



This document is quick reference to the main topics, actions and roles included in the NH Hotel Group Corporate Credit Policy and doesn't substitute the mandatory knowledge of the detailed Credit Policy.

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Scope

The Corporate Credit Policy applies to all the employees and customers of NH Group which are involved in the Credit Management process (Concession, Monitoring and Collection).

Objective

This Corporate Credit Policy consists in establishing a high quality of NH Group Accounts Receivables while selling to all customers that represent prudent credit risk.

The compliance of this Policy should ensure that NH Group:

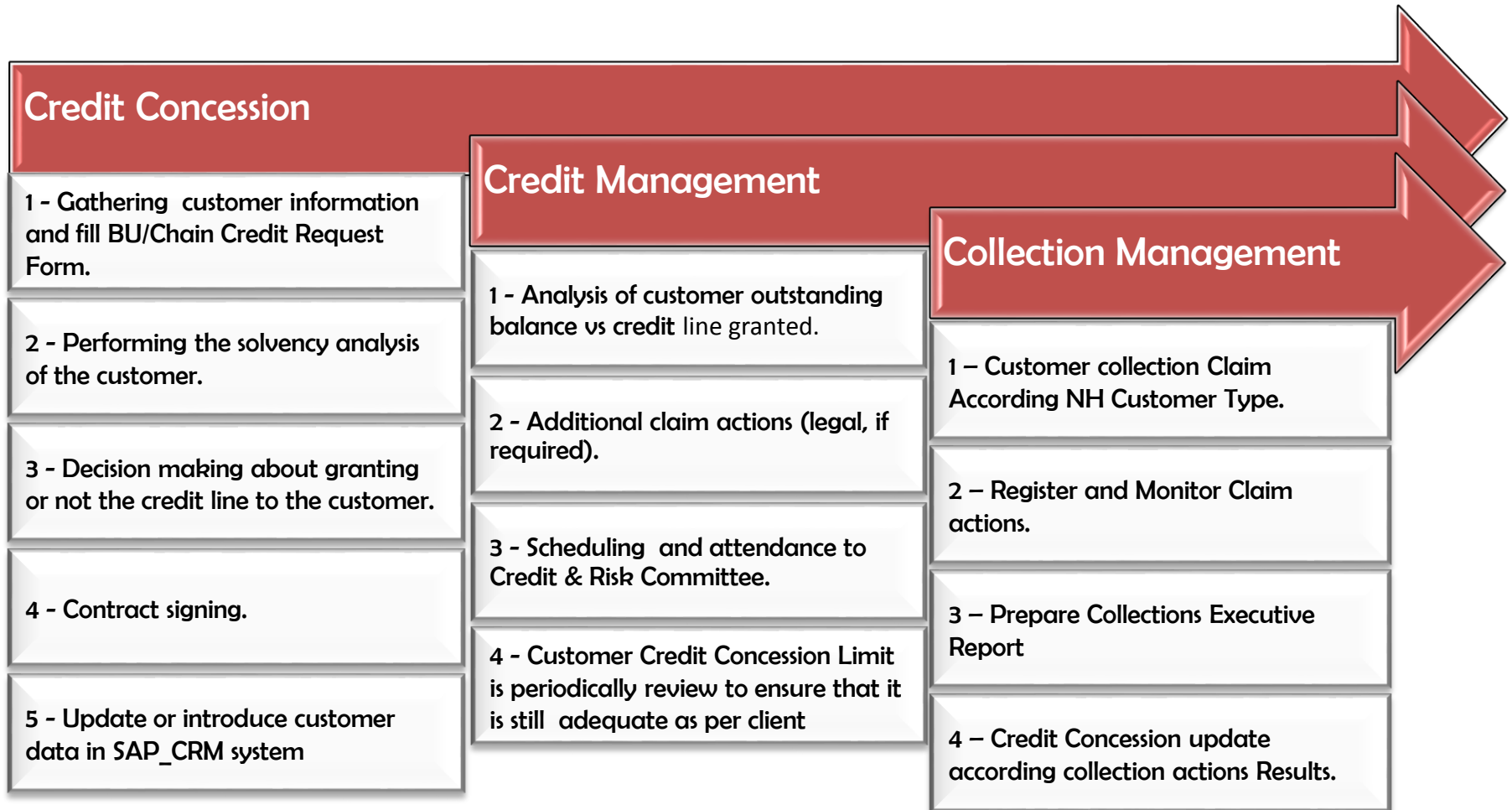
- Is taking calculated credit risk and exposure.
- We are limiting bad debts and improving cash flows.
- And company financial resources are optimized to achieve organizational goals.

Credit Line

Amount of money arranged between NH Hotel Group and the customer, that sets maximum volume of services engaged and not paid that NH allows to that client.

Credit Lines have two main components, its credit limit and expiration date up to when NH will perform continuous control to ensure due compliance. For clarity sake, credit line is not granted per reservation but for total amount that customer solvency is able to engage with NH in a period regardless number of events.

NH Hotel Group Credit Managements Processes & Main Tasks



Credit Line Types

According to the credit origin, customer billing source and amount requested, NH Hotel group managed the following Customer Credit types.

- **Hotel Credit:** Credit lines granted by the Hotel Manager. In general, hotel manager is only entitled to grant a maximum of 6.000€ credit line. For larger amounts, an approval workflow is required (see workflow details on next pages). These types of credit lines are granted for one specific hotel of one specific BU.

Hotel Credit requirements to move to BU Credit.

- Sum of credit lines (the one already granted and the requested one) is greater than 25.000€.
- The customer has at least three hotel credit lines granted (taking into account the requested one).
- **BU Credit:** Those customers whose invoicing amount is generated in hotels within the same BU and where request process is initiated by Commercial Department in that BU.

BU Credit requirements to move to Chain Credit.

- Credit line required for more than one Business Unit.
- **Chain Credit:** Those customers whose invoicing amount is generated in hotels in more than one BU and where request process is initiated by Commercial Department at HQ level or by Commercial Department in a BU requesting credit extension already existing for that customer in a former BU.

Credit Line Requests

The NH Credit request responsible (Hotel Director, Commercial Handler or HQ/BU Credit Manager) must gather the following mandatory information before the credit line analysis.

- ☐ Credit line request form.
- ☐ Main Company tax and registration data: Company name, VAT, company registration number (or any other official company identification code), etc.
- ☐ Customer contact details: Commercial and Financial contact names, phone number, e-mail, etc.
- ☐ External company rating assessment. Optionally if the external rating analysis is not available, the Financial information(Most recent and/or approved Company Balance Sheet and Profit & Loss figures -it may be required Holding company and/or affiliates info-), would be required and obtained from the customer.
- ☐ Before performing the solvency analysis, the Hotel Managers, BU & HQ Credit Manager, depending the Credit type will verify whether the customer already has a credit line granted in other Hotel, BU, or not to clearly identify the proper credit line type.

Credit Line Analysis

Once is collected all the credit request information required, the NH Credit responsible must always complete the following tasks.

- ❑ Perform the customer solvency analysis through the external rating assessment website that should provide at least following customer critical risk data:.
 - Credit limit (proposed by the financial website): this amount should be higher than the amount of the credit line request by the customer.
 - Solvency Rating (proposed by the financial website): this rating should be favorable as per risk scale set on that tool.
- ❑ Once the solvency analysis is performed, and in case the analysis is “favorable” (Rating 1, customer is solvent to meet its short-term obligations), the Hotel Manager for Hotel Credit and BU/HQ Credit Manager for BU or Chain credit respectively will keep “Risk & Solvency Report” and proceed with approval workflow matrix as per detailed matrix below.
- ❑ Whenever the solvency of the customer is not enough to cover the credit line requested, some additional guarantees might be needed to mitigate the risk gap (see next section).

Financial Guarantees

Whenever the solvency of the customer is not enough to cover the credit line requested, some additional guarantees might be needed to mitigate the risk gap like the following :

- ☐ Advanced Payment: Cash advance made beforehand by customer in anticipation to meet a future payment for services rendered.
- ☐ Bank Guarantee: guarantee issued by a financial institution where they secure that payment is received by NH in case of customer default.
- ☐ Parent Company Guarantee/comfort letter: is an official document issued by customer holding's company that acts as a guarantor for NH on behalf of their affiliates in case of payment default.

To identify when and which kind of former financial guarantees might be required, the BU Credit Manager will based its judgment by using rating scale provided by external financial website used by the BU where each rating scale may trigger the additional instrument to be provided by customer.

As example of above, please see following scale ("1 to 4 Risk Indicator"), that will be used on the Financial External website that will cover at least all global accounts customers in NH. Depending on the risk indicator assigned, the following guarantees will be requested to the customer (guarantees are not accumulative):

Guarantee \ Risk indicator	Rating 1	Rating 2	Rating 3	Rating 4
Advanced Payment		10%	25%	100%
Bank Guarantee		10%	25%	100% (*)
Parent Company Guarantee		X		
Credit line reduction (**)		25%	50%	

(*) Unless the parties negotiate others means of payment that ensures collection and require a lower bank guarantee percentage.

(**) In case customer is not able to provide financial instruments required , original credit limit proposed will be reduced in the % shown in the table.

Credit Concession Approval Workflow

The approval workflow is compulsory for the credit line concession approval and it is accumulative, which means that every previous authorization level has to approve it. Each approver has to send by email their approval with the solvency analysis attached.

Credit Line Approver	Hotel				Business Unit				Chain	
	< 6.000€	<20.000€	<100.000€	>100.000€	<100.000€	<200.000€	<300.000€	>300.000€	<100.000€	>100.000€
Hotel Manager	X	X	X	X						
Regional Operational Manager		X	X	X						
BU Credit Manager			X	X	X	X	X	X		
BU Credit & Risk Committee				X		X	X	X		
HQ Credit Manager							X	X	X	X
HQ Credit & Risk Committee								X		X

X means approval is required.

Deadline for the whole approval process: maximum of 15 working days.

Credit Management Process Main Tasks

HQ and BU Credit Manager are responsible for the Credit Management sub-process and involves the following activities:

- ❑ Analysis of customer outstanding balance vs credit limit and invoice due date. This task is conducted through alert reports for customers with:
 - Credit limit exceeded
 - Overdue debt
 - Credit limit exceeded and overdue debt
- ❑ Additional claim actions (legal, if required)
- ❑ Scheduling and attendance to Credit & Risk Committee
- ❑ Customer Credit Limit is periodically review to ensure that it is still adequate as per client solvency and payment performance.
- ❑ Hold the Monthly, BU and HQ, Credit and Risk Committee, to perform a full monitoring of the collection management process and make decisions related to:
 - The reduction or cancellation of credit lines.
 - The increase of the guarantees (% of the credit line amount requested through a bank guarantee).
 - Approve any exceptional request coming from any BU related to either credit lines limits, payment terms or any other matter that is out of standards granted at BU level as per policy
 - Get acknowledgement of legal claims initiated to customers with high delinquency rate and/or high risk indicator (Rating 4).

Credit Management Actions.

1. Communication of customers with credit limit exceeded, with overdue debt OR with credit limit exceeded and overdue debt to the customer collection responsible (see Collection Management details in next pages).

On a monthly basis, BU Credit Manager will use system reports available to review customer's situation and detect:

- Customers with credit limit exceeded
- Customers with overdue debt
- Customers with credit limit exceeded and overdue debt

2. Periodical review of customers credit accuracy vs client solvency and payment performance.

NH HQ has already engaged a third party Credit Management tool that will cover all Chain and most of BU main customers where credit limit will be updated and monitored at least twice a year. For those customers not included in this HQ external credit management tool (rest of BU and all Hotel customers), analysis will have to be performed on annual basis using BU external Credit management tool. This general review must trigger the following actions:

- Maintain the Credit Line, if the solvency analysis of the customer is not different than the previous one.
- Modify the Credit Line, depending the credit adequacy from the solvency analysis the credit limit can be increased or decreased.
- Cancel the Credit Line, if the credit adequacy from the solvency analysis is lower than before and BU Credit Manager or BU/HQ Credit & Risk Committee may decides to cancel the credit line, so with immediate effect, customer will not be able to arrange new reservation with credit so client will be required to make prepayment for the event before event takes place or guest is checking-in instead. Also, reservation made in the past by customer but not yet occurred will be affected if credit line is canceled so customer commercial handler along with Credit Manager will inform customer that those reservations needs to be prepaid or they will be removed.

Collection Customer Profiles & Dunning Responsible

NH grants Hotel, BU and Chain credits to customers and depending on the dunning activities carried out, customers would be considered as type “A”, “B” or “C” as follows:

- ❑ **Type A:** any customer (including holding company and all their affiliates) with a monthly average of total accounts receivables larger than 100.000€. Following former example, a customer with 30 days payment terms and 100.000 total receivables represent a total annual volume with NH up to 1.2 M€. For type A customers, BU Accounts Receivable department will manage all dunning activities for most of type A customers (global accounts) and with special focus and actions as defined as per this policy for those customers that exceeds the credit line or expired. Any other type A customer will be handled by Shared Service Center AR team SSC) as per agreed with HQ/BU.
- ❑ **Type B:** any customer (including holding company and all their affiliates) with a monthly average of total accounts receivable lower than 100.000€. Following former example, a customer with 30 days payment terms will be considered “type B” of they achieve a total annual volume with NH up to 1.2 M€. The SSC will manage all dunning activities to collect receivables for type A customers not assigned to the BU AR Lead, and all type B customers. SSC will record the claims and collection efforts made for those customers within STC (Service To Cash) system SSC tool.
- ❑ **Type C:** those customers with hotel credit lines granted. For type C customers, the Hotel Manager will manage any dunning activity to secure collection and paying special attention on those customers with exceeded credit limit or overdue debt.

Credit Management Roles Accountability

Position	Accountability / Task
Hotel Manager	<ul style="list-style-type: none"> <input type="checkbox"/> Reception of hotel credit line request form. <input type="checkbox"/> Check if the customer already has a granted credit line in the same BU. <input type="checkbox"/> Perform/Request solvency analysis. <input type="checkbox"/> Approve hotel credit lines lower than 6.000 € and be the first approval level in hotel credits greater than 6.000 €. <input type="checkbox"/> Sign credit contract with the client. <input type="checkbox"/> Collection efforts for type C customers. <input type="checkbox"/> Track of performance dunning activities of type C customers.
Commercial Handler	<ul style="list-style-type: none"> <input type="checkbox"/> Reception of BU/Chain credit line request form. <input type="checkbox"/> Sign of credit contract with the client. <input type="checkbox"/> Communicate to the customer collection actions (credit line cancel, overdue debt, exceeded credit limit, etc.).
BU Commercial Director	<ul style="list-style-type: none"> <input type="checkbox"/> Approve customer credit line request form. <input type="checkbox"/> Member of BU Credit & Risk Committee.
BU AR Lead	<ul style="list-style-type: none"> <input type="checkbox"/> Collection claims some type A customers. <input type="checkbox"/> Track of performance dunning activities of type A customers. <input type="checkbox"/> Supervising dunning activities made by the SSC.

Position	Accountability / Task
Shared Services Center – SSC	<ul style="list-style-type: none"> <input type="checkbox"/> Collection claims for the rest of type A customers and all type B customers <input type="checkbox"/> Track of performance dunning activities for type A and B customers in the system (STC)
BU Regional Operating Manager	<ul style="list-style-type: none"> <input type="checkbox"/> Approve hotel credit lines between 6.001€ and 20.000 €
BU Credit Manager	<ul style="list-style-type: none"> <input type="checkbox"/> Extended credit status from “Hotel” to “BU.” <input type="checkbox"/> Review that the information is consistent. <input type="checkbox"/> Approve hotel credit lines higher than 20.000€. <input type="checkbox"/> Approve BU credit lines lower than 100.000€, and be the first approval level in BU Credits greater than 100.000€. <input type="checkbox"/> Set up credit limits in the system (SAP_CRM) and maintain any other master data regarding customers. <input type="checkbox"/> Perform solvency analysis of BU/Chain credit requests. <input type="checkbox"/> Prepare the Executive Report about the Collection Management (type C customers). <input type="checkbox"/> Make decisions about cancel credit lines. <input type="checkbox"/> Reduce or cancel credit lines in the system (SAP_CRM). <input type="checkbox"/> Check customers outstanding balance, credit limit and due dates. <input type="checkbox"/> Verify customers adequacy of current credit line vs credit capacity.

Position	Accountability / Task
HQ Credit Manager	<ul style="list-style-type: none"> <input type="checkbox"/> Approve BU credit lines higher than 200.000€ and all the Chain Credits. <input type="checkbox"/> Make decisions about cancel credit lines <input type="checkbox"/> Reduce or cancel credit lines in the system (SAP_CRM) <input type="checkbox"/> Check customers outstanding balance, credit limit and due dates <input type="checkbox"/> Verify customers adequacy of current credit line vs credit capacity <input type="checkbox"/> Prepare the Executive Report about the Collection Management (type A and B customers)
BU Credit & Risk Committee (BU Finance Manager, BU Commercial Manger, BU Credit Manager and BU Operating Manger).	<ul style="list-style-type: none"> <input type="checkbox"/> Approve all the BU credit lines higher than 100.000€. <input type="checkbox"/> Analyze dunning activities and make additional decisions (monthly meeting)
HQ Credit & Risk Committee (Finance SVP, Chief Commercial Officer, HQ Credit Manager and Operations SVP).	<ul style="list-style-type: none"> <input type="checkbox"/> Approve BU credit lines higher than 400.000€ and Chain Credit Lines higher than 100.000€ <input type="checkbox"/> Analyze dunning activities and make additional decisions (monthly meeting)

THANKS!

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