

## **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 2017.

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 Per G. Braathen.

The annual general meeting 2017 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 and notes that the Board of Directors has not utilized the authorization stipulated in the guidelines to resolve on deviations from these. However, the Board of Directors has in 2017 resolved on a deviation from the guidelines resolved by the annual general meeting 2016 by approving an employment agreement for the CEO including a provision to the effect that severance payment (if any) shall qualify for pension. The Board of Directors considered such deviation justified considering that the company recruited a new CEO with international background and made the assessment that the CEO's overall remuneration package was reasonable and well-balanced.

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 2018 shall approve remuneration guidelines that correspond to those applied since the annual general meeting 2017.

Since the initial public offering in December 2015, three share based, long-term incentive programs (LTIPs) have been launched. The Committee has evaluated the programs and especially LTIP 2015 that ends during the spring of 2018 and the performance conditions of which are related to financial targets for the financial years 2015-2017. The Committee has thereby 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 2018 shall approve a share based, long-term incentive program to be launched in 2018 (LTIP 2018). The program is proposed to have, in all material respect, the same terms and conditions as LTIP 2016 and LTIP 2017. However, compared to LTIP 2017, the Committee proposes that LTIP 2018 shall not have any performance condition based on RGI (room revenue generation index), and that the number of participants to be invited is to be increased in order to create a long-term commitment for additional key employees and to align their interests with those of the shareholders. Similar to previous programs, LTIP 2018 is proposed to be directed to the members of the Executive Committee, the Country Managing Directors, a number of Country Management Team members, and certain other key employees of the Scandic Group.

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Stockholm in March 2018

**Scandic Hotels Group AB (publ)**  
*The Board of Directors*