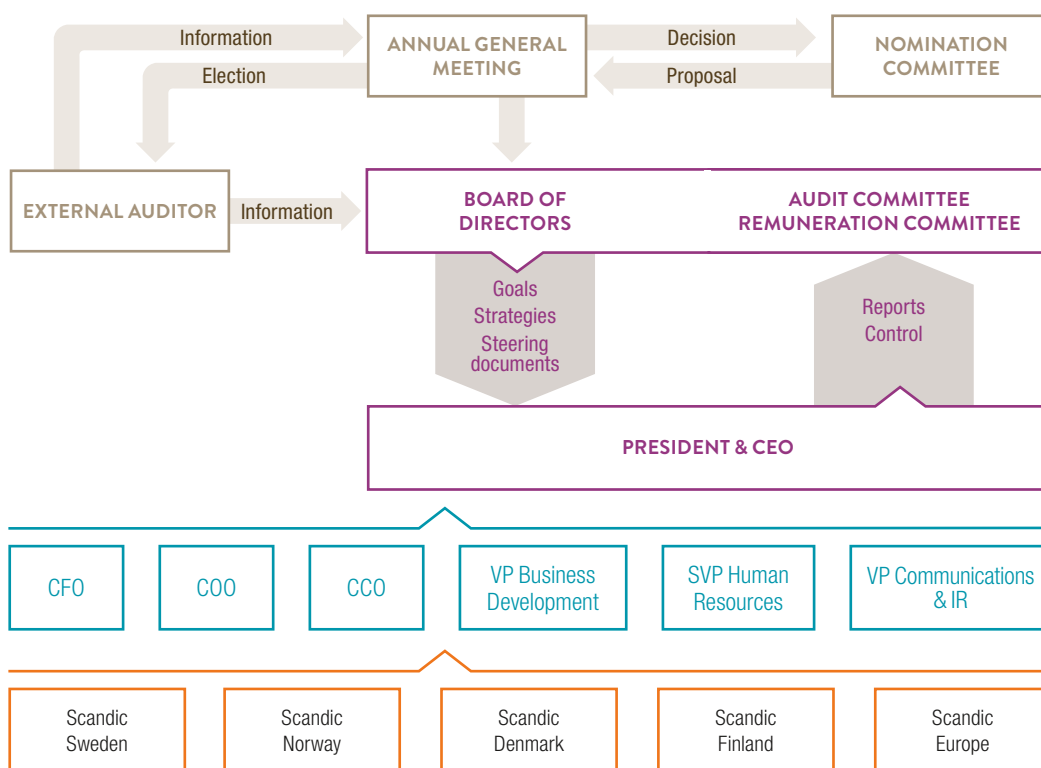


CORPORATE GOVERNANCE

Scandic is a Swedish public limited liability company, with its registered office in Stockholm, whose shares have been listed on Nasdaq Stockholm's Mid Cap list since December 2, 2015. Scandic applies the Swedish Corporate Governance Code and hereby submits its Corporate Governance Report for the 2015 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
- Instructions for the Board/President
- Values
- Codes of Conduct
- Policies and guidelines

THE BASICS 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. This includes upholding:

- an efficient organizational structure;
- a system 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 Financial Policy, the Information Policy, the Insider Policy, the IT Security Policy and the guidelines for leases.

DEVIATIONS FROM THE CODE

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

- Rule 2.5: The Nomination Committee – according to the Code, the composition of the Nomination Committee shall be announced no later than six months before the Annual General Meeting. The Annual General Meeting will be held on May 12. As Scandic was listed on the Nasdaq Stockholm exchange on December 2, an unavoidable deviation was made for the 2015 financial

year. The composition of the Nomination Committee before the 2016 Annual General Meeting is based on shareholder statistics as at December 11 and it was announced on December 29, 2015.

- 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 acquisition of shares is to be no less than three years.

SIGNIFICANT EVENTS IN 2015

The work of the Board of Directors in 2015 was characterized by preparations for Scandic's listing on the stock exchange. Two new members joined the Board and three new members joined the Executive Committee. A performance-based, long-term incentive program for senior executives was implemented during the year.

THE SHARE AND SHAREHOLDERS

The Scandic share has been listed on Nasdaq Stockholm's Mid Cap list since December 2, 2015. At year-end 2015, 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, 82.9 percent was held by Swedish institutions and funds, 14.5 percent by foreign investors and 2.6 percent by Swedish private investors. The ten largest shareholders represented 72.4 percent of the share capital and votes in the company. Sunstorm Holding AB is the largest shareholder, with 50.0 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).

On January 4, 2016, Sunstorm Holding AB used the over-allotment option issued in connection with the listing process. Sunstorm Holding AB's share of ownership thereby increased to 56.0 percent of the total number of shares in Scandic. For additional information about the Scandic share, see page 102.

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.

2015 ANNUAL GENERAL MEETING

At the Annual General Meeting held on April 27, 2015, the sole shareholder was present in person, thereby representing the entire share capital and all votes. At the Annual General Meeting, resolutions were passed on the following topics:

- Adoption of the income statement and balance sheet for 2014 and appropriation of profits.
- The Board of Directors and the CEO were discharged from liability to the company.

- Vagn Sørensen, Chairman of the Board, and Board members Eva Moen Adolfsson, Per G. Braathen, Caspar Callerström, Grant Hearn, Erika Henriksson, Niklas Sloutski, Rikard Steiber and Benny Zakrisson were re-elected.
- PricewaterhouseCoopers was reappointed as auditor, with Magnus Brändström as the auditor-in-charge for the period until the end of the 2016 Annual General Meeting.
- Remuneration to the Board of Directors and the auditor.
- The Articles of Association were amended to include the change of name to Scandic Hotels Group AB.

Extraordinary general meetings in 2015

In addition to the ordinary Annual General Meeting held on April 27, 2015, four extraordinary general meetings were held during the year on June 18, July 15, September 15 and November 15, 2015. These extraordinary general meetings were held as a step in the preparations for the company's listing on the stock exchange.

At the extraordinary general meetings, resolutions were passed on the following topics:

- Lottie Knutsson and Fredrik Wirdenius were elected as new Board members, while Erika Henriksson and Benny Zakrisson declined re-election.
- A new share issue.
- Principles for the appointment of the Nomination Committee.
- The Articles of Association were amended: the share capital was increased by way of a bonus issue, the number of shares was increased and the company category was changed to public company.
- Remuneration to the Board of Directors and adoption of guidelines for remuneration to senior executives.
- A performance based, long-term incentive program, conditional upon the listing of the Scandic share on the Nasdaq Stockholm exchange, applicable to approximately 40 senior executives and key people.

2016 ANNUAL GENERAL MEETING

Scandic's Annual General Meeting will be held on May 12, 2016 in Stockholm. For more information, see page 103.

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, propose changes to the instruction to the Nomination Committee. These proposals shall be justified based on the company's needs and the Code's requirement to strive for an even gender distribution.

At the extraordinary general meeting held on September 15, 2015, it was resolved, conditional on a listing of the company's shares on the Nasdaq Stockholm exchange, that 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 2016 Annual General Meeting

Scandic was listed on the Nasdaq Stockholm exchange on December 2, which means that the Nomination Committee's composition prior to the 2016 Annual General Meeting is based on shareholder statistics as at December 11, 2015. The Nomination Committee for the 2016 Annual General Meeting comprised four members, including the Chairman of the Board and representatives from the three largest shareholders. The work of the Nomination Committee was led by Joel Lindeman of Provobis. The Nomination Committee was presented in a press release on December 29, 2015.

Nomination Committee	Representing	% of the number of votes as at December 11, 2015
Caspar Callerström	Sunstorm Holding AB	50.0
Joel Lindeman	Provobis AB	5.1
Katja Bergqvist*	Handelsbanken Fonder	4.8

* On April 4, 2016, Handelsbanken Fonder announced that Magdalena Wahlqvist Alveskog had replaced Katja Bergqvist as Handelsbanken Fonder's representative on the Nomination Committee.



2015

JAN	FEB	MAR	APR 1 2
MAY	JUN 3	JUL	AUG 4
SEP 5	OCT 6	NOV 7	DEC 8 9

6

CEO's report

Q3 Interim Report
Investment decisions
Listing process



1

Board meeting following election

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CEO's report

Q2 Interim Report
Investment decisions
Listing process

2

CEO's report

Follow-up on financial performance
Follow-up on Rica Strategy and investment decisions

5

CEO's report

Listing process
Incentive program

7

Listing process

3

CEO's report

Follow-up on financial performance
Evaluation of management CSR



8

Listing process

9

CEO's report

Follow-up on financial performance
Investment decisions

In the work on nominations for the 2016 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 2016 Nomination Committee has held four meetings and has had a number of contacts. The Nomination Committee based its work on the Chairman of the Board's report on the work of the Board of Directors and communication with the CEO regarding operations.

The Nomination Committee has proposed to re-elect Vagn Sørensen, Per G. Braathen, Grant Hearn, Lottie Knutson, Eva Moen Adolfsson, Niklas Sloutski and Fredrik Wirdenius to the Board and to elect Ingaliil Berglund, Albert Gustafsson, Stephan Leithner and Christoffer Lundström as new members of the Board. The Nomination Committee considers the proposed composition of the Board to be appropriate to meet Scandic's term long-term needs. A report on the work of the Nomination Committee will be submitted to the 2016 Annual General Meeting. Additional information about its work is available at www.scandichotelsgroup.com

Shareholders who wish to submit proposals to the Nomination Committee may do so by email to nomination-committee@scandichotels.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 less than three and no more than ten Board members, with no more than two alternates. In addition, trade unions are entitled to appoint two regular Board members and two alternates. The 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 2015

The Board of Directors currently comprises nine Board members elected for the period up until the end of the 2016 Annual General Meeting (of which seven were re-elected by the Annual General Meeting held on April 27, 2015, and two were newly appointed as Board members at the extraordinary general meetings held on June 18, 2015, and July 15, 2015). Three of the nine Board members are

foreign nationals. At present, one employee representative and one alternate employee representative have been appointed to the Board of Directors. The CEO and the Group's Chief Financial Officer participate in Board meetings, as well as the Group's officer responsible for programs, who is the Secretary of the Board. Other employees in the Group participate in Board Meetings when necessary to report on special matters.

Independence

None of the Board members are employees of Scandic or other Group companies. All Board members are considered to be independent in relation to the company and the senior executives. Seven Board members, who are independent in relation to the Board of Directors and the senior executives, are also independent in relation to the company's major shareholders. Consequently, Scandic 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.

The 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 CEO's procedures 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 the adoption of strategies, business plans, budgets, interim reports, year-end accounts, annual reports and the adoption of instructions, policies and guidelines. The Board of Directors shall also monitor the financial performance, 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 investments 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 the Board of Directors fulfills its obligations in accordance with applicable laws and regulations. The Chairman of the

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 2015 ²⁾
Vagn Sørensen	Chairman	2007	Yes	Yes	9 (9)	Audit Committee 6 (6), Remun. Comm. 2 (3)	700,000
Per G. Braathen	Member	2007	Yes	Yes	9 (9)	–	300,000
Caspar Callerström	Member	2007	Yes	No	9 (9)	Audit Committee 6 (6), Remun. Comm. 2 (3)	0
Grant Hearn	Member	2014	Yes	Yes	8 (9)	Remun. Comm. 1 (3)	683,333
Erika Henriksson	Member	2012	Yes	No	4 (9)	–	0
Lottie Knutson	Member	2015	Yes	Yes	6 (9)	–	450,000
Eva Moen Adolfsson	Member	2014	Yes	Yes	8 (9)	Remun. Comm. 3 (3)	666,667
Niklas Sloutski	Member	2011	Yes	No	9 (9)	Audit Committee 2 (6)	0
Rikard Steiber	Member	2014	Yes	Yes	7 (9)	–	300,000
Benny Zakrisson	Member	2011	Yes	No	5 (9)	Audit Committee 4 (6)	300,000
Fredrik Wirdenius	Member	2015	Yes	Yes	6 (9)	–	425,000
Jan Wallmark	Member, employee repres.	2015			9 (9)		36,000
Daniel Håkansson	Alternate, employee repres.	2015			0 (9)		0
Total							3,861,000

¹⁾ Total number of meetings during the year. Lottie Knutson joined the Board on June 18, 2015 and Fredrik Wirdenius joined on July 15, 2015. Erika Henriksson left the Board on July 15, 2015 and Benny Zakrisson left on September 15, 2015.

²⁾ Caspar Callerström, Erika Henriksson and Niklas Sloutski declined remuneration during 2015. Due to the extra work involved in the listing process, additional remuneration of 300,000 SEK has been paid to Grant Hearn, Lottie Knutson, Eva Moen Adolfsson and Fredrik Wirdenius.

Board shall, in close cooperation with the CEO, monitor the Company's performance and prepare and chair 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

Over the year, six regular board meetings and three extraordinary board meetings were held, of which two extraordinary board meetings were held by phone. Many of the issues dealt with by the Board of Directors over the year were related to the company's listing on the stock exchange. Other major issues that were handled by the Board of Directors include the integration of Rica Hotels, the approval of a new incentive program for senior executives and the approval of new leases and extensions of existing leases.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has established two committees: the Audit Committee and the Remuneration Committee. The Audit and Remuneration Committees are not authorized to make decisions, but they are to 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.

The Remuneration Committee consists of Eva Moen Adolfsson (Chairman), Vagn Sørensen and Grant Hearn. Grant Hearn resigned from the position of Chairman of the committee at the beginning of the year. Caspar Callerström resigned from the Remuneration Committee in connection with Scandic's listing on the stock exchange.

The Remuneration Committee held three meetings during the year. The Committee conducted a review of the basic remuneration of senior executives and their bonus program. In connection with the listing on the stock exchange, the guidelines for remuneration to senior executives were also updated and a new long-term incentive program was adopted.

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 and report on the audit and proposed auditors to the Nomination Committee.

The Audit Committee shall consist of at least three Board members. A 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.

At present, the Audit Committee is composed of Caspar Callerström (Chairman), Vagn Sørensen and Niklas Sloutski. The requirements of the Swedish Companies Act for accounting or audit expertise are thus met.

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

The following matters were handled at the Audit Committee meetings:

- Interim reports – review prior to the approval by the Board of Directors.
- Status of internal control and risk analysis, and an evaluation of the structures and efficiency of the internal control.
- The auditors' reports on the review of the annual accounts, the interim report for the third quarter, "early warning" and internal control.

- Refinancing and new financing and hedging of interest rate exposure – preparation for resolutions by the Board of Directors.
- Audit plan and audit fees, and an evaluation of the auditors' work and independence.
- Evaluating the requirement for an internal audit function – recommendation to the Board of Directors.
- IT Security Policy, a review prior to the approval by the Board of Directors.
- Status of ongoing disputes and legal matters (a 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 of the work of the Board of Directors. The evaluation also focuses on the Board of Directors' access to and need for special expertise. In 2015, the Chairman held individual meetings with all Board members. The result was presented to and discussed by the Board of Directors and the Nomination Committee. The evaluation was used as a tool for the development of the work of the Board of Directors and also constitutes support for the Nomination Committee's work.

Auditors

PricewaterhouseCoopers has been the Company's auditor since 2012. At the regular Annual General Meeting held on April 27, 2015, the accounting firm PricewaterhouseCoopers was reappointed as auditor, with Magnus Brändström as the auditor-in-charge for the time until the end of the regular 2016 Annual General Meeting. Magnus Brändström is an authorized public accountant and a member of FAR. In 2015, the auditor reported its observations once to the Board of Directors; no members of the Executive Management were present. In addition, the auditor participated in three 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 audit fees is provided in Note 04 on page 66.

EXECUTIVE COMMITTEE

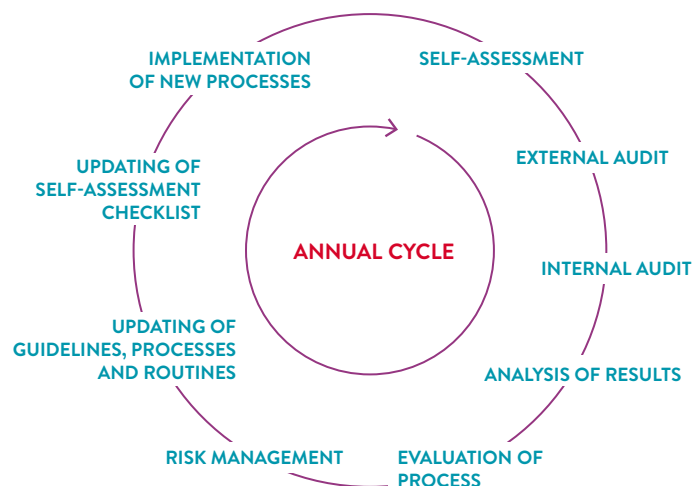
Scandic's Executive Committee is diversified and has solid experience from the hotel sector and consumer-oriented operations in various markets. The Executive Committee consists of the CEO and six senior executives: the Chief Financial Officer (CFO), the Chief Operating Officer (COO), the Chief Commercial Officer (CCO), the Senior Vice President Human Resources (SVP Human Resources), the Vice President Business Development (VP Business Development) and the Vice President Communications & IR (VP Communications & IR). The company's strategy manager is an associated member of the Executive Committee. The Country Managing Directors of the Group report to the COO. Three different nationalities are represented in the Executive Committee, which is composed of four men and three women. During the year, three new members joined the Executive Committee. See the table on pages 98–99 for additional details.

The CEO's areas of responsibility and powers are governed by the Rules of Procedure for the Board and the instructions to 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 organized a number of support functions centrally, including economy & finance, HR, purchasing, IT, marketing, product development, revenue management and restaurants & conferences. Those in charge of the various Group functions are also in charge of developing Group-wide policies, guidelines and working methods and for following up 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, the creation of ethical and safe workplaces and responsible purchasing are of major importance to the Group. In these contexts, Scandic's governance documents are Scandic's overall Code of Conduct, Scandic's Code of Conduct for Suppliers, the Anti-Corruption Policy and the Environmental Policy. These



governance documents were updated in 2015 and training activities will be carried out in 2016. The Board of Directors has joint responsibility for sustainability. The CEO reports on sustainability at a dedicated Board Meeting to be held at least once per year, in addition to when there are reasons to do so. Within the Executive Committee, sustainability is delegated to the head of each function: the CFO is responsible for anti-corruption and supply chain management, the VP Communications & IR is responsible for reporting and ESG information, the SVP Human Resources is responsible for labor rights, diversity and equality, and the CCO is responsible for sustainability as a whole. The operational implementation of sustainability is delegated by the CCO to Scandic's Director Sustainable Business.

SIGNIFICANT EVENTS HANDLED BY THE CEO AND EXECUTIVE COMMITTEE IN 2015

Many of the issues handled by the Executive Committee over the year were related to the company's listing on the stock exchange. Other major issues handled were the integration of the acquisition of Rica Hotels, the approval of new leases and extensions of existing leases and the work involved in expressing Scandic's vision for 2020 with related strategies.

REMUNERATION

At the extraordinary general meeting held on September 15, 2015, guidelines for remuneration and other terms of employment for senior executives, including the CEO, were adopted. These guidelines apply only to new agreements entered into by the company and senior executives, which is why there may also be agreements that do not follow the current guidelines in full. Earlier guidelines were addressed at the Board meeting held in December 2014 that was attended by representatives of the owners. These guidelines are in all material respects the same as the new guidelines adopted on September 15, 2015.

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 extraordinary general meeting held on September 15, 2015, 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 two years. 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 and is then to be agreed in the individual case.

The Board of Directors may deviate from the above-mentioned guidelines in individual cases if it is of the opinion that there are special reasons to do so.

Remuneration

For information on remuneration to the CEO and senior executives, see Note 06 on pages 67–68.

Long-term incentive program

At the extraordinary general meeting held on December 15, 2015, Scandic adopted a performance-based long-term incentive program, conditional upon Scandic's shares being admitted to the Nasdaq Stockholm exchange in 2015. An account of the terms and conditions of the program is provided in Note 06, pages 67–68.

Guidelines for remuneration to senior executives prior to the AGM 2016

The Board of Directors has proposed that the annual general meeting 2016 adopt guidelines that in all material respects correspond to the guidelines adopted at the extraordinary general meeting held on September 15, 2015 with the following exceptions: fixed salary during notice periods and severance pay, including compensation

for any anti-competition restrictions, shall not in aggregate exceed an amount corresponding to fixed salary for 18 months (instead of two years according to current guidelines) and the total severance pay for all members of the Executive Committee shall be limited to their existing monthly salaries for the months remaining until age 65.

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 ultimately 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 monitored, implemented, 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 manner determined by the Board of Directors.

Scandic's structure for internal control is based on the COSO model, the framework of which has been 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 on 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 the 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 during each Board meeting. Draft 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 the same set of definitions and key ratios are 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 each country management team participate. Detailed follow-up of key ratios for different parts of the 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 strengthening internal control.

In 2015, BINC – “Best In Class” – was launched, which involves benchmarking key ratios for income, 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 decisions, 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 and compliance of policies and regulatory frameworks. The control environment is strengthened by a good corporate culture and the transparent and relevant monitoring of financial performance and key ratios at all levels of 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 incident's potential impact 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 the gaps is established where the value of reducing the risk is valued 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

The 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 have been established that are common to all companies within the Group. Some of these are implemented on the hotel level, and some are implemented in the centralized accounting departments in each country. The control activities are described in a Group-wide instruction.

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 heads of finance 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. Communications with internal and external parties are governed by a Communication Policy that provides guidelines on how such communication should be carried out. 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 keep employees informed, active 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.

The internal control at hotel and country levels is monitored through self-assessments and internal audits.

- All hotels conduct self-assessments at least once a year based on a Group-wide checklist with mandatory and recommended controls.
- The internal audit is conducted by employees at the company's central accounting department for a number of hotels per year. The internal audit involves testing the controls on the 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 the internal control.

The results of the self-assessments and internal audit visits 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, at the hotel level or generally.

As part of their review, the external auditors make additional hotel visits during which they test the controls according to the internal checklist. The aim is that these audit visits, 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 to not 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 on an annual basis.

Measures in 2015

During the year, Scandic's process for internal control, including self-assessments and internal audits, was implemented at the former Rica hotels, which are thereby fully integrated into Scandic's operations with regard to financial reporting and internal control.

In 2015, governance documents and processes were revised to ensure that the company's internal controls comply with the requirements of the Code and the requirements for companies listed on the Nasdaq Stockholm exchange. This resulted in a revision of all policies adopted by the Board of Directors. The Group's IT and Information Security Policy was updated, including the guidelines regarding the organization, authorizations and supplier requirements to ensure a satisfactory level of security. In addition, work was carried out to clarify the internal control regarding the sets of authorizations for the financial systems and the distribution of financial information. The procedures for the distribution of and recipients of financial information were reviewed to ensure that sensitive information is handled according to the company's Information Policy and Insider Policy.

AUDITOR'S REPORT

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Scandic Hotels Group AB (publ) for the year 2015, except for the corporate governance statement on pages 88–95. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 44–85.

Responsibilities of the Board of Directors and the President & CEO for the annual accounts and consolidated accounts

The Board of Directors and the President & CEO are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President & CEO determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used

and the reasonableness of accounting estimates made by the Board of Directors and the President & CEO, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 88–95. The statutory administration report is consistent

with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President & CEO of Scandic Hotels Group AB for the year 2015. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the President & CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President & CEO are responsible for administration under the Companies Act and that the corporate governance statement has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President & CEO is liable to the company. We also examined whether any member of the Board of Directors or the President & CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of

the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory 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.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President & CEO be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm April 13, 2016

PricewaterhouseCoopers AB
Magnus Brändsröm
Authorized Public Accountant
Auditor-in-charge