

## **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 of Directors 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 since the annual general meeting 2016.

The Board of Directors has established a Compensation Committee, which is composed of four board members: Eva Moen Adolfsson (chairman), Grant Hearn, Vagn Sørensen and Stephan Leithner.

The annual general meeting 2016 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. The Committee considers that the guidelines have functioned well, but notes that the Board of Directors, in accordance with the authorization stipulated in the guidelines, has resolved on a deviation from these as regards compensation to the managing director in connection with the cessation of his employment. Furthermore, it is the assessment of the Committee that Scandic has a structured process for decisions in remuneration matters. The Committee has also evaluated the company's program for cash-based variable remuneration and has concluded that the program is functioning well and is designed to contribute to the achievement of the company's financial targets and to an increased value for the company's shareholders. The Committee has also concluded that the current remuneration structures and levels for the Senior Management are reasonable, balanced and are functioning well. In summary, the Committee considers that the guidelines effectively have supported their purpose and consequently, the Committee has recommended the Board of Directors to propose that the annual general meeting 2017 shall approve remuneration guidelines that in all material respects correspond to those applied since the annual general meeting 2016.

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 annual general meeting 2016 approved another share based, long-term incentive program based on the same principles, with an additional condition relating to Total Shareholder Return (TSR). The Committee has evaluated both programs and has concluded that the programs are designed to contribute to the achievement of the company's financial targets and to an increased value for the company's shareholders and that almost all invited employees accepted the invitations to participate in the programs. In light thereof, the Committee considers the programs to be structured in an attractive and appropriate way and the Committee has therefore recommended the Board of Directors to propose that the annual general meeting 2017 shall approve a share based, long-term incentive program to be launched in 2017 (LTIP 2017). The program is proposed to have, in all material respect, the same terms and conditions as LTIP 2016.