

Unofficial translation of minutes kept at  
the annual general meeting of Scandic  
Hotels Group AB (publ), reg. no.  
556703-1702, on 7 May 2019,  
Vasateatern, Grand Central.

Time: 11.00 – 12.10 CEST

**Present:** Shareholders and proxy holders, Appendix 1, stating the number of shares and votes, and other attendees, Appendix 2.

Furthermore, noted as present were the chairman of the nomination committee Joel Lindeman, board members Per G. Braathen (also chairman of the board), Ingalill Berglund, Grant Hearn, Lottie Knutson, Christoffer Lundström and Martin Svalstedt, the proposed new board members Susanne Mørch Koch and Riitta Savonlahti, the Chief Executive Officer and President Jens Mathiesen, and the auditor-in-charge Sofia Götmar-Blomstedt.

## § 1

### Opening of the meeting (agenda item 1)

The chairman of the board Per G. Braathen opened the annual general meeting and welcomed the shareholders and informed that Scandic's legal counsel Camilla Köhler was appointed to keep the minutes at the Meeting.

## § 2

### Election of a chairman of the meeting (agenda item 2)

The Meeting elected the lawyer Tone Myhre-Jensen as chairman of the meeting, in accordance with the nomination committee's proposal.

The chairman informed that an audio recording for internal use was made and that other audio or video recording was not permitted.

The Meeting resolved that shareholders who had not registered their shares for voting, invited guests, representatives of media and other persons who were not shareholders were entitled to attend the meeting, but without the rights to address the Meeting or participate in the Meeting's resolutions.

## § 3

### Preparation and approval of the voting list (agenda item 3)

The Meeting approved the procedure for drawing up the voting list and that the list of shareholders who had given notice to attend and were present at the Meeting, Appendix 1, should be the voting list at the Meeting.

## § 4

### Approval of the agenda (agenda item 4)

The Meeting approved the proposed agenda of the Meeting, Appendix 3, which had been included in the notice to attend the Meeting.

The chairman informed that the complete proposals of the board and nomination committee had been included in the notice.

The Annual Report, the Group Annual Report, the auditor's Report and the Group auditor's Report for the financial year 2018 as well as the statements and reports of the board and the nomination committee, and also

the other documents to the annual general meeting, which had been held available in accordance with the Swedish Companies Act and the Swedish Corporate Governance Code, were presented.

## **§ 5**

### Election of one or two persons to approve the minutes (agenda item 5)

The Meeting elected Pontus Ejderhamn, representing Svolder AB, and Dick Bergqvist, representing AMF, to check and verify the minutes jointly with the chairman of the Meeting.

## **§ 6**

### Determination as to whether the annual general meeting has been duly convened (agenda item 6)

The Chairman found that notice had been made in accordance with the provisions in the Swedish Companies Act and the Articles of Association.

The Meeting resolved to approve the notice procedure and declared the Meeting duly convened.

## **§ 7**

### Presentation of the annual report and the audit report as well as the consolidated accounts and the audit report for the group (agenda item 7)

The chairman found that the annual report and the group annual report and the auditor's report for the parent company and the group for 2018 were presented.

## **§ 8**

### Speech by the CEO and the chairman of the board of directors (agenda items 8-9)

The CEO Jens Mathiesen presented Scandic's operations, significant events and newly opened hotels in 2018, and Scandic's financial goals and results for 2018 and the first quarter of 2019.

The chairman of the board Per G. Braathen presented the work of the board during 2018.

After the chairman had opened for questions shareholders asked questions and gave their remarks on, among other things, Scandic's market position, competitive situation, geographical foot print, earnings development and growth, and the impact of external factors such as terrorist threats and currency fluctuations. The questions were answered by Jens Mathiesen.

## **§ 9**

### Presentation of the audit work (agenda item 10)

Sofia Götmar-Blomstedt, auditor-in-charge, PricewaterhouseCoopers, presented the work on the audit and the audit's conclusions, commented on the audit report and the application of the guidelines for remuneration to senior executives regarding the parent company and the group for 2018 and for the auditor's independence.

## **§ 10**

### Resolution on the adoption of the income statement and the balance sheet and the consolidated income statement and the consolidated balance sheet, (agenda item 11(A))

The Meeting adopted the income statements for 2018 and balance sheets as per 31 December 2018 for the parent company and the group.

## **§ 11**

### Resolution on allocation of the Company's earnings in accordance with the adopted balance sheet as well as record date (agenda item 11 (B))

The Meeting resolved, in accordance with the board's proposal, that the unappropriated earnings at the

Meeting's disposal should be distributed through a dividend of SEK 3.50 per share to be paid out in two equal instalments of SEK 1.75 and that the remaining unappropriated earnings should be carried forward.

The Meeting further determined, in accordance with the board's proposal, that the record dates for entitlement to payment of the dividend should be 9 May 2019 and 28 October 2019, respectively.

The chairman informed that the dividend was expected to be paid out to the shareholders around 14 May 2019 and 31 October 2019, respectively.

## **§ 12**

### Resolution on discharge from liability for the members of the board of directors and the president and CEO (agenda item 11(C))

The Meeting discharged the board and the Chief Executive Officers from liability for the management of the company and its affairs during the financial year 2018.

It was noted that the members of the board and the Chief Executive Officer did not take part in the resolution and it was recorded that all shareholders attending the Meeting supported the resolution, except for those shareholders that had given special instructions for no and abstain votes.

## **§ 13**

### Presentation by the chairman of the nomination committee (agenda item 12)

The chairman of the nomination committee, Joel Lindeman, presented the composition and the proposals of the nomination committee.

Susanne Mørch Koch and Riitta Savonlahti presented themselves to the meeting.

## **§ 14**

### Determination of the number of members of the board of directors and the number of auditors (agenda item 13)

It was resolved, in accordance with the nomination committee's proposal, that the number of members of the board of directors shall be eight and to appoint one (1) auditor.

## **§ 15**

### Determination of fees for the members of the board of directors and the auditors (agenda item 14)

In accordance with the nomination committee's proposal the Meeting resolved that remuneration for ordinary board work and remuneration to the auditor shall be paid in accordance with the following:

- SEK 775 000 to the chairman of the board,
- SEK 350,000 to each of the other members of the board,
- SEK 150,000 to the chairman of the audit committee and SEK 60,000 to each of the other members,
- SEK 100,000 to the chairman of the remuneration committee and SEK 50,000 to each of the other members, and
- SEK 100,000 to the chairman of the investment committee and SEK 50,000 to the other members.

In accordance with the nomination committee's proposal the Meeting resolved that the auditor shall be paid in accordance with approved invoices.

## **§ 16**

### Election of members of the board of directors, chairman of the board of directors and auditors (agenda item 15)

The chairman informed the Meeting of the assignments the proposed members of the board held in other

companies.

The Meeting resolved, in accordance with the nomination committee's proposal, for the period until the end of the next annual general meeting, elect Ingalill Berglund (re-election), Per G. Braathen (re-election), Grant Hearn (re-election), Christoffer Lundström (re-election), Martin Svalstedt (re-election), Fredrik Wirdenius (re-election), Susanne Mørch Koch (new election) and Riitta Savonlahti (new election).

The Meeting resolved to re-elect Per G. Braathen as chairman of the board of directors.

The registered accounting firm PricewaterhouseCoopers AB was re-elected auditor for a period until the end of next annual general meeting. It was noted that PricewaterhouseCoopers AB has informed the company that authorized public accountant Sofia Götmar-Blomstedt will continue as auditor-in-charge.

#### **§ 17**

##### Approval of the procedure of the nomination committee (agenda item 16)

The Meeting resolved in accordance with the nomination committee's proposal in Appendix 4 regarding the procedure for the nomination committee to be used until a resolution regarding changes to the procedure of the nomination committee is adopted by the General Meeting.

#### **§ 18**

##### Resolution on remuneration guidelines for senior management (agenda item 17)

The chairman of the board of directors, Per G. Braathen, presented the board's proposals regarding guidelines for remuneration for senior management and share incentive plan.

The Meeting resolved in accordance with the board's proposal in Appendix 5 regarding guidelines for remuneration for senior management.

#### **§ 19**

##### Adoption of a long term incentive program (agenda items 18(A)-(B))

It was resolved to adopt a long-term incentive program and to approve hedging arrangements in accordance with the proposals by the board of directors, Appendix 6.

#### **§ 20**

##### Closing of the meeting (agenda item 19)

Per G. Braathen thanked the resigning board member Lottie Knutsson.

The chairman declared the Meeting closed.

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At the minutes:

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Camilla Köhler

Minutes checkers:

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Tone Myhre-Jensen

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Pontus Ejderhamn

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Dick Bergqvist

**PROPOSED AGENDA**

1. Opening of the meeting.
2. Election of a chairman of the meeting.
3. Preparation and approval of the voting list.
4. Approval of the agenda.
5. Election of one or two persons to approve the minutes.
6. Determination as to whether the annual general meeting has been duly convened.
7. Presentation of the annual report and the audit report as well as the consolidated accounts and the audit report for the group.
8. Speech by the president and CEO, Jens Mathiesen.
9. Presentation of the work of the board of directors and the work of the remuneration committee and the audit committee.
10. Presentation of the audit work.
11. Resolutions regarding:
  - a. the adoption of the income statement and the balance sheet and the consolidated income statement and the consolidated balance sheet,
  - b. allocation of the Company's earnings in accordance with the adopted balance sheet as well as record date, and
  - c. discharge from liability for the members of the board of directors and the president and CEO.
12. Presentation by the chairman of the nomination committee.
13. Determination of the number of members of the board of directors and the number of auditors.
14. Determination of fees for the members of the board of directors and the auditors.
15. Election of members of the board of directors, chairman of the board of directors and auditors.
16. Approval of the procedure of the nomination committee.
17. Resolution on remuneration guidelines for senior management.
18. Adoption of a long term incentive program in accordance with (A) and hedging arrangements in respect thereof in accordance with (B).
19. Closing of the meeting.

#### **APPROVAL OF THE PROCEDURE OF THE NOMINATION COMMITTEE (ITEM 16)**

The nomination committee proposes that the annual general meeting resolves on instructions and charter for the Company's nomination committee as follows:

The Company shall have a nomination committee consisting of the chair of the board of directors and one representative of each of the three largest shareholders, in terms of votes in the Company, who wish to appoint a representative. The names of the three shareholder representatives and the names of the shareholders they represent shall be announced no later than six months prior to the annual general meeting. The nomination committee shall remain in office until a new nomination committee has been appointed. Unless the members agree otherwise, the chair of the nomination committee shall be the member who represents the shareholder controlling the largest number of votes.

Based on the shareholder statistics from Euroclear Sweden AB as per the last bank day in August, the chair of the board of directors shall, without unnecessary delay, identify and contact the three largest shareholders by voting power of the Company. The shareholder statistics to be used shall be sorted by voting power (grouped by owners) and cover the 25 largest in Sweden direct registered shareholders, i.e. shareholders having registered an account with Euroclear Sweden AB in their own name or shareholders holding a custody account with a nominee that have reported the identity of the shareholder to Euroclear Sweden AB.

A member who is appointed by a shareholder that during the office of the nomination committee ceases to belong to the group of three shareholders controlling the largest number of votes, shall resign from the nomination committee. Instead, the shareholder replacing such shareholder in the group comprising the three shareholders controlling the largest number of votes shall have the right to appoint its representative. If there are no special reasons, no change to the composition of the nomination committee shall be made if the change in the number of votes is minor or if the changes occur later than three months prior to the AGM. Further, a shareholder who has appointed a representative as member of the nomination committee shall be entitled to dismiss such member and appoint a new representative as member of the nomination committee. Changes in the composition of the nomination committee shall be published as soon as any such changes have been made.

The nomination committee shall present the following proposals for resolution to the AGM:

- a) proposal regarding election of the chair of the AGM,
- b) proposal regarding election of the board of directors,
- c) proposal regarding election of the chair of the board,
- d) proposal regarding the directors' fees and fees for committee work, distributed among the chair of the board and the other directors,
- e) proposal regarding election of auditors,
- f) proposal regarding the fees to the auditors, and
- g) to the extent necessary, proposal regarding alterations in the instructions for the nomination committee.

The nomination committee in connection with its assignment otherwise shall perform the assignments that are incumbent on the nomination committee under the Swedish Code of Corporate Governance. Upon the request of the nomination committee, the Company shall make available to the committee's disposal staff resources, such as secretarial functions for the nomination committee, to facilitate the nomination committee's work. If necessary, the Company shall also bear such reasonable expenses for external advisers that the nomination committee deems necessary for the due performance of the committee's assignments.

These instructions for the nomination committee is proposed to be in force until further notice.

**PROPOSAL BY THE BOARD OF DIRECTORS ON REMUNERATION GUIDELINES FOR SCANDIC'S SENIOR MANAGEMENT (ITEM 17)**

The board of directors proposes that the annual general meeting resolves to approve the board of directors' proposal regarding guidelines for remuneration for the senior management as set forth below which shall apply until the annual general meeting 2020. In this context, the senior management means the CEO of Scandic and the executives in the Company and other group companies who, from time to time, are reporting to him and who are also members of the senior management, as well as members of the board of directors of the Company to the extent employment or consulting agreements are entered into.

*Policy*

Scandic shall offer a total remuneration in line with market conditions to enable the Company to recruit and retain the managers the Company needs to meet its short-term and long-term targets. The remuneration to the management may consist of fixed salary, variable salary, pension and other benefits. Long-term incentive programs may be offered in addition to the above and will when required be submitted to the general meeting for approval.

*Fixed salary*

The fixed salary for the CEO and the other members of the senior management shall be in line with market conditions and mirror the demands and responsibility that the position entails as well as individual performance. The fixed salary for the CEO and the other members of the senior management is revised once every year.

To the extent a member of the board of directors carries out work for the Company or for another group company, in addition to the board work, consulting fees and/or other remuneration for such work may be payable.

*Variable salary*

The variable salary for the CEO and the other members of the senior management shall be based on the Company's fulfillment of objectives determined in advance. These objectives are determined for the promotion of the Company's/the group's short-term and long-term targets, long-term development, value creation and financial growth and shall be designed in a way that does not encourage an excessive risk-taking. The variable salary may not amount to more than 60% of the fixed annual salary for the CEO and not more than 35–50% of the fixed annual salary for the other members of the senior management. In this context, fixed annual salary means cash salary earned during the year, excluding pension, supplements, benefits and similar.

*Long-term incentive programs*

The aim of having long-term incentive programs would be to create a long-term commitment to Scandic, to attract and retain members of the senior management and key employees and to ensure the shareholder perspective.

Long-term incentive programs, if any, may constitute a complement to the fixed salary and the variable salary, with participants to be nominated based on, among other things, competence and performance. The outcome shall be dependent on the fulfillment of certain predetermined competence or performance requirements.

*Pension*

The pension benefits for the CEO and the other members of the senior management shall preferably consist of premium based pension plans, but may also be defined benefits pursuant to collective agreements.

#### *Other benefits and compensation*

Fixed salary during notice periods and severance payment, including payments for any restrictions on competition, shall in aggregate not exceed an amount equivalent to the fixed salary for 18 months. The total severance payment shall for all members of the management be limited to the existing monthly salary for the remaining months up to the age of 65.

Other compensation may consist of other benefits that are customary and in line with market conditions, such as healthcare insurance, which shall not constitute a material portion of the total remuneration.

In addition thereto, additional compensation may be paid out in extraordinary circumstances, provided that such arrangement is made for management recruitment or retention purposes and is agreed on an individual basis. Such extraordinary arrangements may for example include a one-time cash payment, or a support package including relocation support, tax filing support, or similar.

#### *Deviation from the guidelines*

The board of directors may resolve to deviate from the guidelines if the board of directors, in an individual case, is of the opinion that there are special circumstances justifying that.

#### *Resolved remunerations not yet payable*

For the resigning CEO, fixed salary and employment benefits during the notice period, as well as a severance payment corresponding to nine months' fixed salary, will be paid out provided that he does not accept any new employment during the notice period. The severance payment qualifies for pension and falls due during the third quarter 2019, provided that the applicable non-compete provision is observed.

The company has resolved to pay a variable remuneration to three members of the senior management. The remuneration for the three individuals amounts to SEK 850,000 in total, and falls due in the second quarter 2019. The remuneration will not cause the maximum limits for variable remuneration as set forth in the guidelines for remuneration adopted by the annual general meeting 2018 to be exceeded.

**PROPOSAL BY THE BOARD OF DIRECTORS ON ADOPTION OF A LONG TERM INCENTIVE PROGRAM IN ACCORDANCE WITH (A) AND HEDGING ARRANGEMENTS IN RESPECT THEREOF IN ACCORDANCE WITH (B) (ITEM 18)**

**Background**

The board of directors of Scandic proposes that the annual general meeting 2019 resolves on the implementation of a long-term incentive program (the “**Program**” or “**LTIP 2019**”). Scandic has since 2015 annually launched long-term incentive programs of which LTIP 2015 expired last year and LTIP 2016 will expire in connection with the announcement of Scandic’s interim report for Q1 2019.

The board of directors considers the programs to be structured in an attractive and appropriate way and notes that nearly all employees who were offered to participate accepted such offer. Therefore, the board of directors now proposes that the annual general meeting 2019 adopts a long-term incentive program on, in all material respects, the same terms and conditions as LTIP 2018. Similar to previous programs, LTIP 2019 is proposed to be directed to the members of the Executive committee, the Country Managing Directors, a number of Country Management Team members, and certain other key employees of the Scandic Group.

The overall purpose of the Program is to closely align the participants’ interests with those of the shareholders and to create a long-term commitment to Scandic. The Program provides Scandic with a crucial component of a competitive total compensation package to attract and retain employees who are critical to Scandic’s on-going success. The board of directors intends to propose that future annual general meetings of Scandic approve long-term incentive programs, since, for the above reasons, the board of directors considers that having recurring long-term incentive programs is a vital and important part of Scandic’s total compensation program.

The Program shall be inspiring, achievable, easy to understand, cost effective to administer and easy to communicate. Following implementation of the Program, the board of directors intends to carry out an evaluation thereof in order to systematically analyse the achieved results in relation to the aims outlined above. The purpose of the evaluation will be to determine whether the Program satisfies its purposes, and this will also include the review of the outcome and the costs for the Program.

**A. Implementation of the Program**

The board of directors proposes that the implementation of the Program shall be made in accordance with the principal terms and conditions set out below.

- (a) The Program is proposed to be open to no more than 80 permanent employees of the Scandic Group, who are divided into the following three groups: the Chief Executive Officer of Scandic (“**Group 1**”), no more than 11 members of the Executive committee (“**Group 2**”) and no more than 68 Country Management Team members or Key Employees (“**Group 3**”). Participants in Group 1–3 are collectively referred to as “**Participants**”.
- (b) The Program will allow the Participants to make investments of their own in common shares in Scandic or allocate already held common shares in Scandic to the Program (“**Saving Shares**”). The Saving Shares entitle a possibility to be allotted Matching Shares (as defined below) and Performance Shares (as defined below), following the expiration of a vesting period of approximately three years that ends in connection with the announcement of Scandic’s interim report for Q1 2022 (the “**Vesting Period**”).
- (c) For each Saving Share, the Participants will have the possibility to be allotted up to one common share in Scandic free of charge, from Scandic, another company within the Scandic Group or from a designated third party (“**Matching Share**”). Such Matching Shares will be allotted in accordance with the following: for each Saving Share, zero point five (0.5) Matching Shares will be allotted

subject to certain conditions relating to continued employment and uninterrupted holding of Saving Shares (as further described in section (k) below), and zero point five (0.5) Matching Shares will be allotted subject to an additional condition according to which the Total Shareholder Return during the financial years 2019–2021 shall exceed a certain level pre-determined by the board of directors (the “**Matching Condition**”).

- (d) Further, the Participants will, depending on satisfaction of certain Performance Conditions (as defined and described in paragraph (e) below), after the expiration of the Vesting Period have the possibility to be allotted additional common shares in Scandic free of charge from Scandic, another company within the Scandic Group or from a designated third party (the “**Performance Shares**”). For each Saving Share, the Participants may be allotted Performance Shares in accordance with the following:
- Participants in Group 1 may be allotted no more than five (5) Performance Shares (no more than two point five (2.5) Performance Shares based on the fulfilment of Performance Condition 1, as defined below, and no more than two point five (2.5) Performance Shares based on the fulfilment of Performance Condition 2, as defined below);
  - Participants in Group 2 may be allotted no more than four (4) Performance Shares (no more than two (2) Performance Shares based on the fulfilment of Performance Condition 1 and no more than two (2) Performance Shares based on the fulfilment of Performance Condition 2); and
  - Participants in Group 3 may be allotted no more than three (3) Performance Shares (no more than one point five (1.5) Performance Shares based on the fulfilment of Performance Condition 1 and no more than one point five (1.5) Performance Shares based on the fulfilment of Performance Condition 2).
- (e) The allotment of Performance Shares shall depend on the degree of fulfilment of the Performance Conditions for the Program. The Performance Conditions shall be established by the board of directors and be based on Program specific financial targets related to the accumulated EBITDA<sup>1</sup> for the financial years 2019–2021 (“**Performance Condition 1**”), and the accumulated cash flow<sup>2</sup> for the financial years 2019–2021 (“**Performance Condition 2**” jointly referred to as the “**Performance Conditions**”). In connection with the expiry of the Vesting Period, the board of directors will publish the Performance Conditions levels and to what extent these have been fulfilled.
- A condition for any allotment of Performance Shares to occur is that a certain starting point be exceeded (the “**Minimum Level**”). If the Minimum Level is not exceeded, no Performance Shares will be allotted.
  - For maximum allotment of Performance Shares to occur, a certain higher level must be reached (the “**Maximum Level**”).
  - Should the degree of fulfilment exceed the Minimum Level but be between the Minimum Level and the Maximum Level, the Participants will receive a linear allotment of Performance Shares.
- (f) The number of Matching Shares and Performance Shares that a Participant is entitled to be allotted shall be increased to compensate for any dividend relating to the financial years 2019–2021 on the Scandic shares during the Vesting Period in order to further align the Participants’ interests with those of the shareholders.
- (g) The maximum value per each right to receive a Matching Share or a Performance Share (or such number of Matching Shares or Performance Shares as follows from an adjustment for dividend as described in paragraph (f) above) shall be limited to SEK 276, corresponding to 300 per cent of the

volume weighted average price of the Scandic share during the first five trading days in March 2019 (the “Cap”). Should the value of such right (calculated based on the volume weighted average price of the Scandic share during the five trading days immediately following the day of publication of the interim report for Q1 2022, after deduction of dividend approved by the general meeting of shareholders, where the share is still traded including the right to such dividend) exceed the Cap, a proportional reduction in the number of Matching Shares and Performance Shares to be allotted shall be made. For the avoidance of doubt, after such reduction, the value of each such right shall correspond to the Cap.

- (h) The maximum number of Saving Shares each Participant may invest in or allocate to the Program depends on the Participant category that he/she belongs to in the Program, in accordance with the following:
- Each Participant in Group 1 and in Group 2 may at a maximum invest in or allocate to the Program a number of Saving Shares determined based on a share price of SEK 92.08, i.e. the volume weighted average price during the first five trading days in March 2019, and an investment amount corresponding to 10 per cent of the Participant’s individual gross annual fixed salary as of 28 February 2019.
  - Each Participant in Group 3 may at a maximum invest in or allocate to the Program a number of Saving Shares determined based on a share price of SEK 92.08, i.e. the volume weighted average price during the first five trading days in March 2019, and an investment amount of SEK 50,000.
- (i) Participants must invest in Saving Shares (or, if Scandic shares are already held, must allocate such shares to the Program) during an investment period to be determined by the board of directors, which shall expire no later than 14 June 2019 (unless extended or postponed by the board of directors in an individual case).
- (j) Matching Shares and Performance Shares may normally be allotted only after the expiration of the Vesting Period.
- (k) In order for a Participant to be allotted any Matching Shares or Performance Shares, as applicable, it is a condition that, with certain exemptions, he/she has been permanently employed within the Scandic Group for the duration of the whole Vesting Period and that the Participant, until the expiration of the Vesting Period, has retained the Saving Shares invested in or allocated to the Program. Saving Shares disposed of prior to the expiration of the Vesting Period will not be included in the calculation to determine any allotment of Matching Shares or Performance Shares.
- (l) If significant changes in the Scandic Group or in the market occur which, in the opinion of the board of directors, would result in a situation where the conditions for allotment of Performance Shares under the Program become unreasonable, the board of directors shall be entitled to make adjustments to the Program, including, among other things, to resolve on a reduced allotment of Performance Shares, or that no Performance Shares shall be allotted at all.
- (m) The board of directors shall be authorised to establish the detailed terms and conditions for the Program. The board of directors may, in that regard, make necessary adjustments of these general terms and conditions to satisfy certain regulations or market conditions outside Sweden.
- (n) Participation in the Program presupposes that such participation is legally possible in the various jurisdictions concerned and that the administrative costs and financial efforts are reasonable in the opinion of the board of directors.
- (o) The Program shall comprise no more than 385,000 common shares in Scandic (Matching Shares, Performance Shares and dividend compensation included).

- (p) The number of Matching Shares and Performance Shares will be subject to recalculation as a result of intervening bonus issues, splits, rights issues and/or other similar corporate events.

#### *Costs for the Program etc.*

The costs for the Program, which are charged in the profit and loss account, are calculated according to the accounting standard IFRS 2 and distributed over the Vesting Period. The calculation has been made based on the quoted closing price of the Scandic share as of 7 March 2019, i.e. SEK 88.80 per share, and based on the following assumptions: (i) an annual dividend yield of 4 per cent, (ii) an estimated annual turnover of personnel of 10 per cent, (iii) fulfilment of the Matching Condition, (iv) an average fulfilment of each of the Performance Conditions of 50 per cent, and (v) a total maximum of 385,000 Matching Shares and Performance Shares eligible for allotment. In addition to what is set forth above, the costs for the Program have been based on that the Program comprises approximately 80 Participants and that each Participant makes a maximum investment. In total, the costs according to IFRS 2 for the Program are estimated to approximately SEK 12.3 million excluding social security costs (SEK 20.5 million if average fulfilment of each of the Performance Conditions is 100 per cent). The costs for social security charges are calculated to approximately SEK 5.1 million, based on the above assumptions, and also assuming an annual share price increase of 10 per cent during the Program and a social security tax rate of 27 per cent (SEK 8.3 million if average fulfilment of each of the Performance Conditions is 100 per cent).

The expected annual costs of SEK 6.0 million, including social security charges, correspond to approximately 0.1 per cent of the Scandic Group's total employee costs for the financial year 2018 (0.2 per cent if average fulfilment of each of the Performance Conditions is 100 per cent).

Assuming that the Cap (for this purpose calculated as 300 per cent of the volume weighted average price of the Scandic share during the first five trading days in March 2019, i.e. SEK 276) is reached and that all Participants are entitled to allotment of the maximum number of Matching Shares and Performance Shares in the Program and remain in the Program until the end of the Vesting Period, the maximum cost according to IFRS 2 for Scandic will amount to SEK 27.8 million and the maximum social security charges will amount to SEK 23.7 million.

#### *Dilution*

Upon maximum allotment of Matching Shares and Performance Shares and assuming a buffer for dividend compensation, the number of shares to be allotted under the Program amounts to 385,000 common shares in Scandic, corresponding to approximately 0.37 per cent of the share capital and the votes (calculated based on 102,985,075 outstanding common shares in Scandic on 7 March 2019).

#### *Effect on key ratios*

If the Program had been introduced in 2018 with the assumptions above, the impact on basic earnings per share on a full year basis would have resulted in a dilution of 0.9 per cent or a decrease from SEK 6.54 to SEK 6.48 on a pro forma basis. The impact on the EBITDA margin and EBIT margin would be insignificant.

#### *Hedging arrangements*

The board of directors proposes that the general meeting resolves that the expected financial exposure of shares to be allotted under the Program shall be hedged, by Scandic being able to enter into an equity swap agreement with a third party on terms in accordance with market practice, whereby the third party in its own name shall be entitled to acquire and transfer to the Participants common shares in Scandic, in accordance with item B below.

*Preparations of the proposal*

The proposed Program has, pursuant to the guidelines issued by Scandic's board of directors, been prepared by the Compensation committee of Scandic with the assistance of external advisors. The Compensation committee has informed the board of directors of the work, who has subsequently resolved that the Program shall be proposed to the annual general meeting.

*Conditions*

The resolution to adopt the proposed long-term incentive program in accordance with this item A is conditional upon that the annual general meeting resolves on the hedging arrangements in accordance with item B below.

*Previous incentive programs in Scandic*

Scandic has previously resolved to implement long-term incentive programs in 2015, 2016, 2017 and 2018 which in all material respects are based on the same terms and conditions as the above proposed LTIP 2019, with the exception that the 2015 year program does not contain any Matching Condition and that the 2016 and 2017 long-term incentive programs contain an RGI-based performance condition. The programs are further described in note 06 of Scandic's annual report.

**B. Hedging arrangements in respect of the Program**  
***Equity swap agreement with a third party***

The board of directors proposes that the general meeting resolves that the expected financial exposure of shares to be allotted under the Program shall be hedged by Scandic being able to enter into an equity swap agreement with a third party. Such swap agreement shall be on terms in accordance with market practice, whereby the third party against a fee undertakes to, in its own name, acquire and transfer to the Participants common shares in Scandic in accordance with the terms and conditions of the Program.