



Winning drawing of the
"What is a hotel for you?"
competition for the children
of Sol Meliá staff worldwide.

Itsaso Alvarez Escalante, 10 years old
Hotel Meliá Bilbao, Spain

Sustainability report 2010

'10



HOTELS & RESORTS WORLDWIDE
LUXURY RESIDENTIAL OWNERSHIP
VACATION CLUB

Contents

02	Independent Review Report
04	Company profile
06	Message from the Chairman
08	Sustainability at Sol Meliá
15	Leadership Value
21	Good Governance Value
25	Environmental Value
34	Human Value
47	Socio-cultural Value
50	Economic Value
58	Commercial Value
64	Business Value
67	Media Value
70	Corporate Information
71	About this Report
74	APPENDICES
74	Agreement with UNICEF
75	Partnership with CEHAT Foundation
76	Celebration of World Biodiversity Day 2010
77	Friends of Museums Federation
78	Sustainability and Innovation Awards
79	Promotion of Local Artists
80	AVANTE Project
81	Sol Meliá Italy: "Magnifico" project
82	Battery charging stations for electric cars
83	Sol Meliá Brazil and the WWF
84	COP 2010 Global Compact
89	Evaluation of Improvement Commitments 2010
91	Improvement Commitments 2011
92	GRI Indicators



*A free translation from the original in Spanish.
In the event of a discrepancy, the Spanish language version prevails.*

INDEPENDENT ASSURANCE REPORT ON THE SOL MELIÁ SUSTAINABILITY REPORT 2010

To the Management Committee of Sol Meliá S.A.:

Scope of our work

We have been engaged by Sol Meliá S.A. to review whether the contents of its Sol Meliá Sustainability Report 2010, for the year ended 31 December 2010, are in line with the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) version 3.0 (G3) and the validation of the performance indicators proposed in the Guidelines.

The Management of Sol Meliá S.A. is responsible for the preparation of the Sol Meliá Sustainability Report 2010 and the information included therein, and the design, implementation and maintenance of the management and internal control systems from which the information has been obtained. Our responsibility is to issue an independent report based on the procedures applied in our review.

We have undertaken our work in accordance with Standard ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information (Limited Assurance Engagements)* issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accounts (IFAC) and the Guidelines on reviews for Corporate Responsibility Reports issued by the Spanish Institute of Chartered Accountants (*Instituto de Censores Jurados de Cuentas de España*)

Our review has consisted in posing questions to Management and various units of Sol Meliá S.A. that participated in the preparation of the Sol Meliá Sustainability Report 2010, as well as the application of certain analytical procedures and sample-based testing, which, in general, are described below:

- Interviews with the personnel of Sol Meliá S.A. in order to ascertain the management approaches applied to obtain the necessary information for the external review.
- Analysis of the processes used in compiling and validating the indicators presented in the Sol Meliá Sustainability Report 2010.
- Revision of activities related to identifying and considering stakeholders during the year, as well as the coverage, relevance and integrity of the information included in the Sol Meliá Sustainability Report 2010, based on Sol Meliá S.A.'s understanding of its stakeholder's requirements.
- Analysis of whether the contents of the Sol Meliá Sustainability Report 2010 are in line with the GRI-G3.
- Review of the information related to the management approaches applied to each group of indicators.

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- Verification, through sample-based testing reviews, of the quantitative and qualitative information regarding the key indicators set down in the Sol Meliá Sustainability Report 2010 and whether they have been properly compiled on the basis of the data provided by Sol Meliá S.A.'s information sources.

The scope of a review is substantially lower than for a reasonable assurance engagement, and, accordingly, provides less assurance. Under no circumstances can this report be construed as an audit report.

Independence

We have performed out our work in accordance with the independence rules set out in the Code of Ethics of the International Federation of Accountants (IFAC). The work has been carried out by a team of sustainability specialists with extensive experience in the review of this kind of reports.

Conclusion

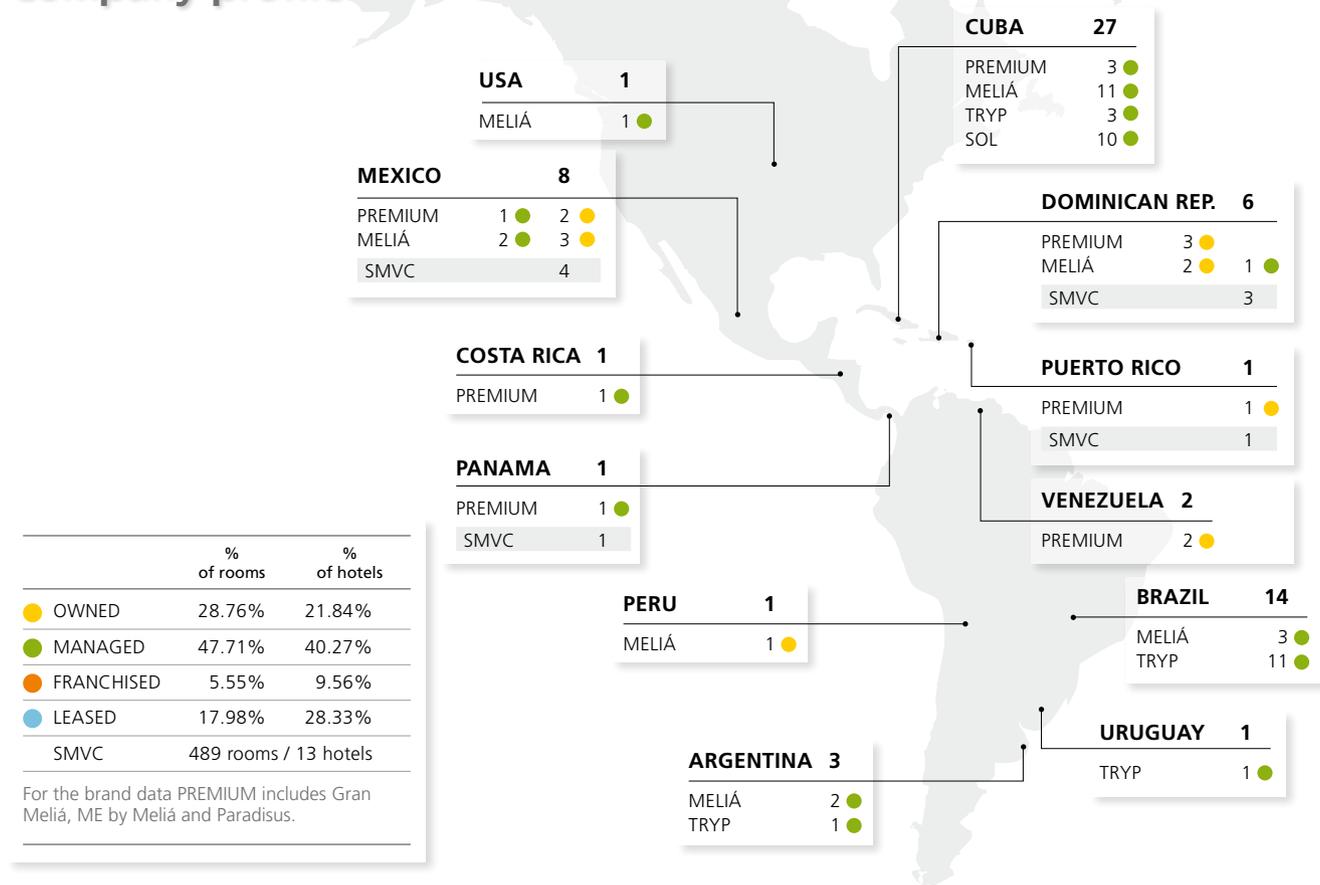
The table of GRI indicators provides a detail of the performance indicators reviewed and the scope limitations of the review, as well as identifies those indicators that do not cover all the aspects recommended by GRI. On the basis of the results of our review, nothing has come to our attention that causes us to believe that the Sol Meliá Sustainability Report 2010 contains significant mistakes or has not been prepared, in all material respects, in accordance with the Sustainability Reporting Guidelines GRI, version 3.0(G3).

PricewaterhouseCoopers Auditores S.L.

A handwritten signature in blue ink, appearing to read 'M^a Luz Castilla', with a horizontal line underneath.

M^aLuz Castilla
Directora
Barcelona, 18th April 2011

Company profile



Basic Business Data

Results (in million euros)	2010	2009	2008
Revenues	1,250	1,149	1,279
EBITDAR	327	282	334
EBITDA	235	202	257
Net profit	52	43	55
Net profit attributable	50	38	162

Hotels	2010	2009	2008
Hotels	310	303	304
Rooms	78,598	76,944	76,527
SMVC (Rooms)	489	ND	ND
Stays (million)	25.9	25.2	26.9

Brand diversification (by room numbers)	2010	2009	2008
Premium	11%	12%	11%
Meliá	36%	34%	34%
Tryp	19%	19%	19%
Sol	34%	35%	36%
No brand	-	-	5%

Category diversification (by hotel numbers)	2010	2009	2008
3 star	16%	16%	17%
4 star	47%	46%	46%
5 star and 5 star deluxe	31%	32%	31%
3 and 4 keys	6%	6%	6%

City / Resort diversification	2010	2009	2008
City	41%	40%	39%
Resort	59%	60%	61%

Number of employees	2010	2009	2008
Hotels and corporate offices	34,352	32,288*	34,305*
SMVC	1,328	1,090	NA

* Does not include Egypt

Current positioning of Sol Meliá

Year company founded: **1956**

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

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

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

Market where traded: **Spanish stock market (Spain)**

Forms part of the Madrid Stock Market Index

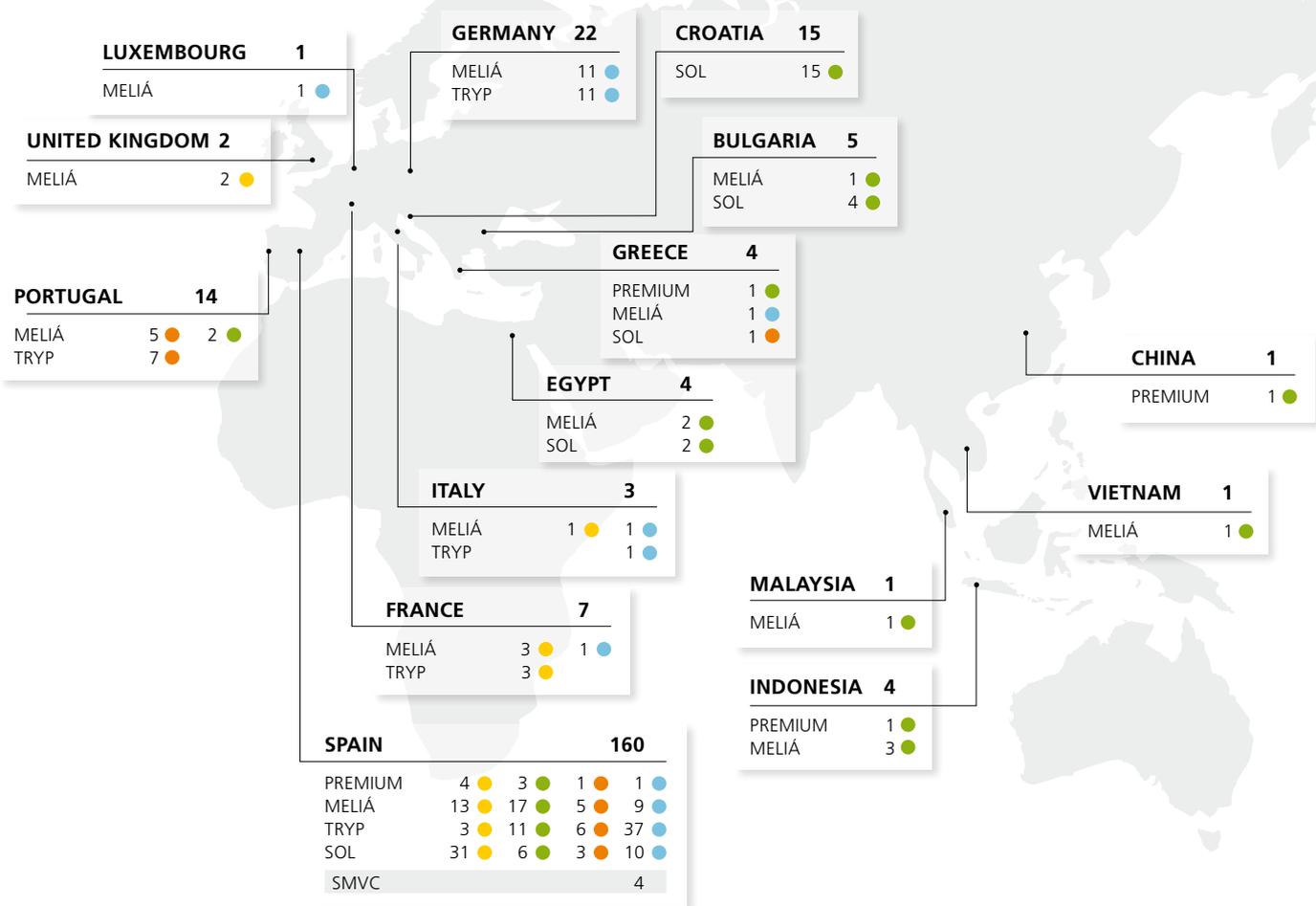
Number of shares: **184,776,777**

Share price at 31/12/2010: **6.95€**

Growth in value from issue to 31/12/2010: **28.5%**

Growth in value from 31/12/2009 to 31/12/2010: **63.1%**

On 27 August 2008 Moody's rating was cancelled.



Diversification by region

	TOTAL				CITY				RESORT			
	%		Rooms		%		Rooms		%		Rooms	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Spain	45,73	46,63	35,943	35,861	20,57	20,80	16,164	15,980	25,16	25,80	19,779	19,881
Rest of Europe	23,06	21,65	18,124	16,666	9,26	8,70	7,275	6,688	13,80	13,00	10,849	9,978
Asia	3,29	3,35	2,583	2,583	2,49	2,50	1,961	1,961	0,79	0,80	622	622
Latin America & Caribbean	27,92	28,37	21,948	21,834	8,90	10,10	6,994	7,742	19,03	18,30	14,954	14,092
TOTAL	100	100	78,598	76,944	41,22	42,10	32,394	32,371	58,78	57,90	46,204	44,573

Diversification of stays by country of origin

	2010	2009*
Spain	31.8%	35.2%
USA	9.0%	7.4%
Germany	11.0%	10.6%
UK	13.0%	14.2%
Canada	3.3%	2.0%
Italy	3.5%	3.4%
Mexico	3.2%	3.3%
France	2.7%	2.4%
Russia	1.8%	2.0%
Venezuela	2.0%	2.1%
Others	18.8%	17.4%
Total	100%	100%

* Adjusted compared to 2009 report

Message from the Chairman



Dear friend,

We present a new edition of the Sol Meliá Annual Sustainability Report containing the responses our Company offers to its internal and external stakeholders. This document represents a new challenge for our company, the challenge to review whether the major commitments to improvements made a year ago are beginning to be reflected in the facts and in data on our management in 2010.

The end of this financial year coincides with the end of the Strategic Plan 2008-2010, whose long-term objectives required adaptation within a Contingency Plan after the onset of the international economic crisis. The combined management of the Strategic Plan together with the anti-crisis measures allowed us to strengthen our balance sheet and improve our revenue and cost management, while also continuing to make progress in enhancing our brand equity and growing the company.

Despite the complex environment over this period, Sol Meliá continued to deepen its company-wide sustainability strategy, laying the groundwork for facing key challenges over the coming years. Part of this strategy was to progressively improve the annual report, to maximize its potential in two directions: to “talk” about our Company with a single voice, and in an increasingly transparent way, and to also act as a tool for change and continuous improvement in our management. For the first time, the data contained in this report has been verified by an independent third party. We hope this helps to substantially improve the quality and traceability of the information we provide to our stakeholders, but mostly we also hope that this self-criticism will help us to become a better company.

Secondly, I would also like to use this message to recognize the work of all of the Sol Meliá team. The achievements and improvements made in 2010 are thanks to each and every one of our employees. A good example is the signature of a strategic partnership with UNICEF through which we will join forces to leverage our power to raise awareness and fight for child protection and the prevention of child sexual exploitation.

To emphasize our firm commitment to the wellbeing of children and get our partners involved, we also wanted children to feature prominently in this year's report. In this report you will find drawings made by the children of our employees showing their peculiar vision of what a hotel is for them and of the work done by their parents. Our staff have also participated enthusiastically in the first edition of the “ Sustainability and Innovation Awards ”, created as a way to motivate our team and identification people with talent in sustainability management.

I would like to present this report as a bold step in active listening and dialogue with our stakeholders. Both are connected, and we will continue to seek ways to integrate the views and expectations of our stakeholders within this report. In 2010 we have effectively implemented the Sol Meliá CERCA © relationship and dialogue model, organising 5 panel session and the creation of an online tool that enables any of our stakeholders to be heard and their opinion taken into account. In this area we cannot fail to mention that this year we laid the foundations for corporate strategy for managing our presence in social networks, as a new privileged environment in which to listen and create dialogue with our stakeholders.

As for our **economic and financial management**, the most significant progress refers to the increase of 31% in Net Profit, a 9% increase in EBITDA, increased liquidity levels that guarantee greater comfort in meeting of our debt obligations, and in general our compliance with covenants. In this regard, I would like to take this opportunity to highlight how, thanks to the efforts of one and all and to the loyalty of our customers, over the difficult period of the last three years our company has outperformed the average of its competitors, and our social cash-flow once again reflects how the distribution of wealth generated by the Company continues to create a positive impact and continues to create value.

I would like to emphasise that, in spite of the crisis that has led to a decrease in occupancy, thanks to the measures taken to optimise our performance we have been able to retain our workforce and levels of quality over these three years. I also believe that it is encouraging and relevant that 77.4% of our customers state that our company's commitment to sustainability is very important to them when making their purchase. I am also proud to say that 74.01% of our employees believe Sol Meliá to be a company committed to sustainable development, and this also helps them identify with the Company.

With this common commitment, we therefore look towards the future with renewed hope. 2011 is for us a year to consolidate the strengths we have acquired and prepare our new Strategic Plan 2012-2014, in which sustainability will remain a company-wide foundation for all of our performance. It is also a time in which our company also wishes to "look inwards", leading to a review of the corporate culture and values that have sustained our growth for over 50 years and have made us strong. In keeping with these improvements, this report also reflects new challenges aimed at strengthening our commitment to the United Nations Global Compact, and, for the first time, the mandatory Progress Report on implementing the 10 principles.

To all of you, to all of our stakeholders, especially our employees, thank you for joining us, following us, constructively criticising us, challenging us ... I join all of you in the hope that the 2011 Report that we begin to write from this day forward reflects a more responsible and sustainable company, capable of facing complex global challenges of a previously unknown variability.

Gabriel Escarrer Juliá



"An ocean of fun! Dreaming at the bottom of the sea..."
David Cabot Domingo, 5 years old
Corporate offices Palma

1.1 Sustainability Vision and Mission

The Sol Meliá commitment to Sustainability

A commitment to the environment, to cultural integration and to the local community have always been part of our company's core values, and were finally fully integrated into corporate strategy in the Strategic Plan 2008-2011.

At Sol Meliá, Corporate Social Responsibility is an inherent ingredient in both our current and desired Company positioning. It is also therefore inherent in everything

that concerns our relationship and dialogue with our stakeholders. To know, listen and talk with them is a key process.

The Institutional Office and Corporate Diplomacy is the area specifically designated by the Company to guide the effective performance by Sol Meliá in this area.

1.2 External Dimension

Corporate Diplomacy at Sol Meliá

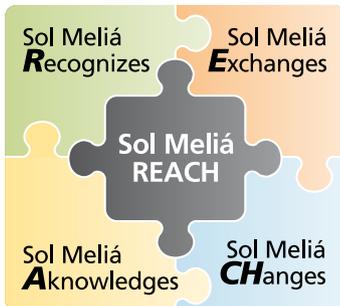
The concept of Corporate Diplomacy (CD) arose when a need was seen to listen to stakeholders and open up an interface with them to learn more about their expectations regarding Sol Meliá.

On the one hand, Corporate Diplomacy has to represent stakeholders before the different areas of the Company, ensuring that their voices are heard and taken into account. The

Institutional Office and Corporate Diplomacy becomes a “stakeholder advocate”, transmitting the pressure of civil society to departments and the areas responsible for managing their demands. Corporate Diplomacy also helps Sol Meliá appropriately represent its interests and strategic concerns before stakeholders.

It allows them to learn more about progress in the business in line with their demands and suggestions. It is also reports on all of those things in which progress has not been made.

STRATEGIC OBJECTIVES Long term	STRATEGIC OBJECTIVES Medium term	PLANS	SCOPE	MEASUREMENT EVALUATION
Make sustainability the hallmark of the identity of Sol Meliá and that all stakeholders associate the company with sustainability.	▶ Create value for all stakeholders, involving them through dialogue and partnerships.	▶ Public Positioning Plan	▶ COMMUNICATION RELATIONS PRESENCE	▶ • GRI REPORT • GLOBAL COMPACR • FTSE4GoodIBEX • CHB CERTIFICATION
	▶ Create value for Sol Meliá by making sustainability a competitive advantage, being chosen above other companies thanks to its responsible behaviour.	▶ Sustainable Development Plan	▶ AWARENESS AND INVOLVEMENT PROCESSES AND SYSTEM LOCAL ACTION	



The REACH model: systematic work at Sol Meliá

The acronym “REACH” stands for the equivalent of “Recognizes”, “Exchanges”, “Acknowledges” and “CHanges”. Besides that, it also implies the company’s intention to reach out to our stakeholders, and establishing a real dialogue with them.

Sol Meliá RECOGNIZES

Sol Meliá strives to learn who its stakeholders are, where they are, and how we can reach them. Sol Meliá has a database in which it has identified its stakeholders (customers, employees, suppliers, media ...), to build a network of legitimate partners across the network offered by the various communities in which the Company takes part: forums, seminars, associations, organizations and agencies, etc.

Sol Meliá ACKNOWLEDGES

At this stage, Sol Meliá creates meeting points in which stakeholders feel they are

listened to and their opinions taken into account. The main source of active listening is called the Sol Meliá Panel of Experts on Sustainability. The different panels of experts provide Sol Meliá with highly qualified information about what stakeholders expect from Sol Meliá and also updates on trends. This allows the company to build the bridges required to allow Sol Meliá to be an open company, willing to integrate its stakeholders’ expectations in its management.

Sol Meliá ANSWERS

This seeks out the information that exists within Sol Meliá with regard to the concerns and expectations of stakeholders, and works on personalising this information and communicating it in the most appropriate way to each of them.

As the awareness of stakeholders’ expectations becomes gradually more detailed and precise, Sol Meliá is building a specific value proposal for each stakeholder.

The “ideal” response would be to adapt what Sol Meliá can offer every stakeholder to what each stakeholder really expects from Sol Meliá.

Sol Meliá CHANGES

In line with the previous stages, the proposals are transformed into actions, adapting the policies and activities of the Company to the expectations of stakeholders. The implementation of these proposals is the responsibility of the different management areas, responsible for the processes and systems that address each stakeholder group.

The “change” is monitored by measuring the perceptions of stakeholders. There are several systems for measuring the satisfaction of customers, employees and other stakeholder groups; Sol Meliá also monitors its performance in rankings, indices and other reputational barometers.

Sometimes the change creates an approach which turns into a formal partnership with a particular group or less formal cooperation with civil society organisations on specific projects.

Institucional Presence

Sol Meliá not only communicates with and relates to its stakeholders where it operates, it is also concerned about attending and actively participating in the relevant forums and other complementary initiatives.

This aims to strengthen bonds and relationships with civil society groups, multilateral agencies, governments and prominent individuals such as opinion leaders, etc.

For example, in the last months of 2010 our institutional presence was intensified in organizations related to sustainability, social responsibility, environment and culture, while there has also been an effort to strengthen ties with the world of academia.

Participation should not be anecdotal, but must be based on a true commitment, dedication, mutual loyalty and the networks that are formed through agreements or partnerships. Sol Meliá also considers it very important to have a strong idea about presence or non-presence, ie where it wants to be and where it does not want to be.

Dialogue mechanisms with stakeholders: the Panel of Experts

What is it? The Panel of Experts is a forum for dialogue and trust, composed of various stakeholders and senior representatives of the Company, in which we are able to speak freely in pursuit of common interests.

This freedom is accompanied by a commitment by the Company to respond to the needs of stakeholders, with all of its members understanding that “respond” does not mean “make happy”, but rather to consider all of the different views in the design of company strategy and its commitment to defend the existence of a long-term dialogue.

What is it for? The Panel has specific functions, the achievement of which is also related to the achievement of operational objectives. These include:

- Advise on the promotion, implementation and development of relationships and commitments to stakeholders in Sol Meliá.
- Assess Company action plans on sustainable development and social responsibility.
- Facilitate dialogue and communication between civil society and the Sol Meliá group.
- Present an annual report on the Panel's thoughts and recommendations to the Board of Directors.
- Comment on, assess and accompany the Institutional Office with regard to specific processes or corporate dilemmas that may arise.

Who is involved? The Panel is attended by panelists that are all experts in their specific field and present and share their views during the panel sessions. On the one hand, the external panelists are independent experts or attached to respected civil institutions specializing in the topics under debate. The internal panelists are members of the Sol Meliá team whose skills and practical experience make them eligible to take part in the dialogue.

The **organizational “leader”**, a role held by the most senior representative of the Company, is ultimately responsible for the organization and conduct of the Panel. Sebastian Escarrer Jaume, Vice Chairman of Sol Meliá performs this role, accompanied by the Senior Vice President for the Institutional Office and Corporate Diplomacy, Esther Trujillo.



In 2010, Sol Meliá hosted 5 stakeholder panels: 3 single-issue panels and 2 Panels of Experts

Institutional Presence in 2010

	GLOBAL	NATIONAL	LOCAL
COMPANY	 	   	   
CSR SUSTAINABILITY	  	  	 
INDUSTRY	  	 	 

The **Technical Secretary**, is a role played by an independent professional with an academic profile who leads the sessions and group dynamics, controlling their effectiveness and facilitating dialogue within the Panel.

Sol Meliá selects panelists based on a criteria of ensuring panelists who are sufficiently representative of sustainability issues in all areas and/or in tourism and also taking into account geographical issues and gender diversity.

Panels hosted in 2010

What have the panels discussed so far?

In 2010, 5 panels were held with stakeholders: 3 single-issue panels and 2 expert panels. Single-issue panels aim to create a meeting point between internal and external experts allowing greater insight into practical solutions which can be implemented in Sol Meliá. In all of the panels the objective is to estab-

lish points of contact between internal and external experts, to identify priorities and detect action areas.

Academic Panels: brought together 11 external experts from academia with the aim of raising awareness about the Sol Meliá management model in sustainability, social responsibility and stakeholders relations.

The topics covered were:

- Presentation of the model and the Corporate Diplomacy project.
- Understand and respond to questions and reviews of the best, worst, opportunities and risks.
- Ask panelists to prioritise the ideas arising during the session.
- Understand academic concerns, prospects and assessment of Corporate Diplomacy and the work methodology.

Participating panellists:

External

- Director of Javier Benjumea Chair - University Pontificia de Comillas.
- Professor University Complutense de Madrid.
- Professor of Applied Economics University (Dept. Applied Economics) University de las Islas Baleares (UIB).
- Professor at the department of Enterprise Policy (ESADE).
- Dean of Academic Planning at IE Business School (Instituto Empresa).
- Vice-Chancellor for Planning and Economic Affairs (UNED).
- Professor of Sociology - Department of Sociology at University Autonoma de Madrid.
- Researcher in the field of CSR Institute of Lastanosa Pedro Juan Carlos III University.
- Professor of Ethics at the University Jaume I Castellón.
- Professor of Business Ethics and Academic Director of the seminar, CBS (IESE).
- Dean of International Relations. Faculty of Economics and Business Administration University Complutense de Madrid.

The Academic Panel addressed two main debates:

- Evaluation of the presentation of the model and the Corporate Diplomacy project. The aim was to identify and respond to questions and reviews of the best (8 ideas identified), worst (6 ideas identified), opportunities (8 identified) and risks (13 detected).
- Specific assessment of aspects of the model. The objective was to learn more about academic concerns (19 insights obtained), outlook (10 ideas obtained), review of Corporate Diplomacy (1 idea obtained) and work methodology (3 ideas obtained).

Healthy Eating Panel: brought together 8 internal experts and 7 external experts. The panel identified the challenges that Sol Meliá faces in healthy eating and possible actions to meet those challenges.

The topics covered were:

- Presentation of the sustainability model and the challenges of healthy food and beverage (F&B).
- Identify all the challenges to consider for an appropriate F&B policy in Sol Meliá.
- Prioritize the most pressing challenges according to the criteria and experience of the panelists, identifying for each challenge the actions recommended.

- Share those practices or references that can be recommended to Sol Meliá in their progress towards healthy F&B.

Participating panellists:

Internal

- SVP Meliá brand.
- F&B Meliá.
- F&B Sol.
- F&B Purchasing.
- Calima restaurant - Gran Meliá Don Pepe.
- Dos Cielos - ME Barcelona.
- Casa Marcial - Meliá Reconquista.

External

- Director of Health & Regulatory Affairs, Danone.
- Director Alicia Foundation.
- Director Spanish Celiac Association.
- Spanish Hotel Federation.
- Managing Director Spanish Confederation of Hotels and Tourist Residences.
- Health Marketing Manager, Coca Cola
- Researcher at the Polytechnic University of Valencia.
- Honorary President Spanish Consumer Association.

The Healthy Eating Panel identified 12 strategic challenges in healthy eating, 45 issues within these challenges, as well as a consensus list of the 10 most pressing issues, 20 specific actions to be performed and identification of 18 best practices.

Sustainable Construction Panel: brought together 7 internal experts and 8 external experts. The panel identified the challenges that Sol Meliá must face in sustainable construction and possible actions within those challenges.

The topics covered were:

- Presentation of the sustainability model and the challenges in Company construction, maintenance and works.
- Identification of the challenges to consider for an appropriate sustainable construction policy in Sol Meliá.
- Assessment of the most significant challenges and also those that provide a higher level of benefits in the short term (quick-wins) according to their criteria and experience.
- Identification of action proposals.
- Sharing best practices or references that can be recommended to Sol Meliá in its efforts to build sustainably.



At the conclusion of each panel, a short review is prepared of conclusions and highlights of the session which is distributed to management areas and the Board of Directors

Participating panellists:

Internal

- Hotel Architecture.
- Works and Maintenance.
- Purchasing.
- Expansion.
- Tryp brand.
- Sol Meliá Vacation Club.

External

- Councillor and Chairman of the Committee on the Environment, Agriculture and Fisheries.
- Metropolis Foundation.
- Professor Polytechnic University of Madrid.
- Consultant ALS.
- Building and Technical Assistance Project. Technical Management OHL.
- CEO Engineering Estel.

The Sustainable Construction Panel identified and prioritized 35 challenges, 33 action proposals and the identification of 14 best practices.

Panel of Experts (2nd edition):

was held at the Meliá de Mar (Illetes, Palma de Mallorca) on April 22, 2010. The topics discussed were:

- Dialogue between the Chairman of Sol Meliá and panelists.
- Presentation of Sol Meliá CERCA © model, opinions and debate.
- Presentation of the role and involvement of the Sol Meliá Human Resources Department of in the area of sustainability.
- Description of life and activity in the Meliá de Mar hotel in relation to sustainability and request for ideas for improvement from the panelists.

- Final assessment of the panelists. Presentation of the conclusions.

Panel of Experts (3rd edition): was held at the Tryp Cpdnal Mar (Barcelona) on November 5, 2010. The topics discussed were:

- Ethical dilemmas related to sales management.
- Presentation and discussion of progress by the Office and the identification and prioritization of strategic initiatives.
- Exhibition of the nature and activity of Tryp Hotels and its vocation for sustainability.
- Description of life and activity in the Tryp Condal Mar hotel in relation to sustainability and request for ideas for improvement from the panelists.
- Final assessment of the panelists. Presentation of the conclusions.

What results have the panel achieved?

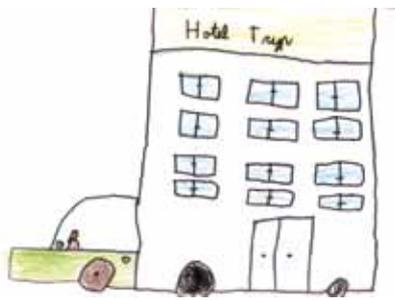
Thanks to the participation of its stakeholders, the Company:

- Is getting to know stakeholders better in each area discussed.
- Is getting to know better the expectations of each stakeholder.
- Is able to determine which issues are most relevant and highest priority.
- Obtains clear ideas about what actions can be taken.

Shortly after the conclusion of each panel, a review is prepared and distributed to the panel members and also to senior Company management. The Institutional Office and Corporate Diplomacy is permanently available to keep contact open with the different panelists.

Sol Meliá Sustainability Decalogue

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



"General Manager of a hotel"
Alejandro Peinado Merino, 7 years old
Hotel Tryp La Caleta, Cádiz

1.3 Internal Dimension

The internal dimension of sustainability in Sol Meliá in 2010 focused on 3 areas:

- Awareness and involvement.
- Processes and systems.
- Community Involvement.

These policy areas were deployed in 7 Company projects:

- Employee awareness.
- Commitment to Global Compact Compliance.
- Sustainable Development Policy.
- Environmental Impact.
- Engaging customers.
- Engaging suppliers.
- Social positioning.

Specifically in the field of awareness and involvement in sustainability we worked on the definition of a variable pay scheme linking part of the remuneration of employees to the achievement of sustainability goals. Progress was also made in a training package for sustainability. We defined new products and services for customers and also analysed different ways of involving customers in the area of sustainability.

In terms of processes and systems, the organization defined a control system for the legal requirements of sustainable development and regulations on the prevention of occupational risks. Responsibility criteria were also defined in the Procurement Manual, while a waste management and supply system with low environmental and social impact was also implemented.

Last May, the Company launched the first edition of the Sustainability and Innovation Awards focused on hotel employees and with the aim of detecting innovative ideas and projects in the field of social, environmental and cultural development, as well as raising awareness and promoting the involvement of Sol Meliá employees (for details, see the notes on "*Sustainability and Innovation Awards*" in the Appendix).

In 2009, Sol Meliá decided that its greatest commitment would be to children. This new positioning is accompanied by a series of internal tools used to help meet internal and external deployment. Among these tools is the partnership with UNICEF (see section on Socio-cultural Value and notes on the UNICEF partnership.)

In 2010, the Company continued to maintain the public commitments defined in 2009:

Biosphere Certification: November of this year saw the audit for the renewal of the certification of Sol Meliá as a Biosphere Company. This renewal will ensure compliance with the certification standards in social, environmental, and cultural issues in both corporate offices and hotels.

Annual sustainability report: not only as an exercise in transparency and non-financial accountability, but also since 2009 as a tool for stakeholder dialogue, with answers in 2010 to 105 GRI indicators (of a total of 121 of which: 3 do not apply to our sector and 11 are not yet available as the organization still does not have a specific procedure for measurement), compared to 100 in 2009.

One of the most important advances in the Sol Meliá Sustainability Report 2010 is external verification, thus assuring greater transparency and a higher quality of the published information.

Global Compact: after joining the Global Compact in 2008, Sol Meliá made a self-assessment of its compliance with the ten Global Compact principles. The principles cover four areas: human rights, labor standards, corruption and the environment. In 2010, we have carried out several activities to improve compliance with the principles. At the end of this report, is the Communication on Progress 2010 (Report on the Communication on Progress), which provides more information on how the company is adapting to the principles of the Global Compact.

FTSE4GoodIbex: in 2008, Sol Meliá was included in the FTSE4GoodIbex stock market index and in 2010 had its membership of the index confirmed and renewed, remaining the only company in the travel industry to be included.

The FTSE4GoodIbex evaluation requirements particularly focus on Corporate Governance: of the 58 Conthe Code recommendations on good governance, Sol Meliá fully complies with 41 and partially with another 5 (46). Of the remaining 12, 7 are not met and 5 do not apply. These four action areas represent a merger of the external dimension of sustainability and social responsibility and the internal and more operational dimensions. The four all focus on constant improvement.

In 2010, the Company maintained its public commitments announced in 2009: Biosphere Certification, Sustainability Report, Global Compact and FTSE4GoodIbex

2

Leadership Value

MI PAPA ES EL MEJOR COCINERO

Y TRABAJA EN SOL MELIA



PAULA-E-P

"My dad is the best cook and he works at Sol Meliá"
Paula Escobar Pernia
Tryp Guadalmar

2.1 Key figures

310 hotels in 27 countries

vs. 303 in 26 countries in 2009

78,598 rooms

vs. 76,944 in 2009

25.9 million stays

vs. 25.2 million in 2009

2.2 Highlights

2.2.1 Mission, Vision and Values

Mission

To provide value to all our stakeholders through hotel brands and residential tourism considered benchmarks for responsible tourism in the different market segments, satisfying our guests' needs for experiences and developing our human capital.

Vision

To be a leader and benchmark in responsible tourism, as an employer and in profitability, increasing our brand equity and using the hotel business to promote growth in related businesses such as residential tourism and the vacation club.

Values

Sol Meliá has also been renowned for offering the best quality at the best price, for always satisfying its customers, for its personalised service, and for being a family business where austerity, a spirit of excellence, simplicity and ethics have always focused management. The values most appreciated by its leaders include leading by example, employee training and promotion, and the delegation of responsibilities without ever losing control.

Sol Meliá added 11,508 rooms to its portfolio over the 3-year period of the Strategic Plan 2008-2010.

2.2.2 The Sol Meliá Business Model

The Sol Meliá business model has several dimensions involving different levels of complexity in terms of management, information reporting and data consolidation, and relations with stakeholders.

Hotel Management Models

Ownership: In this model Sol Meliá is the majority owner of the property and manages the business unit and employs the staff. Decision-making power lies with the owner.

Lease: In this model Sol Meliá leases the building or hotel business for specified re-

newable or non-renewable periods, manages the business unit and employs the staff. Decision-making power is defined in the contract.

Management: In this model Sol Meliá offers its knowledge and experience as a leading hotel company, offering its management model and brand portfolio in exchange for fees. A wide range of complementary management services may also be offered.

Franchise: In this model Sol Meliá offers the use of its brands and sales management in exchange for royalties, ensuring that brand standards are met at all times.

2.2.3 Closure and Conclusions of the Strategic Plan 2008-2010

Despite the difficult economic and financial situation in which the Strategic Plan 2008-2010 has been carried out, Sol Meliá has been able to successfully respond to the challenges it has faced.

Over this period, Sol Meliá has adapted its strategy to combine the long-term vision of the Strategic Plan with a number of short-term measures to counteract the effects of the economic slowdown. This dual approach has been key to overcoming the difficult situation on a global level.

In mid-2008 the Company thus launched a Contingency Plan focusing on four key action areas: to increase and enhance revenue, to optimize costs while minimizing the impact on the customer experience, to manage cash flow and financial stability; to manage risks.

While the implementation of some measures in the Strategic Plan were slightly delayed, great progress has been made in the strategic areas of Sustainability, Talent Management and Empowerment, and Customer Knowledge and Contact. These developments are covered in various chapters in this Sustainability Report 2010.

Great work has also been done in expansion, having added a total of 11,508 rooms over the period and opening new markets in China, Greece, Bulgaria and the United States.



Despite the difficult economic and financial situation, Sol Meliá has adapted its strategy to combine the long-term vision with short-term measures to counteract the effects of the economic slowdown



"This is the Meliá White House in London where I stayed once"
Clara Riera, 7 years old
Corporate offices.



The new Strategic Plan will focus on taking advantage of new trends in tourism, new customer habits or developing new destinations

2011 and the new Strategic Plan

Sol Meliá views 2011 as a year for consolidation and transition.

Consolidation of the business model and achievements made over the period 2008 to 2010. A year focused on enhancing profitability and reducing any potential impact of the economic situation on results.

And transition to the new Strategic Plan, using the year to focus on the preparation of the plan. The new Strategic Plan will focus on taking advantage of new tourism trends arising from changes in the technological environment, new customer habits or developing new destinations.

Likewise, the Company will also enhance its strengths as a leading hotel management company, both in its internal (employees) and external (owners and other stakeholders) dimensions, maintaining its commitment to sustainability as a differentiating factor.

2.2.4 Prizes and Awards

Most International Spanish Hotel Chain

Sol Meliá was ranked as the Spanish hotel chain with the most extensive domestic and international presence according to the ranking of Hosteltur, a leading hotel industry magazine.

Best Spanish Hotel Chain

Sol Meliá was voted "Best Spanish Hotel Chain" in the eighteenth *Travelranking Awards*, announced annually by the *Agent-travel* tourism magazine, and has also won two awards for Meliá Avenida de América and Meliá Castilla hotels, both in Madrid.

RCI® Gold Crown

Sol Meliá Vacation Club has been awarded the prestigious Gold Crown by the *RCI Group*. This time around awards went to the Sol Meliá resorts in the Dominican Republic: Paradisus Palma Real, Paradisus Punta Cana and Meliá Caribe Tropical.

RCI® Pinnacle Award

Sol Meliá Vacation Club, an affiliate of *RCI*, has received this award for its excellent sales volume and in recognition of their performance.

Best known hotel company in Spain

Sol Meliá is the best known hotel company in Spain, being the first chain mentioned spontaneously by 25.4% of the population, according to the 3rd *Hospitality Barometer* released by the *Spanish Association of Hotel Directors*.

At the end of this chapter is a list of the awards received by the Sol Meliá hotels.

2.2.5 Brand Architecture and Management

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

Gran Meliá

Gran Meliá is a collection of the most select hotels, where elegance and glamour are the cornerstones of the brand. With traditional architecture, from neoclassical to contemporary styles, this portfolio of hotels and resorts is designed to please the most sophisticated travellers. Gran Meliá Hotels are located in the most popular leisure and business destinations, and thanks to their unique product and service attributes, they challenge the concept of perfection to offer a sublime experience that never fails to surprise. At Gran Meliá no detail is overlooked to ensure that our guests enjoy a unique and unforgettable experience. Gran Meliá hotels also provide the first service concept with its own brand identity, the Red Glove Service, as well as the exclusive Red Level, an area that delivers the most refined experience, with private access and the most exclusive personalized service.

Meliá

Meliá Hotels & Resorts includes city and resort hotels with stunning facilities in fantastic locations in major tourism and business destinations all over the world. The hotels enjoy enormous international prestige and are the perfect blend of design and functionality. Meliá is the perfect choice to meet the needs of business and leisure travellers thanks to their focus on customer satisfaction and personalized service of which the

GRAN MELIÁ
HOTELS & RESORTS

MELIÁ
HOTELS & RESORTS

ME
BY MELIÁ

INNSIDE®
BY MELIÁ

TRYP
BY WYNDHAM

Sol Hotels

Paradisus
RESORTS

Sol Meliá
Vacation Club

brand is proud. Meliá continues to invest in growth, creating new experiences and attributes to meet customer needs. From new culinary concepts to a focus on health and relaxation thanks to Spa, Wellness & Fitness facilities, all of the brand attributes make every stay a journey of experiences that endure over time.

ME

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

INNSIDE

Inside provides stylish urban hotels in Germany and Spain. Elegance and a futuristic orientation are key for a hotel brand with ambitious expansion plans in Europe. Atmosphere, service and pleasure, ensure a relaxing stay for guests who choose to stay in the unique setting offered by hotels which offer facilities different from the norm and adapted to the way of life of its individualistic and demanding guests seeking a modern product with personality.

TRYP by Wyndham: Own the City

TRYP by Wyndham offers a warm welcome to the passionate traveller, allowing them to explore some of the most dynamic and culturally attractive cities in the world. Nearly 100 hotels in 62 cities in Europe and Latin America, including Barcelona, Berlin, Buenos Aires, Frankfurt, Lisbon, Madrid, Paris, Sao Paulo, and soon New York and Medel-

lin. Quintessentially urban hotels, modern, excellent value for money, and designed to meet the needs of both business and leisure travellers. The Sol Meliá team shows its passion for people and the city every day, in everything they do. Concept rooms based on the travellers' needs: Premium Rooms for business travellers, Fitness Rooms for running miles without leaving the room, and Family Rooms, perfect for family travel. High-speed Internet and a great range of details that guarantee guest comfort and relaxation.

Varied and healthy cuisine, adapted to contemporary tastes, with special emphasis on the "Simple Pleasures" TRYP breakfast. To help easily organize all types of successful corporate events, BE SUCCESSFUL provides customers with meeting packages which help simplify organisation and also include all the taste of a refreshing break with our TRYP Coffee Breaks and TRYP "To your taste" Menus, along with all of the audiovisual and technical services guests need and the professionalism of an expert team which guarantees meeting success.

Sol

Sol hotels are ideal for fun family holidays. Located in major tourist destinations in the Mediterranean and the Caribbean, Sol hotels provide comfortable rooms, a wide range of restaurants and bars, large swimming pools and an extensive programme of optional activities designed to ensure guests of all ages fully enjoy their vacations. Vacations take on a true dimension of Family Fun, a choice based on fun at all times and for all ages. The Sol brand has created a number of innovative concepts that offer the widest range of services to guests, including Fun Food themed buffets, activity programmes, and The Flintstones Land, a new way to enjoy a fun vacation along with the children's favourite cartoon characters, the Flintstones.

Paradisus

Paradisus Resorts provides a sublime romantic experience for couples and an exceptional holiday for families, all in a sophisticated atmosphere where guests enjoy "all inclusive luxury", and where the main attraction is to be carried away by the exotic and privileged locations in the Caribbean. Characterized by their original and unique architectural style, Paradisus Resorts offer endless sensations for guests thanks to their exclusive services,

accompanied by an extensive and exquisite choice of fine cuisine. The highlights of the prestigious all inclusive service include the variety of the food, the adults-only Royal Service, the Family Concierge, the ultimate luxury experience designed specifically for families, plus a wide range of life-enriching experiences for guests.

the Company's hotels around the world are renowned, combining this with the most comprehensive and flexible vacation club in the hotel industry. The Club has become a strategic business for Sol Meliá and has been developed as a fully integrated and self-sufficient activity within the Company.

Sol Meliá Vacation Club

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

Awards received by our hotels in 2010

Name of the business unit	Organisation	Award
Germany		
INNSIDE FRANKFURT NIEDERRAD	Hotel.de	Best rated Hotel in Frankfurt 2010
INNSIDE DRESDEN / Sol Meliá Deutschland GmbH	Holiday Check	Top Hotel
	Hotel.de	Top rated Hotel in Dresden
INNSIDE BERLIN	Hotel.de	Top rated Hotel in Berlin
TRYP HOTEL DORTMUND	IHK	Ausbildungspreis der Stadt Dortmund
China		
GRAN MELIÁ SHANGHAI	Golden Pillow Award	Best Latin-style Hotel 2010
	Hurun Hot Hotels	Best swimming pool
	Hurun Hot Hotels	Best Executive Lounge
	Time Out Magazine	Best Business Hotel in Pudong
	Time Out Magazine	Best Executive Lounge
	World Hotel Association	Continental Diamond
	Golfer's Choice	Best New Hotel 2010
Costa Rica		
PARADIUS PLAYA CONCHAL	"Reading is Living" Foundation	Gold Company of Excellence
	Conde Nast Traveler	Top 10 Readers Choice Award Central and South America
Spain		
MARBELLA BANÚS	Gulet	Austrian Customers Award
	Tez Tours	Best Hotel Partner
	Zoover	Hotel recommended by the users of Zoover
SOL IBIZA	Thomas Cook	Gold Award
MELIÁ COSTA DEL SOL	Zoover	Best Hotel Torremolinos
GRAN MELIÁ FÉNIX	Trip Advisor	Excellence Certificate
MELIÁ GOLF VICHY CATALÁN	Girona Convention Bureau	GCB Award for best accommodation for events in Girona 2009
SOL MENORCA	TUI	Environmental Champion
MELIÁ BILBAO	Basque Government – Tourism Department	Tourism Accessibility – No Barriers
HOTEL DE LA RECONQUISTA	Association of Galicians in Asturias	Best Hotel of the Year
	Ejecutivos Magazine	Award for Business Excellence
	IBCA	The Best Hotel 2010
Indonesia		
GRAN MELIÁ JAKARTA	Local Government	Asian Green Award 2010
	Asean Green Hotel	Green Hotel Award
	Tri Hita Karana	Second Emerald Award
	IITA Foundation	Indonesia Leading Green Hotel Award
MELIÁ PUROSANI	Indonesia Travel & Tourism Award	Best Leading Hotel
Italy		
MELIÁ ROMA AURELIA ANTICA	FAI	Corporate Golden Donor
Luxembourg		
MELIÁ LUXEMBOURG	Ministry of Tourism	Eco-Label
Malaysia		
MELIÁ KUALA LUMPUR	HAPA	Sinnature Deluxe Hotel
Mexico		
MELIÁ AZUL IXTAPA	Convention Market Magazine	Top 30 Convention and Congress Hotels
	Check Safety First	Cristal Award
	Travel Award	Leading Resort Mexico & Central America
Puerto Rico		
GRAN MELIÁ GOLF RESORT PUERTO RICO	Incentive Magazine	Incentive Platinum Partners 2010 Award
	Meetings & Convention Magazine	M&C Gold Key Award 2010
	PR Convention Bureau	Special Partnership Award 2010
	Expedia	Expedia Insiders Select
	Island Destination	The Ultimate Family Resort in The Caribbean
	Meetings & Conventions Magazine	M&C Gold Key Award
	Apple Vacation	Golden Apple Award
	Check Safety First	Cristal Award - Food & Safety
Venezuela		
GRAN MELIÁ CARACAS	Cacique de Oro	Cacique de Oro
Vietnam		
MELIÁ HANOI	Vietnam Tourism Association	Best Five star hotel in Vietnam
	The Guide magazine	Best Hotel voted by readers of Vietnam Economic Times

3

Good Governance Value



Azka Salisa Setiawan
Meliá Bali, Indonesia

3.1 Key figures

45% independent directors
vs. 50% in 2009

2,15 million € total remuneration for directors
vs. 2.33 million € in 2009

1,85 million € total remuneration
for senior management
vs. 1.85 million € in 2009

3.2 Highlights

3.2.1 Corporate Governance

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

Consolidation of the organisational model

On March 31, 2009 the Board of Directors approved an amendment to the Sol Meliá organizational model. Gabriel Escarrer Jaume retains the position of Chief Executive Officer and Executive Vice Chairman, while Sebastian Escarrer Jaume took on the role as non-executive Vice Chairman, resigning the post of CEO.

On September 15, 2009, Sebastian Escarrer created and became leader of the Institutional Office and Corporate Diplomacy, whose main function is to build bridges between the Company and society, establishing dialogue and relationships with all of its stakeholders and making Sol Meliá the leader in responsible tourism.

Once the Chairman, Gabriel Escarrer, decides to relinquish the functions he carries out at present, Sebastian Escarrer will take on the non-executive Chairmanship of the Company.

The figure of non-executive Chairman establishes a differentiation between management and leadership roles in the Company (with the CEO as the most senior executive) and the supervision and leadership of the Board of Directors, thus creating greater independence, increasingly common in numerous corporations, as one of the key measures in the area of corporate governance.

The new model has proven highly effective throughout 2010, both with regard to executive decision-making and to the projection, positioning and influence of Sol Meliá.

3.2.2 Board of Directors: Composition and Functions

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

In 2010 the following changes occurred in the Board of Directors:

- Resignation of Eduardo Punset (31/03/2010) for personal reasons.
- Death of José M^a Lafuente López (31/07/2010).
- Appointment of Luis M^a Díaz de Bustamante y Terminel (30/11/2010) as a Director and Secretary to the Board.

Executive Director ■
 Independent Director ■
 Proprietary Director ■

Name of director or company	Representative	Position
Gabriel Escarrer Juliá		Chairman
Sebastián Escarrer Jaume		Vice Chairman
Gabriel Escarrer Jaume		Vice Chairman; Chief Executive Officer
Juan Vives Cerdá		
Hoteles Mallorquines Consolidados S.A.	M ^a Antonia Escarrer Jaume	
Luis María Díaz de Bustamante		Secretary
Alfredo Pastor Bodmer		
Emilio Cuatrecasas Figueras		
CAJA DE AHORROS DEL MEDITERRÁNEO	Armando Sala Lloret	
Amparo Moraleda Martínez		
Juan Arena de la Mora		

Throughout 2010, fulfilling the commitments to improvement in Good Governance defined in 2009, the company has reduced the

number of Independent Directors with more than 12 years on the Board from four in 2009 to two in 2010.

- Executive Director ■
- Independent Director ■
- Proprietary Director ■
- Secretary ■

Audit and Compliance

Name	Position
Alfredo Pastor	Chairman
Juan Vives Cerdá	
Juan Arena	
Non-member secretary: Mark Hoddinott	

Strategy

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

Appointments and Remuneration

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



The Company has reduced the number of Independent Directors with more than 12 years on the Board

For greater efficiency and transparency in the performance of its functions, the Board of Directors has gradually renewed its delegate committees, giving greater weight to the Independent Directors and reducing the presence of Executive Directors, all in line with the basic principles of Good Corporate Governance. In addition to the changes made the previous year with the replacement of two Executive Directors on the Audit and Compliance Committee by Independent Directors, in 2010 the Strategy Committee has also been reorganised, of which neither Gabriel Escarrer Jaume nor Sebastian Escarrer Jaume form part. For more information about the committees and their functions read the Financial Report section B.2.

The type of each of the Directors of Sol Meliá corresponds to the definitions set out in section 3 of the Code of Good Governance for Listed Companies.

3.2.3 Transparency

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

With regard to possible conflicts of interest that may arise within the Board, article 28 of the Regulations of the Board of Directors defines a control mechanism which obliges directors to report any situation or direct or indirect conflict which may affect company interests. Furthermore, article 15.2 of the same Regulations states that it is the responsibility of the Appointments and Remuneration Committee to report to the Board any such situation and propose the measures to be taken to avoid any such conflict.

The variable bonuses of Sol Meliá senior executives is linked to the performance of the company. Part of the bonus depends directly on company EBITDA, quality and work environment. Long-term remuneration is linked to several variables: change in share price, company results and business results. There is no link between the remuneration of the members of the board and the performance of the company, as the amounts they receive are allowances for their attendance of Board and Committee meetings.

With regard to the finalisation of the design of the Company's Code of Ethics, a commitment to improvement acquired in 2010, there has been no significant progress, al-

Sol Meliá has internal human resources regulations which govern the behaviour of all executives



though this does not mean that the company lacks standards of conduct applicable to all its employees. Specifically, the Company has an Internal Code of Conduct in matters relating to securities markets and a Human Resources Regulations which control, amongst other things, the conduct of all employees. Both documents have been reviewed and updated during 2010.

Audit

In 2010 a total of 170 internal audits have been carried out globally, 130 in hotels and 40 in other business units and corporate offices.

These audits review compliance with quality standards, procedures and legal compliance in a total of 205 areas, divided into 25 categories.

The categories cover aspects such as hotel management (price, rooms, check-in procedure, etc.) contracts with suppliers or regulations on the prevention of occupational hazards.

In 2010, there have been three cases in which the Internal Audit Department has detected fraudulent use of Company assets or cash for the private benefit of certain employees. This has led to the immediate adoption of the appropriate disciplinary action (dismissal). In only one case, and given the gravity of the acts committed, proceedings have been initiated for criminal prosecution.

Managerial Behaviour

Sol Meliá has internal human resources regulations which govern managerial behaviour, regardless of the applicable legislation, and which must be assumed by all Group executives. These regulations govern conflicts

of interest and the use of confidential and privileged information, equal opportunities and complaints.

Although there is no specific anti-corruption training programme at Sol Meliá, the fight against corruption is an essential part of Company values, which emphasize that ethics should always guide management.

In addition, Sol Meliá has an internal manual on the Prevention of Money Laundering, designed to prevent and avoid within the organization any possible use by third parties of Group resources for money laundering from, amongst other activities, drug trafficking, weapons trading, terrorism and organized crime.

Within the scope of the company, essential administrative obligations of verification and, where appropriate, information are observed, to detect and/or hinder these practices, all in accordance with current applicable legislation.

In 2010 Sol Meliá has made no financial contribution or payment in kind to any political party. The Company is aware that, pursuant to the provisions of applicable law, FR it were to make non-finalist contributions as referred to in Article 4 of Law 3 / 1987 of July 2 on the financing of political parties, it must obtain a receipt for the amount and also observe the terms and conditions provided for therein.

In 2010 Sol Meliá has not been punished for any anti-competitive practices.

4

Environmental Value



Lorenza Alvriralinda, 12 years old
Meliá Purosani, Indonesia

4.1 Key figures

29 hotels with environmental certification

Reduction of 4.3% in kg CO₂ per stay⁽¹⁾

Reduction of 8.4% per m³ of water consumed per stay⁽¹⁾

960 guests involved in activities to protect biodiversity

(1) Average for the period 2007-2010 compared to the average for the period 2004 to 2006 in the 86 hotels in Spain that have participated in the SAVE project since 2007.

4.2 Highlights

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

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



Sol Meliá operates hotels which have achieved four different types of certification: the ISO 14001 standards, the EMAS European regulation, the Earth Check standards, and the Biosphere Hotel standards

4.2.1 Environmental Management

Environmental management forms an integral part of Sol Meliá strategy through its inclusion in the global sustainability policy, from which are drawn a number of activities and principles which are included in the Strategic Plan 2008-2010 and in the **Sustainable Development Manual**. These activities and principles must be adhered to by all company hotels and corporate offices, and define the criteria for performance with regard to social, environmental and cultural issues. Corporate headquarters defines the global environmental approach designed to ensure hotels reduce their environmental footprint and assume respect for and protection of the environment as part of their daily operations.

The different activities aim to respect the principle of “think globally – act locally”. To achieve this, on the one hand we aim to preserve the natural environment in the destinations where the company operates, and on the other hand we attend to our activities on a global level, aiming to reduce the overall effect of our business on the planet.

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

With regard to the initiatives to mitigate the impact of our activity and apply the principle of precaution, in 2010 a number of environmental criteria have been included in the new pre-opening procedures which must be reviewed before any newly-built or newly-purchased hotel is opened. The criteria to be reviewed include:

- Availability of relevant corporate environmental information.
- Waste management.
- Control of liquid waste to drains or directly to the natural environment.
- Energy and water efficiency.
- Control of atmospheric emissions.
- Existence of native flora in hotel gardens.

Sol Meliá also has a Sustainable Development Manual and Design and Construction Manual that include environmental criteria to be applied during the operation and construction stages, respectively.

With regards to compliance with existing environmental regulations, in 2010 the company has not been subject to any significant fines for lack of compliance with any environmental regulations.

4.2.2 Certifications

Hotel environmental management systems can act as tools for constant improvement in day-to day operations and their impact on the natural environment. Certification by independent third parties confers greater credibility and transparency on the activities carried out by the hotel.

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

Sol Meliá operates hotels which have achieved four different types of certification. On the one hand, there are the ISO 14001 and EMAS European regulations which cover environmental management and which may be adopted by public and private organisations in any industry, and on the other hand, the Earth Check (previously Green Globe) and Biosphere Hotel standards covering not only environmental requirements, but also other requirements related to sustainability such as socio-economic and cultural factors.

The company ended 2010 with 29 certified hotels, the same as in 2009, holding a total of 32 awards as may be seen in the following table.

Certified Hotels

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

Hotels in process of certification

Gran Meliá Puerto Rico	(San Juan, Puerto Rico)	Biosphere Hotel
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The negative effects of the impact of climate change have been included in the Company risk map

4.2.3 Energy and Climate Change

Effects of Climate Change

The impacts of climate change may be considered as both risks and opportunities for Sol Meliá. The negative effects have been included in the company risk map and are listed below:

Risks

- Loss of attractive tourist destinations that can become too warm, suffer from

droughts, be exposed to forest fires, or lack snow in mountain destinations.

- Serious damage to facilities due to the severity of weather events or to a possible rise in sea-levels. This may lead to increases in insurance premiums and reductions in insurance coverage for infrastructure.
- Increased labour costs due to the increase of weather extremes like hurricanes or floods and how that affects local workforce in the area around tourism facilities.



The overall guidelines are determined by the relevance of the different types of environmental impact related to the hotel industry, leading to the prioritisation of 4 major areas:

- Energy and emissions:**
 Mitigation of the effects of climate change, mainly through savings and efficiency in energy use and the control and reduction of the emission of pollutants to the atmosphere.
- Water:**
 Reduction in the consumption of water and control of the disposal of waste water.
- Biodiversity:**
 Protection and conservation of environmentally valuable habitats to preserve biodiversity.
- Use of resources and waste management:**
 Minimisation of the environmental impact generated by the consumption of resources and the creation of waste products.



There are currently 202 hotels participating in the SAVE project, compared to 155 in 2009

Opportunities

- Opportunities for expansion in destinations in which climate change increases their tourism appeal thanks to a more pleasant climate.
- Extension of the high season in certain tourist destinations in which warm temperatures (not extreme) occur for longer periods of time.
- Possibility to generate a competitive advantage through a positive guest perception of actions carried out by the company to mitigate the effects of climate change in its facilities, services and products.

Energy savings and efficiency

Energy consumption is directly related to the release of pollutants into the atmosphere. That is why the Sol Meliá Works and Maintenance Department continues to work towards the consolidation of the SAVE project, focused on energy savings and efficiency in hotels. The SAVE project section on the company Intranet was created so that all employees could consult measures introduced by hotels and corporate offices, best practices for each brand, standardisation agreements and improvement measures in technical systems.

There are currently 202 hotels participating in the SAVE project, compared to 155 in 2009. The data included in this Report only corresponds to the hotels in Spain.

The hotels involved in the project must have correct and up-to-date historical data on energy use for the past five years loaded in the SAP BW system. Every month energy and water use in all the hotels that take part in the project is monitored and analysed, and any differences are examined.

The consumption of diesel oil has been reduced mainly due to several hotels replacing it with natural gas. In 2010, savings of 486,374 litres were reported in the 86 hotels in Spain that have participated in the SAVE project since its introduction in 2007.

Natural gas has advantages over other fuels due to its low level of emissions, low cost, constant supply and reduced maintenance. In 2010, the consumption of natural gas in the 86 hotels in Spain that have participated in the SAVE project since its introduction in 2007 fell by 84,556 m³. Electricity consumption also fell by 2.830 MWh in 2010.

The methodology used for calculating savings, efficiency and emissions reduction is based on the comparison of the values of average consumption figures for the years 2007 to 2010 with the average consumption figures for the years 2004 to 2006.

The objective of this comparison over a period of several years is to provide the utmost rigour to the comparison, avoiding weather distortions and biases that can be produced by comparison of figures from one year to the next.

Energy consumption by primary sources in the 130 SAVE hotels in Spain

Source	GJ
Carbon	116,740
Petrol	42,054
Gas	283,975
Biomass	5,777
Wastes	3,654
Nuclear	137,765
Hydroelectric	60,700
Solar photovoltaic	5,985
Solar thermal	37
Wind power	75,229
Others	717
Total	732,934

* Source based on statistics from the International Energy Agency on the electricity mix in Spain, 2008.

Furthermore, to avoid the bias in ratios that are generated by increases or decreases in occupation, the guest figures from 2007 to 2010 have also been corrected so they can be compared to the same levels of occupation in the period from 2004 to 2006. Eliminating impacts from occupancy differences and climate change, the percentage decreases of consumption per stay allows us to see real improvements in efficiency achieved in energy and water consumption.

The methodology for measuring consumption and emissions has been evaluated and certified by Bureau Veritas, and has led Sol Meliá being recognized by the Ministry of the Environment, Rural Affairs and Marine Affairs with the inclusion of the SAVE project in the voluntary system of emission reduction (<http://www.sostenibilidad-es.org/Observatorio+Sostenibilidad/Eng/REV/>).

In 2010, the financial savings from energy saving and efficiency measures of was 492,676 €. These measures were applied in the following areas:

1. Monitoring and control of consumption

In 2010 energy consumption was included in the budgeting systems used for preparing the 2011 Financial Budget. The SAP BW system includes three types of report, adapted to allow access to different levels of information and to facilitate its analysis: a monthly report for general hotel staff, an energy consumption report, and a comparative report on average CO₂ emissions.

2. Awareness and training measures

The SAVE project section on the Employee Portal has been updated and translated into English, and includes information on best practises, frameworks for collaboration agreements and recommendations for technical systems.

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

The technical standardisation of efficient lighting systems has been completed. The definition of a “sustainable lighting” master plan has been developed to integrate the best available solutions (low consumption, LEDs, control systems) and has been introduced in all of the hotels in Spain since the beginning of 2010. The system combines lower energy consumption with a longer useful life and, therefore, a lower production of waste. In the area of savings in water consumption, the number of hotels with the standardised consumption reduction system has risen to 82.

Emission of pollutant gases

The total direct and indirect emissions of greenhouse gases in 2010 in the 130 hotels in Spain was 130,556 tonnes of CO₂, compared to 119,150 tonnes of CO₂ in the 121 hotels in Spain in 2009.

Apart from CO₂ emissions we would like to mention another type of emission which also plays an important role in the contamination of our planet: the direct emissions of NO_x and SO_x. For the hotels that form part of the SAVE project in 2010, the emissions of these gases are as follows:

NO _x		SO _x	
2010	2009	2010	2009
32.5 t	28.0 t	17.2 t	15.0 t

** Only includes hotels in Spain which were 121 in 2009, while that figure reaches 130 in 2010.

Thanks to the measures applied in energy use in 2010, the reduction in CO₂ emissions in the 86 hotels in Spain that have formed part of the SAVE project since 2007 was 3,663 tonnes of CO₂.

	CONSUMPTION*			SAVINGS**		
	2010	2009	Weighted difference	2010	2009	Weighted difference
Electricity (MWh/GJ)	203,593 / 732,934	190,496 / 685,787	+6.87%	2,830 / 10,189	2,871 / 9,255	+10.1%
Natural gas (m ³ / GJ)	5,107,769 / 199,254	4,287 / 167,255	+19.13%	84,556 / 3,299	111,482 / 4,349	-24.1%
GLP (t/GJ)	1,596 / 73,727	1,137 / 52,535	+40.34%	ND	ND	ND
Diesel oil (m ³ /GJ)	5,146 / 196,353	4,480 / 170,965	+14.85%	486 / 18,560	543 / 20,712	-10.4%
Total (GJ)	1,202,269	1,076,541	+11.7%	32,048	34,316	-6.6%

* Only includes hotels in Spain which were 121 in 2009, while that figure reaches 130 in 2010. ** Only includes the hotels in Spain that have formed part of SAVE since 2007, which were 90 in 2009 and 86 in 2010.

4.2.4 Water consumption and spillage control

Water consumption

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

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

Total water consumption in 2010 for the 130 hotels in Spain that form part of the SAVE project was 3,503,699 m³, and the amount of water saved was 266,797 m³.

Spillage control

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

If waste water is not treated properly, it may cause ground and surface water contamination, as well as the degradation of marine habitats, such as coral reefs. It can also cause infections and gastro-intestinal diseases.

As a general strategy for reducing the environmental impact caused by our activity, spillage levels are controlled for both private septic tanks and for connections to the public sewage system.

In 2010, 97% of company hotels fed their waste water into the local sewage system for transportation and treatment in the public purification plants nearby.

The other 3% are hotels that have their own purification systems or septic tanks. The waste water is then treated and purified in keeping with existing local legislation. The total volume of this purified water was 1,662,053 m³. Out of that volume, 831,356 m³ - 50% - was reused, generally to water gardens and golf courses.

The company does not yet have a centralised management system for the registration of the volume of average waste water and spillages.

4.2.5 Use of resources and waste management

Hotel waste management

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

Given the activity in our hotels, the waste they generate is mainly classified as urban waste such as paper, cardboard, glass, vegetable oil, packaging and other non-separated domestic rubbish. There is also another type of waste in lesser quantities which includes printer cartridges and toners, electrical and electronic waste not considered dangerous, and used batteries and storage batteries (without heavy metals).

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

The company is currently developing a system to quantify and report on the generation of waste in hotels. The aim is to provide reliable and consistent data, reflecting the scope of the environmental impact more accurately. However, given that a large part of the waste is collected by municipal services, it is difficult to make an exact calculation, so we can only make an approximate estimation of the total waste generated.


97% of Company hotels fed waste water into the local sewage system for their transportation and treatment

Total volume of water treated in own purification systems and reused

Hotels	m ³ treated	m ³ reused	%
Meliá Purosani	103,678	31,100	30%
Gran Meliá Jakarta	128,164	8,211	6%
Meliá Gorriones	116,439	98,973	85%
Meliá Golf Vichy Catalán	15,993	15,993	100%
Paradisus Playa Conchal	176,508	176,508	100%
Meliá Caribe Tropical	588,594	247,209	42%
Paradisus Palma Real & The Reserve	267,543	112,368	42%
Palma Real Villas y Cocotal Golf	214,034	89,894	42%
Gran Meliá Palacio de Isora	51,100	51,100	100%
TOTAL	1,662,053	831,356	50%



Sol Meliá is developing a system to quantify and report on waste generation in hotels



"Meliá recycles"
Pablo Fernández Fernández,
Meliá la Quinta, Spain

From the waste generated in the hotels in 2010, we are only reporting the relative data from centralized management contracts in waste management in Spain. This is due to the process currently underway to improve the system of individual reports from hotels with regard their waste generation and recycling. This process will make available information more accurate and representative, and it will standardise the systems of measurement that up until now every hotel has defined at its own discretion.

Waste collection standardization initiatives

Used vegetable oil

In 2010 agreements have been maintained with a group of companies to manage the collection of used vegetable oil in Sol Meliá hotels in Spain.

The initiative covers owned or leased hotels located in Spain. Another initiative to be continued is the donation of the bonus received for vegetable oil collection to an environmental project in cooperation with the NGO Acciónnatura.

The total amount of vegetable oil collected in 2010 was 44,087 kg.

Electrical and electronic waste

In September 2010 an agreement was reached with the integrated management system European Recycling Platform (ERP) for the collection of used batteries and accumulators from hotels in Spain, together with electrical and electronic waste covered by European legislation, with the exception of category 5, low energy and fluorescent light bulbs which are collected separately.

In 2010, the amount of electrical and electronic waste collected under this agreement was 1,900 kg.

Fluorescent and low power consumption bulbs

At the end of 2009 an agreement was reached with the integrated management system AMBILAMP for the collection of lighting equipment of electrical and electronic waste category 5, mainly low energy light bulbs, from any hotel in Spain.

In 2010, the amount of low energy light bulbs collected by AMBILAMP was 5,612 kg.

Waste management in corporate offices

Waste management in corporate offices focuses on waste which is generated in greatest quantities, concentrating mainly on paper and cardboard and, to a lesser extent, electrical and electronic waste, packaging, fluorescent bulbs, batteries, toner and ink cartridges, cleaning products packaging, etc.

In 2010, the amount of paper and cardboard waste generated and sent for recycling in company headquarters was 12,200 kg, compared to 25,242 kg in 2009.

This reduction is largely attributable to the centralised printing service set up at the end of 2009.

4.2.6 Preservation of biodiversity

Description of the most significant impacts in biodiversity

On a global scale, the tourism and travel industry can influence the loss of biodiversity due to the consumption of natural resources and the contribution to climate change associated with the production of goods and services offered by tourism.

On the local level, tourism has the potential to create a negative impact on the surrounding natural areas through the degradation and/or destruction of habitats and the alteration of wildlife, primarily due to:

- Actions during construction and operation, or neglect which causes physical changes in the location.
- Risk of land or water contamination due to the leakage of pollutants to the land or surface water, ground water or the sea.
- Emission of dangerous pollutants which are toxic or harmful to the atmosphere.
- Noise and vibration or heat from light emissions or electromagnetic radiation.
- Introduction of invasive exotic species.

Presence in privileged natural enclaves

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

List of hotels near or next to protected natural areas:

Hotel	Surface area (m ²)	Protected area
Gran Meliá Cancún	75,114	Western Coast of Isla de Mujeres National Park, Punta Cancun and Punta Nizuc. Mexico
Gran Meliá Palacio de Isora	78,284	Corona Forestal Natural Park. Spain
Gran Meliá Puerto Rico	168,891	Río Espíritu Santo Nature Reserve. Puerto Rico
Gran Meliá Salinas	59,658	Lanzarote World Biosphere Reserve. Spain
ME Cancún	24,650	Western Coast of Isla de Mujeres National Park, Punta Cancun and Punta Nizuc. Mexico
Meliá Cozumel	23,231	PARrecifes de Cozumel National Park. Mexico
Meliá Gorriones	74,098	Jandía Natural Park. Spain
Meliá Jardines del Teide	24,038	Corona Forestal Natural Park. Spain
Meliá Royal Tanau Boutique	625	Aigüestortes i Estany de Sant Maurici National Park. Spain
Meliá Sancti Petri	30,000	Bahía de Cádiz Natural Park. Spain
Meliá Santo Domingo	19,770	Southern Coast of Santo Domingo National Park. Dominican Republic
Meliá Sierra Nevada	6,107	Sierra Nevada National Park. Spain
Meliá Sinaí	43,500	Ras Mohammed National Park. Egypt
Meliá Sol y Nieve	7,438	PSierra Nevada National Park. Spain
Paradisus Playa Conchal		Tempisque Conservation Area in the Marino Las Baulas National Park. Costa Rica
Sol Alcudia Center	10,691	S'Albufera de Mallorca Natural Park. Spain
Sol Calas de Mallorca Resort	58,678	Natural Environment of Special Interest Calas de Mallorca. Spain
Sol Cyrene	28,600	Ras Mohammed National Park. Egypt
Sol Falcó	41,493	Menorca World Biosphere Reserve. Spain
Sol Galúa	3,600	Calblanque Regional Park. Spain
Sol Gavilanes	48,752	Menorca World Biosphere Reserve. Spain
Sol Jandía Mar	17,400	Jandía Natural Park. Spain
Sol La Palma	50,000	Caldera de Taburiente National Park. Spain
Sol Lanzarote	20,048	Lanzarote World Biosphere Reserve. Spain
Sol Menorca	10,336	Menorca World Biosphere Reserve. Spain
Sol Milanos Pingüinos	7,614	Menorca World Biosphere Reserve. Spain
Sol Sancti Petri Aptos.	30,000	Bahía de Cádiz Natural Park. Spain
Sol Sharm	26,966	Ras Mohammed National Park. Egypt
Sol Sun Beach Aptos.	13,034	Corona Forestal Natural Park Spain
Sol Vielha	2,232	Aigüestortes i Estany de Sant Maurici National Park. Spain
Tryp Almussafes	1,730	Albufera de Valencia Natural Park. Spain
Tryp La Caleta	629	Bahía de Cádiz Natural Park. Spain
Tryp Las Matas	2,291	Cuenca Alta del Manzanares Regional Park. Spain

The countries with biodiversity hotspots in which Sol Meliá operated in 2010 are:

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

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

Most important activities

The United Nations declared 2010 International Biodiversity Year and Sol Meliá de-



World Biodiversity Day was celebrated with a number of awareness-raising activities carried out in all company hotels and involving more than 10,000 people, both employees and guests



cided to carry out a number of initiatives to raise awareness involving both our guests and our employees.

22 May, World Biodiversity Day

Corporate activities:

- Use of themed logo on all corporate emails.
- Specific communication to MAS rewards members.
- Information on company website solmelia.com.
- Communication to employees on intranet and internal magazine UToo.

Through a number of awareness-raising activities carried out in all company hotels and corporate offices for both guests and employees, Sol Meliá involved more than 10,000 people in the activities organized for the day (for more information, see fact file on *"Biodiversity Day 2010"* in the appendix).

Activities in the hotels:

- Posters displayed to raise awareness.
- Information on natural areas near the hotel.
- Promotion of activities in natural areas nearby.
- Posters displayed on access routes to beaches with information on the average life-span of waste.
- Shows on biodiversity.
- Cleaning of the local beach or natural areas.
- Planting of native plant species.
- Conservation of local flora and fauna.
- Others.

Replacement of the Christmas sales campaign with an project to protect endangered animal species

For the second consecutive year, www.solmelia.com replaced the traditional Christmas discount special offers with a campaign to involve customers in our commitment to sustainability.

The company developed a campaign called **Help Save a Species** in collaboration with WWF Spain which consisted of two main actions:

- The donation of 1 euro by Sol Meliá to WWF Spain for each reservation made on the www.solmelia.com over the Christmas period. The money raised went to a recovery project for an animal species in danger of extinction.
- The creation of a page on Facebook to allow people to vote on which of the WWF Spain recovery projects they would like to donate the money raised by solmelia.

com over the Christmas period. The three species included were the Iberian lynx, the Imperial Eagle and Marine turtles.

The results of the two-week campaign were the following:

- 7,000 € donated by Sol Meliá to WWF Spain for the installation of new photographic stations for monitoring the geographical distribution of the Iberian Lynx.
- 10,578 people "liked" the Facebook page.
- 4,406 people voted.
- 357 comments.

Distribution of the TUI Guide for the Preservation of Species

The tour operator TUI developed a guide to try to educate clients about the need not to purchase souvenirs made with parts of animals or plants in danger of extinction.

Sol Meliá assisted TUI by distributing the guide in 6 hotels in Costa Rica, Dominican Republic (Punta Cana) and Indonesia (Nusa Dua), exotic destinations where this type of activity is more likely to occur.

Since 2002, Sol Meliá Brazil in alliance with WWF Brazil has carried out several campaigns to promote nature conservation (for more information, see the fact file *"Sol Meliá Brazil and WWF Brazil"* in the appendix).

4.2.7 Environmental investments and expenditure

In 2010 investments and spending on the environment accounted for in centralised company systems amounted to the following:

- Cost of separate collection of waste, bacteriological analysis of water and environmental certifications: 708,680 €.
- Costs of sewage charges, rubbish collection and water supply: 4,949,736 €.
- Investments in energy efficiency as part of the SAVE project: 492,464 €.





"I've got two mummies: the receptionist and the one who takes us to the park"
Jorge de Vicente Tronco
Tryp Salamanca, Spain

5.1 Key figures

35,728 employees
vs. 33,378 in 2009

100 specific training courses
in labour health and safety

109 nationalities
vs. 94 nationalities in 2009

77,899 hours of training in Spain
vs. 63,743 hours of training in Spain in 2009

5.2 Highlights

20,914 surveys were carried out at all levels amongst employees in the different business areas to evaluate their satisfaction levels



5.2.1 Employee satisfaction

At Sol Meliá, employee satisfaction is measured and evaluated so that we may share and acknowledge their opinions on their work environment, as well as the degree of acceptance of the company's culture, management and procedures.

The Workplace Climate Survey is carried out every year in corporate offices and in the different business areas and is voluntary and totally anonymous.

The aspects measured in the survey include, amongst others: teamwork, communication, motivation, pride in belonging, identification with the company, leadership and people management, clarity, working conditions, recognition, training and personal development, development expectations, promotion expectations and self improvement.

An exhaustive analysis of this information lays the foundations for a specific Action Plan for each of the corporate and business areas, the objective of which is to improve the least satisfactory results, as well as maintain satisfaction levels in the more favourable areas.

In 2010, 20,914 surveys were carried out in six languages at all levels amongst the employees in the different business areas, compared to the 20,762 surveys in 2009. 829 surveys were carried out at all levels amongst the employees in corporate offices, compared to 1,114 surveys in 2009.

The global result of satisfaction on a worldwide level in 2010 was 74.01% compared to 74.12% in 2009.

5.2.2 Communication channels and feedback

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

The tools include the following:

Video-communications from senior management

The frequency and quality of executive video communications has been improved. At the start of the year, Gabriel Escarrer Jaume, CEO of Sol Meliá, sent a message for employee assemblies and sent another message at the end of the year, taking advantage of the Christmas parties held in hotels and corporate offices, in which he explained the results of the Strategic Plan 2008-2010 and the guidelines for priorities for the new year.

Top-down communication process

Communication at Sol Meliá always follows a top-down process in which information is first transmitted to the senior levels of management and then filters down to all employees.

Employee portal

Sol Meliá runs an Employee Portal which provides access to corporate and other information, applications and other company services. Although the portal is still yet to reach all of the locations in which Sol Meliá operates, the company is working hard to optimise telecommunications and systems in work centres.

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

Internal gazette – “Utoo”

The internal gazette “Utoo” was created to supplement the portal and to facilitate employee access to internal communication by offering a light and easy to read format, available to all employee regardless of their position or access to a computer.

In April 2010, the first German and Portuguese editions were published and distributed to Sol Meliá Hotels in Portugal, Brazil, Germany and Luxembourg, to add to the traditional English-Spanish version.

Breakfasts with the Executive Management Team

Organised by Human Resources and led by the members of the Executive Management Team to facilitate greater contact and dialogue between the upper tiers of company management and employees, the breakfasts are a solution to some of the areas that needed improvement defined in the area of internal communication last year.

The main objective of the breakfast is to encourage greater and more fluid communication, to share and learn more about experiences, and to offer a chance for employees to voice their doubts, concerns and suggestions in an open and relaxed atmosphere. The CEO or Executive Vice President that leads the meeting gives their point of view on different topics of interest for the company and the employees. This creates an important channel of two-way communication between the Board and company employees.

In 2010 three breakfasts took place attended by the CEO and EVP of Hotels and 50 members of staff.

The breakfasts are organised by the Human Resources Department and presented afterwards to the Senior Executive Team for comments and discussions of possible action plans brought up in the meeting.

The topics covered include:

- Sol Meliá strategy.
- The economic crisis.
- Sol Meliá and its strong commitment to Sustainable Development.
- Efforts in external communication and the need for dissemination afterwards.
- Strategic areas.
- Conciliation as a pending task for Sol Meliá.

- Essential internal promotion for the expansion of the company.
- Support for the strategic area of talent management.
- Limitations in internal communication.
- Continuity of the Employee Portal.
- CRM and the single vision project. Progress has been made, but it still needs work.
- Greater communication between hotels and corporate offices.
- Need to raise awareness and understand the culture of joint ventures and strategic partners.

From these conclusions an action plan is presented to the Executive Management Committee, which then approves any possible measures to be taken.

5.2.3 Diversity

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

In 2010 the team at Sol Meliá was formed by 35,728 personas, compared to 33,378 in 2009.

The company's excellent results during 2010 meant we were able to increase our workforce by more than 2,300 people.

The job rotation ratio at Sol Meliá worldwide, i.e. the ratio of people leaving the company during the year, was 3.84% in 2010.

Workforce by region

	SPAIN	REST OF EMEA	AMERICA	ASIA	TOTAL
FIXED CONTRACT	7,255	2,644	18,221	2,726	30,846
TEMPORAY CONTRACT	2,274	471	1,986	151	4,882
TOTAL	9,529	3,115	20,207	2,877	35,728

* Table data: Year 2010. Rest of EMEA (Europe, Middle East and Africa): Includes Bulgaria, Cuba and Egypt. Includes Sol Meliá Vacation Club.

Workforce by levels

	SPAIN	REST OF EMEA	AMERICA	ASIA	TOTAL
CORPORATE	629	76	239	8	952
HOTEL					
General staff	7,355	2,662	17,210	2,774	30,001
Heads of Department	1,360	330	2,505	86	4,280
General Managers and Assistant Managers	185	48	253	9	495
TOTAL	9,529	3,115	20,207	2,877	35,728

Table data: Year 2010. Includes Sol Meliá Vacation Club. EMEA: Europe Middle East & Africa.

Age distribution (%)

	SPAIN	REST OF EMEA	AMERICA	ASIA	TOTAL
< 20	0.28	2.49	2.04	0.53	1.26
20-30	16.28	40.13	38.49	20.98	28.48
30-40	27.97	33.14	35.42	39.24	32.81
40-50	25.52	14.82	17.73	34.28	22.10
50-60	26.91	7.82	5.64	4.92	13.78
> 60	3.04	1.61	0.68	0.04	1.58

Table data: Year 2010. Includes Sol Meliá Vacation Club. EMEA: Europe Middle East & Africa.

Diversidad de género (%)

	ESPAÑA	RESTO EMEA	AMERICA	ASIA	TOTAL
MEN	51.81	46.06	64.56	69.94	59.16
WOMEN	48.19	53.94	35.54	30.06	40.84

Table data: Year 2010. Includes Sol Meliá Vacation Club. EMEA: Europe Middle East & Africa.

Women in positions of responsibility in hotels

COUNTRY	MEN	WOMEN	TOTAL	COUNTRY	MEN	WOMEN	TOTAL
ARGENTINA	2	1	3	MALAYSIA	1		1
BRAZIL	8	5	13	MEXICO	8		8
BULGARIA	5		5	PANAMA		1	1
CHINA	1		1	PERU			0
CROATIA	11	6	17	PORTUGAL	9	4	13
CUBA	22	1	23	PUERTO RICO	1		1
DOMINICAN REPUBLIC	5		5	SPAIN	126	23	149
EGYPT	4		4	UK	1		1
FRANCE	2	5	7	URUGUAY	1		1
GERMANY	17	5	22	USA	1		1
GREECE	3		3	VENEZUELA	1		1
INDONESIA	4		4	VIETNAM	1		1
ITALY	3		3				
LUXEMBOURG	1		1	TOTAL GENERAL	238	51	289

Includes Hotel General Managers.



The Sol Meliá workforce was made up of employees from 109 different nationalities

Women in positions of responsibility in corporate offices

COUNTRY	MEN	WOMEN	TOTAL
ASIA	1		1
BRAZIL	1		1
SPAIN	33	10	43
USA	4		4
LONDON	1		1
MEXICO	2		2
TOTAL	42	10	52

Includes Executive Vice President, Senior Vice President and Vice President.

Cultural diversity

The workforce at Sol Meliá is highly diverse and in 2010 consisted of 109 nationalities, compared to 94 in 2009. the nationalities are the following:

Nationality	% 2010	% 2009	Nationality	% 2010	% 2009	Nationality	% 2010	% 2009
Afghan	0.008%	0.00%	Filipino	0.069%	0.10%	Nigerian	0.043%	0.09%
Albanian	0.015%	0.01%	Finnish	0.030%	0.02%	Pakistani	0.036%	0.12%
German	3.648%	2.20%	French	0.630%	0.71%	Paraguayan	0.050%	0.05%
American	0.880%	1.18%	Gabonese	0.004%	0.00%	Peruvian	0.921%	0.89%
Angolan	0.006%	0.01%	Gambian	0.018%	0.02%	Polish	0.181%	0.27%
Algerian	0.043%	0.08%	Georgian	0.014%	0.01%	Portuguese	0.517%	0.36%
Argentinean	1.039%	0.98%	Ghanaian	0.011%	0.03%	Puerto Rican	0.004%	0.00%
Armenian	1.751%	0.01%	Greek	0.241%	0.21%	Romanian	0.258%	0.43%
Aruban	0.020%	0.00%	Guatemalan	0.005%	0.00%	Russian	0.097%	0.14%
Austrian	0.027%	0.03%	Guinea Bissau	0.009%	0.00%	Rwandan	0.004%	0.00%
Bangladeshi	0.042%	0.06%	Guinean	0.020%	0.07%	Saharan	0.020%	0.00%
Belizean	0.004%	0.01%	Guyanese	0.004%	0.00%	Senegalese	0.070%	0.19%
Belgian	0.117%	0.21%	Haitian	0.241%	0.08%	Serbian	0.006%	0.00%
Belorussian	0.005%	0.01%	Hindu	0.062%	0.06%	Sierra Leonean	0.018%	0.01%
Burmese	0.008%	0.01%	Honduran	0.021%	0.02%	Slovak	0.052%	0.07%
Bolivian	0.089%	0.15%	Hungarian	0.043%	0.05%	Slovenian	0.007%	0.00%
Bosnian	0.014%	0.00%	Indonesian	5.922%	5.56%	Somali	0.004%	0.00%
Brazilian	4.452%	4.31%	Iraqi	0.010%	0.01%	South African	0.013%	0.01%
British	0.266%	0.30%	Irish	0.012%	0.03%	Spanish	35.399%	50.09%
Bulgarian	0.097%	0.11%	Israeli	0.005%	0.01%	Sri Lankan	0.030%	0.00%
Cape Verdean	0.007%	0.01%	Italian	1.347%	1.47%	Swedish	0.021%	0.05%
Cambodian	0.004%	0.00%	Jamaican	0.004%	0.00%	Swiss	0.035%	0.03%
Cameroonian	0.029%	0.03%	Japanese	0.014%	0.01%	Thai	0.023%	0.01%
Canadian	0.027%	0.01%	Jordanian	0.004%	0.00%	Tunisian	0.046%	0.04%
Chilean	0.066%	0.12%	Kazakh	0.004%	0.00%	Turkish	0.046%	0.00%
Chinese	2.374%	0.15%	Lebanese	0.005%	0.01%	Ukrainian	0.134%	0.26%
Cypriot	0.012%	0.00%	Lithuanian	0.024%	0.03%	Ugandan	0.006%	0.01%
Colombian	0.568%	1.01%	Luxembourgian	0.033%	0.02%	Uruguayan	0.124%	0.32%
Congolese	0.046%	0.04%	Macedonian	0.011%	0.00%	Venezuelan	2.138%	2.08%
Costa Rican	2.414%	1.87%	Malaysian	0.418%	0.62%	Vietnamese	0.008%	1.41%
Croatian	0.030%	0.01%	Malian	0.012%	0.01%			
Cuban	0.296%	0.40%	Marfileña	0.017%	0.00%			
Czech	0.024%	0.07%	Mauritanian	0.007%	0.01%			
Dominican	16.812%	11.16%	Mauritian	0.575%	0.11%			
Dutch	0.098%	0.13%	Mexican	13.529%	5.45%			
Ecuadorean	0.404%	0.88%	Moldovan	0.016%	1.60%			
Egyptian	0.010%	0.00%	Moroccan	0.367%	0.72%			
Eritrean	0.004%	0.00%	Nepalese	0.009%	0.01%			
Estonian	0.005%	0.00%	Nicaraguan	0.102%	0.09%			

5.2.3 Human resources policy

Contracting policy

Internal Human Resources regulations give preference to employing local managers, reducing the employment of foreigners to a minimum. With regard to hotel general manager promotions, internal promotion is also given prefer-

ence as these are normally positions of trust.

This policy favours economic development in the areas in which the company operates due to the creation of employment, and also means that the company has a better knowledge of local needs. More than 82% of Sol Meliá hotel general managers are local residents, compared to 18% who are expatriates.

Nationality of managers

AMERICA

COUNTRY		Gender	Expatriate	Local	Total
ARGENTINA	MANAGER	M	0	2	2
		F	0	1	1
BRAZIL	MANAGER	M	1	7	8
		F	0	5	5
CUBA	MANAGER	M	22	0	22
		F	1	0	1
MEXICO	MANAGER	M	0	8	8
		F	0	0	0
PANAMA	MANAGER	F	0	1	1
PUERTO RICO	MANAGER	M	1	0	1
DOMINICAN REPUBLIC	MANAGER	M	2	3	5
		F	0	0	0
URUGUAY	MANAGER	M	0	1	1
		F	0	0	0
USA	MANAGER	M	1	0	1
		F	0	0	0
VENEZUELA	MANAGER	M	1	0	1
		F	0	0	0
Total			29	28	57

ASIA

COUNTRY		Gender	Expatriate	Local	Total
CHINA	MANAGER	M	1	0	1
		F	0	0	0
INDONESIA	MANAGER	M	4	0	4
		F	0	0	0
MALAYSIA	MANAGER	M	1	0	1
VIETNAM	MANAGER	M	1	0	1
		F	0	0	0
Total			7	0	7

EUROPE

COUNTRY		Gender	Expatriate	Local	Total
BULGARIA	MANAGER	M	1	4	5
CROATIA	MANAGER	M		11	11
		F		6	6
EGYPT	MANAGER	M		4	4
FRANCE	MANAGER	M		2	2
		F	1	4	5
GERMANY	MANAGER	M		17	17
		F		5	5
GREECE	MANAGER	M		3	3
ITALY	MANAGER	M		3	3
LUXEMBOURG	MANAGER	M	1		1
PORTUGAL	MANAGER	M		9	9
		F		4	4
SPAIN	MANAGER	M	1	125	126
		F		23	23
UK	MANAGER	M	1		1
Total			5	220	225



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

Remuneration policy

At Sol Meliá, the performance evaluation system is a human resource management technique that determines the performance of each employee, in relation with objectives set at the beginning of the year which are directly linked to the specific objectives of the area, as well as with the overall objectives of the company.

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

The objectives have the following characteristics:

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

Currently, 16.44% of all Sol Meliá employees form part of the performance evaluation system, compared to 18.90% in 2009.

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

Sol Meliá makes contributions to defined pension funds. The total contributed at the end of 2010 was 5.7 million euros, as reflected in the 2010 Financial report, compared to 6.7 million euros at the end of 2009. The difference is due to the reduction of payments as a result of the surplus that already existed.

The minimum salary which Sol Meliá pays to its employees is, on average, 47% above the legal minimum in European countries, calculated in euros, and 30.3% above the rest of the countries, calculated in US dollars.

At Sol Meliá, the wage gap between men and women in Spain in 2010 was 17.12% in favour of men. The distribution per category can be seen in the following tables.

Average salary by gender (Men vs. Women)

HOTEL	2009 (%)	2010 (%)
MANAGER	15	18.57
ASSISTANT MANAGER	17	1.7
HEADS OF DEPARTMENTS	0	11.9
GENERAL STAFF	6	4.33

Minimum monthly gross salary: Sol Meliá vs. legal minimum

EUROPE (€)	Sol Meliá Minimum	Legal Minimum	AMERICAS (\$)	Sol Meliá Minimum	Legal Minimum
Bulgaria	256	123	Argentina	460	400
Egypt	67	22	Brazil	322	237
France	1,459	1,459	Costa Rica	406	406
Germany	1,131	NA	Mexico	131	131
Greece	1,064	869	Peru	550	550
Italy	1,159	NA	Puerto Rico	1,257	1,257
Luxembourg	1,757	1,757	Dominican Rep.	116	116
Portugal	566,5	485	Venezuela	374	285
Spain	1,153	633			
			ASIA (\$)	Sol Meliá Minimum	Legal Minimum
			China	300	150
			Indonesia	98	83
			Malaysia	165	NA
			Vietnam	100	60

Note: in Germany, Italy and Malaysia there is no legal minimum wage. The difference between the legal minimum salary and that paid by Sol Meliá is due to the strong devaluation of the local currency, which has seen up to 6 devaluations in 2010. There is no available data for Uruguay, Panama and USA.

! *Throughout the year the company carries out processes to identify high potential personnel*

Flexible remuneration

The flexible remuneration system designed by Sol Meliá offers the possibility to voluntarily change part of the gross annual salary for some of the following benefits and services at cost price: health insurance, training, purchase of computers, renting property and food vouchers.

The programme is aimed at all corporate employees in Spain. The products included in the flexible remuneration policy began to be introduced in March 2010.

At end of 2010, an analysis was made to measure the degree of acceptance and the result showed that a total of 63 employees contracted at least one product, 9.55% of the total staff in corporate offices in Spain. The product with greatest acceptance is medical insurance, followed by food and computer equipment, house rental and training.

In December 2010 the programme was expanded and flexible remuneration was offered to all fixed contract employees in hotels in Spain (owned and rented), approximately 3,484 people, offering only medical insurance as an initial product. At the end of the year, 43 people had already contracted the product.

Employee benefits

As an employee of Sol Meliá, any person who works for the company and has a fixed employment contract has special reduced accommodation rates for themselves and their family and friends in any company hotel. The rates are known as "Estrellas rates".

There is also a section on the Employee Portal listing a range of agreements with partner companies who offer Sol Meliá employees important discounts. These agreements are achieved thanks to the negotiation power of Sol Meliá as a company. The categories and number of agreements reached in each of them is listed below:

• Finance and Insurance:	7
• Home equipment:	4
• Computer / Telephone:	2
• Travel:	4
• Health and Beauty:	15
• Leisure and Sports:	5
• Automotive:	2
• Others:	2

The agreements all apply to any Sol Meliá employee worldwide, but use is limited to a local level.

Conciliation policy

The tourism industry has an intrinsic problem when it comes to combining working hours and family commitments: complex work schedules and the seasonal nature of the job are just two of the difficulties.

In 2010, and in response to the commitment to maintaining Biosphere certification, a report was produced concerning the aspects considered to be the starting point for the implementation of the conciliation measures.

Here are some of them:

- Analysis of the environment, current situation in Spain and Europe.
- Benchmarking conciliation measures, companies of similar size and companies in the tourism industry.
- Survey on conciliation measures for personal and professional lives in Sol Meliá corporate offices.
- Analysis of the schedules in corporate offices in Madrid and Palma.
- Improve internal and external image.
- Improve productivity.
- Analysis of cost-benefits of the conciliation programme.

In August, a summer timetable was introduced in the corporate offices in Palma and Madrid, concentrating the weekly hours from Monday to Thursday, so employees only worked from 8 am to 3 pm on Fridays.

5.2.5 Professional development and promotion

Throughout the year the company carries out processes to identify personnel with high potential and then organise development plans for them.

Development plans for high potential personnel for key positions

Given the financial constraints for starting development plans and the need to review the high potential group, focus and efforts have centred on updating and revising the existing high potential group and the new proposals made by the Executive Vice President in each area.

At Sol Meliá a person is considered to meet the criteria of being high potential when they have been at the company for at least a year, have demonstrated excellent work performance, have been trained and show a capacity for improvement, show a positive and

proactive attitude towards work, are flexible and demonstrate a strong commitment to the company.

The identification process consists of three stages: identification in the hotels by the general manager; verification by the brand human resources department that the candidate meets the requirements; reporting to the central human resources department so that evaluation interviews can be planned in the designated periods.

The assessment of high potential employees is carried out based on a competences system. This year, an assessment methodology for potential employees has been developed as well as the design of development pathways focused on managerial skills and different technical routes. The evaluation has been achieved through the *“Development Centre”* methodology to provide the maximum objectivity in decision-making and so that Development Plans may begin in 2011.

**AVANTE project:
Direct impact on internal development**

Within the strategic area of “Talent Management”, the human resources department at Sol Meliá has designed a development programme called AVANZA for corporate offices worldwide, the main objective of which is to identify and develop high potential staff.

In June 2010, a group of participants in the second promotion of AVANZA Development Programme proposed to the Sol Meliá Executive Committee the formation of a volun-

tary, multidisciplinary and multi-departmental team to detect and help cover certain company needs. The resulting AVANTE group devised a social networks project for Sol Meliá, whose objective is to provide the company with tools for social interaction and with a vision of positioning the company as a leader in social and professional networks (For more information see the fact file in the appendix *“AVANTE project: direct impact on internal development”*).

Hotel development programmes

IMP

The Internal Management Plan is a theoretical and practical training programme in Sol Meliá hotels to develop people with potential to take on the position of hotel general manager. This plan is bi-annual and includes specific requirements and a selection course.

DPHD

The Development Plan for Heads of Departments is a specific programme for the development and consolidation of hotel heads of departments.

VDP

The Vertical Development Plan aims to encourage employees to assume positions of greater responsibility. This plan is geared to general staff or assistant heads of departments.

HDP

The Horizontal Development Plan is aimed at encouraging employees to assume similar responsibilities in another area, hence increasing their versatility.

Development plans

MANAGERS	EUROPE	AMERICA	TOTAL
Men	45	16	61
Women	10	3	13
Total	55	19	74

ASSISTANT MANAGERS	EUROPE	AMERICA	ASIA	TOTAL
Men	13	2	3	18
Women	17		1	18
Total	30	2	4	36

Includes Bulgaria, Croatia, Cuba, and Egypt.

The total hours of training was 77,899, compared to 63,743 hours in 2009



Promotion

Internal promotion is a priority at Sol Meliá. For this we use the PromoSol messages through which we publish internally all the available vacant positions, providing all employees a chance to participate in company selection processes.

5.2.6 Training

At Sol Meliá we consider the training of our employees to be fundamental, and we try our hardest to offer training programmes that are attractive, dynamic and flexible, which employees can identify with and which meet the specific training needs in each business unit.

In 2010 several training initiatives were carried out, of which we would like to highlight:

- Institutional training.
- Individual training plans in hotels.
- PCI training.
- Transient Edge training.

Institutional training

Institutional training in Sol Meliá is training which supports the strategic projects and/or the company's general Action Plans.

In line with the company's strategy and the current situation in the industry, the Institutional Training Campaign 2010 focused on

revenue generation and cost control in hotels. The aim of this training was to equip managers with control tools to monitor the objectives in the different hotel departments and to facilitate financial management.

The campaign addressed the following two business unit groups:

- **Hotel managers, assistant managers and managerial assistants.** 12 courses were organised for this group with the participation of 189 employees, reaching a total of 3,024 hours of training.
- **Hotel middle managers.** In this campaign 59 courses were organised with the participation of 944 employees, reaching a total of 7,552 hours of training.

Individual training plans in hotels

After studying the training needs of each hotel, an individual training plan per hotel was designed to respond to the individual needs of each hotel, bearing in mind the strategic priorities of the company.

With the training plans we have been able to:

- Reduce costs through the organization of group actions and negotiation with global suppliers.
- Standardise and update the training content and course methodologies.
- Minimise the impact of training in hotel operations.

Training actions in Spain were funded through grants received through the Tripartite Foundation. The total cost of grant-assisted training in 2010 was 539,477€, compared to 592,392€ in 2009 and the total number of hours of training was 77,899, compared to 63,743 hours in 2009, which is an average of 8.75 hours per participant. The total number of courses organised was 879, with the participation of 8,274 employees.

Sol Meliá increasingly promotes the use of new technologies in the learning processes. In 2010, e-learning training courses were promoted in several training activities. The company is also using this methodology in courses which are repeated every year, such as computing or language training courses.

Level of studies

TYPE	TOTAL (%)
Primary education	42.69
Secondary education	34.03
University studies	15.21
Other studies	8.07

Training in corporate offices in Spain 2010

Courses	Participants	Hours of training per employee
59	430	14.7



In the corporate offices 59 courses were organised with the participation of 430 employees, reaching a total of 8,911 hours of training

PCI – DSS training – E-learning training

Sol Meliá has developed a specific training process via an e-learning platform to facilitate the implementation of credit card handling protocols and to ensure that all Sol Meliá hotels meet international data handling standards according to PCI DSS regulations.

This training campaign is aimed at all company employees who handle data susceptible to a need for protection so that they understand the importance of correct treatment and are thus able to guarantee the implementation of the international standards.

Transient Edge Signature training

In line with the revenue generation action plan, training was carried out in “transient edge” focused on converting customer phone calls into room bookings. The training provides staff with a personalized service protocol which is simple, objective and logical to respond to calls and requests from customers, with the goal of converting phone calls into confirmed reservations and guaranteeing a monthly increase in the percentage of contacts converted into sales.

The transient edge pilot campaign began in some company hotels and as soon as we have confirmed the results we will begin to roll-out the programme to others hotels.

Strategy in training of hotel staff

To get closer to the goal of enhancing the human capital at Sol Meliá and ensuring the guest experience, another step has been taken to improve the tools used to detect training needs in hotels.

The new tool allows us to better understand the needs of hotel employees and offering quality training to meet those needs. Through this tool hotels have the opportunity to organise training in different areas, such as:

- **Operations:** training is related to the functions and tasks of the employee in their position..
- **Competences:** training is aimed at employees who require improvements in their professional skills.
- **Skills:** training is aimed at the development of skills and the improvement of the capacity of the individual.

Some training actions common to all departments have also been defined: guest focus, team work and languages; all key competences at Sol Meliá.

Training in corporate offices in Spain

The human resources team analyse the training needs in all of the business areas based on the Strategic Plan, and then schedules training programmes to be carried out throughout the year. The training includes both general skills and technical skills.

In 2010 59 courses were organised with the participation of 430 employees, reaching a total of 8,911 hours of training. This is an average of 14.17 hours per employee.

Induction programme

Sol Meliá has an induction programme which represents the first contact new employees have with the company.

The programme includes an introduction to the company, the brand and the hotel, as well as a training session on service culture, loyalty programmes and community involvement.

The induction for new personnel is defined as the process which facilitates the incorporation of new employees to their positions.

It is a procedure that ensures the new employee fits into the company, understanding our style, culture and values.

Work safety rates and ratios *Data for Spain

	2010	2009
Average number of workers	9,641	6,078
Average hours worked	20,107,148	12,677,106
Absenteeism (in hours)	748,673	666,177
% on total hours worked	4.36%	5.25%
Work-related accidents	625	411
Lost days	11,475	7,835
Incident ratio (Accidents per 1000 workers)	64.82	67.62
Frequency ratio (Accidents per million hours worked)	31.08	32.42
Gravity index (Lost days per 1000 hours of work)	0.57	0.62



The rate of absenteeism was 4.36% in 2010 compared to 5.25% in 2009

At Sol Meliá we distinguish 3 types of induction:

- **General:** providing information about the company, its history, values, culture, strategic objectives and specific details about the hotel and brand.
- **Departmental:** providing specific information about the work within their own department.
- **Specific induction** to the position: providing help and the means by which the new employee can fit in to their position.

workers are represented by a Health and Safety Committee.

The diversity of regulations makes a standardised health and safety policy for all the company's employees very difficult to implement. Each case has to adapt to the local situation in the country.

In total, the average workforce in 2010 of employees that the company had under the responsibility of the department of Labour Health of Spain was 9,641 compared to 6,078 in 2009. In 2010, the company registered 625 work-related accidents, compared to 411 in 2009, which resulted in the loss of 11,475 days, compared to 7,835 in 2009. The rate of absenteeism was 4.36% compared to 5.25% in 2009.

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

Maternity protection

The Sol Meliá Prevention Service established a procedure for defining the actions that allow appropriate maternity protection for our pregnant or breast-feeding employees.

5.2.7 Health and safety

Sol Meliá employees are the company's greatest asset, and that is why the greatest efforts are made to minimise work-related accidents and guarantee the health and safety of the workforce.

As a company that operates in more than 30 countries, Health and Safety policies vary according to local legislation and the idiosyncrasies of each location, but in every case company policy demands strict compliance with the law and the development of preventative measures for specific hazards detected in each area. In Spain, 100% of



"Mending the hotel roof"
Alba Navarro Giner, 7 years old
Sol Alcudia Center, Spain

Prevention service activities

Medical check-ups	3,360
Periodic check-ups	3,024
Initial check-ups	330
Check-up after IT	6
Training	300 courses

Minimum notice period concerning organisational changes

AMERICA	Argentina	15
	Brazil	30
	Costa Rica	30
	Dominican Rep.	3
	Mexico	30
	Peru	1
	Puerto Rico	60
	Uruguay	15
	Venezuela	7
	ASIA	China
Indonesia		90
Malaysia		60
Vietnam		1
EUROPE		France
	Germany	15
	Greece	30
	Italy	15
	Luxembourg	60
	Portugal	30
	Spain	15

The actions included are the following:

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

According to this procedure, in 2010 37 certificates were issued with information on the risks that the position entailed for pregnant employees and proposals to change to another position.

5.2.8 Human rights

Sol Meliá has an Executive Code of Conduct supervised by the Remuneration and Appointments Committee of the Board of Directors and by Group Human Resources which deals with the following issues:

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

All security personnel have been trained in company policies and procedures with regard to human rights.

In 2010 the company did not register any reports of discrimination of any sort.

Child exploitation

Sol Meliá is firmly committed to the welfare of our children, the future generations for whom we are building our legacy. This is why it is fundamental that all the company areas ensure that none of their activity entails any potential risk to children's rights. Sol Meliá has signed an agreement to implement a Code of Conduct to protect children from sexual abuse in the tourism industry, condemning all forms of child sexual exploitation and supporting all legal actions to prevent and punish these crimes.

Through the Sustainable Development clause in agreements signed with suppliers, our suppliers are also committed to not using child labour in their production processes, accepting the possibility of being audited and running the risk of contract rescission if found in contempt.

Indigenous peoples

Sol Meliá is committed to the conservation of the tangible and intangible cultural heritage of the communities in which it operates. It is fully involved in the local community, integrating the cultural, gastronomic and artistic elements of each location, respecting and defending the historical heritage as its own. It aims to energise the local community, protecting their roots and encouraging the complicity of guests in the discovery and conservation of the cultural wealth of the destination.

Currently, Sol Meliá has no business units or corporate offices located in areas which could affect, generate incidents or violate the rights of indigenous peoples.

Labour rights

The minimum notice period concerning organizational changes depends on each country and each collective agreement.

The company is governed at all times by the relevant labour legislation, applicable collective convention or employment agreement or company contract. Sol Meliá safeguards the right of association in the countries which are covered by any of the bodies mentioned above, with the exception of China and Cuba, which do not allow that. The company always applies the relevant labour legislation, applicable collective or employment agreement. At Sol Meliá the number of employees represented by a collective agreement is 100% (excluding Bulgaria, Croatia, Cuba and China). Sol Meliá guarantees the right of its workers to belong to a trade union or work association.

The relationship of minimum notice periods concerning organisational changes is detailed in the table. These are governed in each case by the legislation, convention or applicable labour agreement in each region.

6

Socio-cultural Value



Matilde Pinto Maia, 4 years old
Meliã Gaia Porto, Portugal

6.1 Key figures

10,925 people involved in Solidarity Day 2010

6.2 Highlights


Sol Meliá social positioning prioritises child protection. To support this the Company has formed an alliance with UNICEF

At Sol Meliá we believe tourism is a driver of development and growth for the local economy that contributes to the development of the societies in which the Company operates. Our firm intention is to meet the needs of these societies, promoting and preserving both natural and cultural resources. Each of the chapters of the Annual Sustainability Report 2010 aims to describe the activity of Sol Meliá in relation to its different stakeholders. Based on these criteria, this chapter outlines the Sol Meliá socio-cultural strategy in the communities where we operate, including references to the most important partnerships with NGOs. The positive effect that tourism generates in the progress of local groups, with a particular impact in developing countries, is one of the foundations on which to build sustainable and responsible tourism. To consider local culture as part of corporate cultural policy can only be understood with the interrelation of the following key dimensions:

- Systematic actions for the conservation, enhancement and integration of cultural heritage.
- Management policies, organization and procedures that respect cultural diversity and protect the heritage of destinations.
- Responsible behaviour by staff and customers.

6.2.1 Social commitment

Each of the Sol Meliá hotels, as members of the society in which they are based, contribute value to their environment, actively participating in economic and social progress with the aim of reducing inequalities and always guided by values of coherence, balance and permanence in time.

2010 was a transitional year in which the Company has worked primarily on the following initiatives:

- Developing the partnership with UNICEF.
- Preparation of the internal tool for selection of NGOs.
- Development of the social positioning of the Company.
- Creating a system for measuring social impact.

In parallel, the hotels have continued to work with different organizations, not all of which has been accounted for in corporate offices.

As an example of this active participation, since 2003 we have been collaborating regularly with UNICEF. However, after defining childhood as a priority area of Sol Meliá social positioning, Sol Meliá felt it necessary to strengthen this commitment through a strategic alliance.

In 2010, Sol Meliá thus signed a cooperation agreement with UNICEF, an organization that represents children's interests in all of the countries in which Sol Meliá operates. With an initial term of three years, the key goals of the alliance are: to spread the UNICEF message on children and combating child sexual exploitation, to raise economic resources for their priority area, shared by Sol Meliá, to protect children (for details see fact sheet on *"UNICEF Agreement"* in the Appendix).

Also in 2010, Sol Meliá analyzed the status of compliance with legislation on the integration of the disabled. Thanks to this analysis, advances were made in terms of hiring people with disabilities while also handling alternative measures available under the law. In line with the longer term objective, the Company began a process of negotiation with the ONCE Foundation to make progress on integration. This process ended with the signing of a cooperation agreement in January 2011 which seeks to undertake joint actions and programmes to better promote integration and the social and labour inclusion of people with disabilities.

Through a partnership with the CEHAT Foundation, various hotels in Madrid trained a group of women at risk of exclusion and gave them the chance to do on-the-job training in the housekeeping department (for details see fact sheet on the *"CEHAT Foundation Alliance"* in the Appendix).

6.2.2 Cultural commitment

Within the framework of the Sol Meliá Global Sustainability Policy, the protection and enhancement of cultural heritage is defined as one of the essential commitments, with Italy and Indonesia being the best examples. In Italy, Sol Meliá is an honorary member of the association Fondo per L'Ambiente Italiano (FAI), which aims to protect and enhance the artistic heritage of the country (for details, see the fact sheet on *"Sol Meliá Italy: Magnifico Project"* in the Appendix).

Within the framework of the Sol Meliá Global Sustainability Policy, the protection and enhancement of cultural heritage is defined as one of the essential commitments, with Italy and Indonesia being the best examples. In Italy, Sol Meliá is an honorary member of the association Fondo per L'Ambiente Italiano (FAI), which aims to protect and enhance the artistic heritage of the country (for details, see the fact sheet on *"Sol Meliá Italy: Magnifico Project"* in the Appendix).

As for Indonesia, the highlight is the active cooperation of the Gran Meliá Jakarta in the VIVERE project to disseminate culture through the exhibition of works of art in the hotel.

In March, the Meliá Mexico Reforma took part in the Festival of Mexico which aims to promote Mexican and international art and culture (for more information, see the fact sheet *"Promoting Local Artists"* in the Appendix).

In May, Sol Meliá signed a cooperation agreement with the Spanish Federation of Friends of Museums to stimulate and promote local heritage through a programme of awareness and promotion of cultural facilities in the Tryp by Wyndham city hotel (for details, see the fact sheet on the *"Spanish Federation of Friends of Museums"* in the Appendix).

to sustainable development (for details, see the fact sheet on *"Battery charging points for electric cars"* in the Annex).

Solidarity Day

The purpose of the Solidarity Day is to raise awareness amongst our customers about all of the values related to sustainable development and local culture, environmental protection, solidarity and teamwork, all through cultural activities implemented in the hotels taking part. In particular, in 2010, 20 Sol Meliá resorts took part for one day every week throughout the summer season.

Initially, the funds raised were earmarked for infant education projects near the hotels, thus ensuring the continuity of the project thanks to the greater involvement, cooperation and commitment of employees. However, in 2010, as happened in 2009, Solidarity Day actions were focused only on raising awareness amongst our guests and there was no opportunity to raise funds to support any educational project as had been done in previous years.

6.2.3 Projects

Battery charging points for electric cars

In 2010, Sol Meliá opened the first smart charging points for electric cars in two of its hotels in Spain, the Gran Meliá Victoria in Palma de Mallorca and the Gran Meliá Palacio de Isora in Tenerife. This business initiative strengthens the Sol Meliá commitment

Evolution of Solidarity Day

Year	Child Participation	Adult Participation	Employee Participation	Funds raised
2006	3,560	9,462	310	69,398 EUR
2007	4,377	20,434	217	75,407 EUR
2008	4,475	37,529	330	99,250 EUR
2009	2,700	4,486	154	0 EUR
2010	4,215	6,508	202	0 EUR

7

Economic Value



"In the garden"
Reeha Poja Sri Sutadi, 7 years old
Meliá Benoa, Indonesia

7.1 Key figures

1,282 million € in wealth creation
vs. 1,064 million € in 2009

1,250 million € revenues
vs. 1,148 million € in 2009

50 million € net profit
vs. 38 million € in 2009

7.2 Highlights

7.2.1 Business performance

During 2010, the RevPAR (Revenue per Available Room) of owned and leased hotels increased by +8.9% due to increases in occupancy and ARR (Average Room Rate) of +4.2% and +4.5% respectively. ARR increases were seen in 84 of the 157 hotels (53.5%).

Revenue from Food and Beverage rose by 2.0%, below the +9.8% increase in revenue per room. This is explained by a) the level of resistance to consumption in hotel guests and walk-in customers, and b) offers made by Sol Meliá in Food and Beverages (such as breakfast promotions) to maximize total revenues. The effect of this combination is reflected in a slight decrease in Food & Beverage department margins (30.1% vs. 31.3%), offset by increased margins in rooms (68.6% vs 67.1%). The overall effect is positive in view of the evolution of the EBITDA margin for the year (149 bps).

Sol

The Sol brand consists entirely of resort hotels in Spain.

In 2010, RevPAR increased by +2.7%, due to the improvement of +4.5% in ARR offsetting changes in occupation. Developments in the Balearic and Canary Islands, where RevPAR rose by 7.3% and 5.1% respectively, mainly explain these figures. During the year, the brand has seen increases in ARR in 19 of the 41 hotels.

The decline in occupancy of -1.7% is explained by developments during the first half of the year. The volcanic eruption in Iceland in April and May negatively impacted resort hotels in Spain due to the closure of airspace in some European countries, leading to an increase in cancellations and no-shows for groups from Northern Europe.

In terms of feeder markets, the decline in stays from the UK, and to a lesser degree in the Spanish market, have been partially offset by increased stays from Central Europe, Benelux, Italy, Portugal and Eastern Europe.

Operating expenses (excluding rental charges) have increased in 2010 by +1.0% while total spending per stay has increased +3.5%. The reason is related to the volume of the fixed costs of the brand, as the number of stays decreased by -2.4% over the period.

In terms of rooms, the decline is related to the delayed opening of 2 seasonal hotels: the Sol Antillas Barbados and Sol Magalluf Park, both located in the Balearic Islands.

Tryp

The Tryp by Wyndham brand consists entirely of city hotels, and 75% of the rooms are in Spain.

In 2010, RevPAR increased by +7.5% as a result of increased occupancy of +4.8% and to a lesser degree, the +2.6% increase in ARR. Increases in ARR were seen in 29 of the 55 hotels.

Hotels in Spain saw an increase in RevPAR of +5.1%, thanks to the strong performance of hotels in Madrid and Barcelona. In Spain, revenue per room in the "Transient Leisure" and "Business Groups" segments - about 32% and 12% of room revenues for the brand - increased by +10% and +23% respectively.

Operating expenses (excluding rental charges) rose in 2010 by +3.8%, while the total cost per stay decreased by -0.4% due to decreases in personnel costs per stay of -1.3% as a result of adjustments of staff to the reduced occupancy.

The decline in available rooms is explained by the finalisation of 4 lease contracts (Tryp Rex, Tryp Burlada, Tryp San Lazaro and Tryp Centro Norte Apartments), all located in Spain.

Meliá and Inside

48% of the rooms in Upscale brands are in Spain, 20% in Latin America and the remaining 32% is distributed between Europe, Middle East and Africa.

In 2010, RevPAR increased by +14.5% due to increases in occupancy and ARR by +5.7% and +8.4%, respectively. The performance of the hotels in European Cities (+9.9%) and Meliá Resorts (+20.8%) largely explain these figures. During the year, increases in ARR were seen in 31 of the 48 hotels.

Regarding the Meliá Resorts, RevPAR increased by +20.8% for the year, mainly due to the evolution of the Spanish resort hotels, especially those located in the Balearic and Canary Islands, where RevPAR increased by +25.5% and +28.8% respectively. Mention must also be made of the performance of

resorts in the Americas, where RevPAR grew positively (+3.4%) turning around the negative trend seen during the first half of the year (-0.7%).

The trend seen in hotels in European Cities during 2010 (+9.9% RevPAR) is due to the United Kingdom (+17.0%), France (+14.4%), Germany (+17.6%) and, to a lesser extent, Spain (+8.9%).

In Spain, the positive trend over the year is explained by the "Transient Leisure" and "Business Groups" segments - about 28% and 24% of room revenue respectively - an increase of +31% and +37%, respectively. The "Transient Business" segment has increased by +5%.

During 2010, operating expenses (excluding rental charges) increased by +9.7% while the total cost per room has increased by +4.8%. Excluding changes in scope, the total cost per room has increased by +0.7%.

In terms of rooms available, the increase is explained by the addition of the Meliá Luxembourg (May 09), the Ininside Derendorf Düsseldorf, the Meliá Valencia (both in October 2009), the Meliá Bilbao (Sep. 09) Ininside Hotel Dresden (January 1910), partially offset by the disaffiliation of the Meliá Palm Azur (Nov. 09) and Meliá Boutique Flora Park (Dec. 09), both in Tunisia.

Premium brands

Premium brands have 77% of their rooms located in the Americas.

In 2010, RevPAR improved by +2.7%, on the back of an increase in occupation of +10.7%. The performance of the hotels in European Cities and Resort Hotels worldwide largely explain these figures.

During the year, the resort hotels have seen an increase in RevPAR of +9.7%, explained by the development of hotels in Spain (such as in the Canary Islands) and Mexico, based on comparable improvements due to the Influenza A outbreak. In this area RevPAR increased by +20.8% helped by a recovery in occupancy levels. ARR increases were seen in 5 of 13 hotels during the year.

Operating expenses (excluding rental charges) decreased in 2010 by -3.1%, while the total cost per stay decreased by -10.4%, due to a fall in food and beverage costs and personnel costs per stay by -10.5% and -11.1% respectively.

Owned and leased hotels 10 / 09 (RevPAR and ARR in euros)

		% occupancy	RevPAR	ARR	Available rooms (000)
SOL	2010	59.7%	31.6	53.0	3.128
	% 2009	-1.7%	2.7%	4.5%	-0.5%
	2009	60.7%	30.8	50.7	3.144
TRYP BY WYNDHAM	2010	62.6%	42.6	68.1	2.866
	% 2009	4.8%	7.5%	2.6%	-1.1%
	2009	59.7%	39.7	66.4	2.898
MELIÁ	2010	67.9%	60.5	89.2	3.952
	% 2009	5.7%	14.5%	8.4%	3.7%
	2009	64.2%	52.9	82.3	3.810
PREMIUM	2010	58.3%	58.8	100.8	1.700
	% 2009	10.7%	2.7%	-7.2%	0.2%
	2009	52.7%	57.3	108.7	1.697
TOTAL	2010	63.0%	48.11	76.4	11.646
	% 2009	4.2%	8.9%	4.5%	0.8%
	2009	60.4%	44.19	73.1	11.549

Detail of hotel revenues 10 / 09 for owned and leased hotels

		Room revenues	F&B and others	Total revenues	Total expenses (*)	Ebitda
SOL	2010	99.0	59.3	158.3	128.2	30.0
	% 2009	2.2%	-5.2%	-0.7%	1.6%	-9.3%
	2009	96.8	62.5	159.4	126.2	33.1
TRYP BY WYNDHAM	2010	122.2	47.4	169.6	164.1	5.5
	% 2009	6.3%	2.0%	5.1%	4.2%	39.3%
	2009	115.0	46.4	161.4	157.4	4.0
MELIÁ	2010	239.2	151.7	390.9	301.5	89.5
	% 2009	18.8%	7.9%	14.3%	11.7%	24.4%
	2009	201.4	140.5	341.9	270.0	71.9
PREMIUM	2010	100.0	116.9	216.8	165.7	51.1
	% 2009	2.9%	0.2%	1.4%	-3.0%	19.0%
	2009	97.2	116.6	213.8	170.9	43.0
TOTAL	2010	560.4	375.2	935.6	759.4	176.2
	% 2009	9.8%	2.5%	6.7%	4.8%	15.9%
	2009	510.4	366.2	876.5	724.5	152.0

(*) Includes lease expenses

Management Fees

Fees received from third-party in 2010 increased by +10.9%.

The Sol brand fees increased by +9.2% due to the performance of resorts in Cuba (7 hotels), where fees rose by +16.8%.

The management fees for Meliá increased by +8.1% due to the evolution of management contracts in hotels in Spain and Latin America, where the fees increased by +6% and +10.33% respectively.

The Tryp by Wyndham brand increased its fees by +24.8%, due to the performance

of hotels in Brazil, where fees increased by +57.8%, and to a lesser extent hotels in Spain, where fees increased by +20.7%.

The fees for premium brands increased by +8.2%, due to the performance of hotels in Spain, where fees rose by +26%. The progressive improvement of the ME Barcelona hotel and Gran Meliá Colon, Seville, largely explain this effect. The decline in incentive fees in the brand can be explained by the system of variable scales for fees dependant on EBITDA in the management agreements in Cuba.

Management Fees (Million euros)

		Dec 10	Var. 10 / 09	Dec 09
SOL	Basic fee	4,0	4,7%	3,9
	Incentive fee	3,5	14,9%	3,0
		7,5	9,2%	6,9
MELIÁ	Basic fee	15,2	6,0%	14,4
	Incentive fee	5,3	14,7%	4,6
		20,6	8,1%	19,0
TRYP BY WYNDHAM	Basic fee	4,7	19%	4,0
	Incentive fee	2,8	36%	2,0
		7,5	24,8%	6,0
PREMIUM	Basic fee	6,4	14,9%	5,5
	Incentive fee	2,0	-8,6%	2,2
		8,4	8,2%	7,7
TOTAL BASIC FEE		30,4	9,5%	27,7
TOTAL INCENTIVE FEE		13,6	14,1%	11,9
TOTAL		44,0	10,9%	39,7



The sale of the Tryp by Windham Los Gallos Hotel and Sol Pelicanos Ocas generated 59.7 million euros in capital gains

7.2.2 Performance of Sol Meliá Vacation Club

During 2010, the total number of weeks sold directly by the Club represented 2,053 units, a decrease of -15.9% over the same period in the previous year, while the average price in euros increased by +10.5% due to the activity of upgrades and bi-annual sales, reflecting a decline in net sales of -7.0% for the Club.

In general, the trend in 2010 is largely due to low occupancy levels, affecting the re-

sorts where sales of Vacation Club occur, especially in the Dominican Republic and Puerto Rico. Additionally, there has been a significant change in some hotels in the mix of customers between groups and individual guests, thus impacting the number of qualified prospects. To maintain the flow of potential customers, alternative measures were implemented such as the launch of an in-house marketing programme to increase the efficiency ratio in the closure of sales.

Evolution of Sol Meliá Vacation Club (SMVC) sales

	WEEKS SOLD			EQUIVALENT UNITS			VACATION CLUB SALES (IN '000 €)		
	2010	%10/09	2009	2010	%10/09	2009	2010	%10/09	2009
Premium	1,615	-16.9%	1,942	22,433	10.2%	20,351	36,219	-8.4%	39,522
Meliá	888	-14.0%	1,033	13,978	13.0%	12,373	12,412	-2.8%	12,775
Total	2,503	-15.9%	2,975	19,433	10.5%	17,582	48,631	-7.0%	52,297

7.2.3 Performance of the Leisure Real Estate Division

The 67.7 million euros at the EBITDA level are mainly due to the sale of the Tryp by Wyndham Hotel Los Gallos (Cordoba - Spain) and Sol Pelicanos-Ocas (Alicante - Spain), which generated 59.7 million euros in capital gains within the Company's asset rotation activity.

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

In the Dominican Republic, revenues reached 7.4 million euros, down -15.9% due to:

- The decline in revenue from the manage-

ment of golf courses as well as the administration of the villas located in the Desarrollos Sol complex by -11.7% (-0.5 million euros).

- The management of the Parima mall, where revenues rose by +12.3% (+0.4 million euros), partially offsetting the decline in revenue from the sale of plots of lands.

In Venezuela, the rents received from commercial premises in the Hotel Gran Meliá Caracas declined by -25.0% (-0.7 million euros), affected by the devaluation of the Venezuelan Bolivar.

Evolution of Asset Rotation

ASSET	ROOMS		PRICE		Capital gain (EBITDA)	
	2010	2009	2010	2009	2010	2009
Meliá Madrid Princesa	-	274	-	87.8	-	48.6
Tryp by Wyndham Alondras	-	72	-	12.0	-	8.0
Sol Pelicanos Ocas	794		73.8		54.2	
Tryp by Wyndham Gallos	119		10.1		5.5	
TOTAL	913	346	83.8	99.8	59.7	56.6

Note: the capital gains from the sale of Tryp are not included in the Leisure Real Estate Division. These are found in Other Businesses and Corporate, representing 33.5 million euros at the EBITDA level.


The Annual General Meeting is the way in which shareholders can have direct contact with the Board of Directors

7.2.4 Joint Ventures

As an operational and strategic reinforcement for the business, Sol Meliá maintains a portfolio of joint ventures with several partners. The rationalisation of these alliances aims to support the growth of the group, taking advantage of synergies from the strengths of both parties to add value to the business. The most important advantages include optimum use of capacity, the minimisation of risk and the diversification of specialties.

In total, Sol Meliá had 25 Joint Ventures in 2010, 14 in Spain and 11 international ventures. Outside Spain, partnerships are located primarily in Latin America - especially Mexico, Peru, Panama and the Dominican Republic - and in Asia, where the Company has 2 joint ventures in Indonesia.

Of these, the Company has a majority in 10 of them and a minority stake in 15.

The majority are purely hotel ventures, although there are also joint ventures dedicated to the exploitation of apartments and the development of mixed use hotel-residential concepts, the latter referring to the residential-hotel project in Zaragoza and to the much larger 5 million m2 development in Brazil. Sol Meliá also has some alliances focused on the operation of shopping centres, such as Sierra Parima (Punta Cana, Dominican Republic) and Venezuela (Caracas).

The partners include real estate companies, industrial corporations, banks and partners, in the long-term not related to the hotel industry.

In 2010 the contribution of these partnerships to EBITDA was 8.5%.

More specific information on these partnerships can be found in the Financial Report for Sol Meliá, Appendix 2 - Associates and Joint Ventures.

7.2.5 Investor relations

In 2010 the Sol Meliá Investor Relations Department has carried out a large number of activities focused on communication with company shareholders and potential investors. The most relevant actions focus on road shows in major European (Madrid, Paris, London, Milan, Andorra, Nice, Stockholm and Lisbon) and American (New York) financial markets, private visits to Spanish and international investors, participation in seminars

and the hosting of several tele-conferences throughout the year. Visits were also made to 175 institutional investors. All of these activities focused on increasing the transparency of Sol Meliá in capital and debt markets.

The road shows are used to report company performance and strategy to the markets, to provide a view of how events may affect results, and offer information on advances in distribution, research, development and innovation, the financial situation and the development of new hotels and new business units.

Minority shareholders

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

The Company offers diverse channels for direct communication with shareholders to ensure they are kept up to date with all company developments and regulatory notifications, and also provide them with an opportunity to make suggestions which may improve service.

Every shareholder member of the Investors' Club receives a card which, in addition to providing mas rewards points which can be exchanged for free stays in company hotels, also provides access to a number of benefits in company hotels such as the guaranteed lowest online rate (also available by telephone), priority booking, priority check-in, free newspapers, free breakfast for companion, late check-out and priority in receiving exclusive offers. Mas rewards gold shareholders with more than 1,000 shares and holders of the mas rewards gold shareholder card, can also enjoy additional benefits such as an upgrade to a superior room, 20% bonus points for their stays, discounts in à la carte restaurants, welcome gifts and more. The Company has a telephone hotline for shareholders for advice and information on any questions they may have and also has an Investors' Club which provides shareholders with a direct line of communication with company management.


The Investors Club acts as a communication channel between minority shareholders and the Company and sends information on news and regulatory notifications

As for the Calling of the General Meeting, in addition to the announcement in the Official Register and in one of the leading newspapers in the province, indicating the date and time, venue and agenda, it is also posted on the company website in the Investor Relations section, sufficiently in advance for shareholders to be aware of its celebration.

Another method of encouraging participation, though not attendance, is the broadcasting of the Annual General Meeting through a live webcam on the Sol Meliá website so that all of the Company shareholders and stakeholders can follow the event live online from anywhere in the world.

Attendees are presented with a copy of the Annual Sustainability Report of the Company, as well as a gift to thank them for their attendance.

To join the Club, shareholders can register through the website or by phone with the Loyalty Department: 901 34 44 44 for mas rewards blue shareholders with less than 1,000 shares, and 901 10 00 02 for mas rewards gold shareholders. In addition to registration, mas rewards gold shareholders must also provide a bank statement which proves that they have held their shares for a period of at least one year. This statement can then be sent by e-mail (club.accionista@solmelia.com) or fax 971 22 45 15.

At the end of 2010, there were 152 mas rewards gold shareholders compared to 257 in 2009, and 2,774 mas rewards blue shareholders compared to 2,766 in 2009. Every month they receive an online newsletter, every two months a points account statement, and every three months an exclusive printed newsletter with special offers and benefits. Every year they also receive a newsletter with news on company performance in its different business units.

solmelia.com

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

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

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

7.2.5 Social cash flow or income redistribution

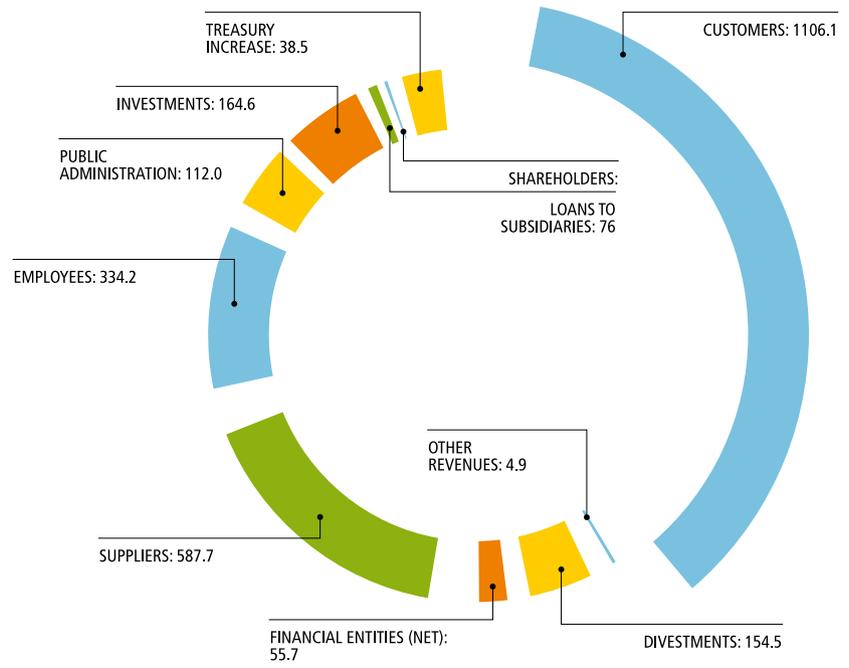
In 2010, Sol Meliá created wealth of more than 1,200 million euros, compared to over 1,000 million euros in 2009, achieving 1,106 million euros in revenues from customers compared to 1,031 million in 2009. These collections allowed it to pay 334 million euros to its employees, up from 332 million in 2009, more than 112 million euros to the government compared to 93 million in 2009, 587 million euros to its suppliers compared to 528 million in 2009, and about 8 million to its shareholders, compared to nearly 12 million in 2009. This is the effect of wealth creation.

During this period the company invested more than 164 million euros in the enlargement, improvement and accessibility of its hotels, new hotels, brand equity and technology, compared with more than 71 million euros in 2009.

Sol Meliá has taken out loans from the Official Credit Institute (ICO) - public corporation under the Ministry of Economy and Finance of the Government of Spain - amounting to 10 million euros, belonging to the FuturE Plan, and 2 million are included in the Renewal of Tourist Facilities Plan (Renove).

In addition, the Company has received grants from institutions and tax credits worth 667,306 euros, mostly granted by the Government of Granada as a subsidy for our Sol Meliá Hotel School of, as part of the MEMTA Plan in the Meliá Granada hotel.

Social Cash Flow (in million euros)



8

Commercial value



"At Sol Meliá we all play"
Gema Escobar Cossi, 8 years old
Corporate Offices Palma de Mallorca

8.1 Key figures

solmelia.com received **41 million** visitors in 2010
vs. 40.3 million in 2009

2,300,000 members of mas rewards
vs. 2,500,000 in 2009

More than **25,000** contracts signed
with Tour Operators
vs. more than 24,000 in 2009

Global Company reputation above **80%**

8.2 Highlights

8.2.1 Sales

solmelia.com

In 2010, Sol Meliá strengthened its strategic commitment to innovation and new technologies, with the renewal of its website, the launch of specific products for mobile bookings and strengthening its presence in social networks.

With a new design and the optimization of its functionality, solmelia.com has become a market leader in the hotel industry, where the presentation of the hotels uses the most innovative tools, incorporating rich media technology and the location of hotels on Google Earth, 3D models of the rooms, 360° photography and virtual tours, amongst other functions.

The technological capability, the variety of information provided, the simple reservation system and lowest price guarantee all contributed to solmelia.com reaching sales of more than 130 million euros in 2010.

The Company also became a pioneer with the creation of the first specific booking platform for mobile phones, with over one million visits in the year, which was added to in October with the launch of booking applications for iPhone, Blackberry and Android smartphones.

Tour Operación

Contracting at Sol Meliá is a centralised function involving the planning, negotiation, signature and monitoring of contracts between the company and international tour operators. In 2009 25,000 contracts were signed compared to 24,000 in 2008, generating revenues of 421 million euros compared to 481 million euros in 2008.

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

Since 2009 sustainable development criteria have been added to contracts with tour operators obliging them to comply with guidelines on human rights and minimising the environmental impact of their activities.

In 2010 Sol Meliá organised 57 road shows and 69 sales blitzes in countries such as Spain, Germany, Russia, USA and Canada. It also carried out door-to-door visits in Spain, Portugal, Italy, Belgium, Holland, Germany, Poland, Switzerland, USA, Canada and Latin America, and carried out more than 127 presentations and training sessions at call centres, travel agent associations and European tour operator reservation centres.

Trade Fairs

In 2010, Sol Meliá took part in 9 tourism trade fairs in 8 countries compared to 12 in 10 countries in 2009:

- BTL Lisbon.
- FITUR Madrid.
- ITB Berlin.
- MITT Moscow.
- IMEX Frankfurt.
- IT&ME Chicago.
- WTM London at the TurSpain stand.
- CITM Kunming - China.
- EIBTM Barcelona.

Meetings and Events

Sol Meliá Meetings and Events covers all the activities related to the conventions, incentives and events segment, currently representing a selection of more than 90 hotels worldwide.

Sol Meliá has specialist sales teams in 13 countries in Europe and the Americas, focused on different Key Accounts and with the objective of identifying and attracting new customers, while Corporate Group Desks manage the commercial and operational relationship between hotels and the small and medium-sized businesses that require their services.

In December 2010, the Company presented its first Meetings & Events Directory, a printed and online manual (www.solmelia.com/MeetingsDirectory), which describes the general characteristics of each hotels, detailed floor plans, technical data on meeting rooms, and additional information on the facilities and services they offer.



Sol Meliá has specialist sales teams in 13 European and American countries

Sol Meliá Meetings & Events continues to make progress in the creation of new standardized packages designed for each type of event, and multiplying synergies with clients and meeting planners through the Loyalty Programme **mas amigos**. Also during 2010, the design and planning of a programme of Sustainable Events was initiated for implementation in 2011.

Tradyso

Tradyso is a global hotel distribution platform, created in 2007 and 50% owned by Sol Meliá and 50% by Talonotel, providing integrated technological solutions for multi-channel hotel sales and distribution.

Tradyso's main services are:

- **Reservation services for hotels including:** centralized reservations, Internet booking engine, call centre and access to major online booking systems and travel agencies.
- **Online marketing systems including:** presence and positioning in social networks, positioning in Internet search engines, web design, web usability, web analytics and e-mailing.

8.2.2 Customer knowledge

Customer Relationship Management is one of the key strategies of the Company, which is why the CRM department plays a fundamental role in marketing, assuming a dual role of:

- Earning customer loyalty, enhancing their value to the Group, and
- Encouraging conversion between the different businesses (hotels, Sol Meliá Vacation Club and Real Estate).

There are currently two major CRM projects: the "single customer view" and "customer knowledge".

Single customer view

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

This information allows Sol Meliá to know more about the preferences and interests of guests, thus enabling the personalization of

hotel services and communications (email, text messages, direct mail or telemarketing). The CRM centralized database contains information on 7.6 million customers, of which 3.4 million have expressed a willingness to receive sales information from Sol Meliá.

Customer knowledge

One of the strategic priorities of CRM is to maximize customer knowledge and process information with the objective of offering better services which meet customer needs.

The use of SAS software allows the extraction and transformation of information into knowledge obtained through algorithms and statistics. This allows us to understand each customer's profile and anticipate what they may need, thus improving our personalized communication to each of them.

8.2.3 Loyalty

mas rewards

The **mas** rewards loyalty programme was created in 1995 to reward members with advantages and privileges, and has gone on to become one of the most important foundations of Company success. In 2010 the programme had 2.3 million members, compared to 2.5 million in 2009, and its own communications channel, a monthly newsletter personalised to each individual customer's profile. The programme offers 3 different membership levels: **mas** rewards blue, gold and platinum, and cooperates with a total of 35 partners in different industries with whom members may transfer and redeem points.

In 2010, in line with the objective to form alliances with leading companies, Sol Meliá and American Express launched the "American Express **mas** rewards" credit card which enables cardholders to earn **mas** rewards points for every purchase made with the credit card.



There are currently two major CRM projects: the "single customer view" and "customer knowledge"



In 2010, Sol Meliá received 174,857 completed questionnaire from guests, achieving an overall quality rating of 80.6%

Club Amigos programme

In 1997, Sol Meliá created a special loyalty programme for travel agents to strengthen relations with travel bookers, reward their loyalty and maintain more frequent and personalised contact with them given their vital importance in hotel sales. The programme currently has almost 85,000 members.

Guests by country of origin

	2010	2009
Spain	31.8%	35.2%
UK	13.0%	14.0%
Germany	11.0%	10.0%
USA	9.0%	7.0%
Mexico	3.2%	3.3%
Italy	3.5%	3.4%
France	2.7%	2.4%
Venezuela	2.0%	2.1%
Canada	3.3%	2.0%
Russia	1.8%	2.0%
Others	3.7%	18.6%
TOTAL	100.0%	100.0%

8.2.4 Quality and Guest Satisfaction

Quality and customer satisfaction is measured using four tools:

Online guest satisfaction questionnaire (Market Metrix)

Sol Meliá has been using this tool for three years, using specific questionnaires for each brand and for the Vacation Club.

In 2010, Sol Meliá received 174,857 completed questionnaires, obtaining as a result a Company-wide satisfaction index of 80.6% compared to 79.7% in 2009, with the ME by Meliá and Paradisus brands the highest ranked.

In 2010 questions were also added about the guest perception of the Sol Meliá social and environmental commitment, obtaining a satisfaction rate of 77.4%.

Brand audit

Sol Meliá audits each of its hotels through visits by specialist consultants to determine the degree of standardization of the brands. We evaluate products, services, processes and infrastructure, and the results are presented in detailed reports. In 2010, a self-assessment tool was also introduced in hotels to identify specific areas for improvement.

Social networks (ReviewPRO)

In 2010, Sol Meliá replaced ASOMO with the ReviewPro tool to manage its online reputation, allowing an analysis of the views of customers from more than 45 sources, in English, Spanish, German, Portuguese, Italian and French.

The results are processed to obtain the reputation score of each hotel as well as the Global Reputation Score for the Company, its brands and its competitors.

From 1 April 2010, 257 hotels have been using ReviewPro, earning a global reputation index of 80%, with Paradisus and Inside being the best rated brands in Internet.

	Satisfaction Level		Value for money	
	2010	2009	2010	2009
Paradisus	85.8%	86.90%	80.2%	79.60%
ME by Meliá	84.7%	86.50%	78.2%	80.30%
Gran Meliá	83.8%	83.20%	78.4%	76.90%
INNSIDE	83.9%	-	80.5%	-
Meliá	81.2%	80.30%	77.6%	78.20%
TRYP	79.1%	78.10%	76.5%	77.30%
Sol	79.8%	79.70%	79.8%	76.40%



The Sol Meliá Quality department manages all incidents and customer feedback received by e-mail

Incidents

The Sol Meliá Quality department manages all incidents and customer feedback received through the e-mail calidad@solmelia.com, redirecting queries to the area responsible for each case and providing a response within 48 hours.

In 2010, we received 2,059 comments, 76% of them answered within the deadline.

Loyalty programmes in which Sol Meliá participates

AAdvantage (American Airlines)
AMC Miles (ANA)
Binter Mas (Binter Canarias)
Club Premier (Aeroméxico)
Club Ave (AVE_Renfe)
Cobrand mas rewards - American Express (AMEX)
Distancia (Grupo Taca)
Fly Pass (Meridiana)
Hi-Fly (Meridiana)
Iberia Plus (Iberia Lineas Aereas)
Jal (Japan Airlines)
Krisflyer (Singapore Airlines)
Lanpass (Lan Chile)
Malaysian Airways
Miles & More (Lufthansa)
Millemiglia Club (Alitalia)
PhoenixMiles(Air China)
Victoria (Tap Air Portugal)
Sky Miles (Delta Airlines)
Spanair Plus (Spanair)
Top Bonus (Air Berlin)
Travel Club (Air Miles Spain)
Wyndham Rewards (Cendant)

8.2.5 Guest Health and Safety

Products and services

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

All chemical and hygiene and personal hygiene products undergo strict safety and quality controls, and in the case of hygiene products the law requires that manufacturers must also include a tracking code for production

and packaging. The hotels generally use non-rechargeable bath gel, shampoo and hand soap to avoid possible cross contamination.

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

Our hotels use different warning signs to signal doors and windows and to warn of wet floors etc.

The hotels also have medical contracts both for individual guests staying at the hotel and for medical attention in emergencies.

In 2010, Sol Meliá has not received any significant fines for non-compliance in relation to the provision and use of any products and services.

Food and beverage

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

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

Operation and maintenance of infrastructure, machinery and utensils

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

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

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



Sol Meliá was subject to a data protection audit to ensure compliance with Spanish data protection regulations

Food handling training and control of personal hygiene

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

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

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

In 2010, there have been no incidents of non-compliance with regulations and voluntary codes concerning the impacts of products and services on health and safety during their life cycle.

8.2.6 Data protection

In 2010, Sol Meliá SA received a data Protection audit in order to check compliance with Spanish regulations on data protection, and update action plans, recommendations and measures implemented in the different areas of corporate offices and the business.

No claim or complaint in regard to data protection has been registered in Spain or abroad.

9

Business Value



Pedro Torres Perelló, 11 years old
Gran Meliá Victoria, Spain

9.1 Key figures

8,658 suppliers
vs. 8,778 in 2009

2.3 million € in purchases from special
employment centres
vs. 2.72 million € in 2009



The volume of purchases in 2010 in hotels and corporate offices was 232,322,517 euros

9.2 Highlights

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

9.2.1 General purchasing policy and supplier management

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

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

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

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

Sol Meliá aims to achieve a satisfactory and long-lasting relationship with suppliers.

Sol Meliá considers that a vendor is of local origin when it is registered in the country in which the Company purchases its products.

100% of the contracts, a total of 48, signed in Spain in 2010, included the provision of minimum compliance on Corporate Social Responsibility, which includes respect for human rights. Of the 867 total global agreements this represents 5.5%.

At present, no specific controls have been developed to ensure compliance.

9.2.2 Purchasing statistics

The volume of data processed in the system and from which the Purchasing Department gets its information about purchasing patterns according to geographical location, category and hotel brand for 2010 were:

- 8,658 suppliers receiving orders in 2010, compared to 8,778 in 2009.
- The total volume of purchases made via a purchase order in 2010 by hotels and corporate offices was 232,322,517 €, compared to 235,515,986 € in 2009.

In 2010 Sol Meliá invested € 2,304,700 in purchases from special employment centres compared with € 2,702,360 in 2009. The total weight of products consumed made from recycled materials rose to 92 tons, and the corresponding invoice value of 133,800 euros was 0.05% of total turnover.

In 2010 Sol Meliá had expenses of € 232,322,517 in procurement, with over 80% related to the consumption of food, beverages and equipment, as shown in the chart below. Sol Meliá does not currently have the functionality required in its procurement systems to provide reliable data on the raw materials consumed by mass or volumetric units. In this regard, Sol Meliá is working on the parameters of their systems to provide this information in the short term.

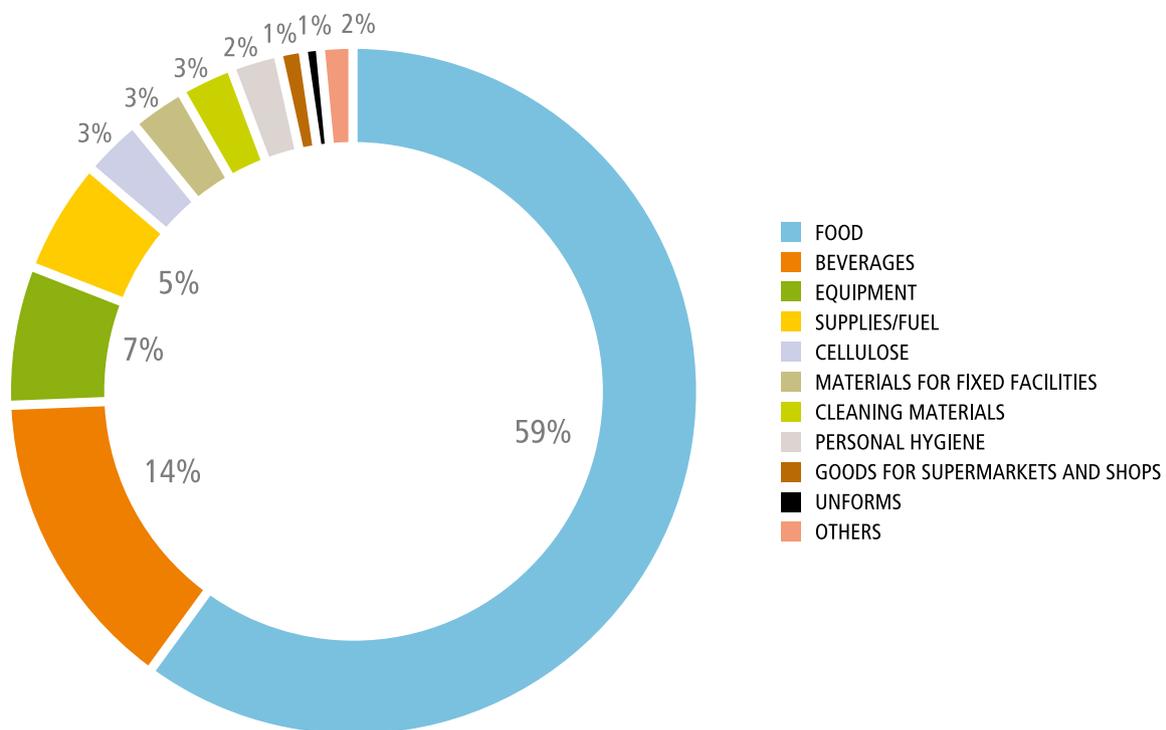
Local purchases by country:

PURCHASES	2010	2009
SPAIN	2,946	3,108
MEXICO	2,160	2,065
DOMINICAN REP.	852	942
BRAZIL	575	536
VENEZUELA	309	393
PERU	278	379
GERMANY	239	203
COSTA RICA	233	267
PUERTO RICO	206	226
UK	126	113
ITALY	125	227
ARGENTINA	123	89
FRANCE	76	112
USA	31	0
LUXEMBOURG	29	57
CHILE	0	125
TOTAL	8,308	8,658

% of purchases from local suppliers

	Total purchasing volume 2010	Total purchasing volume 2009	2010	2009
Spain	129,862,151 EUR	152,149,678 EUR	96.7%	98%
Dominican Republic	36,186,208 EUR	36,978,440 EUR	94.5%	96%
Mexico	33,910,526 EUR	19,706,228 EUR	99.3%	100%
Venezuela	6,467,685 EUR	5,192,888 EUR	100.0%	100%
Costa Rica	5,513,588 EUR	5,084,078 EUR	97.5%	96%
Germany	4,996,250 EUR	4,012,557 EUR	93.5%	95%
UK	3,992,135 EUR	2,019,781 EUR	95.4%	92%
Puerto Rico	3,100,847 EUR	2,948,676 EUR	94.6%	94%
Italia	2,707,156 EUR	3,088,709 EUR	90.9%	95%
Brazil	2,202,237 EUR	1,742,032 EUR	100.0%	100%
France	1,574,163 EUR	855,953 EUR	54.5%	86%
Peru	816,642 EUR	846,230 EUR	100.0%	100%
Luxembourg	587,936 EUR	388,575 EUR	60.6%	66%
USA	219,790 EUR	0 EUR	100.0%	0%
Argentina	185,202 EUR	140,320 EUR	100.0%	100%
Chile	0	361,833 EUR	0.0%	100%
TOTAL	232,322,517 EUR	235,515,986 EUR	96.3%	98%

Percentage of purchases corresponding to each product family compared to total procurement cost 2010



10

Media Value



Lidia Aracelli Castillo Tejada, 5 years old
Melía Barcelona

10.1 Key figures

130 press releases
vs. 157 in 2009

6,664 appearances in the media
vs. 6,107 in 2009

Coverage in the media valued at **41,038,865** euros in countries where the company has communication and public relations representation

10.2 Highlights

10.2.1 Media

Sol Meliá continues to work hard to maintain strong relationships with the media. The company's strategy to expand into international markets means we have to make a greater effort to create and consolidate bonds with the media in countries which the Company operates, thus making Sol Meliá an increasingly global company.

2010 has been a year for consolidation in the Sol Meliá Communications and Public Relations model. The presence of the company in 27 countries in 4 continents has led to a model based around a public relations network which combines Company personnel with external communication agencies in countries that require increased activity.

From the headquarters in Palma de Mallorca, the Communication department centralises and defines guidelines and clear action plans concerning the publication of press releases in each country, also incorporating the monitoring of the news and impact generated. This provides a much broader global view of the impact generated by the company on a global level.

In 2010 a total of 130 press releases were prepared, 27 less than in 2009. All of them are available in the press room via the link <http://prensa.solmelia.com>.

In 2010 three meetings the company committed to in 2009 were carried out with media specializing in Corporate Social Responsibility. In addition to the presentation of the Annual Report, Sol Meliá in Asia and Brazil also hosted meetings with specialist media to present the actions carried out to assist children, and the social, cultural and environmental programmes which Sol Meliá is developing in each area.

10.2.2 Summary of appearances

In 2010, Sol Meliá appeared 6,664 times in the media in Spain, a 9% increase with respect to the previous year and an average of 18.25 appearances per day on a total of 703 pages. The estimated financial value of these appearances is more than 3.7 million euros. Throughout the year this means that Sol Meliá was seen by an audience of more than 1,329 million readers.

In the media in the UK and Germany, the estimated financial value of appearances for 2010 was 1.5 and 1.7 million euros respec-

tively, compared to 545,293€ and 616.818€ in 2009, above a 25% increase in both cases.

With regard to the public relations networks in other countries, there is no historical data available, but we would like to highlight the impact of the media in USA where, due to the size of the country, the value is always greater than that of Spain, exceeding 30.8 million euros, approximately 75% of the total impact in media worldwide.

10.2.3 Ethics

The relationship with stakeholders is very strong at Sol Meliá, especially with regard to guests. This relationship is created in many different ways, amongst them marketing and communications. To ensure that these activities respect the rights of everyone, meet the ethical criteria and codes defined, and are aligned with the company's sustainability and social responsibility policies, the Communications area developed a new marketing and communication policy in 2010 which was approved at the beginning of 2011. This policy is governed by the general principles which guide all Sol Meliá communications, whether published, informative or internal; the recommended use of language; the use of specific terms and commercial resources.

Even though respect for customer rights is a basic priority in communication at Sol Meliá, in 2010 Sol Meliá was given a small administrative fine related to consumer and user rights due to a campaign carried out in conjunction with Vodafone. The campaign contained an error which was immediately corrected. The fine amounted to 1,800 euros.

10.2.4 Communication in crisis management

In 2010, the Communication department coordinated all crisis management with potential impact on Sol Meliá stakeholders, contributing at all times to the prevention and avoidance of greater impacts on the company's corporate reputation.

Due to its global nature, we would first like to highlight the management of the crisis in the tourism and travel industry and in our company by the air space blockade that followed the eruption of the Icelandic volcano and the resulting volcanic ash cloud. At Sol Meliá hotels throughout the world, guests found themselves either trapped and unable to leave, or unable to get to the hotels they



In 2010 Sol Meliá appeared 6,664 times in the media in Spain, a 9% increase with respect to 2009

had booked. The Communications department coordinated two action areas:

- 1°. **External communication:** managing incidents and responding to the needs of the media.
- 2°. **Internal communication:** coordinating the response of each hotel to the various problems that the crisis was causing our guests. The directions given to the hotel general managers were: the most satisfactory solution for the guest for their accommodation and/or booking problem, at the least possible cost to the guest and to the company; not to seek any benefit from the problems for guests regarding flight cancellations; and the most responsible behaviour towards guests, tour operators and group managers, etc.

The result of the action contributed to the work done by the Risk Management and Hotels team to moderate the impact on company accounts, which finally amounted to 1.8 million euros, with all of the input received indicating that the crisis management had had a positive effect on the image of the brands and on corporate reputation.

The emergence of epidemics and pandemics in areas around the world in which Sol Meliá operates may generate two types of fundamental impact which the Communications area (in coordination with Labour Health and Human Resources) aims to prevent and mitigate as much as possible. This refers to impacts on both the health and safety of employees and guests as well as on the continuity of operations and on financial results.

The Communication department aims to provide information in a constant, transparent and non-alarmist manner to the media about the way the situation develops. Protocols for the prevention and management of possible cases of disease, control of their transmission, hygiene, disinfection and isolation protocols, etc. are developed and distributed to corporate offices and business units, in addition to cooperation with the health authorities in the destination whose guidelines are different according to the type of health warning. As in 2009, in 2010 a protocol on the prevention and management of influenza A and the management protocol for possible outbreaks of cholera, designed specifically to cover the hypothetical spreading of the epidemic in Haiti to the neighbouring Dominican Republic, were produced and distributed.

We would like to point out that, in this case, the alarm did not arise from existing cases of the disease, but was raised from a purely preventive perspective given that some European travel agencies and tour operators began to take an interest about possible infection in our resorts in the Dominican Republic. The protocol was distributed and disseminated amongst workers in the area so they would be in a better position to respond to any possible outbreaks of the disease.

Evolution of global media impact

FINANCIAL VALUE (€)	2010	2009	2008	2007
Spain	3,734,693.93	3,908,241.75	3,760,124.63	2,021,447.89
UK	1,468,153.56	545,293.00	n/a	n/a
Germany	1,665,661.00	616,818.00	n/a	n/a
Russia	n/a	115,584.00	n/a	n/a
USA	30,855,968.82	n/a	n/a	n/a
Brazil	2,655,696.97	n/a	n/a	n/a
Mexico	658,690.86	n/a	n/a	n/a
Radio	198,000.00	328,000.00	n/a	n/a
Radio interviews	3,825,498.00	n/a	n/a	n/a
Prize draws	657,820.00	n/a	n/a	n/a
PR actions	324,950.00	n/a	n/a	n/a
Total	46,045,133.14	5,513,936.75	3,760,124.63	2,021,447.89

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Date of the most recent previous annual report: 2009

External Auditor of Financial Report: **PwC**

External Auditor of Sustainability Report 2010: **PwC**

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Central Reservations (SolRes):
902 14 44 44

Sol Meliá GDS access codes:
AMADEUS:SM
GALILEO:SM
SABRE:ME
WORLDSPAN: SM

1.1 Preparation method

The objective of the Sustainability Report 2010 is to provide information to all company stakeholders regarding financial, environmental and social results for 2010, although many more subjects are dealt with later within each of the dimensions mentioned. Sol Meliá is also responsible for providing truthful, comprehensive and relevant information for all of its stakeholders, adopting a series of significant measures to ensure this.

This year there has been progress in the evolution and improvement of the reporting model, which have allowed us to considerably increase the number of indicators reported as well as their reliability and quality with respect to last year (this year we have responded to 110 indicators compared to 100 in 2009). We have also encouraged dialogue with stakeholders, having held 5 consultation sessions (2 panels of experts and 3 themed panels) with 37 external stakeholders involved (14 stakeholders with the panel of experts, 10 with academic panels, 7 with healthy eating panels and 6 sustainable construction panels) resulting in a total of 2,290 initiatives. Sol Meliá now thus comes even closer to the maximum standards required by European regulations.

This is also the first Sol Meliá Annual Report subjected to review and validation by PwC as a show of our strong commitment to sustainability and in a spirit of constant improvement and progress, showing our trust in the results achieved thanks to actions and improvements introduced in the reporting process during 2010.

Our Sustainability Report 2010 has been produced following the general guidelines to the preparation of the Sustainability Report from the Global Reporting Initiative (3rd edition); protocols of the Global Reporting Initiatives indicators (3rd edition) and the recommendations collected from the panel of experts and themed panels held in 2010.

Sol Meliá has chosen to define a global process of evaluation, analysis and risk control which will identify, update and monitor the most important risks which might impede the fulfilment of objectives or the successful implementation of strategies.

The integrated risk management model defined by Sol Meliá follows the criteria set in the Committee of Sponsoring Organisations of the Tradeway Commission report. This report defines an integrated framework of internal control and corporate risk management which can be applied periodically and in a standardised manner to the different business units and support group. This allows Sol Meliá to produce risk maps for each business unit and consolidate them to generate a risk map for the company as a whole.

Within this management model the following types of risks are considered:

- Global risks. Resulting from events that are beyond the performance scope of economic agents.
- Financial risks. Relating to financial variables and resulting from the difficulty the company may have in meeting its commitments or liquefying assets.
- Business risks. Resulting from the evolution of intrinsic business variables, such as the demand, competitors and markets, strategic uncertainties or major changes.
- Operational risks. Relating to the failure or inadequacy of internal processes, human resources, physical equipment or computer systems.
- Compliancy risks. Resulting from changes in regulations defined by different regulators and/or non-compliance with applicable legislation or internal policies and norms.
- Information risks. Related to events caused by inappropriate use, generation and communication of information.

1.2 Collection and consolidation of the information

- The principles, policies and activity that Sol Meliá includes in this report and the business strategy defined to move forward on sustainable development have been designed to be applied throughout the company. Nevertheless, there is some margin to take into account the different personality of each of the company's brands and also the different social, labour, cultural and political aspects of each geographical region where Sol Meliá operates. The report refers to the full year 2010.
- The report includes all owned, leased and managed hotels; a total of 310. The franchised hotels are not included in the report.

On a regional level, there are four regions not included (Cuba, Egypt, Croatia and Bulgaria), as well as some regions excluded only for certain indicators due to the absence of data or data unreliability. The specific scope of each of the indicators and its degree of consolidation is indicated in each case.

Finally, we must mention that Sol Meliá has made great efforts to respond to the different indicators with the greatest possible detail and with the aim of ensuring maximum candour and reliability in the information presented in this report.

With regard to the data and the bases used to make calculations, the company has made several different tools (SAP, Access, Employee Portal etc.) available to employees to help in the process of collecting and processing information, and has also developed collection processes (for example, consumption statistics for which hotel Engineering Managers can report meter readings) to minimise estimations.

- The report includes quantitative, performance-related, qualitative, strategic and narrative information from all sustainability-related points of view: financial, social, cultural, labour-related, environmental, products, human rights etc. Thus, we can describe a global focus on all the matters reported on in this report, offering more complete information for stakeholders.

In matters related to the travel and tourism industry use has also been made of the indicators monitored by the World Tourism Organisation.

1.3 Opportunities and commitments to improvement

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

- Differentiation with respect to the competition, being recognised as market leader in sustainability and carrying out, for example, an analysis of the company's positioning in sustainability.
- Sol Meliá's objective is not only to increase the indicators reported but also broaden their scope and completeness, an objective achieved in 2010 compared to the previous year and which will continue over the next few years until 100% of the indicators are reported. We will thus continue to make progress on the quality and quantity of the information to be reported in the Sustainability Report via:
 - Improvements in data collection processes, documentation and control and validation systems, especially on an international level.
 - Creation of a Workbook or Reporting Manual clearly indicating the information that needs to be reported, who needs to report it, how to report it and the degree of data consolidation.

- Improve communication channels and dialogue with all Sol Meliá stakeholders. This includes:
 - Defining action plans and follow-up from the conclusions of the panel of experts and specialist panels.
 - Reporting the ideas adopted to stakeholders after consultation with the panel of experts and specialist panels, something that will continue throughout 2011 as an important factor in the success of the Public Positioning Action Plan.
- Greater internal distribution of the Sustainability Report 2011. We understand that everyone who forms part of Sol Meliá needs to be aware of the achievements in sustainability thanks to the actions the company carries out and which would be impossible without the direct cooperation of the team.

1.4 Verification of the information / audits / certification

With regard to financial performance, the information available in the Annual Report has been processed under applicable law and audited by PwC. The results may be viewed in the Financial Report and, more briefly, in the chapters on finance in this report.

As mentioned previously, non-financial information has also been subject to external verification for the first time, also by PwC. The decision to do so has been a test for us and for our reporting system, obtaining a Verification Report as a result which reviews the adaptation of the contents of the Sustainability Report 2010 to the GRI-G-Guide and the validation of the performance indicators proposed in the guide. Furthermore, through the production of the Recommendations Report issued by PwC, we were able to identify areas for improvement on which we need to focus our attention, as well as our strong points that we must maintain and consolidate in the years to come.

1.5 Your opinion / feedback system

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

Institutional Office and Corporate Diplomacy: gabinete.institucional@solmelia.com
Sustainable Development Department: desarrollo.sostenible@solmelia.com
Communication Department: comunicacion@solmelia.com

Or visit the Sol Meliá sustainable development website at the following link:
<http://www.solmeliareach.com>



UNICEF agreement

Since 2003, Sol Meliá has supported a number of UNICEF campaigns and projects, and until 2009 the Company cooperated regularly in solidarity with the organisation.

As a family company, Sol Meliá is committed to society and has strong traditional values. In 2009, the Company reviewed its social strategy and created its social value proposal with the priority focus on the wellbeing of children.

On 17 November Sol Meliá and UNICEF signed an alliance agreement to work together in achieving the United Nations objectives on child education and protection and in the fight against child sexual and commercial exploitation.

The cooperation agreement has two main goals: to raise funds and to transmit UNICEF's message about the plight of children and their sexual exploitation. We also aim to forge a

relationship in the future which allows us to develop and work together on the promotion of values and rights and the transformation of society.

The fundraising activities will be carried out through different projects in hotels and corporate offices and will involve both employees and guests.





CEHAT Foundation alliance

In 2010 Sol Meliá signed a cooperation agreement with the Spanish Confederation of Hotels and Tourist Accommodation (CEHAT) Foundation and the Tomillo Foundation in Madrid to take part together in a programme to help women victims of domestic abuse and female immigrants in risk of social exclusion to get work in the hotel industry in Madrid and elsewhere.

The CEHAT Foundation thus aims to help the social and labour integration of these women into the Spanish tourism and travel industry. Since 2005, the city of Madrid has strengthened its commitment with the constant introduction of experimental employment programmes and the Tomillo Foundation provides its knowledge and experience in helping introduce these types of programmes especially designed for socially marginalised groups.

The labour insertion project consists of a 5-week training period (2 weeks of theory and 3 weeks of practice) for housemaids. A total of 20 women took part in the project.

The team from the Meliá Madrid Princesa Hotel designed the theoretical part of the course and gave the two-week training session in the hotel. The training included

general information about hotel operations and structure, and more specific information about the housekeeping department, guest service, company standards and departmental vocabulary and methodology.

The Gran Meliá Fénix, ME Madrid and Meliá Barajas also joined the project for the more practical part of the course. The participants were accompanied by an experienced housemaid to guide them and advise them during their practical training.

At the end of the programme diplomas were presented to the participants by the President of the Comunidad de Madrid, Esperanza Aguirre and the Vice Chairman of Sol Meliá, Sebastián Escarrer.

Currently, 4 of the women who took part in the programme have obtained employment.





World Biodiversity Day 2010

Sol Meliá operates in many destinations of great ecological value, home to a wide range of fauna and flora. The company is aware of the importance the tourism industry plays in biodiversity and vice versa. Sol Meliá understands that the conservation of biodiversity is not an option but a mandatory obligation for the tourism industry.

Given that 2010 was declared International Biology Diversity Year by the United Nations, the Company decided to celebrate World Biodiversity Day with a global awareness-raising project involving both guests and employees and held on May 22.

Activities in the hotels:

- Cleaning or restoration of beaches, forests and mangrove forests near company hotels, etc.
- Planting of seeds of native plant species.
- Protection of the nesting sites of marine turtles or release of young turtles, ringing of birds, etc.
- Fundraising for environmental NGOs.
- Shows related to biodiversity.
- Awareness-raising activities for children, for example the Ecological Detective game.
- Promotion of environmentally-friendly visits to natural areas near the hotel.

Support actions in corporate offices:

- Inclusion of the biodiversity year logo on all the company e-mails.
- Banner on solmelia.com with information on company activities.
- Promotion of campaign to employees through the Sol Meliá Employee Portal.
- Information about the campaign to **mas rewards** members through the newsletter.
- Information about the campaign to the media through a press release.

Summary of results

• Customers who received awareness-raising message:	more than 10,000
• Employees involved in activities:	109
• Guests involved in activities:	960
• Total initiatives:	216





Spanish Federation of Friends of Museums (FEAM)

In May, as part of the Company's sustainability policy Sol Meliá signed a cooperation agreement with the Spanish Federation of Friends of Museums to stimulate and promote local heritage through a programme to promote cultural attraction in TRYP by Wyndham city hotels.

The agreement involves the introduction of a pilot programme in all TRYP by Wyndham hotels in Madrid which includes the following areas of activity:

- Educate hotel employees about their role in the defence and dissemination of local heritage and sustainable tourism.
- Promote the relationship between the different local tourist and cultural agents.
- Improve knowledge about the local cultural attractions through personalized tours and appropriate training.
- Promote and inform about local heritage. Creation of specific information for guests with visit recommendations and basic information on each museum, opening hours, ticket bookings, etc.

Promote and sponsor the work of FEAM

One of the initiatives is the "Museum of the Month" programme which included several actions which took place simultaneously in several hotels in Madrid featuring a different art museum (Thyssen Bornemizsa Museum, Museum of Romanticism and Museum of the Americas). The programme aimed both to teach employees more about the city's museums and also help them transmit that information to guests to help them learn more about our heritage.

An event on the "Gran Vía Centenary" was also carried out in the TRYP Cibeles and another about " Impressionist Gardens at the TRYP Atocha, both aimed at company staff and the general public.

These measures were developed initially in Madrid and will then be extended to other cities.

TRYP by Wyndham has developed the "City Expert " programme, an internal tool to stimulate knowledge about the local cultural attractions among employees so that they can then transmit heritage values to guests. The programme has been introduced in all of the brand hotels worldwide.



SI Sustainability and Innovation Awards

On October 5 the first Sustainability and Innovation Awards were launched to identify innovative ideas and projects in the social, environmental and cultural development, financially support their development, and, in successful cases, extend them to other hotels.

The awards are aimed at any Sol Meliá hotel employees excluding general managers.

The SI awards are presented to the best initiatives in each of the sustainability areas:

Social: Understanding the company as an agent of social transformation, able to contribute, promote and generate social and economic change, resulting in a more equitable society.

Cultural: Includes landscapes, historical sites and built environments, as well as past and present traditions. It also includes scenery as one of the top tourism attractions, including urban, monumental or natural mountain or coastal scenery, etc.

Environmental: the way Sol Meliá acts must be determined by the relevant environmental impacts that is typically associated with the hotel and travel industry.

To select the winners of the awards, the projects of candidates were evaluated taking into account criteria such as outstanding innovation, feasibility, expected impact, preliminary cost/benefit analysis, alignment with the global sustainability policy, possibility of implementation in other areas and growth potential.

The jury was made up of employees from each brand as well as corporate office staff.

A total of **31 nominations** were put forward, and one winner was named in each of the three categories (social, cultural and environmental), in addition to two special mentions for candidates.

The prize consisted of a financial donation to the hotel to implement the winning idea, as well as a personal award to the person who designed the project.



Premios Sol Meliá de
**Sostenibilidad
e Innovación
2011**



Promotion of local artists

The Mexico Festival was held in March and comprised 280 activities and 160 events with the participation of 535 artists from 21 countries.

The Mexico Festival in the historical centre of Mexico City aims to offer a broad sample of the best of Mexican and international art and culture. For 18 days artists appear at 91 sites and squares in the city. The festival takes place in forums, theatres, streets, squares and strategic spaces in the city— especially in the historic centre —, with numerous activities including opera, music, theatre, dance, animation, film, visual arts and gastronomic events.

The Meliá Mexico Reforma supported the Festival by offering accommodation to participating artists, providing space for press conferences to report on the different events, and providing facilities to artists for rehearsals before their presentations.





AVANTE project: direct impact on internal development

Within the strategic area of “Talent Management”, Sol Meliá introduced a Development Programme called AVANZA in corporate offices with the main objective of identifying and developing high potential employees.

In June 2010, a group of participants from the second edition of the programme proposed to the Sol Meliá Executive Committee the creation of a voluntary, multi-disciplinary and multi-departmental team project to detect and cover certain Company needs. Thus the **AVANTE group was born**.

It is a spontaneous and innovative proposal, which showed that there are people with concerns and talent, willing to fulfil their potential and training received, with the full support of the Sol Meliá executive team, grateful for the unconditional confidence of employees, satisfied by their enthusiasm, capacity and commitment of the people that form part of the company and convinced that this type of project reinforces the values of teamwork, constant improvement, pride of belonging, leadership and motivation.

According to the group’s members, the first challenge was to decide how to present the AVANTE project to the company and how to transmit the group’s real objective. They also had to define “internal rules” to reconcile the project with their day-to-day work, designating spokespeople, distributing tasks and arranging meetings.

The AVANTE group created a social networks project for Sol Meliá to provide the company with tools for social interaction

and positioning the company as a benchmark in social and professional networks. With that objective, the group carried out a comprehensive analysis during the second half of the year of the different company areas, identifying the main points of interest for each of them and the opportunities that social networks may provide. In addition, the “objective” networks were identified in order to define an action plan, depending on the type and number of networks on which the project focuses.

At the end of 2010, the group presented the results of the analysis to the Executive Committee, including information on the networks recommended according to company needs, a network presence strategy, an internal structure proposal for monitoring the project, indicating the departments that needed to provide the information required by the group, and finally, an analysis of potential costs and revenues generated by the project.

AVANTE is an innovative project for Sol Meliá both for the practical application of a clear commitment to internal talent promotion and teamwork, and also for the progress in social networks that implementation will bring to the company.



Sol Meliá Italy: “Magnífico” Project

A demonstration of Sol Meliá’s cultural commitment is the cooperation with **MECENATE90**, a non-profit organization founded in 1990 which manages and promotes cultural heritage and local tourism, offering technical assistance and consultation via its “ **Magnífico**” project in cooperation with the Italian Ministry of Heritage and Activities.

The “ **Magnífico**” project is an integrated communication and promotion system created in 2006 which aims to spread knowledge about Italian heritage and the most important events behind that heritage.

The project has been organised with the cooperation of the Italian Ministry of Heritage and Activities, MECENATE90 and several Italian tourist and transport companies, including Sol Meliá Italy. The project is mainly aimed at travellers who organize their vacations themselves and so need to find out information (cultural events, opening times /days of museums, exhibitions, public services, etc.) before they arrive at their destination. This includes both Italian and foreign tourists travelling through the country to learn about Italian culture. The strength of the network information is a strategic tool and a key factor in the choice of desti-

nation. It also increases the expectations of potential tourists and improves the receptive system to help make Italy become a more competitive destination.

Sol Meliá Italy helps give greater visibility to cultural activities promoted by the Italian Ministry of Heritage and Activities by providing direct access on the Sol Meliá Italy website to the ministry website, and by exhibiting a guide to help guests enjoy the spirit of local culture in hotel public areas and guest rooms. Many of the initiatives formed part of the 150th anniversary of the unification of Italy aiming to raise awareness and make cultural heritage a source of patriotic pride.



Battery charging stations for electric cars

In 2010, Sol Meliá, opened the first smart battery charging stations for electric cars at the **Gran Meliá Victoria** (Palma de Mallorca) and **Gran Meliá Palacio of Isora** (Tenerife).

N2S, a company that specializes in providing intelligent buildings, was responsible for the installation of a battery charging station called POWER2DRIVE in the car parks at the two hotels. The system identifies the vehicle, authorises the service and notifies the user by e-mail or SMS when the charge is completed.

The installation of the charging stations in the two hotels is a pioneering initiative that consolidates Sol Meliá's commitment to sustainable development.

At the Gran Meliá Victoria the initiative strengthens the commitment of the City Council in the "Palma, responsible tourism" project, which aims to improve the competitiveness of the city, promote responsible tourism, and publicise the importance of tourism as a driver of development.

In the case of the Balearic Islands, it also responds to a growing demand for electric cars, expected to surpass 7,500 in the islands by 2015, due to the development of the rental car market and the fact that the islands are ideal for this type of vehicle given their size.





Sol Meliá Brazil and WWF-Brazil

Since 2002, Sol Meliá Brazil Division in alliance with WWF-Brazil has carried out campaigns in nature conservation. In 2007, a corporate agreement was defined in which all Sol Meliá Brazil hotels invited guests throughout the year to participate in a WWF Brazil project by voluntary donations of R\$ 1.00 on their bill when they check out of the hotel.

The funds raised each year are as follows:

- In 2007 R\$ 18,640.55
- In 2008 R\$ 88,923.91
- In 2009 R\$ 93,776.56
- In 2010 R\$ 129,519.91

The alliance gave rise to **Sol Meliá Brazil cooperating** on other projects with the WWF, promoting sustainable management in hotel reservations. One of them, coinciding with the World Environment and Ecology Day (June 5), was a campaign held in cooperation with WWF-Brazil, inviting guests

to donate R\$ 10.00 during check-out. The guests that made the donation received a WWF-Brazil pin and, as a company committed to sustainability, on 5 June, the hotels doubled the value of the amount raised.

- In 2009 R\$ 1,250.00
- In 2010 R\$ 2,350.00

In addition to these actions, “Meliá Brasil Administração Hoteleira e Comercial Ltda.” also decided to contribute to the action and donate R\$ 10.00 per occupied room on the day for environmental conservation projects organised by WWF-Brazil. The total raised was R\$ 10,510.00.



Progress Report



Period covered by Progress Report

From: 2008 To: 2010

Declaration of constant support

As already mentioned in our subscription to the Global Pact in 2008, its ten principles have become part of our strategy, culture and day-to-day business. Human rights, labour rights, the environment and the struggle against corruption are of the utmost importance to Sol Meliá, and that is why we have made the principles of the Global Pact one of our four public commitments.

These four commitments represent a merger of the external dimensions of sustainability and corporate social responsibility with the operational and internal dimension, due to the actions plans that we have to introduce to maintain our commitments. All four focus on continuous improvement.

In this, our first Progress Report, we renew our commitment to these principles. We believe we have significantly improved in several areas, but we know there is still much work to be done, and we are confident that, with time and perseverance, we will become much more than just a leader in our industry. We will become an example of a sustainable and profitable business.

Sebastián Escarrer Jaume
Sol Meliá Vice Chairman

Human rights principles

Principle 1: Companies should support and respect the international protection of human rights; and

Principle 2: Make sure that they are not complicit in the abuse of rights human.

Evaluation, policy and objectives

Sol Meliá has adopted an Executive Code of Conduct under the supervision of the Appointments and Remuneration Committee of the Board of Directors and the Human Resources Department, dealing with the following points:

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

Implementation

Sol Meliá has a firm commitment to the well-being of children, the future generations for whom we are building our legacy. For this reason, it is essential that all areas of the company guarantee that none of its activities involves any potential risks to the rights of children.

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

Sol Meliá does not employ anyone under the age of 16 and the Sustainable Development clause in the agreements signed with suppliers ensures they also commit not to use child labour in their production processes, accepting the possibility of being audited and the risk of cancellation of the contract FR they are found in contempt.

Measurement of results

Sol Meliá is committed to be randomly audited every year to ensure that hotels and suppliers comply with the following principles.

Labour principles

Principle 3: Companies should respect freedom of association and the effective recognition of the right to collective negotiation;

Principle 4: The elimination of any type of forced or compulsory labour;

Principle 5: The complete elimination of the exploitation of child labour; and

Principle 6: The elimination of discrimination with respect to employment and job-placement.

Evaluation, policy and objectives

The company is governed at all times by applicable labour legislation, applicable collective conventions or labour agreements or company contracts. Sol Meliá safeguards the right of association in countries which are covered by any of the entities mentioned above, with the exception of China and Cuba, which do not allow it. The company always applies relevant labour legislation, the applicable collective agreement or labour agreement. At Sol Meliá the number of employees represented by a collective agreement is 100 per cent (except Bulgaria, Croatia, Cuba and China). Sol Meliá guarantees the right of workers to join a trade union or work association.

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

Implementation

The diversity of regulations makes a standardised health and safety policy for all the company's employees very difficult to implement. Each case has to be adapted to the local situation of the country.

In total, the average workforce in 2010 of the employees that the company had under the responsibility of the Labour Health Department of Spain was 9,641 compared to 6,078 in 2009. In 2010, the company registered 625 work-related accidents, compared to 411 in 2009, which resulted in the loss of 11,475 working days, compared to 7,835 in 2009. The rate of absenteeism was 4.36% compared to 5.25% in 2009.

The minimum wage which Sol Meliá pays to its employees is, on average, 47% higher than the legal minimum in the countries in Europe, calculated in euros, and 30.3% higher than in other countries, calculated in US dollars.

In 2010 the wage gap between men and women in Sol Meliá Spain was 17.12% in favour of men. In the corresponding table the differences in each professional category can be seen. The global average difference in Spain is 20%, according to the UGT Salary Equality report 2011.

Minimum monthly gross salary: Sol Meliá vs. legal minimum

EUROPE (€)	Sol Meliá Minimum	Legal Minimum
Spain	1,153	633
Germany	1,131	NA
France	1,459	1,459
Greece	1,064	869
Italy	1,159	NA
Luxembourg	1,757	1,757
Portugal	566,5	485
Bulgaria	256	123
Egypt	67	22

AMERICA (\$)	Sol Meliá Minimum	Legal Minimum
Argentina	460	400
Brazil	322	237
Costa Rica	406	406
Mexico	131	131
Peru	550	550
Puerto Rico	1,257	1,257
Dominican Rep.	116	116
Venezuela	374	285

ASIA (\$)	Sol Meliá Minimum	Legal Minimum
China	300	150
Indonesia	98	83
Malaysia	165	NA
Vietnam	100	60

Environmental principles

Principle 7: Companies should support a focus on preventative measures to face the challenges of the environment;

Principle 8: Launching initiatives to promote greater responsibility towards the environment; and

Principle 9: Promote the development and diffusion of technologies which respect the environment.

Evaluation, policy and objectives

Travel and tourism generate considerable pressure on the natural environment, not so much due to the danger of their impact, but rather the sheer size of the industry. Hotels must minimise their consumption of natural resources and their impact on local ecosystems, harmonising their business activity with respect for and protection of the natural environment.

Environmental management forms an integral part of Sol Meliá strategy through its inclusion in the global sustainability policy, from which are drawn a number of activities and principals which are included in the Strategic Plan 2008-2010 and in the Sustainable Development Manual. These activities and principals must be adhered to by all company hotels and corporate offices, and contain the criteria for performance with regard to social, environmental and cultural matters. Corporate headquarters defines the global environmental approach designed to ensure hotels reduce their environmental footprint and assume respect for and protection of the environment as part of their daily operations.

Implementation

The different activities aim to respect the principle of “thinking globally – acting locally”. To achieve this, on the one hand we aim to preserve the natural environment in the destinations where the company operates, and on the other hand we attend to our activities on a global level, aiming to reduce the overall effect of our activity on the planet. There is also a forum for hotels to share their experiences and best practises. Communications between hotels and corporate offices is encouraged, as well as between the hotels themselves, in order to convert best practises into standard practises.

Measurement of results

Energy consumption is directly related to the release of pollutants into the atmosphere. That is why the Sol Meliá Works and Maintenance Department continues to work towards the consolidation of the SAVE project, focussed on energy savings and efficiency in hotels. The SAVE project section on the company Intranet was created so that all employees could consult measures introduced by hotels and offices, best practices by brand, standardisation agreements and improvement measures in technical systems. There are currently 202 hotels participating in the SAVE project, compared to 155 in 2009. The hotels involved in the project must have correct and up-to-date historical data of their energy use from the past five years loaded in the SAP BW system. Every month energy and water use in all the hotels that take part in the project is monitored and analysed and any differences are examined.

The consumption of diesel oil has been reduced mainly due to several hotels replacing it with natural gas. Natural gas has advantages over other fuels thanks to its low level of emissions, low cost, continuous supply and reduced maintenance. The methodology used for calculating savings, efficiency and emissions reduction is based on the comparison of the values of average consumption figures for the years 2007 to 2010 with the average consumption figures for the years 2004 to 2006.

The objective of this multi-annual comparison is to provide the utmost rigour to the comparison, avoiding weather distortions and biases that can be produced by comparison of figures from one year to another. This also avoids the bias that is produced by increases or decreases in guest ration occupation. The guest figures from 2007 to 2010 are also corrected, so we can compare it with the same levels of occupation in the period from 2004 to 2006. The percentage of consumed energy per stay fall with the real comparison of occupations, eliminating the climate element and observing real improvements in energy efficiency due to in the different energy and water consumptions. This methodology for measuring consumption and emissions has been evaluated and certified by Bureau Veritas and has led Sol Meliá to be recognized by the Ministry of the Environment, Rural Affairs and Marine Affairs, and its SAVE project has been included in the voluntary system of emission reduction.

Principles of anticorruption

Principle 10: companies should work to combat corruption in all its forms, including extortion and bribery.

Evaluation, policy and objectives

Since 2008, the Sol Meliá Board of Directors has a process of self-evaluation by which the Board assesses its own performance annually. With regard to the potential conflicts of interest that may arise within the Board, article 28 of the Regulation of the Board of Directors includes a control mechanism which requires directors to report any direct or indirect situation or conflict directly or indirectly which may affect the company.

In 2010 total of 170 internal global audits were carried out, 130 in hotels and 40 in other business units and corporate offices.

These audits assess compliance with quality standards and procedures and legal compliance in a total of 205 points, divided into 25 categories. During 2010, the Internal Audit Department detected three cases of fraudulent use of assets or company funds for the private benefit of certain employees. This circumstance gave rise to the immediate adoption of disciplinary action (dismissal). Only in one of the cases, due to the seriousness of the actions, criminal proceedings were begun.

Evaluation and renovation of commitments to improvement 2010

Area	Objective	Evaluation
Sustainability at Sol Meliá	Development of an Action Plan 2010-2011 for the Global Compact, quantifying progress in each of the areas of the pact by 2010.	
	Reduction of the number of unavailable indicators in the Sustainability Report 2010.	
Leadership Value	Expand indicators relating to sustainability in the Company control dashboard.	
Good Governance Value	Reduce the number of independent directors who have been in office for more than twelve years.	
	Close the design phase of the company's Code of Ethics project. The design phase began, but has not been finalised. It has been rescheduled for 2011.	
Environmental Value	Current environmental certificates will be maintained in 2010 and the certification of the 2 hotels which are currently in the process of implementation will be completed. 1 of the 2 hotels selected for 2010 was certified.	
	Available information on activities related to waste management in hotels and corporate offices will continue to be consolidated. Revision of waste was included in internal audits, but waste management information has not yet been consolidated. This objective has been included in the Sol Meliá environmental footprint project.	
	Continue to consolidate information available on hotel activities in biodiversity protection.	
	Creation of a system of guest involvement in selective waste collection.	
	Forty new owned or leased hotels will be added to the SAVE project.	
Human Value	Performance of noise pollution measurements in hotels in Spain.	
	Development of an Equality Plan including action plans. The negotiations for the plan have not yet been finalised. Tentative date of 2011.	
	Quarterly verification of compliance with the training plan.	
Socio-cultural Value	Review and update of human resources regulations including a chapter on equal opportunities and complaint management.	
	Calculate the number of employees involved in Sol Meliá community involvement.	
	The company will increase the participation of stakeholders in social projects.	
Financial Value	Preparation and distribution of a guide for business units with recommendations on how to develop cooperative social responsibility activities.	
	Consolidate actions that enable the integration of cultural elements in destinations.	
	Create a regular publication for shareholders with information on sustainable development activities at Sol Meliá. The publication was not created in 2010. It has been rescheduled for 2011.	

Completed: 25

In progress: 5

Rejected: 3

Area	Objective	Evaluation
Commercial Value	The company will provide mechanisms and processes to ensure regulatory control of data protection at the international level as well as information on any claims in this regard.	
	The training of staff in hotel food and beverage departments on how to handle products in the best possible way for celiac sufferers will be extended to the Meliá brand in Spain.	
	Measure direct guest involvement in hotels that possess a sustainability certificate.	
	Create a Ethical and Responsible Advertising Manual.	
	Carry out actions related to the mas rewards programme under the slogan "more sustainable".	
Business Value	Monitor the procurement of valued articles through SAP to be able to report their percentage of the total.	
	New system of objectives for 2010. New objectives have been introduced to extend the application of the basic principles of the Sol Meliá purchasing policy. The monitoring carried out in 2010 will control new parameters which should provide further reductions in costs and ensure that the various departments are aligned with guidelines.	
	Develop a new control dashboard to improve the monitoring of major purchasing indicators in the different offices in countries in which we operate.	
	Completion of the first phase of the renegotiation and grouping of all maintenance contracts for hotels in Spain.	
Media Value	The company will work to create specific codes of conduct regulating the advertising and marketing areas to serve as a guide for all communications.	
	At least three annual meetings will be held with media specialising in sustainable development / CSR. Three meetings with specialist media were held: one for the presentation of the Annual Sustainability Report 2009; one in Brazil and one in Shanghai.	
	Give wider distribution to sustainability projects developed in hotels through the support of external communication, the CheckIn magazine.	
	There will be another 2 meetings with specialist media which will be supplemented with greater knowledge of the scope and nature of the company (Brazil, Asia, etc).	
	Integration into the PR network of agencies from the United States and Mexico in order to exploit synergies between the different countries.	

 Completed: 25

 In progress: 5

 Rejected: 3

Commitments to improvements 2011

Area	Objective	Evaluation
Leadership Value	<ul style="list-style-type: none"> • Introduce concepts related to the three dimensions of sustainability into the management model. • Achieve value through biosphere certification. 	
Good Governance Value	<ul style="list-style-type: none"> • Close the design phase of the company's Code of Ethics project. 	
Environmental Value	<ul style="list-style-type: none"> • Measurement of the Sol Meliá environmental footprint. • Definition of the sustainable construction model. • Create audits in hotel waste management. 	
Human Value	<ul style="list-style-type: none"> • Integration of people with disabilities: add the ONCE Foundation as a recruitment source. • Follow-up on annual Labour Health audits. • Consolidate the inclusion of sustainability objectives in the Variable Remuneration manual. 	
Socio-cultural Value	<ul style="list-style-type: none"> • Guarantee the Sol Meliá commitments to UNICEF. 	
Economic Value	<ul style="list-style-type: none"> • Improve the perception of our stakeholders (investors) with regard to sustainability, organising road shows with sustainable development content. 	
Commercial Value	<ul style="list-style-type: none"> • Improve the perception of our guests with regard to sustainability, measuring the result with the Market Metrix tool. • Integrate healthy eating as a differentiating attribute of Sol Meliá. 	
Business Value	<ul style="list-style-type: none"> • Define a sustainable supply chain model. • Make a diagnosis of integrating environmental aspects into purchasing procedures at Sol Meliá. • Develop a plan to raise awareness for suppliers and internal partners. 	
Media Value	<ul style="list-style-type: none"> • Set a timetable for key milestones in communication related to sustainability. 	

GRI indicators

1.	Strategy and analysis	Level of report ⁽¹⁾	Issues not reported	Reason for omission	Comments	Scope ⁽²⁾	Pages
1.1	Statement from the CEO about decision making in the organisation.	Complete				●	6
1.2	Description of key impacts, risks and opportunities.	Complete				●	6, 71
2.	Profile of the organization	Level of report ⁽¹⁾	Issues not reported	Reason for omission	Comments	Scope ⁽²⁾	Pages
2.1	Name of the organisation.	Complete				●	4
2.2	Major brands, products, and/or services.	Complete				●	16-19
2.3	Operational structure of the organisation, including the major divisions, subsidiaries, operational entities and joint ventures.	Complete				●	4, 16-19
2.4	Location of the headquarters of the organisation.	Complete				●	70
2.5	Number of countries in which the organisation operates, and name of countries in which significant activities are being developed or those that are specifically relevant with regard to the sustainability issues covered in the report.	Complete				●	4
2.6	Nature of ownership and legal form.	Complete				●	FR 10
2.7	Markets served (including geographic breakdown, supplied sectors and types of customers / beneficiaries).	Complete				●	4
2.8	Dimension of the reporting organisation.	Complete				●	4
2.9	Significant changes produced during the period covered in the report with regard to size, structure, and property.	Complete				●	4, 51-54
2.10	Awards received during the reference period.	Complete				●	17, 20
3.	Parameters of the report	Level of report ⁽¹⁾	Issues not reported	Reason for omission	Comments	Scope ⁽²⁾	Pages
Profile of the report							
3.1	Period covered (e.g. fiscal/calendar year) by the information provided.	Complete				●	71, 72
3.2	Date of the most recent previous report (if any).	Complete				●	71
3.3	Frequency of report (annual, biennial, etc.).	Complete				●	71
3.4	Contact point for questions on the report or its content.	Complete				●	73
Scope and coverage of the scope							
3.5	Process for defining the content of the report.	Complete			See note 1	●	72, 101
3.6	Boundary of the report (e.g., cities, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	Complete				●	72

■ Profile Indicator
 ■ Main Indicator
 ■ Additional Indicator

FR: Financial Report

3.	Parameters of the report	Level of report ⁽¹⁾	Issues not reported	Reason for omission	Comments	Scope ⁽²⁾	Pages
3.7	Indicate the existence of limitations to the scope or boundary of the report (see the full principle for explanation of the scope).	Partial	Franchised hotels; hotels in Cuba, Egypt, Croatia and Bulgaria.	Information not available.	Sol Meliá is in the process of redefining the scope of its Sustainability Report. From the Annual Report 2011 onwards, the scope will be the same as for the Financial Report.	●	72
3.8	Basis for the inclusion of information in the case of joint ventures, subsidiaries, leased facilities, subcontracted activities and other entities that may significantly affect comparability between periods and/or between organisations.	Complete				●	72
3.9	Data measurement techniques and basis to make calculations, including the underlying assumptions and techniques behind estimates applied in the compilation of indicators and other information contained in the report. Explain the decisions to not apply or deviate substantially from GRI indicator protocols.	Complete				●	72
3.10	Description of the effect that re-expression of information pertaining to previous reports may have, and the reasons that led to its re-expression (e.g., mergers).	Complete				●	72
3.11	Significant changes relating to prior periods in the scope, coverage or assessment methods applied to the report.	Complete				●	72
Index of GRI content							
3.12	Table that indicates the location of the report's basic content.	Complete				●	92-101
Verification							
3.13	Current policy and practice with regard to the application of external verification of report.	Complete				●	73
4.	Governance, commitments, and stakeholder participation	Level of report ⁽¹⁾	Issues not reported	Reason for omission	Comments	Scope ⁽²⁾	Pages
Governance							
4.1	Governance structure of the organisation, including the specific tasks of committees of the highest body of responsible governance, such as the definition of company strategy or supervision of the organization.	Complete				●	22, 23; FR 105-106
4.2	Indicate whether the Chairman of the highest body of governance is also an executive officer.	Complete				●	22; FR 106
4.3	In those organizations that have direct unitary structure, indicate the number of members of the maximum body of governance that are independent and/or non-executive.	Complete				●	22; FR 106-108
4.4	Mechanism for shareholders and employees to communicate recommendations or directions to the highest body of governance.	Complete				●	55, 56; FR 126, 150, 151
4.5	Link between compensation for members of the highest body of governance, senior managers and executive managers (including agreements for abandonment) and performance (including their social and environmental performance).	Complete				●	21, 23; FR 113-115, 148
4.6	Procedures implemented to avoid conflicts of interests in the highest body of governance.	Complete				●	23, 24; FR 116, 127, 131
4.7	Procedures for determining the capacity and experience required from the members of the highest body of governance to guide the organisation's strategy in social, environmental and economic aspects.	Complete				●	FR 119
4.8	Statement of mission and values developed internally, codes of conduct, and principles relevant to the economic, environmental and social performance, and the status of their implementation.	Complete				●	8, 16

■ Profile Indicator
■ Main Indicator
■ Additional Indicator

FR: Financial Report

4.	Governance, commitments, and stakeholder participation	Level of report ⁽¹⁾	Issues not reported	Reason for omission	Comments	Scope ⁽²⁾	Pages
4.9	Procedures of the highest body of governance to monitor the identification and management of the economic, environmental and social performance, including related risks and opportunities, as well as the adherence to or compliance with international standards, codes of conduct and principles.	Complete				●	14, 24, 40, 48; FR 128, 132-134
4.10	Procedures to evaluate performance of the highest body of governance, particularly with regard to the economic, social and environmental performance.	Complete				●	FR 119, 127, 145
Commitments to external initiatives							
4.11	Explanation of how the organization has adopted a precautionary approach or principles.	Complete				●	71
4.12	Principles or social, environmental and economic programmes developed externally, as well as any other initiative to which the organization subscribes or approves.	Complete				●	11, 14
4.13	Main associations to which it belongs (such as sector associations) and/or national and international authorities to which the organisation supports and; is present in the organs of government, participates in projects or committees, provides substantial funding that exceeds the obligations of members, and has strategic considerations.	Complete				●	11
Stakeholder participation							
4.14	List of stakeholders the organisation has included.	Complete				●	9-13
4.15	Basis for identification and selection of stakeholders, including the frequency of their participation by type and category.	Complete				●	9-10
4.16	Approaches to the inclusion of stakeholders, including the frequency of their participation by type and category.	Complete				●	9-10
4.17	Key concerns and issues of interest that have arisen through the participation of stakeholders and the manner in which the organisation has responded to them in the making of the report.	Complete	Specific aspects.		See note 2	●	9-10, 101

GRI description	Level of report ⁽¹⁾	Issues not reported	Reason for omission	Comments	To be reported on	Pages
Information on the management approach - economic performance - EC						
Economic performance	Complete					51
Market presence	Complete					4
Indirect economic impact	Complete					57
Information on the management approach - environmental performance - EN						
Materials	Complete					66
Energy	Complete					28, 29
Water	Complete					30
Biodiversity	Complete					31
Emissions, effluents and residues	Complete					29, 30
Products and services	Complete					17-19
Regulatory compliance	Complete					24; FR 133-135
Transport	Not available			In 2011 Sol Meliá began the calculation of its environmental footprint in order to be able to report this indicator.	2012	NA
General	Complete					28

■ Profile Indicator
■ Main Indicator
■ Additional Indicator

FR: Financial Report

GRI description	Level of report ⁽¹⁾	Issues not reported	Reason for omission	Comments	To be reported on	Pages
Information on the management approach - labour practices and work ethics - LA						
Employment	Complete					39
Company/workforce relationship	Complete					46
Health and safety at work	Complete					45
Education and training	Complete					43
Diversity and equal opportunities	Complete					36
Information on the management approach - human rights - HR						
Practices of investment and purchases	Complete					33, 54, 55, 65
Non-discrimination	Complete					46
Freedom of association and collective agreements	Complete					46
Abolition of child exploitation	Complete					46, 48, 74
Prevention of forced and compulsory labour	Complete					46
Safety practices	Complete					45
Rights of indigenous peoples	Complete					46
Information on the management approach - society - SO						
Community	Complete					48
Corruption	Complete					24
Public policy	Complete					10
Unfair competition	Complete					24
Regulatory compliance	Complete					24
Information on the management approach – product liability - PR						
Guest health and safety	Complete					62
Labelling of products and services	Complete					62
Marketing communications	Complete					68
Guest privacy	Complete					63
Regulatory compliance	Complete					63, 68

GRI Code	GRI description	Level of report ⁽¹⁾	Issues not reported	Reason for omission	Comments	Scope ⁽²⁾	Pages
Economic performance indicators							
Aspect: Economic performance							
EC1	Direct economic value generated and distributed, including revenues, operating costs, compensation to employees, donations and other community investments, retained earnings and capital payments to suppliers and to governments.	Complete					4, 50, 57
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	Partial	Quantitative estimation is not published.	Not available.	We do not yet have an estimation of the financial impact. We are working on reporting on this indicator in the 2012 report.		27, 28
EC3	Coverage of the organisation's obligations due to social benefit programmes.	Complete					40, 41
EC4	Significant financial aid received from governments.	Complete					57
Aspect: Market presence							
EC5	Range of relationship between the standard starting salary and the local minimum wage at locations of significant operations.	Complete					40
EC6	Policy, practices and proportion of spending to local vendors in locations of significant operations.	Complete					65, 66

■ Profile Indicator
■ Main Indicator
■ Additional Indicator

FR: Financial Report

GRI Code	GRI description	Level of report ⁽¹⁾	Issues not reported	Reason for omission	Comments	Scope ⁽²⁾	Pages
EC7	Procedures for local hiring and proportion of senior managers from the local community in locations of significant operations.	Complete					39
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through pro-bono or in-kind commercial commitments.	Partial	Investments or economic support.	Sol Meliá has no standardized procedures for the analysis of needs of infrastructure investment or services in communities where it operates.	See note 3		47-49, 102
EC9	Understanding and description of indirect significant economic impacts, including the scope of such impacts.	Not available			Sol Meliá does not have standardised procedures to analyse significant indirect financial impacts. To be reported on in the 2012 report.		NA

Environmental performance indicators

Aspect: Materials

EN1	Materials used by weight or volume.	Partial	Raw materials consumed by weight or volume.		See note 4		65, 66, 102
EN2	Percentage of materials used that have been valued.	Partial	Percentage of materials valued over total consumption.		See note 4		65, 102

Aspect: Energy

EN3	Direct energy consumption by primary sources.	Complete					29
EN4	Indirect energy consumption by primary sources.	Complete					29
EN5	Energy savings due to conservation and efficiency improvements.	Complete					28, 29
EN6	Initiatives to provide energy efficient products and services or based on renewable energy, and reductions in energy consumption as a result of these initiatives.	Complete					28, 29
EN7	Initiatives to reduce indirect energy consumption and the reductions achieved through these initiatives.	Not available		Sol Meliá only has global data, not for each activity.	To be reported in the 2011 report.		NA

Aspect: Water

EN8	Total water catchment by sources.	Partial	Registration by source.	Sol Meliá does not currently have standardised procedures to measure registration by source.	To be reported in the 2012 report.		30
EN9	Water sources that have been significantly affected by water catchment.	Not available		Sol Meliá has no standardised procedures to identify affected sources.	Pending water sources inventory. To be reported in the 2012 report.		NA
EN10	Percentage of total volume of recycled and reused water.	Complete					30

GRI Code	GRI description	Level of report ⁽¹⁾	Issues not reported	Reason for omission	Comments	Scope ⁽²⁾	Pages
Aspect: Biodiversity							
EN11	Location and size of owned, leased, or managed land of high biodiversity value in areas outside protected areas.	Complete					32
EN12	Description of the most significant impacts in biodiversity in protected natural areas or in high-value biodiversity in unprotected areas, derivatives of the activities, products and services in protected areas and in areas of high-value biodiversity outside protected areas.	Partial	Specific impacts of hotels identified in protected natural spaces.	No detailed analysis of environmental impact of these hotels has been carried out.	To be reported in the 2012 report.		31, 32
EN13	Protected or restored habitats.	Partial	Specific information of hotels.	There is no centralised management system that allows consolidation of reliable data at a group level.	To be reported in the 2012 report.		32, 33
EN14	Introduced strategies and actions, and plans for the impact management on biodiversity.	Not available		There is currently no defined strategy with regard biodiversity.	To be reported in the 2012 report.		NA
EN15	Number of species, broken down according to their danger of extinction, included on the IUCN Red list and on national lists and whose habitats are found in areas affected by operations according to the degree of threat to the species.	Not available		There is no centralised management system that allows consolidation of reliable data on this subject.	To be reported in the 2012 report.		NA
Aspect: Emissions, effluents and waste							
EN16	Total direct and indirect greenhouse emissions, by weight.	Complete					29
EN17	Other indirect emissions of greenhouse gases, by weight.	Not available		Not available There is no centralised management system that allows the collection of data required for the calculation of these emissions at a group level.	See note 5		102
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Partial	Emission savings in indirect emission sources.	Does not calculate the indicator EN 17.			28, 29
EN19	Emissions of substances which deplete the ozone layer, by weight.	Not applicable		Sol Meliá does not undertake activities of production, exportation or importation of any substances which deplete the ozone layer.			NA
EN20	NOx, SOx and other significant emissions into the air by type and weight.	Partial	Polluting gas emissions derived from electricity consumption; emissions of VOCNM, PM and CO derived from fossil fuel consumption.	The bibliographic reference source used by Sol Meliá does not provide these emissions. However, they will be considered in coming years.	To be reported in the 2012 report.		29
EN21	Total dumping of waste water, according to their nature and destination.	Complete					30

Profile Indicator
 Main Indicator
 Additional Indicator

FR: Financial Report

GRI Code	GRI description	Level of report ⁽¹⁾	Issues not reported	Reason for omission	Comments	Scope ⁽²⁾	Pages
EN22	Total weight of managed waste, depending on type and method of treatment.	Partial	Does not include all hotels nor all managed waste.	There is no centralised management system to enable the consolidation of reliable data at the group level.	To be reported in the 2012 report.		30, 31
EN23	Total number and volume of most important accidental spillages.	Complete			See note 6		102
EN24	Weight of transported, imported, exported or treated waste that are considered dangerous according to the classification of the Basel Convention, annex I, II, III and VIII, and percentage of internationally transported waste.	Not applicable		There is no centralised management system to enable the consolidation of reliable data at the group level.	See note 7		102
EN25	Identification, size, state of protection and value of biodiversity of water resources and related habitats, significantly affected by water spillages and water runoff of the reporting organization.	Not available		There is no centralised management system to enable the consolidation of reliable data at the group level.	To be reported in the 2012 report.		NA
Aspect: Products and services							
EN26	Initiatives to mitigate environmental impacts of products and services, and degree of reduction of that impact.	Partial	Initiatives related to waste, effluents and material consumption.	There is no centralised management system to enable the consolidation of reliable data at the group level.	To be reported in the 2012 report.		28, 29, 32, 33
EN27	Percentage of sold products and packaging materials that are recovered at the end of its useful life, by product categories.	Not applicable		Sol Meliá does not sell products with any packaging.			NA
Aspect: Compliance							
EN28	Cost of significant fines and number of non-monetary penalties for non-compliance with environmental regulations.	Complete					26
Aspect: Transport							
EN29	Significant environmental impacts of transport of products and other goods and materials used for the activities of the organization, as well as the transport of staff.	Not available		There is no centralised management system to enable the consolidation of reliable data at the group level.	To be reported in the 2012 report.		NA
Aspect: General							
EN30	Breakdown by type of total expenses and environmental investments.	Complete					33
Social performance indicators: labour and work practices							
Aspect: Employment							
LA1	Breakdown of the company employees by type of employment, by contract and by region.	Complete					36, 37
LA2	Total number of employees and turnover of employees, broken down into age, gender and region.	Partial	Itemised turnover.	We do not have the systems required to itemise this information.	To be reported in the 2012 report.		36
LA3	Social benefits for full-time employees that are not offered to temporary or part-time employees, broken down by main activity.	Complete					41

 Profile Indicator
  Main Indicator
  Additional Indicator

FR: Financial Report

GRI Code	GRI description	Level of report ⁽¹⁾	Issues not reported	Reason for omission	Comments	Scope ⁽²⁾	Pages
Aspect: Company/workforce relationship							
LA4	Percentage of employees covered by a collective agreement.	Complete					46
LA5	Minimum period(s) of notice(s) of organisational changes, including if these notifications are specified in collective agreements.	Complete					46
Aspect: Health and safety at work							
LA6	Percentage of the total number of workers who are represented in health and safety employee-management committees, established to help control and to advise on health and safety programmes at work.	Complete					45
LA7	Rates of absenteeism rates, occupational illnesses, days lost and number of deaths related to work by region.	Complete					45
LA8	Programmes on education, training, advice, prevention and control of risks that apply to the employees, their families or to the members of the community in relation to illness serious.	Complete					45
LA9	Health and safety matters covered in formal agreements with trade unions.	Not available		There is no centralised management system to enable the consolidation of reliable data at the group level.	To be reported in the 2011 report.		NA
Aspect: Training and education							
LA10	Average hours of training per employee, per year broken down by category of employee.	Complete					43-45
LA11	Management skills and constant training programmes which promote the employability of workers and support them in the management of the end of their professional careers.	Complete					41-45
LA12	Percentage of employees who receive regular evaluations of performance and professional development.	Complete					40
Aspect: Diversity and equal opportunities							
LA13	Composition of bodies of corporate governance and workforce, broken down by gender, age, minorities and other indicators of diversity.	Complete					22, 23, 37, 38
LA14	Relation between base salary of men with regard that of women, broken down by occupational category.	Complete					40
Social performance indicators: human rights							
Aspect: Investment and supply practices							
HR1	Percentage and total number of significant investment agreements including human rights clauses or which have been objective of analysis with regard human rights.	Complete			See note 8		102
HR2	Percentage of major distributors and contractors that have been objective of analysis with regard human rights, and measures taken in response.	Complete					65
HR3	Total hours of employee training on policies and procedures relating to those aspects of human rights that are relevant to their activities, including the percentage of employees trained.	Not available			This information will be dealt with with the publication of the Code of Ethics. To be reported in the 2012 report.		NA

Profile Indicator
 Main Indicator
 Additional Indicator

FR: Financial Report

GRI Code	GRI description	Level of report ⁽¹⁾	Issues not reported	Reason for omission	Comments	Scope ⁽²⁾	Pages
Aspect: Non-discrimination							
HR4	Total number of incidents of discrimination and measures taken.	Complete				●	46
Aspect: Freedom of Association and collective bargaining agreements							
HR5	Company activities in which the right to freedom of association and to collective agreements can run major risks, and measures taken to support these rights.	Complete				●	46
Aspect: Child exploitation							
HR6	Identified activities that involve a potential risk of child exploitation incidents, and measures taken to contribute to their elimination.	Complete				●	46
Aspect: Forced labour							
HR7	Operations identified as being of significant risk due to episodes of forced or non-consented labour, and measures taken to contribute to their elimination.	Complete				●	46
Aspect: Security practices							
HR8	Percentage of security personnel that has been trained in the policies or procedures of the organization with regard to human rights that are relevant to their activities.	Not available			See note 9		102
Aspect: Indigenous rights							
HR9	Number of incidents related to violations of the rights of indigenous people and measures taken.	Complete				●	46
Social performance indicators: society							
Aspect: Employment							
SO1	Nature, scope and effectiveness of programmes and practices to assess and manage the impacts of operations in the communities, including entry, operation and exit of the company.	Partial	Partial Programmes to assess the impacts during the operation and before the exit of Sol Meliá in communities. Number and percentage of operations analyzed.	We do not have the systems required to evaluate impact in these stages.	To be reported in the 2012 report.	●	26
Aspect: Corruption							
SO2	Percentage and total number of business units analysed with regard to risks associated with the corruption.	Complete				●	24
SO3	Percentage of employees trained in anti-corruption policies and procedures of the organization.	Complete				●	24
SO4	Actions taken in response to incidents of corruption.	Complete				●	24
Aspect: Public policy							
SO5	Position in public policy and participation in the development and activities of lobbying. Complete	Complete				●	10
SO6	Total value of the financial contributions and in-kind contributions to political parties or institutions, by countries.	Complete				●	24
Aspect: Anti-competitive behaviour							
SO7	Total number of actions due to causes related to monopoly practices and against free competition and their results.	Complete				●	24

■ Profile Indicator
 ■ Main Indicator
 ■ Additional Indicator

FR: Financial Report

GRI Code	GRI description	Level of report ⁽¹⁾	Issues not reported	Reason for omission	Comments	Scope ⁽²⁾	Pages
Aspect: Compliance							
SO8	Monetary value of significant fines and sanctions and total number of non-monetary sanctions arising from the failure to comply with the laws and regulations.	Complete				●	24, 62, 63, 68, 69
Social performance indicators: product liability							
Aspect: Investment and supply practices							
PR1	Phases of the life cycle of products and services in which the impacts on the health and safety of guests are assessed, to be improved where appropriate, and percentage of categories of significant products and services subject to such procedures of evaluation.	Complete				●	62, 63
PR2	Total number of incidents arising from the breach of legal regulations or voluntary codes related to the impacts of products and services in the health and safety during their life cycle, distributed depending on the result of such incidents.	Complete				●	62, 63
Aspect: Labelling of products and service							
PR3	Types of information about products and services that are required by the existing procedures and regulations, and percentage of products and services subject to such information requirements.	Complete			See note 10	●	102
PR4	Total number of infringements of the regulation and voluntary codes related to information and labelling of products and services, distributed depending on the type of result of such incidents.	Complete					62
PR5	Practices with respect to guest satisfaction, including the results of guest satisfaction studies.	Complete				●	61
Aspect: Marketing communications							
PR6	Programmes for compliance with the laws, standards and voluntary codes mentioned in marketing communications, including advertising, other promotional activities and sponsorships.	Complete				●	68
PR7	Number of incidents resulting from failure to comply with regulations relating to marketing communication, including advertising, promotion and the sponsorship, distributed depending on the result of such incidents.	Complete				●	68, 69
Aspect: Customer privacy							
PR8	Total number of duly substantiated claims with regard to respecting privacy and the leakage of personal data of customers.	Complete				●	63
Aspect: Compliance							
PR9	Cost of significant fines as a result of failure to comply with the rules in relation to the supply and the use of products and services of the organization.	Complete				●	62

Note 1: In the Panel of Experts session of November 2010, a strategic prioritisation exercise was carried out to determine the most important aspects of the Sol Meliá sustainability strategies.

Note 2: Although this report has tried to answer our stakeholders' concerns detected in our REACH stakeholder communication model, they have not been specifically reported in the report's contents. This specific information will be reported in the 2011 report.

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■ Profile Indicator
 ■ Main Indicator
 ■ Additional Indicator

FR: Financial Report

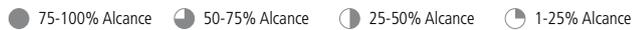
- Note 3:** In 2010 there has been no investment in infrastructure for public benefit in any of the countries in which Sol Meliá operates, beyond those related to Sol Meliá business operations. However, as far as is possible, Sol Meliá attempts to evaluate the needs for services and structures for public benefit in the communities in which it operates.
- Note 4:** Currently, Sol Meliá lacks the functionality required in purchasing systems to be able to provide reliable data for raw materials consumed in mass or volumetric units. Sol Meliá is working on the set up of its systems to be able to provide this information in the future.
- Note 5:** In 2011 Sol Meliá will begin the calculation of its environmental footprint which will allow the reporting of indirect emissions of greenhouse gases.
- Note 6:** Sol Meliá is not aware of any significant accidental spillage in any of its hotels in 2010.
- Note 7:** Sol Meliá will begin the calculation of its environmental footprint, which will serve as a basis for initiatives to reduce their environmental impact.
- Note 8:** Sol Meliá has not signed any investment agreement in 2010 with human rights clauses.
- Note 9:** Sol Meliá does not have a centralized management system that enables the consolidation of reliable data at the group level, due to the fact that security personnel is outsourced.

(1) **Complete:** all aspects according to the protocol indicator of the Global Reporting Initiative, version 3, are reported.

Partial report: still depending on the report of some indicators according to the protocol indicator of the Global Reporting Initiative, version 3.

Not available: indicators not reported, where the absence of data or the lack of data reliability has resulted in the decision to exclude them.

(2) This information has been provided by Sol Meliá to clarify the scope of each indicator within the scope of the Annual Sustainability Report and does not form part of the review conducted by PwC. The approach used by Sol Meliá to reflect the scope of each indicator has been the number of corresponding rooms for each of the hotels included in the above-mentioned indicator with respect to the number of total rooms of the hotels included in the scope of the Annual Sustainability Report. According to this criterion there are four ranges to describe the scope of each indicator:


 75-100% Alcance 50-75% Alcance 25-50% Alcance 1-25% Alcance

The full scope of the report refers to the owned, managed and leased hotels, a total of 310 hotels (equivalent to 54,218 rooms). The franchised hotels are excluded from the scope of the report. Geographically, there are four areas that are excluded from the scope (Cuba, Egypt, Croatia and Bulgaria).



Statement GRI Application Level Check

GRI hereby states that **Sol Meliá SA** has presented its report "Sol Meliá Sustainability Report 2010" to GRI's Report Services which have concluded that the report fulfills the requirements of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

27 April 2011, Amsterdam

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a faint, large watermark of the GRI globe logo.

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because Sol Meliá SA has submitted (part of) this report for external assurance. GRI accepts the reporter's own judgment for choosing its assurance Provider and for deciding the scope of the assurance.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 11 April 2011. GRI explicitly excludes the statement being applied to any later changes to such material.



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