

## Objective and scope

This document defines the main corporate guidelines regarding the commission management at NH Hoteles. Hotel industry is often intermediated by many different kinds of agents and distribution channels. Using these services and channels has an intermediation cost, being important to have a good control over such concept. The objectives are:

- Ensure a clear and transparent commercial policy in all the markets.
- Make the control of commissions and payment process easier.

This policy applies to all the Departments involved in the management of intermediaries in all the Business Units of the Group and also at a corporate level. All the centers of the Group are included in the scope, no matter the main business segment of each center.

## Summary

- 1 Roles and responsibilities
- 2 Definitions and guidelines
- 3 Related documents
- 4 Policy Validation

## 1 Roles and responsibilities

Responsible departments for commissions and intermediaries management are:

- **Corporate Commercial Department:** This department is responsible for defining, maintaining and updating the commission policy of the Group and their tools (CRM, Interfaces, etc.). Based on the proposals and requirements made by each BU responsible, the corporate department will periodically review and update, if applicable, this document.
- **BU Commercial Department.** These departments will be responsible for applying this policy, for identifying needs and changes in the policy according to their geographical market and for managing intermediaries under their responsibility.

An adequate communication of intermediation procedures and costs must be ensured so as other relevant areas in the company are adequately informed. Among others:

- **Administration and Finance Department,** both at corporate and BU level, responsible for commission posting and payment.
- **Operations Department,** responsible for commission management and verification at the hotels.
- **Revenue Management Department:** responsible for rates configuration (commissionable or not).



- **Legal Department**, in order to ensure adequate compliance with all the regulation requirements.
- **IT Departments**: are responsible for developing and applying the systems in the accurate way to ensure the different aspects to be controlled and efficient and adequate data load and data communication between systems.

## 2 Definitions and guidelines

There are several commission classifications. Based on the type of commission itself, it would be possible to distinguish among:

- **Gross commissions**. These are intermediation costs registered in an invoice issued by the intermediary for its intermediation services. NH should be able to foresee the future cost of such services by generating an accrual to be checked when the intermediary invoice is received.
- **Net commissions**. These are costs which are directly deducted on the final invoice issued at the Front Office. Please note there are certain legal restrictions in some Business Units to use this kind of commission (e.g. in Italy they are not allowed).

The relevant classification for commission guidelines will be based on the intermediary business segment, it is possible to distinguish:

- *Individuals B2C agencies*
  - Commissionable services are those booked by the intermediary. Normally those strictly related to the accommodation i.e. bed and breakfast. Exceptionally, the agreement could include additional commissions on other service codes.
  - Packages are normally commissionable for all the services included in the package.
  - Commission percentage range from 10% to 12%. Standard 10% will be offered to any agency without an explicit contract formalized with NH.
  - Exceptionally, there are some corporate rates which are commissionable. When dealing with this exception, this extent should be specified by Business Travel. Commission will depend on which agency is making the booking (normally only Spanish Agencies).
- *On Line Travel Agencies (OTA's)*
  - Commissionable services are those booked by the intermediary. Normally those strictly related to the accommodation i.e. bed and breakfast. Commission percentage range from 12% to 15%.
  - Higher commissions should be approved at Corporate level, based on tactical and/or strategically needs. Any "tactical" commission should be validated at a Corporate level, providing information on the hotels, period, range of commission and reasons.



- *MICE intermediaries.*

- Commissionable services are those booked by the intermediary, particularly rooms, food and beverage, meeting rooms. Exceptionally, in some Business Units like Benelux audiovisuals could be also commissionable. In case any other service would be considered as commissionable, the contract should explicitly cover this provision, ensuring that anyone involved in the event management is aware about that exception. (See *Annex: No commission services*).
- Packages are commissionable in all the services they include.
- Commission percentage will be normally 10%, although it could exceptionally be raised up to 15%. In case of more commission is granted additional approvals are needed (See *Group Reservation Management: client contact, quotation and confirmation process*)
- Higher commissions should be explicitly approved by the BU Commercial Director or VP Corporate Sales, accordingly with following approval chart:

Commission rate	Responsible person
=< 10%	Booking Office agent, GD agent, hotel
10% - 15%	BU Commercial Director
> 15%	VP Corporate Sales / VP Distribution

- Each Business Unit will propose how to protect the DMCs (Destination Management Company) in case it is needed a protection from a market perspective. Anyhow commissions for this purpose will never be raised more than 15%.
- Particular centers are exceptions. Casino is 5% commissionable and Baluarte has fully net prices.
- *Touroperators and Wholesalers.* These intermediaries are normally offered net rates without any commission (these rates are determined by Revenue & Leisure team according to the market trends).
  - In case a commission must be agreed, it is normally a 15% commission (plus a potential override commission depending on the relevance of the intermediary). Higher commissions should be approved at a corporate Level

In addition, commissions per reservation are granted to different metasearches, GDS's, OTA's etc. calculated based on different parameters depending on the agreements (cost per click or per booking, or percentage over room revenue).

#### **General guidelines:**

- Commissions will be quoted and calculated on net revenues (excluding VAT and other taxes).
- Any exception of percentages, calculation or commissionable services from the previously mentioned must be formally approved at a corporate level (Corporate Sales Department) except for MICE intermediaries which will be approved by the Local Segment Leader if the commission is higher than 15%.
- The information on commissions should be included in the contract for relevant intermediaries (See *Contract Management – Intermediaries*)



- Commissions and intermediation costs must be registered in the relevant NH applications according to the instructions. This is responsibility of each Account Handler.
- Additional compensations as overrides, marketing funds, and other incentives could be given depending on the relevance of the intermediary. If any of those incentives is considered in the contract, this proposal must be formally validated by the Sales Department before it is signed.
- No commission in cases of no shows, canceled reservations, taxes or not pre-reserved services. The digital distributors should not ask for a commission for services not finally rendered or processed by them.
- The intermediary cannot claim commissions after 6 month after the check out.
- WPS will be used for commissions on hotel services paid to international intermediaries.
- WPS it is not allowed for MICE commissions.
- Overrides or Other incentives are offered as incentives for extra business, overrides goes from 0.5% to 4% depending on generated production For Online Travel Agencies, rappels negotiated at BU level, and that exceed the maximum % of base commission defined by this policy must always be approved by Head Office.
- The overrides will be negotiated on segment level for all hotels involved in that region. Year end calculation of rappels must be based on NH figures, net of commission (in case merchant models), net of VAT and excluding cancellations. This must be agreed and contracted with the OTA.
- Override targets will start kicking off at minimum level of prior years production plus the expected generic growth for the effective year (i.e. if expectation of growth of an OTA is a 15%, then the first rappel level should start at minimum 15% increase, below that no target should be set beyond their base commission). As the commission the override should be calculated and supported by each hotel as % of its revenue generated.
- Overrides (max 3%): Override levels might be set based on objectives on incremental revenues compared to prior year (under no circumstance based on "security blankets" or same revenues versus prior year) If the commision + Override is higher than 15% , the agreement should be approved by VP Distribution (*See overrides and other incentives procedure*)
- The payment of commissions and other incentives are contingent on the intermediaries' invoice collection.

### 3 Related documents

Commission Management & Settlement (WPS) procedure  
 Commission Management & Settlement (NO WPS) procedure  
 Contract Management – Intermediaries procedure  
 Overrides and Other Incentives  
 Annex: No commission services  
 Rate Code overview Jan 2013



#### 4 Policy Validation

Version	Corporate area	Approved by:		Approval date
1	Operations (Process Owner)	Chief Commercial Officer	Rufino Pérez	August 2013
	Finance	SVP Administration		
	Operations	Operations Control Director		
	Internal Audit	SVP Internal Audit		
	Resources	SVP Human Resources		
	Management Committee			

