



SCANDINAVIAN TOBACCO GROUP

Selskabsmeddelelse 4/2020

København, 2. marts 2020

INDKALDELSE TIL ORDINÆR GENERALFORSAMLING I SCANDINAVIAN TOBACCO GROUP A/S

I henhold til vedtægternes § 7 indkaldes hermed til ordinær generalforsamling i Scandinavian Tobacco Group A/S ("Selskabet") til afholdelse

Torsdag den 26. marts 2020 kl. 16.30
på IDA Conference, Kalvebod Brygge 31-33, 1780 København V

Dagsorden

I henhold til vedtægternes § 8.2 er dagsordenen som følger:

1. Bestyrelsens beretning om Selskabets virksomhed i det forløbne regnskabsår
2. Godkendelse af den reviderede årsrapport

Den reviderede årsrapport findes på www.st-group.com.

3. Anvendelse af overskud eller dækning af underskud i henhold til den godkendte årsrapport

Bestyrelsen foreslår, at Selskabet udbetaler et udbytte for regnskabsåret 2019 på DKK 6,10 pr. aktie à DKK 1.

4. Godkendelse af bestyrelsens og bestyrelsesudvalgenes honorar

Bestyrelsen foreslår, at bestyrelsens vederlag for regnskabsåret 2020 fastsættes som følger:

- *Ordinære bestyrelsesmedlemmer vil modtage et årligt basisvederlag på DKK 400.000*
- *Formanden vil modtage et vederlag svarende til tre gange det årlige basisvederlag*
- *Næstformanden vil modtage et vederlag svarende til to gange det årlige basisvederlag*
- *Formanden for revisionsudvalget vil modtage et vederlag svarende til 75 % af det årlige basisvederlag*
- *Øvrige medlemmer af revisionsudvalget vil modtage et vederlag svarende til 37,5 % af det årlige basisvederlag*

- *Formanden for hhv. vederlagsudvalget og nomineringsudvalget vil modtage et vederlag svarende til 25 % af det årlige basisvederlag*
- *Medlemmer af hhv. vederlagsudvalget og nomineringsudvalget vil modtage et vederlag svarende til 12,5% af det årlige basisvederlag*

Vederlaget til formændene for og medlemmerne af udvalgene er i tillæg til deres vederlag som formand, næstformand eller medlem af bestyrelsen. I tillæg til ovenstående kan Selskabet betale sociale afgifter og lignende pligtige afgifter, der opkræves Selskabet af udenlandske myndigheder i relation til bestyrelsesmedlemmernes honorar. Selskabet kan endvidere betale eventuelle udlæg og rejseomkostninger, der måtte være forbundet med bestyrelsesmedlemmernes arbejde i bestyrelsen.

5. Valg af bestyrelsesmedlemmer

I henhold til vedtægternes § 11.1 er alle generalforsamlingsvalgte bestyrelsesmedlemmer valgt for en periode på ét år.

Bestyrelsen foreslår genvalg af samtlige bestyrelsesmedlemmer:

Nigel Northridge (formand), Henrik Brandt (næstformand), Dianne Neal Blixt, Luc Missorten, Anders Obel, Marlene Forsell og Claus Gregersen.

Oplysninger om kandidaterne er vedlagt denne meddelelse og findes også på Selskabets hjemmeside (www.st-group.com).

6. Valg af revisor(er)

I henhold til vedtægternes § 16.1 er den generalforsamlingsvalgte revisor på valg. Bestyrelsen foreslår, at PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab genvælges som Selskabets revisor i overensstemmelse med revisionsudvalgets anbefaling. Revisionsudvalget er ikke blevet påvirket af nogen tredjepart, og udvalget har ikke været underlagt nogen kontraktlige klausuler med tredjepart, som begrænser generalforsamlingens valg af visse revisorer eller revisionsfirmaer.

7. Eventuelle forslag fra bestyrelsen og/eller aktionærerne

Bestyrelsen har ikke modtaget nogen forslag fra aktionærerne. Bestyrelsen har stillet følgende forslag:

7A. Forlængelse af bemyndigelser til bestyrelsen til at forhøje Selskabets aktiekapital uden fortegningsret for de eksisterende aktionærer

Bestyrelsen foreslår, at de eksisterende bemyndigelser til at forhøje Selskabets aktiekapital uden fortegningsret for de eksisterende aktionærer i vedtægternes §§ 5.1-5.2, der udløber den 31. december 2020, forlænges med en periode på 5 år, dvs. indtil den 26. marts 2025. Bortset fra perioden er der ingen ændringer til bestemmelserne.

Den ændrede ordlyd til de foreslåede bemyndigelser i §§ 5.1-5.2 er som følger:

"5.1 Bestyrelsen er i perioden indtil den 26. marts 2025 bemyndiget til at forhøje aktiekapitalen ved kontant indskud, apportindskud og/eller gældskonvertering ad en eller flere gange ved tegning af nye aktier med indtil nominelt DKK 10.000.000. Forhøjelsen skal ske til markedskurs.

De nye aktier skal være omsætningspapirer og skal udstedes på navn samt noteres på navn i selskabets ejerbog. Der skal ikke gælde indskrænkninger i de nye aktiers omsættelighed. De hidtidige aktionærers fortegningsret skal ikke gælde. De nye aktier skal have samme rettigheder som selskabets eksisterende aktier.

5.2 Bestyrelsen er i perioden indtil den 26. marts 2025 bemyndiget til at forhøje aktiekapitalen ad en eller flere gange ved kontant indbetaling med indtil i alt nominelt DKK 1.000.000 aktier ved at tilbyde selskabets eller dettes datterselskabers direktører eller medarbejdere at tegne aktierne til en kurs, der er lavere end markedskursen.

De nye aktier skal være omsætningspapirer og skal udstedes på navn samt noteres på navn i selskabets ejerbog. Der skal ikke gælde indskrænkninger i de nye aktiers omsættelighed. De hidtidige aktionærers fortegningsret skal ikke gælde. De nye aktier skal have samme rettigheder som selskabets eksisterende aktier."

7B. Forlængelse af bemyndigelse til bestyrelsen til at lade Selskabet købe egne aktier

Bestyrelsen foreslår, at den eksisterende bemyndigelse til at lade Selskabet købe egne aktier i vedtægternes § 6.1, der udløber den 31. december 2020, forlænges med en periode på 5 år, dvs. indtil den 26. marts 2025. Bortset fra perioden er der ingen ændringer til bestemmelsen. Den ændrede ordlyd til den foreslåede bemyndigelse i § 6.1 er som følger:

"6.1 Bestyrelsen er i perioden indtil den 26. marts 2025 autoriseret til at lade selskabet erhverve egne aktier for indtil nominelt DKK 10.000.000 til den på erhvervelses-tidspunktet gældende børskurs med en afvigelse på op til 10%."

7C. Ændring af vedtægtsbestemt dagsorden

Bestyrelsen foreslår, at dagsordenen i vedtægternes § 8.2 tilføjes nyt punkt 3, hvilket skyldes indførelsen af en ny § 139b i selskabsloven vedrørende vederlagsrapport. Bortset fra nyt punkt 3 er der ingen ændringer til bestemmelsen.

Den ændrede ordlyd til den foreslåede dagsorden i § 8.2 er som følger:

"På den ordinære generalforsamling skal dagsordenen indeholde følgende punkter:

- 1. Bestyrelsens beretning om selskabets virksomhed i det forløbne regnskabsår.*
- 2. Godkendelse af den reviderede årsrapport.*
- 3. Præsentation af og vejledende afstemning om godkendelse af vederlagsrapporten.*
- 4. Godkendelse af bestyrelsens og bestyrelsesudvalgenes honorar.*
- 5. Anvendelse af overskud eller dækning af underskud i henhold til den godkendte årsrapport.*
- 6. Valg af bestyrelsesmedlemmer.*
- 7. Valg af revisor(er).*

8. Eventuelle forslag fra bestyrelsen og/eller aktionærerne."

7D. Godkendelse af revideret vederlagspolitik

Bestyrelsen foreslår, at generalforsamlingen godkender en revideret vederlagspolitik. Den reviderede vederlagspolitik gælder for Selskabets bestyrelse og direktion og er udarbejdet i overensstemmelse med selskabslovens §§ 139 og 139a og de seneste anbefalinger for god Selskabsledelse udstedt af Komitéen for god Selskabsledelse.

Vederlagspolitikken erstatter Selskabets nuværende vederlagspolitik, der blev godkendt på generalforsamlingen den 15. januar 2016.

Den reviderede vederlagspolitik vil, såfremt den godkendes, gælde for aftaler om vederlag og incitamentsafklønning, der indgås for regnskabsåret 2020 og efterfølgende regnskabsår.

Den fulde ordlyd af den reviderede vederlagspolitik for Selskabet er vedhæftet som bilag 1 til denne indkaldelse.

Hvis den reviderede vederlagspolitik godkendes, vil henvisningen til de nuværende retningslinjer for incitamentsafklønning i § 13.1 i Selskabets vedtægter blive slettet.

VEDTAGELSESKRAV

Vedtagelse på generalforsamlingen af forslagene under dagsordenens pkt. 7A, 7B og 7C kræver, at mindst 2/3 af både de afgivne stemmer og af den på generalforsamlingen repræsenterede aktiekapital stemmer for forslaget. Øvrige forslag på dagsordenen kan vedtages ved simpelt stemmeflertal, jf. vedtægternes § 10.2.

REGISTRERING, ADGANG OG FULDMAGT

Registreringsdato

I henhold til vedtægternes § 9.4 fastsættes en aktionærs ret til at deltage i generalforsamlingen og det antal stemmer, som aktionæren kan afgive, i forhold til antallet af aktier, som aktionæren besidder den 19. marts 2020 kl. 23.59 (*registreringsdatoen*). De aktier, som den enkelte aktionær besidder, opgøres på registreringsdatoen på baggrund af aktionærens aktiebeholdning som noteret i ejerbogen samt i henhold til meddelelser om ejerforhold, som Selskabet har modtaget med henblik på indføring i ejerbogen, men som endnu ikke er indført på registreringsdatoen.

Tilmeldingsfrist

En aktionær eller dennes fuldmægtig, som ønsker at deltage i generalforsamlingen, skal tilmelde sig og bestille adgangskort på Investorportalen på Selskabets hjemmeside (www.st-group.com) eller ved at printe tilmeldingsblanketten på hjemmesiden og sende den til Computershare A/S, Lottenborgvej 26D, 2800 Kongens Lyngby, e-mail gf@computershare.dk, så den er Computershare i hænde senest den 20. marts 2020 kl. 23.59.

Adgangskort

Adgangskort vil udelukkende være elektroniske, og de vil derfor ikke blive udsendt med almindelig post. Aktionærer, der ønsker at deltage i generalforsamlingen, bedes derfor registrere den e-mailadresse, som adgangskortet skal sendes til, på Investorportalen på Selskabets hjemmeside (www.st-group.com).

Aktionærer, der har bestilt adgangskort til generalforsamlingen, har følgende muligheder:

- print adgangskortet og medbring det til generalforsamlingen,
- medbring adgangskortet elektronisk på en smartphone eller tablet, eller

- få adgangskortet udleveret på generalforsamlingen ved at fremvise ID.

Fuldmagt og brevstemmer

Hvis du er forhindret i at deltage i generalforsamlingen, kan du give fuldmagt til at afgive de stemmer, der er knyttet til dine aktier. Fuldmagt kan afgives direkte på Investorportalen på Selskabets hjemmeside (www.st-group.com), eller du kan printe en fuldmagtsblanket fra hjemmesiden og sende den i underskrevet og dateret stand til Computershare A/S, Lottenborgvej 26D, 2800 Kongens Lyngby, e-mail gf@computershare.dk. Fuldmagten skal være modtaget af Computershare senest den 20. marts 2020 kl. 23.59.

Aktionærer har også mulighed for at afgive brevstemme direkte på Investorportalen på Selskabets hjemmeside (www.st-group.com) senest den 25. marts 2020 kl. 23.59. Stemmesedlen kan også printes fra Selskabets hjemmeside og sendes i underskrevet og dateret stand til Computershare A/S, Lottenborgvej 26D, 2800 Kongens Lyngby, e-mail gf@computershare.dk. Brevstemmesedlen skal være Computershare A/S i hænde senest den 25. marts 2020 kl. 23.59. Når brevstemmen er modtaget, kan aktionæren ikke trække den tilbage.

SPROG

I henhold til vedtægternes § 9.7 vil sproget på generalforsamlingen være engelsk. Aktionærer kan vælge at tale på dansk eller engelsk.

AKTIEKAPITALENS STØRRELSE OG STEMMERET

Selskabets aktiekapital udgør DKK 100.000.000 fordelt på 100.000.000 aktier à DKK 1. I henhold til vedtægternes § 9.1 giver hver aktie à nominelt DKK 1 én stemme på generalforsamlingen.

DAGSORDEN M.V.

Den komplette, uforkortede tekst til de dokumenter, der skal fremlægges på generalforsamlingen, herunder det samlede antal aktier og stemmerettigheder på tidspunktet for indkaldelsen, dagsordenen, de fuldstændige forslag, fuldmagtsblanketter og stemmesedler, den reviderede årsrapport og forslaget til vederlagspolitik findes på Selskabets hjemmeside (www.st-group.com).

SPØRGERET

I henhold til vedtægternes § 9.6 har aktionærerne ret til at stille skriftlige spørgsmål til Selskabets ledelse om forhold af betydning for bedømmelsen af årsrapporten og Selskabets stilling eller af betydning for andre forhold, der er til behandling på generalforsamlingen. Aktionærerne kan også stille spørgsmål til Selskabets ledelse på generalforsamlingen.

PERSONDATA

I forbindelse med generalforsamlingen indsamler, behandler og opbevarer Selskabet visse personoplysninger. I den forbindelse henvises til Selskabets Privacy Policy og Cookie Policy, som er tilgængelige på Selskabets hjemmeside (www.st-group.com).

Scandinavian Tobacco Group A/S

Bestyrelsen

For yderligere information kontakt venligst:

Forespørgsler fra investorer:

Torben Sand, Head of Investor Relations

telefon: +45 5084 7222 eller torben.sand@st-group.com

Forespørgsler fra medier:

Simon Mehl Augustesen, Director of Group Communications

telefon: +1 484-379-8725 eller simon.augustesen@st-group.com

BESTYRELSESKANDIDATER

Nigel Northridge (Formand)

Uafhængig

Født 1956, irsk statsborger

Medlem af bestyrelsen siden 2016, næstformand i 2016 og formand i 2017. Formand for vederlagsudvalget og nomineringsudvalget.

Uddannelsesbaggrund:

- HND i virksomhedsstudier fra Northern Ireland Polytechnic, Sullivan Upper School, Belfast

Kompetencer:

- Omfattende erfaring som direktør i den internationale tobaksindustri
- Erfaring som direktør og bestyrelsesmedlem i børsnoterede selskaber
- Salg og markedsføring af hurtigt omsættelige forbrugsvarer (FMCG)

Udvalgte tidligere poster:

- Administrerende direktør for Gallaher Group PLC 2000-2007
- I en række stillinger inden for salg, marketing og generel ledelse i Gallaher Tobacco Ltd. koncernen (senere Gallaher Group PLC) i Storbritannien og udlandet, før han i 1993 blev udpeget til bestyrelsen, hvor han sad 1993-2000

Bestyrelsesposter og lignende:

- Formand i Belfast City Airport og director i London Irish Holdings Ltd

Henrik Brandt (Næstformand)

Uafhængig

Født 1955, dansk statsborger

Medlem af bestyrelsen siden 2017, næstformand i 2017. Medlem af vederlagsudvalget og nomineringsudvalget.

Uddannelsesbaggrund:

- MBA fra Stanford University
- Cand.merc. i økonomi fra Copenhagen Business School

Kompetencer:

- Omfattende erfaring med ledelse af internationale børsnoterede og private virksomheder og investeringsselskaber
- Salg og markedsføring af hurtigt omsættelige forbrugsvarer (FMCG)
- Strategisk forretningsudvikling

Udvalgte tidligere poster:

- Administrerende direktør i Royal Unibrew A/S 2008-2017
- Administrerende direktør i Unomedical a/s 2003-2008
- Administrerende direktør i Sophus Berendsen A/S 1999-2002
- Administrerende direktør i House of Prince A/S og koncerndirektør i Skandinavisk Tobakskompagni A/S 1992-1999
- Administrerende direktør i Fritz Hansen A/S 1989-1992
- Administrerende direktør i Kevi A/S 1987-1989

Bestyrelsesposter og lignende:

- Formand i Toms Gruppen A/S, Rockwool International A/S, Fritz Hansen A/S, Intervare A/S (og dets datterselskab nemlig.com A/S) og Danish Bake Holding ApS (Ole & Steen)
- Medlem af bestyrelsen i Ferd Holding as, Gerda & Victor B. Strands Fond og Gerda & Victor B. Strand Holding A/S

Dianne Neal Blixt

Uafhængig

Født 1959, amerikansk statsborger

Medlem af bestyrelsen siden 2016. Medlem af revisionsudvalget.

Uddannelsesbaggrund:

- Kandidatgrad i virksomhedsledelse og økonomi fra University of North Carolina, Greensboro

Kompetencer:

- Omfattende erfaring inden for forretningsanalyse
- Ekspertise inden for økonomistyring og rapportering
- Betydelig indsigt i den amerikanske tobaksindustri

Udvalgte tidligere poster:

- Medlem af bestyrelsen i Lorillard, Inc. 2011-2015
- Executive Vice President og økonomidirektør i Reynolds American, Inc. 2004-2007
- Diverse stillinger i Reynolds American og dets datterselskaber 1988-2003
- Executive Vice President og økonomidirektør i R. J. Reynolds Tobacco Holdings, Inc. 2003-2004

Bestyrelsesposter og lignende:

- Formand i National Sports Media Association
- Medlem af bestyrelsen i Ameriprise Financial Services, Inc. og Reynolda House Museum of American Art

Luc Missorten

Uafhængig

Født 1955, belgisk statsborger

Medlem af bestyrelsen siden 2016. Medlem af revisionsudvalget, vederlagsudvalget og nomineringsudvalget.

Uddannelsesbaggrund:

- Juridisk grad fra The Catholic University of Leuven
- Diplom i Videregående Europæiske Studier ved Europakollegiet, Bruges
- Master of Laws fra University of California, Berkeley

Kompetencer:

- Erfaring som direktør og bestyrelsesmedlem
- Omfattende erfaring inden for finansiel ledelse af internationale koncerner

Udvalgte tidligere poster:

- Administrerende direktør i Corelio NV 2007-2014
- Koncernøkonomidirektør og Executive Vice President for Finance i UCB S.A. 2004-2007
- Executive Vice President og økonomidirektør i Inbev S.A. (nu ABI) 1995-2003

Bestyrelsesposter og lignende:

- Formand i Ontex Group NV
- Medlem af bestyrelsen i Barco NV, Recitel NV/SA, GIMV NV og Mateco sarl

Anders Obel

Uafhængig

Født 1960, dansk statsborger

Medlem af bestyrelsen siden 2018.

Uddannelsesbaggrund:

- Bachelor i økonomi og virksomhedsledelse fra Copenhagen Business School

Kompetencer:

- Omfattende erfaring med ledelse af industrielle virksomheder og investeringsselskaber
- Strategisk forretningsudvikling
- Økonomisk og finansiel ekspertise

Udvalgte tidligere poster:

- Medlem af bestyrelsen i Forenet Kredit f.m.b.a., Nykredit Holding A/S og Nykredit Real-kredit 2009-2017
- Medlem af bestyrelsen i Scandinavian Tobacco Group A/S 2010-2016
- Vice President i Gemini Consulting/Cap Gemini 1996-2002
- Diverse stillinger (blandt andet Manager) i Hambros Bank Plc. 1985-1996

Bestyrelsesposter og lignende:

- CEO i C.W. Obel A/S
- Formand i C.W. Obel Bolig A/S, C.W. Obel Ejendomme A/S, Obel-LFI Ejendomme A/S, Semco Maritime A/S, Semco Maritime Holding A/S, Goodvalley A/S, Anders Christen Obel ApS og Haxholm v/ Anders Christen Obel
- Næstformand i Fritz Hansen A/S og Skandinavisk Holding A/S
- Medlem af bestyrelsen i Scandinavian Tobacco Group's Gavefond, Erhvervsinvest Management A/S, Mink-papir A/S, PAL-CUT A/S, C.W. Obels Fond, Danmark-Amerika Fondet, Fonden Det Obelske Jubilæumskollegium, Mullerupgaard- og Gl. Estrupfonden, Høvdingsgaard Fonden, Skjørringefonden, Woodmancott Fonden, Kilsmark A/S og Rexholm A/S

Marlene Forsell

Uafhængig

Født 1976, svensk statsborger

Medlem af bestyrelsen siden 2019. Formand for revisionsudvalget.

Uddannelsesbaggrund:

- Kandidatgrad i økonomi fra Handelshögskolan i Stockholm

Kompetencer:

- Omfattende erfaring med og indsigt i økonomiske forhold
- Resultatstyret virksomhedsledelse
- Rapporteringsprocesser i børsnoterede selskaber
- Betydelig indsigt i tobaksindustrien

Udvalgte tidligere poster:

- Senior Vice President og økonomidirektør i Swedish Match AB 2013-2018
- Medlem af bestyrelsen i Scandinavian Tobacco Group A/S 2014-2017
- Diverse stillinger i Swedish Match koncernen, herunder Vice President Group Reporting og Vice President Business Control 2004-2013
- Analytiker i Ernst & Young 2001-2004

Bestyrelsesposter og lignende:

- Medlem af bestyrelsen i Kambi Group plc, Lime Technologies AB og Nobia AB

Claus Gregersen

Ikke uafhængig

Født 1961, dansk statsborger

Medlem af bestyrelsen siden 2019. Medlem af vederlagsudvalget og nomineringsudvalget.

Uddannelsesbaggrund:

- HD Finansiering

Kompetencer:

- Bestyrelseserfaring fra private-, internationale- og offentlige virksomheder
- Ledelseserfaring fra danske og internationale virksomheder
- Omfattende erfaring med M&A, kapitalmarkeder, strategiuudvikling, risikostyring og drift

Udvalgte tidligere poster:

- CEO og lantedirektør i Carnegie Investment Bank 2010-2017
- Partner, Select Partners, Asset Management 2005-2010

Bestyrelsesposter og lignende:

- CEO i Chr. Augustinus Fabrikker Aktieselskab
- Formand i Vækstfonden, Skandinavisk Holding A/S, Skodsborg Sundhedscenter A/S, Kurhotel Skodsborg A/S, Rungsted Sundpark A/S og Skodsborg Sundpark A/S
- Næstformand i Jeudan A/S
- Medlem af bestyrelsen i Gyldendal A/S, Fritz Hansen A/S, Tivoli A/S, Axcel Future, Scandinavian Tobacco Group's Gavefond og Søren Gyldendal Fonden
- Medlem af direktionen i CAF Invest A/S, Ejendomme af 1. januar 2012 ApS og CG61 ApS



SCANDINAVIAN TOBACCO GROUP

REMUNERATION POLICY

of **SCANDINAVIAN TOBACCO GROUP A/S**

Central Business Register (CVR) no. 31 08 01 85



SCANDINAVIAN TOBACCO GROUP

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REMUNERATION POLICY

1. INTRODUCTION

The board of directors ("**Board of Directors**") of Scandinavian Tobacco Group A/S (the "**Company**") has developed this remuneration policy (the "**Remuneration Policy**") applicable to the Company's Board of Directors and Executive Management. It acts as a framework around which their contractual terms and compensation are set, reviewed and managed. For the purpose of this Remuneration Policy, "**Executive Management**" means the members of management of the Company registered with the Danish Business Authority (in Danish: *Erhvervsstyrelsen*).

The Remuneration Policy is prepared in accordance with sections 139 and 139a of the Danish Companies Act (in Danish: *Selskabsloven*) and the Recommendations on Corporate Governance issued by the Danish Committee on Corporate Governance (in Danish: *Komitéen for god Selskabsledelse*).

The Remuneration Policy replaces the Company's remuneration policy that was adopted by the General Meeting on 15 January 2016.

2. GENERAL PRINCIPLES

2.1 Overall objectives

The Company operates on a global scale in a highly competitive, niche industry sector – one which is undergoing rapid change through aspects such as new technology, regulation, societal attitudes and consumer behaviour. It is therefore critical that the Company can:

- attract and retain high calibre, experienced and qualified individuals to its Board of Directors and Executive Management
- incentivise Executive Management to deliver the Company's strategic ambitions, and do so in a way which creates sustained shareholder value
- reward Executive Management appropriately for achieving core short- and long-term business goals, and
- focus Executive Management on managing and growing the Company to ensure its continued sustainability, and in a way which aligns with shareholders' and stakeholders' interests.

This Remuneration Policy has been developed to enable the Company to achieve these objectives.

2.2 Alignment with strategy and shareholders' interests

The Board of Directors has designed the Remuneration Policy to align with the Company's strategy and suitably reflect shareholders' interests. It does this in several ways for the remuneration of the Executive Management:



SCANDINAVIAN TOBACCO GROUP

- a significant proportion of the total remuneration package is variable, ensuring reward is linked to business performance
- the variable pay package includes longer-term strategic goals, promoting emphasis on sustainable growth
- incentive plan metrics are taken from the business plans agreed by the Board of Directors, and they are targeted in such a way as to discourage excessive risk taking or other behaviours which would not be in the Company's or shareholders' interests
- shares are used in the long-term incentive plan to give executives a stake in the business and, through share price development and capital returns, aligns their interests with those of shareholders, which is further strengthened through the requirement of executives to hold shares at a specified salary percentage
- a clawback provision ensures that remuneration can be recouped under specific circumstances.

2.3 Governance and conflicts of interests

The remuneration of the Board of Directors and Executive Management is overseen by the Remuneration Committee (the “**Committee**”), which is a committee of the Board of Directors. It discharges its responsibilities to shareholders in accordance with its terms of reference, which are available on the Company's website www.st-group.com. In carrying out its duties and making proposals to the Board of Directors, the Remuneration Committee will take account of statutory requirements, prevailing corporate governance standards, best practice and the feedback from shareholders and other relevant third parties.

Measures are in place to avoid conflicts of interest from occurring. No member of the Executive Management will be present during a Committee meeting when his or her own personal remuneration is being discussed. External impartial third parties are used when appropriate. The Remuneration Committee and the Board of Directors use remuneration advisers that are not the same as those that are used by Executive Management concerning their own remuneration.

The Remuneration Policy and the remuneration of the Board of Directors are approved by shareholders at the General Meeting. The remuneration of the Executive Management is approved by the Board of Directors based on proposals from the Remuneration Committee and is disclosed in the Company's annual remuneration report.

2.4 Temporary exceptions

In order to safeguard the Company's interests, the Board of Directors may in individual extraordinary cases, and based on a recommendation of the Remuneration Committee, determine that it is appropriate to make a temporary exception to clause 4.5 (that PSUs are converted into shares) and clause 4.9, last sentence (the 100% maximum) .

Should making such an exception be necessary, the Board of Directors is obliged to explain the reasons behind the exception at the Company's next General Meeting and include a description thereof in the remuneration report presented at that General Meeting. The exceptions could be for reasons of unforeseen



company or individual circumstances and would only be made if it is considered necessary and in the interests of shareholders.

3. THE BOARD OF DIRECTORS

3.1 Appointment term and notice period

Members of the Board of Directors are elected for one year at a time by the General Meeting. Employee-elected members of the Board of Directors are elected for a four-year term.

3.2 Fees

Members of the Board of Directors receive a fixed annual base fee, which is paid to them in cash. Ordinary Board members receive a fixed amount, while the Chairman and the Vice-chairman receive multiples thereof. To reflect the additional time commitment and responsibility of chairing or attending a Board committee, fixed annual fees are additionally paid to Board members who undertake such supplementary duties.

If the Board of Directors instructs a Board member to perform specific ad hoc tasks beyond the Board member's ordinary duties, or if there is a temporary increase in the time required to carry out their normal duties, such Board member may receive separate supplementary fixed remuneration in this regard. Such remuneration shall be subject to the prior or subsequent approval by the General Meeting and shall be reported in the Remuneration Report.

The Company does not provide any incentive-based remuneration nor retention or termination benefits, or retirement benefits for appointments to its Board of Directors. Employee-elected members of the Board of Directors may receive such remuneration and benefits in connection with their employment within the wider Company.

The Company may pay and cover social security charges and similar taxes imposed by foreign authorities in relation to Board members' fees.

3.3 Review process

The remuneration of the Board of Directors is assessed annually. The amounts and structure of their fees are benchmarked against other relevant international companies of similar size and complexity, taking into account the industry sector and the location of the Company's head office. The review process also takes into consideration prevailing governance practice, the roles' scope, time commitments and the expertise required of the Board members. Fee recommendations are referred to the Board of Directors. The final proposal is approved by the General Meeting for the current financial year.

3.4 Expenses

Expenses incurred by members of the Board of Directors in performing their duties, such as travel, subsistence and accommodation, will be reimbursed by the Company. Expenses relating to any training that Board members receive would also be reimbursed.

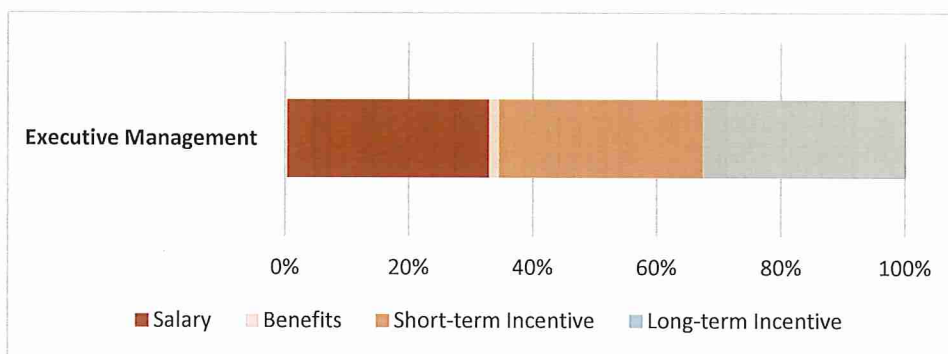


4. EXECUTIVE MANAGEMENT

4.1 Principal terms

The remuneration package consists of a fixed annual base salary, benefits, a short-term incentive and a long-term incentive; the relative proportions of these components are noted in the table below. The combination of these various components aims to create a balanced package – one which reflects the performance of both the Company and the individual executive, as well as the roles' respective scope. The remuneration components are each set at a level to be market competitive and, in the case of incentives, also competitive against different performance scenarios. The relative size of the various components of the remuneration package could vary, but the balance will remain weighted towards variable pay.

Table to show the configuration of the Executive Management's total remuneration package, at maximum



Notes to the table:

1. Benefits are noted in accordance with the broad limit specified in section 4.3 below.
2. Incentives reflect the overall maximum opportunities as specified in sections 4.4 and 4.5 below, excluding share price development and dividends, and assume that the plans' performance KPIs are achieved in full.

4.2 Annual base salary and pension

As is common in Denmark for executive positions, the base salary is usually inclusive of company-provided pension allowance, but alternatively the executive may be enrolled in a company pension scheme or receive a separate allowance.

Salaries are usually reviewed annually but it is at the discretion of the Board of Directors whether any increase is applied. Salaries may be adjusted outside of the normal review cycle in exceptional circumstances, for example, to reflect any material change in role, responsibility, person capability or company context such as a significant acquisition.

Salaries are set at a level to attract and retain individuals who have the necessary skills, experience, attributes and qualifications to successfully lead the business. When determining a salary or reviewing it, the



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Remuneration Committee will consider a number of dimensions including the role's scope, the individual's experience and expertise, the Company's operating conditions, Company performance, external economic indicators and relevant market benchmark assessments. Individual performance is also taken into account, as is information on the broader salary review budgets used elsewhere in the organisation. Market data will be carefully selected using industry peer groups and companies of a similar size, scale and complexity both inside and outside the Nordics. The impact of pay decisions on other elements of the remuneration package is additionally evaluated.

4.3 Benefits and expenses

In line with local market practice, members of the Executive Management may receive a range of employment benefits, including but not limited to paid annual leave, company car or transportation allowance, telephony, internet access, health and related insurances, training and education etc. as approved by the Board of Directors. Where relevant, members of the Executive Management may also receive relocation-related benefits, including relocation costs and allowances for housing or school tuition fees.

The value of the employment benefits represents only a small part of the total remuneration of the individual members of the Executive Management, typically no more than 5% of their annual base salary.

Expenses incurred by Executive Management related to business travel, conferences, education and similar are reimbursed in line with the Company's relevant policies.

4.4 Short-term incentive

The short-term incentive arrangement ("**Bonus Plan**") gives focus to the Company's annual priorities and is intended to contribute to the execution of strategy.

Bonus payments can be up to 100% of annual base salary.

The amount of bonus payable is based on performance against key performance indicators ("**KPIs**") which are targeted against the financial year in question. These KPIs are defined annually by the Board of Directors on the recommendation of the Remuneration Committee and can be both financial and non-financial in nature. In determining the performance criteria, the Board of Directors takes into consideration the strategic and operational business plans, in addition to the longer-term sustainability of the Company. The Remuneration Committee will evaluate not only performance against each KPI, but also how the KPIs have been achieved, referencing the Company's values, leadership principles and ethical standards.

Financial performance will typically focus on areas such as profit, cashflow, return on investment and elements of the balance sheet. Non-financial performance can be aligned to specific business objectives such as organisational transformation, or metrics connected to, for example, employee engagement, market share or ESG matters. The KPIs are generally targeted against the performance of the Company and the individual, but they could also relate to the performance of a business division or a specific event, such as an acquisition or disposal. The KPIs can form part of a performance scorecard which is cascaded through the Company to lower management levels. Financial performance will typically account for the larger proportion of the Bonus Plan in years when non-financial KPIs are used.

The KPIs will be targeted against a threshold, on-target and maximum level of performance. The specific targets are intended to promote achievement of the operating plan, with stretch targets aligned to out-



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performance. Awards arising from the Bonus Plan are paid out in cash after adoption of the annual report by the shareholders at the General Meeting.

If an executive joins the Company or is promoted to the Executive Management during the financial year, any bonus award that might be due would be calculated on a pro-rata basis for time served in the role.

4.5 Long-term incentive

The long-term incentive scheme links the reward of Executive Management with the performance of the organization on a long-term horizon, taking into consideration the Company's long-term sustainability. It is also designed to strengthen the executives' retention through the issue of rolling annual grants which are performance based. Shares in the Company are awarded, which aims to ensure a high degree of alignment of the Executive Managements' interests with those of shareholders.

Under the long-term incentive scheme, members of the Executive Management receive an annual grant of Performance Share Units ("PSUs"). The size of the Executive Management's PSU grant is based on a percentage of their current annual base salary divided by the market price of a share of the Company at the time of grant. No payment is due for the grant of a PSU award.

The value of PSUs granted to an executive at the time of the grant will not exceed 100% of the annual base salary then applicable, even assuming a maximum level of performance under the scheme.

If the Company distributes dividends to its shareholders during the performance period, members of the Executive Management will receive additional PSUs equivalent to the dividend that corresponds to the number of PSUs granted to the executive. This approach further aligns Executive Management's interests with that of the shareholders. With approval from the Board of Directors, the size of a PSU grant can be adjusted proportionately during the performance period to reflect changes in the Company's capital structure.

The vesting of shares under the PSUs is subject to the fulfilment in part or in full of one or more KPIs linked to the Company's performance, as defined by the Board of Directors upon a recommendation from the Remuneration Committee.

The KPIs are usually measured over three financial years and are targeted to promote stretching yet achievable levels of performance. The KPIs are generally financial in nature but could also include market or strategic measures and assessed on an absolute or relative basis. If performance is not reached at a threshold level, no shares will vest and no compensation in lieu of them will be provided if this occurs. No additional remuneration is made if the maximum target is exceeded. The Remuneration Committee may recommend to the Board of Directors that the performance period is increased or that a holding period is applied to any vested shares such that the total time of each grant cycle is up to five years in duration.

Newly-recruited members of the Executive Management will, in their first year of employment, receive a grant of PSUs, which can be adjusted to reflect when the employment began within the performance period.

If the executive terminates the employment, and the termination is not caused by the Company's material breach, or if the Company terminates the employment with or without notice due to the executive's gross misconduct, any granted PSUs will lapse from the date of the notice.



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Executives who are under notice are excluded from receiving a grant of PSUs unless to do so would breach local employment law.

If the Company terminates the executive's employment subject to his or her notice period for other reasons than misconduct on the part of the executive, or if the employment terminates at a point in time at which the executive is entitled to old-age pension, the PSUs shall continue on unchanged terms as if the employment had continued, but pro-rated to the period of active service. In the event, that the executive dies during the term of employment, his/her estate/beneficiaries shall have the right to succeed in the PSUs. Performance will normally be measured at the usual time. The Remuneration Committee will exercise judgement in the case of other leaving reasons.

In the event of a change in control over the Company, the Board of Directors may decide to allocate shares corresponding to some or all of the PSUs that have been granted, having regard to performance against the KPIs. Upon completion of a change in control, any remaining PSUs shall terminate without notice and without compensation. Alternatively, the Board of Directors may determine to roll over any unvested PSUs into a new plan.

4.6 Clawback / adjustment of remuneration

In the event incentive remuneration has been provided to a member of the Executive Management based on data or accounts that were materially and manifestly misstated or due to a mis-calculation or other error, the Company shall have the right to reclaim/claw-back remuneration that was awarded based partly or wholly on such information. In addition to the clawing back of remuneration, the Board of Directors also has the right to make proportionate adjustments by offsetting other remuneration including salary, bonuses yet to be paid and unvested PSU grants.

The recoupment or offsetting of remuneration that is paid and/or vested is subject to the application of any applicable legislation and contractual terms that are in place governing awards made prior to the adoption of this Remuneration Policy.

4.7 Share ownership

Members of the Executive Management are required to build a holding of shares in the Company, subject to terms determined by the Board of Directors. The shareholding levels are noted below:

- CEO: 100% of annual base salary
- other members of the Executive Management: 35% of annual base salary

The holding is accumulated over a period and, once the level has been reached, it must be maintained until the executive leaves the Company. PSUs do not count towards the holding. During the accumulation period, shares may be sold to cover tax and any other statutory liabilities associated with their acquisition, and for other circumstances as may be determined by the Remuneration Committee.

4.8 Notice periods, termination and severance

Employment agreements with members of the Executive Management are normally ongoing (i.e. without a fixed term) and the notice period on the part of the Company for the members of Executive Management can be up to 24 months. The Board of Directors will have regard to relevant corporate governance practice



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and may incorporate shorter notice periods for new appointments. The notice period on the part of the individual members of the Executive Management shall be at least six months.

The Board of Directors envisages that only in exceptional circumstances would change of control benefits (e.g. prolonged termination notice or right to terminate the employment with rights as if terminated by the company) be provided in the future to new members of the Executive Management. Full disclosure of such terms would be given to shareholders in the remuneration report, as is the case for the current members of the Executive Management.

The aggregate severance pay, if any, during the notice period, including salary during the notice period (but excluding any incentive programs granted prior to termination and any potential compensation for a non-competition clause) cannot exceed an amount corresponding to 24 months of total remuneration. The Board of Directors may determine that the severance pay is remitted on a phased monthly basis and that mitigation applies, i.e. to offset, if other remunerative work is initiated prior to the expiry of the notice period.

In order to protect the Company's interests, members of the Executive Management are normally subject to a non-competition restriction covering the tobacco industry sector of up to 24 months without compensation. The Board of Directors can waive or amend the terms of the restricted covenant, including potential payment of compensation, but will not lengthen the duration of it.

4.9 Exceptional recruitment remuneration

The Board of Directors may award newly-appointed members of the Executive Management an extra-ordinary one-off cash and/or share-based award in connection with their recruitment, which could be with or without performance conditions attached. This could be to compensate for items such as forfeited remuneration or costs associated with the executive leaving an appointment to join the Company. As a point of principle, any exceptional remuneration would be subject to ongoing employment for a specified time period and only made where loss could be substantiated, or it was in shareholders' interests. An exceptional award may not exceed 100% of the Executive's annual maximum total remuneration.

4.10 Exceptional legacy remuneration

The Company's remuneration report contains full disclosure of the legacy compensatory payments to Mr Frederiksen in lieu of a contractual early retirement benefit.

5. RELATIONSHIP TO THE REMUNERATION PAID TO EMPLOYEES

In preparing the Remuneration Policy the Board of Directors considered the remuneration and employment terms of the Company's other employees. The Board of Directors is comfortable that there is an appropriate alignment of the principles on how pay and other package elements are set and reviewed for executives with those of the wider organisation. This is particularly so when taking into consideration market practice for comparable listed companies as well as the roles, overall responsibility, duties and qualifications of the individual members of the Board of Directors and the Executive Management compared to the Company's other employees.

The short-term incentive program offered to the Executive Management and that offered to a wider group of



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key employees are aligned in terms of the areas they measure and how performance is assessed. The long-term incentive programme is specific to the Executive Management and a senior leadership team and is consistent across the participating group in terms of its KPIs and structure. The Executive Management's notice periods are longer than those that apply to other employees in the Company. The Board considers the terms appropriate in light of prevailing market practice.

6. ADOPTION, PUBLICATION, REVIEW AND AMENDMENT OF THE REMUNERATION POLICY

The Remuneration Policy has been approved by the shareholders of the Company at the annual General Meeting held on 26 March 2020. The Remuneration Policy is applicable to incentive programs with respect to the financial year 2020 and subsequent financial years.

The Remuneration Policy is available on the Company's website (www.st-group.com) where its date of adoption also appears.

The Remuneration Policy will be reviewed by the Remuneration Committee on an annual basis. All changes to the Company's Remuneration Policy must be adopted by the Board of Directors. Material changes must be approved by the Company's shareholders at a General Meeting. The Remuneration Policy must be approved by the General Meeting at least once every four years.

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