



SCANDINAVIAN TOBACCO GROUP

Company Announcement 14/2024

Copenhagen, 12 March 2024

NOTICE CONVENING THE ANNUAL GENERAL MEETING OF SCANDINAVIAN TOBACCO GROUP A/S

In accordance with Article 7 of the Articles of Association, notice is hereby given of the annual general meeting of Scandinavian Tobacco Group A/S (the "Company") to be held on

Thursday 4 April 2024 at 4.30 pm. (CEST)
at the office of Kromann Reumert, Sundkrogsgade 5, 2100 Copenhagen Ø

Follow the general meeting via webcast

Instead of attending in person, our shareholders have the opportunity to follow the general meeting via live webcast transmission on the Investor Portal (available on the website <http://investor.st-group.com>). The general meeting and the webcast will commence on 4 April 2024 at 4.30 pm. (CEST). Please note that it is not possible to participate actively in the general meeting, i.e. ask questions or vote, if you follow the general meeting via webcast.

Agenda

In accordance with Article 8.2 of the Articles of Association, the agenda of the meeting is as follows:

- 1. Report of the Board of Directors on the Company's activities during the past financial year**
- 2. Adoption of the audited annual report**

The audited annual report is available on www.st-group.com.

- 3. Appropriation of profit as recorded in the adopted annual report**

The Board of Directors proposes to the general meeting that the Company pays for the financial year 2023 a dividend of DKK 8.40 per share of DKK 1.

- 4. Presentation of the Company's remuneration report for an advisory vote**

The remuneration report is available on www.st-group.com.

- 5. Adoption of the remuneration of the Board of Directors and Board committees**

The Board of Directors proposes that the remuneration of the Board of Directors for the financial year 2024 be as follows:

To align with general market practice, the Board of Directors proposes that the fee to the chair of the Remuneration Committee and Nomination Committee, respectively, is increased from 25 percent to 50 percent of the base annual fee, and that the fee to the other members of the Remuneration Committee and Nomination Committee, respectively, is increased from 12.5 percent to 25 percent of the base annual fee. Other than these proposed changes, the proposed fees are unchanged from 2023.

Consequently, the Board of Directors proposes the following remuneration of the Board of Directors:

- Ordinary members of the Board of Directors shall be paid a base annual fee of DKK 440,000*
- The chairman of the Board of Directors shall receive three times the base annual fee*
- The vice-chairman of the Board of Directors shall receive two times the base annual fee*
- The chair of the Audit Committee shall receive a fee corresponding to 75 percent of the base annual fee*
- Other members of the Audit Committee shall receive a fee corresponding to 37.5 percent of the base annual fee*
- The chair of each of the Remuneration Committee and Nomination Committee shall receive a fee corresponding to 50 percent of the base annual fee*
- Other members of the Remuneration Committee and Nomination Committee, respectively, shall receive a fee corresponding to 25 percent of the base annual fee*

The fees for the chair and members of the committees are in addition to their fee as chairman, vice-chairman or member of the Board of Directors. In addition to the above, the Company may, in accordance with the Company's Remuneration Policy, also pay social contributions and similar fees that may be charged by foreign authorities in relation to the fees paid to members of the Board of Directors. Further, the Company may pay travel expenses and other expenses related to the work as a member of the Board of Directors.

Subject to his re-election, Henrik Amsinck (the Board member with special IT competences) shall receive separate supplementary remuneration corresponding to 25 percent of the base annual fee for a specific ad hoc task in relation to the Company's project "OneProcess" (global roll out of ERP SAP S/4HANA).

6. Any proposals by the Board of Directors and/or shareholders

The Board of Directors has not received any proposals from the shareholders.

6A. Reduction of the Company's share capital

The Board of Directors proposes that the Company's share capital is reduced.

On 10 November 2023, the Company announced a share buy-back programme with the purpose to adjust the Company's capital structure and meet obligations relating to the group's share-based incentive programme. The programme will end no later than 28 February 2025.

Some of the treasury shares acquired are proposed to be cancelled resulting in the share capital being reduced by treasury shares of a nominal value of DKK 1,000,000 allocated to nominally DKK 1,000,000 own shares with a nominal value of DKK 1 each. After the reduction, the nominal value of the Company's share capital will be DKK 86,000,000.

Pursuant to section 188 of the Danish Companies Act, notice is hereby given that the purpose of the capital reduction is to cancel part of the Company's portfolio of treasury shares. According to the practice of the Danish Business Authority, this is comparable to a capital reduction for distribution to shareholders, see section 188(1)(2) of the Danish Companies Act. The Company has repurchased the treasury shares that are proposed to be cancelled for the total sum of DKK 118,846,043. This means that in addition to the nominal capital reduction amount, a total of DKK 117,846,043 has been paid out to the Company's shareholders.

Prior to the implementation of the capital reduction, the Company's creditors will be requested to file within a period of 4 weeks any claims they may have against the Company. The request will be published via the Danish Business Authority's IT system. The capital reduction will be implemented after expiry of the said 4-week deadline, unless the capital reduction cannot be implemented at such time under the provisions of the Danish Companies Act.

Adoption of the proposal implies the following amendment of Article 3.1 of the Articles of Association taking effect upon completion of the capital reduction:

"3.1 The company's share capital is nominally DKK 86,000,000, divided into shares of DKK 1 or any multiple thereof."

6B. Adoption of an amendment to the Articles of Association to amend the Indemnification Scheme for members of the Board of Directors and the Executive Management as adopted at the general meeting in 2023.

The Board of Directors proposes that the general meeting adopts amendments to Article 13.3 of the Company's Articles of Association to include a time limit for the indemnification scheme and to clarify that the maximum coverage included in an indemnification agreement shall be within the maximum limit permitted under Danish law. Adoption of the proposal implies that the wording of Article 13.3 in the Articles of Association will be amended and replaced by the following wording (amendments marked in bold):

"13.3

*Any indemnification offered under the Indemnification Scheme to any Indemnitee is subject to the company entering into an indemnification agreement with the Indemnitee setting out the terms and conditions, including a maximum coverage, of the indemnification. **The maximum coverage must be within the maximum limit permitted under Danish law.** The Indemnification Scheme is, and any indemnification agreement shall be made, exclusively for the benefit of the individual Indemnitee, including his/her death estate and compulsory heirs, but no other persons. **Any such indemnification agreement shall terminate and cease to have any further effect not later than on the***

10th anniversary of the Indemnitee ceasing to hold a position as member of the board of directors or executive management of the company.”

6C. Approval of the Remuneration Policy

The Remuneration Policy must be approved by the general meeting at least once every four years. The Company’s current Remuneration Policy was adopted at the annual general meeting held on 26 March 2020, and subsequently amended most recently at the annual general meeting held on 13 April 2023.

The proposed revised Remuneration Policy includes the following amendments to the Company’s current Remuneration Policy:

- a possibility to deviate from the Remuneration Policy in extraordinary circumstances (section 2.4, first paragraph)*
- a mandate to amend KPI targets and calculated results under the short-term incentive plan (section 4.4, sixth paragraph) and long-term incentive plan (section 4.5, seventh paragraph)*
- value of PSUs granted to an executive at the time of the grant will not exceed 150% (from currently 100%) of the annual base salary, even assuming a maximum level of performance (section 4.5, third paragraph)*
- gross misconduct as an additional basis for clawback of remuneration (section 4.6, first paragraph)*
- increased the share-holding requirements for other members of the Executive Management than the CEO from 30% to 50% of base salary (section 4.7), and*
- a few clarifying sentences and minor editorial amendments.*

If approved, the proposed revised Remuneration Policy will apply to agreements on remuneration and incentive pay entered into in the financial year 2024 and subsequent financial years.

The full wording of the proposed revised Remuneration Policy is attached as Annex 1 to this notice.

7. Election of members to the Board of Directors

Pursuant to Article 11.1 of the Articles of Association, all members of the Board of Directors elected by the general meeting are elected for one year at a time.

Claus Gregersen has decided not to stand for re-election. The Board of Directors proposes re-election of the following Board members: Henrik Brandt (Chairman), Henrik Amsinck, Dianne Blixt, Marlene Forsell and Anders Obel. The Board of Directors further proposes election of Jörg Biebernack.

Information about the nominated candidates is enclosed and is also available at the Company’s website (www.st-group.com).

8. Election of auditor(s)

Pursuant to Article 15.1 of the Articles of Association, the auditor elected by the general meeting is up for election annually.

The Board of Directors proposes, in accordance with the Audit Committee's recommendation, to re-elect PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab. The Audit Committee has not been influenced by any third party and no clause of a contract entered into with a third party has been imposed upon it, which restricts the general meeting's choice of certain auditors or audit firms.

The Board of Directors further proposes to elect PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to provide a statement of assurance on the contents of the sustainability reporting in the management's statement in the annual report for the financial year 2024.

VOTING REQUIREMENTS

Adoption of the proposals in items 6A and 6B on the agenda requires adoption by at least 2/3 of both the votes cast and the share capital represented at the general meeting. The other proposals on the agenda may be adopted by a simple majority of votes, see Article 10.2 of the Articles of Association.

REGISTRATION, ADMISSION AND PROXY

Registration date

In accordance with Article 9.4 of the Articles of Association, a shareholder's right to participate in the general meeting and the number of votes, which the shareholder is entitled to cast, is determined in accordance with the number of shares held by such shareholder on 28 March 2024 at 11.59 pm. (CET) (*the registration date*). The shares held by each shareholder are determined at the registration date on the basis of the shareholdings registered in the share register and in accordance with any notices on shareholding received, but not yet registered, by the Company in the share register as of the registration date.

Deadline for notice of attendance

A shareholder or its proxy wishing to attend the general meeting in person must give notice thereof and order admission cards on the Investor Portal at the Company's website, www.st-group.com, no later than 1 April 2024 11.59 pm. (CEST), or by printing the admission card order form found on the Company's website, www.st-group.com, and submitting it to Computershare A/S, Lottenborgvej 26D, 2800 Kongens Lyngby, email gf@computershare.dk, so that it is received by Computershare A/S no later than 1 April 2024 11.59 pm. (CEST).

Admission card

Admission cards will be issued electronically only. Thus, admission cards will not be distributed by ordinary mail. Please register the email address, to which the electronic admission card should be sent, on the Investor Portal at the Company's website, www.st-group.com, when you request the admission card.

Shareholders who have ordered admission cards for the general meeting have the following options:

- print the admission card and bring it to the general meeting, or
- bring the admission card on a smartphone or tablet, or
- collect the admission card at the general meeting upon presentation of proper ID.

Proxy and postal votes

You may appoint a proxy to cast the votes carried by your shares. The proxy must be received by Computershare A/S no later than 1 April 2024 at 11.59 pm. (CEST). The proxy can be submitted electronically via the Investor Portal on the Company's website, www.st-group.com, or by printing the proxy form at the Company's website, www.st-group.com, and submitting it, duly signed and dated, to Computershare A/S, Lottenborgvej 26D, 2800 Kongens Lyngby, email gf@computershare.dk.

Shareholders may also vote by post. Vote by post must be received by Computershare A/S no later than 3 April 2024 at 11.59 pm. (CEST). Vote by post can be submitted electronically on the Investor Portal on the Company's website, www.st-group.com. Alternatively, shareholders can submit the printed, signed and dated postal vote form found at the website to Computershare A/S, Lottenborgvej 26D, 2800 Kongens Lyngby, email gf@computershare.dk. Once a vote by post has been received, the vote cannot be revoked by the shareholder.

LANGUAGE

In accordance with Article 9.7 of the Articles of Association the general meeting will be conducted in English. Shareholders present at the meeting may choose to speak in Danish or English.

SHARE CAPITAL AND VOTING RIGHTS

The Company's share capital is nominally DKK 87,000,000, divided into 87,000,000 shares of DKK 1 each. Article 9.1 of the Articles of Association stipulates that each share of nominally DKK 1 shall carry one vote at the general meeting.

AGENDA ETC.

The complete, unabridged text of the documents to be submitted to the general meeting, including the total number of shares and voting rights as at the date of the notice, the agenda with the full text of all proposals to be submitted to the general meeting, the forms to be used for voting by proxy and by post, as well as the audited annual report (which includes the sustainability reporting) and the remuneration report are available at the Company's website, www.st-group.com.

RIGHT TO INQUIRE

According to Article 9.6 of the Articles of Association, the shareholders have the right to ask questions in writing to the Company's management about matters of significance to the assessment of the annual report and the general position of the Company or the assessment of any matter to be resolved at the general meeting. Shareholders may also ask questions to the management of the Company at the general meeting.

PERSONAL DATA

In connection with the general meeting, the Company collects, processes and retains certain personal data. In this respect reference is made to the Company's Privacy Policy and Cookie Policy, which are available on the Company's website (www.st-group.com).

Scandinavian Tobacco Group A/S
The Board of Directors

For further information, please contact:

Torben Sand, Head of Investor Relations and Communication
phone: +45 5084 7222 or torben.sand@st-group.com

CANDIDATES FOR THE BOARD OF DIRECTORS

Henrik Brandt (Chairman)

Independent

Born in 1955

Nationality: Danish

Joined the board in 2017 and was elected Vice-Chairman. Was elected Chairman in 2022.

Chairman of the Nomination and Remuneration Committees.

Educational background:

- MBA from Stanford University
- Master of Science in Economy, Copenhagen Business School

Competencies:

- Extensive executive and non-executive experience in leading international, publicly listed and private equity businesses
- Sales and marketing of fast-moving consumer goods
- Strategic business development

Selected former positions:

- President and CEO Royal Unibrew A/S 2008-2017
- President and CEO of Unomedical A/S 2003-2008
- President and CEO of Sophus Berendsen A/S (now Berendsen A/S) 1999-2002
- CEO of House of Prince A/S (1990-1999) and Group Executive of Skandinavisk Tobakskompagni A/S 1992-1999
- President and CEO of Fritz Hansen A/S 1989-1992
- President and CEO of Kevi A/S 1987-1989

Directorships and other offices:

- Chairman of the board of Toms Gruppen A/S, Fritz Hansen A/S, Intervare A/S (and its subsidiary nemlig.com A/S) and Gerda & Victor B. Strand Holding A/S
- Member of the board of Gerda & Victor B. Strands Fond/Toms Gruppens Fond and Ferd Holding AS

Henrik Amsinck

Independent

Born in 1961

Nationality: Danish

Joined the Board in 2021.

Educational background:

- Master of Science in Business Economics, Aarhus University

Competencies:

- Executive experience from contributing to the running of large, international and global corporations
- Extensive experience with strategy development, change and program management
- Considerable insight into digital transformation, global IT management and cyber security & compliance
- Experience with retail and online business

Selected former positions:

- CIO and Corporate Management Member in the LEGO Group, 2007-2021
- CIO and board member, TDC Totalløsninger A/S & TDC A/S, 2005-2007
- Finance and IT Director, Management Board Member, AAK A/S, 2004-2005
- CIO, Aarhus Oliefabrik A/S, 1999-2004

Directorships and other offices:

- Member of the board of DSB (Member of the Audit Committee), Eltronic A/S, and Falck Digital Technology Poland Sp. z.o.o.
- CEO and board member of Falck Digital Technology Denmark A/S
- CIO of Falck Danmark A/S

Jörg Biebernick

Independent

Born in 1968

Nationality: German

New candidate for the Board of Directors

Educational background:

- Advanced Management Program, Columbia Business School
- Diplom Kaufmann, Koblenz School of Corporate Management

Competencies:

- Extensive executive experience in leading international and publicly listed businesses
- Sales and marketing of fast-moving consumer goods
- Strategic business development

Selected former positions:

- Various positions within Imperial Brands plc, including President Europe (2020-2022), Interim CEO (2020), Chairman of the Board of Reemtsma Sigarettenfabriken GmbH (2021-2022) 2017-2022
- President Latin America, Kimberley-Clark Corporation 2014-2017
- Vice President Consumer Goods Category, SCA 2012-2013
- Division Vice President & General Manager EMEA, Georgia Pacific LLC 2007-2012
- Various positions in marketing and innovation, Procter & Gamble 1992-2006

Directorships and other offices:

- CEO of Paulaner Brauerei Gruppe GmbH & Co. KGaA

Dianne Blixt

Independent

Born in 1959

Nationality: American

Joined the board in 2016.

Member of the Audit, Nomination and Remuneration Committees.

Educational background:

- Master's degree in Business Administration and Finance, University of North Carolina at Greensboro

Competencies:

- Significant experience in business analysis
- Financial management and reporting expertise
- Considerable insight into the US tobacco industry

Selected former positions:

- Member of the board of directors of Lorillard, Inc. 2011-2015
- Executive Vice President and Chief Financial Officer of Reynolds American, Inc., 2004-2007
- Various positions in Reynolds American and its subsidiaries 1988-2003
- Executive Vice President and Chief Financial Officer of R. J. Reynolds Tobacco Holdings, Inc. 2003-2004

Directorships and other offices:

- Member of the board of Ameriprise Financial Services, Inc. (Chairperson of the Compensation Committee, Member of the Audit and Risk Committee and Member of the Executive Committee), Triad Business Bank (Member of the Operating Risk Committee and Member of the Audit Committee), and Winston-Salem

Police Foundation (Treasurer)

Marlene Forsell

Independent

Born in 1976

Nationality: Swedish

Joined the board in 2019.

Chairman of the Audit Committee.

Educational background:

- Master of Science in Business Administration and Economics, Stockholm School of Economics

Competencies:

- Extensive experience with and insight into financial matters
- Enterprise performance management
- Reporting processes in listed companies
- Considerable insight into the tobacco industry

Selected former positions:

- Senior Vice President and CFO of Swedish Match AB 2013-2018
- Member of the board of Scandinavian Tobacco Group A/S 2014-2017
- Various positions in the Swedish Match group, including Vice President Group Reporting and Vice President Business Control 2004-2013
- Analyst Ernst & Young 2001-2004

Directorships and other offices:

- Member of the board of Kambi Group plc (Chairman of the Audit Committee), Lime Technologies AB (Chairman of the Audit Committee), Nobia AB (Chairman of the Audit Committee), InDex Pharmaceuticals Holding AB (not for re-election at 2024 AGM), AddSecure AB (Chairman of the Audit Committee), and Viedoc Technologies AB

Anders Obel

Independent

Born in 1960

Nationality: Danish

Joined the Board in 2018.

Member of the Audit Committee.

Educational background:

- Bachelor of Science in Economics and Business Administration, Copenhagen Business School

Competencies:

- Extensive experience in management of industrial and investment companies
- Strategic business development
- Economic and financial expertise

Selected former positions:

- Member of the board of directors of Forenet Kredit f.m.b.a., Nykredit Holding A/S and Nykredit Realkredit 2009-2017
- Member of the board of directors of Scandinavian Tobacco Group A/S 2010-2016
- Vice President at Gemini Consulting/Cap Gemini 1996-2002
- Various positions, including Manager, at Hambros Bank Plc., 1985-1996

Directorships and other offices:

- Chairman of the board of 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 (Member of the Audit Committee and the Nomination Committee, and Chairman of the Remuneration Committee), Woodmancott Fonden and Haxholm v/Anders Christen Obel
- Vice Chairman of the board of Fritz Hansen A/S and Skandinavisk Holding A/S
- Member of the board of STG's Gavefond, Minkpapir A/S, Palcut A/S, C.W. Obels Fond, Danmark-Amerika Fondet (Danmarks amerikanske selskab), Fonden Det Obelske Jubilæumskollegium, Mullerupgaard- og Gl. Estrupfonden, Høvdingsgaard Fonden, Skjørringefonden, Aktieselskabet Dampskibsselskabet Orient's Fond, Kilsmark A/S, Rexholm A/S, A/S Motortramp, Skovselskabet af 13. December 2017 A/S and Ejendomsselskabet Amaliegade 49 A/S
- CEO of C.W. Obel A/S, Anders Christen Obel ApS and Det Obelske Familiefond

ANNEX 1

REMUNERATION POLICY

of **SCANDINAVIAN TOBACCO GROUP A/S**

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

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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*).

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:

- 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 Deviations and temporary exceptions

The Board of Directors may in extraordinary circumstances to safeguard the long-term interests of the Company and its shareholders, including for recruitment or retention purposes, decide to deviate from the Remuneration Policy and award a one-off bonus or other extraordinary incentive-based remuneration. Such awards may consist of cash or share-based remuneration. Any such deviations from the Remuneration Policy must be decided by the Board of Directors based on a recommendation from the Remuneration Committee.

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). 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.

Should making such a deviation or exception be necessary, the Board of Directors is obliged to explain the reasons behind the deviation/exception at the Company's next General Meeting and include a description thereof in the remuneration report presented at that General Meeting.

2.5 Directors' and Officers' (D&O) liability insurances and indemnity scheme

In order to attract and retain qualified members of the Company's Board of Directors and Executive Management and otherwise to advance and safeguard the interests of the Company and its shareholders, it is the Company's policy to take out customary D&O liability insurances covering each member of the Board of Directors and the Executive Management. In addition, the Company may, subject to applicable laws and on such terms and conditions as shall be decided by the Board of Directors acting in accordance with applicable laws and Article 13 of the Company's Articles of Association, agree to indemnify and hold harmless any member of the Board of Directors and Executive Management from and against any claims raised by any third party arising out of such director's or officer's discharge of his/her duties as a member of the Board of Directors or the Executive Management, provided, however, that such indemnity shall not apply if the claim is caused by such director's or officer's fraud, willful misconduct or gross negligence or such director or officer having acted disloyally towards the Company. Any indemnification offered under the indemnity scheme will be (i) made only for the benefit of the relevant directors and officers (including his/her death estate and compulsory heirs, but no other persons) and (ii) secondary to the D&O liability insurances taken out by the Company and any other insurances that covers the claim(s). The Board of Directors is authorized to implement, manage, and administer the indemnification scheme.

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

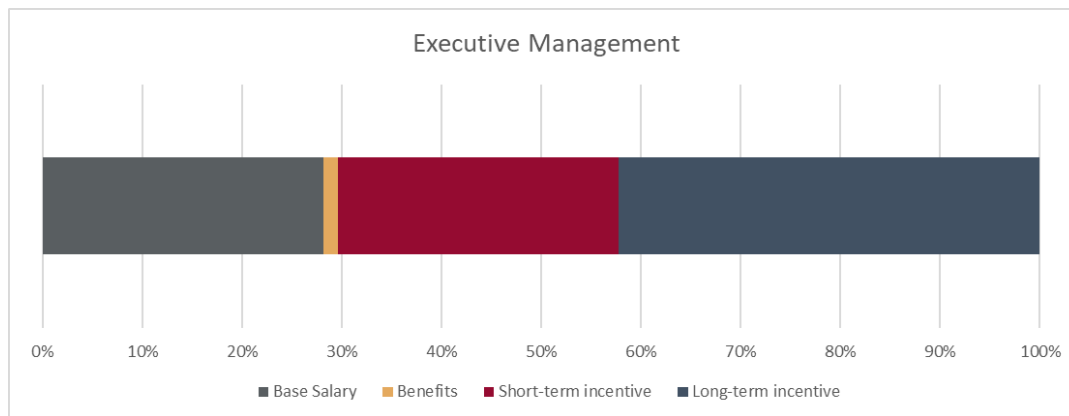
Expenses incurred by members of the Board of Directors in performing their duties, such as travel, subsistence and accommodation, will be reimbursed by the Company. Expenses relating to any training that Board members receive would also be reimbursed.

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 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 sustainability 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. If performance is not reached at a threshold level, no awards will be paid out under the Bonus Plan. No additional remuneration is awarded under the Bonus Plan, if the maximum target is exceeded. The specific targets are intended to promote achievement of the operating plan, with stretch targets aligned to out-performance.

The Board of Directors may (acting fairly and reasonably) waive or adjust a KPI target if the target has become obsolete or not appropriate due to events which could not be taken into account when the target was set, such as strategy changes, acquisitions/ divestments etc. The Board of Directors reserves the right to adjust the calculated result of the Bonus Plan in exceptional circumstances, if the calculated result does not reflect the underlying 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 or leaves the Executive Management or the Company 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 (counting active service only).

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 Management's 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 150% 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.

The Board of Directors may (acting fairly and reasonably) waive or adjust a KPI target, if the target has become obsolete or not appropriate due to events which could not be taken into account when the target was set, such as strategy changes, acquisitions/divestments etc. The Board of Directors reserves the right to adjust the calculated result of the long-term incentive scheme in exceptional circumstances, if the calculated result does not reflect the underlying performance.

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.

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 material misconduct, 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. The right to reclaim/claw-back remuneration shall also apply in case of bad faith on the part of a member of the Executive Management in respect of other matters which implied payment of a too large variable remuneration. 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: 50% 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 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 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 4 April 2024. The Remuneration Policy is applicable to incentive programs with respect to the financial year 2024 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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