

Item 16 - The Board of Directors' proposals on LTIP 2014

Proposals of the Board of Directors for resolutions on (A) implementation of a share-based, long-term incentive program for 2014 (LTIP 2014), (B) transfers of own shares to participants in LTIP 2014 and (C) authorization for the Board of Directors to resolve on transfers of own shares on a regulated market to cover certain costs related to LTIP 2014.

(A) Implementation of a share-based, long-term incentive program for 2014

The Board of Directors has decided to propose a long-term incentive program for 2014. The purpose of the proposed program is to focus and incentivize management on the fulfilment of Rezidor's long-term financial objectives, to ensure that the interests of program participants are aligned with the interest of the shareholders, while ensuring that the long term variable component of total remuneration within the Rezidor Group rewards sustained performance, in a cost-efficient and competitive manner and helps recruit and retain competent employees.

The Board of Directors proposes, in view of the above, that the Annual General Meeting resolves to implement a share-based, long-term incentive program for 2014 with the following terms and conditions:

- (a) The program is proposed to include up to 35 executives of the Rezidor Group, who are divided into 3 groups; the President and CEO (Group 1), other members of the Executive Committee (Group 2), and other key executives (Group 3). The program will in part comprise of matching shares, and in part of performance shares. Participants in Groups 1 and 2 will be offered the opportunity to participate in the performance share part and the matching share part of the program. Participants in Group 3 will only be offered to participate in the performance share part of the program. Invitation to participate in the program shall normally be given by Rezidor no later than on 30 May 2014.
- (b) Participants in Groups 1 and 2 who accept the invitation to participate in the program shall acquire Rezidor shares on NASDAQ OMX Stockholm, and/or allocate shares already held to LTIP 2014 (Savings Shares). Acquisitions and/or allocations shall normally be made no later than on 16 June 2014. The investment in and/or allocation of Savings Shares must amount to not less than 5 percent, and not more than 10 percent of the fixed annual gross base remuneration for 2014 for the participant in Group 1, and not less than 2.5 percent, and not more than 5 percent for each participant in Group 2, in each case converted into SEK. The maximum number of Savings Shares that may be acquired and/or allocated by each participant under LTIP 2014 shall be calculated by dividing an amount corresponding to the maximum percentage of each participant's fixed annual gross base remuneration, as set out above, by the market price of the Rezidor share, and be rounded off, as set out in item g) below.
- (c) In order to qualify for matching shares, each participant in Groups 1 and 2 shall meet certain requirements, including that (i) Savings Shares are held for at least three years after the participant has entered into the program, and (ii) the participant remains employed, and has not given, nor been given notice of termination until the

expiration of such period. Exemptions may be prescribed to these requirements in specific cases, including a participant's death, disability, retirement or the divestiture of the participant's employing company from the Rezidor Group.

- (d) Subject to the requirements in items b) and c) above, each participant in Groups 1 and 2 shall be entitled to one (1) share in Rezidor (a Matching Share) for each Savings Share held.
- (e) Subject to the requirements in items b) and c) above, and the performance requirements in item i) below, each participant in Groups 1 and 2 will also have the opportunity to be allotted additional shares (Performance Shares).
- (f) Each participant in Group 3 will be offered the opportunity to be allotted Performance Shares, subject to the performance requirements in item i) below, and provided that the participant remains employed, and has not given, nor been given, notice of termination before the expiration of a three-year period, starting when the participant entered into the program. Exemptions to the employment requirement may be prescribed in specific cases, including a participant's death, disability, retirement or the divestiture of the participant's employing company from the Rezidor Group.
- (g) The maximum number of Performance Shares that may be allotted to each participant under LTIP 2014 shall be calculated by dividing an amount corresponding to a certain percentage of each participant's fixed annual gross base remuneration for 2014, by the market price of the Rezidor share, and be rounded off to the immediately higher whole number of shares. The relevant percentage of the fixed annual gross base remuneration for 2014 shall be 150 percent for the participant in Group 1, between 35-75 percent for each participant in Group 2, and between 30-38 percent for each participant in Group 3, in each case converted into SEK. The market price of the Rezidor share shall correspond to the volume-weighted average price paid for the Rezidor share on NASDAQ OMX Stockholm (in SEK), during a period of five consecutive trading days immediately before the day the participants are invited to participate in the program.
- (h) The performance target under LTIP 2014 shall be based on the Rezidor Group's cumulative earnings per share for the financial years 2014 to 2016.
- (i) Allotment of Matching and Performance Shares will be determined by the Board of Directors after the expiry of the three-year performance period in 2017. In connection therewith the Board of Directors will publish the performance target levels, and to what extent these levels have been fulfilled. If the maximum performance level is reached or exceeded, the allotment of Performance Shares will amount to (but not exceed) the maximum number of Performance Shares that may be allotted subject to item g) above. If performance is below the maximum level but meets or exceeds the minimum level, shares will be allocated to the participants based on the level of fulfilment. Performance at the minimum level will result in an allotment of 25 percent of the maximum number of Performance Shares. No allotment of Performance Shares will be made if performance is below the minimum level.
- (j) The total allotment of shares under LTIP 2014, including Matching and Performance Shares (if any) and shares that may be transferred on a regulated market to cover certain costs related to LTIP 2014, may not exceed 1,463,209 shares,

corresponding to approximately 1.0 per cent of the total number of outstanding¹ shares in Rezidor. If required, allotments of Performance Shares shall be reduced on a pro rata basis to ensure that allotment does not exceed this maximum number of shares.

- (k) If all conditions for the allotment of Matching and Performance Shares, respectively, under the program are met, allotment of Matching and Performance Shares, respectively, will take place following the publication of the interim financial report for the second quarter of 2017. Allotment will be free of charge except for participants' tax liabilities.
- (l) Certain deviations from or adjustments of the terms and conditions for LTIP 2014 may be made pursuant to local rules and regulations as well as applicable market practice or market conditions.
- (m) If material changes would occur within the Rezidor Group or on the market that, according to the Board of Directors' assessment, would lead to the conditions for allocation of Performance Shares no longer being reasonable, the Board of Directors will have the right to make also other adjustments of LTIP 2014, including e.g. a right to resolve on a reduced allotment of Performance Shares.
- (n) Recalculation of the conditions for allotment of Matching and Performance Shares shall take place in the event of an intervening bonus issue, split, preferential rights issue and/or other similar corporate events.
- (o) The Board of Directors, or a committee established by the Board of Directors for these purposes, shall be responsible for the preparation and management of the program, within the framework of the aforementioned terms and conditions.

Costs for LTIP 2014

Based on IFRS 2 methodology and the share price and exchange rates calculated as per 6 March 2014, the total value of the right to be allotted Performance and Matching Shares under LTIP 2014 is estimated to approximately EUR 4.9 million, including EUR 0.64 million in social security contributions, assuming delivery of the maximum number of Matching and Performance Shares, respectively.

The costs are treated as staff costs in the profit and loss account and are expensed over the three-year qualification period in accordance with the IFRS 2 standard on share-based benefits. The size of the social security contributions under LTIP 2014 is reported in accordance with UFR 7, and is estimated to amount to approximately EUR 0.70 million using the assumptions described above, an average tax rate for social security contributions of 16.7 percent, and a 0 percent increase in the market value of the Rezidor share over the performance period.

Effects on key-ratios

As per 6 March 2014 Rezidor has 150,002,040 issued shares, of which it had repurchased and holds a total of 3,681,138 shares. In order to implement LTIP 2014, a total of 964,736 shares are required² (including the shares required to cover social security contributions and other

¹ Meaning the total number of issued shares in Rezidor reduced by the number of own shares held by Rezidor.

² Calculated on the basis of a share price of SEK 45.10 and an exchange rate of 0.1133 SEK/EUR as per 6 March 2014.

costs related to the program), corresponding to approximately 0.66 percent of the total number of outstanding shares in Rezidor. Out of the 964,736 shares required for the program, a maximum of 826,895 shares may be transferred to participants free of charge, which may cause a dilutive effect of approximately 0.57 percent on earnings per share.

Hedging measures for LTIP 2014

The Board of Directors has evaluated various methods for securing Rezidor's undertakings under LTIP 2014.

Rezidor Hotel Group AB holds a significant number of repurchased own shares, which have been repurchased under mandates from previous Annual General Meetings for the purpose of *i.a.* securing undertakings under Rezidor's previous incentive programs. This holding is sufficient to hedge LTIP 2014. The Board of Directors considers that using these previously repurchased own shares, as set out in proposals (B) and (C) below, provides the most cost-efficient and flexible hedge for LTIP 2014.

Preparation of the proposal for LTIP 2014

The proposal regarding LTIP 2014 has been prepared by the Board of Directors' Compensation Committee and has been presented to the Board of Directors.

Outstanding incentive programs in Rezidor Hotel Group AB

For a description of Rezidor Hotel Group AB's other outstanding share-related incentive programs, reference is made to the annual report for 2013, note 32, and the company's website, www.rezidor.com.

(B) Transfers of shares owned by Rezidor to participants in LTIP 2014

In order to secure delivery of shares to participants in LTIP 2014, the Board of Directors proposes that the Annual General Meeting resolves on transfers of own shares already held by Rezidor to participants in LTIP 2014, and to subsidiaries of Rezidor, on the following terms and conditions.

- (a) No more than in total 1,219,341 shares may be transferred to participants in LTIP 2014 as Matching and Performance Shares.
- (b) These shares may be transferred to participants in LTIP 2014 subject to the terms and conditions of LTIP 2014, and free of charge to subsidiaries of Rezidor, being employing companies of participants in LTIP 2014, provided that such subsidiaries immediately transfer these shares to the participants.
- (c) Transfers of shares shall be made free of charge, at the time and on such additional terms and conditions that participants in LTIP 2014 become entitled to be allotted shares, *i.e.* following publication of the interim financial report for the second quarter of 2017.
- (d) The number of shares that may be transferred is subject to recalculation in the event of an intervening bonus issue, split, preferential rights issue and/or other similar corporate events.

The reason for deviating from the shareholders' preferential rights is the following:
The proposed transfers of own shares already held by Rezidor to participants in LTIP 2014 is an integrated part of the implementation of LTIP 2014. The Board of Directors considers it to

be an advantage for Rezidor, and for the shareholders, that the participants in LTIP 2014 be offered the opportunity to become shareholders in Rezidor Hotel Group AB.

(C) Authorization for the Board to resolve on transfers of shares owned by Rezidor on a regulated market to cover certain costs related to LTIP 2014

In order to cover social security contributions and other costs related to LTIP 2014, the Board of Directors proposes that it shall be authorized to resolve on transfers of own shares already held by Rezidor on a regulated market on the following terms and conditions,

- (a) The authorization may be exercised on one or several occasions, however until the Annual General Meeting 2015 at the latest.
- (b) No more than 243,868 shares already held by Rezidor may be transferred to cover social security contributions and other costs related to LTIP 2014.
- (c) Transfers may only be made on NASDAQ OMX Stockholm, at a price within the from time-to-time prevailing range of prices (spread), meaning the interval between the highest purchase price and the lowest sale price.
- (d) The number of shares that may be transferred is subject to recalculation in the event of an intervening bonus issue, split, preferential rights issue and/or other similar corporate events.

Since the authorization on transfers of own shares under this proposal C will expire at the Annual General Meeting 2015, the Board intends to propose forthcoming Annual General Meetings to renew this authorization, making it effective during the entire term of LTIP 2014.

Authorisation and majority requirements

The chairman of the Board of Directors, or the person appointed by the chairman, is authorized to make such adjustments to the resolution and recalculations of the number of shares which may be transferred in accordance with items 16 (B)-(C) above as may be required after the implementation of the new share issue resolved by the Board of Directors in accordance with item 17 of the agenda.

The Board of Directors' proposals under items 16 (A) – (C) above shall be resolved on as one decision, and requires that the resolution being supported by shareholders representing not less than nine-tenths of the votes cast as well as the shares represented at the Annual General Meeting.

Stockholm March 2014
REZIDOR HOTEL GROUP AB (PUBL)
THE BOARD OF DIRECTORS