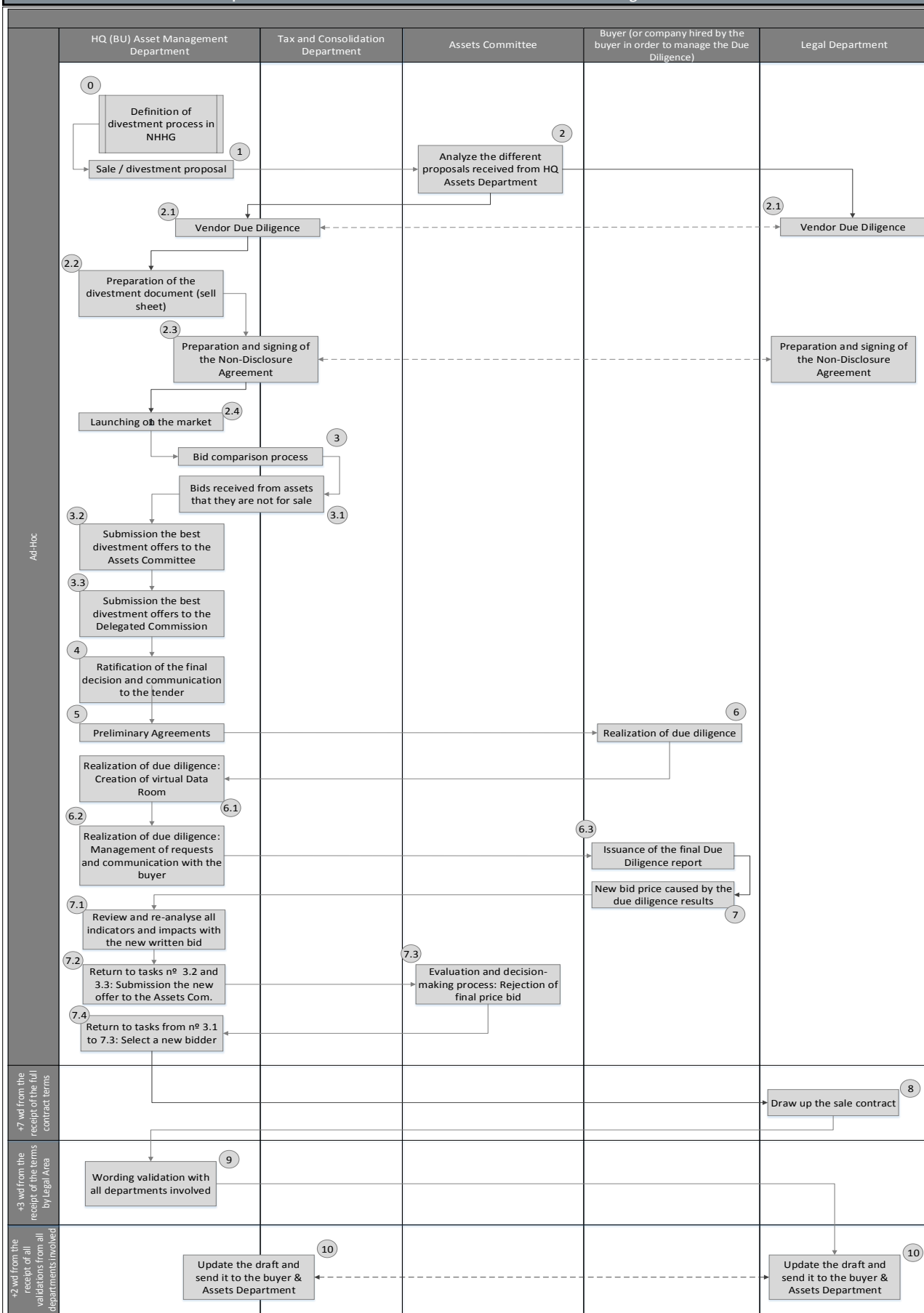
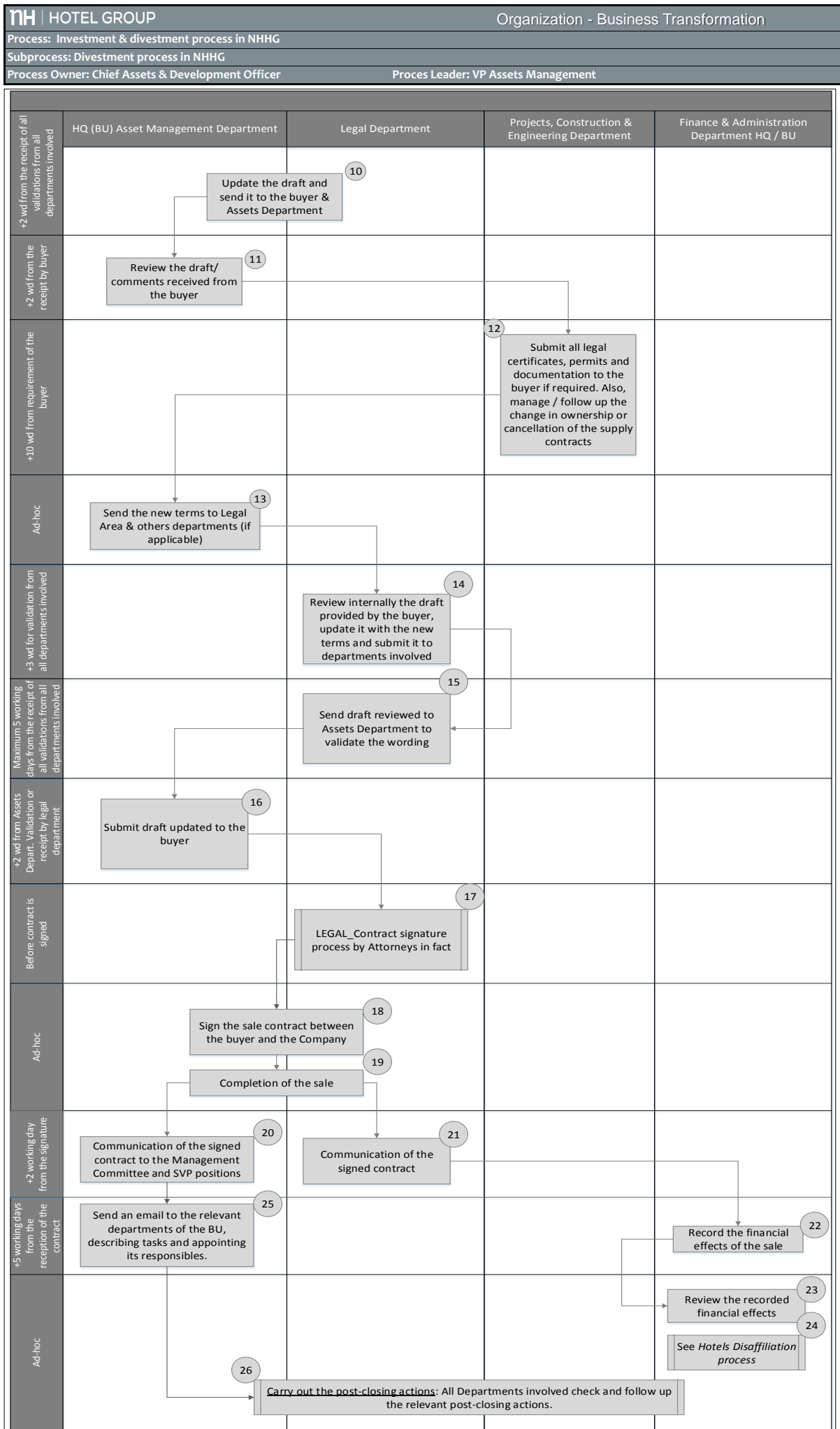





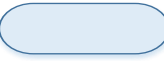
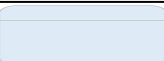
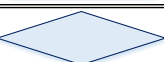




NH HOTEL GROUP		Organization - Business Transformation	
Process: Investment & divestment process in NHHG			
Subprocess: Divestment process in NHHG			
Process Owner: Chief Assets & Development Officer		Proces Leader: VP Assets Management	
Author	Miguel Pérez		
Date	10/09/2018		
Last modification date	10/09/2018		
Document version	1.0		
NH Approvals			
Name	Function	Date	Comments
Chief Assets & Development Officer	Process Owner	10/09/2018	
VP Assets Management	Process Leader	10/09/2018	
Modification History			
Document Version	Date	Modified by	Comments





Shape	Name	Description
	Task	Represents a manual activity of the process.
	Automatic Task	Represents an automatic activity of the process.
	Flow direction	Input or output of the task or decision.
	Internal Audit Control	Controls defined by NH Internal Audit
	Systems	Applicatio or Tool.
	Start/End	Indicates the beginning or the end of a process.
	Manual Process	Manual Business process composed of tasks, decisions, flow directions, documents and
	Decision point	It is originated after one task and it generates two or another decision.
	Report or document	It is a physical or electronic file used as input or output of a task.
	Notifications	External/Internal Notifications.

NH HOTEL GROUP			Organization - Business Transformation			
Process: Investment & divestment process in NHHG						
Subprocess: Divestment process in NHHG						
Process Owner: Chief Assets & Development Officer			Process Leader: VP Assets Management			
Order	Task	Task Description	When	Responsible	Frequency	Tools ☐
0	Definition of divestment process in NHHG	Assets / Hotels sales (divestments) process in NHHG When: 1.- Cash needs or debt reduction of NHHG 2.- Receipt of an unsolicited offer for asset purchase 3.- Not strategic hotel for NH and requirement of Capex needs with low profitability Starting sales process for NHHG assets: 1.- Once the cash needs or debt reduction needs are established, HQ Asset Management Department proposes the best asset to be sold. It will be considered: - If the hotel management will continue (or not) within NHHG. In case we want to keep it, a sale and lease back will be proposed and in case not to keep it, it will be sold under "vacancy possession". - EBITDA figures in last years - Values calculated by external appraisals - Accounting impact (net gains/losses) - Tax analysis (analysis of the divestment structure and the taxes to be paid due to the divestment) - Cash impacts (cash inflow) caused by the sale of assets - Overall environment of the country 2.- NHHG analyzes any offer or expression of interest received from a third party and proposes if it makes sense or not to be presented in an Assets Committee 3.- When a non-strategic owned hotel requires a great CAPEX investment and its "return" is low, it will be proposed to sell it and to remove it from the portfolio	Ad-hoc for 2) and 3) and At the beginning of each year for 1)	HQ Asset Management with other Departments involved	N/A	N/A
1	Sale / divestment proposal	After analyzing the best divestment options (see above task and considerations), HQ Assets Department submits a proposal (or several) to the Assets Committee. In case of option 2) and 3) the proposals are submitted when a reasonable unsolicited offer is received or once the capex need is required.	Ad-hoc	HQ Asset Management Department	N/A	Assets Committee
2	Analyze the different proposals received from HQ Assets Department	After analyzing the different options presented by the HQ Assets Department, Assets Committee must decide: For option 1) and 3) - Which assets / hotels will be launched on the market for sale / divestment - And if it will be either i) through brokers and the main terms of the brokerage if an agent is used or, ii) through the contacts that the Assets Department already have (mainly reliable owner of our lease hotels) For option 2) If we go ahead with the sale based on the offer or not	Ad-hoc	- Assets Committee (CEO, CDO, CRO, CFO, COO, SVP Assets, SVP Controlling, SVP Legal, SVP Tax, VP Financial Analysis, SVP Construction, General Secretary)	N/A	Finance and others analysis carried out by Assets Department
2.1	Vendor Due Diligence	Brief Due Diligence of the asset before its commercialization, including ownership, title, charges and correspondence between its legal and physical status.	Ad-hoc	HQ Asset Management Department - HQ/BU Legal and Tax Departments	N/A	N/A
2.2	Preparation of the divestment document (sell sheet)	Preparation of the document with all the technical and economics details and information of the asset to present to potential investors. If the sale is through brokers the documents (teaser) is prepared by them This document / offer must include a deadline for submitting bids	Ad-hoc	HQ Asset Management together with other Departments involved	N/A	Power point document
2.3	Preparation and signing of the Non-Disclosure Agreement	Draft and signing of the relevant NDA before disclosure of confidential information.	Ad-hoc	HQ Asset Management Department - HQ/BU Legal and Tax Departments	N/A	N/A
2.4	Launching on the market	Two possible options for launching: 1.- Internally launched on the market from NHHG (HQ Assets Department): contacting mainly current owners of our hotels under lease or management 2.- Launched on the market by a real estate broker	Ad-hoc	HQ Asset Management Department	N/A	N/A
3	Bid comparison process	Applicable for points 1 and 3 in task nº 0: Once the deadline for submitting written bids has met, comparison and analysis period is open. Main factors / key points that have to be taken into consideration in order to choose the best bid: - Price of the tender - Terms and conditions of the offer - Level of reliability and seriousness of each investor / tenderer - Size and strength of the potential buyers / bidders - References and reputation of the buyers / bidders in other bidding processes - Net cash in - Impact in P&L - Need of dismissal of employees in case is under vacancy possession	Ad-hoc	HQ Assets Department with Tax and Consolidation Department	N/A	N/A
3.1	Bids received from assets that they are not for sale	Applicable for point 2 in task 0: Any written offer / bids received from assets that they are not for sale must be analyzed: - If price is above the market and / or appraisal value - If there are some positive impacts: Good EBITDA multiple (with and without Capex), impact in P&L, etc	Ad-hoc	HQ Assets Department with Tax and Consolidation Department	N/A	N/A
3.2	Submission the best divestment offers to the Assets Committee	Once the Assets Department has analyzed the best received bids (or a very good divestment opportunity), it submits them to the Assets Committee for evaluation and the subsequent decision (choice)	Ad-hoc	HQ Assets Department	N/A	Assets Committee
3.3	Submission the best divestment offers to the Delegated Commission	Once the Assets Committee has approved a divestment it is submitted to the Delegated Commission	Ad-hoc	HQ Assets Department	N/A	Delegated Commission
4	Ratification of the final decision and communication to the tender	Once approved in the Delegated Commission NH informs the final decision and communication to the tender	Ad-hoc	HQ Assets Department	N/A	N/A
5	Preliminary Agreements	If agreed by the Parties, usually A Head of Terms, Letter of Intent or Memorandum of understanding is signed which included: - The divestment structure - The agreed terms and conditions of the offer - The period for Due Diligence - The period for confirming the offer after the Due Diligence	Ad-hoc	HQ Assets Department with Legal and Tax Departments	N/A	N/A
6	Realization of due diligence (DD)	Due Diligence definition: It is the process of systematically researching and verifying the accuracy of the financial statements of the company or asset(s) that is the object of the sale. From a legal point of view, the DD will relate to title, charges, limitations to its disposal, etc. From the tax point of view, the DD will related to the relevant payroll, local, activity and real estate taxes are duly submitted and paid. The time period for the "Due diligence" preparation is agreed between the two parties (NHHG and buyer) NHHG must receive a list of all the documentation that is requested by the buyers	Ad-hoc	Buyer (or company hired by the buyer in order to manage the Due Diligence)	N/A	In situ Remote
6.1	Realization of due diligence: Creation of virtual Data Room	Creation of virtual Data Room (external data room with hired intralinks that NHHG has an agreement with them) in order to uploading all the documentation requested by the buyer: - Business General Analytics & Description documents - Commercial documents - Mercantile, legal and accountancy documentation - Financial, Payroll and Tax documentation & analysis - Other additional documentation	Ad-hoc	HQ Asset Management together with other HQ / BU Departments involved	N/A	Intralinks
6.2	Realization of due diligence: Management of requests and communication with the buyer	Coordinate and manage with each NHHG Department HQ / BU) all information / documentation required from the buyer: - Require the information / documentation of each department - Upload and update all information / documentation in virtual Data Room - First hand contact with the buyer or its advisers, acting as an intermediary between NHHG Departments (BU / HQ) and the buy side.	Ad-hoc	HQ Asset Management together with other HQ / BU Departments involved	N/A	Intralinks
6.3	Issuance of the final Due Diligence report	Final Due Diligence report issued by the Buyer (or company hired by the buyer in order to manage the Due Diligence) with full details and justification of analysis performed. Two possible scenarios: 1.- Buyer keeps the initial bid (due diligence does not detect any relevant point / condition which might have a negative effect on the price of the initial bid): Price of the divestment is closed and the legal and the signature process is started 2.- Due diligence brings up inconsistencies and inaccuracies in the financial statements or other legal issues which cause the buyer decides to lower the initial bid price	Ad-hoc	Buyer (or company hired by the buyer in order to manage the Due Diligence)	N/A	Reports

Order	Task	Task Description	When	Responsible	Frequency	Tools ☐
7	New bid price caused by the due diligence results	Offering a new bid price caused by the due diligence results	Ad-hoc	Buyer	N/A	Written bid
7.1	Review and re-analyse all indicators and impacts with the new written bid	Review and re-analyse all indicators and impacts (financial, taxes, cash, etc) with the new offer bid done by the buyer (back to task nº 3)	Ad-hoc	HQ Assets Department together with Tax and Consolidation Departments	N/A	Written bid
7.2	Return to tasks nº 3.2 and 3.3: Submission the new offer to the Assets Committee	Return to tasks nº 3.2, 3.3 as many times as necessary	Ad-hoc	HQ Assets Department	N/A	N/A
7.3	Evaluation and decision-making process: Rejection of final price bid	Rejection of the final price bid made from the buyer and decision on selecting, or not, a new offer from other bidder	Ad-hoc	Assets Committee	N/A	Written letter
7.4	Return to tasks from nº 3.1 to 7.3: Select a new bidder	Return to tasks nº 3.1 to 7.3, and select a new bidder, as many times as necessary	Ad-hoc	HQ Assets Department Delegated Committee	N/A	N/A
8	Draw up the sale contract	Draw up the sale contract and send it to the HQ / BU departments involved (Operations, Tax, Finance, Administration and Projects, Construction & Engineering Departments)	+7 working days from the receipt of the full contract terms	Legal Department	Ad-hoc	Sale contract.txt (according to the country) E-mail
9	Wording validation	All Departments involved in the sale (see above) will submit feedback and validation to Legal Department about the wording of the contract terms that concern them	+3 working days from the receipt of the terms by Legal Area	All Departments involved Assets Department	Ad-hoc	E-mail
10	Update the draft and send it to the buyer & Assets Department	Draw up the new sale contract and send it to the buyer & Assets Department to validate the wording	+2 working days from the receipt of all validations from all departments involved	Legal Department Tax Department Assets Department	Ad-hoc	Sale contract.txt (according to the country) E-mail
11	Review the draft/comments received from the buyer	Validate that proposal of buyer is according to the terms of the negotiation	+2 working days from the receipt by buyer	Assets Department	Ad-hoc	Sale contract.txt (according to the country) E-mail
12	Submit all legal certificates, permits and documentation to the buyer if required. Also, manage and/or follow up the change in ownership or cancellation of the supply contracts (energy and water services)	<p>1.- Certificates and permits: a) Submit all legal certificates and documentation of the building, activity and installations to the buyer if required, including: - As built project and drawings - Certificates of installations (tests, permits, legal inspections, etc.) - Contracts (supplies, maintenance, legionella, communications, etc.) - Potential risks certificates (such as contaminated soil, asbestos, etc.) <i>The indicated deadline (+10 working days) could be greater if any certificate and/or building or installation document is not available, and it needs to be requested or processed</i> b) Sign the corresponding applications to manage the change of the <u>operation and hotel permits</u> by the buyer. Do a follow up of this process</p> <p>2.- Change in supply contracts (energy and water services): a) Sign the corresponding applications to manage the change in the <u>supply points ownership</u> (water, electricity, gas service, etc) by the buyer. Do a follow up of this process. b) Change the ownership of the <u>current supply contracts</u> (water, electricity, gas service, etc) with the same distribution and supply company or proceed to cancel them.</p> <p>3.- Others: Notify the local authorities the change in ownership or delisting of dangerous equipments and installations (lift system, cooling tower, processing plant, etc)</p>	+10 working days from requirement of the buyer	Projects, Construction & Engineering Department	Ad-hoc	E-mail
13	Send the new terms to Legal Area & others departments (if applicable)	If the buyer does not agree with any previous terms approved by the Assets & Delegated Committee, the new terms will be sent to the Legal Area and all departments involved for analyzing those changes. Assets Department will be able to cancel the new project or escalate the new terms to the Assets & Delegated Committee for a new approval	Ad-hoc	Assets Department	Ad-hoc	E-mail
14	Review internally the draft provided by the buyer, update it with the new terms and submit it to departments involved	Review the draft by Legal and submit it to departments involved for review and mark up. Update the draft with the new terms and submit it to departments involved for validation	+3 working days for validation from all departments involved	Legal Department All Departments involved	Ad-hoc	Sale contract.txt (according to the country) E-mail
15	Send the draft reviewed to Assets Department to validate the wording	Send new draft to Assets Department to validate the wording and continue with the same process from Order 11 till Order 17) till final version is in an agreed form with the Landlord and Assets Department. Assets Department will also submit the new draft to all departments involved (if applicable)	Maximum 5 working days from the receipt of all validations from all departments involved	Legal Department	Ad-hoc	Sale contract.txt (according to the country) E-mail
16	Submit draft updated to the buyer	Submit draft updated to the buyer for review and final approval	+2 working days from Assets Depart. validation or receipt by legal department	Assets Department or Legal Department	Ad-hoc	Sale contract.txt (according to the country) E-mail
17	<u>LEGAL Contract signature process by Attorneys in fact</u>	LEGAL Contract signature process by Attorneys in fact: Sign the Legal Template in order to be sure that the contract has been properly reviewed for the NH Departments involved in the negotiation.	Before contract is signed	Assets Department HQ / BU Legal Department	Ad-hoc	<u>LEGAL Contracts review</u>
18	Sign the sale contract	Sign the sale contract between the buyer and the Company.	Ad-hoc	Legal Department (or Assets Depart, as the case may be)	Ad-hoc	By e-mail with scanned contract or "In situ"
19	Completion of the sale	Usually, completion of the sale (including payment of price and transfer the ownership) takes place in a subsequent phase after signing.	Ad-hoc	Legal Department (or Assets Depart, as the case may be)	Ad-hoc	N/A
20	Communication of the signed contract	Communication of the signed contract to the Management Committee and SVP positions	+2 working day from the signature	Assets Department	Ad-hoc	E-mail
21	Communication of the signed contract	Send an e-mail including below information to all BU departments involved and the related HQ: Compulsorily to SVPs / VPs at Headquarter (Finance, Operations, Marketing & Communication, Commercial, Internal Audit, Legal, HHRR, Assets & Development), BU Management Committee. Optionally, if Operations Regional or the Hotel Manager are involved in the process, the BU Operations Director is responsible to spread them the information.	+2 working day from the signature	BU Legal Department HQ Legal Department	Ad-hoc	E-mail
22	Record the financial effects of the sale	Record the financial effects of the divestment / sale Check that the payments comply with the rental conditions signed.	+5 working days from the reception of the contract	Finance & Administration BU	Ad-hoc	SAP_FI
23	Review the recorded financial effects	Check that the amounts entered in the accounts as a result of the divestment are correct and in accordance with the accounting regulations in force.	Ad-hoc	Finance & Administration Department HQ	Monthly	SAP_FI
24	See <u>Hotels Disaffiliation process</u> if Hotel does not keep in NHHG portfolio	See <u>Hotels Disaffiliation processes</u> if Hotel does not keep in NHHG portfolio	Hotels Disaffiliation processes times	See Hotels Disaffiliation processes	Ad-hoc	<u>See Hotels Disaffiliation process</u>
25	Post-closing actions	The Asset Management department in collaboration with All Departments involved elaborate a document that describing tasks, deadlines and appointing its responsible. Assets Department will send it by email to the relevant departments of the HQ/BU.	1 week after completion	Assets Management	Ad-hoc	N/A
26	Carry out the post-closing actions	All Departments involved check and follow up the relevant post-closing actions.	Under the deadlines	All Departments involved	Ad-hoc	N/A