

### Objective and scope

This procedure aims to define the main guidelines and requirements when formalizing a contract with an intermediary in the hotel industry. A clear trend in the hotel industry is the increasing weight of intermediated business, therefore it is relevant to correctly formalize the contracts and minimize the potential risks.

Intermediaries are those related to the intermediation between NH and the final guest which will enjoy the services at the hotel. Among others:

- *Individuals B2C agencies.*
- *Online Travel Agencies.(OTA´s)*
- *MICE intermediaries.*
- *Tour operators and Wholesalers.*
- *Central Reservations Platforms*

This procedure applies to the **whole organization**, no matter if the contract is negotiated at Corporate, Business Unit or hotel level. All the relevant departments are required to consider the general guidelines included in the *Corporate Commission Policy* and in the present document.

This procedure applies to any segment as Agencies, Online Travel Agencies (OTA´s), Wholesalers & Tour Operators, and framework contract for whatever segment.

This procedure is not applied to Groups & Event business (MICE) related to concrete events (at a hotel level or Booking Offices). The contract management and formalization in these situations should follow the standards stated in the procedure Reservations and Contract follow up (Group Reservations Management) available in the intranet.

This procedure will not applied to Business Travel contract management. For these client types, a specific procedure has been defined (*Contract Management – Business Travel*).

As a general guideline, all the relevant intermediaries must have an **explicit formal contract**.

Relevant intermediaries and contract requirements will follow the requirements of this document. It will be followed for new contracts, relevant changes in the current contract clauses and for renovation of existing contracts.

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## 1 Operative

### 1.1 Intermediary negotiation

**Responsible: Commercial Department at the relevant organizational level.**

The Commercial Department will contact or will be contacted by the intermediary. They will negotiate the terms to be agreed. Please refer to the **annex of this document** related to contract terms and conditions to be considered when negotiating a contract.

The responsible organizational level for such negotiation (BU or Corporate) will be decided on the relevance of the business and agreed incentives, according the following delegation threshold table. The Corporate Commercial Department could decide on concrete delegations due to operational reasons

Business Segment	Business Unit	Corporate / GFS
Online Travel Agencies (OTA's)	Contract scope limited to the particular BU and total intermediation cost (including override) less than 15%.	The rest of the contracts with intermediaries.
Travel Industry (TMC, BTC, Consortias, Individuals off-line travel agencies)	Contract scope limited to the particular BU and total intermediation cost (including override) less than 12%.	The rest of the contracts with intermediaries.
Leisure ( TTOO Wholesalers, DMC)	Contract scope limited to the particular BU and total intermediation cost (including override) less than 15%	The rest of the contracts with intermediaries.
MICE (framework contracts)	All except Corporate contracts.	The rest of the contracts with intermediaries.

All the negotiation process must be supervised by the responsible of the person in charge of the negotiation who will timely inform on any relevant change during the negotiation. The purpose of this step is to obtain a **Draft proposal** of the contract to be signed by NH and the intermediary.

When negotiating a contract, the responsible person of NH will have a complete and transparent compliance with the provisions included in the NH Code of Conduct, the internal requirements fixed by the Commercial Department, the Corporate Commission Policy and the current legal regulations.

As far as possible, NH will use the **standard terms and conditions** agreed at a corporate level provided by Legal Department.

This requirement is not applicable for wholesalers, OTAs, and TMC's for which it is common to accept the contracts of adhesion proposed by the intermediaries, but always take in to account the main topics (conditions and terms) to be negotiated. (See *Annex: standard terms and conditions for intermediaries negotiation*)



## 1.2 Draft proposal approval process

**Responsible: Legal Department, Administration Department, Tax Department and Managing Control Department.**

The negotiation process will require the explicit approval of certain departments as:

- **Legal Department** which will be responsible for legally validating the terms and conditions of the contract. This department will be also focused on the persons who should sign the contract on behalf of NH, according to the powers of attorney structure.
- **Finance Department** which will be responsible for identifying the financial implications of the incentives agreed with the intermediary (% of commission and type). Also, this department will be responsible for the payment terms approval agreed with the intermediary, payments conditions and payment methods, debit credit, etc.) and the credit management or level of risk of this business, if applicable. Broadly speaking the contracts that should be communicated to the Finance Department are those for which:
  - o The intermediary needs a credit limit to be included in Oracle CRM.
  - o Special payment conditions requested (less than 90 days).
- **Tax Department** which will be responsible for clarifying any potential implication regarding the tax regulation in each Business Unit.
- **Managing Control Department** which will be responsible for supporting the profitability analysis of the channel and determining the implications of the incentives for the budget.

The approvals must be a required step **prior** to the execution of the contract. The person in charge of the negotiation is responsible for requesting this approval and keeping sufficient evidence on the approval provided by each department as is explained.

The person in charge of the negotiation sends a copy of the contract, with the *Fact Sheet* where the relevant information is summarized, and the NH *Execution template* in order to be signed by all the departments involved.

Departments involved in the approval process must send back duly signed the NH *Execution template* within 5 business day.

In case any of the previous departments is not formally present in any Business Unit, the finance or administration department will be responsible for giving the approval regarding the mentioned issues, under the supervision of the BU Manager Director.

## 1.3 Contract formalization

**Responsible: Commercial Department at the relevant organizational level.**

The contract formalization, conditions and terms, will be done by the Commercial Department (Corporate or at the BU) being reviewed the legal conditions by the Legal Department. Commercial will request signature of the execution version (duplicate) to the intermediary to sign the contract firstly, always before it is signed by NH.

The Commercial Department will be in charge of delivering of execution version duly signed (duplicate) by the intermediary to the Legal Department and the legal department request signature of the execution version (duplicate) by NH As a general rule, the persons who will sign



the contract must be in accordance with the **powers of attorney** structure of the company. Legal department will define the powers.

In case the formalization will not comply with such structure, it will be explicitly mentioned in the document to be approved by the Legal Department in the previous task.

A copy of the contract adequately signed by NH will be sent to the intermediary, including the Legal Department in this final communication and a copy of the contract duly signed should be sent by email to the commercial Department by the Legal Department.

Broadly speaking, powers of attorney are assigned at BU level to the BU Managing Directors and BU Administration Managers. At a Corporate Level the Chief Officers are entitled with powers of attorney. For further information please contact your Legal Department.

The Legal Department is responsible for filing of the NH Execution version duly signed by both parties at the Legal Corporate Department archive and signature of the template to acknowledge reception of the contract. Every Commercial Director (at BU level and at Corporate level) have to ensure to keep a **copy of all the commercial contracts in the Commercial Departments files** /(digital) sorted by segment/name/date and including contract/amendments, etc.

The archive could be done electronically or in paper. As a general rule, current valid contracts must be kept separately from those expired. Contracts should be kept for unlimited time. In case the responsible would like to purge the archive, it is required the validation of the Legal Department.

#### 1.4 Contract upload

**Responsible: Sales Department at the relevant organizational level.**

The Key Account Manager of each contract is responsible for uploading the relevant information in NH tools or applications in sufficient advance before the intermediary is generating business to NH. Contract master data is centralized in **CRM**.

It is necessary to create both the Party ID of the intermediary and the opportunity containing the commissions, service fee, overrides, for hotel services and rates. When uploading the information it is very relevant to avoid the duplication of PID and other mistakes like wrong rates or invalid dates.

This task will be done according to the provisions included in the **CRM manual** available in the intranet.

#### 1.5 Contract communication

**Responsible: Commercial Department at the relevant organizational level.**

The Key Account Manager of each contract is responsible for its timely communication to any department of the organization affected by the business coming from this intermediary. The communication will be done according to the **Fact Sheet** template attached to this document. Among others, it is important to consider the communication to:

- **All the departments involved in the approval process of the draft contract** (Legal Department, Administration Department, Tax Department, Managing Control Department).
- **Operations Department** at the organizational level affected by the intermediary. Sufficient information must be provided in order to deal with the tasks of incentives control, verification and commission handling.



- **Central Reservation Office, Booking Office**, or any other part of the organization.
- **Revenue Department** to ensure that rates are adequately fixed and there are clear instructions on what rates should be used in the contract. Selling strategy alignment.
- **IT Department:** ensure the conditions agreed in the contract are properly configured among the systems.

## 2 Related documents

Corporate Commission Policy

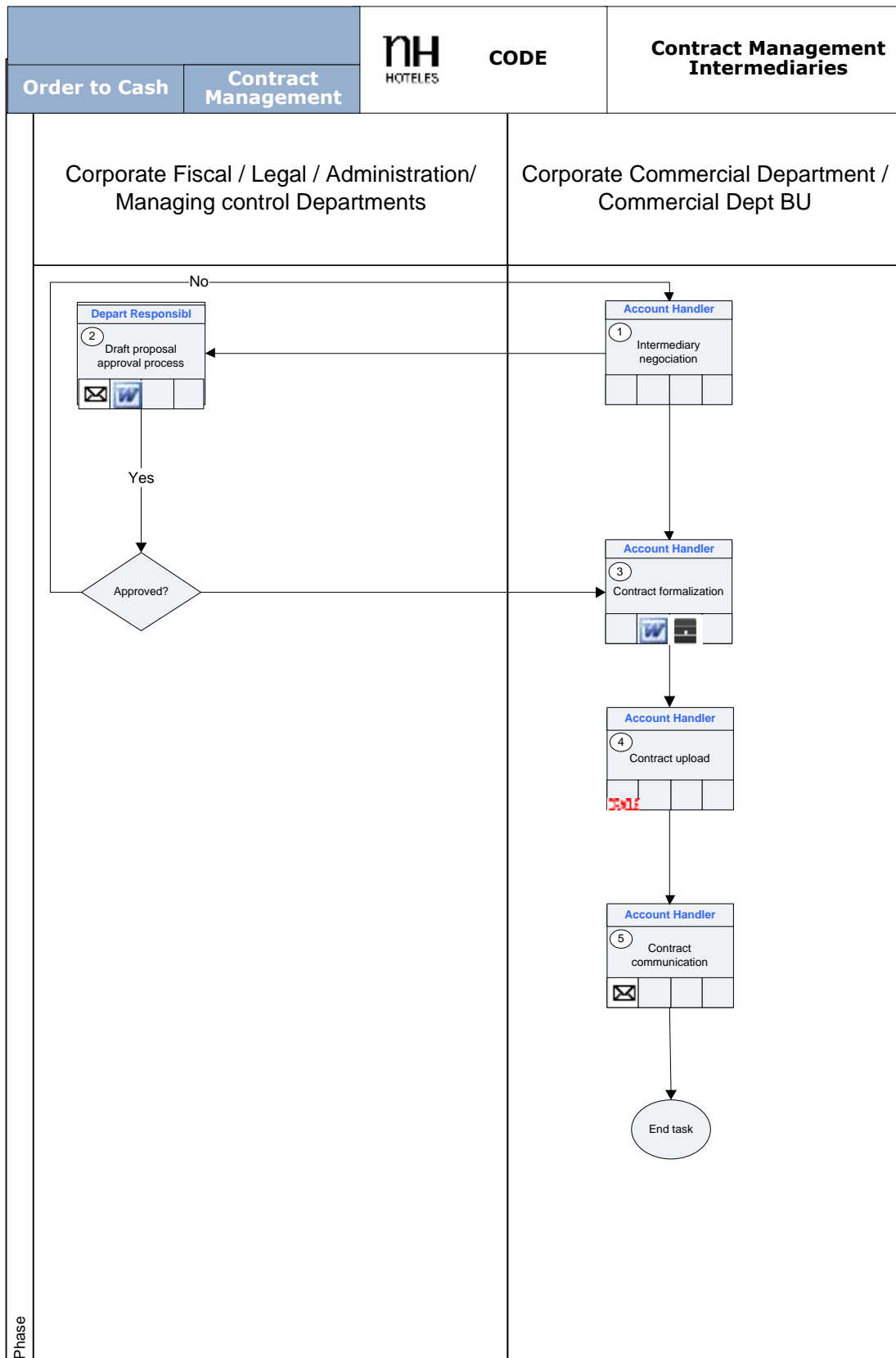
Annex: Standard terms and conditions for intermediaries negotiation

## 3 Templates and File

Template or Document	Responsible	File period
Contracts	Commercial Department	Unlimited
NH Execution template	Legal Department	Unlimited
Contract Fact Sheet	Commercial Department	Unlimited



#### 4 Flowchart



## 5 Procedure Validation

Version	Corporate area	Approved by:		Approval date
1	Commercial <b>(Process Owner)</b>	Chief Commercial Officer VP Distribution	Rufino Pérez	August 2013
	Tax	VP Tax		
	Legal	SVP Legal		
	Operations	VP Managing Control		
	Resources	SVP Human Resources		
	Legal	Internal Audit		
	Finance	SVP Administration		
	Management Committee			

