

**Item 15 – The Board of Director’s proposal for principles for compensation and other employment terms for the Company’s key management**

The Board of Directors proposes that the Annual General Meeting resolves on the following principles for compensation and other employment terms for the Company’s key management (*i.e.*, the President & CEO and the other members of the Company’s Executive Committee, in the following referred to as the "**Executives**") for 2015:

**Principles for compensation and other employment terms for the Company’s key management**

Remuneration and other terms of employment for the Executives shall be competitive and in line with international market practice as defined by a peer group of international companies, both in terms of the level and the structure of the individual components of remuneration. The principles for compensation, which apply until the next Annual General Meeting, shall be applied in relation to every commitment on, and every change in, remuneration.

The individual components of total remuneration may consist of (i) fixed annual base remuneration, (ii) variable remuneration (annual and multi-year), (iii) pension contributions and (iv) other benefits.

*Fixed annual base remuneration*

The fixed annual base remuneration shall be an appropriate portion of the total remuneration and be reviewed and, if necessary, adjusted annually in line with the responsibilities, performance and level of remuneration of each Executive.

*Variable remuneration*

Variable remuneration may consist of annual and multi-year programs and shall be based on the principle of pay for performance.

Annual variable remuneration programs shall be cash based and represent a potential to earn a percentage of the fixed annual base remuneration, subject to meeting certain ambitious, but achievable, predefined financial, operational and personal performance objectives. Depending on the level of performance achieved, annual variable remuneration may vary from 0 per cent up to 75 per cent of the fixed annual base salary of the Executive and with respect to the President & CEO up to 150 per cent of the fixed annual base salary.

Multi-year variable remuneration programs may be share based, normally covering a three-year qualification period. The design of such remuneration shall be intended to enhance the Company’s performance and align the participants’ and shareholders’ long term interests. Participants include the Executives and a limited number of other key executives of the Rezidor Group. The material terms of any share based variable remuneration programs shall be resolved by a General Meeting.

The Board of Directors has proposed, subject to the approval of the Annual General Meeting, to implement a share based variable remuneration program for the three year period 2015–2017 (LTIP 2015), as is further set out in item 16 below. 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.

*Pension contributions*

All future pension commitments shall be in the form of defined contributions, calculated on a percentage of the fixed annual base remuneration and shall not be calculated on any variable elements of remuneration.

*Other benefits*

Other benefits may consist of, *inter alia*, company car, housing, paid schooling for under age children and travel allowances.

*Notice of termination and severance pay*

Termination notice periods shall normally not exceed 12 months or three months per five years of employment. Combined contractual notice periods and severance payments, in the event of termination by the Company (or as applicable another company within the Rezidor Group), shall not exceed 24 months. In case of dispute, applicable law may lead to severance payments exceeding the contracted amount and may exceed 24 months remuneration.

*The Board of Directors' preparation and decision-making on issues concerning remuneration and other terms of employment for the Company's key management*

The Compensation Committee is responsible for preparing and the Board of Directors decides on terms of employment and remuneration of the President & CEO. The Compensation Committee also prepares and proposes to the Board of Directors the principles for compensation of the Company's key management for decision by the Board of Directors and proposal to the Annual General Meeting.

The Compensation Committee approves, on proposal from the President & CEO, compensation levels etc. for the other members of the Company's Executive Committee.

*Authority to decide on deviations from these principles for compensation*

The Board of Directors shall be authorized to deviate from these principles for compensation if specific reasons for doing so exist in any individual case.

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