NHHG InterCompany Back Office invoicing Process

VALIDATION

Version	Corporate Area	Approved by	Date
1	RRHH	Chief People Officer	June 2018
	Organization – Business Transformation	Organization Director	
	Operations	SVP Operations	
	Administration	SVP Administration	
	Consolidation / Internal Control	SVP Internal Control	
	Controlling	SVP Controlling & Strategic Planning	
	Treasury	SVP Treasury	
	Taxes	SVP Taxes	

UPDATE

Version	Approved by	Date
2	SVP Administration	March 2019

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OBJETIVE AND SCOPE

Establish a framework of action for "**Non-Hotel Services**" InterCompany (IC) invoicing in NH Hotel Group (henceforth NHHG), identifying:

    a. Invoicing levels, Headquarter. Business Unit and / or Business Center

    b. Invoicing models according to different types of involved centers (InterCompany and/or Intercenter)

    c. IC invoicing types according to nature of services provided.

    d. Budgeting of the services to be IC invoiced

    e. Invoicing frequency

    f. Approvals workflow

OPEN POINTS

Task / process	Responsible	Deadline
Automatic integration of local payroll applications and SAP		Without date

1. INTERCOMPANY (IC) INVOICING DEFINITION

1.1 IC invoicing definition

Internal process for invoicing between NHHG entities or hotels (business centers) of provided services or purchase of materials.

1.2 IC Invoicing types according to invoicing flow between NHHG entities

Chart below describes the possible invoicing flows between NHHG entities or business centers and their relationship type:

IC invoice recipient / IC invoice issuer	Headquarters	Business Unit	Hotel
Headquarters	✓	✓	✓
Business Unit	✓	✓	✓
Hotel	✓	✓	✓

✓	Regular invoicing
✓	Non- regular invoicing and/or payroll invoicing (supply of staff)
✓	IC invoicing is not issued

1.3 IC invoicing types according to the relationship between NHHG legal entities involved

Business centers with different legal entity name:

Once the process is launched, a customer IC invoice will automatically be issued from the issuing business center and a vendor IC invoice will automatically be posted in an IC expense account in the receiving business center (if this works with SAP_FI). Invoice issued will be physically sent if receiving business center is not in SAP_FI scope).

Business centers with the same legal entity name:

Once the process is launched, a customer IC invoice will **not** be issued, only an automatic transfer / accounting reclassification (internal debit note) between both business centers will be posted. In some cases, this approach will be also established for different companies but within the same VAT group.

RESTRICTIONS IN IC INVOICING

➢ IC invoicing between hotels of different BUs and IC invoicing between hotels and Central Services (SC) of other BUs are not allowed (save in exceptional cases when authorised by Finance and Administration Directors of both BUs).
➢ Provided services and materials listed in point 1.4 only can be invoiced in the following cases:
  o Between hotels within the same BU
  o Between SC of different BUs
  o Between hotels and the SC within the same BU
  o Between any BU and HQ

1.4 IC invoicing types according to nature of services provided

As a summary, the services and materials below are susceptible of being invoiced according to the rules specified in this document:

➢ Wages and salaries invoicing and other payroll costs
➢ Profit and revenue fees: To hotels from BUs and to BUs from HQ. In some cases, for tax and/or legal reasons, the fee invoice must be directly issued from HQ to to the hotel.
➢ Provided services invoiced to HQ / BU which must be **internally reinvoiced** to BU / Hotels (IT expenses, commisions web, GDS, consortia fees, loyalty fees, revenue tools, hotel`s insurance policies, surveillance services, rebates, communication costs, marketing and advertising, OTAs advertising, external audit and advisory, travel expenses from NU University, subscriptions, staff prevention services, Other staff expenses, etc)
➢ Material list which can be IC re-invoiced: Fixed assets, kitchenware, linen, glassware, F&B products, and other materials (in the cases of temporary or permanent closure / disaffiliation hotels and/or in refurbishment works)

For cases of fees and re-invoiced expenses invoicing see the *Billable Services Policy in NH Hotel Group*.

1.5 IC invoicing types according to the frequency and the invoicing plan

➢ Periodic and budgeted invoicing
➢ Periodic and non-budgeted invoicing
➢ Non-periodic and budgeted invoicing
➢ Non-Periodic and non-budgeted invoicing

Periodic invoicing in payroll expenses invoicing is that which the frequency is annual or greater.

2. INTERCOMPANY INVOICING PROCESS

2.1 IC Revenue / Expense budgeting subprocess

KEY TASK: Communication of IC chargeable services and amount of such charges (or calculation criteria)

When: No later than first week of September of each year
Frequency: Yearly basis
Responsible: HQ Departments which issue IC invoicing, BUs Administration / Controlling Departments
Tool: SAP_BPC templates

During the annual budgeting process, HQ and BUs Departments must communicate to BUs and Hotels, respectively, the IC chargeable services of the next year. Provided and invoiced services, involved accounting accounts (IC or not) and amounts or calculation criteria must be reported.

Cost and expenses to be shared between business centers within the same Company must also be defined and communicated (accounting distribution between the involved business centers when the vendor invoice or purchase order is posted).

Task	When	Responsible
IC invoicing between different companies and accounting reclassification / cost-sharing between centers within the same company must both be differentiated in the budgetary process	Budgetary process period	Involved departments in budgeting process
Mapping and correlation in IC and non-IC accounts (in budgetary terms) need to be taken into account. See *P&L InterCompany Accounts correlation and description.xls* document. ***Example of proper mapping / correlation between revenue and expenses accounts:*** *Telephone company invoices the full cost to the BU and then the BU has to re-invoice to the hotels the share of each of them (BU receives an invoice for 1.000,00 eur, of which 950,00 eur are re-invoiced to the hotels) How to proceed in the accounting and budgeting process?* *BU must budget and post:* *62840000 - FIX TELEPHONE 3RD: 1.000,00 EUR* *72071000 - IC TELEPHONE REINVOICEMENT: 950,00 EUR* *Hotels must budget and post:* *62840900 - FIX TELEPHONE IC - HOTELS: 950,00 EUR*	Budgetary process period	Involved departments in budgeting process
Align the budget criteria with the accounting criteria both in terms of time allocation and accounting account level.	Budgetary process period	Involved Dep. in budgeting process F&A Dep.

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IC invoicing issued for distributing a third party expense (vendor) or a payroll cost must be posted in IC revenue account (issuer center) and in IC expense account (recipient center) which must be both at the same P&L structure level (in both business centers / companies). *Example, if an expense above EBITDA requires to be re-invoiced, both IC revenue and expense, resulting from the IC invoicing process, must be reflected in P&L accounts above EBITDA.*	Defined at the beginning of the process Budgetary process period	Involved departments in budgeting process F&A Dep.
Chargeable services in annual budgeting process: In IC invoicing process due to the allocation of costs (from vendor->Headquarters->BU->Hotel) it is mandatory (if contractually possible) to contact with the vendor and analyze if this one can invoice for each BU - Central Services (without a previous invoicing to headquarters: Vendor->BU->Hotel).	Defined at the beginning of the process Budgeting process period	Involved departments in budgeting process F&A Dep.

Key procedures / documents in budgetary process

> ***Billable Services Policy in NH Hotel Group***
> ***P&L InterCompany Accounts correlation and description.xls***

2.2 Communication / approval and IC issuing subprocess

To secure control of invoicing process between the issuer and recipient centers, the following approval levels must be met, which will be applied according to the nature of the invoiced charge (budgeted, periodic, fix, variable…) and the IC invoicing flow (see table below):

IC invoicing approvers (previous approval by e-mail before the invoice is issued):

> - HQ: VP / SVP Department which bears the expense
> - BU: Department Director which bears the expense
> - Hotel: Hotel Manager which bears the expense

IC payment approvers in SAP_FI (approval work-flows):

> - Companies and business centers within a treasury center (GT): IC payment approval in SAP is not required.
> - Companies and business centers that do not share the same treasury center (GT): IC payment approval in SAP is required (using WF)

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2.2.1   Approval and communication criteria

IC invoicing is budgeted?	Fix or variable amount?	**IC INVOICING FLOWS**	
		HQ -> BU **HQ -> Hotel** **BU -> Hotel**	**BU -> BU** **BU -> HQ** **Hotel -> Hotel** **Hotel-> BU** **Hotel -> HQ** **HQ -> HQ (between CeCos)**
YES	FIX	Previous approval for issuing invoice is not required (only a previous communication from center / issuer department) Example: IT Licenses	Previous approval for invoice-issuing is not required (only a previous communication from center / issuer department). Example, maintenance contracts, insurances, payroll, etc
YES	Variable and <u>not linked</u> to internal company KPI	Previous approval for issuing invoice is not required. It is required a subsequent e-mail from business center / department communicating and supporting the issued invoice or the expense charge (I.e. the breakdown detail of the telephone expense invoiced from a vendor)	
YES	Variable and <u>linked</u> to internal company KPI	*Ej. KPIs: EBITDA or revenue items (loyalty IC invoices, GDS, web commisions fees, IT licenses linked to revenue figures, etc)* Previous approval for issuing invoice is not required. Invoice recipient must check, according to established criteria, that the invoiced amount is correct. If a discrepancy is detected, the IC invoice recipient must require to the IC invoice issuer the relevant clarifications	Not applicable
NO	FIX	Previous communication for issuing invoice is required. Also, requires explanation / support after the first issued invoice.	Previous explanation and approval for issuing invoice is required. Second issued invoice (and subsequent) will not require to be approved
NO	Variable and <u>not linked</u> to company internal KPI	Previous communication for issuing invoice and a subsequent charge explanation are required	Previous explanation and approval for invoice-issuing is required. Second issued invoice (and subsequents) will not require to be approved. Only a subsequent e-mail (from the invoice issuer to the invoice recipient) explaining the invoiced charge will be required.
NO	Variable and <u>linked</u> to internal company KPI	Previous communication for issuing invoice is required. Also, in the first IC invoicing, a charge explanation is required. In subsequent invoicing, the invoice recipient must check that the invoiced amounts are correct according to the established criteria. If a discrepancy is detected, the IC invoice recipient must require to the IC issuer invoice the relevant clarifications	Not applicable

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2.2.2 Issue and reconciliation process

<table>
<tr><td style="background-color:#c0504d">RESTRICIONS IN INTERCOMPANY ISSUING INVOICES</td></tr>
</table>

> ➢ IC invoicing process must not be requested / launched if the issuing invoice has not been previously approved (or communicated) from the expense recipient center when the issuing process requires an approval (or previous communication).
> ➢ Not to re-invoice expenses that involve issuing an invoice to an entity / business center with a value lower than 30,00 eur (or its equivalent in local currency), except for / in periodic or recurrent re-invoicing´s.

<table>
<tr><td style="background-color:#76923c"><u>KEY TASKS</u>: IC INVOICING – Accounting, taxes and payroll regulations and internal controls</td></tr>
</table>

Comply with the accounting principles and regulations of the **<u>Accounting Policies Manual</u>** of NHHG related to IC invoicing process.

Comply with the LOCAL taxes and labour regulations with regard to IC invoicing process and the payroll transfers between centers and NHHG companies.

Perform the internal controls established by the Internal Audit Department (SCIFF regulations, etc)

Nº	Task	When	Responsible
1	According to the invoiced concept, issuer center must comply with the approval and communication tasks indicated in point above	Always	Dept / issuer center
2	Once the recipient center approval has been obtained (if required), center / department issuer must require the IC invoicing with all of the required information included in the *IC invoicing request form.xls* template to the Administration Department. If there is no response in the established deadlines for approvals, IC invoicing will be considered approved.	5 Working days to approve or reject the IC invoicing	Director / Dept Responsible/ Issuer Center
3	Escalate to higher positions in both departments / centers in case of disagreement between issuer and receiver IC invoicing	Ad-hoc	Director / Dept Responsible/ Issuer / Receiver Center
4	Administration Department - Retained Function must complete and submit the *IC Invoicing request form – SSC.xls* template to the Shared Services Center (SSC) (if administration services are externalized) for launching the IC invoicing process	2 working days from the received request	Administration - Retained Function
5	If necessary (according to the point 2.2.1 cases) and after launching the IC invoicing process, the requester must inform to receiver business center by e-mail justifying the issued IC invoice /	2 working days from the issued invoice / charge	Director / Dept Responsible/ Issuer Center

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	charge		
6	In IC invoicing process when one of the business centers involved is not in the SAP-IC NHHG scope, the issuer center must submit the issued invoice to the receiver center for the account posting in order to avoid any discrepancy in the IC accounts reconciliation	2 working days from the issued invoice	Administration - Retained Function

<div style="background-color:#7a9a3f;color:white;padding:8px"><u>KEY TASK</u>: IC INVOICING RECONCILIATION</div>

Task	When	Responsible
BU / HQ Administration (GL) Department will be responsible for reconciling the IC account discrepancies communicated by: • HQ Administration Department • Administration Department from another BU • Shared Services Center – SSC (if administration services are externalized)	Monthly Before the monthly closing	BU Administration GL Department SSC

2.3 Communication, approval and IC invoicing process in payroll expenses

As a rule, IC payroll services invoicing will only be possible if the local labor regulation allows the mobility of employees between business centers / hotels within NHHG and a change in the labor contract of the employee with another NHHG entity is not required (between centers within the same company or not)

<div style="background-color:#6f9fd0;color:white;padding:8px">Periodic and and budgeted invoicing (over one year)</div>

Nº	Task	When	Responsible
1	During the budgetary process, the Director / Responsible of the employee to invoice, will send an e-mail (with copy to the Director / Responsible which bears the expense / charge) with the *Payroll services IC invoicing.xls* template attached to the BU Payroll Department containing all the information required for the monthly invoicing	Budgetary process	Director / Responsible of the employee to be invoiced
2	In order to ensure a proper IC invoicing, BU Payroll Department must update the information required in the local payroll application. SAP_HR updating is also highly recommended (infotype 0027; cost center, legal entity period, distribution %, etc)	Budgetary process	BU Payroll Department
3	Approval in IC invoice issuing process is not required (approval during budgetary process)	Ad-hoc	N/A
4	BU Payroll Department must monthly issue a payroll report	Ad-hoc	BU Payroll Responsible

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	from the local payroll application (or from SAP_HR if infotype record is updated) to be submitted to the BU Administration Department (or to the SSC if administration services are externalized) in order to the IC invoice issuing of the period		
5	Launch the IC invoicing process. The invoice description must clearly show the concept, the invoicing period and the number of the invoiced employee.	Before the monthly closing	BU Admin Department / SSC

<div style="background-color:#4472C4; color:white; padding:4px; font-weight:bold;">Non-budgeted periodic invoicing and non-periodic invoicing</div>

Nº	Task	When	Responsible
1	IC invoice requester (or expense distribution requester) must complete the *Payroll services IC invoicing.xls* template and submit it to the expense receiver department (Director / Responsible) to obtain the required approval. Every request need to be approved. It will only be necessary to obtain the first approval in the case of periodic invoicing (and new approvals if the last approved request has changed)	Before 20th of each month	IC invoice requester
2	The expense receiver must approve (or not) the IC invoice issuing by sending an e-mail	Max. 2 working days from request	Expense receiver / IC invoice approver
3	If the request is approved, the IC invoice requester (or expense distribution requester) must submit the *Payroll services IC invoicing.xls* template to the BU Payroll Department	Max 1 working day from approval	IC invoice requester
4	In the case of periodic invoicing (more than one year), BU Payroll Department must update its local payroll application for proper IC invoicing. Updating data in SAP_HR is also highly recommended (infotype 0027; cost center, legal entity, period, distribution %, etc)	Max 1 working day from receipt of the template	BU Payroll Responsible
5	From this point, follow tasks 4 and 5 from previous section	See tasks 4 and 5 from previous section	See tasks 4 and 5 from previous section

Nº	Task	When	Responsible
	Particular case: **Expense impact between hotels within a same country (or BU if applicable)**		
0	*Restriction*: IC payroll invoicing between hotels of different BUs is not allowed (save in exceptional cases when authorised by Finance and Administration Directors of both BUs)		

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1	Regional Operations Director is in charge of IC invoicing communications of his / her own region to the BU Payroll Department (before the 20th of each month) using the *Payroll services IC invoicing.xls* template	Before 20th of each month	BU Regional Operations Director
2	Periodic IC payroll invoicing (for at least one year): In order to ensure a proper IC invoicing, BU Payroll Department must update the information required in the local payroll application. SAP_HR updating is also highly recommended (infotype 0027; cost center, legal entity period, distribution %, etc)	Before 25th of each month	Department de Payroll BU
3	SAP_HR updating is also highly recommended (infotype 0027) in cases of budgeted and periodic IC invoicing (i.e. General Services Managers in some hotels). For this purpose, • It is recommended that BU HR Department assure the reliability between the *Payroll services IC invoicing.xls* template and the local payroll applications. • The department to which the invoiced employee belongs must inform the HR department of any change in his/her weight distribution	Ad hoc	Department of invoiced employee BU HR Department
4	For a proper budget management, Regional Operations Director must inform to the hotels within his / her own region of the amounts and the invoiced / impacted services (employees and hours). Template: *Payroll services IC invoicing.xls*	Before 30th of each month	BU Regional Operations Director
5	In IC invoicing between hotels of different regions, it is necessary to obtain the required approval from the other Operations Regional Director before the *Payroll services IC invoicing.xls* template is submitted to the BU Payroll Department. Regional Operations Director must also provide information about the invoiced expense to the involved Hotel Managers (for a proper budget management)	Ad-hoc	BU Regional Operations Director

3. IC ACCOUNTING ACCRUALS

3.1 General remarks (IC payroll invoicing is not included):

KEY TASKS

➢ According to the budgetary criteria, if IC invoicing could not be issued in the accrual period of the revenue / expense, BU Administration Department (the retained function if administration services are externalized) must request the IC accounting accrual posting to the Shared Services Center by using the required template, providing information about when the accounting accrual must be automatically reversed.

RESTRICTION

Payroll accounting accruals of periodic & recurring payroll costs are not allowed (provided payroll services must be invoiced and posted in the current month or in the following month)

3.2 IC accounting accrual posting (monthly, quarterly, etc). IC payroll invoicing is not included

TASKS

Nº	Task	When	Responsible
1	Post the accounting accrual according to budgeted figures for the current month (except if a great deviation is expected in which case an accounting accrual closer to real figures should be done). Reverse IC entry period must be specified for the automatic reversal.	Before the monthly closing	BU / HQ Retained Function - Administration Admin.- SSC
2	IC entry accrual reversal	1st of each month	Automatic in SAP
3	Communication and issuing of the final IC invoicing of the month (quarter or semester) according to the account closing indicators / figures for the current month (quarter or semester)	No later than the 7th working day of each month	BU / HQ Retained Function - Administration

RESTRICTION: In the first IC accounting accrual (in IC periodic invoicing) or in a particular IC accounting accrual

With the objective of avoiding discrepancies between entities / business centers within NHHG, IC accounting accrual must not be requested if this has not been previously approved / communicated by the center / entity which has to post the counterpart entry

4. FIXED ASSETS AND MATERIALS IC INVOICING

This type of invoicing is only authorized for <u>hotels disaffiliation</u> (or in exceptional situations for temporary closure or refurbishment works of hotels)

Hotel General Manager must communicate to the BU Administration Department that an asset / inventory material is going to be sold / transferred. This sale or transfer must be justified and approved by the BU Operations Department.

4.1   Fixed assets IC invoicing:

➢ See *Fixed Assets retirements process in SAP_FA* in hotel / business center which issues the IC invoice.
➢ IC invoice launching: Except in exceptional cases, the amount to be invoiced must be the pending depreciation amount of the asset at the time of sale.
➢ See *Fixed Asset Acquisition process in SAP_FA* in hotel / business center which receives the IC invoice.

4.2   Inventory materials IC invoicing:

➢ Retirement of the material in SAP_MM (vendor hotel).
➢ IC invoicing process launching: The amount to be invoiced must be the same as the inventory issue value (average price of inventory sold).
➢ Stock loading into SAP_MM in the acquiring hotel must be requested from IT Department by JIRA (NH Support Portal). For more information see the *Hotels Disaffiliation – Procurement to Pay Tasks process*
➢ In the case of hotels / business centers within the same legal entity a transfer materials in SAP_MM must be issued between them (user permissions must be previously required from IT Department by JIRA - NH Support Portal to execute this SAP_MM transfer transaction)

RESTRICTION:

IC invoicing of non-inventory material between business centers and entities within the NHHG is not allowed

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5   RELATED DOCUMENTS

IC Invoicing request form - SSC template
IC invoicing request form.xls
Payroll services IC invoicing.xls template
Billable Services Policy in NH Hotel Group
P&L InterCompany Accounts correlation and description.xls (in progress)
Hotels Disaffiliation – Procurement to Pay Tasks process