

Corporate Governance Report 2008

Rezidor Hotel Group AB is incorporated under the laws of Sweden with a public listing at Nasdaq OMX Stockholm (the “Stockholm Stock Exchange”). The Company’s shares have been listed since November 28th, 2006. Reflecting this, the corporate governance of Rezidor Hotel Group AB is based on Swedish legislation and regulations, primarily the Swedish Companies Act, but also the Listing Agreement with the Stockholm Stock Exchange, the Swedish Code of Corporate Governance, the Articles of Association and other relevant rules. This Corporate Governance Report for the 2008 fiscal year has not been reviewed by the Company’s auditors.

Annual General Meeting

Shareholders can exercise their right to decide on the Company’s business at General Meetings of Shareholders, which is Rezidor Hotel Group AB’s highest decision-making body. These meetings will be held in Stockholm. Rezidor’s third Annual General Meeting (“AGM”) as a listed company will be held in Stockholm on April 23rd, 2009. The notice convening the AGM is required to be published not earlier than six weeks, but not later than four weeks, before the date of the AGM. All shareholders registered in the shareholder’s register who have given due notification to the company of their intention to attend and followed prescribed procedures described in the notice convening the AGM may attend the meeting and vote for their total share holdings. Shareholders who can not participate personally may be represented by proxy.

Rezidor’s 2008 Annual General Meeting

Rezidor Hotel Group AB’s AGM in 2008 was held at the Radisson SAS Royal Viking Hotel in Stockholm on April 23rd, 2008. The AGM was attended by 106 shareholders, personally or by proxy, representing 95,148,020 shares and votes, comprising 63.43% of the total number of shares and votes of the Company. The eight members of the Board of Directors who were proposed for re-election attended the AGM, as well as the Chief Executive Officer and key executives and the Company’s auditor. The new candidate proposed for election to the Board of Directors also attended the AGM.

The minutes from the 2008 AGM have been made available on Rezidor’s website in both Swedish and English language versions. The resolutions passed by the meeting included the following:

- election of Mr. Dick Lundquist, attorney at law, as Chairman of the AGM
- the annual accounts and the auditor’s report, the consolidated accounts and the consolidated auditor’s report for the financial year 2007 were confirmed to have been presented in the prescribed manner
- payment of a dividend of EUR 0.10 per share for 2007 as per the Board’s proposal
- Board members and the CEO were discharged from liability for the 2007 fiscal year
- re-election of the Board members Mr. Göte Dahlin, Mr. Urban Jansson, Dr. Harald Einsmann, Mrs. Ulla Litzén, Mrs. Trudy Rautio, Mr. Barry Wilson, Mr. Jay Witzel and Mr. Benny Zakrisson. Mr. Hubert Joly was elected as a new member of the Board
- re-election of Mr. Urban Jansson as the Chairman of the Board
- it was resolved that the remuneration of the Chairman of the Board shall amount to EUR 65,000 and of each of the other directors appointed by the AGM to EUR 36,000, and EUR 7,500 to the Chairman of the Audit Committee, and EUR 5,000 to the respective Chairman of the Compensation Committee and Finance Committee and EUR 3,750 for each member of the Audit Committee and EUR 2,500 for each member of the Compensation and Finance Committees
- it was resolved to approve of the Board’s proposal regarding the principles of remuneration and other terms of employment for key management for 2008
- it was resolved to approve of the Board’s proposal on a long term share related incentive programme for key management
- the Board was given the authority to decide on the purchase and transfer of the Company’s own shares to give the Board wider freedom of action in the work with the Company’s capital structure and to secure costs associated with the long term share related incentive programme
- it was resolved to approve of the proposal for a the procedure for appointment of the Nominating Committee for the next AGM.

The AGM was held in Swedish. Due to Rezidor’s international ownership and in order to allow non-Swedish speaking shareholders to participate, the meeting was simultaneously interpreted to English and all of the information materials for the meeting were also available in English.

All requisite documents for the 2009 AGM, will be published in Swedish and in English on the website in advance of the AGM.

Decisions at an AGM usually require a simple majority vote. However, for certain items of business taken up at the AGM, the Swedish Companies Act requires that a proposal be approved by a higher percentage of the shares and votes represented at the AGM.

Nominating Committee

The Mission

The responsibility of the Nominating Committee is to nominate the persons to be elected by the AGM as members of our Board of Directors. The Nominating Committee makes recommendations for the election of members to the Board of Directors and recommendations regarding the allocation of remuneration to the Chairman and other members of our Board of Directors and the allocation of remuneration in respect of committee work, if any. Such recommendations are presented at the AGM. The Nominating Committee also makes recommendations regarding the appoint-

ment of auditors, when applicable, and remuneration of the auditors. The Nominating Committee shall also make a recommendation regarding the procedure to be used in appointing members of the Nominating Committee for the next AGM.

Members

In accordance with the decision made by the AGM on April 23rd, 2008 the Nominating Committee for the AGM on April 23rd, 2009 was established. The Chairman of the Board of Directors, Mr. Urban Jansson, contacted the three largest shareholders listed in the shareholders' register as of August 31st, 2008, who were offered the possibility to appoint one representative of the Nominating Committee. The names of the committee members and the shareholders they represented were made public on October 22nd, 2008.

In addition to Mr. Urban Jansson, the committee representatives are Mr. William Van Brunt representing the Carlson Group, Mr. Brian Meyer representing Fir Tree Funds, and Mr. Peter Rudman representing Nordea Investment Funds. Mr. William Van Brunt is the Chairman of the committee. The Committee has had one meeting in 2008, attended by all members, and during which minutes were taken. The Nominating Committee's proposals will be presented in the notice of the AGM and on the Company's website. Neither Mr. Urban Jansson nor the other members of the Nominating Committee received any compensation for their work in the committee.

Rezidor's largest shareholders on December 31, 2008

	No. of shares	Votes/ capital %
Carlson Group	66,589,732	44.4%
Euroclear Bank (relate to Fir Tree Funds)	9,879,700	6.6%
Nordea	9,272,583	6.2%
Robur	8,334,414	5.6%
State of New Jersey Pension Fund	6,500,000	4.3%
Rezidor Hotel Group	3,694,500	2.5%
Fourth Swedish National Pension Fund	3,492,460	2.3%
SEB	3,089,271	2.1%
Skagen Verkst Verdipapirfond	2,900,000	1.9%
RAM One	2,400,000	1.6%
Other	33,849,380	22.5%
Total	150,002,040	100%

Source: Euroclear Sweden AB (former VPC).

Representatives for the Nominating Committee for the 2009 AGM

	Represents	Position
William Van Brunt	Carlson Group	■
Brian Meyer	Fir Tree Funds	■
Peter Rudman	Nordea Investment Funds	■
Urban Jansson	Chairman of the Board of Rezidor	■

■ Chairman ■ Member

The Board of Directors

Under the Swedish Companies Act, the Board of Directors is ultimately responsible for the organisation and the management of a company. The Articles of Association provide that the Board of Directors shall be elected by the shareholders and consist of not less than three – and not more than fifteen – members. Further, under the Swedish Companies Act, the Chief Executive Officer and at least half of the members of the Board of Directors of a company must be residents of a country within the European Economic Area, unless the Swedish Companies Registration Office grants an exemption from this requirement.

Mission and Responsibilities

Each year, the Board of Directors establishes a formal work plan clarifying the Board's responsibilities. The work plan regulates the internal division of duties between the Board and its committees, including the role of the Chairman, the Board's decision-making procedures, its meeting schedule, procedures governing the convening, agenda and minutes of meetings, as well as the Board's work on accounting, auditing matters and financial reporting. In addition, the Board of Directors has established separate formal work plans for the Audit Committee, the Compensation Committee and the Finance Committee.

The work plan also governs how the Board will receive information and documentation of importance for its work to facilitate the making of well-founded decisions. The Board has also issued instructions for the Chief Executive Officer, as well for the financial reporting to the Board. Moreover it has adopted other special steering documents, including a Finance Policy, a Communication and Investor Relations Policy and a Code of Business Ethics.

The responsibilities of the Board include monitoring the work of the Chief Executive Officer through ongoing reviews throughout the year. The Board is further responsible for ensuring that Rezidor's organisation, management and guidelines for the administration of the Company's interests are structured appropriately and that there is satisfactory internal control. The responsibilities of the Board also include setting strategies and targets, establishing special control instruments, deciding on larger acquisitions through business combinations and divestments of operations, deciding on other large investments, deciding on deposits and loans in accordance with the Finance Policy and issuing financial reports, as well as evaluating the management of operations and planning managerial succession.

Apart from the activities of the Audit, Compensation and Finance Committees, there has been no allocation of work among the directors.

The Board shall be assisted by a Secretary, who is not a member of the Board. The General Counsel of Rezidor, Ms. Marianne Ruhngård, was the Secretary at all Board meetings during 2008.

Activities of the Board 2008

According to current working procedures adopted by the Board, the Board must convene at least four times a year, in addition to the statutory Board meeting, and otherwise as necessary. In 2008 the Board held 10 meetings. Four of the Board meetings are coordinated with the dates of the presentation of the external financial reports. Additionally, in 2008, the Board members attended a two-

day meeting on strategic issues. Audit related matters have been addressed as a special item during a Board meeting at least once per year and in conjunction therewith; the Board meets with the Company's auditor without the Chief Executive Officer or any other member of management being present. During 2008 the Board has been working in accordance with the adopted working procedures. The main activities were as follows:

- keeping informed about the financial position of the Company and the group
- adopting a business plan and a revised finance policy
- evaluating internal control
- discussing and approving of certain hotel projects meeting defined criteria
- development strategy and monitoring of growth target fulfilment
- brand strategies
- investor relations matters, communication policy & press communications
- design and implementation of a share related long term incentive programme for key management
- adopting a sales and marketing plan
- deciding upon the purchase of the Company's own shares
- analysing management's plans for cost savings.

The Board liaises with the auditors regarding plans for the audit procedure and reviews what measures to take based on the auditors' reporting. Major business areas are given an opportunity to give an in-depth presentation of their operations at a Board meeting at least once a year.

The Chairman of the Board

At the Annual General Meeting held on April 23rd, 2008 Mr. Urban Jansson was elected as the Chairman of the Board of Directors. At the statutory meeting held by the Board of Directors immediately after the AGM, the Board appointed Mr. Hubert Joly as the Vice Chairman.

It is the responsibility of the Chairman to monitor operations, in

consultation with the Chief Executive Officer, and ensure that other Board members receive the information necessary to maintain a high level of quality in discussions and decisions. The Chairman is responsible for evaluating the Board's work, including the work in the Board committees, with regard to working procedures, competences and the working climate. This evaluation is then shared with the Nominating Committee. The Board's Compensation Committee participates in evaluation and development questions regarding the Group's Senior Executives.

Members of the Board of Directors

Pursuant to the articles of association, the Board of Directors shall be elected at the AGM and serve for a term expiring at the next AGM. The members of the Board of Directors may be removed from office through a resolution of shareholders, and vacancies on the Board may likewise only be filled by a resolution of shareholders.

At present, the Board of Directors is composed of nine directors, including the Chairman and the Vice Chairman. As part of the Board's efforts to increase the efficiency and depth of the Board's work on certain issues the Board has established three committees: the Audit Committee, the Compensation Committee and the Finance Committee. Each committee's work and areas of responsibility is described in further detail under the respective heading in this report. The table below presents the names of the current members, their current position, their participation in the Board's committees and their attendance at Board meetings during 2008.

Independence of Board members

None of the members of the Board of Directors are employed by Rezidor or any other company within the Group. Based on the current version of the Swedish Code of Corporate Governance, the following assessment regarding the independency of the members of the Board is made. Mr. Urban Jansson, Mr. Göte Dahlin, Mrs. Ulla Litzén, Mr. Barry W. Wilson and Mr. Benny Zakrisson are independent Directors in relation to the Company and the Management as well as in relation to major shareholders. Due to extensive business relations between Carlson Companies and Rezidor, Mr. Hubert Joly, Mr. Jay Witzel, Mrs. Trudy Rautio and

Attendance of the Board of Directors

	Board of Directors	Audit Committee	Compensation Committee	Finance Committee	Attendance at Board meetings
Urban Jansson	■		■		100%
Hubert Joly	■		■		100%
Göte Dahlin	■	■			100%
Harald Einsmann	■		■		89 ¹⁾ %
Ulla Litzén	■	■			90%
Trudy Rautio	■	■		■	100%
Barry W. Wilson	■		■		90%
Jay S. Witzel	■			■	100%
Benny Zakrisson	■			■	90%

■ Chairman ■ Vice Chairman ■ Member

1) One of the Board's 10 meetings during 2008 was attended only by directors independent of the major shareholder Carlson Group.

Board member

	Elected	Position	Born	Nationality	Share-holding ¹⁾	Independent of the company and its management	Independent of the company's major shareholders
Urban Jansson	2006	■	1945	Swedish	40,000	Yes	Yes
Hubert Joly	2008	■	1959	French	0	No	No
Göte Dahlin	2007	■	1941	Swedish	10,000	Yes	Yes
Harald Einsmann	2006	■	1934	German	65,780	No	No
Ulla Litzén	2006	■	1956	Swedish	10,000	Yes	Yes
Trudy Rautio	2005	■	1952	American	0	No	No
Barry W. Wilson	2007	■	1944	British	50,000	Yes	Yes
Jay S. Witzel	2005	■	1947	American	0	No	No
Benny Zakrisson	2005	■	1959	Swedish	30,000	Yes	Yes

■ Chairman ■ Vice Chairman ■ Member

1) Per March, 2009.

Dr. Harald Einsmann are not independent Directors in relation to the Company and the Management nor are they independent in relation to major shareholders, as they are related to Carlson Group which holds 44.4% of the shares of Rezidor.

The table above presents *inter alia* the names of the current members, their current position, the year of their election, their shareholdings and whether or not they can be considered independent.

Union Representatives

In accordance with the law (1987:1245) on Board representation for private employees the Swedish labour organisation "Hotell- och Restaurang Facket" have appointed one ordinary employee representative to the Board, Mr. Mats Hansson and two deputy employee Board representatives, Mr. Göran Larsson and Mr. Emil Bäckström. The employee Board representatives will join the Board for the 2009 fiscal year. The term of their appointments will expire at the AGM in 2011.

Audit Committee

The Board of Directors appoints the Chairman and the members of the Audit Committee. The members possess competence and experience in the areas of accounting, auditing and/or risk management. No decision-making power has been bestowed on the Audit Committee. The work procedures that apply for the Audit Committee have been approved by the Board of Directors.

The Audit Committee will convene at least three times a year and otherwise when the Chairman of the Board of Directors considers it suitable. Four of the Committee meetings are coordinated with the dates of the presentation of the external financial reports. Up until April 23rd 2008, the Audit Committee consisted of Mrs. Ulla Litzén as the Chair, Mr. Göte Dahlin, Mrs. Trudy Rautio, Mr. Urban Jansson and Mr. Barry Wilson. On April 23rd, 2008 the Board decided at its statutory Board meeting following the AGM that the Audit Committee should comprise of Mrs. Ulla Litzén, Mrs. Trudy Rautio and Mr. Göte Dahlin and Mrs. Ulla Litzén was appointed Chairman. During 2008, the Audit Committee held eight meetings during which minutes were taken. Mrs. Ulla Litzén, Mr. Göte Dahlin, Mrs. Trudy Rautio and Mr. Barry Wilson had 100% attend-

ance and Mr. Urban Jansson had 67% attendance at Audit Committee meetings during 2008. The members have also continuously discussed issues as needed. The auditors, Deloitte AB, participated in four out of the eight meetings that were held during 2008.

The Audit Committee is responsible for ensuring the quality of the financial and operational reporting. The Audit Committee also evaluates the procedures for internal control and management of financial and operational risks. The Audit Committee reviews the financial reports that are issued by the Board and assesses that the information provided to the market reflects the activities of the Company. The Committee meets with the auditors at regular intervals in order to inform itself of the objectives and scope for the external audit, it evaluates the external auditor's work and performance, including the extent of the auditors possible non-audit related work for Rezidor, and, where appropriate, it assists the Nominating Committee in preparing proposals for election of auditors and the remuneration of the auditing work. The Chairman of the Audit Committee is paid EUR 7,500 and each member of the Audit Committee is paid EUR 3,750.

Compensation Committee

The Compensation Committee will consist of at least three members of the Board of Directors who may not be employees of the Company. Up until April 23rd 2008, the Compensation Committee comprised of Mr. Benny Zakrisson as Chairman and Dr. Harald Einsmann, Mr. Urban Jansson, Mrs. Ulla Litzén, and Mr. Jay Witzel as members. On April 23rd, 2008 the Board decided at its statutory Board meeting that the Compensation Committee should comprise of Mr. Hubert Joly, Dr. Harald Einsmann, Mr. Urban Jansson and Mr. Barry Wilson. Mr. Hubert Joly was appointed Chairman. The Code requires that the members of the Compensation Committee should be independent in relation to the Company and the Management. Of the current members, Mr. Hubert Joly and Dr. Harald Einsmann are not considered to be independent. Rezidor therefore deviates from the rules of the Swedish Code of Corporate Governance. However, in the opinion of the Board it is important for the Compensation Committee to have members with extensive knowledge and experience of inter-

Remuneration of the Board of Directors

	Board of Directors fee (EUR)	Audit Committee fee (EUR)	Compensation Committee fee (EUR)	Finance Committee fee (EUR)	Total (EUR)
Urban Jansson	65,000		2,500		67,500
Hubert Joly	36,000		5,000		41,000
Göte Dahlin	36,000	3,750			39,750
Harald Einsmann	36,000		2,500		38,500
Ulla Litzén	36,000	7,500			43,500
Trudy Rautio	36,000	3,750		n/a	39,750
Barry Wilson	36,000		2,500		38,500
Jay S. Witzel	36,000			2,500	38,500
Benny Zakrisson	36,000			5,000	41,000
					388,000

national business and remuneration issues including compensation packages for key executives in the global hotel industry. No decision-making power has been bestowed on the Compensation Committee. The Compensation Committee will convene at least twice a year, or as often as the Board of Directors, the Chairman or any member so requires. During 2008, the Compensation Committee held six meetings during which minutes were taken. Mr. Hubert Joly, Mr. Urban Jansson, Mr. Benny Zakrisson, Mr. Jay Witzel and Mrs. Ulla Litzén had 100% attendance at Compensation Committee meetings during 2008, Dr. Harald Einsmann 83% and Mr. Barry Wilson 75%. In addition, members of the Compensation Committee have had informal contacts about compensation issues throughout the course of the year.

The Compensation Committee is responsible for preparing materials concerning compensation and other employment benefits for the Management and key officers of the group, for final resolution by our Board of Directors. The Compensation Committee also takes the lead in the preparation of proposals for the adoption of any share- or option-based incentive programmes within the Group as well as the preparation of the evaluation of the CEO and his direct reports. The working procedures for the Compensation Committee have been approved by the Board of Directors. The Chairman of the Compensation Committee is paid EUR 5,000 and each member of the Compensation Committee is paid EUR 2,500.

Finance Committee

The Finance Committee will consist of at least three members of the Board of Directors. Up until April 23rd 2008, the Finance Committee comprised of Mr. Jay Witzel as the Chairman and Mrs. Marilyn Carlson Nelson, Mrs. Trudy Rautio, Mr. Barry Wilson, Mr. Göte Dahlin and Mr. Benny Zakrisson as members. On April 23rd, 2008 the Board decided at the statutory Board meeting that the Finance Committee should comprise of Mr. Benny Zakrisson, Mrs. Trudy Rautio and Mr. Jay Witzel. Mr. Benny Zakrisson was appointed Chairman. No decision making power has been bestowed on the Finance Committee. The working procedures for the Finance Committee have been approved by the Board of Directors. During 2008, the Finance Committee held seven meetings during which

minutes were taken. Mr. Benny Zakrisson, Mrs. Trudy Rautio and Mr. Göte Dahlin had 100% attendance at Finance Committee meetings during 2008, Mr. Jay Witzel 86%, Mr. Barry Wilson 67% and Mrs. Marilyn Carlson Nelson 33%. In addition, members of the Finance Committee have had informal contacts about risk and compliance issues throughout the course of the year.

The Finance Committee analyses financial risks and also works with operational risks, insurance, tax, and compliance issues. The Finance Committee is responsible for the execution of the Board's decisions to repurchase shares. The Chairman of the Finance Committee is paid EUR 5,000 and each member of the Finance Committee is paid EUR 2,500.

Remuneration of the Board of Directors

The amount of remuneration granted to the Board of Directors, including the Chairman, is determined by a resolution at the AGM.

Compensation for the Board's work was taken by a resolution at the AGM of shareholders on April 23rd, 2008. The annual fee to the Chairman should be EUR 65,000 and the annual fee to other Board members should be EUR 36,000. In addition, EUR 7,500 is paid to the Chairman of the Audit Committee, and EUR 5,000 to the respective Chairman of the Compensation Committee and Finance Committee and EUR 3,750 for each member of the Audit Committee and EUR 2,500 for each member of the Compensation and Finance Committees. A Board member is only entitled to remuneration for work in one committee. The members of the Board are not entitled to any benefits upon ceasing to serve as a member of the Board.

The Executive Committee

In consultation with the Chairman of the Board, the Chief Executive Officer prepares necessary information and basic documentation on the basis of which, the Board can make well-founded decisions. He presents matters and motivates proposed decisions, as well as reporting to the Board on the development of the Company. The Chief Executive Officer is responsible for leading the work conducted by the Executive Committee and renders decisions in consultation with the other members of the Executive Committee, which consists of a total of eleven persons (including the Chief Executive Officer).

Executive Committee

	Year of Appointment	Year of Employment	Position	Born	Nationality	Shareholding ¹⁾
Kurt Ritter	1989	1976	President & Chief Executive Officer	1947	Swiss	164,100
Knut Kleiven	1994	1986	Deputy President & Chief Financial Officer	1954	Norwegian	115,100
Puneet Chhatwal	2007	2002	Senior Vice President & Chief Development Officer	1964	German	10,000
Jacques Dubois	2006	1996	Senior Vice President & Chief Operating Officer Park Inn & Country Inn	1956	Canadian American	–
Olivier Jacquin	2006	2003	Senior Vice President, Sales, Marketing & Distribution	1966	French	–
Thorsten Kirschke	2006	1995	Executive Vice President & Chief Operating Officer Radisson Blu & Regent	1964	German	12,459
Beathe-Jeanette Lunde	2006	1986	Senior Vice President People Development & Radisson Blu Franchise Operations	1962	Norwegian	10,000
Gordon McKinnon	2002	2002	Executive Vice President, Brands	1960	Scottish	3,000
Marianne Ruhngård	2006	2000	Senior Vice President & General Counsel, Secretary of the Board	1960	Swedish	–
Eugène P. E. Staal	2007	2006	Senior Vice President Technical Development	1964	Dutch	4,000
Per Blixt	2006	2006	Senior Vice President Investor Relations & Corporate Communications	1959	Swedish	17,700

1) Per March, 2009.

Remuneration

TEUR	Salaries	Bonuses	Pension	Housing and company car	Total ¹⁾
Kurt Ritter (CEO)	726	144	299	139	1,308
The Executive Committee (incl. CEO) (11 persons)	4,554	640	621	618	6,433

1) The remuneration numbers exclude social security costs.

The table above sets out the names of the members of our Executive Committee, the year of employment, appointment to the Executive Committee, as applicable, their current positions and their shareholdings as of March 2009.

Remuneration of the Executive Committee

The remuneration granted to the Chief Executive Officer and the other members of the Executive Committee consists of a fixed salary, a variable bonus based on the outcome of financial performance objectives, a pension and other benefits. Details on the compensation to the CEO and the other members of the Executive Committee can be found in Note 10, but a summary is presented in the table above.

Share-related Incentive Programmes

The Annual General Meetings on 4th May 2007 and on 23rd April 2008 approved of proposals for a long-term share related performance-based incentive programme (“the performance based share programmes”) to be offered to some executives within Rezidor Hotel Group AB. Both programmes run for a three year period. The purpose of the programmes is to offer a remuneration package to ensure that remuneration within the Group helps align executives with shareholder interests; that the proportion of remuneration linked to company performance increases and that it encourages executive share ownership. In order to implement the performance

based share programmes in a cost efficient and flexible manner, the Board of Directors was authorised by the Annual General Meetings in 2007 and 2008 to decide on acquisitions or sale of its own shares on the Stock Exchange. More detailed descriptions of the two share related performance based incentive programmes can be found in Note 33.

Financial Reporting

The Board monitors the quality of financial reporting through instructions to the Chief Executive Officer and reporting instructions regarding the reporting via the Audit Committee. The Audit Committee reviews all financial statements published by the Company. The Board as a whole reviews and approves of the Company’s quarterly reports and year-end report prepared by the management. The Board is also responsible for the Company’s financial statements being prepared in compliance with legislation, applicable accounting standards and other requirements for listed companies.

The Chief Executive Officer and the Chief Financial Officer, must review and assure the quality of all financial reporting including financial statements, interim reports and the annual financial statements, press releases with financial content and presentation material issued to the media, owners and financial institutions.

With respect to the communication with the auditors, the auditors are present at the Board Meeting where the Company’s year-

end Financial Report is approved. In addition, the Board has met with the Company's auditors to review their audit of the Company for the financial year 2008. The Board has also met with the Company's auditors without the Chief Executive Officer or other members of the Company's Executive Committee or management being present.

Auditors

Auditors in Swedish limited companies are elected by the AGM and tasked with scrutinising the Company's financial reporting and management of the Company by the Board and the Chief Executive Officer. Pursuant to the Swedish Companies Act, the term for auditors in Swedish limited companies is four years. Since the appointment at the AGM 2005, and up until the AGM 2009, the Group's statutory auditor is Deloitte AB with Mr. Peter Gustafsson as the responsible partner. Deloitte is part of Deloitte Touche Tomatsu, with global operations in auditing and other consulting services. Mr. Gustafsson (born 1956) is a member of FAR-SRS, the Swedish professional institute for authorised public accountants and approved public accountants. Mr. Peter Gustafsson has been an authorised public accountant since 1986. In addition to the Rezidor Hotel Group AB, Peter Gustafsson has audit engagements with SAAB Automobile, Teleca Technology, Ekman, Nexus, SAS AB, Akademiska Hus, Göteborgs Hamn and Göteborgs Spårvägar AB. Peter Gustafsson was previously an auditor at Elanders, Connex Transport, Song Networks, Förvaltnings AB Framtiden and Stockholms Hamnar, among others.

The auditors follow an audit plan that incorporates the comments and concerns of the Board, and report their observations to the Board during the course of the audit and in conjunction with the establishment of the 2008 Annual Report in 2009. The auditor attended four out of eight meetings of the Audit Committee during the year. On one occasion the Board met with the Company's auditor without the Chief Executive Officer or anyone else from the Company management present. Deloitte submits an audit report regarding Rezidor Hotel Group AB, the Group and an overwhelming majority of subsidiaries. During the year 2008, the auditors have had consulting assignments outside the audit, mainly concerning issues related to the interpretation of IFRS and ad hoc tax advice.

Compensation

The auditors receive a fee based on approved invoiced amounts for their work in accordance with a decision of the Annual General Meeting. For information about the auditors' fee in 2008, see Note 41.

Internal Control

The purpose of this report is to give shareholders and other stakeholders a better view and understanding of how internal control over financial reporting at Rezidor Hotel Group AB is organised.

Internal control over financial reporting is a process that involves the Board and in particular the Audit Committee appointed by the Board, company management and personnel. It is designed to provide assurance of reliability in external reporting.

This report has been prepared in accordance with the Swedish Code of Corporate Governance and the guidelines compiled by FAR-SRS and the Confederation of Swedish Enterprise. It is therefore limited to internal control over financial reporting. In accord-

ance with the statement from the Council for Swedish Corporate Governance in September 2006, this internal control report is restricted to a description of how the internal control is organised and makes no statement on how well it functioned during the fiscal year 2008.

Rezidor Hotel Group AB applies the COSO framework as a base for the internal control structure.

The Board annually evaluates the need for and organisation of an internal audit process. The structure of the process for 2008 and 2009 has been approved by the Board. The process is managed from the Rezidor corporate office in Brussels with internal audit training. Accounting and control policies and procedures are also prepared, updated and distributed from the Rezidor Hotel Group's corporate office.

This report supplements the Annual Report. It has not been reviewed by the company's auditors.

The Internal control over financial reporting is described below in five components that jointly form the basis of a sound control structure.

Control Environment

The control environment forms the basis of internal control. The control environment includes the culture that the company communicates and operates from in a number of areas. The company values include reliability and openness. It is important that all actions, internal as well as external, reflect these basic values. The company's Code of Business Ethics has been distributed to all employees and describes the required attitudes in various situations. Compliance with the Code of Business Ethics is followed up by regular visits to the hotels by Area Vice Presidents, Regional and District Directors, Regional Human Resources Managers and Head Office Human Resources Managers. In addition the General Managers must certify that he/she is not engaged in any conflict of interest. The whistleblower procedure, which was implemented in 2008, gives the employees the possibility to report on issues related to the Code of Business Ethics.

The company's Board of Directors has appointed an Audit Committee with the objective of ensuring the quality of the company's financial and operational reporting.

In addition the Audit Committee evaluates the procedures for internal control and the management of financial and operational risks.

The Board has also issued specific instructions for the CEO.

The company has created a framework that describes the compulsory internal control policies applicable to all brands, all legal entities and all managed hotels within the Group. This document is the core of the Group's financial management system, and it outlines the procedures for the planning, delegation and follow-up of internal control. The document is also a tool for information and education.

One of the principal requirements of internal control is the necessity of written documentation to evidence compliance with the compulsory policies.

Another principal purpose is to establish responsibilities and authority within the hotels and across all levels of the Group. This is achieved through job descriptions for the hotel General Managers and Financial Controllers and regional and corporate reviews and analyses of the individual hotels' performance on a monthly basis.

The policy document and other guidelines are accessible on the intranet and continuously updated to comply with accounting and audit regulations.

The company is also committed to competence and ensures that employees, including those in finance and accounting functions, receive the appropriate training. Other control measures in effect are specific accounting procedures, human resources manual, quality performance checks, mystery shoppers (cash integrity checks) and hotel reviews performed regularly by regional operational and financial management. For new hotel contract partners, a system is in place to make background checks.

Risk Assessment

Company management performs an annual risk assessment with regard to financial reporting. The external auditors provide feedback and may suggest additional considerations for the risk assessment. The risk assessment has identified a number of critical processes such as revenue, purchasing, payroll, financial reporting, IT, related party transactions, cash handling procedures, stock and inventory, receivables, bank relations and processes, legal requirements regarding operational licensing and insurance. Within these processes, the internal audits cover, as applicable, segregation of duties, authorisation for payment, contract handling, cost control, registration of revenues and follow-up routines. The annual plan for internal control is developed based on the risk assessment.

The risk assessment can be adjusted during the year to ensure that changes are managed in the process.

The Audit Committee and the Board of Directors analyse and approve the previous year's result from the internal audit and the internal audit plan for the following year.

Control Activities

Controls have been implemented throughout the organisation to ensure that risks are managed as intended by the Board, including financial reporting risk, IT risks and fraud risks.

Managers and financial department employees in the hotels perform controls as part of their daily business to comply with central as well as local policies and guidelines.

Regular internal audits are performed to evaluate whether controls operate as intended. These audits are scheduled and performed based on the company's formal risk assessment.

Action plans are implemented and followed up to improve control activities that are lacking or found to be ineffective.

The company has established specific anti-fraud programmes and controls, and these procedures are well known throughout the company.

The specific internal audits of hotels and administrative units are primarily aimed at internal control within operation and administration with focus on processes that impact financial reporting and risk of irregularities, improper favouritism of another party at the company's expense, and the risk of losses.

The teams for the internal audits consist of independent persons of the audited units, supported by external auditors and by risk management consultants.

Information and Communication

Employees' individual responsibilities for maintaining internal control have been clearly communicated in the Group. Every man-

ager is responsible for ensuring that employees have received and understood the relevant information needed to perform their tasks.

Accounting principles and procedures for operational and financial reporting are known by those responsible for applying them, and updates are communicated regularly.

General Managers, Regional Directors and Area Vice Presidents report operations and financial information on a monthly basis to the Executive Committee.

Management receives the operational and financial information they require in a timely manner, and the company has procedures for adapting to changing information needs as the competitive and/or regulatory environment evolves.

The information systems are continuously evaluated, and the company has established strategic plans related to future upgrades and information system needs.

The results from the internal audits are communicated throughout the organisation in order to benchmark and improve internal control procedures.

The yearly audit plans and results of the audits are submitted periodically to the Executive Committee of the Group and to the Audit Committee.

Rezidor Hotel Group AB's goal is that internal control policies are known and followed in the Group. Policies and guidelines regarding the financial process are communicated to all affected parties in the Group through direct distribution via electronic mail and via the Group's intranet, where all policies and guidelines are available.

Regulations related to a public company's external information to investors and stakeholders are known by those responsible for applying them.

To ensure that the submission of external information is correct and complete, there is an information policy regarding disclosures to the stock exchange – as well as an investor relations policy – that have been adopted by the Board of Directors of the Group. These policies state what, in what form and how information is to be dealt with.

A system, with the support of an external company, allow employees to anonymously (turn whistleblower) alert corporate management and the Audit Committee on ethical, financial and other issues in the organisation was put in place beginning of 2008.

Monitoring

Regular internal meetings are used on different levels in the organisation for management and employees.

The Executive Committee and the Board monitor the company's operations and financial reporting on a continuous basis.

All recommendations and/or action plans from external auditors, internal audits and other internal control activities are reviewed by the Audit Committee and the Board, and the company – as well as the individual hotels and administrative business units – respond to such recommendations and/or action plans in a timely manner.

The resources and authority of those responsible for performing internal control reviews are adequate considering the size and complexity of the organisation. Those responsible for performing internal control reviews adhere to the professional standards established by the Institute of Internal Auditors.