



CORPORATE CREDIT POLICY

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nh HOTEL GROUP		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 1 de 32

1. OBJECTIVE	3
2. SCOPE	3
3. CREDIT POLICY GOVERNANCE BODIES.....	3
4. GLOSSARY	4
5. CREDIT RISK MANAGEMENT PROCESS.....	8
5.1. Hotel Credit Concession	8
5.1.1. Hotel Credit Request	8
5.1.2. Request analysis	9
5.1.3. Approval workflow	11
5.1.4. Contract signing and registration in SAP_CRM System	12
5.2. BU/Chain Credit Concession	13
5.2.1. BU/Chain Credit Request	13
5.2.2. Request analysis	14
5.2.3. Financial guarantees	16
5.2.4. Approval workflow.....	17
5.2.5. Contract signing and registration in the system	18
5.3. Credit Management	20
5.3.1. Communication of customers with credit limit exceeded, with overdue debt OR with credit limit exceeded and overdue debt.....	20
5.3.2. Additional claim actions.....	22
5.3.3. Preparation of Credit Committes sessions.....	23
5.3.4. Analysis of customers credit adequacy with solvency.....	2424
5.4. Collection Management	266
5.4.1. Claims of accounts receivable	26
5.4.2. Regular Executive Report about Collection Management	27
6. ACCOUNTABILITY	29

NH HOTEL GROUP		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 3 de 32

1. OBJECTIVE

The objective of this Corporate Credit Policy (hereinafter the “**Policy**”) consists in establishing a high quality of NH Group Accounts Receivables while selling to all customers that represent prudent credit risk. Through the **Credit Concession**, **Credit Management** and **Collection Management** sub-processes detailed on this document, we will monitor that no unwarranted risk are taken and customer are paying within contractual terms. Also, Policy is setting how Credit Managers will team with Commercial / Operation Department in those situations where customer credit is at risk and how to limit our credit exposure in those cases.

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.

2. SCOPE

The present Policy applies to all the employees and customers of NH Group which are involved in the Credit Management process and will establish the responsibilities in the decision making process.

Public Administration entities entering into business with NH will be out of scope of this policy.

3. CREDIT POLICY GOVERNANCE BODIES

In order to ensure Corporate Credit Policy implementation and compliance, the following governance bodies have been established:

- **BU Credit & Risk Committee**
 - Objective: Control and compliance body responsible for ensuring that the NH Corporate Credit Policy is applied at BU level provided local requirements included in the policy.
 - Composition: BU Finance Manager, BU Commercial Manager, BU Credit Manager and BU Operating Manager.
 - Frequency: Monthly for dunning activities follow-up and every time the approval workflow requires its participation to grant credit lines.

NH HOTEL GROUP		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 4 de 32

▪ **HQ Credit & Risk Committee**

- Objective: Control and compliance body responsible for defining and approving the NH Corporate Credit Policy compliance and monitor the accomplishment of it among the BU's.
- Composition: Finance SVP, Chief Commercial Officer, HQ Credit Manager and Operations SVP
- Frequency: Monthly for dunning activities follow-up and every time the approval workflow requires its participation to grant credit lines.

4. GLOSSARY

The main terms which are used throughout the Policy documentation with accompanying definitions, are listed below:

▪ **Credit Line**

Amount of money arranged between NH 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 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.

Credit Lines are granted upon a solvency analysis of the customer has been completed (either by the Hotel Manager or the BU Credit Manager depending on the "Credit Level") and can be modified and or blocked based on customer payment performance.

▪ **Credit Contract**

Agreement signed between Nh and a customer (after credit request is approved) in which we define and establish credit conditions given to that specific customer, such as: credit limit given, payment terms, interests fees, etc. If any clause is not accomplished, credit may be cancelled. Contract should be renewed annually. All customers with a credit line approved should sign this contract.

▪ **Risk & Solvency Report**

		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 5 de 32

Main outcome of a customer solvency analysis which allows NH to conclude on the credit capacity every time a credit line is requested by a customer. Generally, the analysis is performed through an external rating assessment website provide by an external third party

▪ **Type of Credit Lines**

Credits will be considered as:

- Hotel Credit: in this category we find those credits, 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 as per policy set down below.. These types of credit lines are granted for one specific hotel of one specific BU.
- 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.
- 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.

▪ **Type of customers for Dunning Activities**

NH grants Hotel, BU and Chain credits to customers and depending on the dunning activities carried out (see “4.4. Collection Management”), customers would be considered as type “A”, “B” or “C” as follows:

- Type A: we might consider as customer “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, a customer “A” should represent a total annual volume with NH of at least 1.2 M€.
- Type B: we might consider as customer “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” if they achieve a total annual volume with NH up to 1.2 M€.
- Type C: those customers with hotel credit lines granted.

NH HOTEL GROUP		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 6 de 32

▪ **BU Credit & Risk Committee**

- **Objective:** Control and compliance body responsible for ensuring that the NH Corporate Credit Policy is applied at BU level provided local requirements included in the policy..
- **Composition:** BU Finance Manager, BU Commercial Manager, BU Credit Manager and BU Operating Manager.
- **Frequency:** Monthly for dunning activities follow-up and every time the approval workflow requires its participation to grant credit lines.
- **Role:** Participation in the approval workflow process to grant BU/HQ credit line request higher than 100K€ every time it is needed.

In addition, on a monthly basis, a meeting will be held in which the BU Credit & Risk Committee will perform a full monitoring of the collection management process and make decisions (for “Type B and C” customers or Hotel and BU credit lines granted) related to:

- The reduction or cancellation of credit lines limits.
- Request additional guarantees instruments to customer if needed.(ie: bank guarantee, parent company guarantee, comfort letter, etc).
- Get acknowledgement of legal claims initiated to customers with high delinquency rate and/or high risk indicator (Rating 4)

▪ **HQ Credit & Risk Committee**

- **Objective:** Control and compliance body responsible for defining and approving the NH Corporate Credit Policy compliance and monitor the accomplishment of it among the BU’s.
- **Composition:** Finance SVP, Chief Commercial Officer, HQ Credit Manager and Operations SVP
- **Frequency:** Monthly for dunning activities follow-up and every time the approval workflow requires its participation to grant credit lines.
- **Role:** Participation in the approval workflow process to grant credit lines: BU/Chain credit line requests higher than 400k€ /100k€ every time it is needed.

In addition, on a monthly basis, a meeting will be held in which the HQ Credit & Risk Committee will perform a full monitoring of the collection management process and make decisions (for “Type A” customers or Chain credit lines granted) related to:

NH HOTEL GROUP		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 7 de 32

- 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)
- **TMS (Travel Management Suite)**: unified platform for all core needs to drive accurate guest information from all parts of the front office operation in real-time and from a single database. In addition, it is a system totally integrated with SAP ERP, which optimizes processes to cover hotel operations.
 - **STC**: Management tool used by the SSC to plan and record the dunning activities with NH customers.

		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 8 de 32

5. CREDIT RISK MANAGEMENT PROCESS

5.1. Hotel Credit Concession

As mentioned in Glossary, Hotel Credit Concession is a process managed and under Hotel Managers responsibility, conditioned to the amount of credit line requested is lower than 6.000€ for one single hotel). Any credit limit request beyond that amount **will be considered an exception** that will require an strict approval workflow.

The Credit Concession process involves the following five main activities:

1. Gathering customer information as per detail below
2. Performing the solvency analysis of the customer
3. Decision making about granting or not the credit line to the customer
4. Contract signing
5. Update or introduce customer data in SAP_CRM system

5.1.1. Hotel Credit Request

Hotel Manager requests and gathers (by email, letter, etc.) from the customer the following **MANDATORY** information:

- 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.
- OPTIONAL: 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, only if this information were not available through the external rating assessment website. Otherwise, this step will not be necessary .

		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 9 de 32

5.1.2. Request analysis

Before performing the solvency analysis, the Hotel Manager verifies within SAP-CRM whether the customer already has a credit line granted in other hotel (of the same BU), or not:

A. If the customer **has NOT a credit line** in any other hotel, the Hotel Manager will 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” (customer is solvent to meet its short-term obligations), the Hotel Manager will keep “Risk & Solvency Report” and proceed with approval workflow matrix as per detailed matrix below.

B. If the customer already **has a granted credit line** in any other hotel (of the same BU), the Hotel Manager will first contact with the BU Credit Manager to verify current customer solvency report is still valid and situation about outstanding accounts receivable balances. In case that the existing solvency analysis had been performed more than a year ago, the Hotel Manager should perform it again to ensure that the customer credit capacity remains appropriate.

The BU Credit Manager will analyze if the credit capacity from the solvency analysis report is enough to cover the sum of the credit line already granted and the credit line requested; if capacity is adequate and outstanding account receivables for this customer is not overdue, the credit line will be approved going through the workflow approval. In case that either customer solvency is not enough to afford credit in the new hotel OR customer has overdue outstanding amounts, credit limit new hotel request will be rejected and BU Credit Manager will inform as such to Hotel Manager.

		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 10 de 32

Also, whenever a customer has more than one credit line already approved in the same BU, the BU Credit Manager will review if the following conditions are met or not:

- 1) Sum of both credit lines (the one already granted and the requested one) is greater than 25.000€, and;
- 2) The customer has at least three hotel credit lines granted (taking into account the requested one).

If that is the case (2 previous conditions are met), the BU Credit Manager will contact with the Commercial Department to assign a Commercial Handler for that customer. In addition, once the new contract has been formally signed for the BU credit line (refer to 5.2.4), the BU Credit Manager will extend the credit level from “Hotel” to “BU” in SAP_CRM System.

Note: after the credit level extension activity, the flowchart will be connected to the BU/Chain Credit Concession sub process.

As part of internal controls setting for this credit policy, Internal Audit Department will periodically verify (OTC.02.C02) that the credit line requests performed by the Hotel Directors are supported by a “Risk & Solvency report” from an external or internal source showing the favorable customer sales report. This supported documentation is kept by the BU Credit Manager.

nh HOTEL GROUP		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 11 de 32

5.1.3. Approval workflow

As mentioned at beginning of this chapter, we expect that majority of credit request at hotel level are limited to a maximum 6.000€ credit line limit (please refer to Glossary definition of “credit line”).

However, exceptionally it may be cases where the amount to be requested is larger than 6.000€ for an specific hotel. If so, once “Risk and Solvency Report” is “favorable”, following Hotel Credit approval matrix will be followed by Hotel Manager before final credit concession is approved.

Approver	Credit Line	<6.000€	<20.000€	<100.000€	> 100.000€
Hotel Manager		X	X	X	X
Regional Operational Mgr			X	X	X
BU Credit Manager				X	X
BU Credit & Risk Committee					X

Notes:

- ***X** means approval is required.*
- Deadline for the whole approval process: maximum of 15 working days.

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.

Finally, the BU Credit Manager will reply to the Hotel Manager indicating whether the credit line has been approved (detailing final credit limit approved) or not. This approval will be conditioned to the credit documents to be signed by hotel manager and customer.

		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 12 de 32

5.1.4. Contract signing and registration in SAP CRM System

Once the credit line has been approved, Hotel will be responsible to get Credit limit contract signed by hotel manager and customer (see credit limit contract form within Appendix chapter) and sent to the BU Credit Manager along with Risk and solvency report.

All the credits granted are supported by a credit contract signed by the parties; this information is kept by the BU Credit Manager that will be used as part of the evidences for the Internal audit control OTC.02.C06.

Once documentation is received, BU Credit Manager will ensure that full customer contact information included in the credit contract form and credit line limit is uploaded into the SAP_CRM System and supporting documentation is attached for future reviewed. With that, we will secure that this key customer information is retrieved to conduct Collection Management process.

Notes: Annual contract renewal is not tacit. For renewal, new solvency report and contract signing is needed (Ref. 5.1.2 request analysis)

NH HOTEL GROUP		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 13 de 32

5.2. BU/Chain Credit Concession

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.

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.

The Credit Concession process involves the following five main activities:

- Gathering customer information as per detail below and fill BU/Chain Credit Request Form (see appendix form example)
- Performing the solvency analysis of the customer
- Decision making about granting or not the credit line to the customer
- Contract signing
- Update or introduce customer data in SAP_CRM system

5.2.1. BU/Chain Credit Request

Both, Commercial Handler and customer, fulfill the BU/Chain credit line request form which contain the following **MANDATORY** information:

- Type of credit level requested: BU/Chain
- 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.
- OPTIONAL: Financial information (Most recent and/or approved Company Balance Sheet and Profit & Loss figures –it may be needed Holding company and/or affiliates info-), would be required and obtained from the customer, only if this information were not available through the external rating assessment website. Otherwise, this step will not be necessary .

nh HOTEL GROUP		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 14 de 32

Once form is completely duly filled, Commercial Handler delivers the credit request form to BU Commercial Director to review if this customer opportunity has business sense before proceeding with credit request steps and forwarding, if approved, the info to the Credit manager .

5.2.2. Request analysis

Before performing the solvency analysis, the BU Credit Manager verifies whether the customer already has a credit line granted in other BU, or not.

A. If the customer **has NOT a credit line** in another BU, the BU Credit Manager will 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.

According to the information gathered and analyzed beforehand from the financial website, some additional financial guarantees should be request to the customer (refer to 5.2.3).

Once the solvency analysis is performed, and in case the analysis is “favorable” (customer is solvent to meet its short-term obligations), the BU Credit Manager will keep “Risk & Solvency Report” and proceed with approval workflow matrix as per detailed matrix in section 5.2.4.

		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 15 de 32

B. If the customer already **has a granted credit line** in another BU, the BU credit Manager will first contact with the BU Credit Manager where customer has already credit to verify if current customer solvency report is still valid and situation about outstanding accounts receivable balances. In case that the existing solvency analysis had been performed more than a year ago, the BU Credit Manager should perform it again to ensure that the customer credit capacity remains appropriate.

The BU Credit Manager will analyze if the credit capacity from the solvency analysis report is enough to cover the sum of the credit line already granted and the credit line requested; if capacity is adequate and outstanding account receivables for this customer are not overdue:

- The credit line will be approved going through the workflow approval detailed below for this customer to become Chain customer instead of only BU customer.
- Credit Manager representing BU that request credit extension will send the credit line request form and “Risk & Solvency report” to HQ Credit Manager to evaluate the increase in that customer’s risk and request any additional guarantee (*see below*) that may be necessary.

In case that either customer solvency is not enough to afford credit (even with additional guarantee instruments provided as per 5.2.3 section), in the new BU OR customer has overdue outstanding amounts, credit limit request in new BU will be rejected and BU Credit Manager will inform as such to Commercial Account Handler requestor.

NH HOTEL GROUP		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 16 de 32

5.2.3. 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%	

ηΗ HOTEL GROUP		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 17 de 32

Notes:

- *examples of the above mentioned financial guarantees are attached to that Policy in the appendix section.*
- *Percentage (%) indicated in the above table will be calculated based on the amount of credit line requested by the customer.*
- *(*) 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.*

5.2.4. Approval workflow

Once the analysis is performed by corresponding credit managers as per steps detailed above, following approval workflow matrixes will be used depending on the credit amount and scope of business affected (BU or Chain) :

A) BU approval Workflow:

Approver \ Credit Line	<100.000€	<200.000€	<300.000€	> 400.000€
BU Credit Manager	X	X	X	X
BU Credit & Risk Committee		X	X	X
HQ Credit Manager			X	X
HQ Credit & Risk Committee				X

Notes:

- ***X** means approval is required.*
- Deadline for the whole approval process: maximum of 15 working days.

NH HOTEL GROUP		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 18 de 32

B) Chain approval Workflow:

Approver \ Credit Line	<100.000€	>200.000€
HQ Credit Manager	X	X
HQ Credit & Risk Committee		X

Notes:

- ***X** means approval is required.*
- Deadline for the whole approval process: maximum of 15 working days.

As part of the internal audit controls, those matrixes above will be used to monitor accomplishment and supporting documentation that is storage as evidences like the Risk solvency report (OTC.02.C04).

Approval workflows are compulsory for the credit line concession approval and are 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.

5.2.5. Contract signing and registration in the system

Once the credit line has been approved, Account Handler will be responsible to get Credit limit contract signed by NH and customer (see credit limit contract form within Appendix chapter), and sent to the BU or HQ Credit Manager depending if request if for BU or Chain.

All credits granted are supported by a credit contract signed by the parties; this information is kept by the BU Credit Manager along with Solvency Report that will be used as part of the evidences for the Internal audit control OTC.02.C06.

Once documentation is received, BU/HQ Credit Manager will ensure that full customer contact information included in the credit contract form and credit line limit is uploaded

		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 19 de 32

into the SAP_CRM System and supporting documentation is attached for future reviewed.
With that, we will secure that this key customer information is retrieved to conduct Collection Management process.

Main terms & conditions of the Credit Contract

Following terms will be mandatory to be honored on the Credit Contract to be signed by the customer:

- Payment terms: customer is obliged to pay NH invoice within 30 calendar days from invoice date as maximum.
- Payment method: bank transfer .
- Credit Contract Duration: 12 months from the signature of the Credit Contract. Annual contract renewal is not tacit; it should be done expressly by the customer. For renewal, new solvency report and contract signing is needed (Ref. 5.2.2 request analysis)
- Credit limit modification/Blocked: NH will be entitled to block or to modify credit limit originally granted in case that payment terms are not honored by customer or customer solvency conditions are deteriorated.

Note: an example of the above mentioned “Credit Contract” is attached to the Policy in the appendix section.

NH HOTEL GROUP		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 20 de 32

5.3. Credit Management

The Credit Management sub-process involves the following activities:

1. 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
2. Additional claim actions (legal, if required)
3. Scheduling and attendance to Credit & Risk Committee
4. Customer Credit Limit is periodically review to ensure that it is still adequate as per client solvency and payment performance .

5.3.1.Communication of customers with credit limit exceeded, with overdue debt OR with credit limit exceeded and overdue debt

On a monthly basis, BU Credit Manager will use system reports available to review customer's situation to detect exceeded credit limits and overdue debt. Figures to be analyze include outstanding account receivables balance, guest ledger pending to be invoiced (netted for prepayments) and bookings confirmed. As of the issuance of this policy, this combined analysis is still under development, so action from Credit Manager is still applicable but it will be based on the outstanding account receivable balance per customer currently available in SAP-FI .

The BU Credit Manager should pay particular attention to the discrepancies that could be generated in the invoicing process and having them in consideration (to be deducted) for the calculation of the outstanding AR balances.

Based on the information gathered, the BU Credit Manager will be able, when development is in place, to retrieve from the system the following reports so that NH is able to prioritize the corresponding dunning activities to be undertaken consequently:

- **Customers with credit limit exceeded:** report is showing amount of credit granted to a customer that has been overtaken. Customer should immediately solve this status and maintain its debt below the amount granted.

		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 21 de 32

- **Customers with overdue debt:** as per report, customer is not accomplishing payment terms agreed. Communication should be sent to the customer as warning to honor contractual conditions on this matter.
- **Customers with credit limit exceeded and overdue debt:** both previous conditions are met.

The BU Credit Manager will submit these reports (OTC.08.C01), depending on customer category on the credit level (Hotel or BU/Chain) as per the following:

- Hotel credits: to the Hotel Manager
- Bu / Chain: to the Account Receivable team and to the Commercial Department

Which will follow different actions, as explained below:

CREDIT HOTEL:

For **Hotel credits**, the Hotel Manager is responsible of the related actions on those customer events. Hotel Manager will initiate the appropriate steps to regularize credit limit incidents with customers by contacting them so that they became aware of the incident and requires customer to promptly settle their exceeded credit limit, overdue debt or exceeded and overdue debt.

If any of this situation is not solved (credit limit exceeded, overdue debt or exceeded and overdue debt) **30 days after** the incident has been informed by BU Credit Manager to Hotel Manager, the BU Credit Manager will cancel the credit line granted in the system (SAP_CRM) (OTC.08.C04).

BU/CHAIN CREDIT:

For customers flagged as **BU/ CHAIN credits**, the Accounts Receivable Department (AR Department) is first responsible to initiate customer's collection special actions when credit limit is exceeded, overdue balances are raised or both of them occurred.

AR Department will contact customer and request to regularize the situation by promptly settling their exceeded credit limit, overdue debt or both cases **within 15 days**. Customer will also be informed that if this situation is not arranged during this period, credit line will be cancelled. AR Department will report the BU/ HQ Credit Manager about the actions taken and the results obtained.

		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 22 de 32

At same time, Credit Manager will also make Commercial Department be aware about the credit status of these customers and consequences of credit cancellation in case customer is not regularizing their situation.

BU/ HQ Credit Manager will review information received and will proceed to cancel credit line to those customers has not been sorted out. Also, Credit Manager will inform the customer (directly or through AR Department), about their credit cancelation by sending an email notification and copying the Commercial Department. (see reference 5.3.6 cancel credit line). Finally, BU/HQ Credit Manager will communicate the actions taken to the BU / HQ Credit & Risk Committee.

If credit limit is frequently exceeded, it might happen that credit limit originally set was lower than real credit needs for this customer. In this cases, Credit Manager will check if the customer solvency is adequate to increase credit limit and in case it is feasible, Credit Manager will follow the approval workflow matrix mentioned in credit concession process before updating new credit limit in (SAP_CRM)

At least once a year or every time the credit contract with a customer is about to expire, a new credit limit analysis will be performed using not only customer financial solvency figures, but also historic performance of customer payments to NH.

5.3.2. Additional claim actions

In case the out-of-court/amicable claims have been unsuccessful (no debt collection), two lines of actions can be taken, as described below:

- **Insurance: Credit Policy**

In case the customer doubtful debt were part of the insurance coverage of NH, the Credit Manager would gather any supporting documentation related to the doubtful debt into a file and send it to the insurance company so that it can be properly processed.

Note: currently this point is only applicable for Spain.

NH HOTEL GROUP		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 23 de 32

▪ **Legal claim**

In case the customer doubtful debt were not part of the insurance coverage of NH, the Credit Manager will gather any supporting documentation related to the doubtful debt into a file and send it to the external/internal legal resources, which will manage the recovery of the debt from that moment.

If a preliminary out-of-court action were again unsuccessful, and if the possibility of recovery were real (which means the debt is collectible, to avoid incurring in unnecessary legal costs), the lawyer would lodge a lawsuit on the outstanding amount until obtaining a favorable sentence.

5.3.3. Preparation of Credit Committee sessions

As maximum governance body of this credit policy, Credit & Risk Committee will analyses, each month, the level of collection of the dunning activities carried out by the BU/HQ Credit Manager and, based on it, will make appropriate decision about the reduction or cancelation of credit lines, the increase of guarantees (% of the credit line amount requested through a bank guarantee), the granting of special credit lines and the formalization of claims to customers with high delinquency rate and/or high risk indicator (rating 4).

On a monthly basis, BU Credit Manager will prepare a **BU executive report** (Internal Office Report), about the credit situation in the BU detailing customer balances, most relevant incidences, actions already taken and making the proposals considered appropriated.

BU Credit Manager will participate on the BU Credit & Risk Committee and sharing executive report prepared in order to take appropriate decisions about the dunning activities to perform. Outcome and minutes of that meeting will be prepared and delivered by BU Credit Manager to the BU Credit & Risk Committee members and to the HQ Credit Manager not later than 5 days after that session. This information will be basis for internal audit control to secure that Credit Committees are taking place. (OTC.08.C02).

HQ Credit Manager will prepare, on a monthly basis, a Consolidated executive report about the credit situation in the different BU's and specifically for those Chain customers, detailing

<p style="text-align: center;">NH HOTEL GROUP</p>		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 24 de 32

customer balances most relevant incidences, actions already taken and making the proposals considered appropriated and will deliver the report to HQ Credit & Risk Committee . Outcome and minutes of that meeting will be prepared and delivered by HQ Credit Manager to the HQ Credit & Risk Committee members and all BU Credit Managers not later than 5 days after that session. This information will be basis for internal audit control to secure that Credit Committees are taking place (OTC.08.C02).

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

In addition to the customer credit limit review that is performed either when: **i)** credit limit contract duration is expired **or ii)** when customer falls into the situations mentioned on section 5.3.1, Credit Policy defines the customer type (Hotel, BU or Chain) as the driver to determine the frequency **customer credit limit settings will be reviewed that, at least, will happen for all customer once a year**. This task will be leaded by HQ/BU credit Managers (with the assistance of Hotel Managers in case of Hotel Credit customers).

To assist on this review, NH HQ or BU Credit Managers will be supported by External Credit Management tools that have been engaged for that purpose either at HQ or BU level. As an example, as of this Credit Policy issuance, 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. This tool also will provide alerts when those customer are falling within overdue or credit limits excess events compared with their credit limits settings (OTC.08.C05). 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 (if any) or any other source (hotel manager/Commercial Department information about customer) (OTC.08.C06).

Based on that information, following decisions will be made on annual, half-year basis or when is detected:

nh HOTEL GROUP		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 25 de 32

- Maintain credit line: if the solvency analysis of the customer is not different than the previous one, the credit line will be maintained.
- Modify credit line: if the credit adequacy from the solvency analysis of the customer is higher than the former one, the credit line could be increased if NH considers appropriated. As opposite, if the credit adequacy from the solvency analysis is lower than before, BU Credit Manager will reduce the credit limit in SAP_CRM system and the Responsible (Hotel Manager or Commercial Handler depending on the credit level) will have to cancel the previous credit contract with the customer and sign a new contract with the new credit limit.
- Cancel credit line: if the credit adequacy from the solvency analysis is lower than before and BU Credit Manager or BU/HQ Credit & Risk Committee decides to cancel the credit line, the BU Credit Manager will cancel the customer credit line in SAP_CRM system and will inform to Commercial Account handler, rest of BU Credit Managers and Operations Department about customer credit new status. As 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.

In cases where the credit line cancellation is motivated by payment delay, negative financial assessment of the debtor, low production the decision will be supported also through the Credit & Risk Committee minutes of meeting.

Reinstating a credit line that has been canceled will require a new study and may request additional guarantees to the customer.

NH HOTEL GROUP		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 26 de 32

5.4. Collection Management

As per this policy, annual business volume that a customer engages with NH will be the driver to categorize a customer in order to perform dunning activities. As such, NH segments their customers into three categories:

- 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€.
- 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€.
- Type C: those customers with hotel credit lines granted.

5.4.1. Claims of accounts receivable

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 (*see Credit Management sub-process*).

The Hotel Manager will be responsible of performing the corresponding dunning activities and will have to keep track of them in a formal document (Excel file: example of heading in the table below). The BU Credit Manager will request the above mentioned document only for those customers identified as to be monitored based on an aging analysis. In addition, he will communicate/share such document with the BU Credit & Risk Committee to define the appropriate actions that will be taken.

Customer	Credit Limit	Due date	Dunning activities performed (Date, Description, etc.)	Next activities

nh HOTEL GROUP		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 27 de 32

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.

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** (with billing average balance larger than 100.000€). SSC will record the claims and collection efforts made for those customers within STC (Service To Cash) system SSC tool (OTC.03.C10).

Exception to the above rule is for German based customers where dunning activities collection Management are fully performed by Administration Department located in the BU.

5.4.2. Regular Executive Report about Collection Management

For Type A and B customers, BU AR Lead and SSC will gather during the month information and prepare a Credit Management Report with the details of the collection efforts to be sent to the BU Credit Manager (OTC.03.C05). It is mandatory to include information about customers with higher percentage of overdue debt (>60 days) and compared with previous month, higher percentage of discrepancies affecting invoicing and the relevant incidences during collections activities. The report must reflect the main claims made and the most relevant incidences detected.

Upon information received, BU Credit Manager will prepare and delivery an Executive Standard Accounts Receivable and Credit Management Report about **BU/Chain** customer credits which include the most relevant incidences (OTC.03.C11):

- Total BU Accounts Receivable report sorted by aging buckets including information about evolution or overdue targets.
- Global BU DSR report and DSR per customer for top 20 customers.
- Executive summary about the most relevant incidences during collection management activities in the period analyzed and action plans to mitigate the risk.

nh HOTEL GROUP		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 28 de 32

- Specific summary about Top BU/Chain customer situation that include total AR information (current + overdue + discrepancies).
- Specific report for customers where credit limit has been exceeded and actions that has been taken as per credit policy procedure.

For Customer Type C (Hotel Credit), BU Credit Manager will ask the Hotel Manager to prepare a Credit Management Report (only if the BU Credit Manager considers it appropriated), based on his professional judgments including information about customers with higher percentage of overdue debt (>60 days) and comparison with previous month, higher percentage of discrepancies affecting invoiced and relevant incidences during collections.

BU/HQ Credit & Risk Committee sessions will use executive summary prepared by Credit Managers to take decisions about (*see Credit Management sub-process*) (OTC.03.C12):

- Reduction or cancellation of credit lines.
- Additional financial instruments to be provided by customer as payment warranties (% of the credit line amount requested through a bank guarantee).
- Special credit lines granting
- Initiate legal claims for customers with high delinquency rate and/or high risk indicator (Rating 4).

NH HOTEL GROUP		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 29 de 32

6. ACCOUNTABILITY

POSITION	ACCOUNTABILITY/TASK
Hotel Manager	<ul style="list-style-type: none"> • Reception of hotel credit line request form • Check if the customer already has a granted credit line in the same BU • Perform solvency analysis • Approve hotel credit lines lower than 6.000 € • Sign credit contract with the client • Collection efforts for type C customers • Track of performance dunning activities of type C customers
Commercial Handler	<ul style="list-style-type: none"> • Reception of BU/Chain credit line request form • Sign of credit contract with the client • Communicate to the customer collection actions (credit line cancel, overdue debt, exceeded credit limit, etc.)
BU Commercial Director	<ul style="list-style-type: none"> • Approve customer credit line request form • Member of BU Credit & Risk Committee
BU AR Lead	<ul style="list-style-type: none"> • Collection claims some type A customers • Track of performance dunning activities of type A customers • Supervising dunning activities made by the SSC
Shared Services Center - SSC	<ul style="list-style-type: none"> • Collection claims for the rest of type A customers and all type B customers • 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"> • Approve hotel credit lines between 6.001€ and 20.000 €
BU Credit Manager	<ul style="list-style-type: none"> • Extended credit status from “Hotel” to “BU” • Review that the information is consistent • Approve hotel credit lines higher than 20.000€ • Approve BU/Chain credit lines lower than 100.000€ • Set up credit limits in the system (SAP_CRM) and maintain any other master data regarding customers • Perform solvency analysis of BU/Chain credit requests • Prepare the Executive Report about the Collection Management (type C customers) • Make decisions about cancel credit lines • Reduce or cancel credit lines in the system (SAP_CRM) • Check customers outstanding balance, credit limit and due dates • Verify customers adequacy of current credit line vs credit capacity
HQ Credit Manager	<ul style="list-style-type: none"> • Approve BU/Chain credit lines lower than 100.000€.

		CORPORATE CREDIT POLICY	
Ref.	Version nº 01	Version Date: 30/06/2016	Página 30 de 32

	<ul style="list-style-type: none"> • Make decisions about cancel credit lines • Reduce or cancel credit lines in the system (SAP_CRM) • Check customers outstanding balance, credit limit and due dates • Verify customers adequacy of current credit line vs credit capacity • 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"> • Approve BU/Chain credit lines higher than 100.000€ and lower than 200.000€ • 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"> • Approve BU/Chain credit lines between 100.000€ and 400.000€ • Analyze dunning activities and make additional decisions (monthly meeting)

