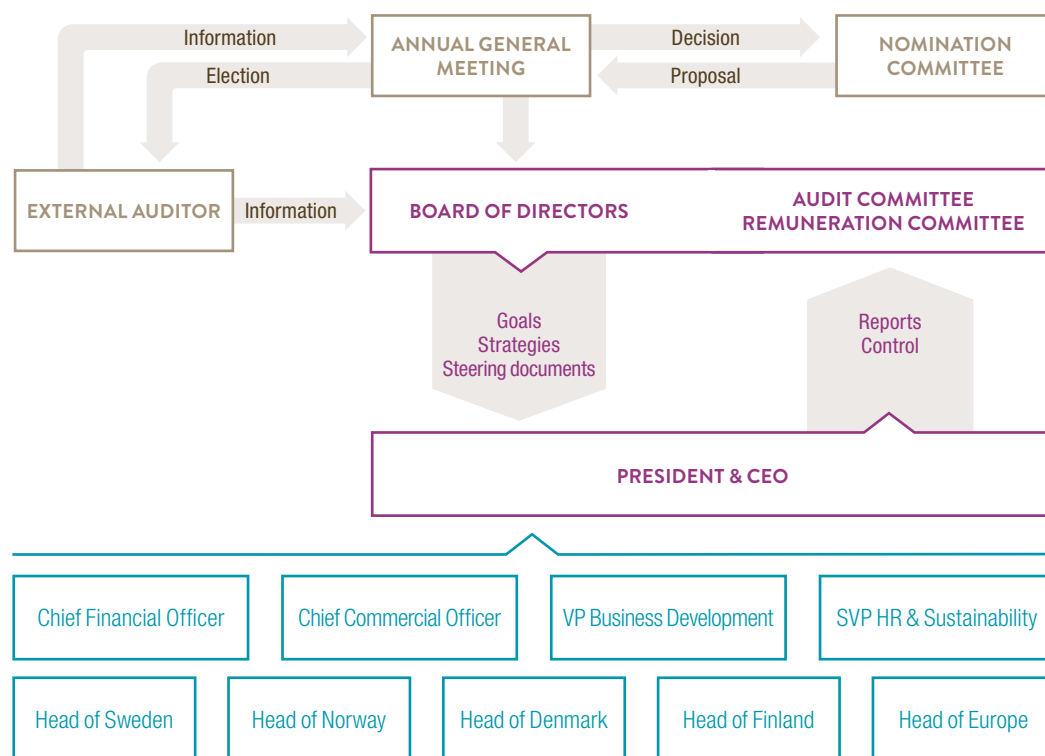


CORPORATE GOVERNANCE

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 2016 financial year.

CORPORATE GOVERNANCE AT SCANDIC



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 Board/President
- Values
- Code of Conduct
- Policies and guidelines

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; and
- transparent internal and external reporting.

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 Rule Book for Issuers, the Swedish Corporate Governance Code (the "Code") and other applicable Swedish and foreign laws and regulations.

The internal binding governance instruments include the Articles of Association, the Rules of Procedure for the Board, instructions for the Board's committees and the CEO, values, the Code of Conduct, the authorization and delegation procedure, the Finance Policy, the Information Policy, the Insider Policy, the IT Security Policy and guidelines for leases as well as for remuneration to senior executives.

DEVIATIONS FROM THE CODE

Scandic complies with the Swedish Corporate Governance Code with the following exceptions:

- Rule 9.7: Incentive programs – In order to adapt the vesting period for potential future share-related incentive programs, the vesting period in the Long-Term Incentive Program implemented in December 2015 is approximately 2.4 years and accordingly, it does not meet the requirement that the vesting period to the date for the acquisition of shares be no less than three years.

SIGNIFICANT EVENTS IN 2016

During 2016, changes were made to Scandic's Group management to further strengthen, focus and streamline the Group's operations and leadership. The Group's five country managers were added to the Executive Committee while the position of Chief Operating Officer was phased out. The 2016 Annual General Meeting resolved to amend the company's Article of Association § 6 whereby the maximum number of Board members was increased from ten to eleven members. The Meeting approved the Board's proposal to adopt a Long-Term Incentive Program for a maximum of 40 senior executives and key employees in 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 2016, 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, 71.3 percent was held by Swedish investors and 28.7 percent by foreign investors. The ten largest shareholders represented 60.4 percent of the share capital and votes in the Company. Sunstorm Holding AB was the largest shareholder with 20.4 percent of the share capital and votes. Sunstorm Holding AB is controlled by EQTV Ltd, advised by EQT Partners (an indirect holding of approximately 86 percent of the shares), with Accent Equity 2003 fund as a co-investor (an indirect holding of approximately 12 percent of the shares).

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, determines their 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.

2016 ANNUAL GENERAL MEETING

At the Annual General Meeting held on May 12, 2016 in Stockholm, resolutions were passed on the following:

- Adoption of the income statement and balance sheet for 2015.
- Approval of the Board of Directors' proposal that no dividend be paid for the 2015 financial year and that the year's profit be carried forward.
- To discharge the Board of Directors and the CEO from liability to the Company.
- That the Board of Directors shall consist of 11 members and no alternates.
- Vagn Sørensen, Per G. Braathen, Grant Hearn, Lottie Knutson, Eva Moen Adolfsson, Niklas Sloutski and Fredrik Wirdenius were re-elected as Board members. Ingall Berglund, Albert Gustafsson, Stephan Leithner and Christoffer Lundström were elected as new members of the Board. Vagn Sørensen was re-elected as Chairman of the Board.
- PricewaterhouseCoopers was reappointed as auditor, with Magnus Brändström as the auditor-in-charge for the period until the end of the 2017 Annual General Meeting.
- Remuneration to the Board of Directors and the auditor.
- Adoption of guidelines for remuneration to 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.

2017 ANNUAL GENERAL MEETING

Scandic's 2017 Annual General Meeting will be held on May 10, 2017 in Stockholm. For more information, see page 129.

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 of 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 to the Nomination Committee. The 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 Company shall have a Nomination Committee consisting 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 every 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 who 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 the change occurs later than three months prior to the Annual General Meeting, unless there are special reasons for it.

The names of the three shareholder representatives and the names of the shareholders represented by them shall be announced no later than six months prior to the Annual General Meeting.

The Nomination Committee for the 2017 Annual General Meeting

The Nomination Committee for the 2017 Annual General Meeting consists of four members and in addition to the Chairman of the Board of Directors includes representatives from the three largest shareholders. The work of the Nomination Committee was led by Joel Lindeman of Provobis. The composition of the Nomination Committee was published in a press release on October 11, 2016.

Nomination Committee	Representing	% of the number of votes as at Dec 31, 2016
Vagn Sørensen		
Stephan Leithner	Sunstorm Holding AB	20.4
Lars-Åke Bokenberger	AMF	9.4
Joel Lindeman	Provobis AB	9.2

In the work on nominations for the 2017 Annual General Meeting, the Nomination Committee assessed the size and composition of the current Board of Directors as well as Scandic's operations. Special weight was attached to industry-specific and financial expertise and an even gender distribution. The Nomination Committee complies with the rules in the Code regarding Board Member independence. The 2017 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 discussions with the CEO.

The proposals of the Nomination Committee will be presented at the 2017 Annual General Meeting and on Scandic's website at www.scandichotelsgroup.com.

The website also presents the motivations behind the proposals, a report on the committee's work as well as a full presentation of the proposed members.

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, however before December 31. More information is available at www.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 11 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.



2016				9
JAN	FEB	MAR	APR	Development of properties
1	2		3	
MAY	JUN	JUL	AUG	10
4 5	6		7 8	Investment decisions Approval of policies Succession planning
SEP	OCT	NOV	DEC	
9 10		11 12 13	14	
1	2	3	4	5
Investment decisions				Board meeting following election, per capsulam
6	7	8	9	10
Year-end Report 2016 Remuneration to senior executives		Investment decisions Strategic and business planning 2017 Evaluation of Executive Committee		Q3 Interim Report
11	12	13	14	15
Preparation for AGM				Investment decisions
16	17	18	19	20
Q1 Interim Report Follow-up on investments		Q2 Interim Report		Investment decisions Short-term Incentive Program 2017
21	22	23	24	25
		Change of company signatories		

Composition of the Board of Directors 2016

The Board of Directors currently comprises 11 members and one employee representative elected for the period up until the end of the 2017 Annual General Meeting. Four of the 11 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 as and when necessary to report on special matters.

Independence

None of the Board members are employed by the Scandic Group. All Board members are considered to be independent in relation to the Company and the senior executives. Eight of the 11 Board members, who are 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 decided annually 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 instructions, policies and guidelines. The Board of Directors shall also monitor the financial performance of the Company, ensure the quality of financial reporting and internal control and evaluate the operations in relation to the objectives and guidelines adopted by the Board of Directors. The Board of Directors also resolves whether to enter into or extend leases, franchise agreements and management agreements and whether significant invest-

ments or changes in the Group's organization and operations should be made.

The Chairman of the Board is responsible for the work of the Board of Directors, including ensuring that the work of the Board of Directors is conducted efficiently and that it fulfills its obligations in accordance with applicable laws and regulations. The Chairman of the Board 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 the Board members evaluate their work annually and continually receive the information required to conduct their work efficiently. The Chairman of the Board represents the Company vis-à-vis the shareholders.

Work during the year

During the year, eight regular Board meetings were held, of which one per capsulam, and six extraordinary meetings, of which two per capsulam. The Board dealt with issues related to investment decisions, property development, policies and remuneration to senior executives.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has two committees: The Audit Committee and the Remuneration Committee. Neither committee is authorized to make decisions, but they prepare matters and present them to the Board of Directors for decisions. The work of the committees is conducted in accordance with the written procedures for each committee, as adopted by the Board of Directors and the Rules of Procedure for the Board.

Remuneration Committee

The Remuneration Committee prepares resolutions in matters involving remuneration principles, salaries, benefits and remuneration to the CEO and senior executives who are subordinate to the CEO. The Remuneration Committee shall also supervise and evaluate the outcome of programs for variable remuneration and the Company's compliance with the guidelines for remuneration adopted at a general meeting.

The Remuneration Committee shall consist of at least three Board members elected at a general meeting. The Chairman of the Board can also be the Chairman of the Remuneration Committee. The other members of the Committee shall be independent in relation to the Company and its senior executives.

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 2016
Vagn Sørensen	Chairman	2007	Yes	Yes	14 (14)	Remun. Comm. 4 (4)	729,167
Ingallil Berglund	Member	2016	Yes	Yes	9 (14)	Audit Comm. 5 (8)	274,167
Per G. Braathen	Member	2007	Yes	Yes	14 (14)	–	311,667
Caspar Callerström	Member	2007	Yes	No	4 (14)	Audit Comm. 3 (8)	150,000
Albert Gustafsson	Member	2016	Yes	No	9 (14)	Audit Comm. 5 (8)	215,833
Grant Hearn	Member	2014	Yes	Yes	13 (14)	Remun. Comm. 2 (4)	382,500
Lottie Knutson	Member	2015	Yes	Yes	13 (14)	–	311,667
Stephan Leithner	Member	2016	Yes	No	10 (14)	Remun. Comm. 1 (4)	215,833
Christoffer Lundström	Member	2016	Yes	Yes	10 (14)	–	186,667
Eva Moen Adolfsson	Member	2014	Yes	Yes	14 (14)	Remun. Comm. 4 (4)	390,833
Niklas Sloutski	Member	2011	Yes	No	13 (14)	Audit Comm. 7 (8)	332,500
Rikard Steiber	Member	2014	Yes	Yes	2 (14)	–	125,000
Fredrik Wirdenius	Member	2015	Yes	Yes	14 (14)	–	311,667
Jan Wallmark	Employee repres.	2015	Yes	Yes	14 (14)	–	42,000
Totalt							3,979,501

¹⁾ Total number of meetings during the year. Ingallil Berglund, Stephan Leithner, Albert Gustafsson and Christoffer Lundström joined the Board on May 12, 2016 and therefore they have not been able to attend all of the meetings during the year. Caspar Callerström and Rikard Steiber left the Board on May 12, 2016.

The Remuneration Committee consists of Eva Moen Adolfsson (Chairman), Vagn Sørensen, Grant Hearn and Stephan Leithner.

The Remuneration Committee held four meetings during the year. The Committee conducted a review of the basic remuneration of 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, internal audit, accounting, financial reporting and audits. The Committee's work aims to ensure compliance with the adopted principles for financial reporting and internal control and that the Company's relationship with its auditors is appropriate for the purpose.

The Audit Committee shall also evaluate the audit and provide a report to the Nomination Committee. It shall also propose auditors to the Nomination Committee.

The Audit Committee also 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 member shall be independent in relation to the Company, the Company's senior executives and the Company's major shareholders, and shall have experience in auditing or accounting.

The Remuneration Committee consists of Ingalill Berglund (Chairman), Albert Gustafsson and Niklas Sloutski. The requirements of the Swedish Companies Act regarding independence and accounting or auditing expertise are thus met.

The Audit Committee held eight meetings during the year, five of which were attended by the Company's auditor.

The following matters were handled at the Audit Committee meetings:

- Interim reports – review prior to approval by the Board of Directors.
- Status of internal control and risk analysis, and evaluation of the structures and efficiency of internal control.
- The 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, and evaluation of auditors' work and independence.

- Evaluation of the requirement for an internal audit function for recommendation to the Board of Directors.
- IT Security Policy – review prior to the approval by the Board of Directors.
- Status of ongoing disputes and legal matters – standing item at all 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 evaluates its work annually. This evaluation concerns the procedure and main direction for the work of the Board of Directors. The evaluation also focuses on access to and the need for special expertise on the Board of Directors. The evaluation in 2016, in which members of the Board evaluated the work anonymously, was carried out with the help of an external consultant. The results were presented and discussed by the Board of Directors and 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 12, 2016, PricewaterhouseCoopers was reappointed as auditor, with Magnus Brändström as the auditor-in-charge, for the time until the end of the 2017 Annual General Meeting. Magnus Brändström is an authorized public accountant and a member of FAR. During 2016, the auditor reported its observations once to the Board of Directors. No members of the Executive Committee were present. Thereafter, the auditor participated in five 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 at the Annual General Meeting. Information on auditors' fees is provided in Note 4 on page 78.

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 nine senior executives: The Chief Financial Officer (CFO), the Chief Commercial Officer (CCO), the Senior Vice President Human Resources & Sustainability (SVP HR &

Sustainability), the Vice President Business Development (VP Business Development) and the Group's five Country Heads. Five different nationalities are represented in the Executive Committee, which is composed of nine men and one woman. During the year, the Company's Country Heads were included in the Executive Committee and the position of Chief Operating Officer was phased out. The VP Communication & IR left the company in November 2016 and since then, neither function is represented in the Executive Committee. During the year, six new members joined the Executive Committee. See pages 116–117 for more information.

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 customer offering, Scandic has gathered a number of support functions centrally including accounting and finance, HR, purchasing, IT, marketing, product development, revenue management, and restaurants & conferences. Personnel in charge of the various Group functions are also in charge of 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 these contexts, Scandic's governance documents are Scandic's Code of Conduct, Code of Conduct for Suppliers, the Anti-Corruption Policy and the Environmental Policy. During 2015, Scandic updated its Code of Conduct. The Code sets out that diversity contributes to business success. Scandic's policy documents clearly stipulate that no form of discrimination is accepted. All countries strive to employ people who reflect the society in which the hotel operates at the same time as discrimination and harassment are prohibited. When appointing Board members, Scandic strives for diversity mainly with respect to gender, age, nationality and skills. In 2017, Scandic will formulate a specific diversity

policy. The Board of Directors has joint responsibility for sustainability. Within the Executive Committee, sustainability is delegated to the head of each function: the CFO is responsible for anti-corruption and supplier control and the SVP HR & Sustainability is responsible for reporting and ESG information, employment law, diversity and equality as well as for sustainability as a whole within the Company.

SIGNIFICANT EVENTS HANDLED BY THE CEO AND THE EXECUTIVE COMMITTEE IN 2016

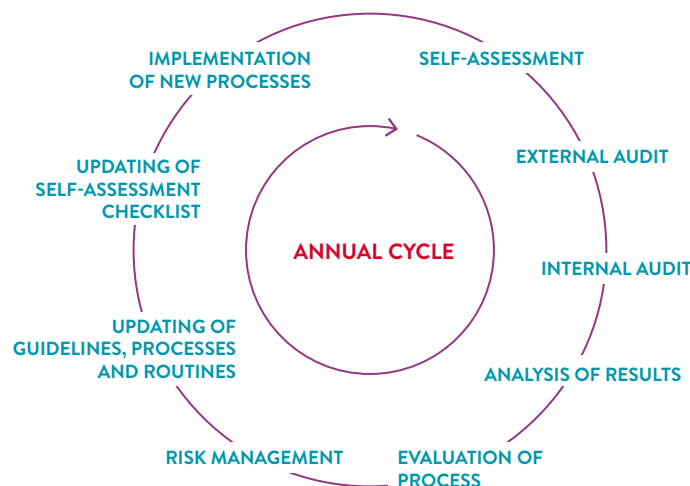
During the year, changes in the composition of the Executive Committee to include the Company's Country Heads were handled and the position of Chief Operating Officer was phased out. In addition, the Executive Committee handled work related to the approval of new leases and extensions of existing leases.

At the Annual General Meeting held on May 12, 2016, guidelines for remuneration and other terms of employment for senior executives, including the CEO, were adopted. 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 currently applicable guidelines.

Guidelines for remuneration to the CEO and senior executives

Scandic's senior executives are the members of the Executive Committee. Following a resolution passed at the Annual General Meeting held on May 12, 2016, 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. The remuneration to the CEO and 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 variable salary of the CEO and the senior executives shall be based on the Company's fulfillment of criteria set 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 in order to create long-term commitment.

The pension benefits to the CEO and other senior executives shall chiefly consist of defined contribution pension schemes, but they 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 65 years of age. 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 such remuneration is intended to recruit or retain senior executives, and is then to be agreed upon in the individual case. Such extraordinary arrangements may include a lump sum cash payment or a benefit package in the form of a relocation allowance, income tax support and 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 80–82.

Remuneration

For information on remuneration to the CEO and senior executives, see Note 6 on pages 80–82.

Long-Term Incentive Program

At the Extraordinary General Meeting held on November 15, 2015, Scandic adopted a performance-based Long-Term Incentive Program, and another was adopted at the Annual General Meeting 2016. Terms and conditions for both programs are provided in Note 6 on pages 80–82.

Guidelines for remuneration to senior executives before the 2017 Annual General Meeting

The Board of Directors has proposed that the Annual General Meeting 2017 adopt guidelines that in all material aspects correspond to the guidelines adopted at the Annual General Meeting 2016. The 2016 guidelines authorize the Board of Directors to deviate from the guidelines if, in an individual case, there are special circumstances justifying such. In February 2017, the Board of Directors resolved to approve that the CEO's fixed salary during the notice period together with his severance payment, including payment for restriction on competition, total 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 a deviation justified considering that the CEO will be available to support his successor during the extended notice period.

Resolved remuneration not yet payable

During 2017, the Company resolved on a lump sum payment of SEK 300,000 to be paid to a member of the senior management in order to retain expertise considered to be important to the Company. The remuneration is payable in 2018.

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, and for 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 are 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 made within the areas of control environment, risk assessment, control activities, information and communication and monitoring activities. Based on this review, certain areas of development are identified and prioritized in the ongoing internal control work.

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 the Nasdaq Stockholm exchange. 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.

The 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 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.

The 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 monthly reviews where members of the Executive Committee, the central accounting department and the relevant country management team 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 to the expected outcome. Detailed follow-up is an important tool for ensuring internal control.

Scandic uses "BINC" (Best in Class), which involves benchmarking key ratios for revenues, operational efficiency and customer satisfaction where key ratios per hotel are compared with other comparable hotels in a "BINC group." The purpose is to create a tool to identify good examples and stimulate learning and the development of best practices.

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 the 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 Board of Directors annually. This analysis identifies and values risks based on their likelihood of occurring and the potential impact of the incident 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 reducing the risk is weighed against the cost of establishing and maintaining internal controls. Based on the risk analysis, control activities are designed aimed at reducing risk at a reasonable cost. The activities shall also contribute to improved 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 greatest extent possible, they shall be 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 and some 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, where all financial managers participate, and via the Group's finance handbook. The finance handbook is published on the 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 make each employee understand Scandic's values and business operations. To achieve the aim of informed employees, work is carried out internally, whereby 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 at hotel and country levels is monitored through self-assessments and onsite audits.

- All hotels conduct self-assessments at least once a year based on a Group-wide checklist with mandatory and recommended controls.
- Internal audit visits are carried out by employees at the Company's central accounting department for a number of hotels per year. These involves a control checklist, spot checks within relevant areas and a general discussion with the hotel manager and department heads to ensure the understanding of and compliance with internal control.

The results of the self-assessments and onsite audits are reported by the local heads of finance to the management team of the country in question. 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 that there is a need to do so either at the hotel level or generally.

As part of their review, external auditors make additional hotel visits during which they test controls according to the internal checklist. The aim is that these onsite audits, from both Scandic's accounting department and the external auditors, shall cover approximately one-third of all 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 environ-

ment, a clear governance model and well-functioning regular financial monitoring. The Board of Directors evaluates the need for a special internal audit function on an annual basis.

Measures in 2016

Scandic continued to focus its risk analysis to gain a better understanding of the financial reporting and analysis. IT security was emphasized in the work of the Board of Directors and committees. Self-assessment for internal control was discussed regularly by the Audit Committee.

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in Scandic Hotels Group AB (publ), corporate identity number 556703-1702

ENGAGEMENT AND RESPONSIBILITY

It is the board of directors who is responsible for the corporate governance statement for the year 2016 on pages 106–117 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 *The auditor's examination*

of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

OPINIONS

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law

are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, April 4, 2017
PricewaterhouseCoopers AB

Magnus Brändström
Authorized Public Accountant
Auditor in charge

BOARD OF DIRECTORS



VAGN SØRENSEN

Chairman of the Board of Directors since 2007. Member of the Remuneration Committee.

Born: 1959.
Danish citizen.

Education:

Master of Business Administration from Aarhus University, Denmark.

Other current assignments:

Chairman of the Board of F L Smidth A/S, SPP Group Plc and Tia Technology A/S. Deputy Chairman of the Board of Nordic Aviation Capital A/S. Board member of Air Canada, Braganza AB, CP DYVIG A/S, JP/Politikens Hus, Royal Caribbean Cruises Ltd, CHEP Aerospace and VFS Global.

Previous assignments:

CEO of Austrian Airlines Group 2001–2006, Executive Vice President and Deputy CEO of Scandinavian Airlines Systems 1984–2001. Chairman of the Board of TDC A/S and KMD A/S. Deputy Chairman of DFDS A/S and Board member of VEGA.

Number of shares in Scandic:

60,676



EVA MOEN ADOLFSSON

Member of the Board of Directors since 2014. Chairman of the Remuneration Committee.

Born: 1960.
Swedish and American citizen.

Education:

Master of Business Administration from University of Gothenburg, Sweden.

Other current assignments:

President & CEO of Resia Travel Group AB and Board assignments in companies within the Resia Group. Board member of Svenska Resebyråföreningens Service AB and Västsvenska Handelskammaren Service AB.

Previous assignments:

General Manager, Scandic Rubinen; General Manager, Scandinavian Service Partner; CFO, Radisson SAS Park Avenue Hotel and CFO, AVAB Elektronik.

Number of shares in Scandic:

3,134



INGALLIL BERGLUND

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

Born: 1964.
Swedish citizen.

Education:

Special advanced course in economics, Frans Schartau Business Institute.

Other current assignments:

Self-employed. Board member of Veidekke ASA, AxFast AB and Handelsbanken Regionbank Stockholm. Member of Balco Group AB, Juni Strategi and Analys AB.

Previous assignments:

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

Number of shares in Scandic:

3,000



PER G. BRAATHEN

Member of the Board of Directors since 2007.

Born: 1960.
Norwegian citizen.

Education:

MBA from Schiller University London, UK.

Other current assignments:

Chairman of the Board of Braathens Regional Airlines (BRA), Bramora Ltd and Scenorama AS. Chairman of the Board and CEO of Braganza AB. Board member of Wayday Travel AS.

Previous assignments:

Chairman of the Board of Braganza AS, Escape Travel A/S, Europa Reiser A/S and SunHotels AG. Board member of Arken Zoo Holding AB, Ticket Leisure Travel AB and Ticket Biz AB.

Number of shares in Scandic:

14,925 (through companies)



ALBERT GUSTAFSSON

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

Born: 1977.
Swedish citizen.

Education:

Bachelor of Commerce from Gothenburg School of Business, Economics and Law.

Other current assignments:

Partner at EQT Partners AB. Board member of Frostbite Holding AB and Dometic Group AB (publ).

Previous assignments:

Board member of GG Holding AB and Granngården AB. Employed by Lehman Brothers International Europe Ltd.

Number of shares in Scandic: –



GRANT HEARN

Member of the Board of Directors since 2014. Member of the Remuneration 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 Amaris Hospitality, Shearings Holidays Ltd and The Hotel Collection.

Previous assignments:

Board member of London & Partners Ltd, Thame and London Ltd, TLLC Group Holdings Ltd and Travelodge Hotels Ltd.

Number of shares in Scandic:

3,000

Number of shares as per December 31, 2016.

**LOTTIE KNUTSON**

Member of the Board of Directors since 2015.

Born: 1964.
Swedish citizen.

Education:

Bachelor from the Department of Media Studies, Stockholm University, Sweden. Diplôme de l'Université Paris IV.

Other current assignments:

Board member of Actic AB, Cloetta AB, Stena Line BV, STS Alpresor AB, Swedavia AB, Careereye Online Group AB and Wise Group AB.

Previous assignments:

Board member of H&M Hennes & Mauritz AB and TUI Nordic Holding AB.

Number of shares in Scandic:
3,134

**STEPHAN LEITHNER**

Member of the Board of Directors since 2016.
Member of the Remuneration Committee.

Born: 1966.
Austrian citizen.

Education:

PhD Business Administration, St. Gallen University, Switzerland.

Other current assignments:

Partner at EQT Partners in Germany.

Previous assignments:

Several senior positions and directorships within Deutsche Bank AG and Partner of McKinsey & Company Inc in Germany.

Number of shares in Scandic: –

**CHRISTOFFER LUNDSTRÖM**

Member of the Board of Directors since 2016.

Born: 1973.
Swedish citizen.

Education:

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

Other current assignments:

Owner and President of the investment company RCL Holding AB. Board member of Collector AB, Feelgood Svenska AB, Rasta Group AB, Provobis Invest AB, Harrys Pubar AB, RCL Holding AB, KL Capital AB, Future Pawnbroker AB and Tableflip Entertainment AB. Chairman of the Board of AM Brands AB and member of the Nomination Committee of Betsson AB and NetEnt AB.

Number of shares in Scandic:
205,219

**NIKLAS SLOUTSKI**

Member of the Board of Directors since 2011.
Member of the Audit Committee.

Born: 1976.
Swedish citizen.

Education:

Master of Business Administration, Stockholm School of Economics, Sweden and postgraduate certificate in Business Administration, Edinburgh Business School, UK. Courses in law and financial instruments from Stockholm University, Sweden and Harvard University, USA.

Other current assignments:

CEO and Board member of Accent Equity Partners AB. Chairman of the Board of Hoist Group Holding AB. Board member of RenoNorden ASA, Northpaw Capital AB and Southpaw Capital Equity Partner AB.

Number of shares in Scandic: –

**FREDRIK WIRDENIUS**

Member of the Board of Directors since 2015.

Born: 1961.
Swedish citizen.

Education:

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

Other current assignments:

CEO of Vasakronan AB.
Board member of RICS Sweden.

Previous assignments:

Board member of Vasakronan AB.

Number of shares in Scandic:
3,134

**JAN WALLMARK**

Member of the Board of Directors since 2015.
Employee representative.

Born: 1951.
Swedish citizen.

Education:

IHM Business School, Stockholm, Sweden.

Other current assignments:

Employee within Scandic's hotel operations.

Number of shares in Scandic: –

Number of shares as per December 31, 2016.

EXECUTIVE COMMITTEE



Standing, from left to right: Linda Eriksson, Jens Mathiesen, Frank Fiskers, Thomas Engelhart, Svein Arild Steen-Mevold, Aki Käyhkö.
Sitting, from left to right: Jesper Engman, Jan Johansson, Michel Schutzbach, Peter Jangbratt, Lena Bjurner.

FRANK FISKERS
President & CEO

Born: 1961. Employed and member of Scandic's Executive Committee since 2013. Danish citizen.

Other assignments: Industrial advisor to EQT Partners.

Education: Studies at Cornell University, USA, London Business School, UK and IMD Business School, Switzerland.

Previous experience: President & CEO, Kooperativa Förbundet (KF); Co-owner, Azure Property Group; President & CEO, Scandic Hotels (2007–2010); managerial positions within Hilton Hotels Corporation and Rezidor and President & CEO First Hotels. Chairman of the Board of Akademibokhandelsgruppen AB and KF Media AB. Board member of Svensk Dagligvaruhandel Ekonomisk Förening and Svensk Handel.

Number of shares in Scandic: 75, 441

LENA BJURNER
Senior Vice President HR & Sustainability

Born: 1968. Employed and member of Scandic's Executive Committee since 2015. Swedish citizen.

Other assignments: Board member of UNHCR in Sweden.

Education: Bachelor of Business Administration, Falun/Borlänge University, Sweden.

Previous experience: Several senior positions within American Express: VP HR Head of Market HR Nordics, Central Eastern Europe, Benelux and France, Director HR Business Partner Customer Service Organisation Latin America/Canada and Director, Head of Commercial Card & Business Travel Account Management Nordic.

Number of shares in Scandic: 4,057

THOMAS ENGELHART
Chief Commercial Officer

Born: 1967. Employed and member of Scandic's Executive Committee since 2015. Norwegian citizen.

Other assignments: –

Education: Bachelor in Hotel Management, Gilon Group/Hosta, Switzerland and Master in International Business, Ceram University, Grand Ecole, France.

Previous experience: Area Vice President Nordics, Rezidor AB; MD, Coop Marknad AB; Senior Vice President Commercial Operation & Brand Experience, Scandic Hotels and Vice President, Merchant Service, EMEA, American Express. Chairman of the Board of Coop Butiksutveckling AB, Coop Sverige AB and MedMera Bank AB.

Number of shares in Scandic: 14,924

JESPER ENGMAN
Vice President Business Development

Born: 1974. Employed since 2006. Member of Scandic's Executive Committee since 2014. Swedish citizen.

Other assignments: –

Education: Master of Real Estate Development, KTH Royal Institute of Technology, Stockholm, Sweden.

Previous experience: Business Area Director and Analyst, Pandox. Analyst, Hotellus.

Number of shares in Scandic: 5,970

LINDA ERIKSSON
(adjunct member) Director Group Strategy

Born: 1983. Employed and adjunct member of Scandic's Executive Committee since August 2015. Swedish citizen.

Other assignments: –

Education: Master of Science in Engineering, Media Technology and Master of Industrial Management from KTH Royal Institute of Technology, Stockholm, Sweden.

Previous experience: Management Consultant at Bain & Company and Head of Marketing at Norvída.

Number of shares in Scandic: –

PETER JANGBRATT
Head of Sweden

Born: 1967. Employed by the Group 1995–2008 and since 2015. Member of Scandic's Executive Committee since September 2016. Swedish citizen.

Other assignments: –

Education: Scandic Business School and Hilton.

Previous experience: Several senior positions at Scandic including Director of Marketing & Communications, Head of Operations Sweden and CEO of Rica Hotels Sweden. Member of Scandic's Executive Committee 2002–2008.

Number of shares in Scandic: 11,194

JAN JOHANSSON
Chief Financial Officer

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

Other assignments: Board member of Svensk Miljömärkning AB. Membership will cease as of the next general meeting.

Education: Master of Business Administration, Uppsala University, Sweden.

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

Number of shares in Scandic: 1,000

AKI KÄYHKÖ
Head of Finland

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

Other assignments: Member of the Board of the Finnish Hospitality Industry Association.

Education: Bachelor of Business Administration in International Business and Management, Schiller International University, London.

Previous experience: Several senior positions at Procter & Gamble and Reckitt Benckiser; Commercial Director, Oy Hartwall and CEO, Palace Kämp Group.

Number of shares in Scandic: 11,194

JENS MATHIESEN
Head of Denmark

Born: 1969. Employed by the Group since 2008. Member of Scandic's Executive Committee since September 2016. Danish citizen.

Other assignments: Chairman of the Board of Dansk Erhverv and Board member of DA (Dansk Arbejdsgiverforening) and Wonderful Copenhagen.

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.

Number of shares in Scandic: 11,194

MICHEL SCHUTZBACH
Head of Europe

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

Other assignments: –

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.

Number of shares in Scandic: 11,194

SVEIN ARILD STEEN-MEVOLD
Head of Norway

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

Other assignments: Board member of Guma Sport Ltd and Oris Dental AS.

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

Previous experience: Several senior positions within Scandic; General Manager, Radisson SAS and Vice President and member of Executive Committee, Nordic Choice Hotels AS with responsibility for Clarion Collection Hotels chain.

Number of shares in Scandic: 11,194