year. Thanks to this acquisition, the Group founded by Escarrer achieved national and international presence, as well as a valuable brand recognition. In 1996, the Company's IPO marked a new stage of growth which was strengthened by the Group's strategic plans, and the debut of the second generation of family members in management, marking the beginning of a deep cultural transformation in the Group to address the challenges of the new business environment in the 21st century. After emerging stronger from the financial crisis that shook the sector between 2008 and 2013, and after making sure that the Company was in safe hands, Mr. Gabriel Escarrer Juliá resigned its executive powers in December 2016, which were transferred to his son Mr. Gabriel Escarrer Jaume as Vice Chairman and Chief Executive Officer, with the founder becoming Non-Executive Chairman of the Board of Directors and the General Shareholders' Meeting. As a result of its extensive experience in the tourism industry, Mr. Gabriel Escarrer Juliá has received numerous awards which demonstrate its important contribution to national and international hospitality. One of the most important for the founder of Meliá Hotels International was the granting of the Doctor Honoris Causa degree by the Universidad de les Illes Balears (UIB) in December 1988. In 1998 he received the "Personalidad Turística del Siglo" (Tourism Personality of the Century) award winning a large majority in a survey of 300 executives and professionals in the travel industry. A year later, he obtained other 3 prestigious awards: "Mejor Empresario de la Construcción y Promoción Inmobiliaria" (Best Entrepreneur in Construction and Real Estate Promotion) awarded by the Máster en Dirección de Empresas Constructoras e Inmobiliarias (M.D.I.) and the 'Actualidad Económica' magazine; Corporate Hotelier of the World, awarded by the well-known American 'Hotels' magazine, and several Lifetime Achievement Awards from prestigious organisations such as the International Hotel Investment Forum, the World Tourism Organisation, or the European Hospitality Awards. In May 2001, Escarrer was elected as member of the exclusive Hall of Fame of the British Travel Industry. His nomination was proposed and supported by some of the most important people in the international tourism industry, as well as relevant members of the Hall of Fame such as Martin Brackenbury (Federation of Tour Operators and Airtours), Richard Branson (Virgin), Michael Bishop (British Midland) and David Crossland (Airtours). That same year,	

the Chairman of Meliá Hotels International became member of the Hall of Honour at the Conrad N. Hilton of Hotel Management at the University of Houston (USA), sharing honours with Lynn & Ed Hogan (Pleasant Holidays), Alice Sheets Marriott (Marriott Corporation) and Marilyn Carlson Nelson (Carlson Companies.)

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

Gabriel Escarrer received recognition to his professional career from the CIMET (Ibero-American Conference of Tourism Ministers and Entrepreneurs) and in 2006, coinciding with the 50th anniversary of the Company, he won the "Medalla de les Illes Balears" (Balearic Islands Medal), the highest distinction of the autonomous community, in recognition of his work, and the "Medalla de la Cámara de Comercio de Mallorca, Ibiza y Formentera " (Medal of the Chamber of Commerce of Majorca, Ibiza and Formentera). In 2011, Escarrer received the Lifetime Achievement Award at the European Hospitality Awards in London, also in recognition of his long career as the founder and promoter of the largest hotel chain in Spain and the third largest in Europe. In 2012 MKG also granted him a lifetime achievement award at the Worldwide Hospitality Awards in Paris, and he won the prestigious Ulysses Award from the OMT for his lifetime achievement. In 2016, Gabriel Escarrer received the Hall of Fame of the Hotel-E Investment Conference, one of the most important international hotel investment forums, and also received the distinction of Honorary Ambassador of Brand Spain.

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

Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment
Hoteles Mallorquines Consolidados, S.L. Mrs. María Antonia Escarrer Jaume, natural person representative	Hoteles Mallorquines Consolidados S.L.

Profile

Mrs. María Antonia Escarrer Jaume, representative of Hoteles Mallorquines Consolidados SL, studied in prestigious schools such as ESADE, EADA and Cornell University, where he completed studies related mainly to Marketing and Human Resources. She specialised in the development of leadership and managerial competencies, promoting programmes of Management Development, Leadership, Marketing and Negotiation. Trained by the IE Business School as an executive coach and as an ontological Senior Coach by Newfield Consulting, she is ACC accredited by ICF (International Coaching Federation).

Maria Antonia Escarrer held various positions at Melia, innovating policies and business processes. From 1991 to 1994 she joined the General Directorate of Marketing, period in which she implemented the Communication, Loyalty and Market Research policy, as well as the introduction of Marketing plans into the business units.

From 1996 to April 2000 she was in charge of the General Directorate of Human Resources, she was involved in the introduction of performance and competency-based management as well as the definition, implementation and development of the different aspects of the Company's remuneration policies. She participated in the design of training and career plans and the implementation and coordination of all aspects related to the organisational structure.

Between 2005 and 2011, she was responsible for the General Direction of Sustainability, developing the social action department towards a General Directorate of Sustainability and making sustainability as a strategic line of action within the Company. Since October 2000, she is a member of the Board of Directors of Meliá Hotels International and of the Appointments and Remuneration Committee. She is also an expert in Transpersonal Mindfulness by the Escuela Transpersonal. Currently and since 2012, she works as coach at an executive and personal level specialised in accompanying professionals in times of career change as well as in the development of managerial skills.

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

Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment
Hoteles Mallorquines Agrupados SL legal representative Mr José María Vázquez-Pena Pérez	Hoteles Mallorquines Asgrupados, S.L.
Profile	
Law degree from the University of Santiago de Compostela. MBA from IESE. He began his professional career as a lawyer at the Ministry of Labor. Two years later, he joined the energy company Fenosa (later Unión Fenosa), where he developed his career for 31 years. In 2000, he led the launching	

Corporate University, a pioneer in Spain. He was a member of the Management Committee of Unión Fenosa and of several of the Group's Boards of Directors and Secretary of the Appointments and Remuneration Committee. In 2009 he left the company after its acquisition by Gas Natural, being at that time General Director of Resources, responsible for the areas of Organization, HR, Corporate University, Purchasing and Logistics, Real Estate Management, Corporate Works, Security and General Services. Since 2010, he has focused his activity on advising and counseling individuals and companies in matters related to his professional experience. He currently participates in the renewable energy company Smartener, is a member of the Board of Directors of Luckia and Torres & Sáez and advisor to the Board of Directors of the Escarrer family.

Total number of propietary directors	4
% of the Board	36.36

EXTERNAL INDEPENDENT DIRECTORS

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

Name or corporate name of director
Mr. Fernando D'Ornellas Silva
Profile
Degree in Law and Economics from ICADE-E and MBA from IESE in Barcelona (International Section), from 1983 to 1985 he worked as Deputy Financial Director at Johnson & Johnson Spain. Also, he has held several positions within the Bergé Group since 1985, Chief Financial Officer at Toyota Spain until 1992, Chief Executive Officer at Chrysler Spain from 1992 to 2004, Chairman of Chrysler Portugal from 1997 to 2012, Chairman of Chrysler Colombia from 2010 to 2012, Chairman of KIA for Argentina, Peru and Portugal from 2004 to 2012, Chairman at Mitsubishi Motor Peru from 2010 to 2012, Vice-Chairman of Mitsubishi Motors Chile from 2001 to 2012, Vice-Chairman of SKBergé Latin America from 2001 to 2012, Chairman of Bergé Automotive from 2004 to 2012 and Chief Executive Officer at Bergé Group from 2007 to 2012. Since 2004 he has held, among others, the following positions: member of the Board of Directors, Chairman of the Remuneration Committee between 2007 and 2009, and Chairman of the Auditing Committee of ENDESA S.A. in 2009. Member of the Board of Directors and Chairman of the Auditing Committee between 2007 and 2009 and Director in charge of supervising the activities of subsidiaries in Peru, Colombia, Argentina and Brazil for ENDESA CHILE. Member of the Board of Directors (2013-2015) and Chairman of the Auditing Committee (2014-2015) of DINAMIA. Vice-Chairman of the Asociación de Nacional de Importadores de Automóviles, Camiones, Autobuses y Motocicletas from 2004 to 2012. Founding member of the Fundación España-Chile and Fundación España-Perú in 2011 and 2012. Member of the Fundación Consejo España-China y España-Japón, Adviser for Mitsubishi Corporation in the acquisition of shares in Acciona Termosolar, S.A. in 2010 and 2011, and Vice-Chairman of the Real Club de la Puerta de Hierro between 2006 and 2010. He has been a member of the Advisory Board of WILLIS IBERIA between March 2013 and December 2017. Currently, he is member of the Board of Directors since June 2012, Coordinating Director, member of the Auditing and Compliance Committee and Chairman of the Appointments, Remuneration and RSC Committee at Meliá Hotels International S.A. He is member of the Board of Directors of Prosegur since April 2016, , Chairman of the Auditors and Compliance Committee (since April 2017) and Member of the Appointments and Remuneration Committee. Senior Advisor Spain and Latam for Mitsubishi Corporation since March 2013; Senior Advisor Spain and Latam for Lazard Financial Advisers S.A. since June 2013. Member of the International Advisory Board of Hispanic Society of America and its representative for Spain, member of the Advisory Board of the Real Club de la Puerta de Hierro since 2010 and Vice-Chairman of the International Board of the Madrid Teatro Real since 2015 and member of the Executive Committee at the Fundación Board Spain-Japan since 2017.

Name or corporate name of director
Mr. Juan Arena De La Mora
Profile
Ph.D. in Engineering from ICAI, Mr. Juan Arena graduated in Business Science from ICADE, and also in Psychology, and he holds a diploma in Tax Studies and completed the AMP at Harvard Business School. Member of the Board of Meliá Hotels International Chairman of the Professional Council of ESADE, member of the International Advisory Board of Everis and Advisory Board of Marsh; Operating Partner of Advent International Corporation, member of the Board of Directors of Deusto Business School.Member of the Executive Committee of Fundación SERES and Chairman of its Governance Committee. He has

been a member of the Board and Executive Chairman of Bankinter, Board member of Ferrovial, and Almirall Laboratories of UBS España, TPI, Everis, Dinamia and Prisa, Chairman of the Advisory Council of Panda, Consulnor, member of the Board of Trustees of ESADE and of the Advisory Board of Spencer Stuart, Wold Advisory Board and professor of Harvard Business School and IESE. He was awarded the “Gran Cruz de la Orden del Mérito Civil” (Grand Cross of the Order of Civil Merit) for his contribution to research and development of the Information Society.

Name or corporate name of director
Mr. Francisco Javier Campo García
Profile
Industrial Engineer from the Universidad Politécnica de Madrid, he began his career in 1980 at Arthur Andersen. In 1985 he joined Día Group, where for 24 years he has held the position of World Chairman of the Dia International Group and he was also a member of the Carrefour Group's Global Executive Committee for 15 years. Since 2009 until November 2014, he was Chairman of the Zena group, the leading multi-brand restaurant chain company in Spain. The group comprises five brands: Foster’s Hollywood, La Vaca Argentina, Cañas y Tapas, Domino’s Pizza and Burger King. He has also been Chairman of the Cortefiel Group (Cortefiel, Springfield, WomenSecret) from 2014 to 2016. He is currently Chairman of AECOC (Association of Fast-Moving Consumer Goods Companies) which represents more than 20% of the Spanish GDP and has more than 29,000 associated companies. He is member of the Board of Directors of Bankia and Chairman of its Advisory Committee on Risks, he is also member of the Board of Directors of Meliá Hotels International, member of the Advisory Board of the Palacios Food Group, member of the Advisory Board of AT Kearney, and member of the Advisory Board of Azkoyen. He is also member of the Board of Trustees of Fundación ITER, honorary member of Fundación Carlos III, vocal member of Fundación Bankia and board member of A.P.D. (*Asociación para el Progreso de la Dirección*).

Name or corporate name of director
Mr. Luis Mª Diaz de Bustamante Terminel

Profile
Born in Torrelavega (Cantabria, Spain) on 25 August 1952. Graduated in Law from the Universidad Complutense de Madrid. Practising lawyer since 1975 and Partner of the law firm Isidro D. Bustamante (since 1942 – 1980/2018). His professional career is mainly focused on the areas and practice of civil, trade and civil procedural and international law, as well as on consultancy services for entrepreneurs and corporations.

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

Total number of independent directors	6
% of the Board	54.55

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

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

Name or corporate name of the director	Description of the relationship	Statement of the Board
No data		

Other External Directors

State any other external advisors and the reason why they cannot be considered proprietary or independent and its relation with either the company, the directors or its shareholders:

Name or corporate name of the director	Reasons	Company, or director with which there is a relationship	Profile
No data			

Total number of independent directors	NA
% of the Board	NA

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

Name or corporate name of director	Date of change	Previous category	Current category
No data			

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

	Number of female directors				% of directors for each category			
	Year 2020	Year 2019	Year 2018	Year 2017	Year 2020	Year 2019	Year 2018	Year 2017
Executive					0.00	0.00	0.00	0.00
Proprietary	1	1	1	1	25.00	25.00	25.00	25.00
Independent	2	2	1	1	33.33	33.33	20.00	20.00
Other External					0.00	0.00	0.00	0.00
Total	3	3	2	2	27.27	27.27	18.18	18.18

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

YES ☒ NO☐ PARTIAL POLICIES ☐

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

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

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

(Following the modification of the CNMV's Good Governance Code for Listed Companies, and at the proposal of the Nominating, Compensation and CSR Committee, the Board of Directors of Meliá Hotels International approved on November 26, 2020 a new Director Selection and Diversity Policy, which incorporates the new diversity objectives for both the Board and Senior Management of the Company. In particular, the target for women on the Board of Directors has been updated from one-third to 40% by 2022.

As indicated in other sections of the ACGR, the current percentage of women on the Board is 27.27% (3 women out of a total of 11 directors). During the reporting year, there was no opportunity to increase this percentage, remaining the same as in 2019.

The Appointments, Remuneration and CSR Committee and the Board itself will take the new Policy into consideration for the selection (and re-election) processes for the fiscal year 2021 onwards.)

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

Explanation of measures

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

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

Likewise, in the selection processes for independent directors, internationally renowned firms are used to search for potential candidates that meet the profile sought by the Committee. Similarly, use is made of the competency matrix prepared by the Appointments, Remuneration and CSR Committee in 2019 (and updated in 2020) in order to adapt potential candidates to the structure and competencies of the Board.

This matrix identifies the skills, experience and training of all the members of the Board of Directors:

https://www.meliahotelsinternational.com/en/shareholdersAndInvestors/Documents/Matriz%20de%20competencias/mhi_matriz_competencias_ago20_en.pdf

Specifically, the Company's Director Selection and Diversity Policy establishes as a guiding principle to be observed in the processes "The assessment of all potential candidates under criteria of equality and objectivity, avoiding any type of implicit bias that could imply any type of discrimination".

In relation to the measures applicable to senior management, it should be noted that the modification of the Director Selection and Diversity Policy includes within its scope senior management, establishing to that effect that "the diversity of nationalities, gender, knowledge and experience in the senior management of the Company shall be facilitated and enhanced, encouraging, as far as possible, that the Company has a significant number of senior managers".)

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

Explanation of reasons

C.1.7 Explain the conclusions of the appointments committee regarding verification of compliance addressed to the appropriate composition of the Board of Directors.

(During 2020, and in relation to the proposals for new appointments or re-election of Directors submitted for approval by the General Shareholders' Meeting, the Appointments and Remuneration Committee (currently the Appointments, Remuneration and Corporate Social Responsibility Committee) evaluated compliance with the Directors Selection Policy, in force at that time, at the time of preparing the legally applicable Reports and Proposals, which were made available to the shareholders through the Company's website, Remuneration and Corporate Social Responsibility Committee), at the time of the preparation of the legally applicable Reports and Proposals, which were made available to the shareholders through the Company's website and, in summary, established that "...the Board of Directors must maintain among its members Directors who have wide experience in various sectors of activity, with knowledge of the Company's operations and rooted in its values, and with the capacity to adapt to a sector in constant evolution and expansion both geographically and technologically. To this end, the competencies, aptitudes and experiences of the directors have been assessed in accordance with the competency matrix recently revised by the Committee."

With regard to the recommendations of the Good Governance Code of Listed Companies, in force at the time of preparation of the corresponding reports and proposals, the recommendations relating to the percentages of members and independent directors, and in particular, the following: "that the percentage of proprietary directors out of the total number of non-executive directors should not be greater than the proportion existing between the capital of the company represented by such directors and the rest of the capital".

In this sense, the Board of Directors, with a total of ELEVEN (11) members, is made up of SIX (6) independent external directors, FOUR (4) external proprietary directors, and ONE (1) executive director. With the appointments and re-elections that took place during this fiscal year, the existing proportion between external proprietary and independent directors has been maintained (36% vs. 54%), and although the right of proportional representation of the significant shareholders has been respected, a relatively low percentage of proprietary directors with respect to independent directors has been maintained.

Likewise, the Director Selection and Diversity Policy, approved by the Board of Directors on November 26, 2020, is framed in accordance with the provisions contained in Recommendations 14 and 15 of the Good Governance Code of Listed Companies of the CNMV and specifically its principles are aimed at favoring an appropriate composition of the Board of Directors, as detailed in section C.1.5 of this report.)

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

Name or corporate name of shareholder	Reason
No data	

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

YES ☐ NO ☒

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

Name or corporate name of director or committee
Mr. Gabriel Escarrer Jaume
Brief description
As Chief Executive Officer has been vested by the Board of Directors all delegable powers under the Law according to Article 34 of the Company's Bylaws. To this effect and within this scope, the Board of Directors is responsible for acts or business activities including, but not limited to, the following: (a) To represent the Company before all types of individuals, organisations, authorities, public administration, Spanish General Savings Deposit and other entities, both private and official, both judicial and extrajudicial, absolving positions, compromising and desisting from all types of actions and procedures, and even ratifying said acts before the courts. (b) To pay debts and receive payments due of all types, including those with origin in national, regional, provincial or municipal authorities. (c) To prepare and execute all types of contracts, deeds and documents, public or private, of any type, in relation to capital assets, livestock, merchandise, insurance policies, transport and real estate, including the purchase, subscription, sale or exchange of all types of capital assets, both public and private, both Spanish and international. (d) To request, obtain, acquire, grant and exploit patents, brands, privileges, licences and administrative concessions, as well as performing any transactions regarding industrial property. (e) To convene the General Shareholders' Meeting and execute and ensure compliance with resolutions adopted by the meeting. (f) To intervene in tenders and auctions, both judicial and extrajudicial. (g) To establish, monitor, liquidate, settle, and cancel current accounts, savings accounts and credit accounts with the Bank of Spain, and with any other banking organisation, savings bank, companies or other entities both in Spain and abroad. (h) To draw, endorse, accept, take, discount, negotiate and protest bills of exchange, financial and credit bills, cheques, promissory notes and money orders. (i) To request and obtain from banking, credit and financial organisations all types of credits, including mortgages, subscribing the appropriate policies and documents and employing and repaying the funds obtained. (j) To grant guarantees and deposits by any means for the obligations of third parties. (k) To provisionally approve inventories, balances and the Annual Report due for presentation to the General Shareholders' Meeting and in the public offices required by tax laws, as well as the distribution of profits. (l) To appoint and remove executives, employees and dependents of the Company, and establish categories, salaries and other remuneration that they must receive within applicable market or labour regulations.

(m) To make and liquidate deposits of all kinds, including with banking or credit organisations, even the Bank of Spain and the Spanish General Savings Deposit.

(n) To confer and revoke powers for court lawyers and attorneys and of any third parties so that they may represent the Company in all types of cases and, in particular, so that they may intervene in civil, criminal, administrative, economic administrative, litigious-administrative, governmental and labour jurisdictions.

(o) To appoint one or more proxies, that may also be called Director, Manager or similar, if so authorised, to exercise the powers defined in each case, individually or jointly, and which may be delegated.

(p) To decide the establishment of subsidiaries, agencies, deposits, delegations, and representations.

(q) To accept, when appropriate, the resignation of the members that form part of the Board.

(r) To set up, modify and wind-up all types of civil law and commercial companies, to intervene and vote in their General Shareholders' Meetings and accept or designate positions in the management and administrative bodies.

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

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

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

Mr. Gabriel Escarrer Jaume	HOTEL COLBERT S.A.S.	Chairman	Yes
Mr. Gabriel Escarrer Jaume	HOTEL ALEXANDER S.A.	Chairman	Yes
Mr. Gabriel Escarrer Jaume	CADSTAR FRANCE S.A.S.	Chairman	Yes
Mr. Gabriel Escarrer Jaume	SOL MELIA LUXEMBOURG, S.À R.L.	Director	No
Mr. Gabriel Escarrer Jaume	MELIÁ HOTELS INTERNATIONAL UK LTD.	Manager	Yes
Mr. Gabriel Escarrer Jaume	LONDON XXI LTD.	Manager	Yes
Mr. Gabriel Escarrer Jaume	LOMONDO LTD.	Manager	Yes
Mr. Gabriel Escarrer Jaume	HOGARES BATLE S.A.	Chairman	Yes
Mr. Gabriel Escarrer Jaume	DESARROLLOS SOL S.A.	Chairman	No
Mr. Gabriel Escarrer Jaume	INVERSIONES AREITO,S.A.	Chairman	Yes
Mr. Gabriel Escarrer Jaume	HOTELES SOL MELIÁ S.L	Director (Chairman of the Board of Directors)	No
Mr. Gabriel Escarrer Jaume	SOL MELIÁ GREECE S.A.	Director	Yes
Mr. Gabriel Escarrer Jaume	SOL MELIA ITALIA, S.R.L.	Sole Administrator	Yes
Mr. Gabriel Escarrer Jaume	INMOTEL INVERSIONES ITALIA S.R.L.	Sole Administrator	Yes
Mr. Gabriel Escarrer Jaume	ADPROTEL STRAND, S.L.	Director (Chairman of the Board of Directors)	No
Mr. Gabriel Escarrer Jaume	ALTAVISTA HOTELERA S.L.	Director (Chairman of the Board of Directors)	No
Mr. Gabriel Escarrer Jaume	AYOSA HOTELES S.L.	Director CO-Chief Executive Officer	No
Mr. Gabriel Escarrer Jaume	EVERTMEL,S.L.	Director CO-Chief Executive Officer	No
Mr. Gabriel Escarrer Jaume	GESTIÓN HOTELERA TURÍSTICA MESOL, S.A.	Sole Administrator	Yes
Mr. Gabriel Escarrer Jaume	KIMEL MCA, S.L.	Director CO-Chief Executive Officer	No
Mr. Gabriel Escarrer Jaume	MONGAMENDA, S.L.	Director CO-Chief Executive Officer	No
Mr. Gabriel Escarrer Jaume	PRODIGIOS INTERACTIVOS, S.A.	Director (Chairman of the Board of Directors) Chief Executive Officer	Yes
Mr. Gabriel Escarrer Jaume	TENERIFE SOL S.A.	Director (Chairman of the Board of Directors)	Yes

		Chief Executive Officer	
Mr. Gabriel Escarrer Jaume	DESARROLLOS HOTELEROS SAN JUAN EXHOLD S.L.	Director	No
Mr. Gabriel Escarrer Jaume	IMPULSE HOTEL DEVELOPMENT S.L.	Director (Chairman of the Board of Directors)	No
Mr. Gabriel Escarrer Jaume	MARKSERV B.V.	Director	No
Mr. Gabriel Escarrer Jaume	MIA EXHOLD, S.A.	Director (Chairman of the Board of Directors)	No
Mr. Gabriel Escarrer Jaume	SAN JUAN INVESTMENTS, EXHOLD, S.L.	Director	No
Mr. Gabriel Escarrer Jaume	SOL GROUP, B.V.	Director	No
Mr. Gabriel Escarrer Jaume	SOL MANINVEST,B.V.	Director	No
Mr. Gabriel Escarrer Jaume	SOL MELIA EUROPE, B.V.	Director CO- Chief Executive Officer	No
Mr. Gabriel Escarrer Jaume	SM INVESTMENT EXHOLD, S.L.	Director (Chairman of the Board of Directors)	No
Mr. Gabriel Escarrer Jaume	FARANDOLE B.V.	Co-director	No
Mr. Gabriel Escarrer Jaume	COLÓN VERONA S.A.	Chairman of the Board of Directors	No
Mr. Gabriel Escarrer Jaume	APARTOTEL S.A.	Chairman of the Board of Directors/Chief Executive Officer	Yes
Mr. Gabriel Escarrer Jaume	INVERSIONES Y EXPLOTACIONES TURISTICAS, S.A.	Chairman of the Board of Directors/Chief Executive Officer	Yes
Mr. Gabriel Escarrer Jaume	REALIZACIONES TURISTICAS, S.A.	Chairman of the Board of Directors/Chief Executive Officer	Yes
Mr. Gabriel Escarrer Jaume	SOL MELIA BALKANS, E.A.D.	Manager, Member of the Board of Directors	No
Mr. Gabriel Escarrer Jaume	CASINO TAMARINDOS, S.A.	Chairman of the Board of Directors	No
Mr. Gabriel Escarrer Jaume	INVERSIONES HOTELERAS LA JAQUITA, S.A.	Chairman of the Board of Directors	No
Mr. Gabriel Escarrer Jaume	DORPAN, S.L.U.	Chairman of the Board of Directors + General attorney	Yes
Gabriel Escarrer Jaume	HOTELPOINT, S.L.	Chairman of the Board of Directors	No
Mr. Gabriel Escarrer Jaume	SOL MELIA HOTEL MANAGEMENT (SHANGHAI) Co. Ltd.	Manager	No
Mr. Gabriel Escarrer Jaume	PT SOL MELIA INDONESIA	Manager	No
Mr. Gabriel Escarrer Jaume	OPERADORA COSTARISOL	Chairman – Secretary	No

Mr. Gabriel Escarrer Jaume	MELIÁ HOTELS USA, LLC	Manager	No
Mr. Gabriel Escarrer Jaume	BISOL VALLARTA S.A. DE C.V.	Chairman	No
Mr. Gabriel Escarrer Jaume	CALA FORMENTOR S.A. DE C.V.	Chairman	No
Mr. Gabriel Escarrer Jaume	CARIBOTELS DE MEXICO, S.A. DE C.V.	Chairman	No
Mr. Gabriel Escarrer Jaume	CORP. HOT. HISP. MEXICANA S.A. de C.V.	Chairman	No
Mr. Gabriel Escarrer Jaume	OPERADORA COSTA MESOL, S.A. DE C.V.	Chairman	No
Mr. Gabriel Escarrer Jaume	DETUR PANAMA S.A.	Manager	No
Mr. Gabriel Escarrer Jaume	SOL MELIA PERU, S.A.C	Chairman	No
Mr. Gabriel Escarrer Jaume	EL RECREO PLAZA & CIA, C.A.	Manager	No
Mr. Gabriel Escarrer Jaume	INMOBILIARIA DISTRITO COMERCIAL	Chairman	No
Mr. Gabriel Escarrer Jaume	INVERSIONES INMOBILIARIAS I.A.R.1997 C.A.	Chairman	No
Mr. Gabriel Escarrer Jaume	MELIA VIETNAM COMPANY LIMITED	N/A	Yes
Mr. Gabriel Escarrer Jaume	APARTHOTEL BOSQUE S.A.	Director (Chairman of the Board of Directors)	No
Mr. Gabriel Escarrer Jaume	MELCOLM JV, S.L.	Director (Chairman of the Board of Directors)	No

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

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

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

YES ☐ NO ☒

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

Board remuneration in financial year (thousand euros)	1.465
Amount of vested pension interests for current directors (thousand euros)	
Amount of vested pension interests for former members (thousand euros)	

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

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

Numer of women in Senior Management	1
Percentage over the total members of Senior Management	16.70

Total senior management remuneration (thousand euros)	1,467

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

YES ☒ NO ☐

Description of amendments

(The Board of Directors of the company, in accordance with article 528 of the Law on Capital Companies and articles 3 and 4 of the Regulations of the Board of Directors, has proceeded, during the year 2020, to amend Articles 9, 10, 11, 12 13, 14, 15 and 27 of the Regulations of the Board of Directors.

This amendment was approved by the Board of Directors meeting held on July 10, 2020, having been registered in the Mercantile Registry of Mallorca on September 1, 2020 in sheet Page PM-22603, Volume 2810, Folio 164, entry 155.

The wording of the Regulations of the Board of Directors, is as follows: https://www.meliahotelsinternational.com/en/shareholdersAndInvestors/Documents/Reglamento_Consejo/2020_MHI_CdAdm_Texto%20Refundido%20Reglamento_ENG.pdf

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

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

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

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

The criteria applied by the Company in each procedure are described in the Selection Policy for Directors, approved by the Board of Directors on 26 November 2020, and which is available on the company's website through the following link:

https://www.meliahotelsinternational.com/en/shareholdersAndInvestors/LegalDocs/Policies/Pol%C3%ADtica%20selecci%C3%B3n%20Consejeros_ENG.pdf

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

Description of changes

(The annual evaluation of the Board for 2019 has not led to any relevant changes in the internal organization of the Board itself.)

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

Description of the assessment process and the assessed areas

(The evaluation corresponding to fiscal year 2020 has been carried out by means of the completion by the Board Members of the corresponding evaluation questionnaires.

In relation to recommendation number 36 of the Good Governance Code of Listed Companies, which refers to the assistance of an external consultant at least every three fiscal years, and, due to the cost containment policy caused by the economic situation, the Committee decided not to resort to the aforementioned figure during the 2020 fiscal year.

Nevertheless, and given the conjuncture, the Committee has had the support of the Company's Human Resources and Corporate Governance departments, to review and update the evaluation forms, in which issues related to COVID-19 management have been incorporated and certain improvements have been introduced in line with the applicable recommendations and the best market practices in the matter.

In particular, the following modifications have been made:

- A new block of issues on COVID-19 management matters (Board, Commissions, CEO) has been added.
- Questions relating to the assessment of the Chairmen of the Delegated Commissions & Coordinating Director have been introduced.
- More questions have been included regarding the composition of the Board and Committees, remuneration, non-financial information, etc.
- And outdated issues have been eliminated.

Likewise, the structure of the questionnaire has been modified and now consists of the following sections:

- Section I: Quality and eficiency of the Board's operation.
- Section II: Size, composition and remuneration of the Board and Committees.
- Section III: Performance of the Chairman and Chief Executive Officer
- Section IV: Performance of the Chairmen of the Committees and the Coordinating Councilor
- Section V: Organization
- Section VI: Training
- Section VII: Delegated Committees of the Council
- Section VIII: Final Evaluation and Observations)

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

N/A

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

(Title VIII of the Regulations of the Board of Directors regulates the duties of the Board Members, which include the obligation to act with the diligence of an orderly businessman and a loyal representative, as well as in accordance with any other standard of diligence provided by law.
Specifically, Article 29 of the Board Regulations establishes that Board Members must observe the rules of conduct established in securities market legislation and, in particular, those enshrined in the Internal Code of Conduct.

Therefore, failure to comply with any of said duties and obligations would be cause for the resignation or removal, as the case may be, of a Director. Likewise, Article 31.2 of the Board Regulations expressly establishes that the Directors "must report and, as the case may be, resign in those cases that may damage the credit and reputation of the Company, and must in any case report the criminal cases in which they appear as accused, as well as their subsequent procedural vicissitudes, and the Board must examine the case as soon as possible, and in view of the specific circumstances, decide whether or not the Director should continue in his position."
In accordance with the latest modification of the Good Governance Code of Listed Companies, the Company shall proceed to update the said article to bring it into line with the provisions of recommendation number 22.)

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

YES ☐ NO ☒

If so, describe the differences.

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

YES ☒ NO ☐

Description of requirements

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

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

YES ☐ NO ☒

(The Company's Director Selection and Diversity Policy establishes as an objective criterion to be taken into consideration in the event of a new appointment or re-election, the need for a progressive renewal of the Board, taking into account the average length of service and the average age on the Board.)

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

YES ☐ NO ☒

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

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

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

Number of Board meetings	7
Number of Board meetings without the chairman	0

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

Number of meetings
0

Indicate the number of meetings held during the year by the different Board Committees:

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

Number of meetings held by the Auditing and Compliance Committee	13
Number of meetings held by the Nominating, Compensation and Corporate Social Responsibility Committee	8

(During 2020, a total of 7 meetings of the Board of Directors were held, given the situation caused by the COVD-19 crisis, the Company has established telematic means of attendance in order to guarantee the attendance of the Board members at the meetings. One of the meetings of the Board of Directors was held in writing and without a meeting.

The Coordinating Director (Mr. Fernando D'Ornellas) is also Chairman of the Nominating, Compensation and Corporate Social Responsibility Committee and a member of the Audit and Compliance Committee.

The only Executive Director of the Company (Mr. Gabriel Escarrer Jaume) is not a member of these committees, although he regularly attends the Audit and Compliance Committee as a guest. Therefore, the Coordinating Director meets with some external directors without the attendance of the Executive Director, although these meetings take place within the framework of the meetings of the Committees.)

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

Number of meetings with on-site attendance of at least 80% of directors	6
% of on-site attendance over total votes during the year	100.00
Number of meetings with on-site attendance or representations by proxy made with specific instructions of all directors	6
% of votes cast with on-site attendance and representations by proxy made with specific instructions of all directors	100.00

(Since March 2020, the meetings of the Board of Directors (and of the Delegated Committees) have been held telematically. In determining the number of meetings in this question, the Board of Directors' meeting in writing and without a meeting have not been taken into account.)

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

YES ☒ NO ☐

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

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

C.1.28 Explain any measures, if any, established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting in accordance with accounting standards.

(In accordance with the provisions of Article 14 of the Board Regulations, the Audit and Compliance Committee is responsible for ensuring that the financial and non-financial information offered to the markets is prepared in accordance with the same principles, criteria and professional practices with which the Annual Accounts are prepared, and in particular, reviewing the Company's Accounts (including the Annual Corporate Governance Report) and overseeing compliance with legal requirements and the correct application of generally accepted accounting principles, with the direct collaboration of the External and Internal Auditors.

In the fulfillment of this function, the Committee holds several meetings throughout the year with the auditors in order to analyze the development of their work and to detect and provide solutions to possible incidents that could affect the annual accounts.

Likewise, Article 35.3 of the Board Regulations establishes that "The Board of Directors shall ensure that the half-yearly, quarterly and any other financial information that the Law and prudence require to be made available to the markets is prepared in accordance with the same principles, criteria and professional practices with which the annual accounts are prepared and that it enjoys the same reliability as the latter.")

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

YES ☒ NO ☐

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

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

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

(The Auditing and Compliance Committee’s duties include liaising with the external auditors in order to receive information regarding such issues as may jeopardize the independence of the latter.

In fact, there is a direct relationship between the members of the Committee and the external auditors, with the latter attending the meetings held by this Committee in person. As a general rule, in each meeting of the Auditing and Compliance Committee, the Directors meet with the external auditor without the presence of the managers of the Company.

Among the functions entrusted to the Audit Committee is that of "Issuing annually, prior to the issuance of the Auditors' Report, a report expressing an opinion on the independence of the Auditors, in accordance with the Law".

With regard to the mechanisms to ensure the independence of financial analysts, investment banks and rating agencies, it should be noted that, in accordance with the provisions of the Policy on Communication and Relations with Shareholders, Investors and Voting Advisors and of Corporate Communication (revised and updated in 2020), the company provides information to any analyst who requests it, without any discrimination and offering maximum transparency. In the information exchange process, influencing the opinions or views of analysts is avoided at all times.

Specifically, it is established that the Company may exchange information on an individual basis with the institutional investors that are part of the shareholding, without in any case entailing the delivery to them of any information that could provide them with a privileged or advantageous situation with respect to the Company a privileged or advantageous situation with respect to the other shareholders. Likewise, Article 34.4 of the Regulations of the Board of Directors also establishes that under no circumstances shall any information that could provide them with a privileged or advantageous situation with respect to the other shareholders, be delivered to the financial analysts.

The Board of Directors is informed, at each of its meetings, of the meetings held with investors, analysts and proxy advisors, and in general, of the levels of compliance and application of the aforementioned Communication Policy.)

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

YES ☐ NO ☒

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

YES ☐ NO ☒

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

YES ☒ NO ☐

	Company	Group companies	Total
Amount invoiced for non-audit services (thousand euros)	180	3	183
Amount invoiced for non-audit services/total amount invoiced by the audit firm (in %)	58.39	0.32	14.70

Highlight that the Company has in place an approval process for services other than auditing provided by the statutory auditor. This process includes a list of prohibited services, as well as a procedure for the approval of services classified as permitted. Likewise, the list of services other than auditing, with the breakdown of fees, is presented annually to the Auditing and Compliance Committee.

The said process was revised and updated by the Auditing and Compliance Committee during the year 2019.

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

YES ☐ NO ☒

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

	Individuals	Consolidated
Number of consecutive years	2	2

	Individuals	Consolidated
Number of years audited by current audit firm/Number of years the company or its group have been audited (%)	1.00	1.00

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

YES ☒ NO ☐

(Although according to Article 17 of the Regulations of the Board, meetings shall be called a minimum of three (3) days before the day on which the meeting is to be held and the call to meeting shall include the session's agenda along with the relevant information properly summarized and prepared, unless there are exceptional circumstances, the information shall be made available to Directors (8) eight days before the meeting is held.

Furthermore, Article 22 of the Regulations of the Board establishes that Directors have the broadest powers to receive information on any aspect of the Company, to examine its books, records and documents and other evidence of the company's transactions and to inspect all its facilities.
Exercise of the powers of information shall be channeled through the Chairman or the Secretary of the Board of Directors, who will attend to the requests of the director by providing him/her with the information directly, offering appropriate interlocutors at the appropriate level in the organization or establishing such measures so as to enable him/her to conduct the desired examinations in situ.)

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

YES ☒ NO ☐

Explain the rules

(Article 31.2 of the Regulations of the Board expressly establishes that Directors should inform the Board, and where applicable, resign under any circumstances that may jeopardize the company's standing and reputation and shall in any event report any criminal charges brought against them, and the status of any subsequent court or legal proceedings, and the Board of Directors shall examine the case as soon as possible and decide, in consideration of the specific circumstance, whether or not the Director in question should remain in office.
In accordance with the latest amendment to the Good Governance Code of Listed Companies, the Company will proceed to update this article to bring it into line with the provisions of recommendation number 22.)

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

YES ☐ NO ☒

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

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

Number of beneficiaries	1

Beneficiary: Chief Executive Officer
Description of the agreement:

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

- Post-contract non-compete agreement, for one year, with the Company's commitment to pay the Chief Executive Officer one year's total annual remuneration under the conditions in force at the time of termination of the contract.
- If the Chief Executive Officer breaches the post-contract non-compete obligation, he must return to the Company any amounts received in this connection and compensate the Company with an amount equivalent to 150% of the amount received in this connection.
- Termination of contract: termination of service of the Chief Executive Officer shall take place in the cases contemplated in the Corporate Enterprises Act, in which case he must place his position at the disposal of the Board of Directors and, where appropriate, execute immediately his dismissal from office.
- Compensation: The Chief Executive Officer shall be compensated with an amount equal to one year's total annual remuneration, under the following circumstances:
- Unilateral termination by the Chief Executive Officer: due to serious and negligent breach by the Company of its contractual obligations under the contract or to a substantial modification of his functions, powers or service conditions for reasons not attributable to the Chief Executive Officer.
- Unilateral termination by the Company: not due to a serious and negligent breach by the Chief Executive Officer of the duties of loyalty, diligence or good faith or any of those established by law, according to which he must perform his function.

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

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

	Board of Directors	General Shareholders' Meeting
Body authorising the clauses	X	

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

(The information to the General Shareholders' Meeting is made through the approval of the Annual Board Remuneration Report for each fiscal year as well as the approval of the modifications to the Remuneration Policy that are necessary to reflect the inclusion of new clauses or conditions in the contract for the provision of services of the Chief Executive Officer.)

C.2. Committees of the Board of Directors

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

AUDITING AND COMPLIANCE COMMITTEE

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

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external	0.00

(The Board of Directors, at its meeting held on February 26, 2020, unanimously agreed to appoint Mr. Francisco Javier Campo García as Chairman of the Audit and Compliance Committee.

Likewise, the Board of Directors, at its meeting held on February 26, 2020 and at the proposal of the Appointments, Remuneration and Corporate Social Responsibility Committee, unanimously agreed to appoint Ms. Cristina Henríquez de Luna Basagoiti as member of the Audit and Compliance Committee.

In accordance with the new recommendations of the Unified Code of Good Governance, as well as the CNMV's Technical Guide 3/2017, all members of the Audit and Compliance Committee have been appointed taking into account their knowledge and experience in accounting, auditing and risk management, both financial and non-financial, as stated in the Board's competency matrix.)

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

(The functions attributed to the Auditing and Compliance Committee are regulated in Article 14 of the Regulations of the Board of Directors:

https://www.meliahotelsinternational.com/en/shareholdersAndInvestors/Documents/Reglamento_Consejo/Art14.pdf

The procedures and rules of organization and operation of the Committee are regulated in Article 39 bis of the Bylaws and in the aforementioned Article 14 of the Regulations of the Board of Directors.

However, it should be noted that during the 2020 financial year, the Company Bylaws and the Board of Directors Regulations have been amended to regulate the event of absence of the Chairman of the Delegated Committee. In this regard, it has been established that, in the event of his absence, the most senior independent external director shall act as the Chairman's alternate on the respective Committee.

The activities carried out by the Audit and Compliance Committee during the 2020 financial year are detailed in the Committee's activity report, published on the corporate website of Meliá Hotels International.

Regarding the detail of the most important actions during the fiscal year in relation to the functions assigned to the Committee, it is necessary to highlight the involvement and dedication of the Audit and Compliance Committee in the supervision and monitoring of the financial measures adopted by the Company in the management of the socio-economic situation caused by the COVID-19 pandemic. This greater involvement has led to a notable increase in the number of Committee meetings (30% compared to the previous year).

Since the beginning of the pandemic in Spain (March 2020), the Committee has reviewed the Company's liquidity, cash and debt status on a monthly basis, and followed up on the business plan prepared by the management team to address the Company's situation.

Regarding the rest of the functions assigned to the Committee, the most important ones are indicated below, following the classification established in Article 14 of the Board Regulations:

Relationship with the external auditor: during fiscal year 2020, the relationship with the external auditor has focused especially on the review of the impact of the crisis on the financial statements and compliance with the new applicable requirements (review of ESMA and CNMV criteria).

Supervision of the effectiveness of the company's internal control and risk management systems: The Committee has been informed, among others, of the result of the update of the company's Risk Map, and of the Protocol for the Prevention of Criminal Offenses (result of the evaluation of the effectiveness of the related controls).

Supervision of financial and non-financial information: in the March and April sessions, the extensions of the deadline for the publication of financial information and approval of accounts provided for by the applicable regulations during the state of alarm were analyzed and taken into consideration, although the Company did not make use of them.

Supervision of the Internal Audit, Risk and Compliance functions: the Committee has carried out the analysis of the impact of COVID-19 and of the protocol and measures implemented regarding risks. Regarding the internal audit function, the Committee has supervised the adaptation of the Internal Audit Plan to the situation created by COVID-19 (closure of hotels, among others) and followed up on the recommendations in this area.

General Shareholders' Meeting: during the General Shareholders' Meeting of fiscal year 2020, the Chairman of the Audit Committee, Mr. Francisco Javier Campo, informed the shareholders of the results of the audit, as well as the main functions and progress made by the Committee during the fiscal year.

Additionally, the Committee has reviewed those rules and policies that have been updated or approved during the 2020 financial year, in particular: Treasury Stock Policy, Internal Code of Conduct, Purchasing and Services Policy, Internal Audit Rule, etc.)

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

Name of directors with experience	Mr. Francisco Javier Campo Mr. Fernando D'Ornellas Silva Mr. Juan Arena de la Mora Mrs. Carina Szpilka Lázaro Mrs. Cristina Henríquez de Luna Basagoiti
Date of appointment of the chairman in office	26/02/2020

APPOINTMENTS, REMUNERATION AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Name	Position	Category
Mr. Fernando d'Ornellas Silva	Chairman	Independent
Mr. Francisco Javier Campo García	Member	Independent
Mr. Luis María Díaz De Bustamante y Terminel	Member	Independent
Hoteles Mallorquines Asociados S.L.	Member	Proprietary
Mrs Carina Szpilka Lázaro	Member	Independent

% of executives directors	0.00
% of proprietary directors	20.00
% of independent directors	80.00
% of other external directors	0.00

(The Board of Directors, at its meeting held on February 26, 2020, unanimously agreed to appoint Mr. Fernando D'Ornellas Silva as Chairman of the Nominating, Compensation and Corporate Responsibility Committee.

Likewise, the Board of Directors, at its meeting held on February 26, 2020 and after the corresponding proposal of the Nominating, Compensation and CSR Committee, unanimously adopted to appoint Ms. Carina Szpilka Lázaro as member of the Nominating, Compensation and Corporate Responsibility Committee.)

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

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

https://www.meliahotelsinternational.com/en/shareholdersAndInvestors/Documents/Reglamento_Consejo/Art15.pdf

The procedures and rules of organization and operation of the Committee are regulated in Article 39 ter of the Bylaws and in the aforementioned Article 15 of the Regulations of the Board of Directors.

However, it should be noted that during the 2020 financial year, the Company Bylaws and the Board of Directors Regulations have been amended to regulate the event of absence of the Chairman of the Delegated Committee. In this regard, it has been established that, in the event of his absence, the most senior independent external director shall act as the Chairman's alternate on the respective Committee.

The activities carried out by the Appointments, Remuneration and Corporate Social Responsibility Committee during the 2020 financial year are detailed in the Committee's activities report, published on the corporate website of Meliá Hotels International.

With regard to the most important actions during the year in relation to the functions assigned to the Committee, it is necessary to highlight the involvement and dedication of this Committee in the supervision and monitoring of the labour and occupational safety measures adopted by the Company in the management of the socio-economic situation caused by the COVID-19 pandemic. In particular, the Committee has monitored and supervised the implementation of the occupational safety protocol and the Stay Safe with Meliá program, and the labour measures adopted by the Company (ERTEs and salary reductions).

Regarding the rest of the functions assigned to the Committee, the most noteworthy are indicated below, following the classification established in Article 15 of the Board Regulations: Evaluation and selection of directors and senior managers: in addition to the preparation of the proposals for the re-election of the Independent Director Ms. Carina Szpilka and the proposal for the appointment of the company Hoteles Mallorquines Agrupados, S.L. as External Proprietary Director, to highlight the review by the Committee of the update of the Policy for the Selection of Directors and Diversity.

Evaluation of the Board of Directors and its specialized committees: the Committee has reviewed and updated the annual self-evaluation questionnaire of the Board and the Chief Executive Officer, incorporating issues related to the management of COVID-19 as well as certain improvements in line with the applicable recommendations and the best market practices in this area.

Remuneration Policy and Contractual Terms of Directors and Senior Management: as indicated in the Annual Board Remuneration Report, during the 2020 financial year the Committee adopted several resolutions relating to the modification of the Board's remuneration scheme. In particular, it agreed on the reduction of the Chief Executive Officer's fixed remuneration and the suspension of short- and long-term variable remuneration. Regarding the remuneration of non-executive directors, it was agreed to reduce the allowances for attendance to the Delegated Committees.

Corporate Responsibility: in addition to the review of certain issues of the non-financial information statement, during this fiscal year the Committee has supervised the creation of the Sustainability Committee and the new Governance Model in this matter.

As for other functions, it is worth mentioning the review of the composition of the delegated committees and the preparation of proposals regarding the change in the Chairmanships of both Committees and the incorporation of new members.)

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

	Number of female directors			
	Year 2020	Year 2019	Year 2018	Year 2017
Auditing and Compliance Committee	2 (40%)	1 (20%)	1 (20%)	0 (0%)
Nominating, Compensation and Corporate Responsibility Committee	2 (40%)	1 (25%)	1 (25%)	1 (25%)

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

(Auditing and Compliance Committee
The composition, functions and performance regime of the Auditing and Compliance Committee of Meliá Hotels International, SA, are regulated in articles 39 Bis of the Bylaws

and 14 of the Regulations of the Board of Directors. All this without prejudice to the provisions of the Capital Companies Law and other applicable regulations.

The Audit and Compliance Committee prepares an annual report on its activities and, in accordance with recommendation 6 of the CNMV's Good Governance Code for Listed Companies, publishes it on the corporate website.

Appointments, Remuneration and Corporate Responsibility Committee
The composition, functions and rules of procedure of the Appointments, Remuneration and Corporate Social Responsibility Committee of Meliá Hotels International, S.A. are regulated in Articles 39 Ter of the Bylaws and 15 of the Regulations of the Board of Directors. All of the foregoing is without prejudice to the provisions of the Capital Companies Act and other applicable regulations.

The Nominating, Compensation and Corporate Social Responsibility Committee prepares an annual report on its activities and, in accordance with recommendation 6 of the CNMV's Good Governance Code for Listed Companies, publishes it on the corporate website.
Both the Bylaws and the Regulations of the Board of Directors are available on the corporate website of Meliá Hotels International, S.A.

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

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

https://www.meliahotelsinternational.com/en/shareholdersAndInvestors/LegalDocs/Estatutos%20Sociales%20MHI%202020_Eng_5.pdf

https://www.meliahotelsinternational.com/en/shareholdersAndInvestors/Documents/Reglamento_Consejo/2020_MHI_CdAdm_Texto%20Refundido%20Reglamento_ENG.pdf

The General Shareholders' Meeting of the Company held on July 10, 2020, approved the amendment of Articles 33, 39 bis and 39 ter of the Company's Bylaws. Said resolution was registered in the Mercantile Registry on August 12, 2020, by means of entry 151.
Following the aforementioned amendment, the Board of Directors, on July 10, 2020, agreed to amend the Regulations of the Board of Directors, in order to adapt its content to the aforementioned amendments to the Bylaws.)

D. Linked Operations and Intragroup Operations

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

(As a general rule, the Regulations of the Board of Directors establish that the Board must know and authorize any transaction of the Company with its significant shareholders and Directors and Executives, and that it shall not authorize the transaction if a report has not been previously issued by the Audit and Compliance Committee assessing the transaction from the point of view of equal treatment of shareholders and market conditions.

The Board shall also ensure compliance with the law and the duties of information and transparency that the Company must comply with regarding the communication of these transactions.

Said regime is complemented with the provisions of the Capital Companies Act, and in particular, with article 529 ter section h).

The Company and, in particular, the Audit and Compliance Committee, have reviewed the implications regarding related-party transactions of the Bill to amend the Capital Companies Act, assessing the formalization and implementation of an internal procedure for information and periodic control by the Audit and Compliance Committee)

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

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (thousand euros)
Tulipa Inversiones 2018, S.A..	Meliá Hotels International, S.A.	Contractual	Reception of Services	100
Tulipa Inversiones 2018, S.A.	Inversiones Areito S.A.S.	Contractual	Reception of Services	40
Tulipa Inversiones 2018, S.A.	Sol Melia Italia S.R.L.	Contractual	Reception of Services	26
Tulipa Inversiones 2018, S.A.	Corporación Hotelera Hispano Mexicana S.A.	Contractual	Reception of Services	44
Tulipa Inversiones 2018, S.A.	Desarrollos Sol S.A.S	Contractual	Operational Rental Contracts	91
Tulipa Inversiones 2018, S.A.	Inversiones y Explotaciones Turísticas S.A.	Contractual	Reception of Services	36

Tulipa Inversiones 2018, S.A.	Lomondo Ltd.	Contractual	Operational lease contracts	69
Tulipa Inversiones 2018, S.A.	Cala Formentor S.A. de C.V.	Contractual	Reception of Services	159
Tulipa Inversiones 2018, S.A.	Hotel Royal Alma S.A.S	Contractual	Reception of Services	53

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

Name or corporate name of director or manager	Name or corporate name of the related party	Relationship	Type of transaction	Amount (thousand euros)
No data				

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

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

Name of the group company	Brief description of the transaction	Amount (thousand euros)
Sol Meliá Funding	Assignment of the customer portfolio of American companies in the vacation club segment to Sol Meliá Funding for its management	64
Sol Meliá Funding	Modification of the inter-group loan agreement with the parent company, in line with the centralised cash management policy	2,666

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

Name of related party	Brief description of transaction	Amount (thousand euros)
No data		

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

(In accordance with the provisions of Article 28 of the Board of Directors Regulations, it is the obligation of the Directors to inform the Company of any situation of direct or indirect conflict that they may have with the Company's interests.
Likewise, the Nominating, Compensation and CSR Committee, in accordance with the provisions of Article 15.2. of the Board of Directors Regulations, must inform the Board

of Directors of transactions that involve or may involve conflicts of interest, proposing, where appropriate, the measures to be adopted.

Additionally, the Internal Rules of Conduct in matters related to the securities market also regulate certain aspects regarding conflict of interest, establishing the following principles of action:

*Independence: they must act at all times with freedom of judgment, with loyalty to the Company and its Group, and independently of their own or outside interests. Consequently, they may not prioritize their own interests at the expense of those of the Company or its Group.

*Abstention: they shall refrain from intervening or influencing in the decision-making on the matters affected by the conflict.
*Confidentiality: they shall refrain from accessing confidential information affecting said conflict. All of the above without prejudice to the provisions of the Capital Companies Act.)

D.7 Indicate whether the company is controlled by another entity within the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiary companies, business relationships with such entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to those of any of them.

YES ☐ NO ☒

E. Risk control and management systems

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

The Risk Control and Management System has not changed with respect to previous years. The Company has implemented a risk management model based on the COSO methodology, which consists of the following stages:

1.Identification of Risks, including fiscal risks, through the collection and analysis of internal and external information.
2.Risk assessment in each of the business areas as well as in the different support units, prioritizing the most relevant risks and obtaining the different maps.
3.Responses to the risks, by assigning responsibilities on the most relevant Risks and defining the actions that allow contributing in an efficient way to their management.
4.Monitoring and control through the indicators defined in this regard in the most relevant risks, the annual update of the Risk Maps, and the monitoring of the initiatives defined for their mitigation.
5.Periodic and transparent communication of the results obtained both to Senior Management and to the Audit and Compliance Committee and Board of Directors, which serves as feedback to the system so that continuous improvement in the process is achieved.

The model is global and transversal to the whole company, which allows obtaining the Group's Risk Map from the consolidation of the Individual Risk Maps of the different Departments and Business Areas.

The management team identifies the risks that affect the Group's objectives and strategy (Stage 1), and the risks based on the variables of probability of occurrence and impact in the event of materialization (Stage 2) according to standardized quantitative and qualitative scales.
In addition, and as part of the model, the Group's Tax Risk Map is obtained and updated annually through the system. The risk management governance model is based on the Risk Control Policy and the Standard that develops it.
Both documents were updated in 2020 and approved by the Board of Directors (the Policy) and by the Audit and Compliance Committee (the Standard).
Compliance Committee (the Standard).

The Risk Control Policy is globally applicable and establishes the basic principles governing risk management, as well as the general framework of action for the control, analysis and assessment of risks, including fiscal risks. Those basic principles are:

a. Promote an appropriate internal environment and a culture of risk awareness.
b. Align strategy to the risks identified.
c. Ensure an adequate level of independence between the areas responsible for risk management (and their elimination or mitigation), and the area responsible for their control and analysis.
d. Identify and evaluate the diversity of risks affecting the Group, ensuring their correct allocation.
e. Ensure adequate management of the most relevant risks.
f. Improve risk response processes and decisions.
g. Facilitate integrated responses to multiple risks.
h. Transparently and consistently inform and communicate to all levels of the Organization about the Group's risks.
i. Promote the Group's actions in line with the legislation in force, the Group's internal regulations and the Code of Ethics.

The Risk Control Standard develops the Policy, and aims to ensure the functioning of the Risk Control System by establishing the rules, guidelines and criteria to be followed in the process of updating the Risk Map within the Group. This Internal Rule also establishes the basic responsibilities in terms of risk management of the governing bodies and the different areas of the organization.

With regard to fiscal risks, Meliá Hotels International has a Tax Strategy Policy approved by the Board of Directors. The Tax Strategy is governed by the following fundamentals:

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

This Tax Strategy is in turn developed by an Internal Tax Risk Control Management Standard.)

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

(The Risk Management system is based on 3 lines defense model:

*Governing Bodies: Board of Directors, Audit and Compliance Committee, and Executive Committee.

*First line of defense: business and organizational units.

*Second line of defense: risk control and compliance management.

*Third line of defense: internal audit.

The ultimate responsibility for this model lies with the Board of Directors, which has the non delegable power, among others, to identificate the Company's main risks, especially fiscal risks and those arising from derivative transactions, and to implement and monitor the internal control and information systems (Art. 5 of the Board Regulations).

In addition, the Audit and Compliance Committee is entrusted with, among others, the supervision of (Art. 14.2 of the Board Regulations):

- The eficiency of the Company's Internal Control and Risk Management Systems.

- Financial and non-financial information.

- The Internal Audit, Risk and Compliance functions.

- The existence of a Crime Prevention and Detection Model.

As a second line of defense, the Risk Control & Compliance Department is assigned control and analysis functions, being the responsibility for risk management in the first line of defense, i.e. directly in each of the different Departments and Business Areas that make up the Group.

The Risk Control & Compliance Department, which reports directly to the Audit Committee (although it is integrated in the Legal & Compliance Department), is in charge of ensuring compliance with both the Policy and the Internal Regulations related to Risk Management and Compliance, therefore, it oversees the operation and development of the Group's risk management models and the Prevention and Detection of Criminal Offenses. It also coordinates the investment prioritization process based on risk criteria.

The third line of defense is integrated by the Internal Audit Department, which oversees the proper functioning of the Risk Management System through the supervision of the first and second line of defense. This Department also reports directly to the Audit and Compliance Committee.

Both departments, Risk Control & Compliance and Internal Audit report to the Audit and Compliance Committee on a recurring basis at each of its meetings, and present an

Annual Report on their activities.

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

- Committees and specific function in Risk matters:

o Executive Committee: has the duty to develop and promote control to improve the quality of corporate governance and risk management in the Group.

o Strategic Plan Monitoring Committee: As part of its mission is the monitoring of the results and degree of compliance with the strategic plan and the alignment with the Risk Map.

o Expansion Committee: Among its functions is the preparation and approval of the risk analysis files for expansion projects.

o Investment Committee: Ensures that part of the group's annual resources are allocated to execute investments catalogued and prioritized based on risk criteria.

- Departments and specific function in the area of Risk:

o Corporate Governance: Prepares and updates the Group's internal policies and regulations.

o Tax: Coordinates and centralizes the actions of control and management of fiscal risks. It reports periodically to the Executive Committee, Audit and Compliance Committee and Risk Control regarding the assessment of both the fiscal risks, as well as the validity of the controls established in this regard.

o Credit and Insurance Management: Manages the credit risk and the contracting of insurance policies at corporate level to cover certain risks, always under the guidelines set forth in the Internal Insurance Regulations.

o Health and Safety: Responsible for occupational risk prevention.

o Global Technical Services and Works: Identify and catalog risks in the facilities based on criteria that subsequently and centrally allow the prioritization of certain investments.

The company also has a Code of Ethics, a Whistleblower Channel (one for employees and one for suppliers), and a set of internal Policies and Standards as key tools in risk management. (For more information on the Code of Ethics and Whistleblower Channel, see the Ethics and Integrity section of the Annual Report).)

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

(Meliá Hotels International has a catalog of identified risks, which is updated annually and adapted to the needs and different contexts, environments and regulatory frameworks in which the company operates.

The risks identified are classified in the following categories:

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

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

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

- Liquidity
- Credit
- Exchange rate
- Investment

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

- Strategy
- Reputation
- Market
- Competition

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

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

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

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

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

- Reporting
- Internal and external communication

With respect to the risks identified, it should be pointed out that in those cases where applicable, the Company has the pertinent insurance coverage and has the necessary action protocols in place, aimed at protecting the safety and health of customers and employees, and ensuring the normal functioning of operations, as well as, if necessary, their protection and reestablishment.

The Company also has a set of internal policies and rules, as well as a Code of Ethics and a Whistleblower Channel as part of the tools to mitigate these risks. Specifically, the Compliance Policy, approved by the Board of Directors, through which Meliá assumes the commitments of:

- Comply with legislation and regulatory obligations (internal and external).
- Ensure that internal regulations and the actions of its executives and managers are based on ethical criteria aligned with the principles and values of the company and its Code of Ethics.

The fiscal risks and those arising from corruption are included within one of the categories indicated in the table above, mainly within Operational or Compliance Risks. With respect to these risks, one of Meliá Hotels International's global commitments established in its Code of Ethics is to act rigorously and forcefully against any practice of corruption, fraud or bribery.

To this end, the Group has an Anti-Corruption Policy approved by the Board of Directors (available on the corporate website). This Policy establishes the commitments to:

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

In addition, the company has implemented a Crime Prevention and Detection Model which is certified by an external company in accordance with the UNE 19601:2017 standard (renewed certification 2020). The fiscal risk and corruption are part of this Model, and therefore, the

company has implemented a series of controls regarding these risks, which are evaluated annually.
The Internal Control over Financial Reporting System (SCIIF), extensively developed in section F of this report, deserves special attention.)

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

(The Risk Control Policy, updated in 2020, establishes the risk tolerance levels for each of the existing risk categories.

To carry out the evaluation of the risks identified (Stage 2 of the model) in terms of their probability and impact, there is a homogeneous and standard valuation scale that includes quantitative and qualitative criteria (financial, operational, regulatory, reputational, strategic, etc.), and differentiates between different risk ranges or levels, which serves to prioritize the risks and to establish the acceptable risk level based on the average value.

On an annual basis, an Annual Risk Report is prepared and submitted to the Audit and Compliance Committee and the Board of Directors, in which, among others, analyses of the risk profiles by category are made.

The Group's Risk Map is integrated into the Company's management and is therefore aligned with the Strategic Plan. As a consequence, a large part of the strategic initiatives and projects, are also oriented to the mitigation of the main risks and therefore linked to the objectives of the teams. Consequently, the monitoring of the Strategic Plan and the level of compliance with the objectives also determine the levels of risk tolerance.)

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

(Pandemics or health crisis
Pandemic caused by Covid-19:
The Covid-19 crisis originated in Wuhan, declared a health epidemic by the WHO at the beginning of 2020 and qualified as a pandemic by the same institution on March 11, 2020, has had a global reach affecting all economies and markets.
Covid-19 has had, and is having a terrible impact on the tourism industry, affecting the entire value chain of the tourism sector, including the hotel industry. The lock down measures, the restrictions on mobility, both national and international, the limitations on capacity and the great uncertainty generated at all levels have had a direct impact on the Company's activity, causing a plummeting on the demand as well as historically high levels of hotel stay cancellations during the first half of the year 2020 and few bookings.

As a result of the above and the progressive spread of the pandemic, during the second quarter of 2020 approximately 80% of our hotels worldwide remained closed.
Faced with the situation caused by Covid-19, Meliá has developed a response plan with a dual focus. Thus, in the short term, our Contingency Plan has allowed us to guarantee the viability of the company. In addition, the tactical management developed by the Group, through an agile planning of openings, and a combination of the security provided by the Stay Safe With Meliá program (Certified by Bureau Veritas), flexibility and commercial capacity, have allowed us to optimize the process of hotel openings and closings, always keeping the maximum number of hotels open.
In the long term, the Company has launched a process for rethinking and reviewing of its strategy, underpinning its core business strengths in terms of solvency, talent, digitalization, brands, diversified and renewed hotel portfolio.
For further information on the impact of this risk, please refer to the explanatory note to the financial statements "Note 4".)

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

(The Group's Risk Map is analyzed by the Executive Committee, which assigns responsibilities so that the different management areas in charge can subsequently define action plans or initiatives to mitigate the main risks (Stage 3 of the model).

The Risk Control & Compliance Department, together with the affected managers, define KRI's (Key Risk Indicators) in relation to the main risks identified, which allow them to be monitored and controlled (Stage 4 of the model).

In addition, the Board of Directors and the Audit and Compliance Committee are periodically informed on the Company's risk management, which includes, among others, information on the results of the Risk Map, action plans and monitoring and control mechanisms and other possible actions derived and which allows the Board to know and respond to the challenges presented by the Company.

As a standard practice, following the presentation of the Risk Map to the Board of Directors, the Audit and Compliance Committee receives reports and in-depth analyses of the main risks involved: (Stage 5 of the model)

- A brief analysis of the context and evolution of the risks.

- The indicators defined for control and monitoring.

- The action plans carried out or planned for risk mitigation.

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

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

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

F.1 Company's control environment

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

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

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

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

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

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

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

Internal Audit Department
The Group has an Internal Audit Department that depends hierarchically on the CAC and functionally to the Chief Legal & Compliance Officer, who in turn reports to the Group's Vice

President and CEO. Among the responsibilities of the Internal Audit Department is to verify the proper functioning of the SCIIF, keeping the Board of Directors, through the CAC and Senior Management informed on whether the mechanisms enabled effectively mitigate the risk of errors with material impact on the financial information.

In order to ensure the independence of the Internal Audit Department with respect to the operations or areas that they audit and over which have no authority or responsibility, the internal auditors are not assigned other powers and functions other than those of internal audit.

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

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

(The definition and review process of the organisational structure is regulated by the Group's Human Resources Regulations and applies to all the Group companies. According to the provisions of such Regulations, the Human Resources Department is responsible for ensuring equity, balance and the optimisation of the Company’s organisational structure and its periodic review. The heads of the different areas within the Group must ensure that the size of its staff is appropriate and optimal to address the department and business unit operations.

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

Likewise, the Organisation area, which reports to the Human Resources Department, is responsible, together with the different areas within the Group, for the analysis and determination of processes, as well as the job descriptions, functions and responsibilities, including positions related to the preparation of financial reporting. The group’s organizational chart is currently being restructured due to the development and implementation of the new organizational model.

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

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

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

Code of Ethics

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

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

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

- In particular, the Code of Ethics includes a section regulating the principles applicable to the relationship with shareholders and investors, where the following commitments are expressly mentioned: (i) to ensure the maximum financial and accounting records' financial financial and accounting financial finances, (ii) to comply with the obligations regarding transparency in the securities markets, (iii) to maintain a proactive attitude in the identification, prevention and mitigation of financial and non-financial risks and (iv) to make available to its shareholders and investors transparent, sufficient, truthful, timely and clear information, both financial and non-financial.
The Group has a mandatory internal training course consisting of three modules, one of which relates to the Code of Ethics. This training is accessible to all corporate staff worldwide including Directors, Deputy Directors and Managers in the various hotels through e-Melia (the Group's e-learning platform).

Supplier Code of Ethics

The Supplier Code of Ethics sets out the principles and commitments that the Group expects to be shared by all its suppliers. This document reinforces the management and relationship model that the Group wishes to promote worldwide, integrating the principles and commitments of the Group's Code of Ethics, giving greater coherence to its procurement model and transmitting the public commitments made to the supply chain.

Like the Group's Code of Ethics, the Supplier Code of Ethics is available on the Group's corporate website. Periodically, campaigns are carried out to publicize the Supplier Code of Ethics, either through specific communications or through adhesion clauses in contracts.

Internal Code of Conduct on Matters Related to the Securities Market

This regulation is applicable to all members of the Board of Directors and to the addressees defined in its subjective scope of application. Its content establishes, among others, the procedures relating to the treatment of privileged information.
These regulations are communicated and delivered in writing to the persons to whom they apply at the time they are hired and/or at the time when, in accordance with the regulations established therein, they are considered as addressees and are signed and accepted by them.
The Chief Legal & Compliance Officer is in charge of monitoring and controlling compliance with the said regulations, reporting in this area to the Audit and Compliance Committee.
The Internal Rules of Conduct in Matters Related to the Securities Market have been updated during 2020 and are available on the corporate website.

Rules of Managerial Behavior and Human Resources Regulations

In addition, the Group has an Executive Behavior Regulation and a Human Resources Regulation, which regulate the conduct of its executives (in the first case) and of all Group employees (in the second case), in relation to certain matters.
The Executive Behavior Regulations were updated in 2019 and are available on the Employee Portal. Each time it is updated, it is communicated to all Executives individually and with acknowledgment of receipt, in addition, this Regulation is signed by the Company's Executives every two years.)

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

(Employee Wistleblowing channel

On the occasion of the Code of Ethics in 2012, the Meliá Hotels International Group set up a Whistleblowing Channel for employees to register any complaints related to non-compliance with the contents of the Code of Ethics.

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

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

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

Supplier Complaints Channel

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

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

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

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

Corporate team members involved in the preparation and review of financial information receive annual specific training to update their knowledge in various matters related to their functions. During 2020, they have participated in training sessions concerning the implementation of new international accounting standards, new requirements for the breakdown of non-financial information and alternative financial information breakdown requirements and alternative performance measures, workshops for the prevention, detection and investigation of fraud and on business process evaluation.

The departments involved in the training and updating programs have been the Internal Audit, Risk Control and Compliance and Global Administration Departments, dedicating in total more than 90 hours per year to such training.

In particular, during 2020, the following training actions, among others, have been carried out (the most relevant for the purposes of this report are indicated):

- Training activity: IFRS Institute: IFRS 16, Leases - application hot topics, Duration (hours): 1, Date: 04/23/2020, Provider: KPMG, Department: Global Administration.

- Training activity: Draft for discussion of primary financial statements/ICAC Resolution on presentation of financial instruments, Duration (hours): 2, Date: 09/29/2020, Provider: EY, Department: Global Administration.

- Training activity: IFRS9 and Impairment Covid-19, Duration (hours): 5, Date: 05/11/2020, Provider: AECA, Department: Global Administration.

- Training activity: Impairment of assets in the Covid-19 environment, Duration (hours): 2, Date: 11/13/2020, Provider: KPMG, Department: Global Administration.

- Training activity: Common Supervisory Priorities 2020, Duration (hours): 2, Date: 12/16/2020, Provider: CNMV/EY, Department: Global Administration.

- Training activity: Financial and Tax Information Keys 2020, Duration (hours): 2, Date: 12/16/2020, Provider: KPMG, Department: Global Administration.

- Training activity: Annual Accounts 2020 and Accounts Auditing under Covid-19 conditions, Duration (hours): 3, Date: 18/12/2020, Provider: AECA, Department: Global Administration.

- Training activity: XV Conference on Risk Management in the Tourism Sector, Duration (hours): 2, Date: 09/25/2020, Provider: Willis Towers, Department: Risk Control & Compliance.

- Training activity: Webinar: KPMG-LEFEBVRE Innovation Breakfast: The evolution in risk management, Duration (hours): 1.5, Date: 06/10/2020, Provider: KPMG-LEFEBVRE. Department: Risk Control & Compliance.

- Training activity: Webinar: Permanent Seminar on Economic Criminal Law and Compliance (WCA and UNIR). Session 3: Criminal defense of the legal person, Duration (hours): 2, Date: 06/10/2020, Provider: WCA + UNIR, Department: Risk Control & Compliance.

- Training activity: Course on Compliance Experts, Duration (hours): 15, Date: Nov. 16 to 20, Provider: IOC+WCA+CUMPLEN, Department: Risk Control & Compliance.

- Training activity: Complaints and Investigations Channel Workshop, Duration (hours): 2.5, Date: 16/11/2020, Provider: IOC+WCA+CUMPLEN, Department: Risk Control & Compliance.

- Training activity: Risk Map and Indicators Workshop, Duration (hours): 2.5, Date: 11/17/2020, Provider: IOC+WCA+CUMPLEN, Department: Risk Control & Compliance. Provider: IOC+WCA+CUMPLEN, Department: Risk Control & Compliance.

- Training activity: Compliance Controls Workshop, Duration (hours): 2.5, Date: 11/17/2020, Supplier: IOC+WCA+CUMPLEN, Department: Risk Control & Compliance.

- Training activity: International Compliance Congress-Week, Duration (hours): 17, Date: (18 to 20 December 2020), Supplier: IOC+WCA
+CUMPLEN, Department: Risk Control & Compliance.

- Training activity: Postgraduate course in financial law and tax system, Duration: 2 years - 1 person, Provider: UOC, Department: Internal Audit.

- Training activity: MBA in company internalization, Duration: 2 years - 1 person, Provider: ICEX-CECO, Department: Internal Audit.

- Training activity: Certified Internal Auditor (CIA), Duration: 3 people - continuous, Supplier: Instituto de auditores internos, Department: Internal Audit.

- Training activity: Big Data Specialization, Duration: 1 person - course, Provider: University of California - San Diego, Department: Internal Audit.

- Training activity: Data Analysis for Management, Duration: 1 person - course, Provider: London School of Economics, Department: Internal Audit.

- Training activity: Getting started with spreedsheet modeling and business analytics, Duration: 1 person - course, Provider: Ecornell, Department: Internal Audit.

The Group has external advice to support the development of knowledge of the personnel involved, also participating as corporate partners of IAI (Institute of Internal Auditors) and AECA (Spanish Association of Accounting and Business Administration).

The Group also subscribes to the following publications:
- Subscription: Spanish Association of Accounting and Business Administration, Frequency: Weekly, Provider: Spanish Association of Accounting and Business Administration (AECA).
- Subscription: Instituto Auditores Internos - IAI Magazine, Frequency: Monthly, Provider: Instituto de Auditores Internos (IAI).
- Subscription: Breaking News, Frequency: Weekly, Provider: KPMG.

Additionally, and following the recommendations on the subject, during the 2020 fiscal year a specific training plan has been developed on ICFR aimed at the areas or groups involved in the preparation and supervision of the financial information.)

F.2 Risk assessment in financial reporting
Please report at least:

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

• If the process exists and is documented.

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

-The Risk Control and Management Policy establishes the basic principles governing Risk Management and the general framework of action for the control, analysis and assessment of the risks faced by the Group. The policy has been updated in 2020 in order to adapt to the update of the Good Governance Code for Listed Companies, specifically recommendation 45, which was approved by the Board of Directors.

- Risk Control and Management Standard, which develops the previous policy and establishes the rules, guidelines or criteria to be followed in the process of updating the Group's Risk Maps, as well as the operation of other mechanisms or tools used for risk prevention and management. The Standard has been updated in 2020, such update was approved by the Audit and Compliance Committee.

- Standard on Control and Analysis of fiscal risks, which aims to develop the Risk Control and Management Policy in the fiscal area.

- Risk Map development process that defines the process flow of tasks for the design of the Group's Risk Map.

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

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

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

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

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

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

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

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

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

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

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

- Global Risks.
- Financial Risks.
- Business Risks.
- Operational Risks.
- Compliance Risks.
- Information Risks.)

• What governing body of the company is responsible for overseeing the process.

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

F.3 Control of activities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the 2020 fiscal year, the implementation of a new centralized model for the contracting of services and purchase of goods has begun, with the objective of guaranteeing the governance of contracts and suppliers and their need.

Likewise, the digitalization of the approval and validation of contracts and invoices has been implemented, allowing control, monitoring and verification of compliance with internal regulations and, in particular, with the different levels of approval established internally.)

F.4 Information and Communication

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

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

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

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

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

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

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

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

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

During the 2020 financial year and within the process of preparing and approving the Group's Annual Accounts, a new technological tool (external software) has been implemented for the consolidation of financial (and non-financial) information and the creation of management reports, all within the framework of compliance with the new SEC regulations and the obligations in terms of taxonomy of information.)

F.5 Supervision of system performance

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

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

(The activities of supervision of SCIIF carried out by the Auditing and Compliance Committee in 2020 include:

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

As indicated in section F.1.1.previously, it is the responsibility of the Internal Audit Department to verify the proper functioning of the Internal Control System, including the reliability of the Financial Information (SCIIF), keeping the Board of Directors, through the CACA and Senior Management informed about the existence, adequacy and effectiveness of existing methods, procedures, standards, policies and instructions, which are available to Group employees.

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

The methodology of the activities carried out by the Internal Audit Department in 2020 has been affected by the pandemic and, in particular, by the limitations to mobility that have prevented the face-to-face audits that were carried out in previous years. However, remote audits have been carried out in the different Group centers, especially those related to the financial accounts of these centers, as well as continuing with the usual process of continuous auditing. Special mention should be made of the section relating to remote audits of Covid-19, based on the StaySafe by Meliá program, within the framework of the Bureau Veritas certifications.

As established in the Audit Standard, if as a result of the Audit Department's evaluations, control weaknesses are detected in the audited centers/areas/processes, these are brought to the attention of the Management of the center and/or audited area, reporting to Senior Management and the Audit and Compliance Committee if deemed appropriate. The managers of these centers and/or areas are obliged to respond to the weaknesses detected either by means of corrective measures and/or by implementing preventive plans.

Likewise, the external auditor, as mentioned in section F.7.1., issues an annual report of agreed procedures on the description of the ICFR carried out by the Group in which no noteworthy aspects have been highlighted.)

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

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

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

Likewise, on an annual basis, the external auditor provides the Auditing and Compliance Committee with a report detailing the internal control weaknesses detected. The action plans related to the weaknesses detected are implemented in the form of recommendations that follow the circuit of prioritizing, assignment of responsibilities and follow-up. These recommendations are followed up internally.)

F.6 Other relevant information

(No additional aspects to be broken down have been identified.)

F.7 External auditor’s report

Report on:

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

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

G. Extent of Compliance with Corporate Governance Recommendations

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

Complies ☒ Explanation ☐

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

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

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

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

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

Complies ☒ Complies Partially ☐ Explanation ☐

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

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

And that, without detriment to the legal obligations regarding the dissemination of privileged information and other types of regulated information, the company also has a general policy regarding the communication of economic-financial, non-financial and corporate information through the channels it deems appropriate (media, social networks or other channels) that contributes to maximizing the dissemination and quality of the information available to the market, investors and other stakeholders.

Complies ☒ Complies Partially ☐ Explanation ☐

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

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

Complies ☒ Complies Partially ☐ Explanation ☐

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

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

Complies ☒ Complies Partially ☐ Explain ☐

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

Complies ☒ Explanation ☐

8. That the audit committee ensures that the Board of Directors presents the financial statements to the General Shareholders' Meetings without qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

Complies ☒ Complies Partially ☐ Explain ☐

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

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

Complies ☒ Complies Partially ☐ Explain ☐

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

- **a) Immediately distributes the additions and new proposals.**

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

d) Communicates a breakdown of the results of said additions or alternative proposals after the General Shareholders' Meeting.

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

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

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

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

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

Complies ☒ Complies Partially ☐ Explain ☐

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

Complies ☒ Explanation ☐

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

a) It is concrete and verifiable.
b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.
c) Favors diversity in knowledge, experience and gender. For this purpose, measures that encourage the company to have a significant number of female senior managers are considered to favor gender diversity.

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

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

Complies ☒ Complies Partially ☐ Explain ☐

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

And that the number of female directors should account for at least 40% of the members of the board of directors before the end of 2022 and thereafter, and not be less than 30% prior to that date.

Complies ☐ Complies Partially ☒ Explain ☐

(The percentage of female directors of the Company as at the closing date of the report is 27.27% of the total number of Board members (3 out of 11). However, the new Director Selection & Diversity Policy approved on November 26, 2020 which includes the new diversity objectives established by the new Good Governance Code for Listed Companies, will facilitate reaching the threshold fixed by this recommendation.)

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

This criterion may be relaxed:

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

Complies ☒ Explanation ☐

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

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

Complies ☒ Explanation ☐

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

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

Complies ☒ Complies Partially ☐ Explain ☐

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board

meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

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

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

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

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

Complies ☒ Explanation ☐

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

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

Complies ☐ Complies Partially ☒ Explanation ☐

(Article 31 of the Regulations of the Board of Directors of the Company establishes the obligation of the directors to "inform and, as the case may be, resign in those cases that may damage the credit and reputation of the Company, and must in any case inform of the criminal cases in which they appear as accused, as well as of the subsequent procedural events, and the Board must examine the case as soon as possible, and in view of the specific circumstances, decide whether or not the director should continue in his position", in compliance with the first part of the aforementioned recommendation.

The Company has not yet proceeded to modify the Board Regulations to adapt the aforementioned obligation to the new wording of the recommendation but, notwithstanding the foregoing, it will act in strict compliance with the provisions of this recommendation.)

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict

of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

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

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

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

And that, without prejudice to the disclosure of all of the above in the annual corporate governance report, to the extent that it is relevant for investors, the company should publish the resignation as soon as possible, including sufficient reference to the reasons or circumstances provided by the director.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

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

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

Complies ☐ Complies Partially ☒ Explain ☐

(The Company does not consider it necessary to establish by regulation a maximum number of boards on which its Directors may serve. The analysis of the availability of potential directors (which is contemplated in the Group's Director Selection & Diversity Policy) is carried out prior to the proposal for appointment/reelection and is even more incisive, taking into consideration not only membership on other boards of directors but also the actual availability of candidates for directors in view of their other work, professional or other responsibilities.

The Company considers that, through such prior analysis and scrutiny, the same objective pursued by Recommendation 25 is achieved, i.e., to ensure that the directors will be able to devote sufficient time to inform themselves, to learn about the reality of the Company and the evolution of its business and to participate in the meetings of the Board and the committees of which, if any, they are members.

As indicated in section C.1.11 of this report, no director belongs to more than two boards of directors of listed companies.)

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

Complies ☐ Complies Partially ☒ Explain ☐

(The Regulations of the Board of Directors establish a minimum number of six meetings.

At the beginning of each year, the Board studies, proposes and approves the schedule of meetings for the current year, taking into consideration the Company's needs.

Likewise, the Regulations establish that the Board Members must urge the persons with the power to call extraordinary meetings of the Board or include in the agenda of the first meeting to be held, such items as they deem appropriate.

During the 2020 financial year, in accordance with the Company's needs, the Board of Directors met at the meetings scheduled in the calendar and also held one additional meeting in writing and without a meeting.

Also noteworthy is the increase in the number of meetings held by the Company's two Delegated Committees: the Audit and Compliance Committee held a total of 13 meetings in 2020 (compared to 10 in the previous year) and the Nominating, Compensation and CSR Committee held 8 meetings.)

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

Complies ☒ Complies Partially ☐ Explanation ☐

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

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

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

Complies ☒ Complies Partially ☐ Explanation ☐

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

Complies ☒ Explanation ☐ Not applicable ☐

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

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

Complies ☒ Complies Partially ☐ Explanation ☐

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

Complies ☒ Complies Partially ☐ Explanation ☐

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

Complies ☒ Complies Partially ☐ Explanation ☐

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

Complies ☐ Complies Partially ☒ Explanation ☐ Not Applicable ☐

(The Company considers that, in view of the non-existence of an Executive Chairman since December 2016, it is not mandatory, in accordance with Recommendation 34 of the Code (whose ultimate purpose is to counteract the concentration of power in a single person), the position of Coordinating Director. Notwithstanding the foregoing, taking into account the benefits derived from the existence of this figure, the Company decided to maintain the aforementioned position, although the functions attributed to it do not correspond literally with the content of Recommendation 34. Thus, the Coordinating Director of the Board of Directors of Meliá, is especially empowered to: (i) request the convening of the Board of Directors or the inclusion of new items on the agenda of a Board meeting already convened, (ii) coordinate and bring together the external directors, and.(iii) direct, as the case may be, the periodic evaluation of the Chairman of the Board of Directors, powers that do not fully correspond to those established in the aforementioned recommendation.)

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Good Governance Code and which are applicable to the company.

Complies ☒ Explanation ☐

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

- **a) The quality and efficiency of the Board of Director's operation.**
- **b) The performance and composition of its committees.**
- **c) Diversity of membership and competence of the Board of Directors.**
- **d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.**

e) Performance and input of each director, paying particular attention to those in charge of the various Board committees.

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

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

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

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

Complies ☐ Complies Partially ☒ Explanation ☐

(The Company complies with all the points of the recommendation with the exception, in this fiscal year, of the periodicity of the assistance for the performance of the evaluation by an independent external consultant.

In this regard, the last backing assistance by an external consultant was carried out in the 2017 fiscal year. In the process of reviewing the evaluation questionnaires and preparing the evaluation process of the Board and the Chief Executive Officer for the 2020 financial year, the Nomination, Compensation and CSR Committee, in accordance with the Group's internal guidelines for cost control and health security, considered that it was not essential and appropriate to engage an external third party for assistance in conducting the evaluation process. When the evaluation process of the Board and the Chief Executive Officer for the 2021 fiscal year is to be carried out, the recommendation for the assistance of an external consultant and the prevailing economic and health security circumstances will be reconsidered.

Notwithstanding the foregoing, and as indicated in section C.1.17 of this report, the Committee has had the support of the Company's Human Resources and Corporate Governance departments to review and update the evaluation forms, which have incorporated issues related to COVID-19 management and introduced certain improvements in line with applicable recommendations and best market practices in this area.)

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

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

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

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

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

Complies ☒ Complies Partially ☐ Explanation ☐

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

Complies ☒ Complies Partially ☐ Explanation ☐

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

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

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

1 With respect to information systems and internal control:

a. Supervise and evaluate the preparation process and the integrity of financial and non-financial information, as well as the control and management systems of financial and non-financial risks related to the company and, if applicable, to the group
the company and, where appropriate, the group -including operational, technological, legal, social, environmental, political and reputational or corruption-related risks- reviewing compliance with regulatory requirements, the proper delimitation of the scope of consolidation and the correct application of accounting criteria.

b. Ensure the independence and effectiveness of the unit charged with the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

c. Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

d. To ensure in general that the policies and systems established in the area of internal control are effectively applied in accounting practices.

2 In relation to the external auditor:

a. In the event that the external auditor resigns, examine the circumstances which caused said resignation.

b. Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

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

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

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

Complies☐ Complies Partially ☒ Explanation ☐

(The Company complies with all the provisions of the above recommendation with the exception of point 1.c) regarding whistleblowing channels. In this regard, the Company currently has two whistle-blowing mechanisms: an employee whistle-blowing channel and another for suppliers (as explained in more detail in section F of this report).

In relation to shareholders, the Company provides them with a direct communication channel with the Investor Relations department, as indicated in the Stakeholder Relations Policy.

At its meeting of September 14, 2020, the Audit and Compliance Committee reviewed the new recommendations of the Good Governance Code for listed companies and, in particular, the roadmap for whistleblowing channels. The Company is studying the feasibility of extending the scope of the supplier whistleblowing channel to include other groups such as directors and shareholders, pending the transposition of Directive 2019/1937 of the European Parliament and of the Council on the protection of persons who report breaches of Union law.)

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

Complies ☒ Complies Partially ☐ Explanation ☐

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

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

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

a) **The different types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off-balance sheet risks.**

b) **A risk control and management model based on different levels, of which a specialized risk committee shall form part when the industry standards so provide or when the company deems it appropriate.**

c) **Fixing of the level of risk the company considers acceptable.**

d) **Measures identified in order to minimize identified risks in the event they occur.**

e) **Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off-balance sheet risks.**

Complies ☒ Complies Partially ☐ Explanation ☐

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

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

Complies ☒ Complies Partially ☐ Explanation ☐

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

Complies ☒ Complies Partially ☐ Explanation ☐

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

Complies ☐ Explanation ☒ Not applicable ☐

(The Company does not consider it necessary to have a separate Appointments Committee and a separate Remuneration Committee, especially considering the size and composition of the Board of Directors and the increase in expenses that this would entail, without resulting in an improvement in efficiency.

The creation of a third committee, considering the current size and structure of the Board of Directors, would mean that the majority of independent directors would be members, at the same time, of the three committees, which is not very operative, and does not allow the synergies that currently exist in the Board.)

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

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

Complies ☒ Complies Partially ☐ Explanation ☐

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

- **a) Propose basic conditions of employment for senior management.**
- **b) Verify compliance with company remuneration policy.**
- **c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee**

that individual remuneration be proportional to that received by other directors and senior managers.

- **d) Ensure that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.**
- **e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.**

Complies ☒ Complies Partially ☐ Explanation ☐

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

Complies ☒ Complies Partially ☐ Explanation ☐

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

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

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

53. Supervision of compliance with the company's environmental, social and corporate governance policies and rules, as well as internal codes of conduct, should be entrusted to one or more committees of the board of directors, which may be the audit committee, the nomination committee, a committee specializing in sustainability or corporate social responsibility, or any other specialized committee that tThe Board of Directors, in the exercise of its faculties of self-organization, has decided to create such specialized committee. Such committee shall be composed solely of non-executive directors, the majority of whom shall be independent the majority of them independent and be specifically attributed the minimum functions indicated in the following recommendation.

Complies ☒ Complies Partially ☐ Explanation ☐

54. The minimum functions referred to in the above recommendation are as follows:

a) The supervision of compliance with the company's corporate governance rules and internal codes of conduct, also ensuring that the corporate culture is aligned with its purpose and values.

b) The supervision of the application of the general policy regarding the communication of economic-financial, non-financial and corporate information as well as communication with shareholders and investors, proxy advisors and other stakeholders. Likewise, the way

in which the entity communicates and relates to small and medium-sized shareholders shall also be monitored.

c) The evaluation and periodic review of the corporate governance system and the company's environmental and social policy, in order to ensure that they fulfill their mission of promoting the social interest and take into account, as appropriate, the legitimate interests of other stakeholders.

d)The supervision that the company's practices in environmental and social matters are in line with the strategy and policy fixed.

e) The supervision and evaluation of the relationship processes with the different stakeholders.

Complies ☒ Complies Partially ☐ Explanation ☐

55.That sustainability policies on environmental and social matters identify and include at least:

a) The principles, commitments, objectives and strategy regarding shareholders, employees, customers, suppliers, social issues, environment, diversity, fiscal responsibility, respect for human rights and prevention of corruption and other illegal conduct.

b) The methods or systems for monitoring compliance with policies, associated risks and their management.

c) The mechanisms for monitoring non-financial risk, including those related to ethical aspects and business conduct.

d) The channels of communication, participation and dialogue with stakeholders.

e) Responsible communication practices that avoid manipulation of information and protect integrity and honor.

Complies ☒ Complies Partially ☐ Explanation ☐

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

Complies ☒ Explain ☐

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

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

Complies ☒ Complies Partially ☐ Explanation ☐

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

And, in particular, that variable remuneration components:

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

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

59. That the payment of the variable components of the remuneration is subject to sufficient verification that the previously established performance or other conditions have been effectively fulfilled. Entities shall include in the annual directors' remuneration report the criteria regarding the time required and methods for such verification depending on the nature and characteristics of each variable component.

That, additionally, the entities shall consider the establishment of a reduction clause ('malus') based on the deferral for a sufficient period of time of the payment of a part of the variable components that implies their total or partial loss in the event that prior to the moment of payment, some event occurs that makes it advisable.

Complies ☐ Complies Partially ☒ Explanation ☐ Not Applicable ☐

(The Company complies with the first part of the above recommendation, insofar as the payment of the short-term and long-term variable compensation takes place after a prudent period of time following the closing of the last fiscal year to be taken into account for the evaluation, being made within the first 60 calendar days following the formulation of the annual accounts for said year, provided that they are audited by the external auditors, and upon proposal of the Nominating, Compensation and CSR Committee.

In relation to the new requirement introduced in recommendation 59 with the recent modification of the Good Governance Code for listed companies, the Board is analyzing the feasibility of including a variable compensation reduction (malus) clause in the Board Remuneration Policy for fiscal years 2022 - 2024, the approval of which will be submitted to the General Shareholders' Meeting of fiscal year 2021. This clause would also be included in the Chief Executive Officer's service contract.)

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

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

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

Complies ☐ Complies Partially ☐ Explanation ☒ Not Applicable ☐

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

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

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

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

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

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

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

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

For the purposes of this recommendation, termination or contractual termination payments shall include any payments whose accrual or payment obligation arises as a consequence of or in connection with any payments whose accrual or payment obligation arises as a result of or in connection with the termination of the contractual relationship linking the director with the company, including amounts not previously vested in long-term savings schemes and amounts paid under post-contractual non-competition agreements.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

H. Further information of interest

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

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

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

3 The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July 2010.

(Meliá Hotels International is adhered to the following codes of ethical principles or good practices:
- Code: ECPAT Code of Conduct for the Prevention of Sexual Exploitation of Children and Adolescents in Travel and Tourism, Organization: The Code International, Scope: Global, Year of Adherence: 2006.
- Code: Global Compact Principles, Organization: UN Global Compact, Scope: Global, Year of adherence: 2008.
- Code: Best Practices in CSR & Sustainability, Organization: FTSE4 Good Ibex, Scope: Spain, Year of Accession: 2008.
- Code: Global Code of Ethics for Tourism, Organization: UNWTO, Scope: Global, Year of Accession: 2011.
- Code: Climate Change, Organization: CDP Climate - Carbon Disclosure Project Code: CDP Water - Carbon Disclosure Project, Scope: Global, Year of Accession: 2011-2019.
- Code: Social Dialogue and Labor Rights, Organization: IUF-IUF International Union of Workers, Scope: Global, Year of Accession: 2013.
- Code: Paris Agreement, Organization: United Nations Climate Change Conference in Paris (COP21), Scope: Global, Year of Accession: 2015.
- Code: Commission on Corporate Responsibility and Anti-Corruption, Organization: International Chamber of Commerce (ICC), Scope: Global, Year of Accession: 2016.
- Code: World Travel & Tourism Council, Organization: WTTC, Scope: Global, Accession year: 2016.
- Code: Closingap Cluster for the reduction of the gender gap, Scope: Spain, Accession year: 2019.
- Code: Green Recovery Alliance (European Green Pact), Organization: European Union, Scope: EU, Accession year: 2020

Since 2018, Meliá Hotels International has strengthened its link with Global Compact as a signatory company.
The Meliá Hotels International Group has both a Code of Ethics (updated in 2018) and a Supplier Code of Ethics (2018). The company is not a signatory to the Code of Good Tax Practices of July 20, 2010.)

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

25 / 02/ 2021

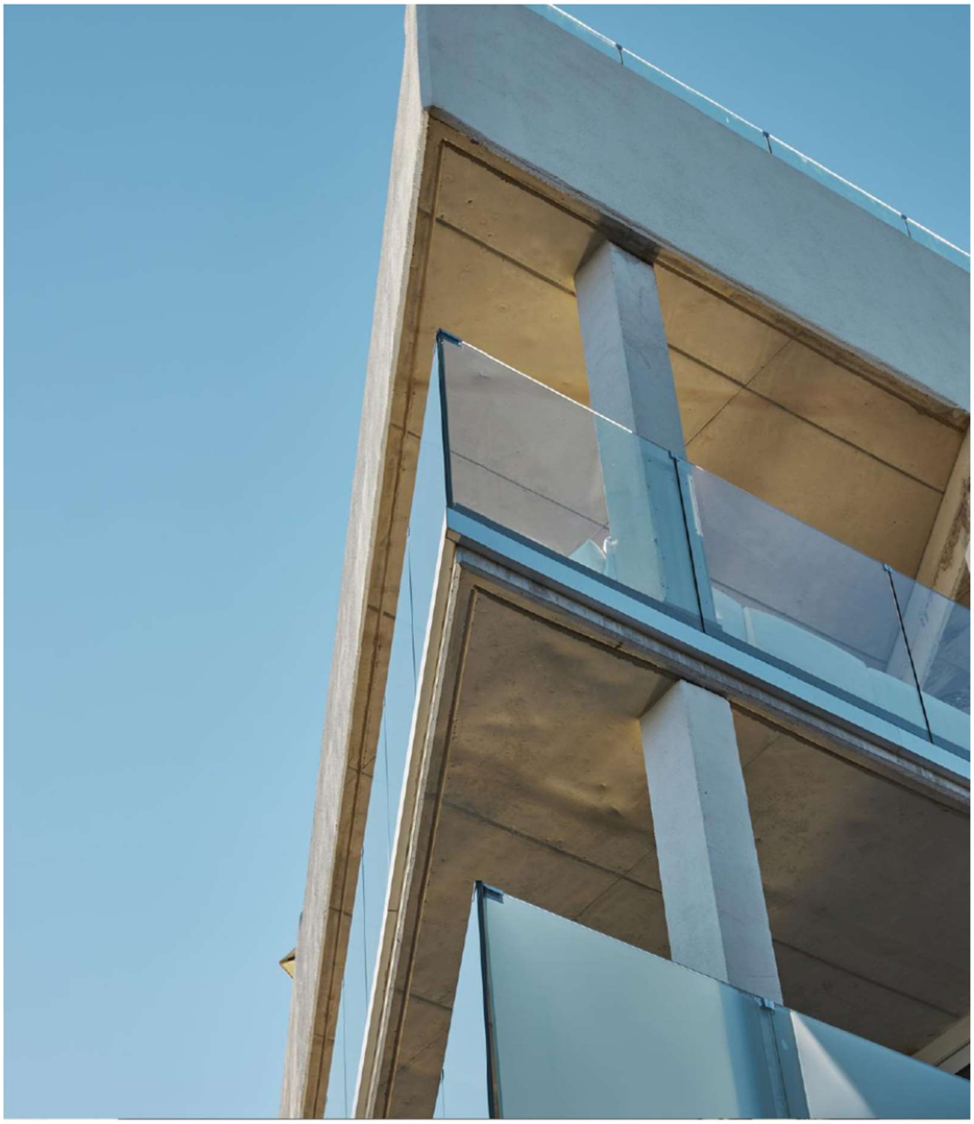
Indicate whether there have been directors who voted against or abstained in relation to the approval of this report.

YES ☐ NO ☒

Consolidated Annual Accounts

2020

MELIÃ HOTELS INTERNATIONAL | Leisure at heart, business in mind



NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

Consolidated Balance Sheet

(Thousand €)	Note	31/12/2020	31/12/2019
NON-CURRENT ASSETS			
Goodwill	10	35,335	72,267
Other intangible assets	10	61,385	73,408
Property, Plant and Equipment	11	1,688,724	1,923,267
Right of use	18	1,186,918	1,251,255
Investment property	12	102,998	116,267
Investments measured using the equity method	13	178,365	212,711
Other non-current financial assets	14.1	135,862	168,281
Deferred tax assets	20.2	317,234	297,298
TOTAL NON-CURRENT ASSETS		**3,706,821**	**4,114,756**
CURRENT ASSETS			
Inventories	15.1	24,389	29,260
Trade and other receivables	15.2	134,961	194,077
Current tax assets	20.2	34,794	39,577
Other current financial assets	14.1	66,941	49,046
Cash and other cash equivalents	15.3	104,650	328,944
TOTAL CURRENT ASSETS		**365,735**	**640,904**
TOTAL GENERAL ASSETS		**4,072,556**	**4,755,660**
EQUITY			
Share capital	16.1	44,080	45,940
Share premium	16.1	1,079,054	1,107,135
Reserves	16.2	414,564	443,037
Treasury shares	16.3	(3,382)	(28,191)
Retained earnings	16.4	(213,079)	(325,355)
Translation differences	16.5	(246,888)	(110,514)
Other measurement adjustments	16.5	(3,088)	(2,558)
Profit/(loss) for the year attributed to parent company	9	(595,928)	112,898
NET EQUITY ATTRIBUTED TO THE PARENT COMPANY		475,333	1,242,392
Non-controlling shareholdings	16.6	25,507	43,638
TOTAL NET EQUITY		**500,840**	**1,286,030**
NON-CURRENT LIABILITIES			
Bonds and other negotiable securities	14.2	34,152	33,951
Bank loans	14.2	1,064,925	786,923
Lease liabilities	18	1,189,401	1,264,282
Other non-current financial liabilities	14.2	11,529	12,212
Capital grants and other deferred income	17.1	292,423	350,593
Provisions	17.2	26,483	29,805
Deferred tax liabilities	20.2	192,870	221,888
TOTAL NON-CURRENT LIABILITIES		**2,811,783**	**2,699,654**
CURRENT LIABILITIES			
Bonds and other negotiable securities	14.2	172	172
Bank loans	14.2	260,592	100,343
Lease liabilities	18	159,158	172,012
Trade creditors and other payables	19.1	293,334	424,473
Current tax liabilities	20.2	1,859	7,675
Other current liabilities	14.2	44,818	65,301
TOTAL CURRENT LIABILITIES		**759,933**	**769,976**
TOTAL GENERAL LIABILITIES AND NET EQUITY		**4,072,556**	**4,755,660**

Consolidated Income Statement

(Thousand €)	Note	2020	2019
Operating income		528,398	1,789,537
Results from assets sale			11,211
Total Operating income and Results from assets sale	**8.1**	**528,398**	**1,800,748**
Supplies	8.2	(58,871)	(199,035)
Staff costs	8.3	(282,106)	(523,918)
Other expenses	8.4	(338,288)	(579,301)
Total Operating expenses		**(679,265)**	**(1,302,254)**
EBITDAR (*)		**(150,867)**	**498,494**
Leases	18.2	(664)	(20,584)
EBITDA (*)	**7.1**	**(151,531)**	**477,910**
Depreciation and impairment	8.5	(179,912)	(122,329)
Depreciation and impairment Right of use	8.5	(225,905)	(137,713)
Bargain purchase	8.6		4,926
EBIT (*)		**(557,348)**	**222,794**
Exchange differences		(655)	(12,753)
Borrowings		(33,328)	(33,069)
Financial expense leases		(32,507)	(41,381)
Other financial income		(8,074)	14,417
Net financial income	**8.7**	**(74,564)**	**(72,786)**
Profit /(Loss) from companies carried by the equity method	**13**	**(31,859)**	**6,304**
NET INCOME BEFORE TAX		**(663,771)**	**156,312**
Income Tax	20.6	51,050	(34,633)
CONSOLIDATED NET INCOME		**(612,721)**	**121,679**
a) Attributed to the parent company	9	(595,928)	112,898
b) Attributed to minority interests	16.6	(16,792)	8,781
BASIC EARNINGS PER SHARE IN EUROS	9	(2.78)	**0.50**
DILUTED EARNINGS PER SHARE IN EUROS	9	(2.78)	**0.50**

* See definitions in Note 2.4

Consolidated Statement of Changes in Equity

(Thousand €)	Note	Capital	Share Premium	Other Reserves	Treasury Shares	Retained Earnings	Measurement Adjustments	Net Income of Parent Company	Total Result	Minority Interest	Total NET EQUITY
NET EQUITY AT 31/12/2018		**45,940**	**1,119,301**	**431,873**	**(16,025)**	**(430,458)**	**(135,249)**	**147,094**	**1,162,477**	**41,935**	**1,204,411**
Total recognised income and expenses		**0**	**0**	**(1,002)**	**0**	**(510)**	**22,176**	**112,898**	**133,563**	**4,799**	**138,362**
Distribution of dividends						(41,705)			(41,705)		(41,705)
Operations with treasury shares	16.3		(12,166)	12,166	(12,166)				(12,166)		(12,166)
Other operations with shareholders and owners	6.2					80			80	(3,014)	(2,934)
Operations with owners and shareholders		**0**	**(12,166)**	**12,166**	**(12,166)**	**(41,625)**	**0**	**0**	**(53,790)**	**(3,014)**	**(56,805)**
Distribution 2018 net income	16.4					147,094		(147,094)			
Other variations						143			143	(82)	61
Other variations in net equity		**0**	**0**	**0**	**0**	**147,237**	**0**	**(147,094)**	**143**	**(82)**	**61**
NET EQUITY AT 31/12/2019		**45,940**	**1,107,135**	**443,037**	**(28,191)**	**(325,355)**	**(113,073)**	**112,898**	**1,242,392**	**43,638**	**1,286,030**
Total recognised income and expenses				**(283)**		**(2,041)**	**(136,901)**	**(595,928)**	**(735,153)**	**(18,327)**	**(753,480)**
Distribution of dividends										(64)	(64)
Operations with treasury shares	16.3	(1,860)	(28,081)	(28,191)	24,809				(33,324)		(33,324)
Other operations with shareholders and owners	6.2					99			99		99
Operations with owners and shareholders		**(1,860)**	**(28,081)**	**(28,191)**	**24,809**	**99**	**0**	**0**	**(33,225)**	**(64)**	**(33,288)**
Distribution 2019 net income	16.4					112,898		(112,898)			
Other variations						1,320			1,320	260	1,580
Other variations in net equity		**0**	**0**	**0**	**0**	**114,218**	**0**	**(112,898)**	**1,320**	**260**	**1,580**
NET EQUITY AT 31/12/2020		**44,080**	**1,079,054**	**414,564**	**(3,382)**	**(213,080)**	**(249,974)**	**(595,928)**	**475,333**	**25,507**	**500,840**

Consolidated Statement of Comprehensive Income

(Thousand €)	Note	2020	2019
Net consolidated income		**(612,721)**	**121,679**
Other comprehensive income:			
Items that will not be transferred to results			
Other results attributed to equity		854	632
Equity consolidated companies	13	(2,489)	4
Actuarial gains and losses in post-employment plans	17.2	(558)	(1,165)
Total Items that will not be transferred to results		**(2,193)**	**(529)**
Items that may be subsequently transferred to results			
Translation differences	16.5	(138,161)	18,289
Cash flow hedges	14.3	(925)	(1,028)
Equity consolidated companies	13	288	(306)
Tax effect	20.2	231	257
Total ittems that may be transferred to results		**(138,567)**	**17,212**
Total Other comprehensive income		(140,759)	16,683
TOTAL COMPREHENSIVE INCOME		**(753,480)**	**138,362**
a) Attributed to the parent company		(735,153)	133,563
b) Attributed to minority interests	16.6	(18,327)	4,799

Consolidated Cash Flow Statement

(Thousand €)	Note	2020	2019
1. OPERATING ACTIVITIES			
Net Income before tax		(663,771)	156,312
Result adjustments:			
Depreciation and impairment	10, 11, 18	405,817	260,042
Profit/(loss) from companies carried by the equity method	13	31,859	(6,304)
Net Financial Income	8	74,564	72,786
Negative differences in consolidation	6		(4,926)
EBITDA		(151,531)	477,910
Other result adjustments		7,686	(42,600)
Trade and other receivables		30,676	1,248
Other assets		4,870	(2,196)
Trade creditors and other payables		(131,138)	(23,136)
Other Liabilities		(9,932)	
Income taxes paid		(1,032)	(28,257)
Total net cash flows from operating activities (I)		**(250,401)**	**382,969**
2. INVESTMENT ACTIVITIES			
Dividend income		3,475	2,389
Investment (-):			
Investments in associates and joint ventures			
Business combination	6		(29,148)
Loans to associates and joint ventures		(24,058)	(26,132)
Property, plant and equipment, intangible assets and investment property	10,11,12	(51,792)	(107,966)
Non-current financial investments		(7,857)	(1,600)
Divestments (+):			
Business combination			514
Loans to associates and joint ventures		2,190	12,294
Property, plant and equipment, intangible assets and investment property	10,11,12	4,230	25,839
Non-current Assets Held for Sale			46,409
Current financial investments		5,771	18,822
Total net cash flows from investment activities (II)		**(68,041)**	**(58,579)**
3. FINANCING ACTIVITIES			
Dividend payments (-)		(64)	(43,040)
Treasury stock	16.3	(33,323)	(12,166)
Change in investment			(1,000)
Debt interest paid (-)		(32,204)	(30,824)
Debt issue	14.2	670,120	235,155
Debt redemption and repayment	14.2	(200,620)	(253,796)
Leases	18.2	(274,206)	(190,475)
Other financial liabilities (+/-)		(31,281)	(1,317)
Total net cash flows from financing activities (III)		**98,422**	**(297,463)**
4. GROSS INCREASE/ DECREASE IN CASH OR EQUIVALENTS (I+II+III)		**(220,020)**	**26,927**
5. Effect of exchange rate changes in cash or equivalents (IV)		**(4,274)**	**(10,679)**
6. Effect of changes in the scope of consolidation (V)		**0**	**(206)**
7. NET INCREASE/ DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III-IV+VI)		**(224,294)**	**16,042**
8. Cash and cash equivalents at the beginning of the year		**328,944**	**312,902**
9. Cash and cash equivalents at the year end (7+8)		**104,650**	**328,944**

Notes to the Consolidated Annual Accounts

Note 1. Corporate Information

The parent or controlling company, Meliá Hotels International, S.A., is a Spanish public limited company that was incorporated in Madrid, Spain, on 24 June 1986 under the registered name of Investman, S.A. On 1 June 2011, the General Shareholders' Meeting approved the change of name to Meliá Hotels International, S.A. In 1998 the Company moved its registered address to Calle Gremio Toneleros, 24, Palma de Mallorca, and the name remains unchanged since then.

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

In any event, all those activities that special laws reserve for companies which meet certain requirements that are not met by the Company are expressly excluded from the corporate purpose; in particular, the activities that the law restricts to Collective Investment Institutions or to Stock Market intermediary firms are excluded.

With over 60 years of history, Meliá Hotels International has consolidated its international presence with more than 326 hotels in more than 40 countries, mainly Spain, Latin America, rest of Europe and Asia. With a solid experience in seven brands to attend the different demands of its customers, which asserts its leadership in vacation hotel industry and leisure, Meliá Hotels International aims to position itself amongst the world's leading hotel groups in the upper-medium segment, as well as to be recognised as a world leader in terms of excellence, responsibility and sustainability.

Note 2. Basis of Presentation of the Consolidated Annual Accounts

The Meliá Hotels International Group presents its consolidated annual accounts in accordance with the International Financial Reporting Standards (IFRS) and their interpretations (IFRIC) in force at 31 December 2020, published by the International Accounting Standards Board (IASB) and adopted by the European Union.

These consolidated annual accounts are formulated by the Board of Directors of the parent company and are pending approval by the General Shareholders' Meeting, and they are expected to be approved without changes.

The figures on the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, and the accompanying Notes to the Accounts, all of them in consolidated form, are stated in Euro, rounded to thousands, except where otherwise indicated.

The Group's consolidated annual accounts have been prepared on a historical cost basis, i.e. the fair value of the consideration given or received for goods and services; except for those items listed under the headings 'investment property', 'derivative financial instruments' and 'financial assets at fair value through profit or loss', which are measured at fair value (see Note 5.6). It should be mentioned that the balances from the Venezuelan Group companies have been restated at current cost, in accordance with IAS 29, since Venezuelan economy is considered as hyperinflationary (see Note 3.15).

2.1. Changes in Accounting Policies, Estimates, and Errors.

Changes in EU-IFRS

This fiscal year, the Group has adopted the standards approved by the European Union whose application was not obligatory in 2019.

- Amendments to IAS 1 and IAS 8: "Definition of Material".
- Amendments to IFRS 9, IAS 39 and IFRS 7: "Interest Rate Benchmark Reform - Phase 1".
- Amendments to IFRS 9, IAS 39 and IFRS 7: "Interest Rate Benchmark Reform - Phase 2".
- Amendment to IFRS 3: "Definition of a Business".
- Amendments to IFRS 4: "Deferral of IFRS 9 Application".
- Amendment to IFRS 16: "Leases, Leasehold Improvements".

The accounting policies applied are consistent with those of the previous year, considering the adoption of the standards and interpretations mentioned in the paragraph above which have no greater impact on the consolidated financial statements or the financial position of the Group.

Amendment to IFRS 16: "Leases, Leasehold Improvements"

On 12 October 2020, the European Union proceeded to adopt the amendment to IFRS 16 published on May 2020 by the IASB. By means of such standard it is allowed (but not obliged) the option of not to individually review the amendments made to lease agreements as a result of the pandemic and which affect the lease payments maturing at the latest on 30 June 2021. If this solution is applied, the agreed improvements are recognised as variable payments (negative) for the period.

The Company opted not to adopt this solution, and has recognised as amendments all the renegotiations carried out during the year. Had these options been adopted, the Group would have recognised an amount of EUR 13 million of lower expense in the Consolidated Income Statement.

The standards issued prior to the formulation date of these consolidated annual accounts and which will enter into force in subsequent dates are the following:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: "Interest Rate Benchmark Reform".
- Amendment to IFRS 4: "Deferral of IFRS 9 Application".
- Amendment to IFRS 3: "Reference to the Conceptual Framework".
- Amendments to IAS 16: "Proceeds before Intended Use".
- Amendments to IAS 37: "Onerous Contracts — Cost of Fulfilling a Contract".
- Improvements of IFRS 2020 Cycle (IFRS 1, IFRS 9, IFRS 16 and IAS 41).
- Amendment to IAS 1: "Classification of liabilities as current or non-current".

It is not expected that the adoption of the abovementioned standards will have significant impacts on the Group's financial statements.

2.2. True Image

These Consolidated Annual Accounts have been prepared on the basis of the internal accounting records of the parent company, Meliá Hotels International, S.A., and the accounting records of the rest of the companies included in the scope of consolidation as detailed in Annex 1 and Annex 2, duly adjusted according to the accounting principles established in the IFRS; and fairly present the equity, financial position and results of operations of the Company.

2.3. Comparability

These consolidated annual accounts include the figures for year 2020 and, for comparison purposes, those for year 2019, of each of the items in the balance sheet, income statement, statement of comprehensive income, statement of changes in equity and the cash flow statement, all of them in consolidated form. The comparative amounts for 2019 regarding the quantitative information appearing in the notes to the consolidated annual accounts are also included.

2.4. Alternative Performance Measures

The main alternative performance measures (APM) used by the Company are listed below, as well as the basis on which they are calculated, such measures being regarded as the measures of future or past financial performance, financial position or cash flows.

Key financial indicators:

The Group uses various subtotals from the EBIT. These subtotals are broken down in the consolidated income statement, where their reconciliation in relation to the EBIT can be observed, as well as their comparative values.

- EBITDAR: Earnings Before Interest, Tax, Depreciation, Amortisation, & Rent. EBIDTAR allows comparability among the hotel business units operated by the Group, regardless of the method through which the operation rights were acquired (ownership or lease).

- EBITDA Earnings Before Interest, Tax, Depreciation & Amortisation. It offers an estimate of the net cash flow from operating activities. To this end, this indicator is also reported as a subtotal in the consolidated cash flow statement.

Other financial indicators

- EBITDAR and EBITDA without capital gains: The purpose of this indicator is to offer a measurement of the Company's operating income, excluding certain results from the property segment mainly related to asset rotation. Revenues and expenses derived from those activities are excluded from the calculation of EBITDA without capital gains, giving rise to revenues without capital gains, measurement used to calculate margins without capital gains.

  The reconciliation of EBITDAR and EBITDA without capital gains for year 2020, in relation to the subtotals reported in the consolidated income statement, is as follows:

(Thousand €)	Revenues	Expenses	EBITDAR	Leases	EBITDA
Consolidated Income Statement	**528,398**	**(679,265)**	**(150,867)**	**(664)**	**(151,531)**
Investment property valuation results		21,027	21,027		21,027
Without capital gains	**528,398**	**(658,238)**	**(129,840)**	**(664)**	**(130,504)**

In 2020 no Capital Gains of fixed assets were generated. By contrast, impairment of property investments was generated as described in Note 4 and which is included under 'Other expenses' in the Consolidated Income Statement.

For comparison purposes, the calculation for year 2019 is shown below:

(Thousand €)	Revenues	Expenses	EBITDAR	Leases	EBITDA
Consolidated Income Statement	**1,800,748**	**(1,302,254)**	**498,494**	**(20,584)**	**477,910**
Results from assets sale	(11,211)	1,068	(10,142)		(10,142)
Investment property valuation results		3,132	3,132		3,132
Without capital gains	**1,789,538**	**(1,298,053)**	**491,483**	**(20,584)**	**470,900**

- EBITDAR and EBITDA margin without capital gains: The margin offers a percentage ratio of the revenues the Company may recognise in the income statement. For the operational decision-making of the Company, the abovementioned revenues and results without capital gains are taken into consideration. There follows the calculation for 2019, which is not an indicative ratio for 2020:

(Thousand €)	2019
Income without capital gains	1,789,538
EBITDAR without capital gains	491,483
EBITDAR margin without capital gains	**27.46%**
EBITDA without capital gains	470,900
EBITDA margin without capital gains	**26.31%**

- Net Debt: This indicator is used to measure the financial leverage. It is calculated as the difference between debt with credit entities, short- and long-term securities issues and lease liabilities less Cash and cash equivalents. The reconciliation of this indicator with the different headings in the consolidated balance sheet for 2020 and 2019 is shown below:

(Thousand €)	31/12/2020	31/12/2019
Bonds and Other Negotiable Securities (Non-Current)	34,152	33,951
Bank Loans (Non-current)	1,064,925	786,923
Bonds and Other Negotiable Securities (Current)	172	172
Bank Loans (Current)	260,592	100,343
Lease liabilities	1,348,559	1,436,294
Cash and other cash equivalents	(104,650)	(328,944)
Net Debt	**2,603,750**	**2,028,739**

- Net debt ratio over EBITDA: This indicator is usually used by financial analysts, investors and stakeholders related to the Company. This is the ratio between the Company's payment commitments (Net Debt) and its capacity to generate cash flows from the transaction (EBITDA without capital gains). There follows the calculation for 2019, which is not an indicative ratio for 2020:

(Thousand €)	2019
Net Debt	2,028,739
EBITDA without capital gains	470,900
Net Debt over EBITDA	**4.31**

- GAV (Gross Asset Value) and NAV (Net Asset Value): The Company periodically carries out a valuation of its assets through an independent expert.

  The Gross Asset Value (GAV) is the aggregated sum of the result of such valuation for all the assets owned by the Group, and the assets owned by associates weighted by the Group's percentage of interest in such companies.

  The Net Asset Value is the result of reducing the GAV by the amount of the Group's Net Debt and the net debt of the associates owning the valued assets weighted by the Group's percentage of interest on the date of the asset valuation.

Hotel management stats

The hotel industry uses basic statistical data to analyse how the hotel establishments can generate revenues and how they evolve over time.

The indicators broken down below only affect the hotel business shown as a segment in the consolidated annual accounts.

- Occupancy rate: The percentage ratio obtained by dividing the occupied rooms by the available rooms. Available rooms means the number of physical rooms multiplied by the number of days the room has been ready to be occupied.

Likewise, occupied rooms (sold) are calculated as the number of days the physical rooms have been effectively occupied during the period.

This indicator offers a measurement of the use of the available capacity of the hotels, which is used by the management team to calculate the demand for a specific hotel or group of hotels in a specific time frame. Likewise, it is also used to set the average price per room, depending on whether the demand for rooms increases or decreases.

The calculation details of the occupancy rate of hotels operated under lease and under management by the Group in 2020 and 2019 are broken down as follows:

(Thousand €)	2020	2019
Available Rooms	5,455,660	11,465,508
Occupied Rooms	2,136,015	8,112,529
Occupancy Rate	**39.2%**	**70.8%**

The calculation of this indicator has been strongly impacted by the effects of the pandemic. On one hand, available rooms were reduced by 52.4% due to the full and partial closure of the Company's hotels, as mentioned in Note 4.1, and occupied rooms by almost 73.7% due to the drop in tourism activity around the world.

- ARR (Average room rate): The average room rate is calculated by dividing the total room revenue (see Note 8.1) by the occupied rooms. It measures the average price per room reached by a hotel in a specific time frame and provides valuable information as for price dynamics and type of customers of a specific hotel or group of hotels. Thus, this measurement is widely used in the industry and by the management team in order to estimate the prices the Company can charge based on the type of customer. Likewise, the changes applied to the average price per room have a different impact on revenues as well as on the business profitability in comparison with those applied to the occupancy rate. The result of the ARR calculation for 2020 and 2019 is as follows:

(Thousand €)	2020	2019
Room Income	235,447	996,082
Occupied Rooms	2,136,015	8,112,529
ARR (euros)	**110.23**	**122.78**

- RevPar (Revenue Per available room): Revenue per available room is the result of dividing the total room revenue (see Note 8.1) by the number of available rooms. The management team uses this indicator to evaluate the business performance, since it is correlated with the key indicators of the operations of a hotel or group of hotels: the occupancy rate and the average price per room. Likewise, the RevPAR is used to measure and compare the performance in comparable periods between similar hotels.

  The result of the RevPAR calculation for 2020 and 2019 is as follows:

(Thousand €)	2020	2019
Room Income	235,447	996,082
Available Rooms	5,455,660	11,465,508
RevPAR (euros)	**43.16**	**86.88**

This indicator has fallen by 50.3% mainly due to the drop in occupancy rate as abovementioned, and, to a lesser extent, due to the drop in ARR.

2.5. Consolidation

Subsidiaries

Subsidiaries are the companies over which the Group exercises effective control, generally accompanied by more than half of the voting rights.

In addition to the shareholding percentage, when assessing whether a controlling interest is held in a company, the Group considers the following aspects:

- Influence over the investee, giving the Group the ability to manage its significant activities.
- Right to the variable returns from its shareholding in the investee.
- Ability to use its influence over the investee to have an impact on the amount of the returns obtained.

According to the full consolidation method, the financial statements of subsidiaries are consolidated as from the date on which control is transferred to the Group and are excluded from the consolidation as from the date on which such control ceases to exist. Intra-group balances and transactions are eliminated in full.

Associates and Joint Ventures

Associates are all companies over which the Group exercises significant influence but not control. Significant influence generally includes between 20% and 50% of the voting rights and means the power to participate in the financial and operating policy decisions of the investee company.

Joint ventures are joint agreements in which the parties that hold joint control under such agreements hold rights over the net assets thereof. The unanimous consent of the parties sharing control is required under these agreements.

Associates and joint ventures are consolidated using the equity method. According to this method, the carrying value of the investment is recognised initially at cost, and is increased or decreased to recognise the Group's interest in the results and in the income and expenses directly recognised in equity of the associate or joint venture after the date of acquisition. The Group's investment in associates and joint ventures includes goodwill identified on acquisition.

The Group's share in profit or loss after the date of acquisition of associates and joint ventures is recognised in the income statement, and its share in movements in other comprehensive income is directly recognised in equity, including the relevant adjustment to the carrying value of the investment.

Where the accumulated losses incurred by an associate or joint venture result in a negative equity, the Group adds the amount of any other item that may be considered to be greater in value than the net investment until said investment is reduced to zero. From that moment on, the Company takes into account any additional losses by recognising a liability, only to the extent that it has incurred legal or constructive obligations or has made payments on behalf of the investee company or joint venture.

The Group does not currently participate in joint ventures that must be included using the proportional consolidation method.

Consistency in terms of timing and measurement

All subsidiaries included in the scope of consolidation close their fiscal year on 31 December, so the relevant annual accounts for 2020 and 2019 have been used for consolidation purposes or, if the annual accounts have not yet been prepared, the corresponding accounting records, once the appropriate measurement adjustments to ensure compliance with the relevant IFRS have been carried out.

Business combinations

When the Group first adopted the IFRS, it did not apply IFRS 3 retrospectively to the business combinations that took place before the date of transition, benefiting from the exemption included in IFRS 1 "First-time Adoption of International Financial Reporting Standards", therefore, the goodwill existing under Spanish regulations as at 31 December 2003, net of accumulated amortisation up to that date, was recorded as goodwill, under the heading Intangible Assets.

In business combinations after the date of transition, the excess between the cost of the business combination and the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as Goodwill, under the heading Intangible Assets.

The excess between the acquirer's interest, where appropriate, after reassessing the identification and valuation of the identifiable assets, liabilities and contingent liabilities, and the cost of the business combination, is recognised in the income statement for the year.

If the business combination is achieved in stages, the carrying value on the acquisition date of the interest in the acquiree's equity previously held by the acquirer is remeasured at fair value on the acquisition date, and any loss or profit arising from this new measurement is recognised in the income statement for the year.

Purchase of non-controlling interests

Once control is obtained, any subsequent operations in which the controlling company acquires more non-controlling interests, or sells interests without losing control, are accounted for as transactions with equity instruments. It follows from the above that:

- Any difference between the amounts by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in net equity and attributed to the owners of the controlling company.
- The carrying value of the goodwill is not adjusted, and no gains or losses are recognised in the income statement.

Sale of controlling interests

When the Group ceases to have control over a subsidiary, any retained interest is recognised at fair value at the date when control is lost, and the change in the carrying amount is recognised in the income statement for the year. In the case of companies owning hotels, the result is recognised in operating revenues, in the real estate income item (see Note 3.11). The fair value is the initial carrying amount for the purposes of the subsequent recognition of the interest retained as associate, joint venture or financial asset.

Loss of significant influence

If the Group no longer exercises significant influence over the associate or joint venture, it measures and recognises the investment maintained at fair value. Any difference between the carrying value of the associate at the time significant influence is lost and the fair value of the investment maintained plus the income obtained on the sale is recognised in the income statement.

Elimination of inter-company transactions

The inter-company balances for inter-company transactions relating to loans, leases, dividends, financial assets and liabilities, sale and purchase of inventories and fixed assets and provision of services, have been eliminated. Regarding the sale and purchase transactions, the unrealised profit margin with regard to third parties has been reversed so that the corresponding assets are stated at cost, thus adjusting the depreciations carried out.

Non-controlling interests

The proportional part of equity corresponding to the Group's non-controlling interests, calculated in accordance with IFRS 10, is recorded under this heading of the balance sheet.

Profit or loss attributed to non-controlling interests

This relates to the share in consolidated profit or loss for the year corresponding to the non-controlling interests.

Translation of the annual accounts of the foreign companies

All the assets and liabilities of companies with a functional currency other than the euro and which are included in the scope of consolidation, are translated to euro at the exchange rate existing at year end.

Items in the profit and loss account have been translated at the exchange rates existing on the dates on which the relevant transactions were carried out.

The difference between the amount of the foreign companies' equity, including the balance of the profit and loss account calculated according to the previous paragraph, translated at the historical exchange rate, and the net equity position resulting from the translation of assets and liabilities as mentioned in the first paragraph, is recorded with a positive or negative sign, as appropriate, in the net equity of the consolidated balance sheet, under the Translation differences heading, net of the portion of such difference corresponding to non-controlling interests, which is recorded under the Non-controlling interests item in equity in the consolidated balance sheet.

Goodwill and fair value adjustments of the balance sheet items upon the acquisition of interests in a foreign company, are recognised as assets and liabilities of the company acquired and, therefore, translated at the exchange rate existing at year end, and the exchange differences that may arise are recognised under the Translation differences heading.

Upon total or partial disposal or reimbursement of contributions of a company with a functional currency other than the Euro, cumulative translation differences since 1 January 2004 (date of transition to IFRS) relating to said company, recognised in equity, are taken to the consolidated income statement as a gain or loss on disposal.

2.6. Accounting Valuations and Estimates

Directors have prepared the Group's consolidated annual accounts using judgments, estimates and assumptions which have an effect on the application of the accounting policies described in Note 3, as well as on the balances of assets, liabilities, income and expenses and the breakdown of contingent assets and liabilities at the issuance date of these annual accounts.

Such estimates and assumptions are based on historical experience and other factors considered reasonable and relevant under the circumstances. The carrying amount of assets and liabilities, which is not readily apparent from other sources, has been established based on these estimates. These estimates and assumptions are periodically reviewed; the effects of the reviews on the accounting estimates are recognised whether in the year in which they are realised, if they have an effect solely on such period, or in the period under review and future periods, if the review affects both periods. However, the uncertainty inherent in the estimates and assumptions could lead to results that may require an adjustment to the carrying amounts of assets and liabilities affected in future periods.

The estimates made are detailed, where appropriate, in each of the explanatory notes of the balance sheet captions. The estimates and judgment that have a significant impact on the amounts recognised in the consolidated financial statements and may involve adjustments in future years are set out below:

Estimated impairment loss on goodwill and other non-financial assets

The Group verifies annually whether there is an impairment loss in respect of goodwill and other non-financial assets, in accordance with Notes 3.1, 3.2 and 3.12. The recoverable amounts of cash-generating units are calculated from its value in use. These calculations are based on reasonable assumptions in accordance with past yields obtained and future production and market development expectations.

Corporate income tax

The calculation of income tax requires the interpretation of the tax legislation applicable to the countries in which the Group companies operate. There are also several factors related mainly, but not exclusively, to changes in tax laws and changes in the interpretation of tax laws currently in force that require the use of estimates by the directors of the parent company.

Directors of the parent company must carry out significant estimates to determine the amount of the deferred tax assets that can be recognised, by considering the amounts and the dates on which future taxable profits will be obtained and the reversal period of the taxable temporary differences.

Where there is an uncertainty in relation to the income tax treatments, the Group assesses whether a tax authority is likely to accept an uncertain tax treatment. If it concludes that the tax authority is likely to accept an uncertain tax treatment, the effect of the uncertainty on the taxable profit (tax loss), tax bases, unused tax losses and unused tax credits or the corresponding tax rates is reflected. The effect of the uncertainty is reflected using the method that, in each case, better foreshadows the resolution of the uncertainty: the most probable amount or the expected value. In each case, the Company makes an assessment of whether each uncertain tax treatment must be considered separately or jointly with another or several uncertain tax treatments, in line with the approach that better foreshadows the resolution of the uncertainty.

The calculation of income tax is detailed in Note 20.

Fair value of derivatives

The fair value of derivative financial instruments that are not traded in an active market is determined using measurement techniques, as specified in Note 3.5. The Group uses a variety of methods and makes assumptions that are based mainly on market conditions at the consolidated balance sheet date. Most of these measurements are obtained from the financial institutions with which the instruments were contracted.

Fair value of investment property

The Group uses the fair value method in measuring investment property. The estimation of this fair value is mainly carried out based on the appraisals undertaken by independent experts using valuation techniques such as expected discounted cash flows from such assets, as well as regular updates of the Company based on such studies.

Post-employment benefits

The cost of defined benefit pension plans is calculated using actuarial valuations. Actuarial valuations require the use of assumptions on discount rates, asset yields, salary increases, mortality tables and rotation, as well as the retirement age of employees with right to these benefits. These estimates are subject to significant uncertainties due to the long-term settlement of these plans.

These commitments have been valued by reputable independent experts using actuarial valuation techniques. Note 17.2 gives details of the assumptions used to calculate these commitments.

Inflation and exchange rate to be applied to the consolidation of Venezuelan subsidiaries

In August 2018, Venezuela replaced the Bolívar fuerte (VEF), which was applied until such date, with the Bolívar soberano (VES), by dividing the value of the new currency by 100. (VES 1 = VEF 100,000).

However, from fiscal year 2018 and due to the ongoing complex political and economic situation in the country, the Company considers that the different official exchange rates do not reflect the economic situation of the country and, therefore, decided to internally estimate the exchange rate that is most appropriate for the consolidation of the financial statements of its subsidiaries in Venezuela.

This estimated exchange rate, based on the high inflation to which the price of goods and services of the country are subjected, has been calculated based on the last official exchange rate of 2015, updated according to the corresponding inflation rate in each period from then on. An exchange rate of VES 23,040,205 per US dollar has been obtained from such update at the end of the year, resulting in a devaluation of 3,548% compared to the previous year. At year-end 2019, the estimated exchange rate was VES 631,558 per US dollar.

The inflation considered for this calculation in 2020 has been 3,548%; 16,291% in 2019. Although the Central Bank of Venezuela has published inflation figures for 2020 (2,960%), the Company considers that the reports supported by the independent expert are still the best reference when presenting the true image of the accounting and economic reality of its subsidiary companies in the country.

The Group will continue to assess the political and economic situation in the country in order to adopt any change in the exchange rate which may be applicable for the consolidation of its Venezuelan subsidiaries.

Covid-19

The health crisis generated by Covid-19 has caused a high degree of uncertainty regarding the development of economic and tourism activities in the years to come. The various containment measures adopted by the countries, as well as the lockdown and closure of borders, led to a general drop in tourism demand, thus increasing the uncertainty regarding the development thereof. Note 4 explains the estimates and assumptions adopted as a consequence of Covid-19 for the preparation of the consolidated annual accounts.

2.7. Cash Flow Statements

The Cash flow statement includes the cash movements during the fiscal year, calculated by the indirect method. The expressions used in the cash flow statements have the following meanings:

- Cash flows: Inflows and outflows of cash or other cash equivalents, these being understood to be investments for a period of less than three months with high liquidity and low risk of changes in value.
- Operating activities: These are the activities that constitute the main source of ordinary income of the Group, as well as other activities that cannot be classified as investment or financing.
- Investment activities: The acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: Activities that result in changes in the size and composition of the equity and of liabilities of a financial nature.

Cash flows from operating activities include the capital gains generated by asset rotation activities, while the net carrying amount of the assets disposed of is recognised under the heading Investment activities.

In relation to lease payments, the total amount of the cash flows paid in each fiscal year is divided between principal (included in financing activities) and interest (included also in financing activities).

Note 3. Accounting Policies

3.1. Intangible Assets

Goodwill

Goodwill generated on consolidation represents the difference between the acquisition price of fully consolidated subsidiaries and the Group's interest in the market value of identifiable assets and liabilities of subsidiaries.

Goodwill generated in acquisitions prior to the date of transition to IFRS is recorded in the consolidated balance sheet at the net value recorded as of 31 December 2003.

Goodwill is not amortised. Instead, goodwill review studies are carried out annually to identify any impairment losses. Impairment losses are recognised if the recoverable value, determined based on the current value of future expected cash flows of the cash-generating units associated with goodwill and discounted at a rate which considers the specific risks of each generating unit, is lower than the amount initially assigned. Impairment losses recognised for goodwill shall not be reversed in subsequent periods. These measurements are carried out internally. Note 10 includes details regarding their calculation.

Other intangible assets

Other intangible assets relate to several software applications, as well as transfer rights and industrial property.

Software applications are valued at cost price and amortised using the straight-line method over their estimated useful life of 5 to 10 years. Software maintenance-related expenses are recognised as an expense when incurred.

The investments in technological innovation incurred by the Group in producing identifiable and unique software programmes controlled by the Group are included under this heading. In addition, these comply with the following conditions:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The Company intends to use or sell the intangible asset.
- The Company can use or sell the intangible asset.
- It can be demonstrated how the intangible asset will generate probable future financial benefits.
- Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset.
- The expenditure attributable to the intangible asset during its development can be reliably measured.

The directly attributable costs that are capitalised as part of the software programmes include the labour cost of the staff developing the programmes and a suitable percentage of general costs.

Transfer rights relate mainly to the acquisition costs of operating and management rights for various hotels and are amortised using the straight-line method over the term of the agreements related to these rights.

Investments carried out in trademarks, which are initially recognised at cost, are not amortised as their useful life is indefinite and are subject to impairment tests. The remaining items included in industrial property are amortised on a straight-line basis over a five-year period.

3.2. Property, Plant and Equipment

Property, plant and equipment is stated at cost, including transaction costs, plus the financial expenses directly attributable to the acquisition, construction and renovation incurred to bring the assets into operating conditions, less accumulated depreciation and any impairment losses.

The repairs which do not extend the useful life or the production capacity of the assets and the maintenance expenses are charged directly to the consolidated profit and loss account. Costs that extend or improve the useful life of the assets or can only be used with the item of property, plant and equipment are capitalised as an increase in their value.

The Group depreciates its property, plant and equipment by the straight-line method over the years of estimated useful life, as follows:

Buildings	40-50 years
Technical facilities	15-18 years
Machinery	10-18 years
Furniture	10-15 years
Computer software	3-8 years
Vehicles	5-10 years
Other fixed assets	4-8 years

The useful life and residual value of property, plant and equipment are reviewed at each consolidated balance sheet date. Land is not subject to systematic depreciation since it is considered to have an indefinite useful life, however it is subject to impairment tests.

The Other fixed assets heading includes the amount of replacement inventories which are stated at average cost as per the stocktaking carried out in the different hotel centres at the year end. Breakages and losses are recorded as Disposals.

Impairment of property, plant and equipment

At each year end, the Company assesses whether there is an indication that an asset may be impaired. If such indication exists, the asset's recoverable amount is estimated. Regularly, the Group obtains valuations carried out by independent experts of its owned hotel assets whether operated by the Company or leased to third parties, as well as certain hotels under lease. Such valuations are supplemented with the valuations carried out internally.

When determining the value of the assets, the valuation criterion most used by the experts is the discounted cash flow, since hotel investments are generally valued according to the potential future income. In certain cases, other valuation methods are used, such as the comparables method or the residual value method. The latter method is mainly used to value plots and land.

At the end of the years in which valuations by independent experts are not obtained, the Group assesses whether there is an indication that its tangible assets may be impaired. If such indication exists, or when annual impairment test for an asset is required, the Group estimates the asset's recoverable amount on the basis of the methodology used in the last valuation carried out by the independent expert for the relevant asset or cash-generating unit. An asset's recoverable amount is the higher of an asset's fair value less costs to sell or cash-generating unit and value in use, and is determined individually for each asset, unless the asset does not generate cash inflows that are independent of those from other assets or groups of assets.

For owned hotels, the Group considers whether there is any indication that they have suffered an impairment loss mainly based on the operating result of the various cash-generating units, as well as observable external sources of information revealing that the value of the asset during the period has decreased more than expected as a consequence of the passage of time or its normal use, due to changes that may have occurred in the environment in which the hotel operates. In addition, other factors such as geo-political circumstances, economic situation or natural disasters that may affect the recoverable amount of such assets are taken into account.

In assessing value in use, the Group projects future cash flows by considering the budget approved by the governing bodies of the Company for 2021, and applying growth assumptions that are consistent with the market in which the asset operates and its historical performance for a period of 5 years and estimating a residual value according to a long-term growth rate not higher than the expected growth of the economy and the sector in which the asset operates. Estimated future cash flows are discounted using a discount rate before taxes which reflects changes in the value of money over time in the current market and the specific risks of the asset which have not been adjusted in the estimated future cash flows, mainly the risks of the business and the country in which the asset is located.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and its carrying value is reduced to its recoverable amount. Losses due to impairment of ongoing activities are recognised in the income statement in the expense category in accordance with the function of the impaired asset.

An assessment is made each year end as to whether there is any indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in previous years. This reversal is recognised in the income statement for the year. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

3.3. Investment Property

The investments carried out by the Group to obtain lease income or capital gains and which generate cash flows independently of the other assets held by the Group, are recorded under this heading.

After the initial recognition made for the total amount of the costs related to the asset acquisition transaction, the Group has chosen the application of the fair value model, therefore, all investment properties are recognised at fair value and any change in value occurred is included in the consolidated income statement.

At each year end, the Group updates the fair value assessment of each property, either through the valuation made by an independent expert, or by contrasting the main variables used in the last available valuation made by the expert with updated information. The best evidence of the fair value is the current prices in an active market for similar properties. Where this information is not available, future discounted cash flows are estimated, on the basis of the budget approved by the governing bodies of the Company for the next year, and applying growth assumptions in line with the market in which such asset operates.

3.4. Segment Reporting

Information on operating segments is presented according to the internal information as provided to key decision-makers within the Group. Key decision-makers means the Senior Executive Team (SET), which is responsible for allocating resources and evaluating performance of operating segments. The SET is a collegiate body consisting of the Chief Officers of each General Management and the CEO (Chief Executive Officer).

3.5. Financial Instruments

The Group recognises financial assets or financial liabilities in its statement of financial position when it becomes party to the contractual clauses of the related instrument.

Financial Assets

Financial assets within the scope of IRFS 9 are classified, according to the valuation criteria, as financial assets at amortised cost, financial instruments at fair value through other comprehensive income, and at fair value through profit and loss. The classification in one category or another will depend on the characteristics of the financial asset's contractual cash flows and on the management model of the Company used to manage such assets.

Financial assets are initially measured at fair value, except for trade receivables, which are measured at their transaction price if they do not have a significant financial component.

Financial assets at amortised cost

This classification includes the amounts recorded under the Trade and other receivables heading, and all the collection rights included in headings Other non-current financial assets and Other current financial assets.

Such assets are subsequently recognised at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or are impaired, as well as through the amortisation process.

Non-current deposits and guarantees are measured at amortised cost using the effective interest rate method. These assets are not discounted.

These assets are maintained in order to obtain contractual cash flows and they only give rise to principal and interest payments on the outstanding principal amount.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include held-for-trading financial assets acquired for the purposes of selling them mainly in the short term, as well as unlisted equity instruments of companies over which no control or significant influence is exercised.

Assets in this category are recognised in the consolidated balance sheet, under the Other current assets heading if they are expected to be settled in the short term or in Other non-current assets if in the long term.

Operations involving the assignment of financial assets

The Company derecognises an assigned financial asset when it assigns the contractual rights to receive the cash flows generated by the asset or, even when retaining such rights, it assumes a contractual obligation to pay them to the assignees and the risks and rewards associated with the ownership of the asset are substantially transferred.

In case of assignment of assets in which the risks and rewards associated with the ownership of the financial asset are substantially retained, the assigned financial asset is not derecognised in the balance sheet and a related financial liability is recognised for an amount equal to the consideration received, which is subsequently measured at amortised cost. The assigned asset continues to be measured by the same criteria as those used before the assignment. The income derived from the assigned asset and the expenses derived from the related financial liability are recognised in the consolidated income statement without offset.

Impairment of financial assets

The Company applies a simplified approach when calculating the expected credit losses of financial assets at amortised cost and, where appropriate, a value adjustment for the expected credit losses over the entire life of the asset is recognised at each closing date. To do that, the Group has established a matrix of provisions based on its history of credit losses, adjusted by the prospective factors specific for such assets.

Due to the characteristics of the main sector in which the Company operates, the customers of the hotel segment have minimal risk of insolvency.

In relation to the Vacation Club customers, the Company can terminate the contracts, therefore, the impact of the cancellation of such receivable would also imply the derecognition in the accounts of liabilities pending to be executed.

Financial Liabilities

Financial liabilities within the scope of IFRS 9 are classified, according to the valuation criteria, as financial liabilities at amortised cost. These liabilities are initially recognised at fair value adjusted for directly attributable transaction costs. All non-derivative financial liabilities of the Group are included within the category Financial liabilities measured at amortised cost.

Issuance of bonds and other negotiable securities

Debt issues are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. They are subsequently measured at amortised cost applying the effective interest method. Bonds with a maturity exceeding twelve months are classified as non-current liabilities, while those with shorter maturity than that are included under current liabilities. In the event of issuing convertible bonds, these are recorded as hybrid or combined financial instruments, according to the terms of the issue in question.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received, net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Bank loans and credit facilities

Loans are initially recognised at the amount received, net of transaction costs. After initial measurement, they are carried at amortised cost using the effective interest rate method.

This heading includes debts originated with the acquisition of assets financed by leasing contracts.

Trade creditors and other payables

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Lease liabilities

Note 3.12 provides information on the valuation method and accounting policies regarding this type of liabilities.

Other financial liabilities at amortised cost

The remaining financial liabilities that relate to payment obligations as detailed in Note 14, are also measured at amortised cost using the effective interest rate method. However, financial liabilities with short-term maturities and which have no contractual interest rate are measured at their face value provided the effect of not adjusting the cash flows is not material.

Combined Financial Instruments

Combined financial instruments are non-derivative financial instruments that include liability and equity components simultaneously. Both components are presented separately.

At initial recognition, the liability component is measured at the fair value of a similar liability that is not connected with an equity component, and the equity component is measured by the difference between the initial amount and the value assigned to the liability component. The costs arising from this operation are divided between the liability component and the equity component in the same proportion resulting from the assignment of the initial value.

After initial recognition, the liability component is measured at amortised cost using the effective interest rate method.

Hybrid Financial Instruments

These are financial instruments that include two different components: a non-derivative host contract and an embedded derivative.

The Company recognises, measures and presents the host contract and the embedded derivative separately, when the following circumstances simultaneously take place:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
- The hybrid instrument is not measured at fair value through profit or loss.

In such cases, the embedded derivative is recognised at fair value through profit or loss and the host contract is recognised based on its nature, usually at amortised cost according to the effective interest rate method. Calculations of the fair value of these embedded derivatives are carried out by independent experts outside the Group.

Derivative Financial Instruments

Derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss or as accounting hedges. In both cases, derivative financial instruments are initially recognised at fair value on the date on which they are arranged, and such fair value is regularly adjusted. Derivatives are carried as assets, under the heading Other financial assets, when the fair value is positive and as liabilities, under the heading Other financial liabilities when the fair value is negative.

Accounting Hedges

The Company has opted to continue to apply the requirements on accounting hedges under IAS 39, in accordance with paragraph 7.2.21 of IRFS 9.

The Company applies hedge accounting to those operations in which the hedge is expected to be highly effective; that is, when the changes in the fair value or in the cash flows of the items covered by the hedge are offset by the changes in the fair value or cash flows of the hedging instruments with an effectiveness comprised between 80% and 125%. In addition, at the inception of the hedge, the relationship between the hedged item and the derivative financial instrument designated for that purpose is formally documented.

The Group has various interest rate swaps classified as cash flow hedges. Changes in the fair value of these derivative financial instruments are reflected in net equity, under the heading Other measurement adjustments, being allocated by the part considered an effective hedge to the profit and loss account insofar as the item being hedged is also settled. The fair value is entered in the accounts according to the date of trade.

The fair value of interest rate swaps is determined through the discounted cash flow measurement technique according to the characteristics of each contract, such as the face amount and the collection and payment schedule. The discount factors used to obtain said value are calculated based on the curve of the zero-coupon rates obtained from the deposits and rates listed in the market on the date of measurement. The resulting fair value is adjusted for the own credit risk and that of the counterparty, according to IFRS 13. These values are obtained from studies carried out usually by the financial institutions with which the Group has contracted these instruments.

Derivatives not qualifying for hedge accounting

Any profit or loss arising from changes in the fair value of derivatives which do not qualify to be classified as hedging instruments are directly recognised in the net profit or loss for the year. The fair value of these derivative financial instruments is obtained from studies carried out by independent experts.

3.6. Non-Current Assets Held for Sale and Discontinued Operations

If there are assets whose carrying value is expected to be recovered through a sale rather than by means of their continued use, such assets are recorded under the heading Non-current assets held for sale.

They are recognised at the lower of their carrying amount and fair value less costs to sell. The company recognises an impairment loss for initial or subsequent write-down of the asset to fair value less costs to sell. The company recognises a gain for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognised.

In the income statement, income and expenses from discontinued operations are presented separately from the income and expenses from continued operations, under profit/(loss) after taxes. Assets held for sale are not depreciated/amortised.

The non-current assets that are for sale, within the asset rotation segment, but which are still operated by the Group until their sale, are not reclassified under this balance sheet heading and are maintained in the balance sheet according to their nature.

3.7. Inventories (Commercial Inventories, Raw Materials and Other Supplies)

Raw and ancillary materials are measured at their average acquisition cost, which is generally lower than their realisable value, any necessary measurement adjustments being made in case their estimated realisable value is lower than their cost. The acquisition price includes the amount included in the invoice plus all additional expenses incurred until the goods are stored in the warehouse.

3.8. Treasury Shares

Treasury shares are presented as a decrease in the Group's net equity and are stated at cost without carrying out any measurement adjustments.

Gains and losses obtained on disposal of treasury shares are recorded directly against equity.

3.9. Government Grants

Government grants are recognised at fair value only when there is a reasonable certainty that the conditions for receiving the grant will be fulfilled and such grants will be effectively received.

Where the grant relates to an expense item, it is taken to the income statement over the period necessary to match the grant, on a systematic basis, with the costs to be offset by the grant.

Where the grant relates to an asset, the fair value is recognised as deferred income and is taken to the income statement based on the expected useful life of such asset.

3.10. Provisions and Contingencies

Provisions are recognised when the Group:

- Has a present obligation, legal or implicit, because of a past event.
- It is probable that an outflow of funds including economic benefits will be required to settle the obligation.
- A reliable estimate can be made of the amount of the obligation.

Provisions are carried at the present value of the best possible estimate of the amount needed to settle or transfer to a third party the obligation. Adjustments due to updating the provision are recognised as a financial expense as they accrue. Provisions maturing in one year or less with a non-significant financial effect are not discounted.

Provisions are reviewed at each consolidated balance sheet date and are adjusted to reflect the current best estimate of the liability at such date, taking into account the risks and uncertainties relating to the obligation.

On the other hand, contingent liabilities are the possible obligations, arising from past events, the materialisation of which is subject to the occurrence of future events which are not entirely under the Group's control, and those present obligations, arising as a result of past events, that are not likely to give rise to an outflow of resources for their settlement or which cannot be measured with sufficient reliability. These liabilities are not recognised in the accounts, but are disclosed in the notes to the annual accounts (see Note 22).

Post-Employment Benefits

Post-employment plans are classed as defined contribution plans or defined benefit plans.

Defined contribution pension plans

Defined contribution plans are those plans under which the Group makes fixed contributions to an independent entity and does not have any legal, contractual or implicit obligation to make additional contributions if the independent entity does not hold sufficient assets to satisfy the commitments assumed.

Contributions are recognised as employee benefits when they accrue.

Defined benefit pension plans

Pension plans that are not defined contribution plans are considered as defined benefit plans. In general, defined benefit plans fix the amount of the benefit that the employee will receive on retirement, usually based on one or more factors such as age, number of years of service and remuneration.

The Group recognises in the balance sheet a provision for defined benefit awards established in collective bargaining agreements in an amount corresponding to the difference between the present value of the committed benefits and the fair value of any assets linked to the benefit commitments which will be used to settle the obligations, less any past service costs still not recognised, if any.

If an asset results from the above-mentioned difference, its valuation may not exceed the current value of the economic benefits that may be available in the form of reimbursements from the plan or reductions in future contributions to the plan.

Past service costs are recognised immediately in the consolidated income statement unless they involve non-vested rights, in which case they are taken to the income statement on a straight-line basis over the period remaining to the vesting of the past service rights.

The current value of the obligation is determined using actuarial calculation methods and unbiased financial and actuarial assumptions that are mutually compatible. The Company recognises directly in the Statement of comprehensive income, the profits and losses arising from the change in the current value, and, where applicable, the plan assets, as a result of the changes in actuarial assumptions or adjustments made on the basis of experience.

Certain collective bargaining agreements in force and applicable to some Group companies establish that permanent staff for a specified number of years employed by the Company who opt to terminate their employment contract will be entitled to a cash award equal to a number of monthly salary payments which is proportional to the number of years of service. During the fiscal year, an assessment of these commitments has been performed in accordance with the actuarial assumptions contained in Group's own rotation model, by applying the calculation method known as the Projected Unit Credit Method and the population assumptions corresponding to the PER2000P tables.

The balance of provisions, as well as the capitalisation of payments for future services, cover these acquired commitments, based on an actuarial analysis prepared by an independent expert. This valuation is detailed in Note 17.2.

The Group has duly externalised the pension commitments and obligations stipulated in collective bargaining agreements subject to the Ministerial Order of 2 November 2006. Assets related to these externalisation operations are recognised as a reduction in the balance of the acquired commitments.

3.11. Revenue Recognition

The operating revenues arising from contracts with customers are recognised as the obligations undertaken with such customers are met by the Company.

When recognising such revenues, the 5-stage analysis included in IFRS 15 is carried out, in order to determine the amount and the moment of revenue recognition for each of the contracts with customers of its operating segments:

- Identification of the customer's contract
- Identification of the performance obligations
- Determination of the transaction price
- Allocation of the price to the various performance obligations

- Revenue recognition according to the fulfilment of each obligation

Such revenues are shown net of discounts, refunds and value added tax. The Group bases its return estimates on past results, having regard to the type of customer, the type of transaction and the specific circumstances of each agreement.

Sale of rooms and other related services

Revenues deriving from the sale of rooms are daily recognised based on the services provided by each hotel establishment and including “in-house" customers, i.e. those that are still lodged at the hotel at the time daily production is closed. For this type of contracts, the only execution obligation identified is that of the own hotel service, which includes making available the hotel rooms to the customers.

Where the hotel rate includes services such as food and beverage (breakfast, half board or full board), an additional execution obligation is identified, to which a differentiated price is allocated on the basis of the expected cost plus a margin approach. It is worth mentioning that in hotels marketed only under all-inclusive regime (mainly located in America), this is not considered as a differentiated service, however, for the purposes of breakdown, a percentage of the rate is allocated to item ‘revenues for food and beverages’.

In any case, the execution obligations undertaken with hotel customers are considered as fulfilled over time, during the stay of the customer in the establishment, and the Group recognises the daily revenues corresponding to the services consumed by the customer on that date.

Within the hotel business segment, the Company manages the customer loyalty programme “Meliá Rewards”, which consists of rewarding customers that stay in hotels or use services provided by associates, through a series of points that are exchangeable for rewards such as, among other things, free stays in hotels managed by the Group.

If a hotel customer is member of the loyalty programme and accumulates points for his/her stays, a differentiated performance obligation is identified, to which an amount is allocated depending on the fair value of such points, and will be met at the time the member of the programme uses the points obtained, by deferring until such time the recognition of revenues in the consolidated income statement of the Group, for the amount allocated to such obligation.

Additionally, other services provided directly by the hotels, such as rent of rooms, organisation of events, rent of commercial premises to third parties, etc... are included under heading ‘Other business revenues’ in the table included in Note 8.1 of these notes to the consolidated accounts and are recognised depending on the IRFS applicable at the time in which the service is rendered.

Provision of hotel management services

With regard to contracts with hotel owners for the management of their establishments, there are several performance obligations identified in each of the contracts. The main obligation of the Group in such contracts is to provide hotel management services for these establishments. The consideration for these services is established as a percentage of the amount of the total revenues and the gross operating profit (GOP) generated by the management of the Group. Every month, the Company recognises the corresponding revenues in the consolidated income statement depending on the progress of both magnitudes for each of the hotel management contracts, according to the contractual terms and conditions set out in each of them.

The other performance obligations differentiated in the hotel management contracts relate to services linked to such activity, such as fees for reservations made through the own channels of Meliá Group, or licences for use of own or centrally managed software applications. The Company recognises the revenues from the provision of these services as these obligations are met which, in the case of fees for reservations, coincide with the arrival of the customers to the hotel.

These revenues are included under heading ‘Other revenues’ in the table of Note 8.1 of these notes to the consolidated accounts.

Sale of vacation club units

With regard to the contracts for the sale of vacation club units, the Group has identified as a performance obligation the provision of the marketed units to Club customers in their corresponding weeks. Regardless of the contract term, such obligation is considered to be met when the customer uses such weeks, moment in which the revenues are recognised in the consolidated income statement. The Group distributes the consideration received in proportion to the number of weeks included in the contract, deferring the revenue recognition until the moment of use and recognising the amount of non-used weeks under heading 'Capital grants and other deferred income' in liabilities of the consolidated balance sheet.

The consideration agreed in most of these contracts with customers of the vacation club includes the payment of interest derived from the deferred payments agreed in such contracts. The Group recognises the revenue from such interest over time when the right to receive it is generated, since the customers have the possibility to pay in advance the outstanding amounts.

Fixed assets capital gains

The Company actively manages its real estate assets portfolio. In general, these are sales transactions for asset rotation which can be organised through the direct sale of the asset or through the company owning such asset. The net income of such transactions is shown under heading Operating revenues as Fixed assets capital gains and is calculated as set out in paragraph 71 of IAS 16, by deducting from the fair value of the consideration received the carrying amount of the assets disposed of.

Likewise, this operating segment of the Company includes sales transactions and/or the contribution of hotels to joint ventures and associates for the purposes of maximising present and future cash flows of this portfolio. These transactions involve the derecognition of the hotels in the consolidated accounts and the recognition of the consideration received, whether in cash or the retained interest, or a combination of both.

The Group recognises the retained residual interest in such hotel businesses at fair value, taking any change in the carrying value to the income statement, as detailed in Note 2.5. Therefore, the recognised capital gains tally with the obtained capital gains.

Lease income

Income deriving from leases in investment properties is recognised on a straight-line basis over the term of the lease and is included as operating revenues under the asset management segment.

Interest income

Interest income is recognised using the effective interest rate method for all the financial instruments measured at amortised cost. The effective interest rate is the rate that exactly discounts payments made and received in cash estimated over the expected life of the financial instrument. Interest income is recognised as financial income in the consolidated income statement.

Dividends

Income from dividends is recognised when the right of the Group to receive the corresponding payment is established.

3.12. Leases

The Group assesses at inception of an agreement whether the agreement contains a lease. If this is the case, the corresponding lease liability and right of use are recorded. Otherwise, the lease payments are recognised as an operating expense as the economic benefits of the leased assets are realised.

The lease liability is initially calculated as the present value of the fixed or substantially fixed lease payments which have not been disbursed on that date, discounted by using an incremental rate during the minimum non-cancellable period, and considering the extension options that can reasonably be exercised and the periods with option to terminate that are not reasonably possible to exercise.

The initial recognition of the right-of-use asset includes the initial measurement of the liability, including the payments made before the start of the lease and the initial direct costs, discounting the rewards received. It is a common practice to establish clauses in hotel lease agreements that require some payments to improve the asset by the lessee. In such circumstances, usually, these improvements are not specific and are included as further payments to be discounted, affecting both the liability and the right of use.

Subsequently, the right of use is measured at cost less any accumulated depreciation and impairment losses. The depreciation period is the lease term or the useful life of the underlying asset, whichever occurs first. Additionally, the value is adjusted if new measurements of the liability are made due to circumstances affecting the amounts of the payments or the lease term. Some of these changes require a review of the discount rate used.

The Group applies IAS 36 in order to determine whether a right-of-use asset is impaired and recognises any impairment losses identified according to Note 3.2.

The Company has applied the following accounting policies, estimates and criteria:

Scope:

The Company applies the low-value exemption for lease agreements whose underlying assets do not exceed USD 5,000 and the short-term exemption for lease agreements with a duration of less than one year. Lease and non-lease components are not separated in those assets in which these components are not likely to affect the total lease value.

The Company considers that the hotel management agreements are not within the scope of IRFS 16 application and, therefore, management revenues are recognised under IFRS 15 (see Note 3.11).

Minimum lease payments

Most hotel lease agreements include a contingent payment based on the consumer price index of the country in which the asset is located which usually is reviewed every year. The index value at the date of lease inception is applied in the calculation of the minimum lease payments.

In case of variable rate lease agreements under which a minimum lease payment is set for defined periods, this amount is considered in the initial calculation, with the amount of the variable rate exceeding such minimum lease payment being recognised as an expense in the income statement.

Lease term

Regardless of the date of execution of the agreement, for the purposes of recognition in the Group's financial statements, the initial date of the agreement is considered to be the date on which the hotel is effectively occupied, and which corresponds to the opening date.

The Company considers the minimum non-cancellable term as the initial term set forth in the lease agreement, without including the potential extensions if they are unlikely to be exercised. In order to determine whether an extension will be exercised with reasonable certainty, some key features have been defined and taken into account by the Group to determine whether there are economic rewards that justify such exercise: rates not adjusted to market conditions, investments to be made and the particularity of the hotel asset, among others.

Discount rate

Given the difficulty in setting the interest rate implicit in hotel lease agreements, the Group has decided to calculate the incremental borrowing rate as applicable to each agreement. The model for the calculation of incremental rates is based on a risk-free rate, the asset's economic context risks (country) and the risk inherent in the Company, all this weighted by the temporary value of cash flows as determined in the schedule of minimum lease payments stipulated in each lease agreement.

Lease liabilities with banks (leasing) are initially recognised using the interest rate implicit in the agreement. These liabilities are shown under heading 'Bank borrowings' of the consolidated balance sheet.

Impairment of right-of-use assets

In general, right-of-use assets do not generate separate cash inflows, therefore, their impairment assessment must be made as part of a cash-generating unit and, consequently, the Group adjusts the calculation of the recoverable amount of such cash-generating unit as described in this Note. In this respect, the Group excludes from the carrying amount of the cash-generating unit the lease liabilities and also excludes from the calculation of the value in use the payments linked to such liabilities. By contrast, the Group includes in the calculation of the value in use the variable payments since they are not included in the lease liability, as well as the lease renewal payments when the term thereof is shorter than the cash flow projection period of the cash-generating unit.

In assessing value in use, the Group projects future cash flows by considering the budget approved by the governing bodies of the Company for 2021, and applying growth assumptions that are consistent with the market in which the asset operates and its historical performance for the remaining period, until a period equal to the lease term is completed. The discount rates used in determining the recoverable amount are also adjusted in a way consistent with the underlying cash flows and the corresponding cash-generating unit.

3.13. Corporate Income Tax

The corporate income tax expense for the year is calculated as the sum of the current tax in each of the subsidiary companies included in these consolidated annual accounts, excepting the existing 3 consolidated tax groups, whose parent companies are: Meliá Hotels International, S.A., Sol Meliá France S.A.S. and Inversiones Explotaciones Turísticas, S.A., that are treated as one unit each.

This calculation arises from the application of the corresponding tax rate to the tax base for the year, after applying the existing tax credits and deductions, plus the change in deferred tax assets and liabilities recorded. This amount is recognised in the consolidated income statement, unless the tax relates to items recognised directly in equity, in which case the corresponding tax expense is also recognised in equity.

Current tax assets and liabilities are the estimated amounts payable to or receivable. The tax rates used are those in force at the consolidated balance sheet date.

Deferred tax assets and liabilities are calculated for all the temporary differences existing at the consolidated balance sheet date as the difference between the carrying amounts of the assets and liabilities and their tax bases.

Deferred tax assets and liabilities are only offset if there is a legally enforceable right to offset the current tax assets with current tax liabilities and when they relate to income taxes levied by the same tax authority and on the same taxable entity, or different taxable entities which intend to settle current tax liabilities and assets on a net basis.

Deferred tax liabilities are recognised for all taxable temporary differences, unless the temporary difference arises from goodwill for which amortisation is not deductible for tax purposes, or from the initial recognition of other assets and liabilities in a transaction, except in the case of a business combination, which affects neither accounting nor taxable profit or loss.

Likewise, deferred tax liabilities are recognised for all taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except when the following conditions are jointly met: the parent company is able to control the timing of the reversal of the temporary difference; and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that they will be recovered by the generation of sufficient taxable profits against which the deferred tax asset and carry-forward of unused tax credits and unused tax losses can be used, excluding the deductible temporary differences arising from the initial recognition of an asset or liability in a transaction, except in the case of a business combination, which affects neither accounting nor taxable profit or loss.

Likewise, deferred tax assets for all taxable differences arising from investments in subsidiaries, associates and joint ventures, are only recognised when the following conditions are jointly met: it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be used.

At each balance sheet date the recovery of the deferred tax assets is reviewed and adjusted to the amount which is expected to be recovered based on the taxable profit available, calculated according to prudence criteria and excluding the potential profits deriving from the disposal of properties, given the uncertainty concerning their realisation dates, which depend on market conditions, and the different tax consequences depending on the nature of the transactions carried out.

Deferred tax assets and liabilities are measured based on their expected materialisation and on the tax legislation and tax rates approved, or substantively approved on the consolidated balance sheet date.

3.14. Transactions in Foreign Currency

Debit and credit balances in foreign currency are measured at the exchange rate in force on the transaction date and at the end of the year are translated at the exchange rate then in force.

Exchange differences are treated as income or expenses in the year in which they occur, except for those arising from financing transactions granted to subsidiaries abroad which have been considered as an increase in the value of the net investment in such businesses since the settlement of such transactions is not foreseen or likely to occur, as provided for in IAS 21 "The Effects of Changes in Foreign Exchange Rates."

3.15. Functional Currency and Hyperinflationary Economies

The Euro is the presentation currency of the Group and its parent company Meliá Hotels International, S.A.

The functional currency of each of the companies within the Group is the currency of the main economic environment in which the company operates. At the end of 2020 and 2019, the Venezuelan economy was classified as hyperinflationary, since it meets the characteristics of the economic environment laid down in IAS 29 "Financial Reporting in Hyperinflationary Economies".

Consequently, the balance sheets of the Venezuelan companies in the scope of consolidation have been restated based on a current cost approach that reflects the effects of changes in the price indices on their non-monetary assets and liabilities.

Likewise, the increase or decrease in purchasing power resulting from the application of the change in the price index to the net monetary position is taken to the profit or loss account of these companies. The restatement effect on the current monetary unit of the remaining items of the profit and loss account of Venezuelan companies is also included in the income statement.

For the purposes of enhancing the true image of the consolidated financial statements and given the obvious economic link between the recognised impacts due to hyperinflation and the devaluation which are recorded in the country in recent years, the Group presents the two effects in the consolidated net equity, by recognising both the effect of the restatement of non-monetary items and the effect of the differences arising from the conversion into euros, directly under the heading Retained earnings in net equity.

The accumulated impacts of both magnitudes broken down separately for 2020 and 2019 are shown below:

(Thousand €)	31/12/2020	31/12/2019
Asset Revaluation	366,523	279,742
Retained earnings decrease	(542,008)	(454,721)

According to certain studies conducted by independent experts, hyperinflation stands at around 3,548%. In 2019, the inflation rate rose to 16,291% (see Note 2.6).

There are no other companies within the scope of consolidation which are considered as hyperinflationary economies at the end of 2020 and 2019.

Note 4. Impacts of COVID-19

The Covid-19 crisis that originated in Wuhan and which was declared as a health epidemic at the beginning of the year and as a pandemic on 11 March 2020 by the WHO, has spread globally during 2020 and constitutes a serious threat to public health.

A public health crisis worldwide which has directly affected the global economy, including the markets in which the Group operates and its activity, thereby introducing a high degree of uncertainty.

Under these unprecedented circumstances, the Group has defined an action plan which is focused on 5 action levers to respond to the impacts which may derive from the pandemic, focusing on the next day in order to reinforce the Company's position:

- Tactical Management of Covid-19: A business continuity plan has been designed as a short-term measure to handle the toughest months of the crisis.
- Organisational Evolution: To ensure efficiency and professionalism in the service provided to our business units.
- Commitment to Digitalisation: In order to evolve towards a digitalised operating model through innovation, technology and more efficient processes.
- Sustainable Management: In order to move towards a sustainable future from a responsible present.
- Strengths of Business: To reinforce the core pillars of business (direct channel melia.com, loyalty programme MeliáRewards and the value of the Company's brands), through a selective and quality growth, focusing on Total Revenue and the enhancement of the "Meliá system".

The impacts and measures adopted by the Group in the management of Covid-19 are described below:

4.1. Impact on the Business and on Alternative Performance Measures

The evolution of the hotel business has changed throughout the year due to the different scenarios as a result of the pandemic development in the various destinations in which the Group operates.

In this sense, in Spain the first two months of the year evolved in line with expectations. However, after the declaration of the state of emergency in March, the hotels were closed until May, when the reopening was allowed with certain restrictions. As from mid-June, after the end of the de-escalation and the freedom of movement between provinces, several establishments were reopened on the Spanish mainland coast in order to welcome national customers and with reduced levels of occupancy.

The third quarter was marked by new outbreaks in Spain and other tourist source countries, with the tour operator sector being the most affected. On the basis of the above, the sale strategy was focused on national customers and, in some cases, this leads to the early closure of certain seasonal hotels, given the dependence on international customers in some holiday destinations. Urban destinations performed in two different ways, with the secondary cities having better performance compared to the main cities such as Madrid and Barcelona, which showed poorer outcomes due to the lack of the MICE and Corporate segments.

During the last quarter of the year, the perimeter lockdowns and limitations to movement accelerated the closure of certain hotels.

On the other hand, in EMEA, the year started as usual until March, when restrictions and closure of hotels began. This period was followed by a slight recovery in the area which was interrupted with the arrival of the second wave in July. The year ended during the third wave, with many countries in almost total lockdown (United Kingdom, France) while other countries were operating with many difficulties (Germany, Italy). By contrast, MEA sub-region has operated with certain normality.

In the case of America, prior to the official declarations of the existence of the pandemic outbreak in the Dominican Republic, the Group started the closure procedure in the third week of March. During the second and third quarter, all the hotels in Punta Cana remained closed due to the lack of demand and the slow recovery of flights frequency. However, during the last quarter of the year, a gradual recovery was observed supported by the arrivals from the USA. Mexico and the USA started the year with a very positive trend until the arrival of the pandemic in March, which interrupted the tourism operations from March to June, when the gradual reactivation of both markets started.

In contrast to the rest of the regions, in Asia the Covid-19 crisis began at the end of January, leading to the closure of various hotels in that region in February. In the second quarter, the region overcame the peak of the pandemic in the region, except for Indonesia. In the second half of the year, the positive evolution of the hotels in China stands out, with figures similar to those recorded in 2019. However, other countries with more dependence on international customers are being negatively impacted by the effects of the pandemic.

As a result of the above, the operating income of hotel establishments under ownership and under lease, as well as income from management fees decreased by 70% compared to 2019. On the other hand, this year the Group's RevPaR has decreased by 50.32% worldwide. The occupancy rate has decreased by 31.6 points and the number of available rooms decreased by 6 million, i.e. by 52.42% compared to the previous year.

Note 2 includes additional breakdowns on the calculation of the alternative performance measures (APM) used by the Company.

Given the significant decrease in income and hotel occupancy rates, the Group has implemented during the year strict contingency plans which have reduced the operating expenses during the year in the amount of approximately EUR 623 million compared to 2019, which meant a decrease of 47.8 %.

It is worth mentioning that, in order to maximize the well-being and safety in the Group's hotels, and adapting to the new needs and demands from customers, the Company has launched the programme *Stay Safe With Meliá*, certified by Bureau Veritas, in order to manage the necessary preventive measures to be applied against Covid-19. In addition, some of our hotels have been converted into temporary hospitals during this period, providing essential services to local communities to assist in alleviating as far as possible the effects of this crisis.

The directors, in the current situation and after the start of the vaccination process, continue to assess and monitor the continuous implementation of additional measures to adapt the Group's operations depending on the development of the pandemic.

In that sense, the directors and the Management of the Parent Company have considered that the Covid-19 impacts on the Group's activities affected the estimates made and, consequently, the carrying value of assets and liabilities in the consolidated balance sheet, as well as certain financial risks: market risk (exchange rate risk and interest risk), credit risk and liquidity risk.

In that sense, they have carried out an assessment which is consistent with the best information available, the results of which include the following noteworthy aspects:

4.2. Estimates and Recoverable Value of Fixed Assets

The directors and the Management of the Parent Company estimate that there is an indication of impairment losses as described in Paragraph 12 of IAS 36 as a consequence of the crisis resulting from the coronavirus spread, such as significant changes in the economic environment with adverse impact and, consequently, according to paragraph 9 of the mentioned standard, they have estimated the recoverable value of all fixed assets.

Hotel assets under ownership

This category includes hotel assets owned by Group companies consolidated by the global integration method as well as associates consolidated by the equity method, and investment properties.

The Group has considered that its assets under ownership with a net carrying amount as at 31 December 2020 exceeding 75% of the amount of the last valuations carried out by an independent expert, which almost all of them were obtained less than 2 years ago, could be impaired.

For the identified assets, an updated assessment has been obtained through a combination of valuations made by independent experts and assessments made internally by the Group. The external valuations have been made by the firms specialising in hotel investment and consulting services Jones Lang LaSalle and Knight Frank and are dated 31 December 2020.

The external experts have issued their assessment subject to a "significant uncertainty" according to the VPS3 and VPGA10 regulations of the RICS Global Valuation Standards as a result of Covid19. In this sense, the assessment should be attributed a lesser degree of certainty and a greater degree of attention. However, the asset assessment includes an estimate of the possible impact that this situation could potentially have on net revenues, growth expectations and discounts of each asset owned by the Group.

The value criterion used by the independent experts was the discounted cash flows.

Additionally, the Group has applied the same criterion as that applied by the independent experts for all its assets under ownership assessed internally.

Rights of use on hotel assets

The Group has estimated their recoverable amount by determining their value in use. As a result of Covid 19, the Group has prepared an updated a business plan for the period 2020 – 2030, with three possible scenarios based on the different market recovery assumptions in the next three years. The recovery will be followed by a stabilisation and normality period, with significant margin improvements based on the Group's commitment to digitalisation and the implementation of a new operating model and, finally, a growth phase. In carrying out this update of the business plan, the Group has relied on its experience in previous crisis and the studies made on the recovery of this crisis by renowned sector experts, however, it is public knowledge that this crisis is unprecedented in the sector since no previous crisis had involved the closure of all business units for so many months.

In assessing value in use, the Group has taken as a basis the new business plan, projecting the future cash flows per hotel and estimating a residual value according to a long-term growth rate not higher than the expected growth of the economy and the sector in which the asset operates. Estimated future cash flows are discounted using a discount rate before taxes, which has been reviewed with regard to that used as at 31 December 2019, in order to reflect changes in the value of money over time in the current market and the specific risks of the asset which had not already been adjusted in the estimated future cash flows, mainly the risks of the business and the countries in which the assets are located.

The discount rates used, by geographic area, were as follows:

	WACC
Spain	7.69%
EMEA	6,88%-7,69%
America	7,34%-12,53%

Impacts

As a result of the assessment carried out on the Covid-19 impact, the consolidated income statement for 2020 includes, under headings "Depreciation/amortisation and impairment of property, plant and equipment and intangible assets" and "Amortisation and impairment of rights of use", an impairment loss in the amount of EUR 41.5 million and EUR 70.0 million, respectively. Likewise, regarding investment properties, the "Other expenses" heading includes an expense in the amount of EUR 21 million relating to the change in fair value of investment properties. Finally, the investments in companies accounted for by the equity method include impairment of their assets under ownership in the amount of EUR 17.7 million.

The distribution of impairment by geographic area is, in million EUR, as follows:

	Equity method assets	Owned assets	Right of use hotel assets	Total
Spain	13.04	16.59	43.42	73.05
EMEA		23.60	14.95	38.55
America	4.70	22.35	11.68	38.73
Total	**17.74**	**62.54**	**70.05**	**150.33**

4.3. Risk Management

Liquidity Risk

In response to the negative impact that the crisis generated by Covid-19 has had on the cash flows from operating activities during 2020, as well as that which is expected to continue in the short term, many actions have been adopted in order to increase liquidity and strengthen the financial position of the Group. These actions include:

- Personnel cost reduction through the adoption of measures that, according to the legal framework established in each country, have allowed a better adaptation to the situation.
- Non-approval of the proposal for distribution of dividends charged to reserves and allocation of the total profits for year 2019 to reserves of the parent company in order to strengthen its equity balance.
- Termination of the treasury share buy-back programme.
- Financing transactions closed in the amount of EUR 575 million. Such transactions were carried out without risks or collateral.

The directors and the Management of the Parent Company are constantly monitoring the evolution of the situation, as well as the impacts that it may have on the credit market and they consider that, without prejudice to possible improvements and adaptations that may be applied, the liquid assets included in the consolidated balance sheet, as well as the availability of loan agreements and credit facilities, the applied borrowing policies and the amount of cash flows generated in the worst scenarios, ensure that the Group will meet the obligations included in the consolidated balance sheet as at 31 December 2020 with solvency, and there is no significant uncertainty on the Group's ability to continue as a going concern.

Credit risk

As mentioned in the notes to the consolidated annual accounts for the year ended 31 December 2019, due to the nature of the main section in which the Group operates, the insolvency risk of hotel segment customers is very low, and in relation to Vacation Club customers, the Group can terminate the contracts, therefore, the impact of the cancellation of such receivable would also imply the derecognition of liabilities in the accounts. In that sense, the Group has agreed with some of its customers commitments in the form of a deferral or modification of the timing of the cash flows. Such commitments are aimed at mitigating the temporary liquidity restrictions for the debtors and do not involve significant modification of the conditions of the related financial assets since the current value of the expected cash flows according to the modified terms and the current value of the cash flows according to the original terms of the agreement do not differ by more than 10%. As a result of the measures adopted, no customer receivables of a relevant amount have been derecognised from the balance sheet.

On the other hand, the Company has considered the impact of the Covid-19 crisis in assessing the expected credit losses over the entire useful life of the financial assets derived from the balances with customers. In that sense, they have adjusted the specific prospective factors jointly used with the credit loss history for the determination of impairments, in order to include the increase of 27.37 days of the average collection period, as well as the macro-economic effect in the different countries expected by renowned institutions, and also considering the liquidity support measures adopted by the governments of the countries in which the Group's hotels are located from which customers may benefit, and taking into account the high degree of uncertainty in the long term. As a result of their assessment, the directors have estimated an increase in the expected credit loss of the balances with customers in the amount of EUR 6 million.

In relation to the other financial assets exposed to a credit risk, which mainly relate to loans to associates and third parties, the directors have assessed the existing risk in each case. Based on the considerations made and the expected long-term collectability from such borrowers, an increase in the risk of collectability of such financial assets is estimated in the amount of EUR 14 million.

In order to mitigate and control any potential credit risk in the current scenario, the Company has adopted the following measures:

- Thorough control and communication with Credit & Insurance department in order to anticipate possible temporary receivership, as well as to report immediately any payment default, so that joint actions may be taken.
- To reinforce the monitoring and claim for the payment of receivables, as well as to shorten the periods for claiming debts in order to, as far as possible, shorten the collection periods.
- To facilitate the management of customer deposits among the Group companies through offsetting between them in order to avoid refunds.

4.4. Other Effects

Savings from lease renegotiation

As a result of both the exceptional situation derived from the compulsory closure of our establishments and the lack of visibility on the future profits derived from their operation, the Group negotiated and entered into agreements with certain lessors of the hotels which it operates under lease prior to 31 December 2020, reaching different types of agreements: extensions, waivers, reduction of committed investments, etc. The number of hotel agreements affected by these measures is 54 of a total current portfolio of 100, mainly in Spain and EMEA.

Considering that the Company decided not to avail itself of the option of considering some of these lease improvements as negative variable payments for the year (see Note 2.1) and that most of these agreements involved an important modification of the lease, lease liabilities connected with the new terms and conditions entered into have been restated, after reviewing the discount rate used (an average rate of 0.94%) and adjusting the right-of-use value (see Note 18). These negotiations allowed the Company to save EUR 29.1 million as at 31 December 2020 in respect of lease payments in hotels under lease.

Recoverability of tax credits

The recovery of deferred tax assets has been reviewed as at 31 December 2020 as a result of the estimated effects on the Group's cash flows and recoverability of the tax credits recognised under such heading and, consistently, according to the methodology used in the consolidated annual accounts for 2019 and without considering the regulatory measures not yet approved at the date of preparation of these consolidated annual accounts.

As a result of the analysis carried out by the directors, a loss has been recognised due to the derecognition of tax assets in Spain in the amount of EUR 2.5 million and income from new tax assets abroad has been recognised in the amount of EUR 27.9 million. The net amount of EUR 25.4 million is detailed under Income Tax Expense in Note 20.

Note 5. Financial Risk Management Policies

The Board of Directors of Meliá Group approved in 2011 the General Policy for Risk Control, Analysis and Management, which establishes the risk management model, which is aimed at minimising the potential adverse effects of any risks on the consolidated annual accounts. Such policy is reviewed and, where appropriate, updated each year.

In addition to Note 4 regarding the impact of the Covid-19 pandemic on the Group's financial risk policy, additional information on these risks is provided below.

Among Geopolitical Risks, it is worth mentioning that, on 31 January 2020, United Kingdom left the European Union thus beginning a transition period which extended until 31 December of the same year. Although United Kingdom remained as the main source of tourists to Spain (data prior to the pandemic), the Company does not expect that this decision will involve a significant impact on the customer flow, and also taking into account the agreements reached between both parties in terms of trade and cooperation. The Group, however, will continue to follow up the negotiations or events that may affect the tourism industry, particularly, exchange rate movements between the British pound and the euro.

Likewise, the Group's activities are exposed to different financial risks: market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The policies pursued by the Group try to minimise the potential adverse effects on its consolidated financial statements.

5.1. Interest Rate Risk

The Group's consolidated annual accounts include certain items subject to fixed and variable interest.

It is a policy of the Company to provide partial hedge against changes in interest rates by contracting different financial derivatives that allow it to contract a fixed rate for a specified period that it applies to financing transactions with variable rates.

The structure of the debt as at 31 December 2020, directly impacted by the current pandemic (see Note 4.3) is as follows (these amounts do not include unpaid interest due):

(Thousand €)	Fixed Interest	Variable Interest	Total
Simple Bonds	30,000		30,000
Other negotiable securities		5,000	5,000
Bank loans	541,087	361,901	902,988
Mortgage-backed loans	166,461	94,008	260,470
Credit facilities		165,168	165,168
Bank lease liabilities		1,071	1,071
TOTAL DEBT	**737,549**	**627,149**	**1,364,697**

Variable interest rate debts are basically tied to Euribor and USD Libor.

As at 31 December 2020, the Group has various interest rate swaps contracted which are classed as cash flow hedging instruments. The bank loans and mortgage-backed loans at a variable rate covered by these swaps are shown in the Fixed Interest column for the part of capital hedged. Additional breakdowns are included in Note 14.3.

In addition, the Company has various guarantees and deposits for different transactions, and which are broken down in Note 22.1.

For comparison purposes, information for year 2019 is as follows:

(Thousand €)	Fixed Interest	Variable Interest	Total
Simple Bonds	30,000		30,000
Other negotiable securities		5,000	5,000
Bank loans	432,535	188,158	620,693
Mortgage-backed loans	183,275	85,238	268,513
Credit facilities		1	1
Bank lease liabilities		2,007	2,007
TOTAL DEBT	645,810	280,405	926,215

The sensitivity, in thousand euro, of 2020 and 2019 profit or loss to interest rate variations (in base points) is as follows:

Variation	2020	2019
+ 25	(1,662)	(643)
- 25	1,662	643

The above sensitivity analysis has been carried out considering an average increase/decrease throughout the year in the base points indicated in the table. The effect of the interest rate swaps included in Note 14.3 has been considered in this calculation.

5.2. Foreign Exchange Risk

The Group operates internationally and, therefore, is exposed to exchange rate risks on transactions in foreign currencies.

Foreign exchange risk arises from commercial, financial and investment transactions, as well as from the translation of the financial statements of subsidiaries which are denominated in a functional currency other than the presentation currency of the Group.

It is a policy of the Management to require the Group companies to manage any foreign exchange risks in relation to their functional currency. Additionally, despite not having financial instruments contracted (swaps, foreign exchange insurance), in order to mitigate these potential risks, the Group develops policies aimed at maintaining a balance between cash collections and payments of assets and liabilities denominated in foreign currencies.

The table below includes a sensitivity analysis carried out in relation to the main currencies in which the Company operates, on pre-tax profit or loss and on equity of relevant subsidiaries, assuming that all other factors remain the same:

	2020		2019	
(Thousand €)	+10%	-10%	+10%	-10%
Profit & Loss	(15,871)	15,871	6,306	(6,306)
Equity	59,326	(59,326)	77,297	(77,297)

75% of the Group's financial debt is mainly denominated in Euros (61% in 2019), with 25% of the debt being denominated in other currencies (39% in 2019), thus adjusting to the cash generation in different currencies.

This allows the Group to manage a natural coverage of its debts, given the cash generation in those currencies.

5.3. Liquidity Risk

Exposure to adverse situations experienced by debt or capital markets may prevent or hinder the coverage of financing needs required for the appropriate development of Meliá Group's activities.

The liquidity policy applied by the Group ensures that payment obligations acquired will be met without having to obtain funds under burdensome terms. To do that, the Group uses different management procedures, such as the maintenance of credit facilities committed for sufficient amount and flexibility, the diversification of the coverage of financing needs through the access to different markets and geographic areas, and the diversification of the maturities of the issued debt.

The table below summarises the maturities of the Group's financial liabilities as at 31 December 2020, based on face amounts by maturity:

(Thousand €)	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Simple Bonds				30,000	30,000
Other negotiable securities			5,000		5,000
Loans	62,948	129,722	795,310	175,478	1,163,458
Credit facilities			165,168		165,168
Lease liabilities	41,802	138,262	574,280	1,405,061	2,159,405
Bank lease liabilities	184	552	335		1,071
TOTAL	104,934	268,537	1,540,092	1,610,539	3,524,102

As mentioned in Note 4.3, the Company considers that the borrowing policies applied, the debt maturity dates, the cash situation, and available credit facilities ensure the Group's capacity to settle the commitments in force as at 31 December 2020.

The average interest rate on these financial liabilities in 2020 is 2.76%. In 2019, the average interest rate was 3.11%. The rates used for Lease Liabilities are excluded from this average interest rate.

Likewise, the Company has an active management policy for the maintenance of the average maturity periods of the borrowings, as well as the recurrent renewals of short- and medium-term credit facilities.

For comparison purposes, the maturities at the 2019 year end were as follows:

(Thousand €)	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Simple Bonds				30,000	30,000
Other negotiable securities			5,000		5,000
Loans	12,335	87,361	535,723	253,788	889,206
Credit facilities		1			1
Lease liabilities	145,858	159,073	600,073	1,447,717	2,352,721
Bank lease liabilities	260	676	1,071		2,007
TOTAL	158,454	247,110	1,141,867	1,731,505	3,278,936

5.4. Credit Risk

The credit risk arising from the default of a counterparty (customer, supplier, or financial entity) is mitigated by the Group's policies regarding the diversification of customer portfolios, source markets, oversight of concentration and on-going in-depth debt control. In addition, in some cases the Group carries out other financial operations which allow the reduction of credit risks, such as assignments of receivables.

The Group's receivable periods range between 21 and 90 days; the average period of collection of receivables in 2020 was 56.4 days, 29.03 days in 2019. The age of trade receivables at the year end is included in Note 15.2.

5.5. Capital Management Policy

The main objectives of the Group's capital management are to guarantee financial stability in the short and long term, to ensure the necessary liquidity for daily operations and investments, positive evolution of the Meliá Hotels International S.A.'s share value and an appropriate remuneration to shareholders through the distribution of dividends.

The financial position is also backed by the strong support of the banks and the Company's asset base. The positive perception of, and support to, Meliá by the banks was demonstrated during the 2020 serious economic crisis, during which the banks provided greater liquidity to the Group without requiring any mortgage securities on the assets that were not mortgaged at the beginning of the year. At present, 19.1% (29% at the 2019 year end) of the total debt is secured by the Group's assets.

5.6. Estimation of Fair Value

Fair value means the amount that may be received on the sale of an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

Regarding assets and liabilities recognised at fair value in the consolidated balance sheet, the following hierarchy levels have been established in accordance with the variables used in the different measurement techniques:

Level 1: Based on prices quoted in active markets
Level 2: Based on other observable market variables, either directly or indirectly.
Level 3: Based on non-observable market variables.

The amounts of assets and liabilities recognised at fair value as at 31 December 2020 according to the hierarchy levels are as follows:

(Thousand €)	31/12/2020			
	Level 1	Level 2	Level 3	Total
Investment property			102,998	102,998
Financial Assets at fair value:				
Trading portfolio	142			142
Unlisted equity instruments			4,060	4,060
TOTAL ASSETS	**142**		**107,058**	**107,200**
Financial liabilities at fair value:				
Hedging derivatives		4,240		4,240
Trading portfolio derivatives		1,626		1,626
TOTAL LIABILITIES		**5,866**		**5,866**

Financial instruments included in Level 1 are measured through observable prices in active markets. They mainly relate to equity instruments in listed companies.

Financial instruments included in Level 2 are measured by financial institutions using measurement techniques, mainly, discounted cash flows, based on observable market data. They mainly relate to interest rate swap financial derivatives.

Investment property included in Level 3 is measured through discounted cash flow techniques supported by studies from independent experts and their internal updates. As mentioned in Note 12, this heading includes investments made by the Group to obtain rental income or capital gains, such as interest in three apartment owners' associations in Spain, one shopping centre in America and other properties in Spain.

For the purposes of estimating future cash flows, expected growth rates are considered, both in lease prices and hotel operations, as appropriate, as well as other variables not directly observable.

Unlisted equity instruments are detailed in Note 14.1

For comparison purposes, the balances recorded in the different hierarchies at the end of 2019 are included below:

(Thousand €)	31/12/2019			
	Level 1	Level 2	Level 3	Total
Investment property			116,267	116,267
Financial Assets at fair value:				
Trading portfolio	492			492
Unlisted equity instruments			4,060	4,060
TOTAL ASSETS	**492**		**120,327**	**120,819**
Financial liabilities at fair value:				
Hedging derivatives		3,143		3,143
Trading portfolio derivatives		2,435		2,435
TOTAL LIABILITIES		**5,578**		**5,578**

Note 6. Scope of Consolidation

The companies that comprise the Group present individual annual accounts, according to the regulations applicable in the country in which they operate.

Details of the companies included in the scope of consolidation as at 31 December 2020 are included in Annex 1 and Annex 2, which are classified as subsidiaries, joint ventures and associates.

Meliá Brasil Administraçao, whose corporate purpose is the hotel management, operates various hotels under management. As the hotels under management are properties in joint ownership and are not legally authorised to carry out operating activities, Meliá Brasil Administraçao has assumed the operation of such hotels on behalf of the joint owners, given the requirements of local regulations. Income and expenses arising from the operation of these establishments are not included in the consolidated income statement, since the risks and revenues arising therefrom are returned to the joint owners. Only income arising from the management of these establishments is included in the consolidated income statement.

The Tunisian company, Tryp Mediterranee, in which Meliá Hotels International, S.A. holds an 85.4% stake, is in dissolution process and therefore, is excluded from the Group's scope of consolidation since, currently, the Group has no control or significant influence over this company during such process.

The Group holds a 19.94% stake in the Venezuelan companies El Recreo Plaza C.A. and El Recreo Plaza & Cia. C.A. through the direct stake of 20 % held by its subsidiary holding company Meliá Exhold, S.A. and, therefore, the equity method is applied since the Group has significant influence.

The companies Ayosa Hoteles S.L., S'Argamassa Hotelera, S.L. and Meliá Hotels Orlando, LLC. are fully consolidated, although only 50% or less of the voting rights are held. This is because the Group considers that it has the capability to influence the variable yields of such companies through the hotel management contracts that the Group has entered into with them.

6.1. Business Combinations

During the year, no business combinations have taken place.

For comparison purposes, information relating to the business combinations recognised in 2019 is included below:

Cibanco, S.A. IBM Fideicomiso El Medano (Me Cabo)

During the first half of 2019, the Group became the holder of 100% of the company Cibanco, S.A. IBM Fideicomiso el Medano (formerly called Banamex, S.A. Fideicomiso El Medano). The consideration paid for 69.72 % of the shares acquired in the transaction amounted to USD 33.4 million (EUR 29.1 million).

Cibanco, S.A. IBM Fideicomiso el Medano is a Mexican company, which owns and operates the hotel ME Cabo, located in Los Cabos (Pacific coast). With this acquisition, the Group aims to improve its position in Los Cabos, a luxury destination in Mexico, generating synergies with other hotels that the Company operates in the same area.

The carrying amount of the previous 30.28% shareholding amounted to EUR 5.9 million. According to paragraphs 41 and 42 of IFRS 3, the Company reassessed the shareholding previously held in this company using the new fair value at the date of taking control, recognising the capital gains obtained in the consolidated income statement for the year in the amount of EUR 4.9 million (see Note 8.6). According to IFRS 3, paragraph 32, the difference of the business combination was recognised as goodwill in the amount of EUR 4.2 million (see Note 10).

The valuation of this business combination included assets in the amount of EUR 66.5 million (including property, plant and equipment in the amount of USD 73.5 million) and liabilities in the amount of EUR 30.6 million, which included a deferred tax liability in the amount of EUR 14.7 million, due to the difference between the fair value of the hotel and the tax value of the property. The only revalued asset in the business combination is Me Cabo hotel. Such revaluation was carried out based on the valuation carried out by the independent expert Jones Lang Lasalle in July 2018. The Group internally reviewed and accepted the validity and effect of the valuation carried out by the independent expert since the assumptions and the market constraints did not change significantly.

The amounts of the business combination of the company Cibanco, S.A. IBM Fideicomiso el Medano, are broken down below:

(Thousand €)	Net Fair Value
ASSETS	
Non-current Assets	**64,166**
Tangible asset	64,166
Current Assets	**2,297**
Inventories	**575**
Trade and other receivables	1,552
Cash and other cash equivalents	170
TOTAL ASSETS	66,463
LIABILITIES	
Non-current Liabilities	**23,153**
Non-current bank loans	8,485
Deferred tax liability	14,668
Current Liabilities	**7,491**
Other current liabilities	7,491
TOTAL LIABILITIES	30,644

6.2. Other Scope Changes

In 2020, the following changes have also been made to the scope of consolidation:

Additions

In December, the company Proyectos Financieros Hayman, S.L., which is wholly-owned by Meliá Group, was included in the scope of consolidation. This company owns land located in Ibiza Island (Spain) and its inclusion has resulted in an increase in the amount of EUR 6.5 million under heading Investment Property, mainly.

Disposals

In December 2020, the company Inmotel Inversiones Italia S.R.L. merged with the company Sol Meliá Italia S.R..L., both wholly-owned by the Group. This transaction did not have significant impacts on the Company.

Acquisition of additional stake in companies accounted for using the equity method

During the first quarter of the year, the Group has increased its stake by 0.33% in the owners' association of Meliá Costa del Sol hotel through the purchase of apartments. This transaction has not involved significant impacts on the Group's consolidated annual accounts.

In addition, the Group increased its stake by 0.28% through the purchase of apartments in the owners' association of Meliá Castilla hotel, a transaction that also has not had significant impacts on the Group's consolidated annual accounts.

Likewise, the Group has acquired an additional stake in the company Plaza Puerta del Mar, increasing its stake by 0.3%.

For comparison purposes, changes in 2019 were as follows:

Additions

In 2019, the company Meliá Vietnam CO, Ltd., 100% owned by the Group, was incorporated. Its corporate purpose consists of the hotel management of establishments located in the country. This transaction did not involve significant impacts on the Group's consolidated annual accounts.

Disposals

In 2019, the company Sol Meliá Croacia was liquidated, which was 100% owned by the Group. The hotel management contracts entered into with such company were previously assigned to other Group companies, therefore, such liquidation did not involve significant impacts on the Group's consolidated annual accounts.

The company Idiso Hotel Distribution, S.A., merged with Prodigios Interactivos S.A., both companies 100% owned by the Group. Finally, the company Almeldik, SRLAU was liquidated. Both transactions did not involve significant impacts on the consolidated annual accounts.

Sale of controlling interests

The Group sold to a third party for a total of EUR 0.3 million the option to purchase it held on 49% of the company Sierra Parima, S.A., which operates one shopping centre in the Dominican Republic. Such option was included in liabilities in the consolidated balance sheet at its exercise value in the amount of EUR 9.9 million (see Note 14.2).

Additionally, 1% of the shareholding in such company was sold in the amount of EUR 0.2 million, the Group therefore became the holder of 50% of the shareholding, with the resultant loss of control.

The value of the net assets that were derecognised from the consolidated balance sheet at the time of the sale amounted to EUR 27.4 million, and mainly related to one shopping centre recorded as investment property (see Note 12).

As a result of this transaction, the value of the net assets was reviewed in order to record the shareholding held at fair value according to IFRS 10, paragraph B27. The result of such valuation, carried out by the independent expert Towers Capital Group, was based on the discounted cash flow method and without considering the bank debt, giving an amount of EUR 33.6 million. Therefore, 16.8 million was recorded as the value of the shareholding held in this company.

On the other hand, the Group recognised as negative translation differences in the consolidated income statement the translation differences accumulated until the moment of loss of control in the amount of EUR 4.8 million (see Note 8.7).

The positive difference resulting from this transaction was recorded under heading Other financial income in the amount of EUR 4.6 million (see Note 8.7).

Acquisition of minority interests

The Group acquired the remaining 15% of the company Apartotel Bosque, S.A. in the amount of EUR 3 million, and has derecognised the non-controlling stake, as reflected under heading 'Other transactions with shareholders or owners' in the consolidated Statement of Changes in Equity.

Acquisition of additional stake in companies accounted for using the equity method

The Group increased its stake by 0.33% in the owners' association of Meliá Costa del Sol hotel through the purchase of apartments. This transaction did not involve significant impacts on the consolidated annual accounts.

In addition, the Group acquired 0.14% additional stake through the purchase of one apartment in the owners' association of Meliá Castilla hotel.

Likewise, the Group acquired an additional stake in the company Plaza Puerta del Mar, increasing its stake by 0.2% and without significant impacts on the consolidated annual accounts.

6.3. Name Changes

In 2020, no name changes were carried out.

In 2019 the following name changes were carried out:

- Meliá Inversiones Americanas N.V. was renamed MIA Exhold, S.A.
- Sol Meliá Investment, N.V. was renamed Sol Meliá Investment Exhold S.L.
- San Juan Investments B.V. was renamed San Juan Investments Exhold S.L.
- Desarrollos Hoteleros San Juan B.V. was renamed Desarrollos Hoteleros San Juan Exhold S.L.
- Banamex S.A. Fideicomiso el Medano was renamed Cibanco S.A. IBM Fideicomiso el Medano.

Note 7. Segment Reporting

The segments included below make up the organisational structure of the company and their results are reviewed by the key decision-makers within the Group:

- Hotel management: This relates to the fees received for operating hotels under management and franchise agreements. It also includes the intra-group charges to the Group's hotels that are under ownership or under lease, as well as other services, such as commissions.
- Hotel business: The results obtained from the operation of hotel units owned or leased by the Group are included in this segment. Likewise, income generated by the food & beverage business is also included since this activity is considered to be fully integrated into the hotel business due to the majority sale of packages whose price includes room and board, and therefore, a real segmentation of the associated assets and liabilities would be unfeasible.
- Other business linked to hotel management: This segment includes additional income from the hotel business, such as casinos or tour-operator activities.
- Real Estate: This segment includes the capital gains on asset rotation, and real estate development and operation.
- Vacation club: It includes the results deriving from the sale of shared rights of use of specific vacation complex units.
- Corporate segments: These relate to structural costs, results linked to the intermediation and marketing of room and tourist service reservations, as well as corporate costs of the Group which cannot be assigned to any of the abovementioned three business divisions.

The segmentation of Meliá Hotels International is due to the diversification of operations existing in the Company based on hotel management, hotel operation, real estate and vacation club.

Certain headings included in the business and geographical segmentation tables are presented in an aggregate manner, due to the impossibility of splitting them into the various specified segments.

The policies for the determination of transfer prices applied by the Company in transactions between Group companies are similar to those applied in transactions with third parties.

7.1. Information by Operating Segments

The segmentation for 2020 of the consolidated income statement and the items in the consolidated balance sheet relating to operations is as follows:

	Hotel							
(Thousand €)	Hotel Management	Hotel Business	Other business with hotel management	Real Estate	Vacation Club	Corporate	Disposals	Balance 31/12/20
INCOME STATEMENT								
Operating income and Results from assets sale	80,213	413,807	18,050	5,271	53,178	78,486	(120,608)	**528,398**
Operating expenses	(98,828)	(476,132)	(22,198)	(24,849)	(44,279)	(133,583)	120,605	**(679,265)**
EBITDAR	**(18,616)**	**(62,325)**	**(4,148)**	**(19,578)**	**8,899**	**(55,097)**	**(3)**	**(150,867)**
Leases		(628)	(38)				2	**(664)**
EBITDA	**(18,616)**	**(62,953)**	**(4,186)**	**(19,578)**	**8,899**	**(55,097)**		**(151,531)**
Depreciation and impairment	(18,735)	(346,653)	(1,324)	(424)	(314)	(38,368)		**(405,817)**
EBIT	**(37,351)**	**(409,606)**	**(5,510)**	**(20,001)**	**8,585**	**(93,465)**		**(557,347)**
Net financial income								**(74,564)**
Associates net income		(18,966)		(4,770)		(8,122)		**(31,858)**
Profit before tax								**(663,770)**
Tax								**51,050**
CONSOLIDATED NET INCOME								**(612,721)**
Minority interests								**16,792**
NET INCOME ATTRIBUTED TO PARENT COMPANY								**(595,928)**
ASSETS & LIABILITIES								
Property,plant and equipment and intangible assets	37,569	1,557,000	9,805	13,142	68,805	99,123		**1,785,444**
Right of use	2,319	1,171,652	2,834	1,184		8,929		**1,186,918**
Investments in associates		137,424		6,788		34,154		**178,365**
Other non-current assets								**556,095**
Current operating assets	40,149	58,050	1,695	6,221	75,246	362,868	(384,879)	**159,350**
Other current assets								**206,385**
TOTAL ASSETS								**4,072,557**
Borrowings								**1,359,841**
Other non-current liabilities								**523,305**
Current operating liabilities	91,079	293,365	5,965	1,900	108,716	130,604	(338,295)	**293,334**
Other current liabilities								**46,677**
Lease liabilities	2,382	1,332,628	3,096	1,592		8,861		**1,348,559**
TOTAL LIABILITIES								**3,571,716**

Within income from the Hotel Management segment, EUR 27.6 million of management fees are recorded, of which EUR 1.8 million relates to associates. The remaining income mainly relates to sales commissions.

On the other hand, Other business associated with hotel management heading mainly includes income and expenses associated with the tour-operator activity of the company Sol Caribe Tours, which amount to EUR 11.5 million and EUR 14.3 million, respectively (see Note 8.1).

Regarding other operating expenses in the Real Estate segment (or asset management), an impairment loss is included in the amount of EUR 21 million relating to the change in fair value of investment properties.

Under Property, Plant and Equipment, within the hotel segment, additions for works and renovations in hotels of Spain, the United Kingdom and France were recognised in the total amount of EUR 46 million (see Note 11).

Eliminations during the year included the inter-segment invoicing for management fees and commissions totalling EUR 50.2 million. The provision of services to vacation club amounted to EUR 13.8 million.

The segmentation for 2019 of the income statement and the items in the balance sheet relating to operations is as follows:

	Hotel							
(Thousand €)	Hotel Management	Hotel Business	Other business with hotel management	Real Estate	Vacation Club	Corporate	Disposals	Balance 31/12/19
INCOME STATEMENT								
Operating income and Results from assets sale	299,012	1,545,374	66,596	20,844	91,305	124,883	(347,267)	**1,800,748**
Operating expenses	(199,261)	(1,139,747)	(60,526)	(7,646)	(78,336)	(163,990)	347,250	**(1,302,255)**
EBITDAR	**99,751**	**405,627**	**6,071**	**13,198**	**12,969**	**(39,106)**	**(16)**	**498,494**
Leases		(20,406)	(195)				17	**(20,584)**
EBITDA	**99,751**	**385,221**	**5,876**	**13,198**	**12,969**	**(39,105)**		**477,909**
Depreciation and impairment	(5,743)	(227,344)	(1,457)	(223)	(864)	(19,486)		**(255,116)**
EBIT	**94,008**	**157,877**	**4,419**	**12,975**	**12,105**	**(58,591)**		**222,794**
Net financial income								**(72,786)**
Associates net income		3,607		(68)		2,764		**6,303**
Profit before tax								**156,311**
Tax								**(34,632)**
CONSOLIDATED NET INCOME								**121,679**
Minority interests								**(8,781)**
NET INCOME ATTRIBUTED TO PARENT COMPANY								**112,898**
ASSETS & LIABILITIES								
Property,plant and equipment and intangible assets	43,801	1,771,496	11,606	14,716	85,680	141,642		**2,068,942**
Right of use	1,995	1,234,165	2,585			12,510		**1,251,255**
Investments in associates		165,501		16,984		30,227		**212,711**
Other non-current assets								**581,847**
Current operating assets	172,711	127,161	7,832	6,073	100,507	172,519	(363,466)	**223,337**
Other current assets								**417,567**
TOTAL ASSETS								**4,755,660**
Borrowings								**921,389**
Other non-current liabilities								**614,498**
Current operating liabilities	110,230	241,271	12,564	2,973	122,940	240,456	(305,962)	**424,472**
Other current liabilities								**72,976**
Lease liabilities	2,350	1,418,593	2,913			12,438		**1,436,295**
TOTAL LIABILITIES								**3,469,630**

Within income from the Hotel Management segment, EUR 142.8 million of management fees was recorded, of which EUR 11.4 million related to associates. The remaining income mainly related to sales commissions.

On the other hand, Other business associated with hotel management heading mainly included income and expenses associated with the tour-operator activity of the company Sol Caribe Tours, which amounted to EUR 39.5 million and EUR 37.5 million, respectively (see Note 8.1).

Operating revenues in the Real Estate segment (or Asset management), included capital gains derived from the sale of the hotels Tryp Azafata and Tryp Coruña in the amount of EUR 11.2 million. Likewise, it also included income from the leasing of real estate for commercial purposes of the shopping centres in America, as well as from other provision of services. On the other hand, Operating expenses heading included an impairment loss in the amount of EUR 3.1 million as a result of the adjustment of the fair value of certain investment properties.

Property, Plant and Equipment, within the hotel segment, included an increase in the amount of EUR 64.2 million as a result of the business combination of Cibanco, S.A. IBM Fideicomiso el Medano, as detailed in Note 6.1. Moreover, additions for works and renovations were recognised in the total amount of EUR 74.7 million.

Eliminations during 2019 included the inter-segment invoicing for management fees and commissions totalling EUR 205.9 million. The provision of services to vacation club amounted to EUR 32.2 million.

7.2. Information by Geographic Areas

Information by operating segments is the best format to represent the Group's financial information due to it provides a better understanding of the yield obtained as well as the annual monitoring. Likewise, the different geographic areas are broken down by revenues and assets according to the countries in which the cash-generating units are located and in which the Group operates (see Note 1):

(Thousand €)	SPAIN	EMEA (*)	AMERICA	ASIA	Disposals	31/12/2020
Operating income and Results from assets sale	286,231	123,094	233,200	4,954	(119,081)	528,398
Total Assets	1,877,789	1,271,528	916,384	6,855		4,072,557

(*) EMEA (Europe, Middle East, Africa) :
Includes regions of Africa, Middle East and rest of Europe, excluding Spain

Turnover among the different geographical segments amounted to EUR 119 million, of which EUR 60 million related to Spain, EUR 11 million to EMEA, EUR 47.2 million negative to America and EUR 0.8 million to Asia.

Regarding operating revenues by country, some noteworthy countries were Mexico, with EUR 115.7 million and the Dominican Republic with EUR 79.6 million in the America segment. In EMEA segment, Germany contributed EUR 63.2 million.

Likewise, under the item Total assets, it is worth underlying the Mexico's contribution in the amount of EUR 360.4 million, and the Dominican Republic's contribution in the amount of EUR 363.2 million, under the America heading. With respect to EMEA segment, noteworthy is the contribution of the United Kingdom in the amount of EUR 502.1 million.

For comparison purposes, the balances corresponding to the previous year are as follows:

(Thousand €)	SPAIN	EMEA (*)	AMERICA	ASIA	Disposals	31/12/2019
Operating income and Results from assets sale	1,040,897	382,786	619,623	5,512	(248,071)	1,800,748
Total Assets	2,242,785	1,249,176	1,257,960	5,740		4,755,660

(*) EMEA (Europe, Middle East, Africa) :
Includes regions of Africa, Middle East and rest of Europe, excluding Spain

Turnover among the different geographical segments amounted to EUR 248 million, of which EUR 194.7 million related to Spain, EUR 28.4 million to EMEA, and EUR 24.8 million negative to America.

Regarding operating revenues by country, some noteworthy countries were Mexico, with EUR 251 million and the Dominican Republic with EUR 238.9 million in the America segment. In EMEA segment, Germany contributed EUR 167.9 million.

Likewise, under the item Total assets, it is worth underlying the Mexico's contribution in the amount of EUR 533.8 million, and the Dominican Republic's contribution in the amount of EUR 422.2 million, under the America heading. Regarding EMEA segment, it is worth mentioning the United Kingdom's contribution in the amount of EUR 547.4 million, due to the renewal of the lease contract of Meliá White House hotel (see Note 18).

Note 8. Other Income and Expenses

8.1. Operating Revenues and Fixed Assets Capital Gains

The breakdown of the balance of this caption in the income statement for 2020 and 2019 is as follows:

(Thousand €)	2020	2019
Room sales	235,447	996,082
Food and beverages	121,711	434,225
Other business revenues	50,687	103,104
Hotel management revenues	8,071	45,359
Sale of vacation club units	39,401	59,147
Real estate income	4,832	10,621
Results from assets sale		11,211
Other revenues	68,249	141,000
TOTAL	**528,398**	**1,800,748**

In 2020, the discount in the payment of Social Security contributions of employees under temporary lay-off regime (ERTE) due to force majeure of the Group's Spanish companies has been recognised as an operating grant. Such grant amounts to EUR 16.9 million and is included under section Other revenues in the table above.

In addition, under the same item the amount of EUR 11.5 million of the company Sol Caribe Tours, S.A. is included, as a result of its tour-operator activities. In 2019, it contributed an amount of EUR 39.5 million.

In 2020, the Company did not have revenues from the sale of fixed assets. In 2019, such net revenues amounted to EUR 11.2 million (see Note 11).

8.2. Supplies

The breakdown of the balance of this caption in the income statement for 2020 and 2019 is as follows:

(Thousand €)	2020	2019
Food and beverages consumption	36,103	127,164
Ancillary goods consumption	11,747	32,666
Vacation club sales consumption	57	654
Sundry consumption	10,964	38,551
TOTAL	58,871	199,035

8.3. Staff Costs

Staff costs are broken down as follows:

(Thousand €)	2020	2019
Wages,salaries and equivalent	195,441	408,011
Social security	63,832	90,247
Other social expenses	10,454	19,568
Allowances	12,378	6,092
TOTAL	282,106	523,918

The average number of employees of Meliá Hotels International, S.A. and its subsidiaries over the last two fiscal years and broken down by job category is as follows:

	2020			2019		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Management staff	148	55	203	198	84	281
Middle management	533	439	971	1,061	896	1,957
Core staff	4,300	3,001	7,301	10,254	7,711	17,966
TOTAL	4,980	3,494	8,475	11,513	8,691	20,204

The above table includes the average number of employees weighted by the period of reduction in the number of working hours of those employees under temporary lay-off regime (ERTE) or similar situations.

8.4. Other Expenses

The breakdown of the balance of this caption in the consolidated income statement for 2020 and 2019 is as follows:

(Thousand €)	2020	2019
Sundry rentals	6,470	11,256
Maintenance and repairs	53,049	65,393
External services	52,325	123,762
Transport and insurance	17,971	19,310
Banking expenses	9,935	20,784
Advertising and promotions	15,028	45,343
Supplies	38,874	84,159
Travel and ticketing expenses	1,868	6,427
Activity tax	19,893	29,148
Various external services	61,952	155,620
Other expenses	60,924	18,100
TOTAL	338,288	579,301

8.5. Depreciation/Amortisation and Impairment

The breakdown of the balance of this caption in the consolidated income statement for 2020 and 2019 is as follows:

(Thousand €)	2020		2019	
	Impairment	Depreciation	Impairment	Depreciation
Intangible assets	36,836	19,518		20,225
Property, plant & equipment	22,648	100,910		102,104
Right of use	70,054	155,851	1,126	136,588
TOTAL	129,538	276,279	1,126	258,916

Depreciation charge, property, plant & equipment item includes EUR 17 million relating to the impact of the accelerated depreciation of assets consisting of hotels operated under operating leases to adapt their useful lives to the term of such lease agreements. In 2019, this impact amounted to EUR 11.9 million.

Impairment of Intangible Assets item includes EUR 17.9 million due to the derecognition of the goodwill associated with Meliá Milano hotel, as detailed in Note 10.

8.6. Bargain Purchase

No bargain purchases have been recognised in 2020. The amounts for 2019 are included below.

In 2019 the bargain purchase arising from the inclusion of Cibanco S.A. IBM Fideicomiso El Medano was recorded:

(Thousand €)	2019		
	Revaluation previously held interest	Purchase Benefit / Loss	Total
Cibanco S.A. IBM Fideicomiso el Medano	4,926		4,926
Total	4,926	0	(4,926)

The details of the calculation of the two business combinations are explained in Note 6.

8.7. Financial Income and Expenses

The breakdown of financial income and expenses included in the consolidated income statement in 2020 and 2019 is as follows:

(Thousand €)	2020	2019
Dividend income	3	418
Interest income	5,442	7,604
Other financial income	4,308	2,644
Disposal of financial assets income	(54)	4,578
Total Financial Income	**9,699**	**15,244**
Interest expenses	(30,750)	(31,172)
Financial expense leases	(32,507)	(41,381)
Other financial expenses	(2,525)	(2,099)
Surplus bad debt provision	(17,673)	(23)
Change in fair value of financial instruments	(153)	(603)
Total Financial Expenses	**(83,608)**	**(75,278)**
Exchange differences (Net Value)	(656)	(12,753)
NET FINANCIAL INCOME	**(74,563)**	**(72,787)**

In 2019 an income was generated due to the loss of control of Sierra Parima, S.A., which was included in Result from disposal of financial assets in the amount of EUR 4.6 million (see Note 6.2).

Surplus bad debt provision item includes an impairment of loans to associates and third parties in the amount or EUR 14 million (see Note 4.3).

The decrease in financial lease expenses in the amount of EUR 8.9 million relates to a large extent to the contractual amendments carried out, mainly as a result of the pandemic caused by Covid-19 and which involved a decrease in update rates (see Note 18).

In 2020, the US dollar depreciated against the euro by 8.76%, leading to a positive impact on bank borrowings in US dollars. The Group has also been affected by the British pound, which depreciated against the euro by 6.17% and by the Brazilian real, which depreciated against the euro by 40.63%.

Note 9. Earnings per Share

Basic earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders by the average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to equity holders of the Parent by the average number of ordinary shares outstanding during the year. Both variables are adjusted by the effect of dilutive potential shares. At the end of 2020 and 2019, there were no potential ordinary shares and, therefore, there was no need for such adjustment.

The table below shows the calculations made in 2020 and 2019 for both variables:

(Thousand €)	BASIC		DILUTED	
	2020	2019	2020	2019
Net income attributed to the parent company	**(595,928,431)**	**112,898,102**	**(595,928,431)**	**112,898,102**
Number of ordinary shares	220,400,000	229,700,000	220,400,000	229,700,000
Average weighted treasury shares	(6,331,478)	(2,025,124)	(6,331,478)	(2,025,124)
Total number of shares	**214,068,522**	**227,674,876**	**214,068,522**	**227,674,876**
Earnings per share	**(2.78)**	**0.50**	**(2.78)**	**0.50**

In 2019, the Board of Directors proposed at its meeting held on 26 February 2020 the payment of a gross dividend of EUR 0.1475 per share by using a maximum amount to be distributed of EUR 33.87 million.

However, the General Shareholders' Meeting, prior agreement adopted by the Board of Directors on 18 May 2020 and in the context of the situation and impacts of Covid-19, agreed to cancel the proposal for distribution of dividends for 2019 against unrestricted reserves, in order to strengthen the solvency and liquidity of the Company.

The Board of Directors, given the continuation of Covid-19 impacts, will not propose to the General Shareholders' Meeting the distribution of dividends for 2020.

Note 10. Intangible Assets

The breakdown of the cost and accumulated amortisation of intangible assets is as follows:

(Thousand €)	Balance 31/12/19	Depreciation and impairment 2020	Additions	Disposals	Exchange Differences	Balance 31/12/20
GROSS VALUE						
Goodwill	72,267	(36,836)			(96)	35,335
Transfer rights	31,397		904		(3,505)	28,795
Computer software	202,650		9,320	(390)	(66)	211,514
Other intangible assets	7,287				(165)	7,121
Total Gross Value	**313,602**	**(36,836)**	**10,223**	**(390)**	**(3,833)**	**282,766**
ACCUMULATED DEPRECIATION						
Transfer rights	(9,046)	(1,036)			833	(9,248)
Computer software	(153,732)	(18,476)		390	98	(171,720)
Other intangible assets	(5,148)	(7)			78	(5,078)
Total Accumulated amortisation	**(167,927)**	**(19,518)**	**0**	**390**	**1,009**	**(186,046)**
NET CARRYING VALUE	**145,675**	**(56,354)**	**10,223**	**0**	**(2,824)**	**96,720**

The amount of EUR 5.8 million included in section Additions of Computer software relates to the digital transformation project carried out by the Company for the creation of a new framework for hotel management, by means of which the Company seeks to improve the technological services provided to its customers.

The amount of Depreciation and impairment under Goodwill item includes EUR 18.9 million resulting from the assessments made by the Company of its owned assets in the current context strongly impacted by the health crisis (Note 4.2).

Likewise, an impairment in the amount of EUR 17.9 million is included due to the derecognition of goodwill related to Melia Milan Hotel, since the deferred tax liability associated with such CGU has also been derecognised, after the Company having availed itself of law on asset revaluation published by the Italian Government in 2020.

For comparison purposes, the breakdown of these movements in 2019 was as follows:

(Thousand €)	Balance 31/12/18	Depreciation and impairment 2019	Additions	Disposals	Scope Variations	Exchange Differences	Balance 31/12/19
GROSS VALUE							
Goodwill	67,999				4,175	93	72,267
Transfer rights	30,563		662			172	31,397
Computer software	186,089		16,718	(194)		37	202,650
Other intangible assets	7,209			(7)		85	7,287
Total Gross Value	**291,860**		**17,380**	**(201)**	**4,175**	**388**	**313,602**
ACCUMULATED DEPRECIATION							
Transfer rights	(7,815)	(989)	(22)			(220)	(9,046)
Computer software	(134,578)	(19,229)		194		(120)	(153,732)
Other intangible assets	(5,095)	(7)		7		(53)	(5,148)
Total Accumulated amortisation	**(147,489)**	**(20,225)**	**(22)**	**201**	**0**	**(393)**	**(167,927)**
NET CARRYING VALUE	**144,371**	**(20,225)**	**17,359**	**0**	**4,175**	**(5)**	**145,675**

The amount of EUR 11.7 million included in section Additions of Computer software related to the technological innovation project carried out by the Company for the creation of a new framework for hotel management, by means of which the Company seeks to improve the technological services provided to its customers. In addition, other additions in software projects were carried out in the amount of EUR 5 million.

The additions in Scope variations of goodwill related to the business combination of Me Cabo (see Note 6.2).

Goodwill

The amounts resulting from business combinations are recognised in the balance of goodwill, according to Note 2.5. The net carrying values of goodwill existing prior to the adoption of the IFRS are also included.

The amounts concerned by company are as follows:

(Thousand €)	31/12/2020	31/12/2019
Apartotel, S.A.	504	504
René Egli, S.L.U.		1,708
Hotel Metropolitan, S.A.S.	1,181	1,181
Cadstar France, S.A.S.	813	813
Ihla Bela de Gestao e Turismo, Ltd.	927	927
Lomondo, Ltd.	5,209	5,305
Hotel Alexander, S.A.S.	6,605	8,496
Operadora Mesol, S.A. de C.V.	465	465
Cibanco SA IBM Fideicomiso CIB/2950		4,175
Sol Maninvest, B.V.	886	886
Prodigios Interactivos, S.A.	14,780	14,780
Sol Melia Italia S.R.L.	3,966	25,711
Adprotel Strand, S.L.		7,317
TOTAL	**35,335**	**72,267**

The goodwill recorded at year end has been subject to impairment tests based on the expected cash flows of the cash-generating units for each of the related companies, which resulted in an impairment loss which as a whole amounts to EUR 18.9 million.

The value of goodwill has been reduced by EUR 17.9 million in the company Sol Melia Italia S.R.L., as above mentioned in this Note. On the other hand, goodwill linked to the company Lomondo Ltd. has been reduced due to exchange rate effect.

Such units are shown in the following table:

Company	Cash Generating Units (C.G.U.)
Apartotel, S.A.	Hoteles Meliá Castilla, Meliá Costa del Sol y Meliá Alicante
Hotel Metropolitan, S.A.S.	Hotel Meliá Paris Vendöme
Cadstar France, S.A.S.	Hoteles Meliá Paris Notre-Dame, Paris Opera y Meliá Paris Tour Eiffel
Gesmesol, S.A	Hoteles Melia Península Varadero, Meliá Las Dunas, Tryp Cayo Santa María, Meliá Cayo Santa María, Tryp Habana Libre y Tryp Cayo Coco.
Lomondo, Ltd.	Hotel Meliá White House
Hotel Alexander, S.A.S	Hotel Meliá Paris Champs Elysées
Operadora Mesol, S.A. de C.V.	Hoteles Meliá Cozumel, Meliá Puerto Vallarta, Paradisus Cancún Resort, Paradisus Los Cabos, Meliá Azul Itxapa
Melia Hotels International, S.A.	Hoteles Sol Aurora, Sol Garden Istra, Meliá Coral, Sol Polynesia, Sol Stella, Sol Umag, Adriatic, Sipar y Park Umag.
Prodigios Interactivos, S.A.	Plataforma distribución hotelera
Sol Melia Italia S.R.L.	Hotel Melia Milano

Cash-generating units mainly relate to hotels operated or managed.

The risk factors taken into account by the Company are the expected exchange rates for the currencies in which cash flows are generated by each cash-generating unit and the risk-free interest rates in each of the geographic areas in which the cash flows are generated.

Cash flow included in the measurement includes business and competition risks. The method used is the EBITDA multiple, which is applied to the actual average EBITDA for the year and the previous year of the various cash-generating units, without assuming increases in income when considering future cash flows.

Multiples used, aggregated by geographic areas, are as follows:

EBITDA multiples	2020	2019
Spain	9	9.98 - 10.24
Rest of Europe	11.63 - 12.58	10.24 - 118.49
Latin America	9.79 - 13.21	6.0 - 8.0

Note 11. Property, Plant and Equipment

Movements in the different headings of property, plant and equipment and their accumulated depreciation during the year are as follows:

(Thousand €)	Balance 31/12/19	Depreciation and impairment 2020	Additions	Disposals	Transfers	Exchange Differences	Balance 31/12/20
GROSS VALUE							
Land	492,944			(1,574)		(45,932)	445,438
Buildings	1,546,539		31,778	(4,659)	607	(135,906)	1,438,359
Plant and Machinery	486,494		15,021	(1,504)	12	(20,426)	479,597
Other fixed assets	505,919		9,965	(2,476)	537	(33,061)	480,884
Works in progress	7,081		599	(1,184)	(1,155)	(1,720)	3,620
Total Gross Value	**3,038,977**	**0**	**57,363**	**(11,397)**	**0**	**(237,045)**	**2,847,898**
ACCUMULATED DEPRECIATION							
Buildings	(456,136)	(102,235)		4,675	1,734	41,098	(510,865)
Plant and Machinery	(341,728)	14,127		1,171	(1,799)	8,378	(319,853)
Other fixed assets	(317,845)	(35,449)		1,135	65	23,637	(328,457)
Total Accumulated Depreciation	**(1,115,710)**	**(123,557)**	**0**	**6,980**	**0**	**73,112**	**(1,159,174)**
NET CARRYING VALUE	**1,923,267**	**(123,557)**	**57,363**	**(4,416)**	**0**	**(163,933)**	**1,688,724**

Among the additions in the fiscal year, it is worth mentioning the investments made in various renovation works in a hotel in the United Kingdom in the amount of EUR 19 million, as well as additions in Spain in the amount of EUR 20.1 million, mainly in the Balearic Islands, Madrid and the Canary Islands. Investments have also been made in renovation works carried out in one establishment in France in the amount of EUR 6.9 million.

Disposals in the fiscal year mainly relate to the renovation works mentioned above.

The Exchange differences generated during the fiscal year mainly relate to the devaluation of the US dollar, the Mexican peso, the Dominican peso, the Brazilian real and the British pound.

For comparison purposes, the information for year 2019 is shown below:

(Thousand €)	Balance 31/12/18	Depreciation and impairment 2019	Additions	Disposals	Transfers	Scope Variations	Exchange Differences	Balance 31/12/19
GROSS VALUE								
Land	447,074		16,068	(1,893)	(378)	24,487	7,586	492,944
Buildings	1,456,717		45,118	(19,994)	5,820	41,206	17,673	1,546,539
Plant and Machinery	478,279		19,363	(11,458)	1,879	(1,645)	76	486,494
Other fixed assets	492,355		34,702	(30,094)	6,060	7,222	(4,326)	505,919
Works in progress	20,269				(13,381)		193	7,081
Total Gross Value	**2,894,693**	**0**	**115,251**	**(63,439)**	**0**	**71,270**	**21,201**	**3,038,977**
ACCUMULATED DEPRECIATION								
Buildings	(421,950)	(34,135)	(1,250)	8,543		(4,525)	(2,819)	(456,136)
Plant and Machinery	(318,110)	(35,363)	(118)	11,773		463	(373)	(341,728)
Other fixed assets	(303,439)	(32,606)	(1,407)	11,967		(5,214)	12,853	(317,845)
Total Accumulated Depreciation	**(1,043,499)**	**(102,104)**	**(2,775)**	**32,283**	**0**	**(9,276)**	**9,661**	**(1,115,710)**
NET CARRYING VALUE	**1,851,194**	**(102,104)**	**112,476**	**(31,156)**	**0**	**61,994**	**30,863**	**1,923,267**

Among the additions in 2019, stood out the investments made in the Dominican Republic in the amount of EUR 25.2 million as well as additions in Spain in the amount of EUR 42.2 million as a result of various renovations and investments made in the Balearic Islands, Madrid and the Canary Islands.

Land heading included the acquisition of a plot adjacent to Me Cabo hotel in the amount of EUR 15.6 million.

On the other hand, additions of EUR 3.3 million of net carrying value (EUR 6.1 million of cost less EUR 2.8 million of depreciation) for the revaluation of assets located in hyperinflationary economies (Venezuela) were also included. This increase was offset by the exchange differences shown in the relevant column as a result of the application of a new exchange rate calculated based on the inflation rate of the country, as explained in Note 2.6.

Main disposals in the year related to the sale of the hotel Tryp Coruña, located in Galicia, and the hotel Tryp Azafata, located in Valencia, for a net carrying value of EUR 9.9 million (EUR 26 million of cost and EUR 16.1 million of accumulated depreciation). These sales generated a net capital gain of EUR 10.1 million.

Regarding Scope Variations column, the balances broken down related to the acquisition of control of the company Cibanco S.A. IBM Fideicomiso el Medano and the loss of control of the company Sierra Parima, S.A.S, which became accounted for using the equity method. (see Notes 6.1 and 6.2).

The Exchange differences generated during the fiscal year, mainly related to the devaluation of the Venezuelan bolivar and the Dominican peso. Such effect was offset by the appreciation of the Mexican peso and the British pound.

Other considerations

There are 10 owned properties that have been mortgaged to secure several loans at the end of 2020, and their net carrying value amounts to EUR 496.11 million; in 2019 the total number of properties was also 10 and their net carrying value amounted to EUR 572.10 million.

As at 31 December 2020 and 2019, the Directors consider that there was sufficient insurance coverage for their assets.

Net capital gains derived from the revaluation of assets carried out by the parent company, based on various legal regulations and voluntary revaluations prior to 1997, in order to correct the effects of monetary inflation, were as follows:

(Thousand €)	
Restatement of budgets for 1979	24,848
Restatement of budgets for 1980	28,852
Restatement of budgets for 1981	1,197
Restatement of budgets for 1982	26,480
Voluntary restatement before 1990	3,146
Restatement under R.D.L. 7/96	53,213
TOTAL	**137,736**

Asset valuation

As mentioned in Note 3.2, the Company periodically receives valuations carried out by independent experts. In this sense, the Group received appraisals of certain owned assets and investment properties in July 2020, and given the current situation, it has considered for its asset portfolio the evolution of the recoverable amount thereof compared to the values included in the appraisals received in 2018 and 2019. Based on such analysis, the recoverable amount of the owned assets amounts to EUR 3,410 million.

Note 12. Investment Property

The balance of investment property includes the net carrying value of investments made by the Group to obtain rental income or capital gains, such as interest in three apartment owners' associations in Spain, one shopping centre in America and other properties in Spain.

Movements recorded in 2020 according to the type of assets included under this heading, are detailed in the following table:

(Thousand €)	Balance 31/12/19	Additions	Disposals	Exchange Differences	Balance 31/12/20
Apartments in Spain	90,846	797	(13,443)		78,200
Shopping Centres in America	11,318		(5,315)	(1,097)	4,906
Other properties in Spain	14,104	8,056	(2,269)		19,891
TOTAL	**116,267**	**8,853**	**(21,027)**	**(1,097)**	**102,997**

The main movement during the year was an addition in the amount of EUR 6.5 million due to the inclusion of Proyectos Financieros Hayman, S.L. Such company owns land in Ibiza (see Note 6.2).

In addition, disposals in the amount of EUR 21 million are included due to the impairment of the fair value of the investment properties carried out during the year. Such value adjustment is recorded as operating expense in the consolidated income statement.

The breakdown of net income generated by investment properties in the Group's consolidated income statement is as follows:

(Thousand €)	Apartments Spain	Shopping Centres America	Other Properties Spain	Total
Operating income		24	33	57
Operating expenses		(6,181)		(6,181)
EBITDA		**(6,157)**	**33**	**(6,124)**
Depreciation				0
Net Financial Income		1		1
Net Income in Associates	(2,797)			(2,797)
Tax		(281)		(281)
CONTRIBUTION TO GROUP NET INCOME	**(2,797)**	**(6,437)**	**33**	**(9,201)**

The contribution of the apartments in Spain relates to the proportional part of the results for the year of the companies which are accounted for using the equity method. Such apartments relate to establishments which are operated by the Group under management through associates, and which generate income in the amount of EUR 1 million not included in the above table.

The contribution of the shopping centre in America relates to the part in the profit and loss account of the operating company. It is noteworthy the impairment of fair value of the shopping centre recognised in the year.

The contribution of other properties in Spain relates to the lease of one establishment located in Madrid.

For comparison purposes, the information for year 2019 is shown below:

(Thousand €)	Balance 31/12/18	Additions	Disposals	Exchange Differences	Balance 31/12/19
Apartments in Spain	91,252	169	(575)		90,846
Shopping Centres in America	42,350		(31,341)	308	11,317
Other properties in Spain	15,834		(1,731)		14,104
TOTAL	**149,437**	**169**	**(33,647)**	**308**	**116,267**

The main movement during 2019 was a disposal in the amount of EUR 30.5 million due to the loss of control of the company Sierra Parima, S.A., which became accounted for using the equity method (see Note 6.2). Such company owns one shopping centre in Punta Cana (the Dominican Republic).

In addition, disposals in the amount of EUR 3.1 million were included due to the review of the fair value of the investment properties carried out during the year. Such value adjustment was recorded as operating expense in the consolidated income statement.

The breakdown of net income generated by investment properties in the Group's consolidated income statement in 2019 is as follows:

(Thousand €)	Apartments Spain	Shopping Centres America	Other Properties Spain	Total
Operating income		1,022	68	1,089
Operating expenses		(1,006)		(1,006)
EBITDA		**15**	**68**	**83**
Depreciation		(133)		(133)
Net Financial Income	219	1,653		1,872
Net Income in Associates	3,095			3,095
Tax		(91)		(91)
CONTRIBUTION TO GROUP NET INCOME	**3,314**	**1,444**	**68**	**4,826**

The contribution of the apartments in Spain related to dividends collected from companies in which the Group has no significant influence and the proportional part of the results for the year of the companies which are accounted for using the equity method. Such apartments relate to establishments which are operated by the Group under management through associates, and which generate income in the amount of EUR 5.9 million in 2019, not included in the above table.

The contribution of the shopping centres in America related to the part in the profit and loss account of the operating companies corresponding to such investment properties. Revenues from the lease of premises, as well as from other service provisions were included in the amount of EUR 1 million.

The contribution of other properties in Spain related to the lease of one establishment located in Madrid.

Note 13. Investments Measured Using the Equity Method

The financial investments relating to shareholdings in associates and joint ventures have been measured using the equity method.

Balances and movements of this heading are as follows:

(Thousand €)	%	Balance 31/12/2019	Net Income 2020	Additions	Disposals	Exchange Differences	Balance 31/12/2020
Meliá Zaragoza, S.L.	50.00%		(973)	973			0
Evertmel Group (*)	49.00%	23,543	(1,466)	85			22,162
Altavista Hotelera, S.A.	48.74%	31,375	(129)	417			31,663
Melcom Group (*)	50.00%	13,215	(3,475)				9,740
Producciones de Parques Group (*)	50.00%	32,541	(11,278)		(139)		21,124
Fourth Project 2012, S.L.	50.00%	3,293	319		(2,051)		1,561
Melia Hotels USA Group (*)	50.00%	4	(882)			84	(794)
Yagoda Inversiones, S.L.U.	50.00%	88	(1)	46			132
Sierra Parima, S.A.	50.00%	17,220	(4,770)			(5,425)	7,025
TOTAL JOINT VENTURES		**121,280**	**(22,656)**	**1,522**	**(2,190)**	**(5,341)**	**92,614**
Homasi, S.A.	35.00%	53,398	1,842		(2,823)		52,417
Plaza Puerta del Mar, S.A.	20.01%	5,111	(40)	82			5,152
Promedro Group (*)	20.00%	6,647	(789)		(140)		5,718
Turismo de Invierno, S.A.	21.42%	3,610	(190)		(1)		3,419
C.P. Meliá Castilla	31.72%	5,729	(2,201)	45	(40)		3,533
C.P.Meliá Costa del Sol	21.18%	3,219	(596)	49	(2)		2,669
Jamaica DevCo S.L.	49.00%		(673)	814			141
El Recreo Group (*)	19.94%	545					545
Mosaico BV	20.00%	668			(423)		245
Mosaico Hoteles, S.A.	20.00%		(44)	1,324			1,281
Detur Panamá, S.A.	49.93%		(874)	212		662	0
Starmel Group (*)	20.00%	1,280	(1,756)	1,650	(1)		1,173
Renasala Group (*)	30.00%	11,226	(3,882)	2,160	(46)		9,459
TOTAL ASSOCIATES		**91,431**	**(9,203)**	**6,336**	**(3,475)**	**662**	**85,751**
TOTAL		**212,711**	**(31,858)**	**7,857**	**(5,666)**	**(4,679)**	**178,365**

(*) Companies pertaining to the same business line are jointly presented:
Evertmel Group which comprises the companies Evertmel, S.L, Mongamenda S.L. and Kimel S.L.
Producciones de Parques Group which comprises the companies Producciones de Parques, S.L., Tertian XXI S.L.U. and Golf Katmandú,S.L.
Melia Hotels USA, LLC Group which comprises the companies Melia Hotels USA,Llc. and Melia Hotels Florida Llc.
Promedro Group which comprises the companies Promedro,S.A. and Nexprom,S.A.
El Recreo Group which comprises the companies El Recreo Plaza, C.A. and El Recreo Plaza & Cía. C.A.
Starmel Group which comprises the companies Starmel Hotels JV, S.L, Starmel Hotels OP 2 S.LU, Fuerteventura Beach Property, S.L.U. and Santa Eulalia Beach Property, S.L.U.
Renasala Group which comprises the companies Renasala,S.L., Starmel Hoteles OP S.L.U, Torremolinos Beach Property, S.L.U, Palmanova Beach Property, S.L.U., Puerto del Carmen Beach Property, S.L.U, San Antonio Beach Property, S.L.U.
Melcom Group which comprises the companies Sistemas Ribey Cloud,S.L., Pelícanos Property, S.L.U., Bellver Property, S.L.U. and Melcom Joint Venture S.L.

Additions during the year mainly relate to contributions made in the companies Renasala, S.L. and Starmel Hotels JV, S.L.

On the other hand, the disposals recognised during the year mainly relate to the dividend distribution of Homasi, S.A. and the capital reduction of Fourth Project.

In addition, Net income heading includes the impairment of these companies' assets.

Investments using the equity method on Meliá Zaragoza, S.L. and Detur Panamá, S.A. amounted to zero, as in the previous year, since the negative holding in these companies was partially offset by long-term loans payable to the Group by such companies and for which there were no related guarantees.

Shareholding movements in associates and joint ventures in 2019 were as follows:

(Thousand €)	%	Balance 31/12/2018	Net Income 2019	Additions	Disposals	Exchange Differences	Balance 31/12/2019
Meliá Zaragoza, S.L.	50.00%		(1,377)	1,377			0
Evertmel Group (*)	49.00%	24,205	(619)	8	(51)		23,543
Altavista Hotelera, S.A.	48.74%	30,365	720	290			31,375
Melcom Group (*)	50.00%	14,390	(12)	1,505	(2,668)		13,215
Producciones de Parques Group (*)	50.00%	32,200	461	4	(124)		32,541
Fourth Project 2012, S.L.	50.00%	3,164	329		(200)		3,293
Melia Hotels USA Group (*)	50.00%	450	(459)			13	4
Yagoda Inversiones, S.L.U.	50.00%	1	(3)	90			88
Sierra Parima, S.A.	50.00%		(68)	17,485		(197)	17,220
TOTAL JOINT VENTURES		**104,774**	**(1,029)**	**20,760**	**(3,043)**	**(184)**	**121,280**
Homasi, S.A.	35.00%	51,524	3,447		(1,574)		53,398
Plaza Puerta del Mar, S.A.	20.01%	4,918	428	48	(283)		5,111
Promedro Group (*)	20.00%	5,955	862	25	(196)		6,647
Turismo de Invierno, S.A.	21.42%	3,544	115		(49)		3,610
C.P. Meliá Castilla	31.72%	5,004	2,195	21	(1,491)		5,729
C.P.Meliá Costa del Sol	21.18%	3,075	900	44	(801)		3,219
Jamaica DevCo S.L.	49.00%	568	(735)	166			0
El Recreo Group (*)	19.94%	547			(2)		545
Inversiones Guiza, S.A.	49.85%	(5)	(3)	8			0
Cibanco, S.A. IBM Fideicomiso El Medano	30.28%	5,920			(5,920)		0
Hellenic Hotel Management	40.00%	(26)		26			0
Mosaico BV	20.00%	648		20			668
Detur Panamá, S.A.	49.93%		(785)	922		(138)	0
Starmel Group (*)	20.00%	1,602	(319)		(3)		1,280
Renasala Group (*)	30.00%	9,767	1,226	559	(325)		11,226
TOTAL ASSOCIATES		**93,041**	**7,332**	**1,839**	**(10,644)**	**(138)**	**91,431**
TOTAL		**197,817**	**6,302**	**22,599**	**(13,687)**	**(322)**	**212,711**

(*) Companies pertaining to the same business line are jointly presented:

Evertmel Group which comprises the companies Evertmel, S.L, Mongamenda S.L. and Kimel S.L.
Producciones de Parques Group which comprises the companies Producciones de Parques, S.L., Tertian XXI S.L.U. and Golf Katmandú,S.L.
Melia Hotels USA, LLC Group which comprises the companies Melia Hotels USA,Llc. and Melia Hotels Florida Llc.
Promedro Group which comprises the companies Promedro,S.A. and Nexprom,S.A.
El Recreo Group which comprises the companies El Recreo Plaza, C.A. and El Recreo Plaza & Cía. C.A.
Starmel Group which comprises the companies Starmel Hotels JV, S.L, Starmel Hotels OP 2 S.LU, Fuerteventura Beach Property, S.L.U. and Santa Eulalia Beach Property, S.L.U.
Renasala Group which comprises the companies Renasala,S.L., Starmel Hoteles OP S.L.U, Torremolinos Beach Property, S.L.U, Palmanova Beach Property, S.L.U, Puerto del Carmen Beach Property,S.L.U, San Antonio Beach Property, S.L.U.
Melcom Group which comprises the companies Sistemas Ribey Cloud,S.L., Pelícanos Property, S.L.U., Bellver Property, S.L.U.and Melcom Joint Venture S.L.

Additions in the year mainly related to the loss of control by the Group of the company Sierra Parima, S.A. in the amount of EUR 17.5 million, EUR 16.8 million at the moment of loss of control, and the remaining amount for subsequent contributions (see Note 6.2). On the other hand, the main disposal related to the company Cibanco, S.A. IBM Fideicomiso El Medano, since this company was fully consolidated (see Note 6.1).

Details of the balance sheet and profit and loss account of the most significant associates and joint ventures by volume of assets and net income are as follows:

(Thousand €)	Evertmel Group (*)	Melcom Group (*)	Altavista Hotelera, S.L.	Starmel Group (*)	Renasala Group (*)	Total
EBITDA	**7,405**	**4,866**	**10,802**	**(1,577)**	**(4,076)**	**17,419**
Depreciation	**(5,259)**	**(3,488)**	**(8,268)**	**(2,900)**	**(4,868)**	**(24,783)**
Financial Income	214	1,690		8	130	2,041
Financial Expenses	(5,264)	(8,195)	(3,271)	(4,555)	(7,022)	(28,307)
Other financial profit/loss	1			(4)	1	(3)
Net financial profit/loss	**(5,049)**	**(6,505)**	**(3,271)**	**(4,552)**	**(6,891)**	**(26,268)**
Profit/loss before tax	**(2,904)**	**(5,127)**	**(736)**	**(9,029)**	**(15,835)**	**(33,632)**
Income tax	(87)	(1,823)	472	250	2,897	1,708
NET INCOME	**(2,991)**	**(6,950)**	**(265)**	**(8,780)**	**(12,939)**	**(31,924)**

(Thousand €)	Evertmel Group (*)	Melcom Group (*)	Altavista Hotelera, S.L.	Starmel Group (*)	Renasala Group (*)	Total
NON-CURRENT ASSETS	**165,547**	**170,141**	**134,451**	**84,896**	**235,014**	**790,050**
Cash and other cash equivalents	6,439	47	189	5,620	1,888	14,183
Other current assets	31,884	20,811	100	2,781	2,897	58,474
CURRENT ASSETS	**38,323**	**20,858**	**290**	**8,402**	**4,784**	**72,657**
TOTAL GENERAL ASSETS	**203,870**	**191,000**	**134,741**	**93,298**	**239,798**	**862,707**
Non-current financial liabilities	144,459	74,591	46,918	77,023	170,955	513,946
Other non-current liabilities	6,820	85,184	15,127	1,464	26,855	135,451
NON-CURRENT LIABILITIES	**151,280**	**159,776**	**62,045**	**78,487**	**197,810**	**649,398**
Current financial liabilities	6,690	9,288	4,574	1,488	8,118	30,158
Other current liabilities	817	2,462	6,754	3,110	5,461	18,604
CURRENT LIABILITIES	**7,507**	**11,750**	**11,328**	**4,598**	**13,579**	**48,762**
TOTAL GENERAL LIABILITIES	**158,787**	**171,525**	**73,373**	**83,085**	**211,389**	**698,159**

(*) Companies pertaining to the same business line are jointly presented:
Evertmel Group which comprises the companies Evertmel, S.L, Mongamenda S.L. and Kimel S.L.
Starmel Group which comprises the companies Starmel Hotels OP 2,S.L.U, Starmel Hotels JV, S.L, Fuerteventura Beach Property,S.L.U. and Santa Eulalia Beach Property, S.L.U.
Renasala Group which comprises the companies Renasala, S.L., Starmel Hotels OP, S.L.U, Torremolinos Beach Property, S.L.U, Palmanova Beach Property, S.L.U. Puerto del Carmen Beach Property, S.L.U, and San Antonio Beach Property, S.L.U.
Melcom Group which comprises the companies Ribey Cloud, S.L., Pelícanos Property, S.L.U., Bellver Property, S.L.U. and Melcom Joint Venture, S.L.

Evertmel Group, Melcom Group and Altavista Hotelera, S.L., are owners of hotels which are operated by other Group companies through lease agreements.

Starmel Group and Renasala Group are made up of companies which own and operate hotels. In addition, they have contracts entered into with the parent company of the Group through which management fees are invoiced.

For comparison purposes, amounts for 2019 are shown below:

(Thousand €)	Evertmel Group (*)	Melcom Group (*)	Altavista Hotelera, S.L.	Starmel Group (*)	Renasala Group (*)	Total
EBITDA	**9,715**	**13,205**	**8,597**	**6,110**	**18,056**	**55,682**
Depreciation	**(5,532)**	**(4,284)**	**(3,073)**	**(3,063)**	**(5,088)**	**(21,039)**
Financial Income	302	1,855		4	141	2,302
Financial Expenses	(5,353)	(8,958)	(3,556)	(4,378)	(7,258)	(29,503)
Other financial profit/loss	(1)			(74)	(2)	(76)
Net financial profit/loss	**(5,052)**	**(7,103)**	**(3,556)**	**(4,449)**	**(7,118)**	**(27,277)**
Profit/loss before tax	**(869)**	**1,819**	**1,968**	**(1,402)**	**5,850**	**7,366**
Income tax	(394)	(1,843)	(492)	(193)	(1,765)	(4,687)
NET INCOME	**(1,263)**	**(25)**	**1,476**	**(1,595)**	**4,085**	**2,679**

(Thousand €)	Evertmel Group (*)	Melcom Group (*)	Altavista Hotelera, S.L.	Starmel Group (*)	Renasala Group (*)	Total
NON-CURRENT ASSETS	**170,628**	**260,425**	**142,045**	**82,701**	**230,968**	**886,767**
Cash and other cash equivalents	172	57	16	6,258	5,017	11,520
Other current assets	28,654	9,855	6	3,916	5,073	47,503
CURRENT ASSETS	**28,826**	**9,912**	**22**	**10,174**	**10,089**	**59,023**
TOTAL GENERAL ASSETS	**199,455**	**270,336**	**142,066**	**92,875**	**241,057**	**945,789**
Non-current financial liabilities	132,134	154,836	48,017	79,193	169,482	583,662
Other non-current liabilities	7,048	80,449	15,805	1,009	26,677	130,988
NON-CURRENT LIABILITIES	**139,182**	**235,285**	**63,822**	**80,202**	**196,159**	**714,650**
Current financial liabilities	9,675	4,209	5,797	2,178	7,366	29,225
Other current liabilities	2,698	4,418	8,454	4,901	7,242	27,713
CURRENT LIABILITIES	**12,373**	**8,627**	**14,251**	**7,079**	**14,608**	**56,938**
TOTAL GENERAL LIABILITIES	**151,554**	**243,912**	**78,073**	**87,282**	**210,767**	**771,588**

(*) Companies pertaining to the same business line are jointly presented:
Evertmel Group which comprises the companies Evertmel, S.L, Mongamenda S.L. and Kimel S.L.
Starmel Group which comprises the companies Starmel Hotels OP 2,S.L.U, Starmel Hotels JV, S.L, Fuerteventura Beach Property,S.L.U. and Santa Eulalia Beach Property, S.L.U.
Renasala Group which comprises the companies Renasala, S.L., Starmel Hotels OP, S.L.U, Torremolinos Beach Property, S.L.U, Palmanova Beach Property, S.L.U, Puerto del Carmen Beach Property, S.L.U, and San Antonio Beach Property, S.L.U.
Melcom Group which comprises the companies Ribey Cloud, S.L., Pelícanos Property, S.L.U., Bellver Property, S.L.U. and Melcom Joint Venture, S.L.

Note 14. Other Financial instruments

14.1. Other Financial Assets

The table below includes the breakdown by categories of financial instruments, recorded in the heading Other financial assets of current and non-current assets of the consolidated balance sheet for years 2020 and 2019:

(Thousand €)	31/12/2020			31/12/2019		
	Long Term	Short Term	Total	Long Term	Short Term	Total
1. Financial instruments at amortised cost:						
Loans to associates	76,119	61,783	137,903	89,351	43,282	132,633
Other loans	41,580	2,588	44,168	58,302	2,657	60,959
Other items	14,103	2,428	16,530	16,569	2,615	19,183
2. Financial instruments at fair value through profit or loss:						
Trading Portfolio		142	142		492	492
Unlisted equity instruments	4,060		4,060	4,060		4,060
TOTAL	**135,862**	**66,941**	**202,803**	**168,281**	**49,046**	**217,327**

The table does not include the headings Trade and other receivables and Cash and other cash equivalents, which also relate to financial assets, as described in Note 3.5. Additional breakdowns are included in Note 15 to that effect.

Financial instruments subsequently measured at amortised cost

The table below shows a breakdown by nature of financial assets included in this item for 2020 and 2019:

(Thousand €)	31/12/2020			31/12/2019		
	Long Term	Short Term	Total	Long Term	Short Term	Total
1. Financial instruments at amortised cost:						
Loans to associates	76,119	61,783	137,903	89,351	43,282	132,633
Other loans	41,580	2,588	44,168	58,302	2,657	60,959
Other items	14,103	2,428	16,530	16,569	2,615	19,183
2. Financial instruments at fair value through profit or loss:						
Trading Portfolio		142	142		492	492
Unlisted equity instruments	4,060		4,060	4,060		4,060
TOTAL	**135,862**	**66,941**	**202,803**	**168,281**	**49,046**	**217,327**

Note 21 Information on related parties includes a breakdown of the balances recorded as loans to associates.

Likewise, the balance of Short-term vacation club customers is broken down in Note 15.2 Trade and other receivables.

Loans granted to several companies with which the Company does business in various operating segments are included under heading Other loans; the most significant amounts are as follows:

- Loans granted to various unrelated companies with which the Group has a business relationship in the amount of EUR 4 million.
- Loans to owners of several hotels operated by the Group under lease and management, in the amount of EUR 8 million.

Long-term guarantees granted by the Company basically relate to the rent for hotels leased by the Group through accepted promissory notes. Since such guarantees are granted to ensure compliance with an obligation associated with such agreements, they are not recognised at current value but at face value.

The balance of Vacation club customers relates to the amounts financed in the long-term to this segment customers in the sale of timeshare rights. They are recognised at face value due to these financing agreements include a market interest rate.

The Financial deposits item includes long-term amounts in banks and with a maturity over 3 months, therefore, these cannot be considered as other cash equivalents.

Financial instruments at fair value through other comprehensive income

Cash flow hedge activities relate to interest rate swaps. Hegde activities are explained in Note 14.3.

Financial instruments at fair value through profit or loss

Short-term trading portfolio includes equity instruments listed in official markets, the market prices of which are used to determine the fair value of these investments, as well as unlisted equity instruments included under this category, the movement of which is detailed in the table below:

(Thousand €)	%	Balance 31/12/2019	Balance 31/12/2020
Hotelera Sancti Petri, S.A.	19.50%	2,634	2,634
Port Cambrils Inversions, S.A.	10.00%	980	980
Inveragua RD, S.A.S	14.24%	131	131
Valle Yamury, S.A.	7.21%	358	358
Other financial assets		42	42
TOTAL INVESTMENT		**4,145**	**4,145**
IMPAIRMENT LOSSES		**(85)**	**(85)**
NET CARRYING VALUE		**4,060**	**4,060**

For comparison purposes, movements for year 2019 were as follows:

(Thousand €)	%	Balance 31/12/2018	Additions	Balance 31/12/2019
Hotelera Sancti Petri, S.A.	19.50%	2,634		2,634
Port Cambrils Inversions, S.A.	10.00%	980		980
Inveragua RD, S.A.S	14.24%	107	24	131
Valle Yamury, S.A.	7.21%	358		358
Other financial assets		42		42
TOTAL INVESTMENT		**4,121**	**24**	**4,145**
IMPAIRMENT LOSSES		**(85)**	**0**	**(85)**
NET CARRYING VALUE		**4,036**	**24**	**4,060**

The registered offices, activities and accounting information in thousand euro of the investees in which the Group holds a non-significant shareholding at the 2020 year end are included below:

(Thousand €)	REGISTERED OFFICE	ACTIVITY	Capital	Reserves	Net Income	%	TBV	NBV
Hotelera Sancti Petri, S.A.	Gremio Toneleros, 24 Palma de Mallorca (Spain)	Owner and operator hotel	11,900	876	196	19.50%	2,530	2,634
Port Cambrils Inversions, S.A.	Rambla Regueral, 11 Tarragona (Spain)	Owner and operator hotel	6,000	1,142	(551)	10.00%	659	980
Valle Yamury, S.A. (*)	Velázquez, 106 Madrid (Spain)	Holding and owner	4,870	(1,432)	(7)	7.21%	247	278
Inveragua RD, S.A.S.	Avda. Lope de Vega, 4 Santo Domingo (Dominican Rep.)	Holding	726	(205)	(49)	14.24%	67	131
Other companies (*)								37
			23,496	**381**	**(411)**		**3,503**	**4,060**

(*) Financial statements as at 31 December 2020 for these companies are not available.

14.2. Other Financial Liabilities

The table below shows the breakdown by categories of financial instruments, recorded in the headings Bonds and other negotiable securities, Bank borrowings and Other financial liabilities of current and non-current liabilities of the consolidated balance sheet for 2020 and 2019:

(Thousand €)	31/12/2020			31/12/2019		
	Long Term	Short Term	Total	Long Term	Short Term	Total
1. Financial instruments at fair value through other comprehensive income:						
- Cash flow hedges	2,759	1,482	4,240	1,836	1,307	3,143
2. Financial instruments at fair value through profit or loss:						
- Trading portfolio derivatives	919	707	1,626	1,337	1,098	2,435
3. Other financial liabilities at amortised cost:						
- Bonds and other negotiable securities	34,152	172	34,324	33,951	172	34,123
- Bank borrowings	1,064,925	260,592	1,325,517	786,923	100,343	887,266
- Lease liabilities	1,189,401	159,158	1,348,559	1,264,282	172,012	1,436,295
- Other financial liabilities	7,851	42,630	50,480	9,039	62,896	71,935
TOTAL	**2,300,006**	**464,741**	**2,764,747**	**2,097,368**	**337,829**	**2,435,197**

Balances under heading Trade creditors and other payables which are also considered as financial liabilities, are not included, as explained in Note 3.5. Additional breakdowns are included in Note 19 to that effect.

The following table shows the reconciliation of changes in assets and liabilities from financing activities. Debt issues and redemptions (Bonds and other negotiable securities and Bank borrowings), as well as Derivative financial instruments (hedges and trading portfolio) have been considered:

(Thousand €)	Bonds and Bank borrowings	Financial instruments at fair value	
		Assets	Liabilities
BALANCE AT 31/12/2018	**920,376**	**10**	**5,477**
Financing cash flow	(18,641)		
Exchange differences	11,169		
Changes in fair value		(10)	101
Scope Variations	8,485		
BALANCE AT 31/12/2019	**920,376**	**0**	**5,578**
Financing cash flow	469,500		
Exchange differences	(31,048)		
Changes in fair value			288
BALANCE AT 31/12/2020	**1,359,841**	**0**	**5,866**

In section Scope Variations for 2019 the increase of Bank borrowings is included, as a result of the business combination of the purchase of Me Cabo hotel, as described in Note 6.1.

Lease payments are broken down in Note 18.

Financial instruments at fair value through other comprehensive income

Cash flow hedge activities relate to interest rate swaps. Hegde activities are explained in Note 14.3.

Financial instruments at fair value through profit or loss

Trading portfolio derivatives relate to interest rate swaps. Derivative activities are explained in Note 14.3.

Bonds and other negotiable securities

The table below shows the debt issues recorded under this heading and their balances at the end of 2020 and 2019:

(Thousand €)	31/12/2020			31/12/2019		
	Long Term	Short Term	Total	Long Term	Short Term	Total
Bonds and debentures	29,665	117	29,782	29,665	117	29,782
Other negotiable securities	4,487	56	4,542	4,286	56	4,341
TOTAL	**34,152**	**172**	**34,324**	**33,951**	**172**	**34,123**

Euro-Commercial Paper Programme (ECP)

In May 2020, the commercial paper programme (“Euro-Commercial Paper Programme” or ECP) was renewed, with maturity date on 26 May 2021, subject to English law, in the maximum amount of EUR 300 million, whereby debt instrument issues can be made in Europe with a maturity of less than 364 days, up to the said amount.

In 2020, a total of EUR 95.6 million of issues was made, and there were no outstanding issues at year end.

Other negotiable securities

In 2018, the subsidiary Sol Meliá Europe, B.V. carried out a debt issue in the amount of EUR 5 million, maturing on 18 November 2022, within a facility with the following characteristics:

Issuer	Sol Meliá Europe, B.V.
Guarantor	Meliá Hotels International S.A.
Calculation Agent	UBS AG, London Branch
Fiscal Agent and paying agent	The Bank of New York Mellon
Maximum face amount	150,000,000
Currency	EUR / USD
Maturity date (facility)	04/08/2023

Simple bonds

On 19 November 2018, the parent company issued simple bonds in the total amount of EUR 30 million with the following characteristics:

Issue price	EUR 30,000,000
Face amount	EUR 100,000
Maturity	12 years
Debt rank	Senior unsecured
Issue price	100%
Issue date	19/11/2018
Maturity date	19/11/2030
Coupon	Fixed 3.30%
Redemption price	100%

Bank borrowings

The breakdown by nature and by maturity of the Group's bank borrowings at the end of 2020 and 2019 is as follows:

(Thousand €)	31/12/2020			31/12/2019		
	Long Term	Short Term	Total	Long Term	Short Term	Total
Bank loans	720,989	177,716	898,705	540,574	75,468	616,042
Mortgage loans	236,186	21,400	257,586	245,288	20,956	266,244
Credit policies	107,415	57,753	165,168		1	1
Bank lease liabilities	334	727	1,061	1,061	915	1,976
Interest		2,997	2,997		3,003	3,003
TOTAL	1,064,925	260,592	1,325,517	786,923	100,343	887,266

The total amount drawn down against credit facilities was EUR 165.2 million (EUR 1.3 million in 2019), and at the 2020 year end an additional balance of EUR 211.3 million was available. (In 2019 the available balance was EUR 234 million).

Bank debt increases for new bank financing in 2020 amount to EUR 575 million, as reflected in the Cash flow statement (excluding the amounts for the renewal of the ECP). In 2019, the amount was EUR 235.2 million.

The Group’s mortgage loans are secured by 10 hotels with a total net carrying amount of EUR 496.11 million (in 2019 the net carrying amount was EUR 572.10 million), as stated in Note 11.

Maturity of bank borrowings is as follows:

(Thousand €)	2021	2022	2023	2024	2025	> 5 years	Total
Bank loans	177,663	122,220	150,264	208,398	107,198	132,903	898,648
Mortgage loans	21,453	24,371	26,665	23,588	21,223	140,343	257,644
Credit policies	57,753	4,959	102,456				165,168
Bank lease liabilities	727	327	7				1,061
Interest	2,997						2,997
TOTAL	260,592	151,878	279,392	231,987	128,422	273,247	1,325,517

Lease liabilities

Note 18 Leases includes a breakdown of Lease liabilities.

Other financial liabilities

The table below shows the breakdown of the items under this heading at the end of fiscal years 2020 and 2019:

(Thousand €)	31/12/2020			31/12/2019		
	Long Term	Short Term	Total	Long Term	Short Term	Total
Trade bills payable	21		21	32		32
Fixed asset suppliers	5	18,937	18,943	5	8,822	8,827
Guarantees received	859	1,002	1,861	986	2,654	3,640
Other payables	305	1,003	1,307	1,021	19,898	20,919
Debt to associates	6,661	18,804	25,464	6,995	25,891	32,887
Dividends payable		513	513		587	587
Other financial liabilities		2,371	2,371		5,043	5,043
TOTAL	7,851	42,630	50,480	9,039	62,896	71,935

The amount of Debt to associates is broken down in Note 21.

14.3. Hedge Activities and Derivatives

The breakdown by maturity of the fair values of the Group's derivative financial instruments at the end of 2020 and 2019 is as follows:

(Thousand €)	31/12/2020			31/12/2019		
	Long Term	Short Term	Total	Long Term	Short Term	Total
Hedging derivative liabilities	2,759	1,482	4,240	1,836	1,307	3,143
Trading portfolio derivatives	919	707	1,626	1,337	1,098	2,435
TOTAL	3,678	2,189	5,866	3,172	2,405	5,578

Within the framework of the Group's interest rate risk management policies (see Note 5.1), the Company, at the end of the fiscal year, has several interest rate swaps, which, based on the contractual terms, qualify as cash flow hedging instruments; therefore, changes in their fair value are taken directly to the Group's equity.

The items hedged by these operations are recorded under heading Bank borrowings. These financial instruments are used to exchange interest rates, so that the Company receives variable interest from the bank in exchange for a fixed interest payment on the same face amount. The variable interest received from the derivative offsets interest payments on the financing hedged. The final result is a fixed interest payment on the financing hedged.

In 2020, the negative impact on net equity of these derivative financial instruments, after taking the portion pertaining to the hedged item to the income statement and without considering the tax impact, amounted to EUR 0.9 million. In 2019, the impact was also negative in the amount of EUR 1.03 million.

Likewise, as at 31 December 2020, the notional value of the interest rate swaps that qualify as hedges amounted to EUR 216.6 million, and in 2019 such value amounted to EUR 150.8 million.

The liabilities relating to derivatives held for trading at the end of 2020 relate to interest rate swaps contracted in the framework of the interest rate risk management performed by the Company (see Note 5.1). These interest rate swaps are not considered as accounting hedges because they do not meet the requirements for their application according to IFRS 9.

As at 31 December 2020, the notional value of these financial instruments amounted to EUR 36.4 million, and in 2019 such value amounted to EUR 50.1 million.

Maturity by year is as follows:

(Thousand €)	2021	2022	2023	2024	>4 years	Total
Hedging derivative liabilities	1,482	1,208	885	457	209	4,240
Trading portfolio derivatives	707	531	290	98		1,626
TOTAL	2,189	1,739	1,175	555	209	5,866

For comparison purposes, maturity by year for 2019 was as follows:

(Thousand €)	2020	2021	2022	2021	>4 years	Total
Hedging derivative liabilities	1,307	761	588	300	188	3,144
Trading portfolio derivatives	1,098	637	436	208	55	2,434
TOTAL	2,405	1,398	1,024	508	243	5,578

To determine these fair values, discounted cash flow techniques have been used based on the embedded amounts determined by the interest rate curve in accordance with the market conditions at the measurement date. These measurements have been carried out by the financial institutions from which these products are obtained.

The measurements of these swaps have also been carried out by the financial institutions from which these products are obtained, as independent experts in the measurement of financial instruments.

Note 15. Current Assets

15.1. Inventories

(Thousand €)	31/12/2020	31/12/2019
Hotel Business	18,498	21,295
Vacation Club Business	724	793
Real Estate Business	4,406	5,305
Advances to suppliers	762	1,867
TOTAL	24,389	29,260

The Group does not have firm purchase or sale commitments and there are no limitations on availability of inventories.

15.2. Trade and Other Receivables

The breakdown of this heading at the end of 2020 and 2019 is as follows:

(Thousand €)	31/12/2020	31/12/2019
Trade receivables	53,578	133,551
Other receivables	81,383	60,526
TOTAL	134,961	194,077

Trade

Trade receivables by business line at year end are as follows:

(Thousand €)	31/12/2020	31/12/2019
Hotel	4,525	66,547
Real Estate	983	367
Club Melia	14,163	31,215
Other operating activities	33,908	35,422
TOTAL	53,578	133,551

The Group has signed a non-recourse factoring agreement with a financial institution under which it periodically assigns the accounts receivable relating to certain customers of the hotel business, and collects the amounts concerned in advance. As at 31 December 2020, the total portfolio assigned in this respect amounts to EUR 0.5 million, EUR 23.1 million as at 31 December 2019. The difference between both years is because no new assignments have been made by the Group since March 2020 due to the consequences of the Covid-19 pandemic.

As a result of the "non-recourse" consideration of the assignment of receivables operation abovementioned, trade receivables are derecognised once assigned, therefore, they are not included in the table above.

The aging of trade receivables at year end from the maturity date was as follows:

(Thousand €)	2020	%	2019	%
Less than 90 days	21,334	40%	94,170	71%
More than 90 and less than 180	9,880	18%	18,201	14%
More than 180	22,364	42%	21,180	16%
TOTAL	53,578	100%	133,551	100%

Other receivables

The breakdown by nature of the balances included in this item for 2020 and 2019 is as follows:

(Thousand €)	31/12/2020	31/12/2019
Prepayments and accrued income	9,639	13,688
Loans to employees	171	304
Taxes refundable	41,696	17,685
Receivables from associates	10,552	11,912
Receivables	19,028	16,809
Current accounts	297	128
TOTAL	81,383	60,526

These balances relate to commercial transactions carried out by the Group. Receivables from associates are broken down in Note 21.

15.3. Cash and Other Cash Equivalents

Cash and other cash equivalents are broken down by geographic areas as follows:

(Thousand €)	SPAIN	EMEA (*)	AMERICA	ASIA	31/12/2020
Cash	10,429	11,658	62,805	2,968	87,859
Other cash equivalents	991		15,800		16,791
TOTAL	11,420	11,658	78,604	2,968	104,650

(*) EMEA (Europe, Middle East, Africa) :
Includes regions of Africa, Middle East and rest of Europe, excluding Spain

Cash equivalents relate to short-term deposits, the maturities of which may range from one day to three months depending on the Group's cash needs.

The main balances comprising the Group's cash, based on the currency in which they are denominated, are in US dollar, Dominican peso and Euro.

Balances under this heading for 2019 were as follows:

(Thousand €)	SPAIN	EMEA (*)	AMERICA	ASIA	31/12/2019
Cash	182,972	34,277	105,432	2,386	325,067
Other cash equivalents	416		3,461		3,877
TOTAL	183,388	34,277	108,893	2,386	328,944

(*) EMEA (Europe, Middle East, Africa) :
Includes regions of Africa, Middle East and rest of Europe, excluding Spain

Note 16. Equity

16.1. Share Capital

The share capital as at 31 December 2019 stipulated in the Bylaws was EUR 45,940,000 represented by 229,700,000 shares with a par value of Euro 0.2 each. The shares were fully subscribed and paid-up, and constituted a single class and series.

The General Shareholders' Meeting held on 10 July 2020 agreed a capital reduction through the redemption of treasury shares. This resolution was subsequently executed by the Board of Directors. On 1 September 2020, the deed of such capital reduction was registered with the Commercial Registry of Mallorca, through the redemption of 9,300,000 shares held as treasury stock, with a par value of EUR 0.20 each, representing 4.049% of share capital. As a result of this transaction, the Company's share capital resulting from this reduction is fixed at EUR 44,080,000, represented by 220,400,000 shares with a par value of Euro 0.20 each. The shares are fully subscribed and paid-up, and constitute a single class and series.

All shares carry the same rights and are listed on the stock exchange (Continuous Market - Spain), except for treasury shares.

The Ordinary General Shareholders' Meeting held on 10 July 2020, renewed the authority of the Company's Board of Directors to agree the share capital increase, without having to consult the General Shareholders' Meeting beforehand, up to 50% of the share capital. Consequently, the Board of Directors can exercise this right, in one or more times, deciding in each case, not only the timing or appropriateness, but also the amount and conditions which it considers should apply within a maximum period of five years, starting from the date of said Meeting. If the capital increase is made excluding the shareholders' pre-emptive subscription rights, such authority of the Board of Directors is limited to 20% of the share capital.

The new voting rights held by the main shareholders with direct and indirect stake in Meliá Hotels International, S.A. as at 31 December 2020 and 2019, are as follows:

Shareholder	31/12/2020 % Shareholding	31/12/2019 % Shareholding
Hoteles Mallorquines Consolidados, S.A.	24.37	23.38
Hoteles Mallorquines Asociados, S.L.	13.76	13.21
Hoteles Mallorquines Agrupados, S.L.	10.83	10.39
Tulipa Inversiones 2018, S.A.	5.39	5.03
Global Alpha Capital Management Ltd.	3.15	3.02
Rest of shareholders (less than 3% individual)	42.51	44.98
TOTAL	**100.00**	**100.00**

In October 2018, Mr. Gabriel Escarrer Juliá (Founder and Non-Executive Chairman of the Board of Directors) ceased to exercise control over the Group, although he currently still owns 5.388% of the shares in Meliá Hotels International, S.A., indirectly, through the company Tulipa Inversiones 2018, S.A.

Notwithstanding the foregoing, the Escarrer Family (namely, Mr. Escarrer Juliá, his spouse and their 6 children) hold 100% of the shares in the companies Hoteles Mallorquines Consolidados, S.L., Hoteles Mallorquines Agrupados, S.L. and Hoteles Mallorquines Asociados, S.L., although no controlling shareholder exists in any of them.

16.2. Reserves

The table below shows the breakdown of heading Other Reserves of the consolidated Statement of changes in equity at the end of 2020 and 2019:

(Thousand €)	31/12/2020	31/12/2019
Legal reserve	8,816	9,188
Revaluation reserves Royal Decree-Law 7/1996, of 7th June	1,380	16,076
Reserves for shares of the controlling company		28,191
Reserves for actuarial gains and losses	(4,901)	(4,618)
Voluntary reserves	292,511	277,442
Consolidated reserves attributed to the controlling company	116,758	116,758
TOTAL	414,564	443,037

The consolidated reserves attributed to the controlling company include the necessary homogenisation adjustments to present the consolidated equity in accordance with the International Financial Reporting Standards (IFRSs) and the International Financial Reporting Committee Interpretations (IFRICs), as described in Note 2.

Regarding restricted reserves, Meliá Hotels International, S.A. and its subsidiaries incorporated under the Spanish law are obliged to transfer 10% of the profits of each year to a reserve fund until this fund reaches at least 20% of the share capital. This reserve, provided that other reserves are not available, may only be used to offset losses.

The decrease in reserves for treasury shares is due to the capital reduction through the redemption of treasury shares as mentioned in Note 16.1.

16.3. Treasury Shares

Breakdown and movements of treasury shares under liquidity contract and treasury share buy-back programme are as follows:

(Thousand €)	Shares	Average Price €	Balance
BALANCE AT 31/12/2019	3,440,825	8.19	28,191
Additions	6,128,194	4.04	24,772
Disposals	(6,260,194)	4.05	(25,350)
Additions by repurchase program	6,225,189	5.45	33,901
Reduction in share capital	(9,300,000)	6.25	(58,132)
BALANCE AT 31/12/2020	234,014	14.45	3,382

There are no securities loaned to banks as at 31 December 2020.

The number of shares held by the Company as at 31 December 2020 is 234,014, representing 0.106% of the share capital. Treasury shares do not exceed the 10% limit established by the Spanish Law on Corporations.

The price of Meliá Hotels International, S.A.'s shares at year end was EUR 5.72. At the 2019 year end the share price amounted to EUR 7.86.

As regards the Treasury Share Buy-Back Programme, the Board of Directors, at its ordinary meeting held on 18 May 2020, unanimously decided the early termination of such Programme, in order to strengthen the financial solvency and liquidity of the Group.

In executing such Buy-Back Programme, the parent company has acquired a total of 7,846,246 of treasury shares in 2019 and 2020, representing 3.416% of the share capital, and has invested a total of EUR 46,051,882, with the maximum amount allocated of number of shares being 8.5 million and the maximum monetary amount being EUR 60 million.

On 10 July 2020, the Board of Directors, according to the delegation granted in its favour by the General Shareholders' Meeting held on the same day, agreed to execute the capital reduction through the redemption of 9,300,000 of treasury shares (see Note 16.1).

For comparison purposes, movements for year 2019 were as follows:

(Thousand €)	Shares	Average Price €	Balance
BALANCE AT 31/12/2018	1,822,968	8.79	16,025
Additions	7,437,418	8.15	60,645
Disposals	(7,440,618)	8.15	(60,632)
Additions by repurchase program	1,621,057	7.50	12,153
BALANCE AT 31/12/2019	3,440,825	8.19	28,191

There were no securities loaned to banks as at 31 December 2019. As at 31 December 2019, the total number of shares held by the Company was 3,440,825, which represented 1.5% of the share capital.

16.4. Retained Earnings

This heading includes the profit/(loss) for previous years of the parent company, as well as the retained earnings of the other companies included in the scope of consolidation as from the date they were included therein.

Movements during 2020 included under this heading mainly related to the distribution of profit for the previous year, in the amount of EUR 106.6 million from fully consolidated companies, and in the amount of EUR 6.3 million of profits from associates.

Movements during 2019 included under this heading mainly related to the distribution of profit for the previous year, in the amount of EUR 141.8 million from fully consolidated companies, and in the amount of EUR 5.3 million of profits from associates. Likewise, the disposal for the distribution of dividends was included in the amount of EUR 41.7 million.

16.5. Measurement Adjustments

The Measurement adjustments heading in the consolidated Statement of changes in equity, includes a breakdown of Translation differences and Other measurement adjustments recognised in liabilities in the consolidated balance sheet.

Translation differences

Among the total Translation differences, the amount of EUR 188.2 million negative relates to fully consolidated companies and EUR 58.7 million negative to companies accounted for using the equity method. In 2019, the amounts were EUR 56.5 million negative and EUR 54 million negative, respectively.

According to IAS 21.15, certain financing transactions relating to subsidiaries abroad have been considered as an increase in the value of the investment. During the year, EUR 36.3 million in negative translation differences has been recognised under this heading, while in 2019, EUR 5.1 million in negative translation differences was also recognised.

Other measurement adjustments

Movements during the year mainly related to income and expenses attributed to equity, as well as to transfers to the consolidated income statement of derivative financial instruments classified as hedges, net of their tax effect, in the amount of EUR 0.5 million positive. In 2019, the amount was EUR 0.4 million positive.

16.6. Non-Controlling Interests

The equity interest relating to rights held by third parties outside the Group is included under this heading, including the relevant proportional stake in the result (profit/(loss)).

The consolidated amounts, before carrying out intra-group eliminations, of assets and liabilities of subsidiary companies and their investees with non-controlling interests, as well as their relevant stake in the result (profit/(loss)) for the fiscal year, are included below:

(Thousand €)	Minority percentage	Total Assets	Total Liabilities	Total Net Assets	Non-controlling interests	Non-controlling interests profit/(loss)
Invers. Explot. Turísticas, S.A.	45.07%	146,495	113,978	32,517	7,722	(2,674)
Realizaciones Turísticas, S.A.	3.73%	204,681	53,821	150,860	5,455	(76)
Adprotel Strand, S.L.U.	25.00%	208,954	162,090	46,865	21,245	(3,876)
MIA Exhold, S.A.	0.31%	381,452	145,918	235,534	1,438	(60)
Other companies		262,470	237,840	24,631	(10,354)	(10,106)
TOTAL		1,204,053	713,646	490,407	25,507	(16,791)

The movements in the year mainly relate to the profit/(loss) as well as the translation differences recognised in these companies and their subsidiaries in the amount of EUR 1.8 million. Dividends were in the amount of EUR 64 thousand. In 2019, no dividend movements took place.

For comparison purposes, amounts for 2019 are shown below:

(Thousand €)	Minority percentage	Total Assets	Total Liabilities	Total Net Assets	Non-controlling interests	Non-controlling interests profit/(loss)
Invers. Explot. Turísticas, S.A.	45.07%	159,890	121,754	38,136	10,453	6,996
Realizaciones Turísticas, S.A.	3.73%	223,062	31,543	191,518	5,389	49
Adprotel Strand, S.L.U.	25.00%	248,775	176,996	71,779	26,488	254
MIA Exhold, S.A.	0.31%	533,952	183,190	350,762	1,410	63
Other companies		293,000	236,259	56,741	(101)	1,418
TOTAL		1,458,679	749,742	708,937	43,638	8,781

Note 17. Other Non-Current Liabilities

17.1. Capital Grants and Other Deferred Income

The breakdown of this heading in the consolidated balance sheet is as follows:

(Thousand €)	31/12/2020	31/12/2019
Capital grants	4,020	4,235
Deferred income from customer loyalty programmes	19,131	22,018
Vacation Club deferred income	265,759	323,695
Other deferred income	3,514	645
TOTAL	292,424	350,593

Capital grants mainly relate to grants to finance property, plant and equipment purchases. During the fiscal year, the total amount recorded under this item in the consolidated income statement was EUR 215 thousand. In 2019, income from grants amounted to EUR 221 thousand.

Deferred income relates to outstanding obligations undertaken with customers pursuant to the entry into force of IFRS 15. Regarding loyalty programmes, a portion of the selling price of hotel rooms is assigned as fair value of the points which will be recognised as income in the consolidated income statement at the time they are redeemed by the customers.

Deferred income from vacation club reflects the amount allocated to the weeks not yet enjoyed by the customers, net of the costs directly attributable to the execution of these contracts. This deferred income is recognised as income in the consolidated income statement at the time the customers exercise the rights acquired under their vacation club membership agreement.

17.2. Provisions

The Group maintains in non-current liabilities a balance in the amount of EUR 26.5 million in respect of provisions for contingencies and expenses. As stated in Note 3.10, this heading includes the Group's post-employment benefit obligations with staff, provisions for taxes from previous years which are at appeal or resolution stage and for urban-planning related legal disputes with public bodies, as well as the provisions recorded to cover the various liabilities and contingencies arising from operations, commitments acquired and guarantees given in favour of third parties, risks deriving from legal claims and lawsuits and potential liabilities deriving from the different interpretations to which the applicable legislation is open.

The breakdown by type of obligations is as follows:

(Thousand €)	31/12/2019	Additions	Disposals	31/12/2020
Provision for retirement, seniority bonus and personnel obligation:	11,391	1,612	(61)	12,942
Provision for taxes and liabilities	18,415	5,423	(10,296)	13,541
TOTAL	29,805	7,035	(10,357)	26,483

Provisions for retirement, seniority bonus and personnel

At the end of each fiscal year, actuarial studies are carried out to assess the past services corresponding to commitments established in supra-enterprise collective agreements. In 2020, the estimated accrued amount was EUR 14.1 million, with an impact of EUR 1.3 million on the income statement for 2020. In 2019, the total amount accrued was EUR 13.9 million, with an impact of EUR 1.4 million on the income statement.

The assessment of these commitments undertaken by the Company has been conducted in accordance with the actuarial assumptions of the model which pertains to the Group, using the calculation method known as the Projected Unit Credit and the demographic assumptions established by the PER2000P tables, using a capitalisation rate of 0.43%, and a salary increase assumption of 2.17%. In addition, the probability of tenure of employees until retirement has also been applied, based on the Group's experience in respect of employees leaving the Company, giving rise to the following rotation ratios according to the employee's current age:

Ages Range	% Rotation
< 45	7.53%
45 - 55	3.73%
> 55	2.98%

Likewise, a significant part of these commitments has been outsourced in compliance with the legislation in force. At the 2020 year end, the balance of assets linked to the post-employment benefit plans amounted to EUR 1.1 million, liabilities being presented in their net amount. At the 2019 year end the balance for this item was EUR 2.5 million.

On the other hand, the negative amount recognised in the consolidated Statement of comprehensive income of EUR 0.6 million relates to changes in the percentages and actuarial assumptions for the calculation of the remunerations and retirement bonuses in respect of the Group's post-employment benefits commitments to its employees. In 2019, the amount, also negative, recognised in the consolidated Statement of comprehensive income was EUR 1.2 million.

Provision for liabilities

In relation to the investigation opened by the European Commission in March 2017 on the compliance with the antitrust rules in the hotel distribution sector, it is worth mentioning that in May this year, the fine in the amount of EUR 6.7 million imposed by the mentioned body was paid, an amount for which a provision was made the previous year. Thus, such investigation process has come to an end.

For comparison purposes, information for 2019 is shown below:

(Thousand €)	31/12/2018	Additions	Disposals	31/12/2019
Provision for retirement, seniority bonus and personnel obligations	10,719	1,044	(372)	11,391
Provision for taxes and liabilities	29,480	1,819	(12,884)	18,415
TOTAL	40,199	2,863	(13,257)	29,805

Note 18. Leases

18.1. Rights of Use

The opening and final balance of Right-of-use assets, as well as movements during the year and the depreciation amounts for each type of underlying asset for 2020 and 2019 are detailed below:

(Thousand €)	Balance 31/12/19	Depreciation and impairment 2020	Variations	Exchange Differences	Balance 31/12/20
GROSS VALUE					
Buildings	2,378,295		163,901	(62,701)	2,479,495
Plant and Machinery	639		363		1,001
Other fixed assets	16,169		120		16,289
Total Gross Value	**2,395,102**	**0**	**164,384**	**(62,701)**	**2,496,785**
ACCUMULATED DEPRECIATION					
Buildings	(1,133,502)	(222,540)	21,158	38,723	(1,296,161)
Plant and Machinery	(464)	(130)		4	(591)
Other fixed assets	(9,881)	(3,235)			(13,115)
Total Accumulated Depreciation	**(1,143,847)**	**(225,905)**	**21,158**	**38,726**	**(1,309,867)**
NET CARRYING VALUE	1,251,255	(225,905)	185,542	(23,975)	1,186,918

Variations mainly relate to the incorporation of one hotel in Amsterdam in the amount of EUR 78.1 million, and other in Italy in the amount of EUR 18.4 million, as well as several contractual amendments which increased the value of the Rights of use by EUR 76 million (see Note 4.4). Such contractual amendments include maturity extensions of certain contracts and renegotiations of lease payments as a result of the need to adapt the lease conditions to the current situation caused by the pandemic generated by Covid-19.

Exchange differences are due to the depreciation of the British pound and the US dollar against the euro, and mainly affect two hotels located in the United Kingdom and one hotel located in the USA.

For comparison purposes, the movements in 2019 were as follows:

(Thousand €)	Balance 31/12/18	Depreciation and impairment 2019	Variations	Exchange Differences	Balance 31/12/19
GROSS VALUE					
Buildings	2,051,045		319,601	7,649	2,378,295
Plant and Machinery	556		82		639
Other fixed assets	16,102		67		16,169
Total Gross Value	**2,067,703**	**0**	**319,750**	**7,649**	**2,395,102**
ACCUMULATED DEPRECIATION					
Buildings	(996,536)	(134,406)		(2,560)	(1,133,502)
Plant and Machinery	(382)	(82)			(464)
Other fixed assets	(6,654)	(3,226)			(9,881)
Total Accumulated Depreciation	**(1,003,573)**	**(137,713)**	**0**	**(2,560)**	**(1,143,847)**
NET CARRYING VALUE	1,064,130	(137,713)	319,750	5,089	1,251,255

The Cost increase mainly related to the renewal of the lease contract of Meliá White House hotel located in London (the United Kingdom) in the amount of EUR 215.4 million, due to the extension of the lease term to 125 years, as well as the increase in future lease payments.

In addition, the incorporation of the hotel Innside París Charles de Gaulle located in Paris (France) in the amount of EUR 42.1 million stood out.

The other changes related to the update of lease payments of the agreements according to CPI and renegotiations of the agreements that modify the term and/or future lease payments.

18.2. Lease Liabilities

There follows a breakdown of fixed lease payments (not discounted) expected to be made by the Company in the coming years:

(Thousand €)	2020	2019
Less than 1 year	180,064	304,931
Between 1 and 5 years	574,280	600,073
More than 5 years	1,405,061	1,447,717
TOTAL	2,159,405	2,352,721

The average term of the lease agreements is 6.36 years, in the case of hotels 7.70 years, and 3.17 years for other lease agreements. In 2019, the average term was 6.70 years, in the case of hotels was 7.96 years, and 3.56 years for other lease agreements.

In the amount above reflected, EUR 23 million of payments is included relating to lease agreements other than hotel lease. The amount reflected in 2019 includes EUR 42 million of payments relating to lease agreements other than hotel lease.

The performance of lease liabilities was as follows:

(Thousand €)	2020	2019
OPENING BALANCE	1,436,295	1,277,417
Financial expense leases	32,507	41,381
Fixed lease payments	(274,206)	(190,475)
Other variations (increases or decreases)	153,710	307,972
TOTAL	1,348,305	1,436,295

Fixed lease payments include EUR 91.3 million relating to the disbursement made in 2020 for the renewal of the agreement of Meliá White House hotel of the previous year. Deducting this amount, fixed payments have decreased compared to the previous year thanks to the unprecedented efforts of the Company in negotiating its lease agreements (see Note 4.4), even considering the lease payment increases provided for in the agreements and the new lease payments for additions of the previous year.

Increases in liabilities mainly relate to the incorporation of one hotel in Amsterdam in the amount of EUR 78.5 million, and other in Italy in the amount of EUR 18.4 million, as well as several contractual amendments which increased lease liabilities by EUR 76 million. Such contractual amendments include maturity extensions of certain contracts and renegotiations of lease payments as a result of the need to adapt the lease conditions to the current situation caused by the pandemic generated by Covid-19.

Exchange differences included under heading Other increases/decreases, which have reduced the amount of liabilities are due the depreciation of the British pound and the US dollar against the euro, and mainly affect two hotels located in the United Kingdom and one hotel located in the USA in the amount of EUR 23.7 million.

Other payments not included in lease liabilities

As mentioned in Note 2, the Company decided to avail of low value and short-term exemptions. The amount relating to this type of agreements, as well as the expenses relating to the variable lease payments not included in the measurement of lease liabilities are included below:

(Thousand €)	2020	2019
Variable leases	910	20,584
Short-term leases	2,162	3,946
Low value leases	3,305	5,758
TOTAL	6,377	30,287

Under Variable leases item, the portion of the lease payment which depends on indexes or rates based on the performance of the hotels is included, as well as the lease payment of 1 hotel agreement which is fully variable and, therefore, is not included within the calculation of lease liabilities.

The amounts of leases not yet started to which the Group is committed relate to preliminary agreements of hotels, the expected payments of which are broken down as follows:

(Thousand €)	2020	2019
Less than 1 year	5,941	1,065
Between 1 and 5 years	47,353	69,659
More than 5 years	280,175	350,619
TOTAL	333,470	421,343

Note 19. Trade Creditors and Other Payables

The breakdown of this heading at the end of 2020 and 2019 is as follows:

(Thousand €)	31/12/2020	31/12/2019
Trade creditors	202,762	294,006
Other payables	90,572	130,466
TOTAL	293,334	424,472

19.1. Trade Creditors

The balance of trade creditors includes any payables to suppliers of goods, supplies and other services or for which the invoices have not yet been received, which at the end of the year amounted to EUR 161.7 million. At the previous year end, this balance amounted to EUR 215.6 million.

Likewise, this heading mainly includes prepayments from customers in the hotel business, which, at the end of 2020 amounted to EUR 41 million; EUR 78.36 million at the end of 2019.

In addition to the activity reduction, the Group has renegotiated fees with strategic suppliers as part of the policy for the management of the current crisis, maintaining the relationship with key suppliers which guarantee the business continuity while adapting to the liquidity limitation as a consequence of the pandemic.

19.2. Other payables

The main items included in Other payables are set out below:

(Thousand €)	31/12/2020	31/12/2019
Accruals and deferred income	1,963	1,149
Accrued wages and salaries	37,739	58,693
Taxes payable	14,972	27,279
Social security contributions payable	7,467	12,693
Trade payables, associates	26,768	25,732
Other liabilities	1,662	4,920
TOTAL	90,572	130,466

These balances relate to commercial transactions carried out by the Group. Payables to associates are included in section Commercial transactions in Note 21.

Note 20. Tax Situation

The companies within the Group are subject to the tax legislation applicable in the countries in which they carry out their activities. Current tax regulations in some of these countries do not coincide with the Spanish regulations. As a consequence of the above, the information included in this note should be construed in the light of the peculiarities of the applicable tax regulations for the benefit of legal entities, with reference to applicable tax bases, tax rates and deductions.

20.1. Years Open to Inspection

According to the legal provisions in force, tax returns may not be considered to be final until they have been inspected by the tax authorities or the statute of limitations period has elapsed, which may be extended by the tax inspection authorities.

In this respect, the years open to inspection in the various countries in which the Group operates are as follows:

	Corp. Inc. Tax	Personal Income Tax	VAT	I.G.I.C. [general indirect Canaries tax]	I.R.A.P. [Italian regional tax on productive activities]	PIS/COFINS [social integration programme/contribution for the financing of social security]
Spain	2017-2020	2018-2020	2018-2021	2018-2021		
France	2018-2020	2019-2021	2019-2021			
England	2015-2020	2016-2021	2016-2021			
Italy	2015-2020	2016-2021	2016-2021		2015-2020	
Germany	2011-2020	2012-2021	2012-2021			
Holland	2017-2020	2017-2021	2017-2021			
China	2016-2020	2017-2021	2017-2021			
USA	2018-2020					
Mexico	2015-2020		2017-2021			
Dominican Rep.	2018-2020		2017-2021			
Venezuela	2016-2020	2017-2021	2017-2021			
Brazil	2016-2020	2017-2021				2017-2021

20.2. Deferred Tax Assets and Liabilities

The balance details of the Group’s deferred tax assets and liabilities in 2020 and 2019 is as follows:

(Thousand €)	Balance sheet	
	31/12/2020	31/12/2019
Non-current deferred tax asset is as follows:		
Tax credits activated by deductions pending application	6,582	7,344
Tax credits activated by tax bases pending offset	53,793	30,751
Temporary differences for:		
Tax value of Tryp goodwill	8,379	12,187
Cash flow hedges (SWAP)	1,172	941
Tax deductible provisions at the payment time or when liability is generated	53,294	32,490
Different criteria for tax and accounting amortisation	12,837	15,880
Inter-group results elimination	3,470	3,440
Financial expenses not deducted	27,297	31,370
Accounting (non-tax) revenues to be distributed over several years	72,703	99,096
Leases	70,548	62,837
Other	7,160	962
TOTAL ASSETS	**317,235**	**297,298**
Non-current deferred tax liability is as follows:		
Fair values in business combinations	27,055	37,493
Finance lease operations	13,140	20,585
Fixed assets restatement and revaluation	63,735	88,538
Property investments fair value adjustment	15,589	16,563
Differences in accounting and tax values of assets	9,959	8,743
Accounting revaluation for merger	2,433	2,479
Sales under reinvestment deferral	3,791	3,854
Accounting (non-tax) expenses to be distributed over several years	10,134	17,219
Leases	1,120	5,514
Other	45,914	20,900
TOTAL LIABILITIES	**192,870**	**221,888**

Deferred taxes recognised in 2020 and 2019 by the Group are as follows:

(Thousand €)	Deferred tax Assets	Deferred tax Liabilities
BALANCE 31/12/2018	302,555	203,239
Expenses / Income of the period	(15,390)	(2,463)
Scope changes	(1,072)	8,426
Translation differences and others	11,204	12,686
BALANCE 31/12/2019	297,297	221,888
Expenses / Income of the period	46,977	(2,651)
Scope changes		
Translation differences and others	(27,039)	(26,367)
BALANCE 31/12/2020	317,235	192,870

Deferred tax assets and liabilities are calculated considering the future changes in the tax rate approved in all geographic areas.

20.3. Tax Credits for Loss Carryforwards

The tax loss carryforwards of the companies within the Group, detailed by geographic area and maturity date, are detailed below:

(Thousand €)	2021	2022-2026	2027-2033	Subsequent years	Total 31/12/2020
Spain				588,308	588,308
Rest of Europe				172,002	172,002
America and rest of the world			28,504	19,050	47,554
TOTAL	0	0	28,504	779,360	807,864

Within the Rest of Europe area, England stands out with EUR 79.1 million, Germany with EUR 42.4 million, France with 24.1 million, Italy with EUR 17.8 million, Austria with EUR 7.6 million and Luxembourg with EUR 1 million, and within America and the rest of the world, Mexico stands out with EUR 28.5 million and Brazil with EUR 19 million.

The Group's main capitalised tax losses and deferred tax assets generated are detailed below:

(Thousand €)	31/12/2020	
	Capitalised Tax Losses	Deferred Tax Assets
Spain	89,669	22,417
United Kingdom	45,065	8,562
Germany	42,378	13,487
Mexico	28,028	8,408
Italy	3,830	919
TOTAL	208,970	53,793

For comparison purposes, the tax loss carryforwards detailed by geographic area and maturity date at the 2019 year end are detailed below:

(Thousand €)	2020	2021-2025	2026-2032	Subsequent years	Total 31/12/2019
Spain				333,936	333,936
Rest of Europe			8,831	70,495	79,326
America and rest of the world			1,214	33,813	35,027
TOTAL	0	0	10,045	438,244	448,289

The Group's main capitalised tax losses and deferred tax asset for the previous year are detailed below:

(Thousand €)	31/12/2019	
	Capitalised Tax Losses	Deferred Tax Assets
Spain	85,470	21,368
United Kingdom	44,499	8,455
Italy	3,867	928
TOTAL	133,836	30,751

20.4. Tax Credits

The Group's available tax credits, by geographic areas and maturity, are detailed below:

(Thousand €)	2021	2022-2026	2027-2033	Subsequent years	Total 31/12/2020
Spain		3,051	4,324	4,948	12,323
Rest of Europe	166	1,063			1,229
TOTAL	166	4,114	4,324	4,948	13,552

Accumulated tax credits at year end in the Rest of Europe entirely relate to France.

48.57% of tax credits have their corresponding deferred tax asset duly recognised.

For comparison purposes, available tax credits by geographic area and maturity date, at the 2019 year end are detailed below:

(Thousand €)	2020	2021-2025	2026-2032	Subsequent years	Total 31/12/2019
Spain		1,726	2,268	5,648	9,642
Rest of Europe	590	473			1,063
TOTAL	590	2,199	2,268	5,648	10,705

The information set out in Article 86 of Law 27/2014 of 27 November on Corporate Income Tax applicable to mergers and divisions of business lines carried out in previous years is included in the first notes to the annual accounts approved following each of these operations and is summarised as follows:

- Inmotel Inversiones, S.A.: 1993, 1996, 1997 and 1998
- Meliá Hotels International, S.A.: 1999, 2001, 2005, 2009 and 2012.
- Prodigios Interactivos, S.A.:2019

20.5. Reconciliation of the Consolidated Accounting Income and the Aggregated Tax Base

(Thousand €)	2020	2019
Consolidated Net Income	**(612,721)**	**121,679**
Income tax expense	(51,050)	34,632
Adjustments for impairment and provisions	201,772	(54,134)
Finance lease transactions	1,254	3,164
Non-deductible expense/income	42,965	(97,458)
Exchange differences	(26,277)	(1,320)
Inflation adjustments	15,136	3,111
Other adjustments	19,792	102,435
PREVIOUS TAXABLE INCOME	**(409,129)**	**112,109**
Offset of tax-loss carryforwards		(7,079)
Tax losses not recognised	(933)	(6,787)
GROSS TAX BASE	**(410,062)**	**98,243**
TAX EXPENSE AT RATE APPLICABLE BY LAW (25%)	**0**	**24,561**
Effect of tax rate applicable in other countries	**0**	**(4,534)**
CORPORATE INCOME TAX FOR THE PERIOD	**1,923**	**20,027**

The Group's tax expense is zero and the income tax expense which amounts to EUR 1.9 million relates to the current tax of certain foreign subsidiaries which have not generated tax losses.

20.6. Income Tax Expense

The table below reflects the amounts recorded as an expense for the fiscal years 2020 and 2019, the balances being detailed by items, and differentiating between current tax and deferred tax:

(Thousand €)	2020	2019
	Expense / (Income)	Expense / (Income)
Current Tax		
Income tax for the period	1,923	20,027
Other taxes for the fiscal year	(2,113)	3,974
Adjustments to income tax of prior years	(1,231)	(2,179)
Deferred Tax		
Net variation in credits for tax losses	(25,446)	(2,283)
Net variation in tax credits	12	1,072
Other deferred tax	(24,195)	14,021
TOTAL INCOME TAX EXPENSE	**(51,050)**	**34,632**

The heading Other taxes for the fiscal year relates to taxes similar to the income tax as well as other taxes in developing countries based on income or assets.

All Adjustments to income tax in fiscal years prior to 2020 and 2019, relate to changes between the final tax and the tax estimate made during the previous year.

20.7. Status of the Main Tax Inspections and Litigation

The main inspections and litigation processes of a tax nature for the Group which could have a negative impact on the Group, take place in America. In particular, the following stands out:

- Litigation in Mexico in relation to income tax assessments for 2012 issued against Corporación Hotelera Hispano Mexicana, S.A. de C.V. The purpose of the process is the adequacy of the documentary evidence to prove and apply certain tax losses. The figures under discussion amount to MXN 481 million (EUR 19.6 million).

- Inspection in process in the Dominican Republic for Income Tax assessments for 2018 and 2019 issued against Infinity Vacations Dominicana SAS. The purpose of the inspection focuses on the application of certain tax incentives for investment. The figures under discussion amount to DOP 1,144 (EUR 16.1 million).

The Group has adequately made provisions for any liabilities which may arise from the existing tax inspections and litigation. However, as a result, among others, of the different interpretations of the current legislation, additional liabilities may arise from an inspection. The Group assesses the uncertain tax treatments and reflects the effect of the uncertainty on the taxable profit (tax loss), tax bases, unused tax losses or unused tax credits and the corresponding tax rates. On this account, the Group has recognised an amount of EUR 24.7 million under Other deferred tax liabilities.

Note 21. Information on Related Parties

The following are considered to be related parties:

- Associates and joint ventures that are accounted for using the equity method, as detailed in Annex 2 of the notes to these annual accounts.
- Significant shareholders of the controlling company.
- Members of the Board of Directors and members of the SET.

All transactions with related parties are arm's length transactions under market conditions.

21.1. Transactions with Associates and Joint Ventures

Commercial transactions

Commercial transactions carried out with associates and joint ventures mainly relate to hotel management activities and other related services. The table below shows the amount recognised in operating revenues in the consolidated income statement, and the balances outstanding at the end of 2020 and 2019:

(Thousand €)	31/12/2020			31/12/2019		
	Net Income 2020	Assets	Liabilities	Net Income 2019	Assets	Liabilities
Evertmel Group (*)	107	(479)	9,363	422	246	14,436
Meliá Zaragoza, S. L.	205	621	24	107	167	16
Producciones de Parques, S.L. (JV)	932	605	264	3,089	1,063	18
Melcom Group (*)	40	755	11,136	68	112	5,384
Altavista Hotelera, S. L.	28	456	3,947	(4,768)	417	485
Fourth Project 2012, S.L.	31	11	197	35	10	4,998
Meliá Hotels USA, LLC	(65)	324			292	
Sierra Parima	72	10	39	120	253	
Jamaica DevCo	37	1,080	717	343	960	72
TOTAL JOINT VENTURES	**1,386**	**3,383**	**25,689**	**(585)**	**3,521**	**25,410**
Turismo de Invierno, S.A.	225	820	21	757	365	32
C.P. Meliá Castilla	834	991	90	4,422	2,028	47
C.P.A.M.Costa del Sol	547	1,213	211	2,401	849	97
Nexprom, S.A.	391	881	114	3,014	1,035	45
Starmel Group (*)	1,037	1,084	255	2,336	353	18
Renasala Group (*)	1,168	1,519	384	5,594	1,897	62
Plaza Puerta del Mar	53					
Mosaico Hoteles S.A.		752				
Inversiones Guiza, S. A.	(14)	12	3		11	7
Detur Panamá, S. A.	66	(102)	1	187	1,852	14
TOTAL ASSOCIATED COMPANIES	**4,309**	**7,169**	**1,080**	**18,711**	**8,391**	**322**
TOTAL	**5,695**	**10,552**	**26,768**	**18,126**	**11,912**	**25,732**

(*) Companies pertaining to the same business line are jointly presented:
Evertmel Group which comprises the companies Evertmel, S.L, Mongamenda S.L. and Kimel S.L.
Producciones de Parques Group which comprises the companies Producciones de Parques, S.L., Tertian XXI S.L.U. and Golf Katmandú,S.L.
Starmel Group which comprises the companies Starmel Hotels JV, S.L, Starmel Hotels OP 2 S.LU, Fuerteventura Beach Property, S.L.U. and Santa Eulalia Beach Property, S.L.U.
Renasala Group which comprises the companies Renasala,S.L., Starmel Hotels OP,S.L,U. Torremolinos Beach Property, S.L,U, Palmanova Beach Property, S.L.U. Puerto del Carmen Beach Property, S.L.U. San Antonio Beach Property, S.L.U.
Melia Hotels USA, LLC Group which comprises the companies Melia Hotels USA,Llc. and Melia Hotels Florida Llc.
El Recreo Group which comprises the companies El Recreo Plaza, C.A. and El Recreo Plaza & Cía.
Melcom Group which comprises the companies Sistemas Ribey Cloud,S.L., Pelícanos Property, S.L.U., Bellver Property, S.L.U.and Melcom Joint Venture S.L.

Financing transactions

The breakdown of the financing maintained by the Group with associates at the end of 2020 and 2019 is as follows:

(Thousand €)	31/12/2020			31/12/2019		
	Net Income 2020	Assets	Liabilities	Net Income 2019	Assets	Liabilities
Evertmel Group (*)	779	20,779	15,977	725	19,796	6,967
Meliá Zaragoza, S. L.	189	11,442		96	6,213	
Altavista Hotelera, S. L.	219	13,920		252	13,489	
Grupo Melcom (*)	864	37,368	1,082	861	37,368	1,122
Producciones de Parques Group (*)			631			1,886
Fourth Project 2012, S.L.	(139)		6,641	(410)		6,621
Melia Hotels USA Group (*)	(266)	3,258		142	2,367	
Sierra Parima	759			964		12,940
Jamaica DevCo	288	24,335		348	24,331	
TOTAL JOINT VENTURES	**2,694**	**111,102**	**24,331**	**2,978**	**103,563**	**29,536**
Turismo de Invierno, S.A.	3		41	14	510	179
C.P. Meliá Castilla			77			339
C.P.A.M.Costa del Sol			317			698
Nexprom, S.A.			146			668
Starmel Group (*)	716	6,073	360	646	5,493	824
Renasala Group (*)	1,002	20,228	233	1,060	20,248	636
Mosaico Hoteles S.A.		498				
Detur Panamá, S. A.	(139)	2		490	2,813	
TOTAL ASSOCIATED COMPANIES	**1,583**	**26,801**	**1,173**	**2,210**	**29,064**	**3,343**
TOTAL	**4,276**	**137,903**	**25,504**	**5,188**	**132,627**	**32,879**

(*) Companies pertaining to the same business line are jointly presented:

Evertmel Group which comprises the companies Evertmel, S.L, Mongamenda S.L. and Kimel S.L.

Producciones de Parques Group which comprises the companies Producciones de Parques, S.L., Tertian XXI S.L.U. and Golf Katmandú,S.L.

Starmel Group which comprises the companies Starmel Hotels JV, S.L, Starmel Hotels OP 2 S.L.U, Fuerteventura Beach Property ,S.L.U and Santa Eulalia Beach Property, S.L.U.

Renasala Group which comprises the companies Renasala,S.L., Starmel Hotels OP,S.L,U. Torremolinos Beach Property, S.L.U, Palmanova Beach Property, S.L.U. Puerto del Carmen Beach Property, S.L.U. San Antonio Beach Property, S.L.U.

Melia Hotels USA, LLC Group which comprises the companies Melia Hotels USA,Llc. and Melia Hotels Florida Llc.

Melcom Group which comprises the companies Sistemas Ribey Cloud,S.L., Pelícanos Property, S.L.U., Bellver Property, S.L.U .and Melcom Joint Venture S.L.

At each year end, interest is calculated on the average balance of the current accounts, including debit or credit balances, depending on the special circumstances of each joint venture or associate, and the return thereof is made according to the needs. These balances accrue interest at market rates, which is settled annually based on the daily balance of the account. The interest rate applied in 2020 was 2%; 1.5% in 2019.

Lease transactions

The amounts corresponding to lease agreements with associates and joint ventures are broken down below. Lease payments are included within the amount reflected in column Net Income, including the variable amounts, if any, which are not discounted in calculating lease liabilities.

(Thousand €)	31/12/2020		31/12/2018	
	Net Income 2020	Liabilities	Net Income 2019	Liabilities
Evertmel, S. L. (JV)	(7,546)	54,213	(7,717)	59,521
Altavista Hotelera, S. L.	(3,473)	27,004	(3,562)	31,448
Grupo Melcom (*)	(7,466)	6,688	(7,616)	20,024
Fourth Project 2012, S.L.	(2,396)	19,051	(2,492)	20,415
Jamaica DevCo	(745)	8,829	(737)	9,396
TOTAL JOINT VENTURES	**(21,625)**	**115,785**	**(22,124)**	**140,803**

Guarantees and deposits

As stated in Note 22.1, the Group has bank guarantees regarding certain liabilities recognised in associates or joint ventures. At the end of 2020, such guarantees are as follows:

Meliá Hotels International, S.A. acts as joint and several guarantor in the mortgage loan granted by Banco Santander to Meliá Zaragoza, S.L. The outstanding amount at the end of the fiscal year totals EUR 7.3 million.

In 2019, the main deposits with associates and joint ventures were as follows:

Meliá Hotels International, S.A. acted as joint and several guarantor in the mortgage loan granted by Banco Santander to Meliá Zaragoza, S.L. The outstanding amount at the end of the fiscal year totalled EUR 19.2 million.

21.2. Transactions with Significant Shareholders

Balances by type of transaction carried out with significant shareholders are as follows:

(Thousand €)	Transaction type	2020	2019
Tulipa Inversiones 2018, S.A.	Services rendered	525	1,223
Tulipa Inversiones 2018, S.A.	Leases	91	186
TOTAL		616	1,409

21.3. Transactions with executives and members of the Board of Directors

Board meeting and committee attendance fees paid to the directors in 2020 and 2019 were as follows:

(Thousand €)	2020	2019
External independent directors	**547**	**536**
Mr. Juan Arena de la Mora	77	67
Mr. Luis María Díaz de Bustamante y Terminel	104	114
Mr. Fco Javier Campo García	107	112
Mr. Fernando D´Ornellas Silva	110	132
Mrs. Carina Szpilka Lazaro	83	84
Mrs. Mª Cristina Henriquez de Luna	68	27
Proprietary directors	**208**	**213**
Mr. Gabriel Escarrer Julia	54	49
Mr. Sebastián Escarrer Jaume	11	49
Mr. Juan Vives Cerdá		10
Holeles Mallorquines Consolidados S.A.	68	78
Holeles Mallorquines Asociados S.A.	54	27
Hoteles Mallorquines Agrupados S.L.	22	
Other external director		**42**
Mr. Alfredo Pastor Bodmer		42
Executive director	**54**	**54**
Mr. Gabriel Juan Escarrer Jaume	54	54
TOTAL	809	845

In 2020, Mr. Sebastián Escarrer Jaume resigned as External Proprietary Director and Hoteles Mallorquines Agrupados S.L., represented by Mr. Jose Maria Vázquez-Pena, was appointed in his place.

Remuneration of executive directors and members of the senior management in 2020 and 2019 were as follows:

(Thousand €)	2020		2019	
	Fixed Remuneration	Variable Remuneration	Fixed Remuneration	Variable Remuneration
Executive directors	**578**	**329**	**868**	**1,685**
Mr. Gabriel Juan Escarrer Jaume	578	329	868	1,685
High direction	**1,467**	**479**	**1,930**	**2,907**
TOTAL	2,045	808	2,798	4,592

In line with best Corporate Governance practices and given the current economic situation, the following measures as regards remuneration have been adopted:

- The Vice Chairman and Chief Executive Officer, as well as the SET (Senior Executive Team), voluntarily decided to reduce their fixed remuneration by 50% for four months, as from mid-March, and by 25% until 31 December 2020, measures that are still in force as at the date of preparation of these consolidated financial statements.

- By the same token, the remuneration of the members of the Board of Directors for attendance to the Delegated Committees (attendance fees) has been reduced by 50% from March to 31 December 2020, a measure that is still in force as at the date of preparation of these consolidated financial statements.
- Likewise, the short- and long-term remuneration scheme of the Chief Executive Office has been cancelled.

Variable remuneration for 2019 relates to the payment of long-term remuneration earned in accordance with the milestones achieved in the 2016/2018 Strategic Plan.

The Company has not assumed any obligation and has not granted any advance payment or loans to directors. On the other hand, the Group has arranged a civil liability policy (D&O) for the Group's directors and executives, under the terms and conditions that are common in insurance policies of this nature, with a premium for 2020 of EUR 250,000, EUR 100,842.50 in 2019. There are no share-based payments.

The breakdown below relates to transactions between Group companies and the parent company's directors or executives in 2020 and 2019:

(Thousand €)	Transaction type	2020	2019
Mr. Juan Vives Cerda	Services received		19
Mr. Juan Vives Cerda	Services provided		266
TOTAL			285

The transactions with Mr. Juan Vives Cerda during his mandate as member of the Board of Directors (until 18 June 2019) are included.

Note 22. Contingent Assets and Liabilities

The Group has commitments with third parties in respect of assets and liabilities not recognised in the consolidated balance sheet given the remote probability that they give rise to and outflow of economic resources or because the commitments must not be recognised in accordance with current regulations. Such contingent assets and liabilities are detailed below by amount and item.

22.1. Guarantees and Deposits

Meliá Hotels International, S.A. secures lease payments in favour of several hotel owners through bank guarantees in the total amount of EUR 78.6 million and through corporate guarantee in the amount of EUR 14.6 million.

Meliá Hotels International, S.A. secures several operations through bank guarantees and for various items, in the amount of EUR 48.3 million.

Meliá Hotels International, S.A. has granted collateral and bank guarantees for operations undertaken by associates in the amount of EUR 8.1 million.

Meliá Hotels International, S.A. acts as joint and several guarantor of EUR 55.1 million for several bank loans to Inversiones Areito, S.A.

For comparison purposes, information for year 2019 is shown below:

Meliá Hotels International, S.A. secured lease payments in favour of several hotel owners through bank guarantees in the total amount of EUR 65.7 million and through corporate guarantee in the amount of EUR 10.2 million.

Meliá Hotels International, S.A. secured several operations through bank guarantees and for various items, in the amount of EUR 39.2 million.

Meliá Hotels International, S.A. had granted collateral and bank guarantees for operations undertaken by associates in the amount of EUR 19.8 million.

22.2. Other Contingent Liabilities

Corporación Hotelera Metor, S.A., a subsidiary which is 76% owned, is involved in a dispute with its minority shareholder, claiming that all agreements and transactions carried out with such shareholder be declared invalid. The Company has undertaken the necessary actions to ensure that the resolution of such dispute does not have a significant impact on the Group's financial statements. In addition, there is no economic assessment, since this is a dispute concerning the control and the challenging of certain corporate agreements.

Note 23. Other Information

Situations of conflicts of interest in which directors are involved:

According to the requirements of Articles 229 and 230 of the Revised Text of the Spanish Law on Corporations, the members of the Board of Directors confirmed that neither they, nor any persons with whom they have ties, as referred to in Article 231 of the aforesaid Law, carry out any activities on their own account or for third parties which may involve any effective competition, present or future, with the Company or which, in any way whatsoever, would place them in a position of permanent conflict with the interests thereof. Direct or indirect shareholdings controlled by members of the Board of Directors of the Company are as follows:

Shareholder / Board Member	Nr.direct and indirect voting rights	% total voting rights	Position on the Board
Mr. Gabriel Escarrer Juliá	11,874,749	5.3878%	Chairman
D. Gabriel Escarrer Jaume	166,666	0.0756%	Vice President and Chief Executive
Hoteles Mallorquines Consolidados, S.L.	53,700,867	24.3652%	Director
Hoteles Mallorquines Asociados, S.L.	30,333,066	13.7627%	Director
Mr. Juan Arena de La Mora	101,000	0.0458%	Director
Mr. Luis Mª Díaz de Bustamante y Terminel	300	0.0001%	Secretary and Director
Hoteles Mallorquines Agrupados, S.L.	23,861,289	10.83%	Director

The Directors and persons related to them, other than those already mentioned, or persons acting on their behalf, have not undertaken during the fiscal year other transactions with the parent company or other Group companies, which fall out of the scope of the Group's ordinary course of business or which are not based on market conditions.

Information on the deferral of payments to suppliers

The information required pursuant to 3rd additional provision of Law 15/2010, of 5 July, is included below. The table below shows the breakdown related to Meliá Hotels International, S.A. and its Spanish subsidiaries for 2020 and 2019:

(Thousand €)	2020	2019
Supplier average payment period	80.46	57.01
Ratio of transactions paid	78.46	57.37
Ratio of transactions pending payment	93.79	54.18
TOTAL PAYMENTS MADE	298,776	507,470
TOTAL OUTSTANDING PAYMENTS	44,669	64,026

Given the negative economic impact associated with the Covid-19 pandemic which resulted in a major decrease in revenues mainly because of the closure of hotel establishments and other business units, a deferral of payments has been agreed with the Group's main suppliers. Such measure has increased this ratio for more than 60 days, pending the recovery of the business in the coming months, and with the purpose of getting back to the ratio established.

Audit fees

Fees for auditing the consolidated annual accounts amounted to EUR 1,167 thousand, of which EUR 652 thousand have been invoiced by Deloitte, S.L. in Spain. At international level, Deloitte has invoiced EUR 415 thousand. The remaining EUR 100 thousand relate to other audit firms. Likewise, fees invoiced during the year for other services provided by other companies pertaining to the network of auditors of the consolidated annual accounts totalled EUR 183 thousand.

In 2019, fees for auditing the consolidated annual accounts, as well as the parent company and subsidiaries amounted to EUR 1,367 thousand, of which EUR 728 thousand were invoiced by Deloitte S.L. in Spain, EUR 506 thousand by Deloitte at an international level and the remaining EUR 133 thousand by other audit firms. Likewise, fees invoiced in 2019 for other services provided by other companies pertaining to the network of auditors of the consolidated annual accounts totalled EUR 199 thousand.

The following subsidiaries of the Meliá Group in the United Kingdom are exempted from audit requirements of their individual annual accounts pursuant to Section 479A of the British Companies Act:

- Melia Hotels International UK Limited (registration number 09925231)
- Lomondo Limited (registration number 02793825)
- London XXI Limited (registration number 08303817)

Environmental risks

The Group has taken the challenge of being an international benchmark for excellence, responsibility and sustainability in line with the society’s demands for receiving a responsible and sustainable service which is committed to preserving the planet.

The Group’s commitment, therefore, takes on a special significance given the nature of the activity developed and the importance of tourism in the world economy, as well as its high level of dependence on social and environmental factors, such as the climate and natural resources.

In 2020, despite of the major challenges we are still facing, the Company continues to bet on sustainable development more than ever. For this reason, has joined the European initiative called Green Recovery Alliance, which aims at promoting sustainable solutions to rebuild the European economy in response to the pandemic.

Likewise, and in line with the acquired commitments in terms of the environment and working towards the achievement of the goals set, the Group continues to promote improvement measures focused on prioritising renewable energy acquisition, promoting investments aimed at reducing emissions, and permanently monitoring energy and water consumptions in order to identify deviations, improvements and corrective actions.

The consolidated Management Report includes all the non-financial information with regard to environmental issues as required by Law 11/2018 of 28 December 2018.

Note 24. Events after the Reporting Date

There have been no events between the end of the reporting period and the preparation of these consolidated annual accounts which may involve any adjustments to evidence conditions that existed at the year end, and no events have taken place after the year end which could affect the capacity of the users of the Financial statements to make proper evaluations and economic decisions.

Annex 1. Subsidiaries

		COMPANIES OPERATING HOTELS	REGISTERED OFFICE	COUNTRY	DIR.HOLD.	IND.HOLD	TOTAL
(A)	(F1)	APARTHOTEL BOSQUE, S. A.	Camilo José Cela, 5 (Palma de Mallorca)	Spain	100.00%		100.00%
(A)		ARESOL CABOS S.A. de C.V.	Km 19,5 Ctra. Cabo San Lucas (S.Jose del Cabo)	Mexico		99.69%	99.69%
(A)		AYOSA HOTELES, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		49.00%	49.00%
(A)		BISOL VALLARTA, S. A. de C. V.	Paseo de la Marina Sur (Puerto Vallarta)	Mexico		99.68%	
						0.01%	99.69%
(A)		CALA FORMENTOR, S. A. de C. V.	Boulevard Kukulkan (Cancún)	Mexico		92.40%	
						7.29%	99.69%
(A)		CARIBOTELS DE MEXICO, S. A. de C. V.	Playa Santa Pilar, Aptdo 9 (Cozumel)	Mexico		16.41%	
						29.63%	
						53.70%	99.74%
(A)		CIBANCO SA IBM FIDEICOMISO EL MEDANO	Playa El Medano s/n, (Cabo San Lucas)	México		100.00%	100.00%
(A)	(F1)	COLÓN VERONA,S.A. (JV)	Canalejas, 1 (Sevilla)	Spain	100.00%		100.00%
		COM.PROP. SOL Y NIEVE (*)	Plaza del Prado Llano (Sierra Nevada)	Spain	93.27%		93.27%
(A)		CORP.HOT.HISP.MEX., S. A. de C. V.	Boulevard Kukulkan km.12,5 (Cancún)	Mexico		9.22%	
						90.47%	99.69%
(A)		CORP.HOTELERA METOR, S. A.	Faustino Sánchez Carrión s/n (Lima)	Peru		75.87%	75.87%
(A)		DESARROLLOS SOL, S.A.S.	Lope de Vega, 4 (Santo Domingo)	Dominican Rep.		61.79%	
						20.25%	
						17.66%	99.69%
(A)	(F2)	HOTEL ALEXANDER, S. A. S.	20, Rue du sentier 75002 (Paris)	France		100.00%	100.00%
(A)	(F2)	HOTEL COLBERT S.A.S.	20, Rue du sentier 75002 (Paris)	France		100.00%	100.00%
(A)	(F2)	HOTEL FRANÇOIS S.A.S.	20, Rue du sentier 75002 (Paris)	France		100.00%	100.00%
(A)	(F2)	HOTEL MADELEINE PALACE, S.A.S.	8, Rue Cambon 75001 (Paris)	France		100.00%	100.00%
(A)	(F2)	HOTEL ROYAL ALMA S.A.S.	20, Rue du sentier 75002 (Paris)	France		100.00%	100.00%
(A)		INFINITY VACATIONS DOMINICANA	Instal.Hotel Circle,Avda.Barceló,Bávaro (P.Cana)	Dominican Rep.	0.03%		
						99.97%	100.00%
		INNSIDE VENTURES, LLC	1029, Orange St. Wilmington (Delaware)	USA		100.00%	100.00%
(A)	(F7)	INVERS. EXP. TURISTICAS, S. A.	Mauricio Legendre, 16 (Madrid)	Spain	54.93%		54.93%
(A)		INVERS. INMOB. IAR 1997, C. A.	Avenida Casanova con C/ El Recreo (Caracas)	Venezuela		99.69%	99.69%
(A)		INVERSIONES AGARA, S.A.	Lope de Vega, 4 (Santo Domingo)	Dominican Rep.		99.69%	99.69%
(A)		INVERSIONES AREITO, S.A.	Avda. Barceló, s/n (Bávaro)	Dominican Rep.	64.54%		
						35.46%	100.00%
(A)	(F1)	INV. HOTELERAS LA JAQUITA, S.A.	Avda. de los Océanos, s/n (Tenerife)	Spain		28.64%	
					70.80%		99.44%
		LOMONDO Limited	Albany Street-Regents Park (Londres)	Great Britain		100.00%	100.00%
		LONDON XXI Limited	336-337 The Strand (Londres)	Great Britain		100.00%	100.00%
(A)		MELIÁ HOTELS INTERNATIONAL, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain			100.00%
		MELIA HOTELS ORLANDO, LLC. (JV)	Brickell Avenue Suite 1000, 800	USA		50.00%	50.00%
(A)	(F1)	PRODISOTEL, S.A.	Mauricio Legendre, 16 (Madrid)	Spain		100.00%	100.00%
(A)	(F1)	REALIZACIONES TURÍSTICAS, S.A.	Mauricio Legendre, 16 (Madrid)	Spain	95.97%		
						0.30%	96.27%
(A)		S' ARGAMASSA HOTELERA S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50.00%	50.00%
(A)		SOL MELIÁ DEUTSCHLAND, gmbh	Am Schimmersfeld 5 (Ratingen)	Germany	100.00%		100.00%
(A)	(F9)	SOL MELIÁ ITALIA S.R.L.	Via Masaccio 19 (Milan)	Italy	100.00%		100.00%
(A)		SOL MELIÁ LUXEMBOURG, S.A.R.L.	1 Park Dräi Eechelen, L1499	Luxembourg	100.00%		100.00%
(A)	(F1)	TENERIFE SOL, S. A.	Playa de las Américas (Tenerife)	Spain	50.00%		
						48.13%	98.13%

		MANAGEMENT COMPANIES	REGISTERED OFFICE	COUNTRY	P.DIR	P.IND	TOTAL
	(F1)	APARTOTEL, S. A.	Mauricio Legendre, 16 (Madrid)	Spain	99.79%		99.79%
		GESMESOL, S. A.	Elvira Méndez, 10 - Edif. Bco do Brasil	Panama	100.00%		100.00%
(A)		ILHA BELA GESTAÔ E TURISMO, Ltd.	31 de Janeiro, 81 (Funchal - Madeira)	Portugal	100.00%		100.00%
	(F1)	MARKSERV, B. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Holland	51.00%		
						49.00%	100.00%
		MELIÁ BRASIL ADMINISTRAÇAO	Avenida Cidade Jardim, 1030 (Sao Paulo)	Brasil		20.00%	
						80.00%	100.00%
(A)		MELIÁ MANAGEMENT, S.A.	Lope de Vega, 4 (Santo Domingo)	Dominican Rep.		100.00%	100.00%
		MELIA VIETNAM COMPANY LIMITED	13th Floor, Plaza Saigon Building, 39 Le Duan Street, Ben Nghe Ward,	Vietnam		100.00%	100.00%
		NEW CONTINENT VENTURES, Inc.	800 Brickell Avenue Suite 1000 (Miami)	USA		100.00%	100.00%
		OPERADORA COSTARISOL, S.A.	Avenida Central, 8 (San Jose)	Costa Rica		100.00%	100.00%
(A)		OPERADORA MESOL, S. A. de C. V.	Blvd. Kukulkan Km 16.5 No 1 T.5. Zona Hot (Cancún)	Mexico	75.21%		
						24.79%	100.00%
		PT SOL MELIÁ INDONESIA	Ed.Plaza Bapindo-Menara Mandiri Lt.16	Indonesia	90.00%		
			Jl.Jend.Sudirman Kav.54-55 (Jakarta)			10.00%	100.00%
	(F1)	SOL MANINVEST, B. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Holland	100.00%		100.00%
(A)		SOL MELIÁ BALKANS EAD	Región de Primorski,Golden-Sands-Varna	Bulgaria	100.00%		100.00%
(A)		SOL MELIÁ HOTEL MANAG. SHANGHAI CO, LTD.	Suite 13-1A1,13th Floor,Hang Seng Bank Tower,1000	China	100.00%		100.00%
			Lujiazui Ring Road (Shanghai)				
		SOL MELIÁ GREECE, HOTEL & TOURISTIC	14th Chalkokondili Str & 28th October str (Atenas)	Greece	100.00%		100.00%
		SOL MELIÁ PERÚ, S. A.	Av. Salaberri, 2599 (San Isidro - Lima)	Peru		99.90%	
						0.10%	100.00%

		COMPANIES WITH SUNDRY ACTIVITIES	REGISTERED OFFICE	COUNTRY	P.DIR	P.IND	TOTAL
(A)	(F1)	ADPROTEL STRAND, S.L.	Mauricio Legendre, 16 (Madrid)	Spain	50.00%	25.00%	75.00%
(A)		BAJA SERVICIOS ADMINISTRATIVOS S.A	Ctra Transpeninsular, km 19,5 (Los Cabos)	Mexico		100.00%	100.00%
	(F1)	CASINO TAMARINDOS, S. A.	Retama, 3 (Las Palmas)	Spain	100.00%		100.00%
		CREDIT CONTROL CORPORATION	Brickell Avenue, 800 (Miami)	USA	100.00%		100.00%
	(F1)	DORPAN, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
		GUARAJUBA EMPREENDIMENTOS, S.A.	Avda. Jorge Amado s/n, Bahía	Brazil	100.00%		100.00%
	(F1)	HOGARES BATLE, S.A.	Gremio Toneleros, 42 (Palma de Mca.)	Spain	51.49%		
						46.70%	98.19%
(A)	(F2)	HOTEL METROPOLITAN, S.A.S.	20, Rue du sentier 75002 (Paris)	France		100.00%	100.00%
(A)	(F1)	HOTELPOINT, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
		IMPACT HOSPITALITY V3NTURES, LLC	Celebration Place, 225 (Miami)	USA		100.00%	100.00%
		INFINITY VACATIONS S.A. DE C.V.	Bvld.Kukulcan Km 16,5 Benito Juarez (Cancún)	Mexico	0.01%		
						99.99%	100.00%
(A)		INMOBILIARIA DISTRITO CIAL., C. A.	Avda. venezuela con Casanova (Caracas)	Venezuela		89.26%	89.26%
	(F1)	MELIA EUROPE & MIDDLE EAST, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
	(F1)	NAOLINCO AVIATION,S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
	(F1)	NETWORK INVESTMENTS SPAIN, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		100.00%	100.00%
(A)	(F1)	PRODIGIOS INTERACTIVOS, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	53.98%	46.02%	100.00%
		PROYECTOS FINANCIEROS HAYMAN, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
(A)	(F1)	RENÉ EGLI, S.L.U.	Playa La Barca, Pájara (Las Palmas de G.Canaria)	Spain	100.00%		100.00%
	(F1)	SECURISOL, S. A.	Avda.Notario Alemany s/n Hotel Barbados (Calviá)	Spain	100.00%		100.00%
(A)		SEGUNDA FASE CORP.	Carretera 3, Intersecc. 955 (Rio Grande)	Puerto Rico		100.00%	100.00%
(A)		SERVICIOS ARTEMISA, S.A.de C.V.	Boulevard Kukulkan Km 12 (Cancún)	Mexico		100.00%	100.00%
(A)		SERVICIOS INTEGRALES DE PERSONAL IRIS, S.A.de C.V.	Paseo de la Marina Sur (Puerto Vallarta)	Mexico		100.00%	100.00%
(A)		SERVICIOS PERSONALES ORFEO, S.A.de C.V.	Boulevard Kukulkan Km 16,5 (Cancún)	Mexico		100.00%	100.00%
(A)		SERVICIOS PITEO, S.A.de C.V.	Avda Tulum 200, Sm 4 (B.Juarez)	Mexico		100.00%	100.00%
		SOL CARIBE TOURS, S. A.	Vía Grecia - Edif. Alamanda 6B (Panamá)	Panama		100.00%	100.00%
		SOL GROUP CORPORATION	800 Brickell Avenue Suite 1000 (Miami)	USA		100.00%	100.00%
	(F1)	SOL MELIÁ EUROPE, B. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Holland	100.00%		100.00%
		SOL MELIÁ FUNDING	Regatta Office Park West Bay Road P.O.Box 31106	Cayman Islands		100.00%	100.00%
(A)		SMVC DOMINICANA, S.A.	Lope de Vega, 4 (Santo Domingo)	Dominican Rep.		100.00%	100.00%
	(F1)	SMVC ESPAÑA S.L.	Mauricio Legendre,16 (Madrid)	Spain		100.00%	100.00%
(A)		SMVC MÉXICO, S.A de C.V.	Boluevard Kukulkan (Cancún)	Mexico		100.00%	100.00%
		SMVC PANAMÁ S.A.	Antigua escuela las Américas, Lago Gatún	Panama		100.00%	100.00%
	(F1)	SMV NETWORK ESPAÑA, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		100.00%	100.00%
		VACATION CLUB SERVICES INC.	Bickell Avenue, 800 (Miami)	USA		100.00%	100.00%
		HOLDING COMPANIES	**REGISTERED OFFICE**	**COUNTRY**	**P.DIR**	**P.IND**	**TOTAL**
(A)	(F2)	CADSTAR FRANCE, S.A.S.	12, Rue du Mont Thabor (Paris)	France		100.00%	100.00%
	(F1)	DESARROLLOS HOTELEROS SAN JUAN EXHOLD, S. L.	Sarria, 50, 08029 Barcelona	Spain		99.69%	99.69%
	(F1)	DOMINICAN INVESTMENTS, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		99.69%	99.69%
	(F1)	DOMINICAN MARKETING SERVICES, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		65.73%	
						33.96%	99.69%
	(F1)	EXPAMIHSO SPAIN. S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
	(F1)	FARANDOLE, B. V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland		99.69%	99.69%
	(F1)	HOTEL ROOM MANAGEMENT, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		99.69%	99.69%
	(F1)	HOTELES SOL MELIÁ, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
	(F1)	IMPULSE HOTEL DEVELOPMENT B.V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Holland	100.00%		100.00%
	(F1)	INVERS. HOTELERAS LOS CABOS, S.A.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		99.69%	99.69%
		INVERS. TURIST. DEL CARIBE, S. A.	Lope de Vega, 4 (Santo Domingo)	Dominican Rep.	100.00%		100.00%
		MELIÁ HOTELS INTERNAT. UK LIMITED	Albany Street , Regents Park, London NW1 3UP	Great Britain	100.00%		100.00%
	(F1)	MIA EXHOL, S. A.	Sarria, 50, 08029 Barcelona	España	82.26%		
						17.43%	99.69%
	(F1)	NEALE EXPA SPAIN, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		99.69%	99.69%
	(F1)	PUNTA CANA RESERVATIONS, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
	(F1)	SAN JUAN INVESTMENTS EXHOLD, S. L.	Sarria, 50, 08029 Barcelona	Spain		99.69%	99.69%
	(F1)	SOL GROUP, B. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Holland	100.00%		100.00%
(A)	(F2)	SOL MELIÁ FRANCE, S.A.S.	20 Rue du Sentier (Paris)	France	100.00%		100.00%
	(F1)	SM INVESTMENT EXHOL, S. L.	Sarria, 50, 08029 Barcelona	Spain	100.00%		100.00%
		SOL MELIA VACATION CLUB LLC.	Bickell Avenue, 800 (Miami)	USA		100.00%	100.00%
		DORMANT COMPANIES	**REGISTERED OFFICE**	**COUNTRY**	**P.DIR**	**P.IND**	**TOTAL**
	(F1)	ADRIMELCO INVERSIONES, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
		BEDBANK TRADING, S.A.	Rue St.Pierre, 6A (Fribourg)	Switzerland	100.00%		100.00%
(A)		CASINO PARADISUS, S. A.	Playas de Bavaro (Higuey)	Dominican Rep.		49.85%	49.85%
		COMP. TUNISIENNE GEST. HOTELIÉRE	18 Boulevard Khézama nº 44, 4051 Sousse (Tunisia)	Tunisia		100.00%	100.00%
(A)		DESARROLLADORA DEL NORTE, S. en C.	PMB 223, PO Box 43006, (Rio Grande)	Puerto Rico		49.85%	
						49.85%	99.69%
	(F1)	GEST.HOT.TURISTICA MESOL	Gremio Toneleros, 42 (Palma de Mallorca)	Spain	100.00%		100.00%
	(F1)	GONPONS INVERSIONES, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
	(F1)	HOTELES MELIÁ, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
	(F1)	HOTELES PARADISUS, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
	(F1)	HOTELES SOL, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
		INVERSIONES INVERMONT, S. A.	Av. Venezuela, Edif. T. América (Caracas)	Venezuela		100.00%	100.00%
(A)		SMVC PUERTO RICO	Sector Coco Beach, 200 Carretera 968 (Río Grande)	P.Rico	100.00%		100.00%
		SOL MELIA JAMAICA, LTD.	21, East Street (Kingston CSO)	Jamaica	100.00%		100.00%
		SOL MELIÁ MARROC, S.A.R.L.	Rue Idriss Al-Abkar, 4 - 1º Etage	Morocco		100.00%	100.00%
		SOL MELIÁ SERVICES, S. A.	Rue de Chantemerle (Friburgo)	Suiza		100.00%	100.00%
	(F1)	THIRD PROJECT 2012, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%

(*) Shareholding in this company is through the ownership of apartments representing 93.27% and which are recognised under the heading Property, plant and equipment.

(A) Audited companies
(F1) Companies which comprise the consolidated tax group with Meliá Hotels International, S.A.
(F2) Companies which comprise the consolidated tax group with Sol Meliá France, S.A.S.
(F7) Companies which comprise the consolidated tax group with Inextur, S.A.

Annex 2. Associates and Joint Ventures

		COMPANIES OPERATING HOTELS	REGISTERED OFFICE	COUNTRY	DIR.HOLD.	IND.HOLD.	TOTAL
(A)		COM. PROP. APARTOTEL MELIÁ CASTILLA (*)	Capitán Haya, 43 (Madrid)	Spain	32.04%	0.09%	32.13%
		C.P.APARTOTEL M.COSTA DEL SOL (*)	Paseo Marítimo 11 (Torremolinos)	Spain	3.13%	18.74%	21.87%
		DETUR PANAMÁ S. A.	Antigua Escuela Las Américas (Colón)	Panama	32.72%	17.21%	49.93%
(A)	(F3)	STARMEL HOTELS OP, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30.00%	30.00%
		MELIÁ ZARAGOZA S.L.	Avenida César Augusto, 13 (Zaragoza)	Spain	50.00%		50.00%
(A)		NEXPROM, S. A. (JV)	Avda. del Lido s/n (Torremolinos)	Spain	17.50%	2.50%	20.00%
		PLAZA PUERTA DEL MAR, S.A.	Plaza Puerta del Mar, 3 (Alicante)	Spain	12.60%	7.81%	20.41%
(A)	(F5)	PRODUCCIONES DE PARQUES, S.L. (JV)	Avda. P.Vaquer Ramis , s/n (Calviá)	Spain	50.00%		50.00%
(A)	(F4)	STARMEL HOTELS OP 2, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		20.00%	20.00%
(A)	(F5)	TERTIAN XXI, S.L.U. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50.00%	50.00%
		TURISMO DE INVIERNO, S.A.	Plaza Pradollano, s/n Sierra Nevada (Granada)	Spain	21.42%		21.42%

		HOTEL OWNER COMPANIES	REGISTERED OFFICE	COUNTRY	DIR.HOLD.	IND.HOLD.	TOTAL
(A)	(F7)	ALTAVISTA HOTELERA, S.L.	Avda. Pere IV, 272 (Barcelona)	Spain	7.55%	41.19%	48.74%
		EL RECREO PLAZA & CIA., C.A. (JV)	Avda.Fco.de Miranda Torre Oeste,15 Of.15(Caracas)	Venezuela		1.00% 18.94%	19.94%
(A)	(F6)	EVERTMEL, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	49.00%		49.00%
(A)		FOURTH PROJECT 2012, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50.00%	50.00%
(A)	(F4)	FUERTEVENTURA BEACH PROPERTY, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		20.00%	20.00%
		MELIA HOTELS FLORIDA, LLC. (JV)	Brickell Avenue Suite 1000, 800	USA		50.00%	50.00%
	(F6)	MONGAMENDA, S.L. (JV)	Alexandre Rosselló, 15 (Palma de Mallorca)	Spain		49.00%	49.00%
(A)	(F3)	PALMANOVA BEACH PROPERTY, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30.00%	30.00%
(A)	(F3)	PUERTO DELCARMEN BEACH PROPERTY, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30.00%	30.00%
(A)	(F3)	SAN ANTONIO BEACH PROPERTY, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30.00%	30.00%
(A)	(F4)	SANTA EULALIA BEACH PROPERTY, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		20.00%	20.00%
(A)	(F3)	TORREMOLINOS BEACH PROPERTY, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30.00%	30.00%
(A)	(F8)	PELÍCANOS PROPERTY, S.L.U. (JV)	C/ Recoletos 3, 1º (Madrid)	Spain		50.00%	50.00%
(A)	(F8)	BELLVER PROPERTY, S.L.U. (JV)	C/ Recoletos 3, 1º (Madrid)	Spain		50.00%	50.00%

		COMPANIES WITH SUNDRY ACTIVITIES	REGISTERED OFFICE	COUNTRY	DIR.HOLD.	IND.HOLD.	TOTAL
	(F5)	GOLF KATMANDU, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50.00%	50.00%
(A)		INVERSIONES GUIZA, S. A.	Avda. Lope de Vega, 4 (Sto. Domingo)	Dominican Rep.		49.84%	49.84%
	(F6)	KIMEL MCA, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		49.00%	49.00%
(A)		JAMAICA DEVCO S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	49.00%		49.00%
(A)		SIERRA PARIMA, S.A.	Avda. Barceló, s/n (Bávaro)	Rep.Dom.	50.00%		50.00%

		DORMANT COMPANIES	REGISTERED OFFICE	COUNTRY	DIR.HOLD.	IND.HOLD.	TOTAL
		HELLENIC HOTEL MANAGEMENT	Panepistimiou, 40 (Atenas)	Greece	40.00%		40.00%
		YAGODA INVERSIONES, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50.00%	50.00%

		HOLDING COMPANIES	REGISTERED OFFICE	COUNTRY	DIR.HOLD.	IND.HOLD.	TOTAL
(A)	(F4)	STARMEL HOTELS JV, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	20.00%		20.00%
		EL RECREO PLAZA, C.A. (JV)	Avda.Fco.de Miranda Torre Oeste,15 Of.15(Caracas)	Venezuela		19.94%	19.94%
		MELIA HOTELS USA, LLC. (JV)	Brickell Avenue Suite 1000, 800	USA		50.00%	50.00%
		PROMEDRO, S. A. (JV)	Avda. del Lido s/n (Torremolinos)	Spain	20.00%		20.00%
(A)	(F3)	RENASALA, S.L. (JV)	Zurbarán, 9 (Madrid)	Spain	30.00%		30.00%
		HOMASI, S.A.	C/ Cavanilles 15,Pl.baja (Madrid)	Spain	34.99%		34.99%
		MOSAICO HOTELES, S. A.	C/ cavanilles, 15 - Bajo Madrid 28000	Spain		20.00%	20.00%
		MOSAICO, B.V.	Nieuwe Uitleg, 34, Den Haag	Holand	20.00%		20.00%
	(F8)	SISTEMAS RIBEY CLOUD, S.L.U. (JV)	C/ Recoletos 3, 1º (Madrid)	Spain		50.00%	50.00%
	(F8)	MELCOM JOINT VENTURE (JV)	C/ Recoletos 3, 1º (Madrid)	Spain	50.00%		50.00%

(A) Audited companies

(JV) Joint Ventures

(F3) Companies which comprise the consolidated tax group with Renasala, S.L.

(F4) Companies which comprise the consolidated tax group with Starmel Hoteles JV, S.L.

(F5) Companies which comprise the consolidated tax group with Producciones de Parques, S.L.

(F6) Companies which comprise the consolidated tax group with Evertmel, S.L.

(F7) Companies which comprise the consolidated tax group with Inextur, S.A.

(F8) Companies which comprise the consolidated tax group with Grupo Melcom

(*) Shareholding in these companies is through the ownership of apartments representing 32.13% and 21.87%, respectively, and which are recognised under the heading Investment property.

Preparation of the Consolidated Management Report and Consolidated Annual Accounts for 2020

The Board of Directors of Meliá Hotels International, S.A., in compliance with the commercial regulations in force, on 25 February 2021 prepared the Consolidated Annual Accounts and Consolidated Management Report for 2020, following the format and labelling requirements set out in the Delegated Regulation EU 2019/815 of the European Commission.

The members comprising the Board of Directors of Meliá Hotels International, S.A. by means of this Statement hereby sign these Consolidated Annual Accounts and the Consolidated Management Report for 2020 prepared unanimously, for verification by the auditors and subsequent approval by the General Shareholders' Meeting.

Signed Mr. Gabriel Escarrer Juliá
Chairman

Signed Ms Cristina Henríquez de Luna Basagoiti
Director

Signed Mr. Gabriel Escarrer Jaume
Vice-Chairman and Chief Executive Officer

Signed Hoteles Mallorquines Agrupados, S.L.
(Represented by Mr. José Mª Vázquez-Pena Pérez)
Director

Signed Mr. Juan Arena de la Mora
Director

Signed Hoteles Mallorquines Consolidados, S.L.
(Represented by Ms María Antonia Escarrer Jaume)
Director

Signed Mr. Fernando d'Ornellas Silva
Director

Signed Mr. Francisco Javier Campo García
Director

Signed Hoteles Mallorquines Asociados, S.L.
(Represented by Mr. Alfredo Pastor Bodmer)
Director

Signed Ms Carina Szpilka Lázaro
Director

In witness whereof, this Statement is signed by all the members of the Board who comprise the Board of Directors of the Company.

Signed Mr. Luis Mª Díaz de Bustamante y Terminel
Secretary and Director

Meliá Hotels International, S.A. and Subsidiaries

Independent assurance report of the Non-Financial Information included in the 2020 Consolidated Management Report of Meliá Hotels International, S.A. and its Subsidiaries for the year ended on December 31st in 2020

Translation of a report originally issued in spanish. in the event of a discrepancy, the spanish-language version prevails.

Deloitte.

Deloitte, S.L.
Avda. Comte de Sallent, 3
07003 Palma de Mallorca
España

Tel: +34 971 71 97 27
www.deloitte.es

Translation of a report originally issued in Spanish.
In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT LIMITED ASSURANCE REPORT

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

In accordance with Article 49 of the Spanish Commercial Code, we have performed the verification, with a scope of limited assurance, of the non-financial information included in the Consolidated Management Report (CMR onwards) of Meliá Hotels International S.A. and its subsidiaries (Meliá onwards), for the year ended on December 31st in 2020.

The CMR includes information, additional to that required by current Spanish corporate legislation with regards to non-financial reporting and by the Global Reporting Initiative Standards for sustainability reporting in their core option ("GRI standards"), that was not the subject matter of our verification. In this regard, our work was limited solely to verificafying of the information identified in the tables of the Annexes of the CMR "GRI Standards table of contents" and the table of "Non-financial and diversity information requirements (Law 11/2018)".

Responsibilities of the Directors

The preparation and content of Meliá's CMR are the responsibility of the Board of Directors of Meliá Hotels International, S.A. The Annexes of the CMR were prepared in accordance with the content specified in current Spanish corporate legislation, with GRI standards in their core option.

The responsibilities of the Board of Directors also include the design, implementation and maintenance of such internal control as deemed necessary to enable the CMR and the NFIS to be free from material misstatements, whether due to fraud or error.

The Directors and the Management of Meliá are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the CMR and the NFIS is obtained.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 (ISQC 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement team consisted of professionals who are experts in reviewing non-financial information and, specifically, in information about economic, social and environmental performance.

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed.

We conducted our review in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information, currently in force, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines published by the Spanish Institute of Certified Public Accountants on attestation engagements on regarding non-financial information statements.

The procedures performed in a limited assurance engagement vary in nature and timing, and are less extensive than those of a reasonable assurance engagement and, consequently, the level of assurance provided is also lower.

Our work consisted in requesting information from management and the various units of Meliá that participated in the preparation of the CMR, reviewing the processes used to compile and validate the information presented in the CMR, and carrying out the following analytical procedures and sample-based review tests:

- Meetings held with Meliá personnel to understand the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external verification.

- Analysis of the scope, relevance and completeness of the contents included in the CMR Annexes based on the materiality analysis performed by Meliá and described in the "Materiality Analysis" of the CMR, also taking into account the contents required under current Spanish corporate legislation.

- Analysis of the processes used to compile and validate the non-financial information data presented in the 2020 CMR.

- Review of the information relating to risks and the policies and management approaches applied in relation to the material matters described in the "Materiality Analysis" of the CMR.
- Verification, by means of sample-based review tests, of the information relating to the contents of the Non-Financial Statements included in the 2020 CMR, and the appropriate compilation thereof based on the data furnished by Meliá's information sources.
- Obtainment of a representation letter from the Directors and Management.

Conclusion

Based on the procedures performed and the evidence obtained, no issues have come to our attention that cause us to believe that the non-financial information included in the tables ""GRI Standards table of contents" and "Non-financial and diversity information requirements (Law 11/2018)" in the annexes of the CMR of Meliá Hotels International, S.A. and subsidiaries, for the year ended December 31st 2020, was not prepared, in all material respects, in accordance with the content specified in current Spanish corporate legislation and in keeping with the criteria of the selected GRI standards.

Other information

The calculation of greenhouse gas emissions (GHG) of scope 3 and the estimation of waste, given their nature, are subject to uncertainty, having been performed according to the methodology and assumptions specified in the CMR and in accordance with the available information. A modification in the parameters used in the estimation could impact the total amount of emissions and the carbon footprint presented.

Use and Distribution

This report has been prepared in response to the requirements established by the commercial regulations in force in Spain, so it may not be suitable for other purposes and jurisdictions.

DELOITTE, S.L.

Xavier Angrill

February 25th 2021

Meliá Hotels International, S.A. and Subsidiaries

Auditor's report on the system of Internal Control over Financial Reporting (ICFR) of the Meliá Hotels International Group for 2020

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails

Deloitte.

Deloitte, S.L.
Avda. Comte de Sallent, 3
07003, Palma de Mallorca
España

Tel: +34 971 71 97 27
Fax: +34 971 71 00 98
www.deloitte.es

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails

AUDITOR'S REPORT ON THE INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) OF THE MELIÁ HOTELS INTERNATIONAL GROUP FOR 2020

To the Directors of Meliá Hotels International, S.A.:

As requested by the Board of Directors of Meliá Hotels International, S.A. and Subsidiaries ("the Meliá Hotels International Group") and in accordance with our proposal-letter of December 16, 2020, we have applied certain procedures to the information relating to the ICFR system included in section F of the Annual Corporate Governance Report ("ACGR") of the Meliá Hotels International Group for 2020, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Directors are responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the information relating to the ICFR system.

It should be noted in this regard, irrespective of the quality of the design and operating effectiveness of the internal control system adopted by the Meliá Hotels International Group in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Meliá Hotels International Group was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Meliá Hotels International Group's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission (CNMV) on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Meliá Hotels International Group's annual financial reporting for 2020 described in the information relating to the ICFR system. Therefore, had we applied procedures additional to those described below or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the Consolidated Spanish Audit Law, we do not express an audit opinion in the terms provided for in that Law.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Meliá Hotels International Group in relation to the ICFR system - disclosure information included in the directors' report- and assessment of whether this information addresses all the information required in accordance with the minimum content described in section F, relating to the description of the ICFR system, of the model ACGR established in CNMV Circular no. 5/2013, of 12 June 2013, modified by the CNMV Circular no. 7/2015, of 22 December 2015 and CNMV Circular no. 2/2018, of 12 June 2018.

2. Questioning of personnel responsible for the drawing up of the information detailed in point 1 above: (i) to obtain an understanding of the process that goes into drawing up the information; (ii) to obtain information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) to obtain information on whether the control procedures described are in place and functioning at the Meliá Hotels International Group.

3. Review of the explanatory supporting documentation for the information detailed in point 1 above, including the documentation furnished directly to the personnel in charge of preparing the ICFR system descriptive information. In this regard, the aforementioned documents include reports prepared for the Audit and Control Committee by internal audit, senior management and other internal or external specialists.

4. Comparison of the information detailed in point 1 above with the knowledge on the Meliá Hotels International Group's ICFR system obtained through the procedures applied during the financial statement audit work.

5. Reading of the minutes taken at meetings of the Board of Directors, Audit and Control Committee and other committees of the Meliá Hotels International Group to evaluate the consistency between the ICFR business transacted and the information detailed in point 1 above.

6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements established by article 540 of the consolidated text of the corporate enterprises act Corporate Enterprises Act, and by the aforementioned CNMV Circulars, for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.

Pablo Hurtado March

25 February 2021