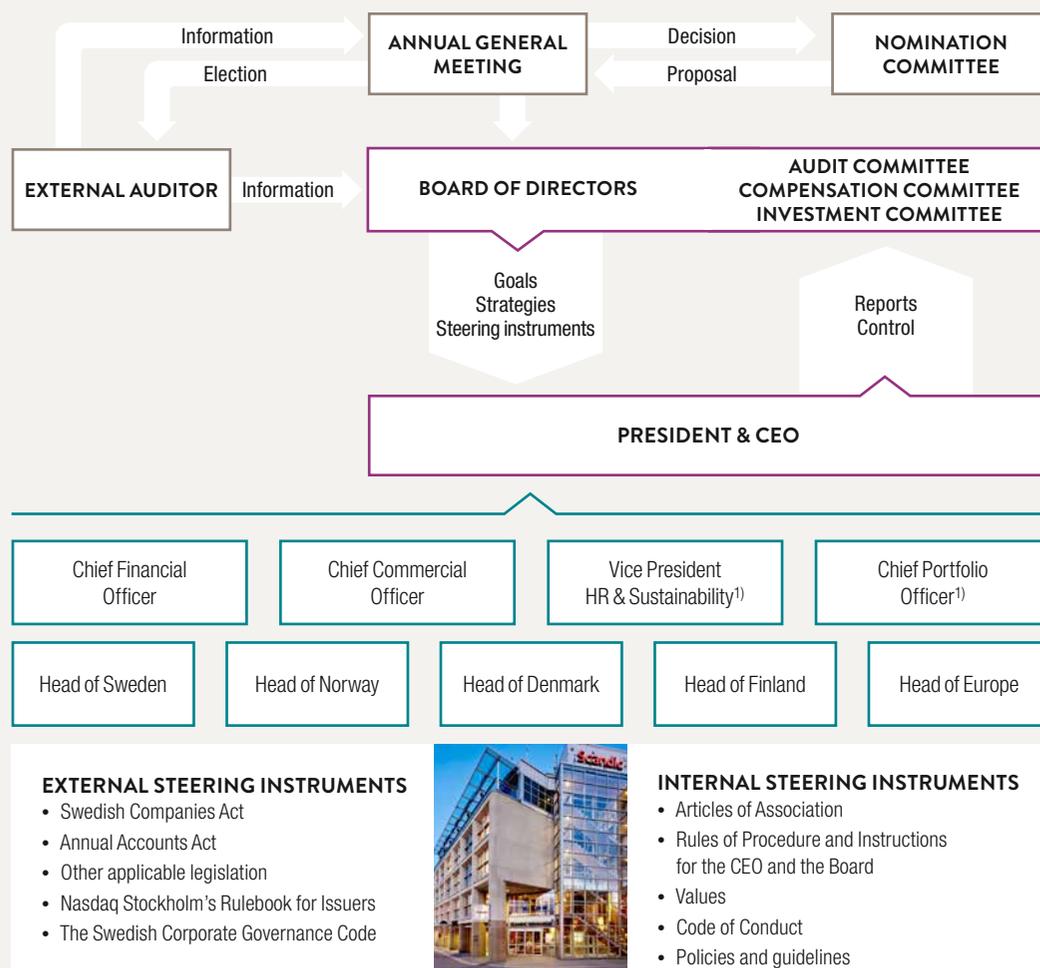


CORPORATE GOVERNANCE

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 2020 financial year.

CORPORATE GOVERNANCE AT SCANDIC



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
- transparent internal and external reporting
- compliance

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 Rulebook for Issuers, the Swedish Corporate Governance Code (the "Code") and other applicable Swedish and foreign legislation and regulations.

Scandic's 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.

SIGNIFICANT EVENTS IN 2020

In 2020, Scandic made changes to its commercial organization and the company's two commercial units were merged. In connection with the change, Anna Spjuth started as Chief Commercial Officer (CCO) and replaced Scandic's Chief Customer Officer and Chief Commercial Optimization Officer on the Executive

¹⁾ Jens Mathiesen is currently Deputy Chief Portfolio Officer in the Executive Committee. The Executive Committee position of Vice President HR & Sustainability is vacant.

Committee. Scandic's Chief Portfolio Officer (CPO) Svein Arild Steen-Mevold left the company on September 30 and Scandic's President & CEO took over the position of Deputy CPO until a permanent replacement can be found. Scandic's Vice President HR & Sustainability left the company during the year and the position on the Executive Committee is vacant.

At the Annual General Meeting 2020, Kristina Patek was elected as a new Board member. Susanne Mørch Koch, Riitta Savonlahti and Kristoffer Lundström declined re-election. During the year, the company carried out a new issue of shares with preferential rights to existing shareholders.

SHARE AND SHAREHOLDERS

The Scandic share has been listed on Nasdaq Stockholm's Nordic Mid Cap list since December 2, 2015. At year-end 2020, the share capital of Scandic was 47.8 MSEK divided into 191,257,993 shares with all shares conferring equal voting rights, an equal share of assets and earnings and an equal share of any dividends. During the year, the company carried out a rights issue that increased the number of shares by 88,272,918 and the company's share capital by 22.1 MSEK. Of the total share capital, 80.0 percent was held by Swedish investors and 20.0 percent by foreign investors. The ten largest shareholders represented 51.9 percent of the share capital and votes in the company. At year-end, Stena Sessan was the largest shareholder with holdings corresponding to 19.9 percent of the company's share capital and votes. AMF Pension & Fonder owned 16.5 percent of the company's share capital and votes at the end of the year.

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 and determines its work and adopts principles of compensation 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.

EXTRAORDINARY GENERAL MEETING 2020

The Extraordinary General Meeting held on May 28, 2020 in Stockholm resolved to carry out a new issue of shares with preferential rights to existing shareholders.

ANNUAL GENERAL MEETING 2020

At the Annual General Meeting held on June 15, 2020 in Stockholm, resolutions on the following were passed:

- Adoption of the income statement and balance sheet for 2019.
- Resolution, in accordance with the Board of Directors' proposal, that no dividend be paid to the shareholders and that the amount at the meeting's disposal be carried forward.
- Discharge of the Board of Directors and the CEO from liability to the company.
- Per G. Braathen, Grant Hearn, Fredrik Wirdenius, Ingall Berglund and Martin Svalstedt were re-elected as Board members. Kristina Patek was elected as a new Board member. Per G. Braathen was re-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 2021.
- Compensation for the Board of Directors and the auditor.
- Guidelines for compensation for senior executives in accordance with the proposal of the Board.

ANNUAL GENERAL MEETING 2021

Scandic's Annual General Meeting 2021 will be held in Stockholm on May 31, 2021. 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 for the Annual General Meeting, Board members, 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 for the Nomination Committee. The Nomination Committee has adopted the guidelines stipulated in section 4.1 of the Code as the diversity policy as regards the composition of the Board 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 Nomination Committee consists of the Chairman of the Board and a representative of each of the three largest shareholders based on shareholder statistics from Euroclear Sweden AB as at the last banking day in August each year. The Nomination Committee's term of office 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 may appoint a representative. Such a change is not necessary if the change in votes is marginal or if it occurs later than three months prior to the Annual General Meeting unless there are special reasons for such.

The names of the three shareholder representatives and the names of the shareholders they represent shall be announced no later than six months prior to the Annual General Meeting.

The Nomination Committee for the Annual General Meeting 2021

The Nomination Committee for the Annual General Meeting 2021 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, 2020. The work of the Nomination Committee was led by Karl Swartling of Stena Sessan AB. The composition of the Nomination Committee was published in a press release on October 16, 2020.

Nomination Committee	Representing	% of votes as per 31/12 2020
Per G. Braathen	–	–
Karl Swartling	Stena Sessan AB	19.9
Dick Bergqvist	AMF Pension & Fonder	16.5
Olof Cato	Formica Capital AB	5.3

In the work on nominations for the Annual General Meeting 2021, the Nomination Committee assessed the size and composition of the current Board of Directors. 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 and geographic distribution. The 2021 Nomination Committee held 5 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 the Board evaluation that was carried out with the help of an external advisor.

The proposals of the Nomination Committee will be presented at the Annual General Meeting 2021 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

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 in 2020

The Annual General Meeting 2020 elected six Board members and in connection with this, an employee representative was appointed. 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 elected at the Annual General Meeting are employed within the Scandic Group and all Board members are considered to be independent in relation to the company and the senior executives. Four of the six Board members that are independent in relation to the company and the senior executives are also independent in relation to the company's major shareholders. Scandic thereby complies with the requirements in the Code regarding the Board 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 each year in written Rules of Procedure. These rules govern the distribution of work and responsibilities among the Board members, the Chairman of the Board and the CEO, and the routines for financial reporting. The Board 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 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. Furthermore, the Board of Directors also resolves whether to enter into or extend leases, franchise



EXAMPLES OF ISSUES HANDLED BY SCANDIC'S BOARD OF DIRECTORS DURING THE YEAR

- Continuous assessment of effects of Covid-19 pandemic on Scandic's operations
- Measures to handle crisis in short and long term
- Resolution to withdraw previous dividend proposal for 2019
- Refinancing to mitigate effects of Covid-19 pandemic
- Evaluation of Executive Committee
- Approval of policies
- Compensation for senior executives
- Market analysis
- Financial reports
- Investment decisions
- Commercial initiatives

agreements and management agreements and whether significant investments or changes in the Group's organization and operations should be made.

The Chairman of the Board is responsible for managing the work of the Board of Directors, including ensuring that the work of the Board of Directors is conducted efficiently and that it fulfills its obligations in accordance with applicable laws and regulations. The Chairman 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.

Work during the year

During the year, 25 board meetings were held, which is clearly more than usual. This was because the Board more closely followed the development of the company's operations as a result of the Covid-19 pandemic, among other things by continuously assessing the company's financial position and strategy in order to mitigate the crisis in the short and long term. The Board also dealt with issues related to the evaluation of the Executive Committee, investment decisions, policies, compensation to senior executives and market analysis.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has established three committees: the Audit Committee, the Compensation 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 carried out in accordance with the written procedures for each committee as adopted by the Board.

Compensation Committee

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

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

The Compensation Committee consists of Per G. Braathen (Chairman), Grant Hearn and Martin Svalstedt.

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

Audit Committee

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

The Audit Committee shall also carry out an evaluation of the audit and report the results to the Nomination Committee. The committee also submits the Nomination Committee's proposal for the appointment of an auditor.

In addition, the Audit Committee follows up and comments on non-auditing related services that Scandic procures from the company's auditor.

The Audit Committee shall consist of at least three members. The majority of the members shall be independent in relation to the company and the senior executives, and at least one shall be independent in relation to the company, the company's senior executives and the company's major

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

Name	Position	Elected, year	Independent in relation to		Attendance and number of meetings ¹⁾	Attendance, number of meetings, committees	Compensation 2020
			the company and senior executives	the largest shareholders			
Per G Braathen	Chairman	2007	Yes	Yes	25 (25)	4 (4) Investment Committee 5 (5) Compensation Committee	791,288
Ingalill Berglund	Member	2016	Yes	Yes	25 (25)	9 (9) Audit Committee	423,541
Grant Hearn	Member	2014	Yes	Yes	23 (25)	4 (4) Investment Committee 5 (5) Compensation Committee	426,177
Martin Svalstedt ¹⁾	Member	2017	Yes	No	25 (25)	2 (4) Investment Committee 9 (9) Audit Committee 3 (5) Compensation Committee	387,865
Fredrik Wirdenius	Member	2015	Yes	Yes	25 (25)	4 (4) Investment Committee	340,942
Kristina Patek	Member, new	2020	Yes	No	7 (25)	5 (9) Audit Committee	224,091
Susanne Mørch Koch	Member, resigned	2019	Yes	Yes	17 (25)	3 (9) Audit Committee	122,475
Christoffer Lundström	Member, resigned	2016	Yes	No	18 (25)	4 (9) Audit Committee	122,475
Riitta Savonlahti	Member, resigned	2019	Yes	Yes	16 (25)	2 (5) Compensation Committee	134,423
Marianne Sundelius	Employee rep.	2017	No	Yes	25 (25)		40,000
Total							3,013,275

¹⁾ Martin Svalstedt left the Investment Committee and joined the Compensation Committee in connection with the Annual General Meeting on June 15, 2020.

The Board waived 30 percent of its total fee during the period April–September 2020.

shareholders. He or she shall also have experience in auditing or accounting.

The Audit Committee consists of Ingalill Berglund (Chairman), Martin Svalstedt and Kristina Patek. The requirements of the Swedish Companies Act regarding independence and accounting or auditing expertise are thus satisfied.

The Compensation Committee held nine meetings during the year. The company's auditor attended all of the meetings during the year.

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 as well as 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.
- The status of work to introduce a Group-wide accounting program (ERP).
- Impairment test of intangible assets.
- Financing issues including updating bank agreements and the new share issue.

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 and Fredrik Wirdenius. During 2020, the Investment Committee held four 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 also evaluates its work annually. The evaluation refers to working methods and the main focus of the work of the Board of Directors. The evaluation also includes an evaluation of the need for and access to special expertise on the Board of Directors. The evaluation in 2020 was carried out through interviews with all Board members with support from 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 June 15, 2020, 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 2021. Sofia Götmar-Blomstedt is an authorized public accountant and a member of FAR (the institute for the accountancy profession in Sweden). During 2020, 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 nine 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 04 on page 106.

EXECUTIVE COMMITTEE

Scandic's Executive Committee has solid experience from the hotel sector and consumer-oriented operations in various markets. The Executive Committee comprises the CEO and seven senior executives: the CFO, the Chief Commercial Officer and the Group's five country heads. Scandic's Chief Portfolio Officer (CPO) Svein Arild Steen-Mevold left the company on September 30 and Scandic's President & CEO took over the position of Deputy CPO until a permanent replacement can be found. In 2020, Scandic made changes to its commercial organization and the company's two commercial units were merged. In connection with this, Anna Spjuth took over as Chief Commercial Officer (CCO). Anna Spjuth thus replaced Scandic's Chief Customer Officer

and Chief Commercial Optimization Officer on the Executive Committee. The new commercial organization took effect on October 1, 2020. Scandic's Vice President HR & Sustainability left the company during the year which is why the position on the Executive Committee is vacant. 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 and revenue management as well as restaurant and conference operations. Team members in charge of the various central 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.

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 does business, the company strives to employ people who reflect the society in which the hotels operate. In this context, Scandic's governance documents in this area include the Code of Conduct, the Code of Conduct for Suppliers, the Anti-Corruption Policy, the Environmental Policy and the Diversity & Inclusion Policy. Scandic's Diversity & Inclusion Policy is an underlying policy for Scandic's Code of Conduct. The policy sets out that diversity contributes to the company's 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 Acting SVP HR and the Acting

SVP Sustainability are responsible for reporting, ESG information, employment law, diversity and equality as well as for sustainability as a whole within Scandic.

SIGNIFICANT EVENTS HANDLED BY THE CEO & EXECUTIVE COMMITTEE IN 2020

During the year, the Executive Committee worked to adapt the company's operations to the changed business situation as a result of the Covid-19 pandemic. Due to the deteriorating business situation, a sharp reduction in costs was carried out among other things through extensive staff reductions. The Executive Committee also worked to adjust the level of investment, renegotiate rental terms with landlords and postpone the planned opening of a number of hotels in the pipeline. Another area of focus was securing financing for the company. Additionally, the Executive Committee concentrated on commercial initiatives.

Guidelines for compensation for the CEO and senior executives

At the Annual General Meeting held on June 15, 2020, guidelines for the CEO and senior executives were adopted. These are adapted to EU requirements on shareholder rights and are intended to apply for four years from adoption. The following is a summary of the guidelines for compensation. Full details can be found on Scandic's website at scandichotelsgroup.com

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. 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 compensation guidelines do not include share-based long-term incentive programs or ordinary board fees, which are subject to separate resolutions by the Annual General Meeting.

The fixed salary 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.

Variable compensation shall be based on the company's fulfillment of criteria set out in advance. These are set with the aim of achieving Scandic's/the Group's short and long-term goals and securing long-term development and value creation as well as financial growth. Furthermore, they shall be designed in such a way that they do not encourage



IMPORTANT ISSUES IN 2020

Scandic took measures to adapt to the changed business situation resulting from the Covid-19 pandemic.

- 1 Cost levels reduced sharply, among other things through extensive staff reductions.
- 2 Investment levels adjusted.
- 3 Rent discounts negotiated with landlords.
- 4 Schedule for opening a number of hotels in pipeline adjusted.
- 5 Financing strengthened through expanded credit facility at existing lending banks and new share issue.
- 6 Various commercial initiatives launched.

excessive risk-taking. Variable compensation is subject to a general cap and shall not amount to more than 100 percent of the fixed annual salary. Fixed annual salary refers to salary earned during the year excluding pension, supplements, benefits and such. The 100 percent cap also covers any variable cash benefits paid in extraordinary circumstances, such as extraordinary arrangements made at the individual level for the purpose of recruiting or retaining a senior executive or as a result of extraordinary work in addition to the person's ordinary duties. Scandic shall have the right, in accordance with applicable law or agreement and with the restrictions that may follow therefrom, to fully or partially reclaim annual variable compensation that has been paid on incorrect grounds (a claw back clause).

Long-term share and share price-related incentive programs may be resolved by the Annual General Meeting irrespective of these guidelines. The goal of long-term share and share price-related incentive programs is to create long-term commitment at Scandic, to attract and retain senior executives and other key personnel and to ensure that such key personnel have a shareholder perspective. To the extent that there are long-term share and share price-related incentive programs, these shall be a complement to fixed and variable compensation and participation shall be based, among other things, on expertise

and performance. The outcome of a program shall depend on the fulfillment of certain predetermined performance requirements that shall ensure shareholder value, such as growth, profitability and capital efficiency. Pension benefits for senior executives shall be based on established market practices in the country where the senior executive is employed or resident and shall primarily consist of premium-based pension plans but may also be defined benefit schemes if required by a collective bargaining agreement.

Other benefits that may be offered must be in line with current market practices and may include, for example, car benefits and health and life insurance, etc. In addition, benefits linked to an assignment, such as relocation support, declaration assistance and such may be offered for a limited time.

As regards employment that is subject to rules other than those in Sweden, with regard to pension benefits and other benefits, appropriate adjustments may be made to comply with mandatory rules or established local practice whereby the overall purpose of these guidelines shall be satisfied as far as possible.

Senior executives' employment contracts are usually permanent although in special cases, fixed-term employment contracts may apply. In the event of termination of employment, the notice period may not exceed 12 months.

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. Upon termination of employment, a non-compete clause may restrict the employee from being employed by a competing business. The restrictions of such a non-compete clause shall apply for a maximum of nine (9) months from the termination of employment. During the period during which a non-compete clause applies, Scandic may remunerate the former employee with an amount corresponding to a maximum of 60 percent of nine (9) months' fixed salary.

Board members elected by the Annual General Meeting may in special cases receive compensation for services performed within their respective specialist areas, but which fall outside their ordinary board assignments. Compensation for such services must be on market terms and approved by the Board.

The Board of Directors has the right to deviate from the above-mentioned guidelines in whole or in part, if in an individual case there are special circumstances under which a deviation is necessary to serve the company's long-term interests, including its sustainability or to ensure the company's financial viability. For more information, see Note 05 on pages 107–109.

Compensation

For information on compensation for the CEO and senior executives, see Note 05 on pages 107–109.

Long-Term Incentive Program

Between 2016 and 2019, Scandic had an annual performance-based long-term incentive program. The most recent program, which was adopted at the Annual General Meeting held on May 7, 2019, is described in Note 05 on pages 107–109. The LTIP program launched in December 2017 ended during the second quarter 2020. The goals and degree to which the conditions for performance shares were met can be found in Scandic's Interim Report for the second quarter 2020. Results and the allotment of shares are described in Note 05 on pages 107–109. Terms and conditions for the program are also outlined in Note 05 on pages 107–109.

Guidelines for compensation to senior executives before the Annual General Meeting 2021

The Board of Directors has proposed that the Annual General Meeting 2021 adopt guidelines that in all material aspects correspond to the guidelines adopted at the Annual General Meeting 2019.

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, as well as 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 this model, a review and assessment is carried out within the areas of control environment, risk assessment, control activities, information and communication and monitoring activities. Based on this review, certain areas of development are identified and prioritized in the company's ongoing work to maintain internal control.

The procedures for internal control, risk assessment, control activities and monitoring of financial reporting have been devised to ensure reliable and relevant reporting and external financial reporting in accordance with the IFRS, applicable laws and regulations and other requirements of companies listed on Nasdaq Stockholm. This work involves the Board 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.

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

Control environment

The control environment 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 improving internal procedures and operational efficiency.

Control activities

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

Control activities may be IT based or manual. To the fullest extent possible, they shall form 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 having 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 as follows:

- All hotels conduct self-assessments at least once a year based on a Group-wide checklist with mandatory and recommended controls.
- Internal audits 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 understanding of and compliance with Scandic's internal control.

The results of the self-assessments and onsite audits are reported by the local heads of finance to the management team of each country. 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 a need to do so either on 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 for these onsite audits by both Scandic's accounting department and external auditors is to cover approximately one-third of Scandic's 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 environ-

ment, 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 2020

Scandic works constantly to mitigate the risks that result from changing market conditions. IT security issues as well as market analysis and business intelligence accounted for much of the work of the Board of Directors and Board committees during the year. Special focus was also placed on the effects of the Covid-19 pandemic on the company and the Nordic hotel industry in the short and long term. Self-assessment for internal control was also discussed regularly by the Audit Committee. The Board and the Audit Committee also addressed issues relating to the ongoing implementation of a new Group-wide ERP system including the opportunities provided by a modernized system to further improve internal control.

BOARD OF DIRECTORS



PER G. BRAATHEN

Chairman of the Board since 2018.

Member of the Board since 2007.

Chairman of Compensation Committee

Member of Investment Committee.

Born: 1960.

Nationality: Norwegian.

Education: MBA from Schiller University London, UK.

Other assignments: CEO and Chairman of Braganza. Chairman of Bramora Ltd. Board member of Braathens Regional Airlines (BRA), Escape Travel AS, Parques Reunidos S.A. Industrial advisor to EQT.

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

Shareholding: 1,433,305 (private and through companies)

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.

Nationality: Swedish.

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

Other assignments: Board member of Veidekke ASA, AxFast AB, Kungsleden AB, Balco Group AB, Bonnier Fastigheter AB, Fastighets AB Stenvalvet, Stiftelsen Danviks Hospital, Juni Strategi and Analys AB.

Previous assignments: President and CFO within Atrium Ljungberg AB. Interim CEO at AxFast AB. Twenty-five years of experience from the real estate sector.

Shareholding: 9,284

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes



KRISTINA PATEK

Member of the Board since 2020.

Member of Audit Committee.

Born: 1969.

Nationality: Swedish.

Education: Master of Science in Business Studies and Economics, Uppsala University.

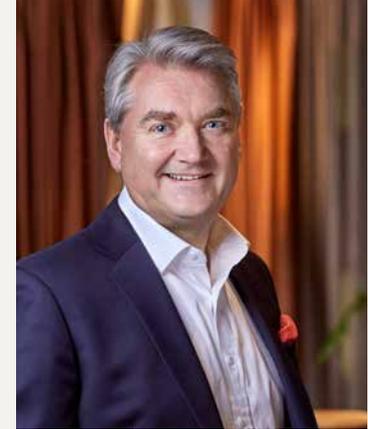
Other assignments: Senior Investment Director at Stena Sessan, Board member of Didner & Gerge Fonder and Resurs Holding AB.

Previous assignments: Management consultant at Accenture and Cell Network, Investment Manager at Ratos, Partner at private equity fund Scope and Head of M&A at Tieto Corporation.

Shareholding: 3,029 (in addition, Stena Sessan AB holds 37,974,365 shares)

Independent in relation to major shareholders: No

Independent in relation to the company and management: Yes



GRANT HEARN

Member of the Board since 2014.

Member of Compensation Committee.

Chairman of Investment Committee.

Born: 1958.

Nationality: British.

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

Other assignments: –

Previous assignments: Chairman of The Hotel Collection, Amaris Hospitality, Shearings Holidays Ltd and UK Hospitality, Board member of London & Partners Ltd, Thame and London Ltd, TLLC Group Holdings Ltd and Travelodge Hotels Ltd.

Shareholding: 5,568

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes

Number of shares as per December 31, 2020.



MARTIN SYVALSTEDT

Member of the Board since 2017.
Member of Audit Committee and
Compensation Committee.

Born: 1963.

Nationality: Swedish.

Education: Master of Business Administration, University
of Karlstad, Sweden.

Other assignments: Board member of Gunnebo AB
and Stena International SA.

Previous assignments: CEO of Stena Adatum and
Stena Sessan. CFO at Capio and other senior positions.
Chairman of Ballingslöv International, Meda, Gunnebo,
Stena Renewable, Envac, Mediatec Group and Blomster-
landet. Board member of Midsona and Song Networks
among others.

Shareholding: 153,490

Independent in relation to major shareholders: No

**Independent in relation to the company and
management:** Yes



FREDRIK WIRDENIUS

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

Born: 1961.

Nationality: Swedish.

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

Other assignments: Chairman of Wilhem AB, Hällbo AB
and 3E Property AB. Board member of Kungsleden AB,
AxFast AB and Nobelhuset AB.

Previous assignments: CEO of Vasakronan AB. Several
senior positions within Skanska.

Shareholding: 5,816

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.

Nationality: Swedish.

Education: High school, consumer economics, post-
secondary courses in leadership and psychology.

Other assignments: –

Previous assignments: Employee representative on
boards of Sara Hotels AB and Reso Hotels AB.

Shareholding: 0

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 since 2008. Member of Scandic's Executive Committee since 2016.

Nationality: Danish.

Education: Shipping Broker, Transocean Shipping, Denmark.

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

Other assignments: Chairman of the Board of Dansk Erhverv (Danish Chamber of Commerce).

Shareholding: 168,886



JAN JOHANSSON
Chief Financial Officer

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

Nationality: Swedish.

Education: Masters of Business Administration, Uppsala University, Sweden.

Previous experience: CFO Apoteket, CFO Nobia AB and CFO Eniro.

Other assignments: –

Shareholding: 45,259



ANNA SPJUTH
Chief Commercial Officer

Born: 1970. Employed 1998–2011 and since 2020. Member of Scandic's Executive Committee since 2020.

Nationality: Swedish.

Education: Bachelor's degree (Hons) in Hospitality Management from Napier University, Edinburgh, Scotland. Franklin Covey – Habits of Highly Effective People & Great Leadership

Previous experience: Senior Vice President, Comfort Hotel Scandinavia and the Baltics; CEO of At Six, Hobo, Tak and Yasuragi. General Manager within Scandic Hotels Group.

Other assignments: Mentor and lecturer within sustainable leadership.

Shareholding: –



SØREN FAERBER
Head of Denmark

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

Nationality: Danish.

Education: Currently doing MBA at Edinburgh Business School. Higher Commercial Examination Accounting and Finance.

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

Other assignments: Board member of Wonderful Copenhagen.

Shareholding: 18,789

Number of shares as per December 31, 2020.



PETER JANGBRATT
Head of Sweden

Born: 1967. Employed 1995–2008 and since 2015. Member of Scandic's Executive Committee since 2016 as well as 2003–2008.

Nationality: Swedish.

Education: Scandic Business School and Hilton.

Previous experience: VP Brand, Marketing & Communication Scandic Hotels; COO Scandic Sweden; CEO Rica Hotels Sweden.

Other assignments: Board member of Visita and Svenskt Näringsliv.

Shareholding: 43,829



AKI KÄYHKÖ
Head of Finland

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

Nationality: Finnish.

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.

Other assignments: Chairman of the Finnish Hospitality Industry Association. Board member of Confederation of Finnish Industries. Deputy board member of Pension Insurance Company Elo.

Shareholding: 44,181



MICHEL SCHUTZBACH
Head of Europe

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

Nationality: German and Swiss.

Education: Diploma from Hotels & Management School, Gilon, Switzerland.

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

Other assignments: –

Shareholding: 48,090



ASLE PRESTEGARD
Acting Head of Norway

Born: 1968. Employed by the Group since 2001. Member of Scandic's Executive Committee since 2020.

Nationality: Norwegian.

Education: Norwegian School of Hotel Management.

Previous Experience: Board member of Visit Bergen. General Manager Bergen Hotel Gruppen AS. General Manager Scandic Bergen City.

Other assignments: District Director West Norway, Scandic Hotels AS.

Shareholding: 12,602

Number of shares as per December 31, 2020.