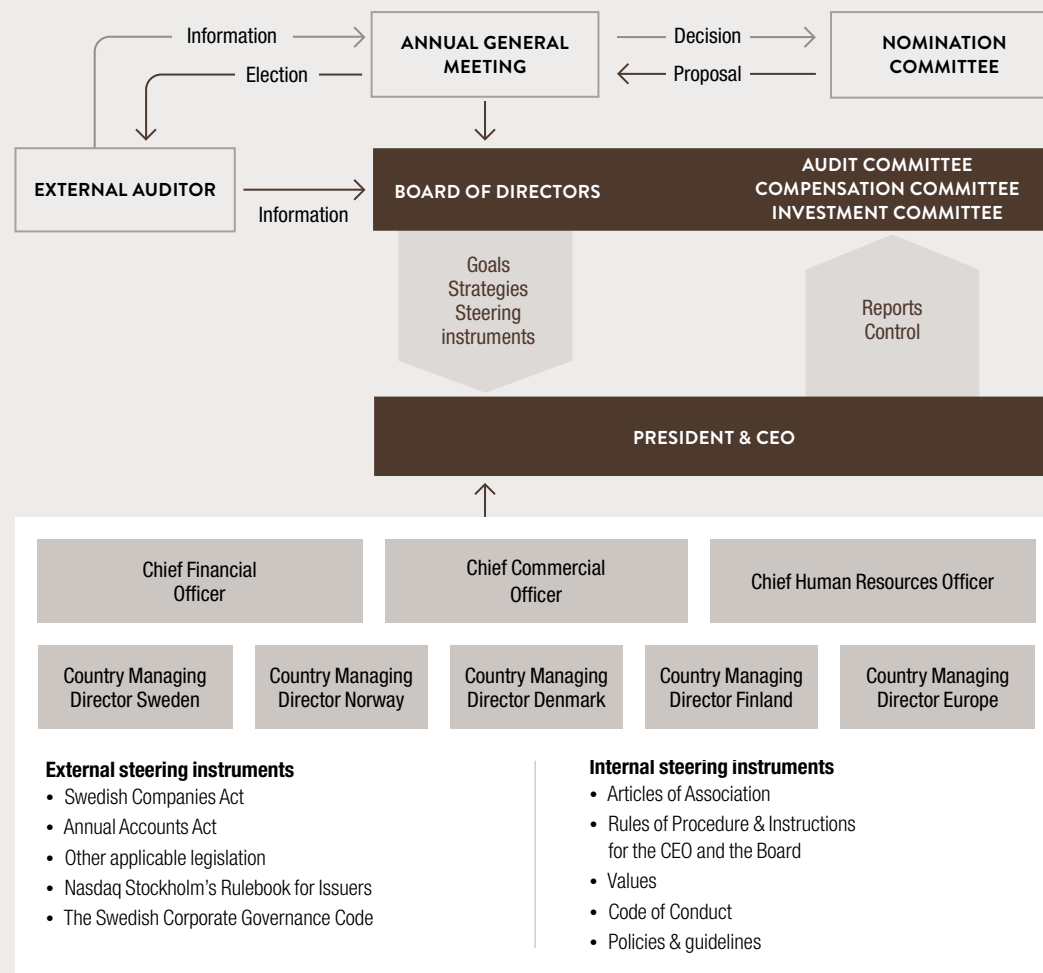


CORPORATE GOVERNANCE

Scandic is a Swedish public limited liability company whose shares are listed on Nasdaq Stockholm. Scandic applies the Swedish Corporate Governance Code. Scandic’s corporate governance aims to ensure effective and value-creating decision-making through clear roles and the distribution of responsibilities between owners, the Board of Directors and the Executive Committee.



CORPORATE GOVERNANCE, SCANDIC



Basis for corporate governance

Scandic's corporate governance aims to support the Board of Directors and the Executive Committee so that all the company's operations create long-term value for shareholders and other stakeholders.

Governance includes upholding:

- An effective organizational structure
- Systems for risk management and internal control
- Transparent internal and external reporting
- Compliance

Governance structure

Responsibility for the governance and control of Scandic is distributed between the shareholders, the Board and its committees and the Chief Executive Officer (CEO). Scandic's corporate governance is based on principles in external and internal regulations. The external governance framework includes relevant laws and regulations such as the Swedish Companies Act, the Annual Accounts Act, Nasdaq Stockholm's Rulebook for Issuers and the Swedish Corporate Governance Code (the "Code"). Scandic adheres to the Code and reported no deviations during the financial year 2023. Scandic's internal binding governance instruments include, for example, the Articles of Association, Rules of Procedure for the Board, instructions for the Board's committees and the CEO and Scandic's Code of Conduct as well as other policies.

The share and shareholders

Scandic's share has been listed on Nasdaq Stockholm Mid Cap since December 2, 2015. At the end of 2023, the company's share capital was 47.8 million SEK divided into 191,304,116 shares with all shares conferring equal voting rights, an equal share of assets and earnings and an equal share

of dividends. At the end of the year, the ten largest shareholders represented 54.4 percent of the share capital and votes in the company. At year-end, Stena Sessan was the largest shareholder with holdings corresponding to 15.2 percent of the company's share capital and votes.

Shareholders' influence through the general meeting

Scandic's shareholders exercise influence at the general meeting, which is Scandic's highest decision-making body. The general meeting adopts the Articles of Association and at the Annual General Meeting (AGM), which is the regular general meeting held annually, the shareholders elect the Board members, the Chairman of the Board and the auditor and determine their fees. The AGM further adopts the income statement and the balance sheet and decides on the appropriation of profits as well as whether to discharge the Board members and the CEO from liability to the company. The AGM also appoints the Nomination Committee and determines its work and adopts principles of compensation and terms of employment for the CEO and other senior executives. Scandic's AGM is held annually in Stockholm before the end of June. Extraordinary general meetings may be held as and when needed.

2023 Annual General Meeting

At the AGM held on May 9, 2023 in Stockholm, resolutions on the following were passed:

- Adoption of the income statement and balance sheet for 2022.
- Resolution in accordance with the Board's proposal that no dividend be paid to the shareholders and that the amount at the meeting's disposal be carried forward.
- Discharge of the Board and the CEO from liability to the company.

- Re-election of Per G. Braathen, Gunilla Rudebjer, Grant Hearn, Fredrik Wirderius, Martin Svalstedt and Kristina Patek as Board members. Re-election of Per G. Braathen as Chairman of the Board.
- Re-election of PwC as auditor with Sofia Götmar-Blomstedt as Auditor-in-Charge for the period until the end of the AGM 2024.
- Fees for the Board and the auditor.
- Long-term incentive program for members of the Executive Committee and other key people.
- Authorization to issue shares and/or warrants and/or convertibles.
- Authorization for the Board to repurchase and transfer own shares.
- Authorization for the Board to transfer own shares to Scandic team members who participate in the long-term incentive program for 2023.
- Compensation Report in accordance with the Board's proposal.

2024 Annual General Meeting

Scandic's Annual General Meeting 2024 will be held in Stockholm on May 16, 2024. For more information, see page 120.

Nomination Committee

The Nomination Committee represents the company's shareholders and is tasked with preparing proposals for the AGM regarding the election of the Chairman for the AGM, Board members, the Chairman of the Board and the auditor, as well as proposals for fees to the Board and auditors and, to the extent it is considered required, proposed changes to the instructions for the Nomination Committee. The Nomination Committee has adopted the guidelines stipulated in section 4.1 of the Code as the diversity policy as regards the composition of the Board. Proposals should be justified to reflect the

requirement that the Board have a composition that is appropriate based on the company's needs, characterized by versatility and breadth. The Nomination Committee strives to meet the Code's requirements for even gender distribution and diversity mainly regarding age, nationality and skills.

The Nomination Committee consists of the Chairman of the Board and a representative of each of the three largest shareholders based on shareholder statistics from Euroclear Sweden AB as at the last banking day in August each year. The Nomination Committee's term of office runs until a new Nomination Committee has been appointed.

Unless otherwise agreed by the members of the Nomination Committee, the Chairman of the Nomination Committee is the member who represents the largest shareholders based on the number of votes. If a shareholder should cease to be one of the three largest shareholders by number of votes during the Nomination Committee's term of office, the representative appointed by the shareholder in question shall resign and the shareholder that has become one of the three largest shareholders by number of votes may appoint a representative. Such a change is not necessary if the change in votes is marginal or if it occurs later than three months prior to the Annual General Meeting unless there are special reasons for such. The names of the three shareholder representatives and the shareholders they represent shall be announced no later than six months before the AGM.

Nomination Committee for AGM 2024

The Nomination Committee for the AGM 2024 consists of four members and in addition to the Chairman of the Board includes representatives from the three largest shareholders as at August 31, 2023. As chairman of the Nomination Committee and representative from Stena Sessan AB, Karl Swartling led

the work of the Nomination Committee during 2023. The composition of the Nomination Committee was published in a press release on November 1, 2023.

Nomination Committee	Representing	% votes on Dec 31, 2023
Per G. Braathen	—	—
Karl Swartling (Chairman)	Stena Sessan AB	15.2
Dick Bergqvist	AMF Pension & Fonder	11.8
Christian Ringnes	Eiendomsspar A/S	10.4

In the work on nominations for the Annual General Meeting 2024, the Nomination Committee assessed the size and composition of the current Board of Directors. The Nomination Committee complies with the guidelines in the Code regarding Board member independence. The 2024 Nomination Committee held four meetings and maintained communication in between. The Nomination Committee based its work on the Chairman of the Board's report on the work of the Board and the Board evaluation that was carried out with the help of an external advisor.

The proposals of the Nomination Committee will be presented at the Annual General Meeting 2024 and on Scandic's website at scandichotelsgroup.com

The reasoning behind the proposals, a report on the committee's work and a full presentation of the proposed members will also be published on the site.

The Nomination Committee can be contacted at nominationcommittee@scandichotels.com. For the committee to consider suggestions, shareholders wishing to submit proposals must have done so by December 31, 2023 at the latest. More information is available at scandichotelsgroup.com.

Board of Directors

The Board is responsible for Scandic's organization and the management of the company's affairs.

According to the Articles of Association, the Board shall consist of no fewer than three and no more than 11 members, with no more than two alternates. Trade unions are entitled to appoint two regular Board members and two alternates. Board members are elected annually at the Annual General Meeting for the period up until the end of the subsequent Annual General Meeting.

Composition of the Board in 2023

The AGM 2023 elected six Board members and appointed one employee representative. The CEO and CFO participate in Board meetings along with the secretary of the Board. Other employees participate in Board meetings to report on special matters as needed.

Independence

None of the Board members elected at the AGM are employed by Scandic and all Board members are considered to be independent in relation to the company and the senior executives. Five of the six Board members that are independent in relation to the company and the senior executives are also independent in relation to the company's major shareholders. Scandic thereby complies with the requirements in the Code regarding the Board's independence in relation to the company, senior executives and the major shareholders.

Work of the Board

The duties of the Board are regulated in the Swedish Companies Act, the company's Articles of Association and the Code. The work and procedures of the Board are established each year in written Rules of Procedure. These rules govern the distribution of work and responsibilities among the Board members, the Chairman of the Board and the CEO, and the routines for financial reporting. The Board also adopts instruc-

tions for the committees of the Board. The duties of the Board include appointing the CEO, adopting strategies, business plans, budgets, interim reports, year-end accounts and annual and sustainability reports as well as adopting instructions and guidelines. The Board also monitors the financial performance of the company, ensures the quality of financial reporting and internal control and evaluates the operations in relation to the objectives and guidelines adopted by the Board. Furthermore, the Board of Directors also resolves whether to enter into or extend leases, franchise agreements and management agreements and whether significant investments or changes in the Group's organization and operations should be made. The Chairman of the Board is responsible for managing the work of the Board, including ensuring that it is conducted efficiently and fulfills its obligations in accordance with applicable laws and regulations. The Chairman also works with the CEO to monitor the company's performance and prepare and lead Board meetings. The Chairman of the Board is also responsible for ensuring that Board members evaluate their work annually and regularly receive the information they need. The Chairman of the Board represents the company toward the shareholders.

Work during the year

During the year, the Board held 10 board meetings. During Board meetings, the Board dealt with recurring topics including status reports from the CEO, follow-up of the company's financial performance, Scandic's market situation, strategy issues, investment decisions and sustainability. The Board also addressed the evaluation of the Executive Committee and CEO and issues related to financing, policies and compensation to senior executives.

Committees of the Board

The Board has three committees: the Audit Committee, Compensation Committee and Investment Committee. None of the committees are authorized to make decisions, but prepare matters and present them to the Board for decisions. Committee work is carried out in accordance with the written procedures adopted by the Board.

Compensation Committee

The Compensation Committee prepares resolutions in matters involving compensation principles, salaries, benefits and compensation for the CEO and senior executives who are subordinate to the CEO. The committee also supervises and evaluates the outcome of programs for variable compensation and the company's compliance with the guidelines for compensation adopted at the AGM.

The Compensation Committee shall consist of at least three Board members elected at a general meeting. The Chairman of the Board may also chair the committee. The other members of the committee shall be independent in relation to the company and its senior executives. The Compensation Committee consists of Per G. Braathen (Chairman), Grant Hearn and Martin Svalstedt.

The Compensation Committee held six meetings during the year. The committee conducted a review of the basic remuneration for senior executives, the bonus program, long-term incentive programs and other compensation.

Audit Committee

The Audit Committee prepares the Board of Directors' work on matters involving risk assessments, internal control, the internal audit, accounting, financial reporting and audits. The committee aims to ensure compliance with the adopted principles for financial reporting and internal control and that the

company's relationship with its auditors is fit for the purpose.

The Audit Committee also carries out an evaluation of the audit and reports the results to the Nomination Committee. It also submits a proposal for the appointment of an auditor to the Nomination Committee. In addition, the committee follows up and comments on non-auditing related services that Scandic procures from the company's auditor.

The Audit Committee shall consist of at least three members. The majority of the members shall be independent in relation to the company and its senior executives. At least one member of the committee shall be independent in relation to the company, the company's senior executives and the company's major shareholders, and have auditing or accounting experience.

The members of the Audit Committee are Gunilla Rudebjer (Chairman), Martin Svalstedt and Kristina Patek. The requirements of the Swedish Companies Act regarding independence and accounting or auditing expertise are thus satisfied. The Audit Committee held six meetings during the year. The company's auditor attended all meetings during the year.

The following matters were addressed at Audit Committee meetings:

- Financial reporting.
- Sustainability reporting.
- Internal control and risk analysis as well as evaluation of structures and efficiency.
- Auditors' reports on the review of the annual accounts, the interim report for the third quarter and internal control.
- Audit plan and auditors' fees as well as evaluation of the work and independence of the auditors.
- Evaluation of the requirement for an internal audit function for recommendation to the Board.
- Status of ongoing disputes and legal matters.

- Impairment test of intangible assets.
- Financing matters

Investment Committee

The Investment Committee prepares decisions on issues related to investment proposals and constantly evaluates ongoing investments in new and existing hotels. In addition, it evaluates the company's lease agreements. The committee also regularly evaluates the development of the hotel portfolio, investment criteria and the process for managing the Group's investments. The Investment Committee shall consist of at least three members of the Board elected at the general meeting. Members of the Investment Committee include Grant Hearn (Chairman), Per G. Braathen and Fredrik Wirdenius. During 2023, the Investment Committee held seven meetings.

Evaluation of the work of the Board

The Chairman of the Board is responsible for evaluating the work of the Board through an annual evaluation. The evaluation refers to working methods and the main focus of the work of the Board. It also includes an evaluation of the need for and access to special expertise on the Board. The 2023 evaluation was carried out through a survey of Board members with support from an external party. The results were presented and discussed by the Board and the Nomination Committee. The evaluation was used to develop the work of the Board and constitutes support for the work of the Nomination Committee.

Auditors

PwC has been the company's auditor since 2012. At the AGM held on May 9, 2023, PwC was reappointed as auditor with Sofia Götmar-Blomstedt as auditor-in-charge for the time until the end of the AGM 2024. Sofia Götmar-Blomstedt is an authorized public accountant and a member of FAR (the institute for the accountancy profession in Sweden). During 2023, the auditor reported observations on one occasion to the Board. No members of the Executive Committee were present. Thereafter, the auditor participated in all meetings of the Audit Committee.

The Audit Committee evaluates the auditors' work and independence annually.

The auditor is paid a fee according to a resolution of the AGM. Information on auditors' fees is provided in Note 4 on page 91.

COMPOSITION OF THE BOARD OF DIRECTORS, INDEPENDENCE, ATTENDANCE, COMMITTEES AND COMPENSATION

Name	Position	Elected, year	Independent in relation to		Attendance & no. meetings	Attendance, no. meetings, committees	Compensation 2023
			the company and senior executives	the largest shareholders			
Per G. Braathen	Chairman	2007	Yes	Yes	10 (10)	6 (7) Investment Committee 5 (6) Compensation Committee	1,025,000
Grant Hearn	Board member	2014	Yes	Yes	10 (10)	5 (6) Investment Committee 5 (5) Compensation Committee	535,000
Fredrik Wirdenius	Board member	2015	Yes	Yes	10 (10)	7 (7) Investment Committee	428,000
Martin Svalstedt	Board member	2017	Yes	No	10 (10)	5 (6) Audit Committee 6 (6) Compensation Committee	484,333
Gunilla Rudebjer	Board member	2022	Yes	Yes	10 (10)	6 (6) Audit Committee	530,000
Kristina Patek	Board member	2020	Yes	No	10 (10)	6 (6) Audit Committee	433,000
Marianne Sundelius	Employee representative	2017	No	Yes	10 (10)		40,000
Total							3,475,333

Executive Committee

Scandic's Executive Committee has solid experience from the hotel sector and consumer-oriented operations. The Executive Committee comprises the CEO and eight executive decision-makers: the CFO, the CCO, the CHRO and the Group's five country heads. On May 8, 2023, Laura Tarkka was appointed as the new head of the Group's operations in Finland and a member of the Executive Committee. Thérèse Cedercreutz resigned from the Board on November 9, 2022 and began working as Scandic's Chief Commercial Officer and member of the Executive Committee in January 2023. On January 17, 2024 Pär Christiansen was appointed CFO.

The Executive Committee holds monthly meetings and focuses on the Group's strategic and operational development as well as following up on performance. See pages 76–77 for more information about the Executive Committee.

The CEO's areas of responsibility and powers are governed by the Rules of Procedure for the Board and instructions. The CEO leads the operations of the company in accordance with the instructions adopted by the Board and is responsible for the ongoing management of the company's operations in accordance with the Swedish Companies Act.

Those responsible for centralized Group functions such as accounting and finance, HR and purchasing are responsible for developing policies, guidelines and working methods as well as for following up and ensuring that the company's operations are run in accordance with policies and guidelines.

Sustainability

Sustainability is an integrated part of Scandic's strategy. Scandic's governance documents in this area include the Code of Conduct, the Code of Conduct for Suppliers, the Anti-Corruption Policy, the

Environmental Policy and the Diversity & Inclusion Policy. Scandic's Diversity & Inclusion Policy is an underlying policy for Scandic's Code of Conduct.

Ultimately, Scandic's Board is responsible for the company's sustainability strategy. Sustainability issues are governed by the Executive Committee and the Board is constantly updated. Scandic's sustainability priorities and goals have been drawn up by the Sustainability Initiatives Steering Committee (SISC) with selected representatives from the business. Responsibility for sustainability initiatives is delegated to the heads of each country and function. Scandic's central sustainability unit monitors, coordinates and follows up on sustainability initiatives.

Both the Board and the Executive Committee have undergone training on the upcoming EU directive regarding standards for sustainability reporting (the Corporate Sustainability Reporting Directive). As part of adapting to the directive, Scandic carried out a double materiality analysis, the results of which have been approved by the Board.

Guidelines for compensation for the CEO and senior executives

The AGM held on June 15, 2020 adopted compensation guidelines for the CEO and senior executives. These are adapted to EU requirements on shareholder rights and apply for four years from approval. Read the guidelines in full at scandichotelsgroup.com.

Compensation

For information on compensation for the CEO and senior executives, see Note 5 on pages 92–94.

Long-Term Incentive Program

Between 2016 and 2019 and 2022 and 2023, Scandic launched an annual performance-based long-term incentive program. The most recent program, which was adopted at the AGM held on May 9, 2023,

is described in Note 5 on pages 92–94. Results and the allotment of shares as well as the terms and conditions for the program are also outlined.

The Board of Directors' report on internal control

This description has been prepared in compliance with the Swedish Annual Accounts Act and the Code and is therefore limited to internal control related to financial reporting. The report has not been reviewed by the company's auditor.

According to the Swedish Companies Act and the Code, the Board is responsible for ensuring that internal control mechanisms are developed, communicated to and understood by the employees of Scandic who carry out individual control measures. The Board is also responsible for ensuring that these control measures are carried out, monitored, updated and maintained.

Executives at all levels are responsible for ensuring that internal control mechanisms are established in their areas and that these controls achieve the desired results. The CFO is ultimately responsible for ensuring that the monitoring of and the work on Scandic's internal control is conducted in the format determined by the Board.

Scandic's structure for internal control is based on the COSO model, the framework of which is applied to Scandic's operations and conditions. According to this model, a review and assessment is carried out within the areas of control environment, risk assessment, control activities, information and communication and monitoring activities. Based on this review, certain areas of development are identified and prioritized in the company's ongoing work to maintain internal control.

The procedures for internal control, risk assessment, control activities and monitoring of financial reporting have been devised to ensure reliable and

relevant reporting and external financial reporting in accordance with the IFRS, applicable laws and regulations and other requirements of companies listed on Nasdaq Stockholm. This work involves the Board, the senior executives and other employees.

The way the Board monitors and ensures the quality of internal control is documented in the adopted Rules of Procedure for the Board and the instructions for the Audit Committee. The Audit Committee's duties include evaluating the company's structure and guidelines for internal control.

Financial reporting to the Board is carried out monthly according to a format described in the CEO's instructions for financial reporting. The company's CFO also conducts a review of the financial performance and latest forecast for the current year at each regular Board meeting. Drafts of interim reports are first presented to the Audit Committee for discussion and consideration at a committee meeting before they are presented to the Board of Directors for approval.

Scandic's internal financial reporting complies with a standardized format where a common set of definitions and key ratios is used for all subsidiaries and hotels. Reporting is carried out through a Group-wide reporting system that allows a high level of transparency and comparability of financial data. Financial performance is monitored through monthly reports from the subsidiaries and quarterly reviews where members of the Executive Committee, the central accounting department and the relevant country management teams participate. Detailed follow-up of key ratios for different parts of Scandic's hotel operations enables benchmarking between hotels and also provides information quickly on deviations in operating margins and operating profit/loss compared with the expected outcome. This detailed follow-up procedure is an important tool for ensuring internal control.

Control environment

The control environment is the basis of internal control of financial reporting. An important element of this environment is that channels for decision-making, authority and responsibility are clearly defined and communicated between different levels of the company and that governance documents such as internal policies and guidelines exist. A good control environment is created through communication and training to ensure understanding of and compliance with policies and regulatory frameworks. The control environment is strengthened by a positive corporate culture and transparent and relevant monitoring of financial performance and key ratios at all levels in the Group.

Risk assessment

Internal control is based on a risk analysis. The risk analysis related to internal control and the risk of errors in the financial reporting form a part of the risk analysis that the Executive Committee performs and presents to the Audit Committee and Board annually. This analysis identifies and evaluates risks based on their likelihood of occurring and the potential impact of their occurrence on the operations and financial position of the Group. The Group's internal controls and control environment are then evaluated and any gaps compared with the desired level of control are identified. An action plan aimed at reducing gaps is established where the value of and possibility to reduce the risk is weighed against the cost of establishing and maintaining internal controls. Based on the risk analysis, control activities are designed to reduce risk at a reasonable cost. The activities shall also contribute to improving internal procedures and operational efficiency.

Control activities

Scandic's internal control is based on the company's established channels for decisions and the delegation and authorization procedures documented in governing policies and guidelines.

Control activities can be IT based or manual. These activities shall form an integrated part of defined and documented processes and routines.

There are a number of control activities that are common to all Group companies. Some are implemented on the hotel level while others are implemented in the centralized accounting departments in each country. Control activities are described in Group-wide instructions.

Information and communication

The part of Scandic's governance documents in the form of policies, guidelines and manuals that involve financial reporting is chiefly communicated via monthly meetings at which all financial managers participate and via the intranet. Communication with internal and external parties is governed by a Communication Policy that provides guidelines for such. The purpose of the policy is to ensure compliance with all disclosure requirements. Internal communication aims to ensure that each team member understands Scandic's development and business. Information is continuously communicated internally, including via the Group's intranet.

Monitoring

Scandic's accounting functions are integrated through a common finance and accounting system and common accounting instructions. The Board and Executive Committee regularly receive information on the Group's operations, performance and

financial position. The efficiency of the internal control is evaluated annually by the company and the Audit Committee. It is also reviewed by the external auditors. The result of the evaluation forms the basis for improvements to processes and controls for subsequent years. Internal control on the hotel and country levels is monitored through self-assessments and onsite audits.

All hotels conduct self-assessments at least once a year based on a Group-wide checklist with mandatory and recommended controls. Evaluation of internal control is also discussed regularly by the Audit Committee. Internal audits are carried out by employees at the company's central accounting department for a number of hotels each year. These involve a control checklist, spot checks within relevant areas and a general discussion with the general manager and department heads to ensure understanding of and compliance with Scandic's internal control.

Follow-up of audits carried out in each country's finance department is handled centrally by the Group's finance department through testing of the respective audits. The results of the centralized testing, the hotels' self-assessments and onsite audits are reported by the local heads of finance to the management team of each country. The results are then reported by the Group's CFO to the Audit Committee together with a report on measures undertaken to improve internal control if the results indicate a need to do so either on the hotel level, by accounting departments or in general.

As part of their review, external auditors make additional hotel visits during which they test controls according to the internal checklist. Scandic's accounting department and external auditors aim to

cover approximately one-third of Scandic's hotels each year.

Internal audit

Based on the Audit Committee's evaluation, the Board has decided not to establish a separate internal audit function. The decision is based on the assessment that the existing process for internal control is well established, efficient and supported by a good control environment, a clear governance model and well-functioning regular financial monitoring. The Board evaluates the need for a special internal audit function annually.