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# Maintenance purchases

Published: October 2012

Update Version: March 2013

Code: 65-00-04-PR-E-06-00

## Objective and scope

This is a detailed plan of how to manage the maintenance purchases: from the search for the product and negotiation with the suppliers to the signing and filing of the contract and the invoicing of the contracted products or services.

## Summary

- 1 Authorization level for purchases
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NH Hotels has a set of approved suppliers that we will use as the first options to purchase all the items/ service. If these suppliers are not used, there should be an specific reason not do so.

## 1 Authorization level for purchase

### 1.1. Maintenance purchases for hotels with Click & Buy

For the hotels working with Click & Buy system, the following approval limits and automatic approval flow have been established for the maintenance purchases:

	< 300 €	300€ - 2.500€	2.501€ - 5.000€	5.001€ - 60.000€	> 60.000€
	1st Approver	2nd Approver	3rd Approver	4th Approver	5th Approver
MAINTENANCE	It doesn't require approval	Hotel Manager+Regional Maintenance	BU Maintenance Director + Regional Operations Manager	BU Operations Director + BU Financial Director	CPC

When there is a need of a new supplier registration within the scope of C&B, or in case the supplier is already authorized but not in the expense category needed, it will be required that the request for approval shall be accompanied by the following information:



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- When the order amount is **less than 5.000€**, must be accompanied by one budget.
- When the amount is **between 5.000 Euros and 60.000€**, will be advisable to go with two budgets.
- When the amount **exceeds 60.000€**, it is recommended to have three budgets.

Those responsible for the approval of new suppliers will be the **Directors of the Maintenance of each BU.**

## 1.2 Maintenance purchases (out of Click & Buy) system

For those hotels that “Click & Buy” system is not implemented, all purchasing requests **over 60.000€**, will be approved by the **Corporate Purchasing Committee**.

Requests **under this limit** must follow the purchasing approval flow defined in each Business Unit.

Furthermore, if this is a **new service contract or purchase** from non approved supplier, it will require an approval request accompanied by the following documents:

- When the amount of the order is under the limit of approval of the Hotel Management, it will be recommended to have a prior budget.
- When the amount exceeds the established limit for the Hotel Management must be accompanied by **two budgets**. The amount is **more than the hotel limit and less than 5.000€**.
- When the amount exceeds **5.000€**, **three budgets** are recommended.
- **If the amount is more than 60.000€**, the **Corporate Purchasing Committee will give their approval** and three budgets will also be recommended.

## 2 Operative

### 2.1. Purchase necessity and offer evaluation

***Responsible: Corporate Purchasing Area, Corporate Environment and Engineering Area, Maintenance Manager, Hotel Manager, Regional Environment and Engineering Responsible***

The necessity to contract a new maintenance service for the hotel can arise in two different moments:

- **When an existing preventive maintenance contract ends** when the Regional Environment and Engineering Responsible prepares the maintenance book for a hotel he will have to consider the need of a new supplier for the planned maintenance for the hotel.
- **At any moment**: when there is a breakdown (corrective maintenance) or when the hotel acquires new equipment and therefore is necessary to contract the maintenance of the equipment.

The vast majority of the contracts are negotiated with certified companies by Purchasing and the Environmental and Engineering departments, taking into account economic, technical, and environmental requirements and offering the hotels different solutions depending on their own needs.

In case there are no options that fulfill the requirements of the hotel, the responsible for the purchase will be the Maintenance Manager and the Hotel Manager:

Organization Department – Maintenance purchases



- The number of budgets or offers to consider is established for each BU at each moment depending on the amount and the kind of purchase (see **1 Authorization level for purchase**)
- We will always consider the absolute amount of the project, it is forbidden to ask for a partial invoicing of the project or contract.
- In any case the budget will be always required to a certified company.

It is always recommended to ask the Regional Environment and Engineering Responsible for help with the negotiation and especially for the major and /or complex purchases that might require further control. It is compulsory to inform the Regional Environment and Engineering Responsible for the purchases arranged by the NH Headquarters.

The supplier selected will be the one that offers best quality and best service (best conditions in terms of flexibility and speed in delivering goods and services).

**The request of a new supplier registration to the purchase department must be dealt by the BU Maintenance Director.**

## **2.2 Purchase: contract or acceptance of budgets offered**

**Responsible:** *Maintenance Manager, Hotel Manager, Regional Environment and Engineering Department Responsible, Regional Operation Manager, Administration Department*

The person responsible for the negotiation of a contract is also responsible to sign the contract with the supplier (preventive maintenance) or to obtain the correct authorization for the approval of the budget (corrective maintenance) accordingly to the established limits for each BU for each amount and kind of purchase (see **1 Authorization level for purchase**).

The small purchases due to minor issues do not require a contract. But for relevant purchase (preventive or corrective maintenance) it is required a contract. The Legal Department will be required to revise the contract whenever is necessary.

The contract has to be signed by the Hotel Manager, Maintenance Manager, the Regional Environment and Engineering Responsible, and the Regional Operation Manager proving that the part that will pay and the technical expert agree about the budget. Eventually the contract has also to be signed by the persons of the company who have the authority to do it. Once all the necessary signatures from NH Hotels are gathered the contract will be send to the supplier.

**\*BU CE: Global contracts in the maintenance (for example maintenance contracts for a region) only should be planned from the E&E Department. Such contracts are only signed by the Managing Director of BU CE.**

The Administration Department will be informed of all new contracts to keep update the data base: supplier, periodicity, amount (if it is fix), starting date, closing date, etc...

When the new contracts represent a big change in the hotel's budget, the Administration department will take them into account in month closing allowance (**FIGL04 – Monthly closure**)



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## 2.3 Maintenance invoice

**Responsible: Maintenance Manager, Hotel Manager, Administration Department**

For the accounting and payment of the maintenance invoices we will follow what is marked on the templates *CBCA03 – Purchases requested/received* or *CBAP01 – Initial Invoice handling*, and decide if the purchase require to be registered in iProcurement depending on the criteria of each BU.

The hotel will keep record of all the documents that justify the purchase (contracts or budgets) as well as delivery notes for a service or equipment. This will allow a better control over the invoicing for external companies services and the correct accordance to the contracts or budgets in relation to the quality and price offered

***\*BU Italy: The Administration Department should file all the documents that justify the expense (contracts or budgets). The Maintenance Responsible should file all the delivery notes for a service or equipment. The BU Environment and Engineering Responsible will check the invoices to ensure a proper invoicing control.***

## 3 Related procedures

Monthly closure

Purchases requested/received

Initial Invoice handling

## 4 Templates and file

Template or Document	Responsible	File period
Maintenance contracts and budgets as we well as all the offers received	Maintenance Manager/ Hotel Manager	Maintenance Manager/ Hotel Manager
Copy of all the delivery notes that implies the reception of a product or a task fulfilled in the hotel	<b><i>*BU Italy:</i></b> <b><i>Maintenance Manager / Hotel Manager / Regional Environment and Engineering Responsible/ Administration Department</i></b>	Maintenance Manager/ Hotel Manager
Copy of all invoices (or copy)		Maintenance Manager/ Hotel Manager



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## 5 Procedure validation

Version	Corporate Area	Approved by		Approval date
1	Projects, Construction & Engineering <b>(Process Owner)</b>	Environment & Engineering Director SVP Projects, Construction & Engineering	Luis Ortega  Santiago López	October 2012
	Internal Audit	SVP Internal Audit		
	Operations	Operations Control Director		
	Resources	SVP Human Resources		
	Administration	VP Administration		
	Purchasing	SVP Purchasing		
	Management Control	SVP Management Control		
	Management Committee			Steering Minutes 16/10/ 2012