

**Item 16 - The Board of Directors' proposals for resolutions on (A) implementation of a share-based, long-term incentive program for 2015 ("LTIP 2015"), (B) transfers of shares owned by the Company to participants in the LTIP 2015 and (C) authorization for the Board of Directors to resolve on transfers of shares owned by the Company on a regulated market to cover certain costs related to LTIP 2015**

**(A) Implementation of a share-based, long-term incentive program for 2015**

The Board of Directors has decided to propose a long-term incentive program for 2015 (LTIP 2015). The purpose of the proposed program is to focus and motivate management on the fulfilment of Rezidor's long-term financial objectives, to ensure that the interests of the participants in the program are aligned with the interest of the Company's 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 the LTIP 2015 (share-based, long-term incentive program for 2015) with the following principal terms and conditions:

- i. The program is proposed to include up to 35 executives of the Rezidor Group, who are divided into the following three groups: (i) the President & CEO ("**Group 1**"), (ii) other members of the Company's Executive Committee ("**Group 2**"), and (iii) other key management of the Rezidor Group ("**Group 3**"). The LTIP 2015 will comprise of a Matching Share Program and a Performance Share Program. Participants in Group 1 and 2, respectively, will be offered the opportunity to participate in the Matching Share Program and the Performance Share Program. Participants in Group 3 will be offered the opportunity to participate in the Performance Share Program. Invitation to participate in the LTIP 2015 shall normally be given by the Company no later than on 31 May 2015.
- ii. Participants in Group 1 and 2, respectively, who accept the invitation to participate in the LTIP 2015 shall acquire Rezidor shares on Nasdaq Stockholm, and/or allocate shares already held to the LTIP 2015 ("**Saving Shares**"). Such acquisitions and/or allocations shall normally be made no later than on 15 June 2015. The investment in and/or allocation of Saving Shares must amount to not less than five per cent, and not more than ten per cent of the fixed annual gross base remuneration for 2015 for a participant in Group 1, and not less than 2.5 per cent, and not more than five per cent for a participant in Group 2, in each case converted into SEK. The maximum number of Saving Shares that may be acquired and/or allocated by a participant under the LTIP 2015 shall be calculated by dividing an amount corresponding to the maximum percentage of such participant's fixed annual gross base remuneration for 2015, as set out above, by the market price of the Rezidor share on Nasdaq Stockholm and be rounded off, as is further set out in item vii) below.
- iii. In order to qualify for allotment of Matching Shares (as defined below), a participant in Group 1 and 2, respectively, shall meet certain requirements, including (a) that Saving Shares are held by the participant for at least three years after such

participant has entered into the LTIP 2015, and (b) that the participant remains employed with a company within the Rezidor Group, and has not given, nor been given notice of termination, until the expiration of such period. Exemptions may be prescribed by the Board of Directors to these requirements in specific cases, including a participant's death, disability, retirement or the divestiture of the participant's employing company within the Rezidor Group.

- iv. Subject to the requirements in items ii) and iii) above being fulfilled, each participant in Group 1 and 2, respectively, shall be entitled to one share in the Company ("**Matching Share**") for each Saving Share held.
- v. Subject to the requirements in items ii) and iii) above being fulfilled, and the performance target in item ix) below, a participant in Group 1 and 2, respectively, will also have the opportunity to be allotted additional shares ("**Performance Shares**").
- vi. A participant in Group 3 will be offered the opportunity to be allotted Performance Shares, subject to the performance target in item ix) below, and provided that such participant remains employed with a company within the Rezidor Group and has not given, nor been given, notice of termination until the expiration of a three-year period as from the day the participant entered into the LTIP 2015. Exemptions may be prescribed by the Board of Directors to the employment requirement in specific cases, including a participant's death, disability, retirement or the divestiture of the participant's employing company within the Rezidor Group.
- vii. The maximum number of Performance Shares that may be allotted to a participant under the LTIP 2015 shall be calculated by dividing an amount corresponding to a certain percentage of each participant's fixed annual gross base remuneration for 2015, by the market price of the Rezidor share on Nasdaq Stockholm, and be rounded off to the immediately higher whole number of shares. The relevant percentage of the fixed annual gross base remuneration for 2015 shall be 150 per cent for a participant in Group 1, between 50–75 per cent for a participant in Group 2, and between 30–38 per cent for a 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 Stockholm (in SEK), during a period of five consecutive trading days immediately before the day the participants are invited to participate in the LTIP 2015.
- viii. The performance target under the LTIP 2015 shall be based on the Rezidor Group's cumulative earnings per share for the financial years 2015 to 2017.
- ix. Allotment of Matching Shares and Performance Shares will be determined by the Board of Directors in 2018 after the expiry of the three-year qualification period. 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 vii) above. If performance is below the maximum level but meets or exceeds the minimum level, Performance 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 per cent of the maximum number of Performance Shares that may be allotted. No allotment of Performance Shares will be made if performance is below the minimum level.

- x. The total allotment of shares under the LTIP 2015 (including Matching Shares and any Performance Shares) and shares that may be transferred on a regulated market to cover certain costs related to the LTIP 2015, may not exceed 1,707,077 shares, corresponding to approximately 1.0 per cent of the total number of outstanding shares (meaning the total number of issued shares in the Company reduced by the number of own shares held by the Company). 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 that may be allotted.
- xi. If all conditions for the allotment of Matching Shares and Performance Shares, respectively, under the LTIP 2015 are met, allotment of Matching Shares and Performance Shares, respectively, will take place following the publication of the interim financial report for the second quarter 2018. Allotment will be free of charge except for participants' tax liabilities.
- xii. Certain deviations from or adjustments of the terms and conditions for the LTIP 2015 may be made pursuant to local rules and regulations as well as applicable market practice or market conditions.
- xiii. 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 the LTIP 2015, e.g., a right to resolve on a reduced allotment of Performance Shares.
- xiv. Recalculation of the conditions for allotment of Matching Shares and Performance Shares shall take place in the event of any intervening bonus issue, split, preferential rights issue and/or other similar corporate events.
- xv. 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.

#### *Hedging measures for LTIP 2015*

The Board of Directors has evaluated various methods for securing Rezidor's undertakings under LTIP 2015.

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, *inter alia*, securing undertakings under Rezidor's previous incentive programs. This holding is sufficient to hedge LTIP 2015. 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 2015.

If the Annual General Meeting resolves not to approve the proposal to transfer own shares to participants in the LTIP 2015 (as set out below), the Board of Directors may instead hedge the Company's commitment to transfer shares – in whole or in part – to

participants in the LTIP 2015 by way of an agreement (equity swap agreement, certificate or similar) with a financial institution engaged for this particular purpose, which according to such agreement will in its own name acquire and transfer Rezidor shares to participants in the LTIP 2015.

#### *Costs for LTIP 2015*

Based on IFRS 2 methodology and the share price and exchange rates calculated as per 16 March 2015, the total value of the right to be allotted Performance Shares and Matching Shares under LTIP 2015 is estimated to approximately EUR 5.2 million, including EUR 0.7 million in social security contributions, assuming delivery of the maximum number of Matching Shares 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 2015 is reported in accordance with UFR 7, and is estimated to amount to approximately EUR 0.7 million using the assumptions described above, an average tax rate for social security contributions of 15.8 percent, and a 0 percent increase in the market value of the Rezidor share over the performance period.

#### *Effects on key-ratios*

As per the time for publication of the notice for the Annual General Meeting 2015, Rezidor has 174,388,857 issued shares, of which it had repurchased and holds a total of 3,681,138 shares. In order to implement LTIP 2015, a total of 1,476,149 shares are required<sup>1</sup> (including the shares required to cover social security contributions and other costs related to the program), corresponding to approximately 0.86 percent of the total number of outstanding shares in Rezidor. Out of the 1,476,149 shares required for the program, a maximum of 1,274,215 shares may be transferred to participants free of charge, which may cause a dilutive effect of approximately 0.75 percent on earnings per share.

If the Company's commitment is hedged by way of an agreement (equity swap agreement, certificate or similar) with a financial institution, which according to such agreement will in its own name acquire and transfer Rezidor shares to participants in the LTIP 2015, the LTIP 2015 will not have any dilutive effect on earnings per share.

#### *Preparation of the proposal for LTIP 2015*

The proposal regarding LTIP 2015 has been prepared by the Compensation Committee and has been presented to the Board of Directors.

#### *Outstanding incentive programs in Rezidor Hotel Group AB*

For a description of the outstanding share based variable remuneration programs in the Company, reference is made to note 32 in the 2014 annual report and the Company's website, [www.rezidor.com](http://www.rezidor.com).

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<sup>1</sup> Calculated on the basis of a share price of SEK 32.20 and an exchange rate of 0.1092 SEK/EUR as per 16 March 2015.

**(B) Transfers of shares owned by the Company to participants in the LTIP 2015**

In order to secure delivery of shares to participants in the LTIP 2015, the Board of Directors proposes that the Annual General Meeting resolves on transfers of shares already held by the Company to participants in the LTIP 2015, and to subsidiaries of the Company, on the following terms and conditions:

- i. No more than in total 1,422,564 shares may be transferred to participants in the LTIP 2015 as Matching and/or Performance Shares.
- ii. Own shares may be transferred to participants in the LTIP 2015 subject to the terms and conditions of the LTIP 2015, and free of charge to subsidiaries of the Company, being employing companies of participants in the LTIP 2015, provided that such subsidiaries immediately transfer the shares to the relevant participants in the LTIP 2015.
- iii. Transfers of own shares shall be made free of charge (except for participants' tax liabilities as set forth in item 16 a) xi) above), at the time and on such additional terms and conditions that participants in the LTIP 2015 become entitled to be allotted shares, *i.e.* following publication of the interim financial report for the second quarter 2018.
- iv. The number of own shares that may be transferred is subject to recalculation in the event of any 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 the Company to participants in the LTIP 2015 is an integrated part of the implementation of the LTIP 2015 and, as stated above, provides the most cost-efficient and flexible hedge for the LTIP 2015. The Board of Directors considers it to be an advantage for the Company, and for the Company's shareholders, that the participants in the LTIP 2015 are offered the opportunity to become shareholders in the Company.

**(C) Authorization for the Board of Directors to resolve on transfers of shares owned by the Company on a regulated market to cover certain costs related to LTIP 2015**

In order to cover social security contributions and other costs related to LTIP 2015, the Board of Directors proposes that it shall be authorized to resolve on transfers of own shares already held by the Company on a regulated market on the following terms and conditions:

- i. The authorization may be exercised on one or several occasions, however until the Annual General Meeting 2016 at the latest.
- ii. No more than 284,513 shares already held by the Company may be transferred to cover social security contributions and other costs related to the LTIP 2015.
- iii. Transfers may only be made on Nasdaq 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.

- iv. The number of shares that may be transferred is subject to recalculation in the event of any 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 2016, the Board of Directors intends to propose forthcoming Annual General Meetings to renew this authorization, making it effective during the entire term of LTIP 2015.

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### **Majority requirements**

The Board of Directors' proposals (i) under item (A) above requires that the resolution is supported by shareholders representing more than half of the votes cast at the Annual General Meeting, (ii) under item (B) above requires that the resolution is supported by shareholders representing not less than nine-tenths of the votes cast as well as the shares represented at the Annual General Meeting and (iii) under item (C) above requires that the resolution is supported by shareholders representing not less than two thirds of the votes cast as well as the shares represented at the Annual General Meeting.

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Stockholm in March 2015  
**REZIDOR HOTEL GROUP AB (PUBL)**  
*The Board of Directors*