

# COMPENSATION REPORT 2020

## INTRODUCTION

This Compensation Report describes how Scandic's guidelines for compensation to senior executives, which were adopted by the 2020 Annual General Meeting, were implemented in 2020. It also provides information on compensation to the CEO and a summary of the company's outstanding share-based incentive program. The report was prepared in accordance with the Swedish Companies Act and the rules on compensation issued by the Swedish Corporate Governance Board.

Further information on compensation to senior executives can be found in Note 05 on pages 107–109 in the Annual Report 2020. Information on the work of the Compensation Committee in 2020 is provided in the Corporate Governance Report on page 85.

### The CEO's total compensation in 2020 (in SEK)

#### Jens Mathiesen, CEO

#### Fixed compensation

Base salary	7,003,500
Fringe benefits	684,839

#### Variable compensation

One-year variable	0
Multi-year variable <sup>1)</sup>	470,671

Extraordinary items<sup>2)</sup> 1,207,500

Pension expense 1,932,000

**Total compensation 11,298,510**

Proportion of fixed<sup>3)</sup> and variable<sup>4)</sup> compensation 85% / 15%

<sup>1)</sup> The value of shares allocated in the LTI Program that expired in 2020.

<sup>2)</sup> One-time bonus in cash based on significant responsibility and contributions to the process of ensuring the company's survival.

<sup>3)</sup> Fixed = fixed compensation + pension expense.

<sup>4)</sup> Variable = variable compensation + fringe benefits.

Compensation to the Board of Directors is not included in this report. It is determined annually by the Annual General Meeting and is described in Note 05 on page 107 in the Annual Report.

## 2020 IN BRIEF

The CEO summarizes Scandic's financial year in his CEO statement on page 3 of the Annual Report.

## APPLICATION OF THE COMPENSATION GUIDELINES FOR 2020: SCOPE, PURPOSE & DEVIATIONS

Scandic shall offer terms that are in line with market conditions and enable the company to recruit and retain the managers required to meet its short and long-term targets. Compensation to senior executives may consist of a fixed salary, variable salary, pension and other benefits. In addition, the Annual General Meeting may resolve, among other things, on long-term share incentive programs. The guidelines for compensation to senior executives are available on Scandic's corporate website at [scandichotelsgroup.com/corporate-governance/compensation-guidelines/](http://scandichotelsgroup.com/corporate-governance/compensation-guidelines/)

No deviations from the guidelines were made in 2020. The auditor's report on the company's compliance with the guidelines is available at [scandichotelsgroup.com](http://scandichotelsgroup.com)

## SHARE-BASED COMPENSATION

The goal of long-term incentive programs is to create long-term commitment at Scandic, to attract and retain senior executives and other key personnel and to ensure the shareholder perspective.

Long-term incentive programs constitute a supplement to fixed and variable salary, with participants nominated based on skills and performance. The outcome depends on whether certain predetermined performance require-

ments are met. These requirements are set to ensure long-term and sustainable value creation for Scandic's stakeholder groups.

## OUTSTANDING SHARE-BASED INCENTIVE PROGRAMS

From the IPO in 2015 until 2019, the Annual General Meeting resolved every year to launch a share-based Long-Term Incentive Program (LTIP). No LTIP was launched in 2020. The program implemented in 2017 (LTIP 2017) expired on May 20, 2020 – the day that Scandic published its interim report for the first quarter 2020.

The LTIP enables participants to receive matching shares and performance shares, provided they make their own investments in shares or allocate shares already held to the program. For each such savings share, the participants in the LTIP 2018 and the LTIP 2019 may, free of charge, be assigned matching shares, where 50 percent are subject to the meeting of a requirement related to the total return on the shares (TSR) and 50 percent are free of charge. Participants may also, free of charge, be allocated a number of performance shares, depending on whether certain performance criteria set by the Board of Directors are met. These criteria are related to adjusted EBITDA and cash flow for the years 2018–2020 (LTIP 2018) and 2019–2021 (LTIP 2019).

Matching shares and performance shares will be allocated after the end of the vesting period until the date of publication of Scandic's interim report for the first quarter 2021 and the first quarter 2022, respectively, subject to the participant remaining a permanent employee within the Group and retaining the savings shares.

The CEO invested in 3,069 shares in the LTIP 2018 and therefore received 3,069 matching shares and 12,276 performance shares. Under the LTIP 2019,

the CEO invested in 5,864 savings shares and received 5,864 matching shares and 29,320 performance shares. Matching shares and performance shares were allocated free of charge and are subject to a vesting period of three years, continued permanent employment and an uninterrupted holding of the savings shares.

In the LTIP 2018 and the LTIP 2019, 50 percent of the matching shares are subject to meeting a requirement related to the total return on the shares (TSR) and 50 percent are free of charge. In both programs, the allocation of performance shares is free of charge, depending on the extent to which certain performance criteria adopted by the Board of Directors are met. These criteria are related to adjusted EBITDA (weighted 50 percent) and cash flow (weighted 50 percent) for the financial years 2018–2020 (LTIP 2018) and 2019–2021 (LTIP 2019), respectively.

## COMPLIANCE WITH THE COMPENSATION GUIDELINES & APPLICATION OF PERFORMANCE CRITERIA

No general STI plan or LTIP was launched in 2020. For this reason, no performance criteria for variable compensation were defined in 2020.

Share-based incentive program (CEO)	LTIP 2017	LTIP 2018	LTIP 2019
<b>Jens Mathiesen, CEO</b>			
<b>The main conditions of share-based incentive programs</b>			
Specification of plan	LTIP 2017	LTIP 2018	LTIP 2019
Performance period	2017–2019	2018–2020	2019–2021
Award date	September 25, 2017	May 31, 2018	June 14, 2019
End of program period	May 20, 2020	April 28, 2021	Date of publication of Q1 2022
End of holding period	May 20, 2020	April 28, 2021	Date of publication of Q1 2022
<b>Information regarding the reported financial year</b>			
<b>Opening balance</b>			
Rights vested at the beginning of the year	13,410	15,345	35,184
<b>During the year</b>			
Rights vested	0	0	0
Shares awarded <sup>1)</sup>	10,870	0	0
<b>Closing balance</b>			
Rights subject to a performance condition	0	13,811	32,252
Rights vested but not transferred	0	1,534	2,932
Shares subject to a holding period	0	0	0

<sup>1)</sup> The shares granted under the LTIP 2017 are divided into 1,453 shares that are not subject to a performance condition and 9,417 shares that are subject to a performance condition. The total value of the shares awarded was SEK 470,662.

## Information on changes in compensation and company performance

Year	2016–2015	2017 <sup>1)</sup> –2016	2018–2017 <sup>1)</sup>	2019–2018	2020–2019	2020
The CEO's compensation, in TSEK <sup>2)</sup>	-7,354 (-35.2%)	-578 (-4.3%)	-4,883 (-37.6%)	3,280 (40.5%)	-73 (-0.6%)	11,299
Adjusted EBITDA for the Group, in MSEK	267 (21.4%)	60 (4.0%)	384 (24.4%)	89 (4.5%)	-3,549 (-173.5%)	-1,503
Profit/loss for the year, Group, MSEK	-350 (-84.3%)	189 (290.8%)	424 (166.9%)	47 (6.9%)	-6,676 (-920.8%)	-5,951
Average compensation on a full-time equivalent basis of employees, entire Group, in TSEK	39 (11.1%)	31 (7.8%)	4 (1.0%)	9 (2.0%)	46.6 (10.6%)	487

<sup>1)</sup> In 2017, there was a change of CEO. Here, the compensation consists of the total remuneration for both CEOs for each period, respectively.

<sup>2)</sup> The CEO's compensation includes share-related remuneration with the value of the shares allocated each year, respectively.