

Advertising agreement settlement (Barter)

1 Procedure validation

Version	Corporate Area	Approved by:	Date
2	Marketing (Process Owner)	Chief Marketing Officer	July 2016
	Administration	SVP Administration	
	Legal	SVP Legal	
	Taxes	SVP Taxes	
	Internal Audit	SVP Internal Audit	
3	Marketing (Process Owner)	SVP Marketing Services	March 2018
	Administration	SVP Administration	
	Taxes	SVP Taxes	
	Legal	SVP Legal	

Objective and scope

RESTRICTIONS

- 1.- This procedure does **not apply to management and variable lease agreement** hotels
- 2.- Barter agreements between **companies situated in different countries are not allowed**

This document will show how to do process for contracting, reserving, service delivering and billing operations concerning Barter agreements.

Barter is considered as any hotel services in exchange of advertising, public relations or sponsorship actions (or exceptionally another type of products or services). NH will negotiate Barters that only include exchanges of room-nights, breakfast and meeting-rooms. **F&B services are excluded from these services in exchange.**

All NH Hotel Group Central Services, Business Units departments of Marketing, Communication, Administration, Operations, Tax and Legal are called to comply with this procedure.

Types of Barter agreement:

1. **Hotel:** Only one hotel affected. Both income and expense are booked in the hotel records.
2. **Country:** When more than one hotel within the same Country are affected. From the statutory accounting point of view, the income and the expense should be shown in the books of the Company which runs the hotel performing the barter agreement. For budget purposes, the cost should always be assigned to the Marketing Department.

For clarity sake, agreements at the level of HQ and BUs are allowed, but they should be considered as mere framework agreements. They should contain provisions or annexes or refer to other contracts which regulate the exchange of services between NH affiliates and affiliates of NH's counterpart established in each of the countries included in the scope of the agreement.

Different types of barter agreements:

- 2.1 BU Marketing Department Agreement – Hotels within the same BU and country: Marketing expense is posted in BU Central Services
- 2.2 Hotel Agreement – Other hotels within the same country. Marketing expense is posted in hotel-s which receives the marketing services.

There is no minimum value for a Barter agreement. Market price (taxes excluded) will be applicable for both NH Hotel Group and the supplier. The valuation of the services should always be made excluding VAT. Also, City Taxes and other indirect taxes linked to our services shall always be paid by the supplier.

Barter will be always supported by a contract signed by the parties before any services execution. Both parties will provide an invoice for their services. No payment is expected since the accounts payable and receivable will be compensated on a monthly basis (except for potential unbalances generated due to the different VAT rates applicable to the bartered services, City Taxes or any other indirect tax).

Up to 1.000 EUR value limit (any tax excluded) can be agreed at Hotel's level (General Manager), that will always provide BU Marketing Director a copy of the agreement signed with all the barter details. Over that limit will require for BU Marketing Director signature up to 60.000 €.

Any barter agreement above 60.000€ should be approved by following HQ departments:

- Marketing Department
- Operations departments (Commercial and Management Control)
- Tax Department
- Legal Department
- Finance & Administration department

Each service offered value by NH (room / meeting room) will depend on the country and specific Hotel according current rates. In order to quantify NH services in exchange, it is key to get a written doc with the market price and details of the services provided by the supplier. **All Barter agreements will be documented in a signed contract that explicitly defines the volume and value of the agreement (excluding taxes) for both NH and external supplier services. Terms and conditions for Barter agreements are defined in a contract at BU level (Legal Department).**

Any agreement modification will be reflected and attached in a signed by both parties annex to the contract following the same process as new (see value limit empowerment references above).

Summary

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1.1 Barter negotiation

Responsible: Marketing responsible

Hotel (General Manager)/Marketing department (HQ or BU Marketing department) will be responsible for Barter agreements with suppliers, according value limits already mentioned.

Contract negotiation should take into account the following aspects:

- The Hotels included in the scope of the agreement and the number of rooms in services exchanged by country in order to fix the value of services in return from the counterpart.
- The detailed services to be provided.
- The services value will be TAX, city tax and any other indirect tax **excluded**.
- Any hotel booking will comply with availability conditions, sales closing dates, channel reservation, cancellation terms, etc.
- The contract must include the date of start and finish of the service exchange, hotel services per advertising services as well as the booking process details
- The parties must agree to perform their services and therefore to invoice them simultaneously or maximum, within the same calendar year, so that we can minimise the financial impact of the VAT and the correlation between income and expense for the Group.
- The agreement must be signed without exceptions by the legal representatives or the legal entity/entities which undertake to provide services, never by NH Hotel Group S.A. Likewise, it should be avoided that NH Hotel Group sends purchase orders, requests and general documents related to the contract execution.
- 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.
- All the contract will be signed according to the powers of attorney structure

Before signing the contract, the marketing department must send the template *Barter Approval template.xls*, along with a model supporting the agreement (Business Case) and a copy of the contract to reflect the exchange of services to all departments involved for the approval.

Marketing department could issue vouchers valued by the total amount of the Barter agreement. These vouchers must be shown at front office within check in procedure. In case vouchers are used, these vouchers could not be transferred to other thirds parties (other agencies, etc) and they should not be used beyond duration of the contract (1 year as maximum aligned with calendar year).

2.2 Barter approval

Responsible: SVP Marketing, SVP Commercial, SVP Operations and Control, VP Tax, SVP Legal, SVP Administration

As mentioned above, Hotel General Manager is allowed to sign Barter agreements valued below of 1.000 EUR (Taxes excluded) according to the powers of attorney structure, but will need to inform and agree with the BU's Marketing Director before the approval.

Those agreements valued above of 1.000 EUR (Taxes excluded) must be approved by BU Marketing Director. Any agreement above 60.000 euros will have to be also approved by HQ.

All Barter agreements have to follow the same approval workflow. The departments involved in the approval should review the template sent by the Marketing Responsible and approve or reject at its discretion.

2.3 Barter conditions communication

Responsible: Marketing department

Marketing department is responsible to communicate about the new Barter Agreement to all affected departments:

- Finance department for foreseeing costs purposes and credit request
 - If it is a HOTEL level barter agreement: Hotel processes the credit line request in SAP_CRM
 - If it is a BU level barter agreement: BU Marketing Department requires the credit request in SAP_CRM
 - The credit line granted must be considered as a temporary situation (until barter final settlement), unless that *AR01 - Credit Concession process* has been performed. In the event of temporary credit line, Hotel Manager / BU Marketing Department must inform to BU Credit Manager about the cancelation of the credit line.
 - For further information of the credit process see **AR01 - Credit Concession process**
- CDM department (CRM.service per BU) in order to upload properly the agreement in the system (fill the *Barter Agreement Request_Template*). CDM department will provide to the requestor the TMS contract name to be included in the reservation request.
- Hotels / BU
- Customer: Marketing will provide to the customer the reservation details as mail address (reservations@nh-hotels.com) as well as contract name to request any reservation.

2.4 Invoice registration

Responsible: Administration department / Marketing department

Once barter contract has been signed, Barter requests will be dealt according to the Purchasing with PO-Receiving procedure

In case vendor doesn't exist on SAP, this will have to be set up by procurement department upon request from Hotel/Marketing function, indicating the payment term "netting". Vendor services will be considered Purchase order based in SAP that will require electronic reception of the services once they are delivered by the vendor to trigger P&L impact. The purchase order and good receipts have to be registered by the Hotel or the Marketing department, who signs the agreement.

The purchase order and the goods receipt are recorded in Marketing Central Services when decision making is done centrally; and for the hotel it registers the corresponding orders and receipts to the decentralized procurement. Obviously, the order will be recorded upon receipt of documentation and when the goods receipt verifies that the contracted delivery takes effect.

BU / HQ Marketing Department / Hotel Manager must require the invoice from the vendor (including the PO number) and submit it to the BU AP Department.

BU AP Department must:

- Submit the invoice to NH_Invoice@epsportal.com mailbox in PDF format (one PDF file for each invoice).
- Verify that the vendor invoice is properly posted.

2.5 Reservation process

Responsible: Booker (Front Office staff / CRO)

Depending on the operations defined for the process of reservation of rooms and / or services, the bookings will be carried out by the person in charge of this task in the company which the Barter agreement is signed or by NH staff. The request of services and hotels for Barter agreements are subject to availability.

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The booker must choose properly the commercial client as well as the created agreement in order to apply correctly the rates agreed. Room rate will be BAR or Negotiated rate.

2.6 Check out and Invoicing – documentation to administration

Responsible: Front Office staff

At the time of check-out the client will pay the extra costs not included in the Barter rate.

The invoice will be issued under company name in credit, with the booked charges accordingly with instructions agreed, in terms of payment method, invoice address, etc.

Check out and invoicing (Front Office Manual) procedure must be followed. The invoice will be issued at the time of check-out or at the time the marketing services (or other) are rendered according the Barter agreement if these services are rendered before the date on check-out. In this latter case, the first invoice shall be issued to document the advanced payment, and at check-out, the front office shall issue a second invoice including the advanced payment.

For Barter agreements which vouchers are used as method of payment, the client must provide to the front office the voucher

If the total amount of the invoice exceeds the voucher's value, the guest must settle the difference. If the invoice amount is below the voucher value no refund will be done.

2.7 Posting, invoice application and final payment (when applicable)

Responsible: Administration department

Invoices issued by hotels won't be settled by the supplier but will be balanced with payables invoices that NH has with the supplier for services covered by the Barter agreement.

Providers must include in all bills agree Barter the text: "according to agreement Barter - date XXXXXX)

If Administration Department is outsourced (SSC):

1. BU AR Department requests to SSC (AR.Internal@digitalsharedservices.com mailbox) the manual clearing of the issued invoices using the [Netting_Proposed Template.xls](#).
2. BU AR Department verifies that the clearing process of issued invoices has been done correctly.
3. Once the vendor invoice has been posted, BU AP Department requires to the SSC the clearing of the vendor account (also verifying that the clearing process has been done correctly).

Invoices will be billed to the NH legal entity party that signed the barter contract.

Barter closure / settlement with flow of funds or accounts movements within the Company Treasury Group (GT):

- If VAT rates are different (i.e Input VAT from vendor invoice is 21 % and out VAT from NH hotel invoices is 10 %). In these cases, NHHG must pay for the credit balance to the vendor (due to the different VAT rates).
- When hotel benefits from the marketing services is different that Hotels which receive the hotel reservations from the barter agreement, the first one must pay to the affected Hotels the credit invoices issued in the name of the vendor. If all parties involved belong to the same treasury group, a flow of funds are not required (only an accounting transaction in GT account will be necessary).

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2.8 Monthly control

Responsible: Marketing responsible /Administration department

The Marketing responsible will review on a monthly basis, from TMS, the consumption made from the agreed services (*Netting_Proposed Template.xls*) and will inform Administration on the use of hotel services by the supplier in order to compensate the outstanding balance of the Barter services pending to be consumed.

TMS transaction /CCSHT/TP_PROD_CONTR - Revenue by Contract

3 Related documents

Check out & Invoicing – Front Office Manual

Purchasing with PO-Receiving

4 Template and File

Template /Document	Responsible	File period
Barter Approval Template	Marketing Responsible	Current BU legislation
Barter Agreement	Marketing Responsible	
Barter Netting proposed template	Administration Responsible	