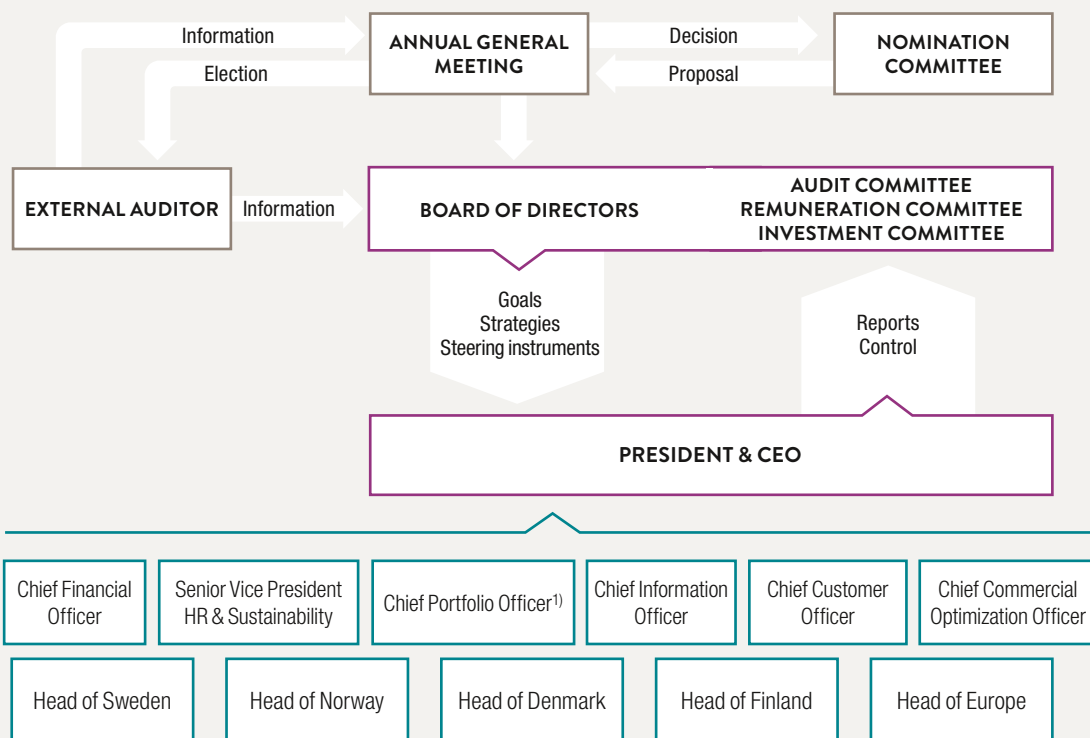


CORPORATE GOVERNANCE

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 2019 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 2019

On January 17, 2019, Scandic announced that Jens Mathiesen would replace Even Frydenberg as President & CEO. Søren Faerber then took over as Country Head for Scandic Denmark after Jens Mathiesen. During the year, Senior Vice President HR & Sustainability Lena Bjørner left Scandic and was replaced by Bitte Ferngren.

EXTERNAL STEERING INSTRUMENTS

- Swedish Companies Act
- Annual Accounts Act
- Other applicable legislation
- Nasdaq Stockholm's Rulebook for Issuers
- The Swedish Corporate Governance Code



INTERNAL STEERING INSTRUMENTS

- Articles of Association
- Rules of Procedure and Instructions for the CEO and the Board
- Values
- Code of Conduct
- Policies and guidelines

¹⁾ On January 1, 2020, the position of Chief Portfolio Officer was created to replace the Vice President Business Development.

At the 2019 Annual General Meeting, Susanne Mørch Koch and Riitta Savonlahti were elected as new Board members. In accordance with the Board's proposal, the Annual General Meeting adopted a long-term incentive program aimed at a maximum of 80 senior executives and key personnel within the Scandic Group.

SHARE AND SHAREHOLDERS

The Scandic share has been listed on Nasdaq Stockholm's Nordic Mid Cap list since December 2, 2015. At year-end 2019, the share capital of Scandic was 25.7 MSEK divided into 102,985,075 shares with all shares conferring equal voting rights, an equal share of assets and earnings and an equal share of any dividends. Of the total share capital, 66.1 percent was held by Swedish investors and 33.9 percent by foreign investors. The ten largest shareholders represented 65.8 percent of the share capital and votes in the company. At year-end, Stena Sessan was the largest shareholder with holdings corresponding to 17.4 percent of the company's share capital and votes. Rolf Lundström's holdings through Novobis and privately totaled 16.3 percent of the share capital and votes at year-end.

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 remuneration 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.

ANNUAL GENERAL MEETING 2019

At the Annual General Meeting held on May 7, 2019 in Stockholm, resolutions on the following were passed:

- Adoption of the income statement and balance sheet for 2018.
- Decision in accordance with the Board of Directors' proposal that a dividend of 3.50 SEK per share for the 2018 financial year be paid out in two separate payments of 1.75 SEK per payment and share and that the rest of the free equity 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, Martin Svalstedt and Christoffer Lundström were re-elected as Board members. Susanne Mørch Koch and Riitta Savonlahti were elected as new Board members. 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 2020.
- Remuneration for the Board of Directors and the auditor.
- Guidelines for remuneration for senior executives in accordance with the proposal of the Board.
- Adoption of the Long-Term Incentive Program and hedging measures for the program in accordance with the proposal of the Board.

ANNUAL GENERAL MEETING 2020

Scandic's Annual General Meeting 2020 will be held in Stockholm on June 15, 2020. For more information, see page 143.

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 shall 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 2020

The Nomination Committee for the Annual General Meeting 2020 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, 2019. The work of the Nomination Committee was led by Kristina Patek of Stena Sessan AB. The composition of the Nomination Committee was published in a press release on October 4, 2019.

Nomination Committee	Representing	% of the number of votes as at December 31, 2019
Per G. Braathen		
Kristina Patek	Stena Sessan AB	17.4
Joel Lindeman	Novobis AB	16.3
Dick Bergqvist	AMF Försäkring och Fonder	11.2

In the work on nominations for the Annual General Meeting 2020, 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 2020 Nomination Committee held three 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 2020 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

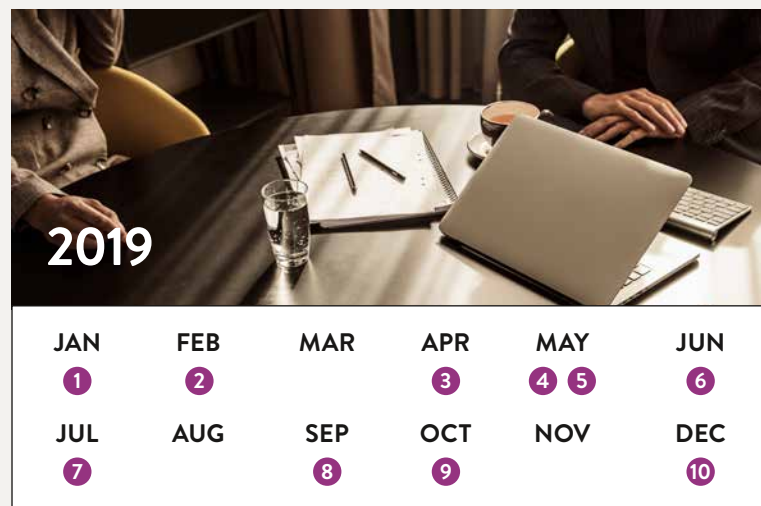
The Board of Directors is responsible for Scandic's organization and the management of the company's affairs. According to the Articles of Association, the Board of Directors shall consist of no fewer than three and no more than eleven Board members, with no more than two alternates. In addition, trade 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 2019

The Annual General Meeting 2019 elected eight Board members and appointed one employee representative. Four of the eight Board members are foreign nationals. 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. Six of the eight Board members that are



1

Change of CEO

2

Q4 Report, investment decisions, Board evaluation, employee survey results

3

Approval of documents for AGM, investment decisions, decision regarding remuneration to senior executives

4

Q1 Report, investment decisions, review of pipeline for decided investments, remuneration for Executive Committee, succession plan, review of IT-related issues and investments

5

Statutory Board meeting, approval of Rules of Procedure, instructions for CEO and instructions to the committees of the Board, follow-up on evaluation of Board and CEO

6

Strategy review, review of growth opportunities, investment decisions, risk analysis

7

Q2 Report

8

Approval of policies, investment decisions, review of financial goals, review of commercial initiatives within distribution, review of German operations

9

Q3 Report, investment decisions, follow-up on Restel acquisition, review of Swedish operations, review of investors' view of company

10

Investment decisions, budget for 2020, review of Norwegian operations, remuneration to the CEO

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 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 fulfils 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.

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

Name	Position	Elected, year	Independent in relation to the company and senior executives	Independent in relation to the largest shareholders	Attendance and number of meetings ¹⁾	Committees, attendance and number of meetings ¹⁾	Remuneration 2019
Per G Braathen	Chairman	2007	Yes	Yes	10 (10)	6 (6) Investment Committee, 6 (6) Remuneration Committee	850,000
Ingallil Berglund	Member	2016	Yes	Yes	9 (10)	6 (6) Audit Committee	496,667
Grant Hearn	Member	2014	Yes	Yes	10 (10)	6 (6) Investment Committee, 6 (6) Remuneration Committee	463,334
Lottie Knutsson ¹⁾	Member, resigned	2016	Yes	Yes	3 (10)		113,333
Christoffer Lundström	Member	2016	Yes	No	10 (10)	6 (6) Audit Committee	403,334
Eva Moen Adolfsson ¹⁾	Member, resigned	2014	Yes	Yes	2 (10)	4 (6) Remuneration Committee	146,666
Susanne Mørch Koch ¹⁾	Member	2019	Yes	Yes	5 (10)		273,333
Riitta Savonlahti ¹⁾	Member	2019	Yes	Yes	6 (10)	2 (6) Remuneration Committee	300,000
Martin Svalstedt	Member	2017	Yes	No	9 (10)	5 (6) Investment Committee, 5 (6) Audit Committee	436,667
Fredrik Wirdenius	Member	2015	Yes	Yes	9 (10)	5 (6) Investment Committee, 2 (6) Audit Committee	396,667
Marianne Sundelius	Employee rep.	2017	No	Yes	10 (10)		40,000
Total							3,920,000

¹⁾ Total number of meetings during the year. Lottie Knutsson and Eva Moen Adolfsson left the Board at the AGM on May 7, 2019. At the same time, Susanne Mørch Koch and Riitta Savonlahti were elected as new members of the Board.

Work during the year

During the year, 9 regular Board meetings were held and 1 extraordinary meeting was held. Among other things, the Board dealt with issues related to the evaluation of the Executive Committee and change of CEO, investment decisions and policies. In addition, the Board addressed commercial initiatives, the development of Scandic's strategy and the development of the new Scandic GO brand.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has established three committees: the Audit Committee, the Remuneration 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.

Remuneration Committee

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

The Remuneration 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 Remuneration Committee. The other members of the committee shall be independent in relation to the company and its senior executives.

The Remuneration Committee consists of Riitta Savonlahti (Chairman), Per G. Braathen and Grant Hearn.

The Remuneration Committee held six meetings during the year. The committee conducted a review of the basic remuneration for senior executives, the bonus program, other remuneration and the Long-Term Incentive Program.

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 also evaluates the audit and provides a report to the Nomination Committee and proposes auditors to the Nomination Committee. 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 shareholders. He or she shall also have experience in auditing or accounting.

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

The Audit Committee held six meetings during the year, all of which were attended by the company's auditor.

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 – standing item at all meetings.
- The effects of changes in accounting principles related to finance leases (IFRS 16).
- The status of work to introduce a Group-wide accounting program (ERP).

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, Martin Svalstedt and Fredrik Wirdenius. During 2019, the Investment Committee held 7 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. This evaluation concerns the procedure and main direction for the work of the Board. The evaluation also includes an evaluation of the need for and access to special expertise on the Board of Directors. The evaluation in 2019 was carried out with the help of 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 May 7, 2019, 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 2020. Sofia Götmar-Blomstedt is an authorized public accountant and a member of FAR (the institute for the accountancy profession in Sweden). During 2019, the auditor reported observations on 1 occasion to the Board of Directors. No members of the Executive Committee were present. Thereafter, the auditor participated in 6 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 4 on page 112.

EXECUTIVE COMMITTEE

Scandic's Executive Committee has solid experience from the hotel sector and consumer-oriented operations in various markets. The Executive Committee consists of the CEO and 11 senior executives: the Chief Financial Officer (CFO), the Senior Vice President Human Resources & Sustainability (SVP HR & Sustainability), the Vice President Business Development (VP Business Development), the Chief Customer Officer, the Chief Commercial Optimization Officer, the Chief Information Officer and the Group's five Country Heads. Five nationalities are represented in the Executive Committee, which is composed of ten men and two women. During the year, one new member joined the Executive Committee. An organizational change was made with a view to strengthen Scandic's focus on developing the hotel portfolio. Svein Arild Steen-Mevold, who was Head of Norway, was appointed as Chief Portfolio Officer with overall responsibility for the development of the hotel portfolio which among other things includes leases, relationships with property owners, design concepts and project management for renovations and new investments. The change took effect on January 1, 2020. See pages 98–99 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 business 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 SVP HR & Sustainability is responsible for reporting, ESG information, employment law, diversity and equality as well as for sustainability as a whole within Scandic.



SIGNIFICANT EVENTS DURING 2019

During 2019, the work of the Executive Committee was characterized mainly by developing measures that aim to strengthen Scandic's profitability, cash flow and market position.

- 1** Portfolio overview – reviewed hotel portfolio to manage hotels that are not contributing financially
- 2** Restaurant & conference – strengthened focus on improving profitability in restaurant and conference operations
- 3** Capital efficiency – implemented a more coordinated way of working to streamline investment activities
- 4** Distribution – strengthened investment in international sales and distribution
- 5** Digitalization – increased digitalization grade to drive cost efficiency and improve the customer experience

SIGNIFICANT EVENTS HANDLED BY THE CEO AND EXECUTIVE COMMITTEE IN 2019

During the year, the Executive Committee worked to ensure the implementation of the company's strategic direction and to maintain a high business pace. Significant focus was placed on investment activities related to both new establishments and existing operations.

Guidelines for remuneration for the CEO and senior executives

The Annual General Meeting held on May 7, 2019 adopted guidelines for remuneration and other terms of employment for senior executives, including the CEO. These guidelines are only applicable to new employment agreements entered into between the company and the respective senior executives, which is why there are employment agreements that were entered into before the guidelines were introduced that do not fully conform to the current guidelines. Scandic's senior executives are the members of the Executive Committee. Pursuant to a resolution

passed at the Annual General Meeting held on May 7, 2019, the following guidelines apply:

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. Remuneration to senior executives may consist of a fixed salary, variable salary, pension and other benefits. The fixed salary of the CEO and the senior executives 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. The variable salary of the CEO and the senior executives shall be based on the company's fulfillment of criteria set out in advance. The variable salary shall amount to no more than 60 percent of the fixed annual salary of the CEO and 35 to 50 percent of the fixed annual salary of other senior executives. Long-term incentive programs may be offered as a supplement to the above-mentioned terms to create long-term commitment.

Pension benefits for the CEO and other senior executives shall consist mainly of defined contribution pension schemes,

but may also be defined benefit schemes if required by a collective bargaining agreement. 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. Other remuneration may consist of customary benefits, such as health insurance, which shall not constitute a significant part of the total remuneration. Additional remuneration may be paid in extraordinary circumstances, provided it is intended to recruit or retain senior executives, and is then to be agreed upon on a case-by-case basis. Such extraordinary arrangements may include a lump sum cash payment or a benefit package in the form of a relocation allowance, income tax support or similar.

The Board of Directors has the right to deviate from the above-mentioned guidelines in individual cases if it is of the opinion that there are special reasons to do so. For more information, see Note 6 on pages 114–116.

In April 2019, the Board resolved to approve one-off payments to three members of the Executive Committee, which means that thereafter the variable remuneration for these employees was 59 percent, 62 percent and 62 percent respectively of the fixed salary for 2019. According to the guidelines, variable salary can be a maximum of 60 percent of the fixed annual salary for the CEO and 35-50 percent of the fixed annual salary for other senior executives. According to the employment contracts, the variable salary for these employees amounts to a maximum of 50 percent of the fixed salary. The Board considered that such a deviation was justified since other variable remuneration for 2019 was determined in accordance with the delivery of predetermined requirements. Further information on Remuneration to senior executives can be found in Note 6 on pages 114–116.

Remuneration

For information on remuneration for the CEO and senior executives, see Note 6 on pages 114–116.

Long-Term Incentive Program

Scandic has 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 6 on pages 114–116.

The LTIP program launched in December 2016 ended during the second quarter 2018. 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 2019. Results and the allotment of shares are described in Note 6 on pages 114–116. Terms and conditions for the program are also outlined in Note 6 on pages 114–116.

Guidelines for remuneration to senior executives before the Annual General Meeting 2020

The Board of Directors has proposed that the Annual General Meeting 2020 resolve on guidelines that are adapted to the EU's new rules and regulations on shareholder rights. For this reason, the Board intends to include a general cap on variable remuneration, a clawback clause, and demands regarding shareholding in Scandic in the guidelines for the Executive Committee.

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 the COSO 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 develop-

ment are identified and prioritized in the 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 environment, 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 2019

Scandic works constantly to mitigate the risks that result from a changing market.

In 2019, in the work of the Board of Directors and its committees, great emphasis was placed on IT security issues as well as market analysis and business intelligence. The company continued to strengthen its risk analysis to gain a better understanding of financial reporting and analysis. During the year, the work of the Board of Directors and its committees focused mainly on market analysis and business intelligence. Self-assessment for internal control was also discussed regularly by the Audit Committee. The Board also addressed issues related to modernizing and harmonizing the Group's accounting system.

BOARD OF DIRECTORS



PER G. BRAATHEN

Chairman of the Board since 2018.
Member of the Board since 2007.
Member of Remuneration Committee and Investment Committee.

Born: 1960.
Norwegian citizen.

Education:
MBA from Schiller University London, UK.

Other current assignments:
Chairman of the Board and CEO of Braganza AB. Member of the Board of Braathens Regional Airlines (BRA), Escape Travel AS, BRABank ASA, Wayday Travel AS and Parques Reunidos S.A. Chairman of the Board of Bramora Ltd. Industrial consultant at EQT.

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

Shareholding: 771,781
(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.
Swedish citizen.

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

Other current assignments:
Board member of Veidekke ASA, AxFast AB, Kungsleden AB (publ), Bonnier Fastigheter AB samt Stiftelsen Danvikshem. Member of Balco Group AB, Juni Strategi and Analys AB, Fastighets AB Stenvalvet and Handelsbanken Regionbank Stockholm.

Previous assignments:
President and CFO at Atrium Ljungberg AB. Twenty years of experience from the real estate sector.

Shareholding: 5,000

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes



GRANT HEARN

Member of the Board since 2014.
Chairman of Remuneration Committee and Investment Committee.

Born: 1958.
British citizen.

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

Other current assignments:
Chairman of the Board of UK Hospitality.

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

Shareholding: 3,000

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes



CHRISTOFFER LUNDSTRÖM

Member of the Board since 2016.
Member of Audit Committee.

Born: 1973.
Swedish citizen.

Education:
Bachelor of Arts, Webster University and Hotel Management Diploma, HOSTA.

Other current assignments:
Owner, President and board member of the investment company RCL Holding AB. Board member of Collector AB, Feelgood Svenska AB and Netent AB. Also member of a number of other boards, mainly within the RCL Holding Group.

Shareholding: 230,000

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes



SUSANNE MØRCH KOCH

Member of the Board since 2019.
Member of Audit Committee.

Born: 1973.
Danish citizen.

Education:
Master of Science in International Business Administration and Modern Languages from Copenhagen Business School.

Other current assignments:
CEO, Danske Spil A/S since 2017, Board member, Coop Danmark A/S since 2016.

Previous assignments:
Number of management positions within the DSB Group 2002–2006 and 2008–2017, of which as Chief Commercial Officer 2013–2017 and as member of the Executive Team, Chief Commercial Officer at Arriva Scandinavia 2006–2007 and Head of Business Development, Marketing and Communication at KPMG Denmark 2007–2008.

Shareholding: –

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes

Number of shares as per December 31, 2019.

**RIITTA SAVONLAHTI**

Member of the Board since 2019.
Chairman of the Remuneration Committee.

Born: 1964.
 Finnish citizen.

Education: Master of Science in Economics, University of Vaasa, Finland.

Other current assignments: Executive Vice President, Human Resources, Member of the Group Executive Team at UPM-Kymmene Corporation, Supervisory Board member of Ilmarinen Mutual Pension Insurance Company, Member of Labor Markets Committee of the Finnish Forest Industries Federation (FFIF), Member of Work, Education and Skills Committee of the Finland Chamber of Commerce.

Previous assignments: Member of the Board of Posti Group Oyj, member of the Board, Management Institute of Finland MIF 2012–2014, Senior Vice President, Human Resources at Elcoteq Network Corporation 2001–2004 and Raisio Group 2000–2001.

Shareholding: –

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes

**MARTIN SYVALSTEDT**

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

Born: 1963.
 Swedish citizen.

Education: Bachelor of Science in Business Administration and Law from the University of Karlstad, Sweden.

Other current assignments: CEO Stena Adactum AB, Chairman of the Board of Ballingslöv International, Gunnebo and Stena Renewable. Vice Chairman of the Board of Envac. Board member of Svedbergs and Stena Adactum. Member of the Stena Sphere Coordination Group.

Previous assignments: Chairman of the board of Meda, Envac, Mediatec Group and Blomsterlandet. Experience from operational roles such as CFO at Capio and other senior financial positions.

Shareholding: 80,000

Independency in relation to major shareholders: No (Stena)

Independency in relation to the company and management: Yes

**FREDRIK WIRDENIUS**

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

Born: 1961.
 Swedish citizen.

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

Other current assignments: Member of the Board of RICS Sweden.

Previous assignments: Board member of Vasakronan AB. CEO of Vasakronan AB.

Shareholding: 3,134

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.
 Swedish citizen.

Education: Studies in economics at secondary school. University courses in leadership and psychology.

Other current assignments: –

Previous assignments: Employee representative at Sara Hotels AB and Reso Hotels AB.

Shareholding: –

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.

Danish citizen.

Education: Shipping Broker, Transocean Shipping, Denmark.

Previous experience: 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: 80,070



NIKLAS ANGERGÅRD
Chief Customer Officer

Born: 1971. Employed since 2018. Member of Scandic's Executive Committee since 2018.

Swedish citizen.

Education: Master of Science in Business Administration from Stockholm School of Economics.

Previous experience: CMO at Tieto, VP Brand & Marketing at Klarna, Marketing Director at Telia, VP Brand & Global Marketing at SAS, founder of Storåkers McCann, management consultant at Arthur D. Little.

Other assignments: –

Shareholding: 2,700



SØREN FAERBER
Head of Denmark

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

Danish citizen.

Education: Currently attending 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: –

Shareholding: 8,331



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.

Swedish citizen.

Education: Scandic Business School and Hilton.

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

Other assignments: Member of the Board of Visita; Member of the Board of Svenskt Näringsliv.

Shareholding: 19,072



JAN JOHANSSON
Chief Financial Officer

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

Swedish citizen.

Education: Bachelor of Science in Economics from Uppsala University, Sweden.

Previous experience: CFO Apoteket; CFO Nobia AB; CFO Eniro.

Other assignments: –

Shareholding: 13,872



AKI KÄYHKÖ
Head of Finland

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

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: Deputy Chairman of the Board of the Finnish Hospitality Industry Association. Chairman of the Board of Ski Sport Finland. Alternate member of the Board of Pension Insurance Company Elo.

Shareholding: 16,192



JAN LUNDBORG
Chief Commercial Optimization Officer

Born: 1962. Employed by the Group since 2009. Member of Scandic's Executive Committee since 2018.

Swedish citizen.

Education: Bachelor in Business Administration from Uppsala University, Sweden.

Previous experience: Several senior management positions at SAS, COO of AirBaltic & AMADEUS General Manager Southeast Asia & Pacific.

Other assignments: –

Shareholding: 9,577



MICHEL SCHUTZBACH
Head of Europe

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

German and Swiss citizen.

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: 20,993



SVEIN ARILD STEEN-MEVOLD
Chief Portfolio Officer

Born: 1967. Employed by the Group since 2010. Member of Scandic's Executive Committee since 2016.

Norwegian citizen.

Education: Bachelor in Service Management, Norwegian School of Hotel Management.

Previous experience: Several senior positions within Scandic, General Manager Radisson SAS and Senior Vice President Clarion Collection, Nordic Choice. Head of Scandic Norway 2010–2019.

Other assignments: Member of the Board of Scandic Hotels AS, Forum for Reiseliv, 3v3 Norge AS, NHO. Chairman of the Board of Scandic Gardermoen AS.

Shareholding: 12,540



ASLE PRESTEGARD
Acting Head of Norway

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

Norwegian citizen.

Education: Norwegian School of Hotel Management.

Previous experience: Member of the Board of Visit Bergen. General Manager Bergen Hotel Gruppen AS. General Manager Scandic Bergen City.

Other assignments: District Director West Norway, Scandic Hotels AS

Shareholding: 5,000