

## **The Board of Directors' evaluation of programs for variable remuneration and the company's application of the guidelines for remuneration to Senior Management**

The Board hereby reports the results of the Compensation Committee's evaluation pursuant to bullets two and three of rule 9.1 in the Swedish Corporate Governance Code. The report relates to the period after the extraordinary general meeting held on September 15, 2015.

The Board has established a Compensation Committee, which is composed of three board members: Eva Moen Adolfsen (chairman), Grant Hearn and Vagn Sørensen.

The extraordinary general meeting on September 15, 2015 resolved on guidelines for remuneration to Senior Management. The Compensation Committee has evaluated these guidelines and the application of the guidelines during the period as well as the current remuneration structures and levels for the Senior Management. The Committee has concluded that the guidelines have allowed Scandic to retain the right personnel to the Senior Management and is of the opinion that the guidelines are structured in a way that enables potential future recruitments. It is the assessment of the Compensation Committee that Scandic has a structured process for decisions in remuneration matters. The Committee considers that the guidelines have functioned well, but notes that the Board, in accordance with the authorization stipulated in the guidelines, has resolved on a deviation from these in the form of a non-recurring variable remuneration in connection with the initial public offering (see note 06 in the annual report 2015 for further information). The Committee has also concluded that the current remuneration structures and levels for the Senior Management are reasonable, balanced and well operating. In summary, the Committee considers that the guidelines effectively have supported their purpose and consequently, the Committee has recommended the Board to propose that the annual general meeting 2016 shall approve remuneration guidelines that in all material respects correspond to those applied since the extraordinary general meeting on September 15, 2015.

The extraordinary general meeting on November 15, 2015 resolved to adopt a share based, long-term incentive program launched in connection with the initial public offering in December 2015 (LTIP 2015). The Compensation Committee deems that it has not been possible to perform a comprehensive evaluation of the program since it was recently implemented. However, taking into account that in principle all invited employees chose to accept the offer to participate in the program, the Committee considers LTIP 2015 to be structured in an attractive and appropriate way and the Committee has therefore recommended the Board to propose that the annual general meeting 2016 shall approve a share based, long-term incentive program for 2016. The program is proposed to have, in all material respect, the same terms and conditions as LTIP 2015. However, the Board proposes that LTIP 2016 shall contain an additional condition relating to Total Shareholder Return (TSR), to the effect that 50% of the matching shares under the program shall be allotted subject to continued employment and an uninterrupted holding of saving shares, while allotment of the remaining 50% of the matching shares in addition thereto shall be subject to a TSR related condition.

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Stockholm, April 2016

THE BOARD OF DIRECTORS