

## **Proposal by the Board of Directors on remuneration guidelines for Scandic's senior management**

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 2018. In this context, the senior management means the CEO of Scandic Hotels Group AB ("**Scandic**" or the "**Company**") 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 in such case 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.

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*Resolved remunerations not yet payable*

The Company has resolved on a one-off remuneration of SEK 300,000 to be paid to a member of the senior management in order to retain competence of importance to the Company. The remuneration is payable in 2018.

*Deviation from the 2016 guidelines*

The 2016 guidelines authorize the Board of Directors to deviate from the guidelines if there, in an individual case, are special circumstances justifying that. The Board of Directors has resolved to approve that the CEO's fixed salary during the notice period together with his severance payment, including payment for restriction on competition, totals an amount corresponding to the fixed salary for approximately 19 months, *i.e.* marginally above the 18 months set forth in the guidelines. The Board of Directors considered such deviation justified considering that the CEO will be available to support his successor during the extended notice period.