
Orascom Development Holding AG

Compensation Report

Full Year 2017



ORASCOM
DEVELOPMENT

**ORASCOM
DEVELOPMENT
HOLDING AG,
ALTDORF**

*Compensation Report for the year ended
December 31, 2017 in Accordance with the
Ordinance against Excessive Compensation in
Stock Exchange Listed Companies
(Ordinance) and Report of the Statutory
Auditor*

Report of the Statutory Auditor

To the General Meeting of

ORASCOM DEVELOPMENT HOLDING AG, ALTDORF

We have audited section 5 of the accompanying Compensation Report of Orascom Development Holding AG for the year ended December 31, 2017.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation Report in accordance with Swiss law and the Ordinance Against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying Compensation Report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation Report complies with Swiss law and Articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation Report with regard to compensation, loans and credits in accordance with Articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Compensation Report, whether due to fraud or error. An audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the Compensation Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, section 5 of the Compensation Report for the year ended December 31, 2017 of Orascom Development Holding AG complies with Swiss law and Articles 14 – 16 of the Ordinance.

Deloitte AG



Roland Müller
Licensed audit expert
Auditor in charge



Adrian Käppeli
Licensed audit expert

Zurich, April 5, 2018
ROM/AKA

COMPENSATION REPORT

1 INTRODUCTION

The Compensation Report provides comprehensive information about the remuneration principles and programs applicable to the Board of Directors and the Group Executive Management. It also describes the governance of the determination of remuneration and provides details of remuneration related to the financial year which ended 31 December 2017. The report was prepared in accordance with the Swiss Ordinance against Excessive Compensation in Listed Stock Companies ("OaEC"), the principles of the Swiss Code of Best Practice issued by *economiesuisse* and the Corporate Governance Directive of the SIX Swiss Exchange.

2 COMPENSATION POLICY AND PRINCIPLES

The compensation policy and principles of the Group are designed to support a performance culture which fosters teamwork and collaboration. Furthermore, it aims to promote effective risk management practices.

The compensation policy takes into account the long-term performance of the Group and balances the fixed and variable compensation components to reflect the value and responsibility of the roles that the Board of Directors and the Group Executive Management perform. The aim of the compensation policy includes attracting and retaining employees, and motivating employees to achieve results with integrity and fairness.

The objectives of the compensation policy are framed to achieve an appropriate balance between the interests of employees and shareholders in order to create sustainable value for the Group. The compensation policy applies to all members of the Executive Management. It contains a detailed description of the Group's compensation principles and objectives as well as the compensation programs.

The compensation policy is reviewed regularly and endorsed by the independent Nomination and Compensation Committee. The compensation policy, as well as periodic updates and revisions, are approved by the Board of Directors.

3 COMPENSATION GOVERNANCE

3.1 Nomination and Compensation Committee

The Nomination and Compensation Committee consists of two non-executive members of the Board of Directors as determined by the Board. The current members are Marco Sieber (chairman) and Franz Egle (member).

The mission of the Nomination and Compensation Committee is to assist the Board of Directors in the discharge of its responsibilities relating to compensation and nomination of members of the Board of Directors and of the Executive Management.

In accordance with the OaEC and the Articles of Association, since the 2015 Annual General Meeting, the shareholders are voting to approve the compensation of the Board of Directors and of the Executive Management based on the proposals set forth by the Board of Directors.

3.2 Approval and authority levels

Pursuant to Art. 16 of the Articles of Association, the Nomination and Compensation Committee has in particular the following duties and responsibilities:

- Issue and review the compensation policy and the performance criteria and the periodical review of the implementation and submission of suggestions and recommendations to the Board of Directors;
- Preparation of the decisions for the Board of Directors regarding the compensation of the members of the Board of Directors and the management and submission of suggestions to the Board of Directors regarding the content and amount of the annual compensation of the members of the Board of Directors and the management and a suggestion on the total amount of compensation;
- Submission of suggestions to the Board of Directors regarding the recipients of performance-related compensations and submission of suggestions to the Board of Directors regarding the definition of the annual targets for performance-related compensations;
- Decision making or preparation of the decision making according to the applicable law, the Articles of Association or the organizational regulations.
- In addition, the Nomination and Compensation Committee issues recommendations regarding the nomination of members of the Board of Directors or Executive Management, and regarding other topics submitted to the Nomination and Compensation Committee by the Board of Directors for the Nomination and Compensation Committee's consideration.

4 ARCHITECTURE OF COMPENSATION

4.1 Compensation of the Board of Directors

Since 2015, the compensation of the members of the Board of Directors amounts to gross CHF 120'000 for each member. In addition to this base compensation, the members (and chairmen) of the Audit Committee and of the Nomination and Compensation Committees receive an additional compensation of gross CHF 20,000. The Lead Director receives an additional compensation of gross CHF 40,000.

For 2017, the base compensation and additional compensation for the Lead Director and committee members are fully paid in shares. The shares of the Company allocated to the members of the Board of Directors as compensation are, for that purpose and if not available to the Company already, purchased by the Company on the market and their valuation (for purposes of the calculation of the number of shares allocated to each member of the Board of Directors) is based 20% discount from the closing share price of the ODH share (ODHN) at SIX Swiss Exchange as March 29, 2018.

The members of the Board of Directors do not receive any performance related compensation. No other benefits are paid.

4.2 Compensation of the Group Executive Management

Compensation of the members of Executive Management for their service in Executive Management consists of a base salary and a performance related remuneration which is annually determined, as further described below.

In order to determine the base salary and the performance related remuneration of the members of the Executive Management, the Nomination and Compensation Committee discusses the proposals presented by the CEO and subsequently presents a proposal to the Board of Directors for approval.

4.2.1 Base salary

The base salaries of the members of Executive Management are paid fully in cash.

4.2.2 Performance related remuneration

In 2014, the Board of Directors revised the existing bonus policy and approved an updated bonus policy ("Policy") for the Executive Management. The compensation of the members of Executive Management is based on an evaluation of the individual performance of each member, as well as of the performance of the business area for which each member is responsible.

The Policy includes a cash-bonus and a deferred share-bonus. 100 % of the cash-bonus and 40 % of the share-bonus are based on the Executive Management member's personal performance. 60 % of the share-bonus is based on the (financial) performance of the Group.

The cash-bonus can reach at maximum 25 % of the Executive Member's annual gross base salary. The share-bonus can reach at maximum 100 % of the Executive Member's annual gross base salary.

The share price that is relevant to determine the number of ODH shares to be granted to the member of the Executive Management is the average share price of the ODH share (ODHN) at SIX Swiss Exchange during the last six months of the performance year (closing prices of all trading days from 1 July to 31 December).

The Board of Directors decided that for 2017 only a cash bonus shall be paid to the Executive Management, as shown in section 5.2 below.

4.2.3 Contingent compensation of the CEO

In addition to the base salary, the CEO was granted a contingent compensation which is dependent solely on the development of the share price of the Company. The contingent compensation is determined according to a formula which takes into account the development of the Company's share price. In essence, the new CEO shall be entitled to 10% of the incremental market capitalization of the Company above a hurdle rate or minimum yield of 8% per annum. The award accrues over a vesting period of six years and is subject to usual forfeiture and acceleration provisions. For example, the contingent compensation will be forfeited and lost in case the CEO terminates his employment relationship with the Company without cause. The contingent compensation may be paid in cash or, at the Company's discretion, in (whole or in part in) shares of the Company. If payment is made in shares, the number of shares will be calculated according to a formula which is based on an average of the share price at the time immediately prior to the delivery of the shares. If the market capitalization of the Company does not exceed the hurdle rate of 8% per annum, the CEO does not receive any payments under the contingent compensation. The Board of Directors believes that a vesting period of six years rewards a long-term performance and shows a long-term commitment of the new CEO towards the Company. The award of 10% of the incremental market capitalization of the Company above a hurdle rate of 8% per annum aims ensures that the new CEO is paid for his contribution to Company performance.

4.2.4 Other Benefits

Besides the compensation as set out in Sec. 4.2.1, 4.2.2 and 4.2.3 above, the members of the Executive Management do not participate in any other retirement or pension fund plans provided by the Group. The members of the Executive Management are

responsible themselves for all insurance and old-age provisions. Members of the Executive Management receive certain lump sum allowances for expenses.

4.2.5 Employment terms and conditions

All members of the Group Executive Management have employment contracts with notice periods of a maximum of six months. Members of the Group Executive Management are not entitled to a severance payment.

5 COMPENSATION AND SHARE OWNERSHIP

5.1 Board of Directors

The table below shows the compensation of the members of the Board of Directors for the 2017 financial year.

Compensation for 2017		Gross value of salaries and fees	Gross value of unrestricted shares	Other benefits (car, insurance, etc.)	Pension contributions	Total remuneration
CHF (gross amounts)						
BOARD OF DIRECTORS						
Samih Sawiris	Chairman	-	120'000	-	-	120'000
Adil Douiri ¹	Member	-	140'000	-	-	140'000
Franz Egle ²	Member	-	140'000	-	-	140'000
Jürgen Fischer	Member	-	120'000	-	-	120'000
Carolina Müller-Möhl	Member	-	120'000	-	-	120'000
Naguib Sawiris	Member	-	120'000	-	-	120'000
Marco Sieber ³	Member	-	140'000	-	-	140'000
Jürg Weber ⁴	Member	-	180'000	-	-	180'000
TOTAL COMPENSATION		-	1'080'000	-	-	1'080'000

- 1 Member of the Audit Committee.
- 2 Member of the Nomination and Compensation Committee.
- 3 Chair of the Nomination and Compensation Committee.
- 4 Lead Director and Chair of the Audit Committee.

The table below shows the compensation of the members of the Board of Directors for the 2016 financial year.

Compensation for 2016		Gross value of salaries and fees	Gross value of unrestricted shares	Other benefits (car, insurance, etc.)	Pension contributions	Total remuneration
CHF (gross amounts)						
BOARD OF DIRECTORS						
Samih Sawiris	Chairman	-	120'000	-	-	120'000
Adil Douiri ¹	Member	-	140'000	-	-	140'000
Franz Egle ²	Member	-	140'000	-	-	140'000
Jürgen Fischer	Member	-	120'000	-	-	120'000
Carolina Müller-Möhl	Member	-	120'000	-	-	120'000
Naguib Sawiris ³	Member	-	80'000	-	-	80'000
Marco Sieber ⁴	Member	-	140'000	-	-	140'000
Jürg Weber ^{5,6}	Member	-	180'000	-	-	180'000
TOTAL COMPENSATION		-	1'040'000	-	-	1'040'000

- 1 Member of the Audit Committee.
- 2 Member of the Nomination and Compensation Committee.
- 3 Member since 9 May 2016.
- 4 Chair of the Nomination and Compensation Committee.
- 5 Lead Director and Chair of the Audit Committee.

- 6 Mr. Jürg Weber was shareholder of Golden Horn Management Ltd. (GHM) which – based on an agreement with the Group – provided consultancy and project management services to the Group. In 2016, GHM was paid fees for its services in the total sum of EUR 65,000.

As at 31 December 2017 and 2016 the members of the Board of Directors held the following number of shares in the Company:

		2017	2016
BOARD OF DIRECTORS			
Samih Sawiris ¹	Chairman	27'406'233	27'391'814
Adil Douiri	Member	42'191	25'379
Franz Egle	Member	78'849	51'285
Jürgen Fischer	Member	113'196	52,216
Carolina Müller-Möhl	Member	54'600	36'272
Naguib Sawiris	Member	9'613	-
Marco Sieber	Member	48'577	27'195
Jürg Weber	Member	51'451	23'929
TOTAL HOLDING OF SHARES		27'804'710	27'608'090

1 Total includes direct and indirect holding ownership.

No loans or credits were granted to members of the Board of Directors or parties closely linked to them during 2017 and 2016.

5.2 Executive Management

The table below shows the compensation of the five members of the Executive Management for the 2017 financial year.

Compensation in 2017						
CHF	Gross value of salaries and fees	Gross value of cash bonuses	Gross value of unrestricted shares	Other benefits (car, insurance, etc.)	Pension contributions	Total remuneration
EXECUTIVE MANAGEMENT						
Khaled Bichara ¹	1'000'000	249'999	-	48'000	-	1'297'999
Total other members of Executive Management	1'960'000	270'000	-	168'000	36'000	2'434'000
TOTAL COMPENSATION	2'960'000	519'999	-	216'000	36'000	3,731,999

1 Highest compensated member of the Executive Management.

The table below shows the compensation of the three members of the Executive Management for the 2016 financial year.

Compensation in 2016						
CHF	Gross value of salaries and fees	Gross value of cash bonuses	Gross value of unrestricted shares	Other benefits (car, insurance, etc.)	Pension contributions	Total remuneration
EXECUTIVE MANAGEMENT						
Khaled Bichara ¹	1'000'000	-	-	48'000	-	1'048'000
Total other members of Executive Management	1'445'161	-	-	93'290	48'968	1'587'419
TOTAL COMPENSATION	2'445'161	-	-	141'290	48'968	2'635'419

- 1 Highest compensated member of the Executive Management.

As at 31 December 2017 and 2016 the members of the Executive Management held the following number of shares in the Company:

		2017	2016
EXECUTIVE MANAGEMENT			
Khaled Bichara	CEO	-	-
Ashraf Nessim	CFO	-	-
Abdelhamid Abouyoussef	Chief Hotels Officer	100'000	90'830
Nermine Faltas ¹	Chief Human Resources & Organization Development Officer	-	-
Tarek Gadallah ¹	Group General Counsel	-	-
TOTAL EXECUTIVE MANAGEMENT		100'000	90,830

- 1 Members of the Executive Management since 1 April 2017.

No loans or credits were granted to members of the Executive Management or parties closely linked to them during 2016 and 2015.