

Re-billable and billable Services and Expenses Policy in NHHG

PROCEDURE VALIDATION

Version	Approved by	Approval date
1	SVP Operations	February 2019
	SVP Administration	
	SVP Controlling & Strategic Planning	
	SVP Marketing Services	
	Chief Commercial	
	Chief RRHH	
	SVP IT	
	SVP Development	
	Director Organization	

SCOPE

Establish a general range of services and fees which can be provided in the Management Contracts and/ or Special Contracts (joint ventures). Furthermore, it establishes the general methodology and framework in the Re-billable and billable Services and Expenses in NHHG.

This policy will provide the basis in the new management contracts for the negotiation process by Expansion Development, and also it will be the framework for executing the invoicing and re-invoicing processes which are direct responsibility of the Administration Department.

Areas Responsible involved in this policy (VP or SVP tentatively) will be the sole responsible of communicating any change or updating of the services and expenses invoicing criteria indicated in this policy.

OBJECTIVES

1. Indicate and detail the **scope and content** of each management fee.
2. Define the **services and / or expenses which can be re-invoiced** to hotels (services and expenses do not include the general management fees).
3. Define clearly the **re-invoicing criteria**:
 - a. Avoiding discrepancies in the issued IC invoices
 - b. Reducing the risk of unpaid bills by hotel's owners
4. Provide a basis for the **Management Framework Contract** to be signed between the parties

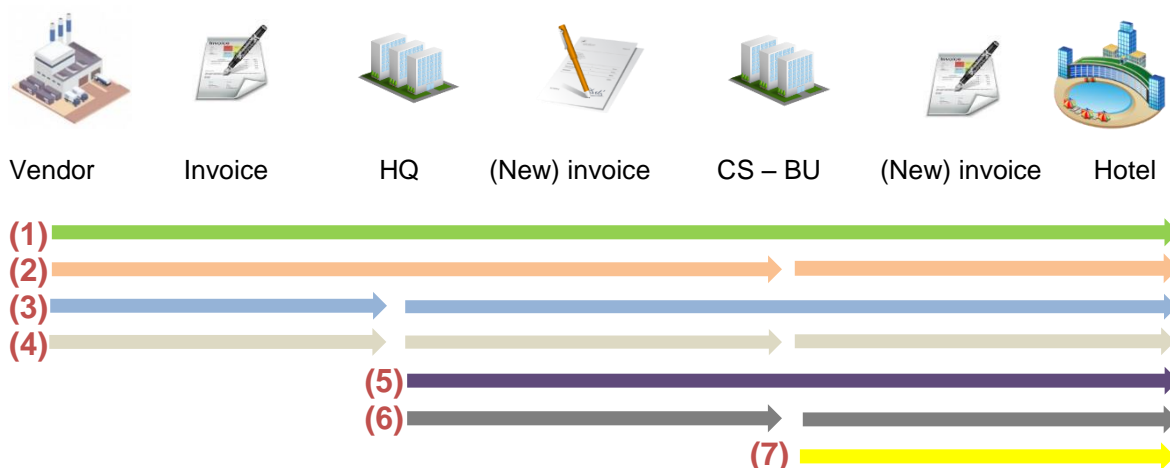
SUMMARY

1. Re-invoicing definition
2. Items to be re-invoiced according to the expense nature
 - 2.1 Services and materials to be re-invoiced
 - 2.2 Staff costs to be invoiced (expense distribution)
 - 2.2.1 Payroll costs
 - 2.2.2 Other staff costs
3. Types of services / expenses which can be re-invoiced
 - 3.1 Standard Services / expenses to be re-invoiced
 - 3.1.1 Expenses to be re-invoiced previously invoiced by 3rd party
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5. Invoicing criteria of the re-billable and billable expenses and services
 - 5.1 Re-billable Standard Expenses
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 - 5.4 Non-billable Services
 - 5.5 Hotel expenses re-invoiced to SSCC
6. Re-invoicing methodology
7. Accounting treatment of re-billable expenses
8. Related documents

1 RE-INVOICING DEFINITION

It is a process that an invoice from SSCC (BU / HQ) is issued to Hotel (or to BU if the invoice is issued from HQ) for an expense or a service provided:

- A) By a vendor (in most cases)
- B) Directly by the Central Services (i.e, payroll structural expenses)



Examples,

- 1.- Non invoicing (direct invoicing by the vendor)
- 2.- Re-invoicing: Transaction fees de GDS, web commissions, Microsoft Licenses
- 3.- Re-invoicing: Transaction fees de GDS, web commissions, Microsoft Licenses
- 4.- Re-invoicing: IT Services (software, SAP, TMS, etc)
- 5.- Non re-invoicing: Fees and/or HQ structural expenses to be charged and distributed
- 6.- Non re-invoicing: Fees and/or HQ structural expenses to be charged and distributed
- 7.- Non re-invoicing: Invoicing for BU CS structural expenses distribution

Re-invoicing summary according to hotel operation contract

	<div>Hotel type</div> <div>Item to be invoiced</div>	Hotels with special contracts / Joint ventures)	Management Hotels
Fee types	Base Fee	X	✓
	Marketing / Brand Royalty Fee	X	✓
	Loyalty Fee	X	✓
	Sales & Reservation Fee	X	✓
	Incentive Fee	✓	✓
Services / Expenses Re-invoicing	Standard Expenses Re-invoicing	✓	✓
	Standard Services Invoicing	✓	✓
	Additional Services Re-invoicing	✓	✓
	Non-billable Services	X	X

✓	Standard Invoicing
✓	Additional Invoicing
X	Non Invoicing

2 ITEMS TO INVOICE AND / OR RE-INVOICE ACCORDING TO NATURE OF THE EXPENSE

2.1 Services and items to be invoiced

Hotels expenses that are initially invoiced by HQ or BU Central Services and must be re-invoiced to the hotels, i.e. transaction GDS fees, web commission, Microsoft Licenses, telephone costs, etc.

These invoices can be issued to each hotel in accordance with its own cost, or can be issued to HQ or BU Central Services for the full cost and subsequent distributed to each hotel in accordance with a defined indicator. The invoicing source can be:

- Services provided by companies or freelancers
- Materials bought for hotels that have been originally invoiced to HQ or BU (exceptional cases)

2.2 Staff cost to be invoiced (cost distribution):

2.2.1 Payroll cost (salaries, bonuses, social security expenses, severances, compensations, etc)

2.2.2 Other staff costs (office supplies, software licenses, telephone lines, travel and living expenses, insurances, training, etc):

The amount to be invoiced will be determined by the parties

2.3 Hotel Management Fees

- A) **Base Fee:** Senior management activities
Fee range: 2,00 and 3,50 % by the total revenue
- B) **Marketing / Brand Royalty Fee:** Fees that are not included in marketing hotel budget (OPEX)
- Management, support and development of NH Hotel Group brands
 - Definition and positioning of NH Hotel Group brands and elaboration of marketing and style guides
 - NHHG trademark defense and registration in every country
 - Supervision, follow up and management of the service and brand domains
 - Monitoring of brand evolution and perception and opinions in networks
 - Advertising and marketing campaigns focused in top level of the purchase process for strengthening the brand awareness
 - Define the social networking strategies and contents for NHHG brands
 - Developing tools for brand campaigns and loyalty programs for managed media
 - Planning, implementation and execution of global advertisements
 - Digital platforms management:
 - Supervision, follow up and management of brand official profiles in social networks
 - Develop and maintenance of NHHG websites and apps
 - Connectivity and cost platform (hosting, CDN, security, monitoring, etc.)
 - Creation and contains management for NHHG website, including the contains location for each language
 - Contacts and creativity plan development, e-mail sending and follow up of CRM database
 - Control and implementation of appropriate measures in order to comply with the internal and personal data processing legislation
 - SEO consulting and strategy for NHHG brands
 - Auditing, monitoring and follow up of NHHG brands attacks ("Paid Search")

- Follow up of the launched campaigns (results, proofs and invoicing process to agencies and media)
- Web analysis and strategy consultant for digital management
- iii. Support to hotels in advertising material preparation and design process
- iv. Institutional relations with media: Support in launching campaigns, new openings, sponsors management, public relations and communication
- v. Management and promotion of loyalty programs

Advertising direct costs for each individual hotel are not included

Fee range: 1,00 and 2,00 % by the total revenue

C) **Loyalty Fee:** NHR

Points generation costs and gifts costs for the program members are not included.

Fee range: 0,50 and 2,00 % by the total program reservations revenue.

D) **Sales & Reservation Fee:**

- i. Sales Representation from the entire NH Distribution Network and Hubs, including domestic and international teams seating at our Global Sales Offices around the world.
- ii. Giving access to our distribution pipes both direct and indirect.
- iii. Adding the property to our Strategic Partnership Agreements that benefit from preferred positioning, unique commercial agreements, terms and conditions:
 - OTA: Booking.com; Expedia, HRS, ...
 - Consortia: ABC, Radius; ...
 - TMC: AMEX GBT; CWT; HRG; BCD Travel...
 - Wholesalers: Hotelbeds, DOW; GTA; ...
 - TO: TUI, Thomas Cook; ...
 - M&E Specialist: HelmsBriscoe
 - COR Accounts: Accenture, EY
 - Airlines: Delta, Aeromexico, American Airlines, Iufthansa
 - M&E portals: C-VENT, StarCite, Meetago, ...
 - High End Networks (if applicable): American Express, The Hotel Collection, Virtuoso, ...
- iv. Support within the entire Sales Cycle for all different segments contracting, especially Corporate Travel through the Request for Proposal Sourcing Season.
- v. If using NH PMS and CRS; the property will be added to our B2B Digital platform, facilitating Direct Sales for Corporate travel (Including our Small Medium Accounts program: Benefit Program for Corporate); Travel Agencies, NH M&E Instant Booking Tool and Customized Group Website for call in groups.
- vi. Adding the hotel to our Advanced Pricing and Revenue Management Framework and methodology will support creating a competitive advantage.

Individual and group reservation services are not included

Fee range: 0,50 and 1,50 % by the total room and breakfast revenue

E) **Incentive Fee:** Min. 6,00% and Max. 10,00% by the **Adjusted GOP**. Options:

a) *GOP – (Base / Brand / Reservation Fee)*

b) *GOP – (Base / Brand / Reservation Fee – FF&E reservation).*

Depending on each negotiation will be a fix or variable fee according to GOP levels (scaled chart)

3 TYPES OF SERVICES / EXPENSES WHICH CAN BE RE-INVOICED

3.1 Standard Services / expenses to be re-invoiced

Provided services that, due to operations standards and / or administrative efficiencies, are directly contracted and invoiced via a NHHG (chain) vendor, or these services are directly provided to hotels from some department in HQ or BU (costs are a hundred attributable to the hotels).

3.1.1 Expenses to be re-invoiced previously invoiced by 3er party

Provided services to hotels that are initially invoiced to HQ / BU Central Services which must be subsequently redistributed and reinvoiced to the hotels. Two types:

- A) Some global services provided at corporate level that are invoiced from HQ / BU Central Services to hotels (i.e. Web commissions)
- B) Provided services contracted by HQ / BU Central Services and invoiced to these CeCos due to better prices obtained.

3.1.2 Expenses / services to be re-invoiced which have been provided by BU SSCC or HQ

3.2 Additional services to be invoiced

Services that HQ or BU Central Services can provide to any hotel and the hotel owner could choose if take them or not (at the agreed price between NHHG and the vendor)

3.3 Non-billable services

Services that generate an additional value for being within NHHG brand and they are included in the General Management Fees.

4 TYPES OF RE-INVOICING ACCORDING TO THE INVOICING SOURCE



HQ

They are HQ costs or services provided to BUs: NH Rewards, Airline Loyalty, Web Media, Transaction Fees (GDS), Rappels, Consortias (Service Fees)



BU Central Services

Other billable costs and services

5 INVOICING CRITERIA OF THE RE-BILLABLE AND BILLABLE EXPENSES AND SERVICES

5.1 Re-billable Standard Expenses (1)

(1) *If these expenses have not been directly invoiced to the hotel or CoCe*

CONCEPT	DESCRIPTION	INVOICING CRITERIA
IT – Antivirus Licenses	Computer virus protection (i.e telefónica)	According to the number of hotel workstations
IT - Microsoft & Windows Licenses (Office, Outlook and Windows licenses are included)	<u>Nominative users</u> : BU CS, HQ, Hotel Managers and Hotel Department Managers	According to the number of users of each center
	<u>Nominative users</u> : BU CS, HQ, Hotel Managers and Hotel Department Managers	According to the number of hotel workstations
IT – Server Support (hardware)	Servers guarantee renewals <i>(individual invoicing to the hotel)</i>	According to the model and the server age
IT - Server Support (software redhat)	Servers management (i.e. Brújula). Only in Europe (service provided and managed by HQ IT team in LATAM)	According to the servers number
IT- NH Talent	I.e Success Factors	According to the number of employees with access to each module
IT - Web content manager	I.e Tridion	Fix fee by hotel
IT – Hotel network VPN connection	Corporate network and wifi customer access are included I.e Telefónica Data <i>(individual invoicing to the hotel)</i>	According to the bandwidth contracted by the hotel
IT – ERP Licenses	Licenses maintenance SAP_TMS (i.e. Indra)	According to the number of hotel rooms
	Licenses maintenance SAP_POS	According to the number of POS workstations
IT - Wifi and Business Center service support	I.e: Fractalía (Spain) and Hoist Group (Europe)	Wifi support: According to the number of hotel rooms by hotel. Business Center support: According to the number of workstations and hardware models
	Level 1: <u>Software support</u> of the workstations <i>(individual invoicing to the hotel)</i>	According to the number of hotel workstations
IT - Software / hardware technical support (i.e. Econocom Osiatis)	Level 2: <u>Hardware support</u> <i>(individual invoicing to the hotel)</i>	According to the number of hotel workstations (outsourced service in Europe, IT internal service in LATAM)
IT – PCI bubble	Storage of credit card data	According to Hotel Revenue (%)

Administration – Customer Electronic Invoicing	Software / hardware concerning customer electronic invoicing (i.e. Voxel in Europe)	According to the number of total transactions (invoices submitted) If criteria above cannot be used, it will be calculated as a percentage of Hotel revenue of the total country / BU revenue
Administration - Reconciliation / management / payments of commissions services	I.e Onyx	According to the number of total transactions (paid commissionable reservations)
Marketing - Web Commissions	<p>1.- Media web cost (to generate direct sales by digital media / web and sales made by web or telephone).</p> <p>2.- Marketing performance invest (WEB MEDIA) to actions execution in:</p> <ul style="list-style-type: none"> - Searchers, Brand and Generics (i.e. Google, Yahoo, Bing y Yandex) - Meta-searchers as Trivago, Tripadvisor, Kayak and Google Hotel Finder - Retargeting through Criteo - Affiliation networks - Any new concept that could emerge in the marketing performance management 	<p>CPA (Acquisition per Cost) % = Web Media Cost (*) / Production total web channels + CRO web</p> <p>(*) Cost of the vendors' invoices</p> <p>The % CPA is annually calculated. I.e 8,85 % for 2019</p>
Marketing - NH Rewards	<p>Join to the loyalty program mechanic:</p> <p>Shell Company NH Rewards (before NH WORLD) [COUNTRY] that Works as points room</p>	<p>- <u>Generation</u>: NH Rewards invoices to the hotel by each generated point</p> <p>- <u>Redemption</u>: NH Rewards reimburses to the hotel a percentage of the redeemed points according to hotel occupancy (I.e. One hundred percent of redeemed points will be reimbursed if hotel occupancy is higher than 95 %)</p>
Marketing – Airlines or other companies loyalty programs	Generation of loyalty points in airlines (or other companies) due to NH room nights	According to criteria and mechanic of each loyalty program
Commercial - Central Reservation Office	Registration service of individual reservation	By the total room revenue (currently is a fix rate by each reservation)
Commercial - Transaction Fees GDS y Channel Managers (rate tiger / siteminder)	Amount to be paid to GDS (i.e., Amadeus, Sabre, Travelport) by transaction. It is originally invoiced to HQ and subsequently invoiced to BUs according to total Reservation by each hotel (GDS / rate tiger)	<p>Fix rate by reservation according to the negotiation with each GDS</p> <p>Fix rate by hotel / month: Siteminder</p>
Commercial - Consortia (Service Fee)	Quarterly fee according to revenue and to the total number of room nights (according to the signed contract)	Cost by each BU / hotel according to their local and preferential agreements. The amount is calculated according to the % of received reservations by each hotel and it is quarterly calculated from HQ

Commercial - Rappels	Commissions by incremental sales. From TMC, OTA's and M&E	It is calculated according to the sales volume by hotel with each channel and it is yearly invoiced to HQ, re-invoicing subsequently to BUs and from BUs to hotels (fix rate detailed from HQ)
Commercial – Software for accounts negotiations	Software for coordination and negotiation of global accounts (i.e Lanyon)	It is yearly calculated and invoiced to HQ, re-invoicing subsequently to BUs, and from BUs to hotels (fix rate detailed from HQ)
Commercial –Visual content software	I.e. Iceportal	Unit / Yearly rate by hotel

5.2 Re-billable / billable Standard Services

CONCEPT	DESCRIPTION	INVOICING CRITERIA
Maintenance – Profesional Services	Security, Occupational Health and Safety (SHIGMA), support contracts to hotels, etc	According to % hotel revenue on total country / BU revenue
Maintenance - (staff from other hotels)	Maintenance payroll cost	According to labor cost and time allocated for each assigned employee
Projects & Construction – General Support Services	I.e Support in implementation of the brand standards	According to the Projects % Construction Department budget
IT – NHHG General Support	General support services of the IT Corporate / BU staff structure	According to % of hotel revenue
Human Resources – HR Global Service	Strategy and mandatory training services (i.e. NH University), recruiting, general consulting, advertising of vacancies in websites, TFY, MBO, work environment services, communication, compensation, etc	According to total number of hotel's employees

5.3 Re-billable / billable Additional Services

CONCEPT	DESCRIPTION	INVOICING CRITERIA
IT – ERP licenses	SAP licenses general maintenance (SAP_FI, SAP_MM, etc)	According to total SAP users
IT – Renting and print services (i.e. RICOH)	Renting + printers software <i>(individual invoicing to the hotel)</i>	According to total printers

	Printers maintenance <i>(individual invoicing to the hotel)</i>	According to total and type of printers (normal or multifunction)
	Print services <i>(individual invoicing to the hotel)</i>	According to total prints
IT – Documents Readers	Documents readers maintenance <i>(individual invoicing to the hotel)</i>	According to total document readers of each hotel
IT –SAP_TMS Interfaces with external systems	I.e. Interfaces with switchboards, air-conditioning systems, wifi, etc	According to price established by NHHG IT Department (according to each interface type)
Revenue Management - Licencia aplicación Rev. Management	Revenue management software to estimate prices, demand and maximize occupancy and revenue (i.e. DUETTO) <i>(individual invoicing to the hotel)</i>	Fix rate by hotel
Commercial - GDS Advertising	Advertising in GDS (only when it is managed to country / BU level)	As required by hotel request
Commercial - Consortias (hotel program)	Fee as being within some programs (i.e. HRG, Ultramar)	According to hotel contract (annual fix rate)
Commercial – Rate Shopper	Public rate monitoring, i.e. ota insight, STR, etc	Fix rate negotiated from HQ for each hotel
Commercial – M&E Software	M&E Software (planning, administration and marketing of M&E)	Fix rate by hotel within this platform
Commercial – Trade Events	Fairs participation fee (i.e. ILTM, Le Miami, etc)	Fix rate for each hotel defined by the BU
Commercial - Revenue Management (employees)	Rate optimization services (to be invoiced in special cases)	Fix rate by room
Commercial - Group Sales Office	M&E and Groups record services (to be invoiced in special cases)	% on total revenue by signed booking file
Administration – Employees + Shared Services Center (SSC) (1)	Accounting and Administration services (AP, AR, GL, FA, Material Management, Kyriba, etc)	Percentage on sales
Administration – Electronic Invoicing – Vendors	Vendor portal (i.e INDRA) In Spain, Germany, Italy, Holland and Austria at the moment	According to total received invoices by the hotel. <i>Note: Mandatory service if the owner takes SAP_MM</i>
Administration – Tax Consulting (employees + external services)	Tax consulting provided with internal staff and/or external firms	Real cost re-invoicing (for service hours provided to the hotel)
Administration – Terminals TMSforPay	Renting and maintenance <i>(individual invoicing to the hotel)</i>	1.- Rate / fee by number of terminals (wifi or wired): According to total of terminals of each hotel (in IT budget) 2.- Rate / fee by each transaction: (in Administration Budget)
Projects & Construction – Project Manager Services in refurbishments	Project Manager Services in hotel refurbishments	According to the quotation submitted by the Projects & Construction Department

Control – External Audits	- Revenue statement audits - Re-invoiced services and expenses consistency statement	Rate by hotel (50% NH / 50% owner)
Legal – External Consulting	In accordance with the terms of the Management Contract	Real cost re-invoicing (for service hours provided to the hotel)

- (1) If managed hotel **SIGNS** the Administration – NHHG Shared Services Center (SSC), it will be mandatory to take the following services: SAP_MM & Material and Vendors Management, SAP_FI and all the FI modules (AP, AR, GL, FA, etc), Vendors and Customers electronic invoicing and Treasury and Payments Management module ((Kyriba).

If managed hotel does **NOT SIGN** the Administration – NHHG SSC:

- SAP_MM: Additional Service. If this service is signed, owner will need to be within Material and Vendors Management and all corporate related processes.
- SAP_FI: Additional Service (and its modules). Treasury and Payments Management module ((Kyriba) is not included.

- (2) SSC fees are globally invoiced to HQ. These fees are subsequently re-invoiced to BUs, and from BUs to hotels

Concepts and services indicated above can be changed (new services or changes in them) as set out by Corporate Departments.

5.4 **Non-billable Services**

CONCEPT	DESCRIPTION
Human Resources – Training services provided by NHHG employees	Payroll cost must not be re-invoiced Logistic and operation costs must be assumed by the hotel
Quality – External Audits	Quality External Audits
Control – Internal Audits	Compliance and Control Internal Audits
Legal – Internal Consulting	Legal Internal Consulting
Procurement – Purchase Centre (Coperama)	Vendors homologation contracts and the right to use them with negotiated prices
Operation– General Consulting (rooms, F&B, etc)	Consulting service in hotel general services
Commercial – Redirection of CRO calls	In the event of hotel has its own reservations central service, the calls received in the NHHG CRO will be moved to the hotel reservation center
General – Consulting by NHHG employees	Consulting services targeted to the hotel (Upselling, etc.)

5.5 **Hotel expenses re-invoiced to SSCC**

Un-usual re-invoicing. Any re-invoicing issued from Hotels, BUs and HQ must meet with the communication and approval requirements established in the *NHHG InterCompany Back Office invoicing* process.

6. RE-INVOICING METHODOLOGY

6.1 Responsible for re-invoicing

HQ and BU Administration and Finance Departments are responsible for calculating the amounts to be re-invoiced to Hotel or BU respectively, according to the invoicing criteria established in this policy and according to the prices / rates established and signed by the Department Responsible.

For more detailed information about the billable expenses IC invoicing process and approval work flows see [NHHG InterCompany Back Office invoicing](#) process.

Administration Department must receive from relevant departments all necessary support information which can justify and support the issued re-invoicing (where necessary).

6.2 Re-invoicing control

Hotel Managers will be responsible of checking of the issued IC re-invoicing.

BU Administration and Finance Department will be responsible of checking of the issued IC re-invoicing from HQ to the relevant BU.

For more detailed information about control and reconciliation of the billable expenses IC invoicing process, see [NHHG InterCompany Back Office invoicing](#) process.

6.3 Hotel Management Contracts

Billable and re-billable services and expenses to be included in a Hotel Management Contract will be established in each relevant negotiation.

- An addendum with a list of the agreed **Non-billable**, **Additional** and **Standard** services and expenses must be included as part of the contract in order to avoid any reject or inconsistency when the invoice is issued (approval process, etc).
- A forecast of the Re-Billable Expenses and Services, according to the calculation criteria established in this policy, must be included in the business plan of any new invest project. (as agreed with each owner).

7. ACCOUNTING TREATMENT OF RE-BILLABLE EXPENSES

To see all the information related to re-billable expenses and services accounting see the [NHHG InterCompany Back Office invoicing](#) process.

8. RELATED DOCUMENTS

NHHG InterCompany Back Office invoicing process