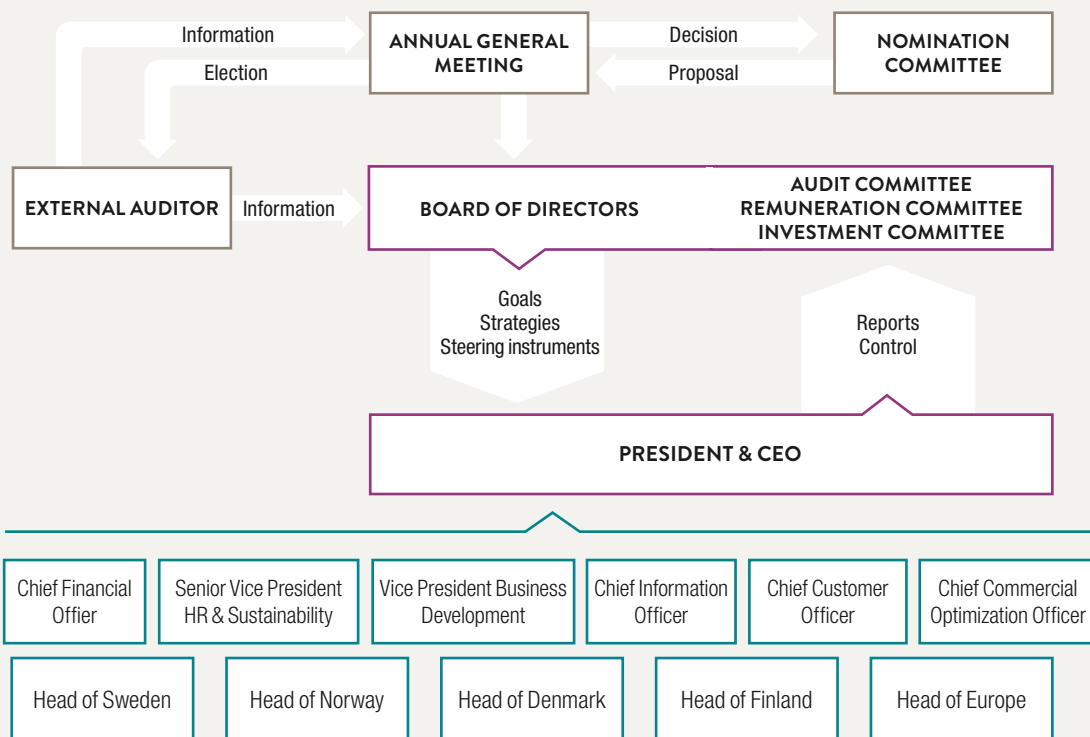


CORPORATE GOVERNANCE

Scandic is a Swedish public limited liability company, with its registered office in Stockholm, whose shares are listed on Nasdaq Stockholm's Nordic Mid Cap list. Scandic applies the Swedish Corporate Governance Code and hereby submits its Corporate Governance Report for the 2018 financial year.

CORPORATE GOVERNANCE AT SCANDIC



EXTERNAL STEERING INSTRUMENTS

- Swedish Companies Act
- Annual Accounts Act
- Other applicable legislation
- Nasdaq Stockholm's Rulebook for Issuers
- The Swedish Corporate Governance Code



INTERNAL STEERING INSTRUMENTS

- Articles of Association
- Rules of Procedure and Instructions for the CEO and the Board
- Values
- Code of Conduct
- Policies and guidelines

THE BASIS OF SCANDIC'S CORPORATE GOVERNANCE

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

Governance includes upholding:

- an efficient organizational structure;
- systems for risk management and internal control; and
- transparent internal and external reporting.

GOVERNANCE STRUCTURE

Responsibility for the governance and control of Scandic is distributed between the shareholders, the Board of Directors, its appointed committees and the CEO. The governance of Scandic is based on external and internal governance instruments. The external governance framework includes the Swedish Companies Act, Nasdaq Stockholm's Rule Book for Issuers, the Swedish Corporate Governance Code (the "Code") and other applicable Swedish and foreign legislation and regulations.

The internal binding governance instruments include the Articles of Association, the Rules of Procedure for the Board of Directors, instructions for the Board's committees and the CEO, Scandic's Code of Conduct, the authorization and delegation procedure, the Finance Policy, the Information Policy and the Insider Policy.

DEVIATIONS FROM THE CODE

Scandic complies with the Swedish Corporate Governance Code with the following exception:

- Rule 9.7: Incentive programs – To adapt the vesting period for potential future share-related incentive programs, the vesting period in the Long-Term

Incentive Program implemented in December 2015 is approximately 2.4 years and accordingly, it does not meet the requirement that the vesting period to the date for the acquisition of shares be no less than three years. The vesting period for the incentive program implemented in December 2015 ended on April 26, 2018. The incentive programs that were launched in 2016–2018 are compliant with the Code.

SIGNIFICANT EVENTS IN 2018

At the Annual General Meeting 2018, Per G. Braathen was elected as Chairman of the Board due to the fact that Vagn Sørensen had announced that he would stand down as Chairman and member of the Board. Frank Fiskers was elected as a Board member at the Annual General Meeting 2018 and left the Board on November 30, 2018 due to having accepted a non-executive position at another company that was deemed incompatible with his directorship at Scandic Hotels.

During the year, Scandic announced changes to its Executive Committee where the responsibilities of the previous Chief Commercial Officer were divided into two functions: a Chief Customer Officer responsible for brand strategy, marketing and the loyalty program among other things, and a Chief Commercial Optimization Officer responsible for distribution, revenue optimization and sales. In addition, the position of Chief Information Officer was established with responsibility for IT operations and development, among other things. An Investment Committee was also established to follow up on the Company's investments and to provide input on investment criteria. In accordance with the proposal of the Board, the Annual General Meeting resolved unanimously to adopt a long-term incentive program targeting a maximum of 80 senior executives and key employees in the Group.

SHARE AND SHAREHOLDERS

The Scandic share has been listed on Nasdaq Stockholm's Nordic Mid Cap list since December 2, 2015. At year-end 2018, the share capital of Scandic was 25.7 MSEK divided into 102,985,075 shares with all shares conferring equal

voting rights, an equal share of assets and earnings and an equal share of any dividends. Of the total share capital, 64.1 percent was held by Swedish investors and 35.9 percent by foreign investors. The ten largest shareholders represented 61.1 percent of the share capital and votes in the Company. At year-end, Stena Sessan was the largest shareholder with holdings corresponding to 17.4 percent of the Company's share capital and votes. Rolf Lundström's holdings through Novobis and privately totaled 16.3 percent of the share capital and votes at year-end.

SHAREHOLDERS' INFLUENCE THROUGH THE GENERAL MEETING

The 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, 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 Annual General Meeting further adopts the income statement and the balance sheet and decides on the appropriation of profits and whether to discharge the Board members and the CEO from liability to the Company. The Annual General Meeting also appoints the Nomination Committee, determines its work and adopts principles of remuneration and terms of employment for the CEO and other senior executives. Scandic's Annual General Meeting is held annually in Stockholm before the end of June. Extraordinary general meetings may be held as and when needed.

ANNUAL GENERAL MEETING 2018

At the Annual General Meeting held on April 26, 2018 in Stockholm, resolutions were passed on the following:

- Adoption of the income statement and balance sheet for 2017.
- Decision in accordance with the Board of Directors' proposal that a dividend of 3.40 SEK per share for the 2017 financial year be paid out in two separate payments and that the rest of the free equity be carried forward.
- Discharge of the Board of Directors and the CEO from liability to the Company.

- Per G. Braathen, Grant Hearn, Lottie Knutson, Eva Moen Adolffsson, Fredrik Wirdenius, Ingalill Berglund, Martin Svalstedt and Christoffer Lundström were re-elected as Board members. Frank Fiskers was elected as a new member. Per G. Braathen was elected as Chairman of the Board.
- PricewaterhouseCoopers was reappointed as auditor, with Sofia Götmar-Blomstedt as auditor-in-charge for the period until the end of the Annual General Meeting 2019.
- Remuneration to the Board of Directors and the auditor.
- Guidelines for remuneration to senior executives in accordance with the proposal of the Board.
- Adoption of the Long-Term Incentive Program and hedging measures for the program in accordance with the proposal of the Board.

ANNUAL GENERAL MEETING 2019

Scandic's Annual General Meeting 2019 will be held on May 7, 2019 in Stockholm. For more information, see page 137.

NOMINATION COMMITTEE

The Nomination Committee represents the Company's shareholders and is tasked with preparing proposals for the Annual General Meeting regarding the election of the Chairman of the Board and the auditor, as well as proposals for fees to the Board of Directors, fees to the auditors and, to the extent it is considered required, proposed changes to the instructions to 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 of Directors. 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 an even gender distribution and diversity mainly with regard to age, nationality and skills.

The Company shall have a Nomination Committee consisting 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 shall run until a new Nomination Committee has been appointed.

Unless otherwise agreed by the members of the Nomination Committee, the Chairman of the Nomination Committee shall be 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 shall 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 names of the shareholders represented by them shall be announced no later than six months prior to the Annual General Meeting.

The Nomination Committee for the Annual General Meeting 2019

The Nomination Committee for the Annual General Meeting 2019 consists of four members and in addition to the Chairman of the Board of Directors includes representatives from the three largest shareholders as at August 31, 2018. The work of the Nomination Committee was led by Joel Lindeman of Novobis AB. The composition of the Nomination Committee was published in a press release on November 6, 2018.

Nomination Committee	Representing	% of the number of votes as at December 31, 2018
Per G. Braathen		
Joel Lindeman	Novobis AB	16.3
Johan Wester	Stena Sessan AB	17.4
Trygve Hegnar	Periscopus	5.0

In the work on nominations for the Annual General Meeting 2019, the Nomination Committee has assessed the size and composition of the current Board of Directors as well as Scandic's operations. Special consideration was given to industry-specific and financial expertise and an even gender distribution. The Nomination Committee complies with the guidelines in the Code regarding Board member independence. Scandic's Diversity Policy was considered chiefly as regards equal gender distribution. The 2019 Nomination Committee held three 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 of Directors and discussions with the CEO about the operations of the Company.

The proposals of the Nomination Committee will be presented at the Annual General Meeting 2019 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 reached at nominationcommittee@scandichotels.com. For the Nomination Committee to consider suggestions, shareholders who wish to submit proposals may do so at any time before December 31. More information is available at scandichotelsgroup.com



1

Profit warning

2

Q4 Report, investment decision, follow-up on the Restel acquisition, organizational changes, outcome from employee survey

3

Approval of documents for annual general meeting, investment decisions

4

Q1 Report, review of Swedish operations, investment decisions, follow-up on investments, remuneration to the Executive Committee, succession plan

5

Statutory Board meeting, approval of working procedure, CEO instruction and instructions to the committees (per capsulam)

6

Strategy review, Investment Committee established investment decisions, risk analysis, review of Finnish operations, follow-up on the Restel acquisition

7

Q2 Report

8

Approval of policies, investment decisions, review of financial targets, review of Danish operations, follow-up on organizational changes

9

Q3 Report, investment decisions, review of loyalty program, review of overall recruitment plan, talent and succession planning

10

Investment decision, budget for 2019, review of Norwegian operations

BOARD OF DIRECTORS

The Board of Directors is responsible for Scandic's organization and the management of the Company's affairs. According to the Articles of Association, the Board of Directors shall consist of no fewer than three and no more than eleven Board members, with no more than two alternates. In addition, 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 of Directors 2018

The Annual General Meeting 2018 elected nine Board members and appointed one employee representative.

Since Frank Fiskers left the Board on November 30, 2018, the Board comprises eight members and one employee representative elected for the period up until the end of the Annual General Meeting 2019. This means that there is one vacant Board position prior to the Annual General Meeting 2019. Two of the eight Board members are foreign nationals. The CEO and the Group's Chief Financial Officer participate in Board meetings as well as the Board's secretary. Other employees of the Group participate in Board meetings to report on special matters as and when necessary.

Independence

None of the Board members are employed by the Scandic Group. Frank Fiskers was deemed not independent in relation to the Company and the senior executives. All

other Board members are considered to be independent in relation to the Company and the senior executives. Six of the eight Board members, who 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 of Directors' independence in relation to the Company, the senior executives and the Company's major shareholders.

Work of the Board of Directors

The duties of the Board of Directors are regulated in the Swedish Companies Act, the Company's Articles of Association and the Code. The work and procedures of the Board of Directors are established annually 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 of Directors also adopts instructions for the committees of the Board of Directors.

The duties of the Board of Directors include appointing the CEO, adopting strategies, business plans, budgets, interim reports, year-end accounts and annual reports as well as adopting instructions, policies and guidelines. The Board of Directors 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 of Directors. 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 the work of the Board of Directors, including ensuring that the work of the Board of Directors is conducted efficiently and that it fulfils its obligations in accordance with applicable laws and regulations. The Chairman of the Board shall, in close cooperation with the CEO, 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 required to conduct their work efficiently. The Chairman of the Board represents the Company vis-à-vis the shareholders.

Composition of the Board of Directors, independence, attendance, committees and remuneration

Name	Position	Elected, year	Independent in relation to the company and senior executives	Independent in relation to the largest shareholders	Attendance and number of meetings ¹⁾	Committees, attendance and number of meetings ¹⁾	Remuneration 2018
Vagn Sørensen	Former Chairman	2007	Yes	Yes	4 (10)	3 (6) Remuneration Committee	320,833
Per G Braathen	Chairman	2007	Yes	Yes	10 (10)	3 (3) Investment Committee 6 (6) Remuneration Committee	762,500
Ingalill Berglund	Member	2016	Yes	Yes	9 (10)	8 (8) Audit Committee	526,667
Frank Fiskers ¹⁾	Member, resigned	2018	No	Yes	5 (10)		0
Grant Hearn	Member	2014	Yes	Yes	9 (10)	3 (3) Investment Committee 5 (6) Remuneration Committee	451,667
Lottie Knutson	Member	2015	Yes	Yes	9 (10)		364,167
Christoffer Lundström	Member	2016	Yes	No	10 (10)	8 (8) Audit Committee	418,334
Eva Moen Adolfsson	Member	2014	Yes	Yes	10 (10)	6 (6) Remuneration Committee	439,167
Martin Svalstedt	Member	2017	Yes	No	10 (10)	7 (8) Audit Committee 3 (3) Investment Committee	418,334
Fredrik Wirdenius	Member	2015	Yes	Yes	10 (10)	8 (8) Audit Committee 3 (3) Investment Committee	418,334
Marianne Sundelius	Employee rep.	2017	No	Yes	10 (10)		40,000
Total							4,160,003

¹⁾ Total number of meetings during the year. Frank Fiskers joined the Board on April 26, 2018 and left the Board on November 30, 2018. Vagn Sørensen stood down as Chairman and member of the Board at the Annual General Meeting held on April 26, 2018.

Work during the year

During the year, nine regular Board meetings were held, of which one per capsulam, and one extraordinary meeting. The Board dealt with issues related to investment decisions and the work of the Investment Committee, property development, policies, remuneration to senior executives, the integration of Restel, market analysis and organizational changes.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has established three committees: the Audit Committee, the Remuneration Committee and the Investment Committee. None of the committees are authorized to make decisions, but they prepare matters and present them to the Board of Directors for decisions. The work of the committees is conducted in accordance with the written procedures for each committee, as adopted by the Board of Directors and the Rules of Procedure for the Board.

Remuneration Committee

The Remuneration Committee prepares resolutions in matters involving remuneration principles, salaries, benefits and remuneration to the CEO and senior executives who are subordinate to the CEO. The Remuneration Committee shall also supervise and evaluate the outcome of programs for variable remuneration and the Company's compliance with the guidelines for remuneration adopted at a general meeting.

The Remuneration Committee shall consist of at least three Board members elected at a general meeting. The Chairman of the Board may also be the Chairman of the Remuneration Committee. The other members of the committee shall be independent in relation to the Company and its senior executives.

The Remuneration Committee consists of Grant Hearn (Chairman), Per G. Braathen and Eva Moen Adolfsson.

The Remuneration Committee held six meetings during the year. The committee conducted a review of the basic remuneration for senior executives, the bonus program, other remuneration and the Long-Term Incentive Program.

Audit Committee

The Audit Committee prepares the Board of Directors' work on matters involving risk assessments, internal control, internal audit, accounting, financial reporting and

audits. The work of 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 appropriate for the purpose.

The Audit Committee shall also evaluate the audit and provide a report to the Nomination Committee. It shall also propose auditors to the Nomination Committee.

The Audit Committee also 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 the senior executives, and at least one member shall be independent in relation to the Company, the Company's senior executives and the Company's major shareholders. He or she shall also have experience in auditing or accounting.

The Audit Committee consists of Ingalill Berglund (Chairman), Christoffer Lundström, Martin Svalstedt and Fredrik Wirdenius. The requirements of the Swedish Companies Act regarding independence and accounting or auditing expertise are thus met.

The Audit Committee held eight meetings during the year, six of which were attended by the Company's auditor.

The following matters were addressed at the Audit Committee meetings:

- Interim reports – review prior to approval by the Board of Directors.
- Status of internal control and risk analysis, and evaluation of the structures and efficiency of internal control.
- Auditors' reports on the review of the annual accounts, the interim report for the third quarter, "early warning" 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 of Directors.
- IT Security Policy – review prior to approval by the Board of Directors.
- Status of ongoing disputes and legal matters – standing item at all meetings.
- The effects of upcoming changes in accounting principles related to finance leasing.

Investment Committee

The Investment Committee was established in 2018 and prepares decisions on issues related to investment proposals such as new investments and extensions as well as extensions of lease agreements. The Investment Committee shall also continually evaluate hotel investments and regularly review 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 annual general meeting. The Investment Committee consists of Grant Hearn (Chairman), Per G. Braathen, Martin Svalstedt and Fredrik Wirdenius. During 2018, the Investment Committee held three meetings.

EVALUATION OF THE WORK OF THE BOARD OF DIRECTORS

The Chairman of the Board is responsible for evaluating the work of the Board of Directors. The Board of Directors evaluates its work annually. This evaluation concerns the procedure and main direction for the work of the Board of Directors. The evaluation also focuses on access to and the need for special expertise on the Board of Directors. The evaluation in 2018 was done through an extended process in which all Board members answered questions and took part in interviews with an external party. The results were presented and discussed by the Board of Directors and the Nomination Committee. The evaluation was used as a tool to develop the work of the Board of Directors and also constitutes support for the work of the Nomination Committee.

Auditors

PricewaterhouseCoopers has been the Company's auditor since 2012. At the Annual General Meeting held on April 26, 2018, PricewaterhouseCoopers was reappointed as auditor, with Sofia Götmar-Blomstedt as the Auditor-in-charge, for the time until the end of the Annual General Meeting 2019. Sofia Götmar-Blomstedt is an authorized public accountant and a member of FAR. During 2018, the auditor reported observations on one occasion to the Board of Directors. No members of the Executive Committee were present. Thereafter, the auditor participated in six meetings with the Audit Committee.

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

The auditor receives a fee for its work, according to a resolution of the Annual General Meeting. Information on auditors' fees is provided in Note 4 on page 106.

EXECUTIVE COMMITTEE

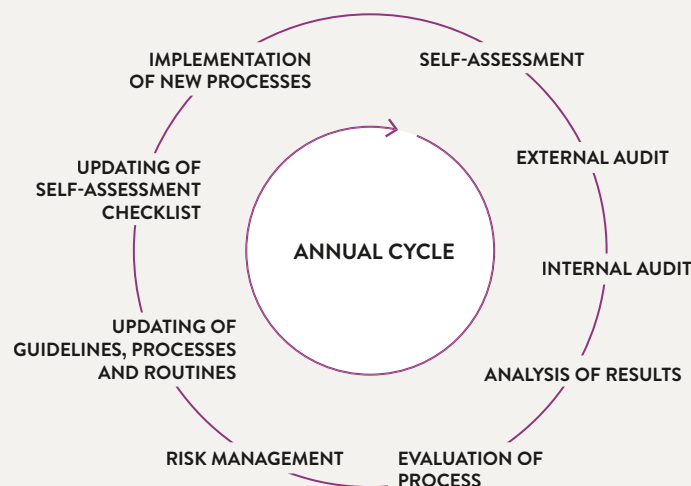
Scandic's Executive Committee has solid experience from the hotel sector and consumer-oriented operations in various markets. During the year, Scandic announced changes to its Executive Committee where the responsibilities of the previous Chief Commercial Officer were divided into two functions: a Chief Customer Officer responsible for brand strategy, marketing and the loyalty program among other things and a Chief Commercial Optimization Officer responsible for distribution, revenue optimization and sales. In addition, the position of Chief Information Officer was created with responsibility for IT operations and development, among other things.

The Executive Committee consists of the CEO and 11 senior executives: the Chief Financial Officer (CFO), the Senior Vice President Human Resources & Sustainability (SVP HR & Sustainability), the Vice President Business Development (VP Business Development), the Chief Customer Officer, the Chief Commercial Optimization Officer, the Chief Information Officer and the Group's five Country Heads. Five nationalities are represented in the Executive Committee, which is composed of ten men and two women. During the year, three new members joined the Executive Committee. See pages 92–93 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 of Directors and instructions for the CEO. The CEO is responsible for communicating and implementing Scandic's strategy, business plans and other decisions in the organization. The CEO is also ultimately responsible for ensuring that the governance, organization, risk management, internal processes and IT infrastructure are satisfactory.

To achieve economies of scale and ensure a consistent offering, Scandic has gathered a number of support functions centrally including accounting and finance, HR, purchasing, IT, marketing, product development, revenue management, and restaurant and conference operations. Personnel in charge of the various Group functions are also responsible for developing Group-wide policies, guidelines and working methods and for following up on and ensuring that the Group's operations are conducted in compliance with adopted policies and standards.

ANNUAL CYCLE OF THE EXECUTIVE COMMITTEE



Sustainability

Sustainability is an integrated part of Scandic's governance and reporting. The understanding of and commitment to challenges such as climate change, creating ethical and safe workplaces and being a responsible purchasing party are of major importance to the Group. In all of the countries where Scandic conducts business, the Company strives to employ people who reflect the society in which the hotels operate and discrimination and harassment are prohibited. In this context, Scandic's governance documents are 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. The policy sets out that diversity contributes to business success and clearly stipulates that no form of discrimination is accepted.

When appointing Board members, the Nomination Committee strives for diversity mainly with respect to gender, age, nationality and skills. The Board of Directors has joint responsibility for sustainability. Within the Executive Committee, sustainability is delegated to the heads of each function: the CFO is responsible for anti-corruption and supplier control and the SVP HR & Sustainability is responsible for reporting and ESG information, employ-

ment law, diversity and equality as well as for sustainability as a whole within Scandic.

SIGNIFICANT EVENTS HANDLED BY THE CEO AND THE EXECUTIVE COMMITTEE IN 2018

During the year, Scandic announced changes to its Executive Committee. In addition, the Executive Committee addressed issues related to the Company's approval of new lease agreements, extensions of existing lease agreements and the integration of Restel's Finnish hotel operations, organizational changes and commercial initiatives such as the new loyalty program.

Guidelines for remuneration to the CEO and senior executives

At the Annual General Meeting held on April 26, 2018, guidelines for remuneration and other terms of employment for senior executives, including the CEO, were adopted. These guidelines are only applicable to new employment agreements entered into between the Company and the respective senior executives, which is why there are employment agreements that were entered into before the guidelines were introduced that do not fully conform to the currently applicable guidelines. Scandic's

senior executives are the members of the Executive Committee. Following a resolution passed at the Annual General Meeting held on April 26, 2018, the following guidelines apply:

Scandic shall offer terms that are in line with market conditions and that enable the Company to recruit and retain the managers required to meet its short- and long-term targets. Remuneration to senior executives may consist of a fixed salary, variable salary, pension and other benefits. The fixed salary of the CEO and the senior executives shall be commensurate with market conditions and reflect the demands and responsibility that the position entails as well as individual performance. The fixed salary of the CEO and the senior executives shall be reviewed annually. The variable salary of the CEO and the senior executives shall be based on the Company's fulfillment of criteria set out in advance. The variable salary shall amount to no more than 60 percent of the fixed annual salary of the CEO and 35 to 50 percent of the fixed annual salary of other senior executives. Long-term incentive programs may be offered as a supplement to the above to create long-term commitment.

The pension benefits to the CEO and other senior executives shall mainly consist of defined contribution pension schemes, but they may also be defined benefit schemes if required by a collective bargaining agreement. Fixed salary during notice periods and severance pay, including compensation for anti-competition restrictions, shall in aggregate not exceed an amount corresponding to the fixed salary for 18 months. The total severance pay for all members of the Executive Committee shall not exceed the fixed monthly salary for the remaining years until the employee reaches the age of 65. Other remuneration may consist of customary benefits, such as health insurance, which shall not constitute a significant part of the total remuneration. Additional remuneration may be paid in extraordinary circumstances, provided such remuneration is intended to recruit or retain senior executives, and is then to be agreed upon on a case-by-case basis. Such extraordinary arrangements may include a lump sum cash payment or a benefit package in the form of a relocation allowance, income tax support or similar.

The Board of Directors has the right to deviate from the above-mentioned guidelines in individual cases if it is of the opinion that there are special reasons to do so. For more information, see Note 6 on pages 108–110.

Remuneration

For information on remuneration to the CEO and senior executives, see Note 6 on pages 108–110.

Long-Term Incentive Program

Since the Company was listed in 2015, a performance-based long-term incentive program has been launched on an annual basis. The most recent program, which was adopted at the Annual General Meeting held on April 26, 2018, is described in Note 6 on pages 108–110. The program that was launched in December 2015 expired on the date on which Scandic's Interim Report for the first quarter 2018 was published. The goals and degree to which the conditions for performance shares were met can be found in Scandic's Interim Report for the first quarter 2018. Results and the allotment of shares are described in Note 6 on pages 108–110. Terms and conditions for the program can be found in Note 6 on pages 108–110.

Guidelines for remuneration to senior executives before the Annual General Meeting 2019

The Board of Directors has proposed that the Annual General Meeting 2019 adopt guidelines that in all material aspects correspond to the guidelines adopted at the Annual General Meeting 2018.

THE BOARD OF DIRECTORS' REPORT ON INTERNAL CONTROL

This description has been prepared in compliance with the Swedish Annual Accounts Act and the Swedish Corporate Governance Code (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 of Directors 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, and for ensuring that such 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 respective areas and that these controls achieve the desired results. Scandic's 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 of Directors.

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 the COSO 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 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 of Directors, the senior executives and other employees.

The manner in which the Board of Directors monitors and ensures the quality of internal control is documented in the adopted Rules of Procedure for the Board of Directors 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 of Directors is carried out on a monthly basis 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.

The 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 team 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 to the expected outcome. This detailed follow-up procedure is an important tool for ensuring internal control.

Scandic uses BINC (Best in Class) which involves benchmarking key ratios for revenues, operational efficiency and customer satisfaction where key ratios per hotel are compared with other comparable hotels in a “BINC group.” The purpose is to create a tool to identify good examples and to stimulate learning and continual improvement of best practices.

Control environment

The control environment forms the basis of internal control of financial reporting. An important element of the control environment is that channels for decision-making, authority and responsibility are clearly defined and communicated between different levels of the organization and that governance documents in the form of internal policies and guidelines are available. 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 the 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 of Directors 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. Thereafter, the Group’s internal controls and control environment are 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 improved 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 may be IT based or manual. To the fullest extent possible, they shall be an integrated part of defined and documented processes and procedures.

A number of control activities that are common to all companies within the Group have been established. Some of these 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 Group’s finance handbook. The finance handbook is published on the Group’s intranet and is updated regularly based on changes in external requirements and in Scandic’s operations.

Communication with internal and external parties is governed by a Communication Policy that provides guidelines on how such communication should be conducted. The purpose of the policy is to ensure compliance with all disclosure requirements in a correct and complete manner. Internal communication aims to ensure that each employee understands Scandic’s values and business operations. To achieve the aim of informed employees, work is carried out internally and information is communicated regularly 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 of Directors and the Executive Committee regularly receive information on the Group’s performance and financial position and the development of its operations. 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.

- Internal audit visits are carried out by employees at the Company’s central accounting department for a number of hotels per year. These involve a control checklist, spot checks within relevant areas and a general discussion with the general manager and department heads to ensure the understanding of and compliance with internal control.

The results of the self-assessments and onsite audits are reported by the local heads of finance to the management team of the country in question. The results are reported by the Group’s CFO to the Audit Committee, together with a report of measures undertaken to improve internal control if the results indicate that there is a need to do so either at the hotel level or in general.

As part of their review, external auditors make additional hotel visits during which they test controls according to the internal checklist. The aim is that these onsite audits by both Scandic’s accounting department and external auditors shall cover approximately one-third of all hotels every year.

Internal audit

Based on the Audit Committee’s evaluation, the Board of Directors 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 of Directors evaluates the need for a special internal audit function annually.

Measures in 2018

Scandic works continuously with risk mitigation to face a changed environment. Scandic continued to focus its risk analysis to gain a better understanding of financial reporting and analysis. Special focus was put on IT security and the new GDPR regulations. The work of the Board of Directors and its committees focused chiefly on market analysis and business intelligence. Self-assessment for internal control was discussed regularly by the Audit Committee.

BOARD OF DIRECTORS



PER G. BRAATHEN

Chairman of the Board since 2018.
Member of the Board since 2007.
Member of Remuneration Committee.
Member of Investment Committee.

Born: 1960.
Norwegian citizen.

Education:
MBA from Schiller University London, UK.

Other current assignments:
Chairman of the Board of Braathens Regional Airlines (BRA), Bramora Ltd. Chairman of the Board and CEO of Braganza AB. Board member of Wayday Travel AS.

Previous positions:
Chairman/CEO Tjæreborg, Always and Saga Tours. Chairman of Escape Travel A/S SunHotels AG. Board member at Arken Zoo Holding AB and Kristiansand Dyrepark AS, Ticket Leisure Travel AB and Ticket Biz AB.

Shareholding: 456,781
(through companies)

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes



EVA MOEN ADOLFFSSON

Member of the Board since 2014.
Member of Remuneration Committee.

Born: 1960.
Swedish and American citizen.

Education:
Bachelor of Business Administration from University of Gothenburg, Sweden.

Other current assignments:
President & CEO of Resia Travel Group AB and Board assignments in companies within the Resia Group. Board member of Svenska Resebyråföreningens Service AB.

Previous assignments:
Board member of Västsvenska Handelskammaren Service AB; General Manager, Scandic Rubinen; General Manager, Scandinavian Service Partner; CFO, Radisson SAS Park Avenue Hotel and CFO, AVAB Elektronik.

Shareholding: 3,134

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes



INGALILL BERGLUND

Member of the Board since 2016.
Chairman of Audit Committee.

Born: 1964.
Swedish citizen.

Education:
Special advanced course in economics, Frans Schartau Business Institute.

Other current assignments:
Board member of Veidekke ASA, AxFast AB, Handelsbanken Regionbank Stockholm, Kungsleden AB (publ), Bonnier Fastigheter AB and Stiftelsen Danvikshem. Member of Balco Group AB, Juni Strategi and Analys AB.

Previous assignments:
Interim Managing Director AxFast AB. President & CFO at Atrium Ljungberg AB. Twenty years of experience from the real estate sector.

Shareholding: 3,000

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes



GRANT HEARN

Member of the Board since 2014.
Chairman of Remuneration Committee.
Chairman of Investment Committee.

Born: 1958.
British citizen.

Education:
Diploma in Hotel and Tourism Management, Shannon College of Hotel Management, Ireland.

Other current assignments:
Chairman of the Board of Amaris Hospitality and Shearings Holidays Ltd.

Previous assignments:
Chairman of the Board of The Hotel Collection; Board member of London & Partners Ltd, Thame and London Ltd, TLLC Group Holdings Ltd and Travelodge Hotels Ltd.

Shareholding: 3,000

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes



LOTTIE KNUTSON

Member of the Board since 2015.

Born: 1964.
Swedish citizen.

Education:
Bachelor from the Department of Media Studies, Stockholm University, Sweden.
Diplôme de l'Université Paris IV.

Other current assignments:
Board member of Cloetta AB, Stena Line BV, STS Alpresor AB, Swedavia AB and Talenty Online Group AB.

Previous assignments:
Board member of H&M Hennes & Mauritz AB, Actic AB, Wise Group AB and TUI Nordic Holding AB.

Shareholding: 3,134

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes

Number of shares as per December 31, 2018.



**CHRISTOFFER
LUNDSTRÖM**

Member of the Board since 2016.
Member of Audit Committee.

Born: 1973.
Swedish citizen.

Education:

Bachelor of Arts, Webster University and Hotel Management Diploma, HOSTA.

Other current assignments:

Owner & President of investment company RCL Holding AB. Board member of Collector AB, Feelgood Svenska AB, Rasta Group AB (until 2018), Provobis Invest AB, Harrys Pubar AB, RCL Holding AB, KL Capital AB, Future Pawnbroker AB and Tableflip Entertainment AB. Chairman of the Board of AM Brands AB.

Shareholdings: 230,000

Independent in relation to major shareholders: No

(Rolf Lundström/Novobis)

Independent in relation to the company and management: Yes



MARTIN SYVALSTEDT

Member of the Board since 2017.
Member of Audit Committee. Member of Investment Committee.

Born: 1963.
Swedish citizen.

Education:

Bachelor of Science in Business Administration and Law from the University of Karlstad, Sweden.

Other current assignments:

CEO Stena Adactum AB and Stena Sessan AB, Chairman of the Board of Ballingslöv International, Gunnebo and Stena Renewable. Vice chairman of the Board of Envac. Board member of Svedbergs, Stena Sessan and Stena Adactum. Member of the Stena Sphere Coordination Group.

Previous assignments:

Chairman of the board of Meda, Envac, Mediatec Group and Blomsterlandet. Experience from operational roles such as CFO at Capiro and other senior financial positions.

Shareholdings: 60,000 (In addition, Stena Sessan Rederi AB held 17,947,735 shares)

Independency in relation to major shareholders: No (Stena)

Independent in relation to the company and management: Yes



FREDRIK WIRDENIUS

Member of the Board since 2015.
Member of Audit Committee. Member of Investment Committee.

Born: 1961.
Swedish citizen.

Education:

Master of Science in Engineering, KTH Royal Institute of Technology, Stockholm, Sweden.

Other current assignments:

CEO of Vasakronan AB. Board member of RICS Sweden.

Previous assignments:

Board member of Vasakronan AB.

Shareholding: 3,134

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes



MARIANNE SUNDELIUS

Member of the Board since 2017.
Employee representative.

Born: 1967.
Swedish citizen.

Education:

University courses in leadership and psychology. Studies in economics.

Other current assignments: –

Previous assignments:

Employee representative at Sara Hotels AB and Reso Hotels AB.

Shareholdings in Scandic: –

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: No (employee representative).

EXECUTIVE COMMITTEE



JENS MATHIESEN
President & CEO

Born: 1969. Employed by the Group since 2008. Member of Scandic's Executive Committee since 2016. Danish citizen.

Other assignments: Chairman of the Board of Dansk Erhverv (Danish Chamber of Commerce) and board member of Wonderful Copenhagen.

Education: Shipping Broker, Transocean Shipping, Denmark.

Previous experience: Director of Sales & Marketing, Choice Hotels Scandinavia; CEO Fountain Scandinavia A/S and Head of Sales & Marketing, Avis Rent a Car.

Number of shares: 22,235



NIKLAS ANGERGÅRD
Chief Customer Officer

Born: 1971. Employed since 2018. Member of Scandic's Executive Committee since 2018. Swedish citizen.

Other assignments: –

Education: Master of Science in Business Administration from Stockholm School of Economics.

Previous experience: CMO at Tieto, VP Brand and Marketing at Klarna, Marketing Director at Telia, VP Brand and Global Marketing at SAS, founder Storåkers McCann, management consultant at Arthur D. Little.

Number of shares: 0



LENA BJURNER
Senior Vice President HR & Sustainability

Born: 1968. Employed and member of Scandic's Executive Committee since 2015.

Swedish citizen.

Other assignments: –

Education: Bachelor in Business Administration, Borlänge University, Sweden.

Previous experience: Head of Commercial Card & Business Travel Account Management Nordic, Head of Human Resources, Director HR Business Partner Customer Service Organisation in Latin America and Canada, VP HR, Head of Market HR for Nordics, Central Eastern Europe, Benelux and France and HR VP Flexible Markets and France within American Express.

Number of shares: 10,538



JESPER ENGMAN
Vice President Business Development

Born: 1974. Employed since 2006. Member of Scandic's Executive Committee since 2014.

Swedish citizen.

Other assignments: –

Education: Masters of Science in Engineering, KTH Royal Institute of Technology, Sweden.

Previous experience: Business Area Director, Analyst at Pandox. Analyst at Hotellus.

Number of shares: 8,781



SØREN FAERBER
Head of Denmark

Born: 1970. Employed by the Group since 2006. Member of Scandic's Executive Committee since 2019.

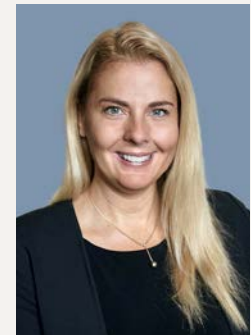
Danish citizen.

Other assignments: –

Education: Currently pursuing MBA at Edinburgh Business School. Business diploma in Finance from Copenhagen Business School.

Previous experience: District director Copenhagen & Denmark East, Scandic. Director of Food & Beverage Denmark and Southern Europe, Scandic. Regional director, Hard Rock International.

Number of shares: 5,821



ANN HELLENIUS
Chief Information Officer

Born: 1974. Employed since 2018. Member of Scandic's Executive Committee since 2018.

Swedish citizen.

Other assignments: Member of the board Volvo Finans Bank.

Education: Master of Science in Business Administration from Linköping University, Master School of Management, University of Bath, UK.

Previous experience: CIO Bankgirot, CIO City of Stockholm, CEO Solvitur, management consultant at Ernst & Young Management consulting, strategy consultant at Cambridge Strategic Management Group.

Number of shares: 0

Number of shares as per December 31, 2018.



PETER JANGBRATT
Head of Sweden

Born: 1967. Employed by the Group 1995–2008 and since 2015. Member of Scandic's Executive Committee since 2016.

Swedish citizen.

Other assignments: Member of the board of Visita; Member of the board of Svenskt Näringsliv.

Education: Education through Scandic Business School and Hilton.

Previous experience: Several senior positions at Scandic, such as President Marketing & Communications and Director of Operations Sweden, and CEO of Rica Hotels Sweden.

Number of shares: 16,058



JAN JOHANSSON
Chief Financial Officer

Born: 1962. Employed and member of Scandic's Executive Committee since 2016.

Swedish citizen.

Other positions: –

Education: Bachelor of Science in Economics from Uppsala University, Sweden.

Previous experience: CFO Apoteket; CFO Nobia AB; CFO Eniro.

Number of shares: 5,872



AKI KÄYHKÖ
Head of Finland

Born: 1968. Employed by the Group since 2012. Member of Scandic's Executive Committee since 2016.

Finnish citizen.

Other assignments: Member of the Board of the Finnish Hospitality Industry Association.

Education: Bachelor of Business Administration in International Business and Management, Schiller International University, London.

Previous experience: Several senior positions with Procter & Gamble and Reckitt Benckiser; Commercial Director at Oy Hartwall and CEO at Palace Kämp Group.

Number of shares: 20,174



JAN LUNDBORG
Chief Commercial Optimization Officer

Born: 1962. Employed by the Group since 2009. Member of Scandic's Executive Committee since 2018.

Swedish citizen.

Other current assignments:

Education: Bachelor in Business Administration from Uppsala University, Sweden.

Previous assignments: Several senior management positions with Scandinavian Airlines, COO of AirBaltic & AMADEUS General Manager Southeast Asia & Pacific.

Number of shares: 7,067



MICHEL SCHUTZBACH
Head of Europe

Born: 1961. Employed by the Group since 2009. Member of Scandic's Executive Committee since 2016.

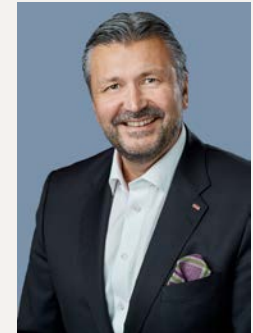
German and Swiss citizen.

Other assignments: –

Education: Diploma from Hotels Management School, Glion, Switzerland.

Previous experience: Several senior positions within Rezidor, including Vice President HR and Regional Director Poland and Ireland.

Number of shares: 11,194



SVEIN ARILD STEEN-MEVOLD
Head of Norway

Born: 1967. Employed by the Group since 2011. Member of Scandic's Executive Committee since 2016.

Norwegian citizen.

Other assignments: Board member of Forum for Reiseliv, Guma Sport Ltd and Grand Hotel Driftesselskap AS.

Education: Bachelor in Service Management, Norwegian School of Hotel Management.

Previous experience: Several senior positions within Scandic, General Manager Radisson SAS and Senior Vice President Clarion Collection, Nordic Choice.

Number of shares: 12,002

AUDITOR'S REPORT

To the general meeting of shareholders of Scandic Hotels Group AB (publ),
corporate identity number 556703-1702

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Scandic Hotels Group AB (publ) for the year 2018 with the exception of the Corporate Governance Report on pages 82–93. The annual accounts and consolidated accounts of the company are included on pages 72–128 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with The Annual Accounts act and present fairly, in all material respects, the financial position of the Group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the Group.

Our opinions in this report on the annual accounts and the consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Respon-

sibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1. have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Our audit activities

The focus and scope of the audit

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements, for example, in respect of significant accounting estimates involving assumptions and considering future events which are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there is evidence of bias representing a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

The major portion of Scandic's operations are in Sweden, Norway and Finland and represent slightly more than 86% of the group's net sales in 2018 and slightly more than 84% of the group's adjusted EBITDA. For the largest reporting units in Sweden, Norway and Finland, including the parent company and consolidation, we have examined the year-end book closing, executed a review of the interim report as of September 30, we have undertaken hotel visits

on an ongoing basis and we have executed an assessment and testing of key controls regarding the financial reporting.

For the reporting unit in Denmark, we have audited the annual book closing and have executed a review of the September book closing as a part of the overall review of the group's interim report. We have also undertaken hotel visits, on an ongoing basis, and have tested certain key controls.

The consolidated accounts, disclosures in the notes in the annual report and complex transactions of a one-off nature have been examined by the group team. This has included impairment testing of the group's goodwill and brands which are not subject to ongoing depreciation.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually, or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality of the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were most significant in our audit of the annual accounts and consolidated accounts of the current period. These areas have been addressed within the framework of the audit and in forming our opinion regarding the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matters

How our audit addressed the key audit matter

Valuation of goodwill and other acquisition-related assets

We refer to Note 12 Intangible assets

Goodwill and other acquisition-related assets, including brands, comprise a significant portion of the Scandic group's balance sheet total. As at December 31, goodwill and brands amounted to MSEK 9,716 which is equivalent to 55% of the balance sheet total. These items are not only significant in terms of their amount but also in their nature, as they are impacted by management's estimations and judgements. Due to the significance of this item and its nature, this has been deemed to comprise a key audit area in the audit.

Management and the Board of Directors annually undertake an impairment test of the value of goodwill and brands, and in conjunction with each occasion on which there are indications that a decline in value has been identified, to assess whether there is an impairment requirement.

The estimated value is based on the Board of Director's approved future budgets and forecasts for the next five years. The cash flow for the years after the next five year period is extrapolated based on the business plan. This assessment includes, therefore, assumptions of significant importance to the testing of an impairment requirement. This includes assumptions on sales growth, the development of margins and the discount rate (WACC).

The value that is calculated in the testing is equivalent to the value of the discounted cash flows for the identified cash-generating units: Sweden, Norway, Finland and Other Europe.

Even if a given unit shows no impairment requirement in a testing, future developments negatively deviating from the assumptions and judgements providing the basis of that testing can lead to an impairment requirement.

Other acquisition-related intangible assets are subject to ongoing depreciation. For these assets, a testing of the valuation is undertaken if there is a suspicion that the value of the assets has decreased so that a write-down needs to be undertaken.

Based on the impairment testing undertaken for goodwill and brands, which is based on best estimate and on the information available in preparing the annual testing, Scandic's assessment is that there is no impairment requirement regarding the above-mentioned assets as at December 31, 2018.

In testing the impairment requirement for goodwill, brands and other acquisition-related intangible assets, we executed, the following audit activities in order to ensure, primarily, the valuation and correctness of these items:

We have undertaken measures to substantiate the mathematical correctness of the company's impairment testing, the correctness of the model applied, as such, and have determined if the model agrees with IFRS. We also challenged and evaluated the reasonability of significant assumptions made by management. In order to examine the model, itself, we have utilised PwC's valuation experts to test and evaluate the applied models and methods, as well as significant assumptions.

On a random sample basis, we have tested and challenged the details applied in the calculations against the company's budgets and financial plan and, where possible, external information. We have, then, focused on the assumptions regarding growth, margin development and the applied discount rate per cash-generating unit. We have also followed up the correctness in forecasting business and financial plans through analysing historical outcome, where we compare previous years' assumptions regarding future earnings and growth against actual outcomes.

We have implemented a sensitivity analysis of the valuation of negative changes in significant parameters which, individually or on a collective basis, could imply that an impairment requirement exists.

Based on our examination, we have identified no observations significant to the audit in its entirety as regards Scandic's impairment testing of goodwill and brands, which should be reported to report to the Audit Committee.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts, consolidated accounts and are included on pages 1–71 and 134–137. The Board of Directors and the Managing Director are responsible for the other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability

to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Board of Directors shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Scandic

Hotels Group AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the parent company's and the Groups equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall

manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 82–93 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, Stockholm, was appointed auditor of Scandic Hotels Group AB (publ) by the general meeting of shareholders on April 26, 2018 and has been the company's auditors since May 9, 2012.

Stockholm April 4, 2019
PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorized Public Accountant
Auditor-in-Charge