

Corporate Governance Report 2006

Responsibility for the management and control of Rezidor Hotel Group AB is shared among the Board of Directors, its elected committees and the CEO in accordance with the Swedish Companies Act, other legislation, rules and regulations governing listed companies, including the Swedish Code of Corporate Governance, the Articles of Association and the Board's own internal control instruments.

The Company's shares are listed on the Nordic List of Stockholmsbörsen (the "Exchange") since November 28th 2006 (the "Listing"). The Company declared upon the Listing that it will follow the Swedish Corporate Governance Code (the "Code") as prescribed by the Exchange. Since the Listing, the Company has successively adapted the routines, rules and procedures of the Company to the system set forth by the Code. The Code also prescribes that the Annual Report should be supplemented by this Corporate Governance Report, which in a general way describes how the Company applied the Code during the fiscal year 2006.

We hereby submit the Corporate Governance Report for year 2006. The report has not been reviewed by our auditors.

ANNUAL GENERAL MEETING

The Annual General Meeting is Rezidor Hotel Group AB's highest decision-making body. It shall be held in Stockholm. Rezidor Hotel Group AB's first Annual General Meeting as a listed company will be held in Stockholm on May 4th, 2007.

NOMINATION COMMITTEE

The mission

The obligation to follow the Code did not arise until the Company became listed. The shareholders did not at the Annual General Meeting in 2006 appoint a Nomination Committee. Nevertheless in efforts to comply with the Code to the extent possible an informal Nomination Committee procedure was set up. In connection with the Listing of our shares, the Chairman of our Board of Directors, Mr. Urban Jansson, consequently initiated a process for appointing an informal Nomination Committee. However for the above reasons it was not possible to issue a press release with the names of the members of the Nomination Committee six month prior to the date of the Annual General Meeting as the Code prescribes.

The responsibility of the Nomination Committee is to nominate the persons to be appointed to our Board of Directors at the Annual General Meeting of shareholders. The Nomination Committee makes recommendations for the Board of Directors and recommendations regarding the allocation of remuneration among the Chairman and other members of our Board of Directors and regarding the alloca-

tion of remuneration in respect of committee work, if any. Such recommendations are presented at the Annual General Meeting. The Nomination Committee also makes recommendations regarding the appointment of auditors and remuneration of the auditors.

The 2007 Annual General Meeting shall decide upon the criteria to be used in appointing members of the Nomination Committee for the following year.

Members

The intention as set out in our Listing prospectus was that the members of the informal Nomination Committee should represent the three largest shareholders. As a result the informal Nomination Committee has consisted of Mrs. Marilyn Carlson Nelson who has taken steps to set up a Nomination Committee. Mrs. Marilyn Carlson Nelson, who represents the owners Carlson Hotels Worldwide Inc and Carlson Summit Inc (together "Carlson"), owns 35%, Mr. Benny Zakrisson, who represents SAS AB (publ) owns 6.74% and Mr. Brian Meyer, who represents Fir Tree Partners, USA owns 5.02% (as disclosed by Fir Tree, Inc. in a press release dated January 8th, 2007, New York). The informal Nomination Committee has thus included two members of the Board. The Nominations Committee has informed the Company that this was necessary due to time constraints.

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 shareholders and consist of not less than three and not more than fifteen members. Further, under the Swedish Companies Act, the CEO and at least half of the members of the Board of Directors of a company must be residents of a country within the EEA, unless the Swedish Companies Registration Office grants an exemption.

Mission and responsibilities

Each year, the Board of Directors establishes a formal work plan clarifying the Board's responsibilities and regulating 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 Board work on accounting, auditing matters and financial reporting.

The work plan also governs how the Board shall receive information and documentation as the basis for its work and in order to be able to make well-founded decisions. The Board has also issued separate CEO's instructions and instructions for the financial reporting to the Board and has adopted other special steering documents, including a Finance Policy, a Communications Policy and a Code of Conduct.

The responsibilities of the Board include monitoring the work of the CEO through ongoing reviews over the year. The Board is further responsible for ensuring that Rezidor Hotel Group AB'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.

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

Activities of the Board 2006

According to current rules of 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 2006 the Board held 17 meetings. The main topics of discussion were as follows:

- Keeping informed about the financial position of the Company and the group;
- Adopting a business plan;
- Adopting policies;
- Evaluating internal control;
- Monitoring the IPO process and reviewing and approving of the prospectus for the Listing of the Company;
- Discussing and approving of certain hotel projects meeting defined criteria; and
- Evaluating a new Food & Beverage strategy.

The Board liaises with the auditors regarding plans for the audit procedure and when audit reports are to be considered. Major business areas are given an opportunity at least once a year to give an indepth presentation of their operations at a Board meeting.

The Chairman of the Board

At an extraordinary General Meeting of shareholders held on September 14th, 2006 Mr. Urban Jansson was elected Chairman. The Board elected Mrs. Marilyn Carlson Nelson as vice Chairman on November 9th, 2006.

It is the responsibility of the Chairman to monitor operations, in consultation with the CEO, 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 activity, and this evaluation is then shared with the Nomination Committee. The Chairman also participates in evaluation and development questions regarding the Group's Senior Executives.

Members of the Board of Directors

Pursuant to our articles of association, our Board of Directors shall be elected at the Annual General Meeting and serve for a term expiring at the next Annual General Meeting. The members of the Board of Directors may be removed from office at any time by a General Meeting of the shareholders, and vacancies on the Board may only be filled by a resolution of shareholders.

At present, the Board of Directors is composed of nine directors, including the Chairman and vice Chairman. The following table presents the names of the current members, their current position, the year of their election and their attendance at board meetings during 2006. More information about the individual directors are set forth on pages 08–09 of the Annual Report.

Member	Position	Year of election	Attendance at board meetings ¹⁾	Attendance percentage ⁴⁾
Urban Jansson	Chairman	2006	10	100%
Marilyn Carlson Nelson	v. Chairman	2006	8	100%
Monica Caneman	Director	2006	11	100%
Harald Einsmann	Director	2006	5	71%
Ulla Litzén	Director	2006	11	100%
Trudy Rautio	Director	2005	15	100%
Gunnar Reitan ²⁾	Director	2005	16	94%
Jay S. Witzel ³⁾	Director	2005	15	100%
Benny Zakrisson ²⁾	Director	2005	16	94%

¹⁾ The Board held 17 meetings during 2006 of which 7 were meetings in person, 5 were telephone conference calls and 5 were per capsulam meetings (i.e. written resolutions in lieu of a meeting).

²⁾ Mr. Reitan and Mr. Zakrisson both joined the Board of Directors of Rezidor Hotel Group AB (publ) in 2005. Previously, they were members of the Board of Directors of each of our previous parent companies, SAS International Hotels AS and Rezidor SAS Hospitality A/S.

³⁾ Mr. Witzel joined the Board of Directors of Rezidor Hotel Group AB (publ) in 2005. Previously, he was a member of the Board of Directors of our previous parent company Rezidor SAS Hospitality A/S.

⁴⁾ Attendance percentage based on date of appointment.

Independence of board members

None of the members of the Board of Directors are employed by the Rezidor Hotel Group or any other company within the group. Of the members of our Board of Directors Mr. Urban Jansson, Mrs. Monica Caneman, Mrs. Ulla Litzén, Dr. Harald Einsmann, Mr. Gunnar Reitan and Mr. Benny Zakrisson are independent directors in relation to the Company and the Management. Due to extensive business relations between Carlson and Rezidor, Mrs. Marilyn Carlson Nelson, Jay Witzel and Trudy Rautio are not independent directors to the Company and the Management. Mrs. Marilyn Carlson Nelson, Mr. Jay Witzel, Mrs. Trudy Rautio and Dr. Harald Einsmann are to be considered dependent of our shareholders, as they represent our owner Carlson which holds 35% of the shares of Rezidor Hotel Group AB (publ).

Mr. Gunnar Reitan and Mr. Benny Zakrisson have each served on the Boards of Directors of our predecessor companies for a total of more than 12 years. However, Rezidor Hotel Group AB (publ) only became the parent company of our group in 2005, when Carlson acquired a minority shareholding in Rezidor Hotel Group AB, and, until then, they served on the Boards of Directors of companies that were wholly-owned by SAS. The role of our Board of Directors as compared to the Boards of Directors of our predecessor entities also changed significantly in 2005, when Carlson became a minority shareholder, and changed further in connection with the Listing, therefore, we do not believe that the prior board memberships of Mr. Gunnar Reitan and Mr. Benny Zakrisson in our predecessor companies will impact their independence.



Labour unions representatives

Currently there are no employee representatives nominated as board members.

Audit Committee

The Board of Directors elects the Chairman and 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 Audit Committee shall convene at least once a year and otherwise when the Chairman of the Board of Directors considers it suitable. On August 16th, 2006 the Board decided that the Audit Committee should comprise of Mrs. Trudy Rautio, Mr. Benny Zakrisson and Mrs. Monica Caneman. Mrs. Monica Caneman was elected as Chairman. On October 19th, 2006 the Board decided that Mr. Urban Jansson should also be a member of the Audit Committee. During 2006 the Audit Committee held 2 meetings.

Member	Attendance at Committee meetings ¹⁾
Monica Caneman (Chairman)	2
Benny Zakrisson	2
Trudy Rautio	2
Urban Jansson	2

¹⁾ The Audit Committee held 2 meetings during 2006.

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 and meets with the auditors with regular intervals in order to inform itself of the objectives and scope for the external audit, evaluates the external auditor's work and performance, including the extent of the auditors possible non-audit related work for Rezidor, and assists the Nomination Committee in preparing proposals for election of auditors and the remuneration of the auditing work. There is no remuneration for the members of the Audit Committee.

Compensation Committee

The Compensation Committee shall consist of at least three members of the Board of Directors who may not be employees. The members shall be independent in relation to the Company and the Management. Of the current members, Mr. Jay Witzel is not independent but the Board of Directors has considered his extensive knowledge of market practice in the hotel industry to be a valuable contribution to the Compensation Committee's work. The Chairman of the Board of Directors shall be a member and the Chairman of the Compensation Committee. No decision-making power has been bestowed on the Compensation Committee.

The Compensation Committee shall convene at least twice a year, or as often as the Board of Directors, the Chairman or any member so requires. Prior to August 16th, 2006 the Compensation Committee consisted of Mr. Gunnar Reitan as Chairman, Mr. Benny Zakrisson and Mr. Jay Witzel. On August 16th, 2006 the Board decided that the Compensation Committee should comprise of Mr. Jay Witzel, Mr. Gunnar Reitan and Mrs. Ulla Litzén. Mr. Gunnar Reitan was elected as Chairman. On October 19th, 2006 the Board decided that Mr. Urban Jansson should be a member of the Compensation Committee. The Board decided on December 18th, 2006 that Mr. Urban Jansson would replace Mr. Gunnar Reitan as the Chairman of the Compensation Committee. During 2006, the

Compensation Committee held 2 formal meetings and in addition members of the Compensation Committee have had informal contacts on compensation issues during the course of the year.

Member	Attendance at Committee meetings ¹⁾
Gunnar Reitan (Chairman until 18 th December 2006)	2
Ulla Litzén	2
Jay Witzel	2
Urban Jansson (Chairman as of 18 th December 2006)	2

¹⁾ The Compensation Committee held 2 meetings during 2006.

The Compensation Committee is responsible for preparing matters 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 participates in the preparation of proposals for the adoption of any share- or option-based incentive programmes within the Rezidor group. There is no remuneration for the members of the Compensation Committee.

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 Annual General Meeting.

Compensation for the Board's work of 2006 was taken by a resolution at the extraordinary General Meeting of shareholders on August 16th, 2006. The annual fee to the Chairman should be TSEK 350 and the annual fee to other members should be TSEK 125. In addition, each member of the Board is paid TSEK 30 for each meeting attended. The members of the Board are not entitled to any benefits upon ceasing to serve as a member of the Board.

Member	Annual fees, SEK accrued as of Dec. 31, 2006	Compensation ¹⁾ for board meetings attended in 2006, SEK	Total, SEK
Urban Jansson (Chairman)	116,666	150,000	266,666
Marilyn Carlson Nelson (Vice Chairman)	41,666	150,000	191,666
Monica Caneman	46,875	180,000	226,875
Harald Einsmann	41,666	90,000	131,666
Ulla Litzén	46,875	180,000	226,875
Trudy Rautio	46,875	180,000	226,875
Gunnar Reitan	56,250	180,000	236,250
Jay S. Witzel	46,875	180,000	226,875
Benny Zakrisson	46,875	180,000	226,875
Total	490,623	1,470,000	1,960,623

¹⁾ As of 16th August 2006.

THE EXECUTIVE COMMITTEE

In consultation with the Chairman of the Board, the CEO 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 CEO 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 ten persons (including the CEO). More information about the CEO is set forth on page 10 of the Annual Report.

The following table sets forth the names of the members of our Executive Committee, the year of employment, appointment to the Executive Committee, as applicable, and their current positions. A full presentation of the Executive Committee is found on page 10–11.

Member	Year of Appointment to the Executive Committee (Year of Employment)	Position
Kurt Ritter	1989 (1976)	President and Chief Executive Officer
Knut Kleiven	1994 (1986)	Deputy President and Chief Financial Officer
Thorsten Kirschke	2006 (1995)	Senior Vice President and Chief Operating Officer
Gordon McKinnon	2002 (2002)	Executive Vice President, Brands
Martin Rinck	2003 (2003)	Executive Vice President and Chief Development Officer
Jacques Dubois	2006 (1996)	Senior Vice President, Park Inn Hotels
Olivier Jacquin	2006 (2003)	Senior Vice President, Sales, Marketing, CRM and Distribution
Per Blixt	2006 (2006)	Head of Corporate Communication and Investor Relations
Beathe-Jeanette Lunde	2006 (1986)	Senior Vice President, People Development and Radisson SAS Franchise Operations
Marianne Ruhnågård	2006 (2000)	Senior Vice President and General Counsel, Secretary of the Board

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 financial performance objectives, 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 of the Annual Report, but a summary is presented in the table below.

Member <i>TEUR</i>	Fixed salary	Bonus	Pension and other benefits	Total
Kurt Ritter (CEO)	593	982	297	1,872
The Executive Committee (excl. CEO) (9 persons)	3,072	1,823	657	5,552
Total	3,666	2,805	954	7,425

The remuneration numbers exclude social security costs.

Share-related Incentive Programme

The Board of Directors will to the Annual General Meeting 2007 propose a share-related incentive programme. The incentive programme will be targeted to key members of the Management and aim to further increase commitment and loyalty and to align the interests of the shareholders and key personnel in order to increase the value of the Company. The Board of Directors' proposal will take into consideration market practice among international peers in the hotel industry as well as practice for Swedish listed companies.

There has been no share-related incentive programme for the financial year 2006, other than as disclosed in the prospectus prepared for the Listing and which was terminated in connection with the Listing.

FINANCIAL REPORTING

The Board monitors the quality of financial reporting through instructions to the CEO and reporting instructions via the Audit Committee. The Audit Committee processes all financial statements published by the Company. The Board as a whole prepares the Company's quarterly reports and year-end report. The Board as a whole is responsible for the Company's financial statements being prepared in accordance with legislation, accounting standards and other requirements for listed companies.

The CEO has the task, with the Chief Financial Officer, to 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 are approved. In addition, the Board has met with the Company's auditors to review their audit of the Company for the financial year 2006. The Board has also met with the Company's auditors without the CEO or other members of the Company's Executive Committee being present.

AUDITORS

Auditors in Swedish limited companies are elected by the Annual General Meeting and tasked with scrutinizing the Company's financial reporting and management of the Company by the Board and the CEO. Pursuant to the Swedish Companies Act, the term for auditors in Swedish limited companies is four years. Since the appointment at the Annual General Meeting 2005, and up until the Annual General Meeting 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. Prior to 2005, Deloitte Statsautoriseret Revisionsaktieselskab A/S was the Group's statutory auditor with Mr. Ove Nielsen as responsible partner. Besides Rezidor Hotel Group, Peter Gustafsson has audit engagements with SAAB Automobile, Teleca Technology, Ekman, Nexus, SAS AB, Akademiska Hus, Ports of Stockholm, Port of Gothenburg and Förvaltnings AB Framtiden. Peter Gustafsson was previously an auditor at Elanders, Connex Transport and Song Networks, 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 2006 Annual Report in 2007. The auditor attended all meetings of the Audit Committee during the year. On one occasion the Board met with the Company's auditor without the CEO 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 of 2006 the auditors have had consulting assignments outside the audit, mainly concerning issues related to the IPO, to interpretation of IFRS and ad hoc tax advice.

Compensation

The auditor's receives a fee for their work in accordance with a decision of the Annual General Meeting. For information about the auditor's fee in 2006, see note 32, page 55.