

Scandic

ANNUAL GENERAL MEETING OF SHAREHOLDERS
MONDAY 15 JUNE 2020

CONTENTS

1. Auditor's report in accordance with Chapter 8 Section 54 of the Swedish Companies Act regarding whether there has been compliance with the guidelines for remuneration to senior executives as approved by the annual general meeting.
2. The board of directors' evaluation of remuneration to the senior executives (Report according to the Swedish Corporate Governance Code 9.1).

1. THE AUDITOR'S REPORT IN ACCORDANCE WITH CHAPTER 8 SECTION 54 OF THE SWEDISH COMPANIES ACT REGARDING WHETHER THERE HAS BEEN COMPLIANCE WITH THE GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES AS APPROVED BY THE ANNUAL GENERAL MEETING

To the annual general meeting of shareholders in Scandic Hotels Group AB (publ), Corporate Identity Number 556703-1702

We have performed procedures to determine whether the Board of Directors and the Managing Director of Scandic Hotels Group AB (publ) have, for the year 2019 (financial year 2019-01-01 – 2019-12-31), complied with the guidelines for remuneration to senior executives adopted by the annual general meetings of shareholders held on 26 April 2018 and 7 May 2019, respectively.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for compliance with the guidelines and for such internal control as the Board of Directors and the Managing Director determine is necessary to ensure compliance with the guidelines.

Auditor's responsibility

Our responsibility is to express an opinion, based on our procedures, to the annual general meeting of shareholders regarding as to whether the guidelines for remuneration to senior executives have been complied with. We conducted our procedures in accordance with FAR's recommendation, RevR 8 *Examination of remuneration to senior executives of some listed companies*. This recommendation requires that we comply with ethical requirements and have planned and performed the procedures to obtain reasonable assurance that the guidelines adopted by the annual general meeting of shareholders have, in all material aspects, been complied with. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of the Scandic Hotels Group AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures have involved the company's organisation for and documentation of matters pertaining to remuneration to senior executives, recent resolutions regarding remuneration and a selection of payments made to senior executives during the financial year. The procedures selected depend on the auditor's judgment, including the assessment of the risk that the guidelines have not, in all material aspects, been complied with. In making this risk assessment, the auditor considers the aspects of internal control relevant to compliance with the guidelines, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

We believe that the procedures performed provide a reasonable basis for our opinion below.

Opinion

In our opinion, the Board of Directors and the Managing Director of Scandic Hotels Group AB (publ) have, for the year 2019 (financial year 2019-01-01 – 2019-12-31), complied with the guidelines for remuneration to senior executives adopted by the annual general meetings of shareholders held on 26 April 2018 and 7 May 2019, respectively, with the exception of the employment agreement for the CEO where the severance payment shall qualify for pension and the variable remuneration for three members of Group Management where the board of Directors has used their right to deviate from the guidelines, as described in the corporate governance report on pages 93-94 and note 6 on pages 114-116 in the annual report.

Stockholm 12 May 2020
PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorised Public Accountant

2. THE BOARD OF DIRECTORS' EVALUTATION OF REMUNERATION TO THE SENIOR EXECUTIVES (REPORT ACCORDING TO THE SWEDISH CORPORATE GOVERNANCE CODE 9.1)

The board of directors hereby reports the results of the compensation committee's evaluation pursuant to bullets two and three of rule 9.1 in the Swedish Corporate Governance Code. The report relates to the period since the annual general meeting 2019.

The board of directors has established a compensation committee, which is composed of three board members: Riitta Savonlahti (chair), Grant Hearn and Per G. Braathen.

The annual general meeting 2019 resolved on guidelines for remuneration to senior executives. The compensation committee has evaluated these guidelines and the application of the guidelines during the period as well as the current remuneration structures and levels for the senior executives. The committee has concluded that the guidelines have allowed Scandic to recruit and retain the right personnel to the Scandic group Executive Committee. The guidelines have also contributed to maintaining the compensation for the senior executives well balanced.

The committee considers that the guidelines in general have functioned well and have been applied by the committee and the board of directors, but notes that the board of directors has utilized the possibility to resolve on deviations from these. The board of directors resolved in April 2019 to pay a variable remuneration to three senior executives, which together with their variable pay from Scandic's short-term incentive program resulted in that their outcome ended up by 59%, 62% and 62% of their base pay, respectively, i.e. higher than the 35-50% set out in the 2019 remuneration guidelines. The board of directors considered the deviations motivated, given that the outcome follows from that clear predefined targets had been achieved.

The committee considered that the guidelines effectively have supported their purpose and has recommended the board of directors to propose that the 2020 annual general meeting shall approve remuneration guidelines that in general correspond to those applied as from the 2019 annual general meeting. However, in order to meet new legal requirements, the proposed guidelines for remuneration are more detailed than the previous guidelines. Also, in order to be able to offer competitive remuneration in a mid and long-term perspective, the board proposes that the cap for maximum variable cash remuneration is increased to 100%. As regards variable remuneration in the short-term, the board of directors has, in view of the Covid-19 outbreak, decided that no Short Term Incentive Bonus plan will be launched to senior executives for 2020.

During 2019 the committee carried out a general review of the plan (as well as previous incentive plans). Based on the review, the committee considers a long-term share or share price related plan to be an important component of the total remuneration package to senior executives and other key employees within Scandic. However, in view of that Scandic is carrying out substantial cost reductions to adapt operations to the market situation since the Covid-19 outbreak, the board of directors has decided not to put forward a proposal for a performance based long-term share program for 2020 to the annual general meeting. Nevertheless, the board of directors is of the opinion that Scandic should, in the long term, have a long-term share or share price related plan as part of the total remuneration package to senior executives and other key employees within Scandic.

Stockholm, May 2020

THE BOARD OF DIRECTORS
SCANDIC HOTELS GROUP AB (PUBL)