AUDIT COMMITTEE - TERMS OF REFERENCE

On 11 December 2015 the board of directors of Scandinavian Tobacco Group A/S (the "Board of Directors") decided upon these terms of reference for the Audit Committee (the "Audit Committee").

1. MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee consists of a minimum of three members who are appointed by the Board of Directors. Members are appointed among the members of the Board of Directors. The majority of the members of the Audit Committee must be independent of Scandinavian Tobacco Group A/S (the "Company"). The Audit Committee elects the chairman of the Audit Committee.

At least one member of the Audit Committee must have relevant and up-to-date economic expertise and experience.

2. ATTENDANCE AT MEETINGS

The Chief Financial Officer of the Company will attend meetings of the Audit Committee, except where the chairman of the Audit Committee specifically requests otherwise.

If so requested by the Audit Committee, meetings of the Audit Committee will be attended by the Company’s external auditor and Chief Executive Officer.

There must be at least one meeting per year attended by the external auditor without the attendance of the Chief Executive Officer or other members of the Executive Management.

3. FREQUENCY OF MEETINGS

Meetings of the Audit Committee will be held as often as the chairman deems necessary and if requested by a member of the Audit Committee or by the Company’s external auditor, subject to a minimum of four meetings per year.

4. AUTHORITY

The Board of Directors authorises the Audit Committee to:

- investigate and assess all matters that fall within the guidelines set out in the rules of procedure for the Audit Committee;
- obtain all necessary information from the members of the Executive Management and employees;
- obtain information from the Company’s external auditor elected by the general meeting; and
- obtain the advice, guidance and assistance from external advisers that the Audit Committee deems to be necessary or appropriate for performing its duties.
5. DUTIES

The duties of the Audit Committee in connection with financial reporting are:
- To supervise the basis and correctness of the financial information presented in the Company’s annual, bi-annual and quarterly reports;
- To monitor the appropriateness and efficiency of the financial reporting process;
- To assess and if necessary investigate the executive management’s (the “Management”) actions and assessments for the annual, bi-annual and quarterly financial reporting before they are submitted to the Board of Directors, focusing particularly on:
  i) important accounting principles and policies and the appropriateness thereof and changes thereto,
  ii) important accounting estimates, including estimated valuations, the basis thereof and changes thereto,
  iii) related party transactions,
  iv) whether the financial statements are affected by material or unusual transactions, including applied methods of recognition and measurement, and the way in which information about this is presented,
  v) transparency of information,
  vi) material adjustments resulting from audit,
  vii) compliance with applicable laws, accounting standards, and NASDAQ Copenhagen A/S’ Rules for Issuers of Shares,
  viii) the results of Management’s investigation of and follow-up on incidents of fraud (if any), and
  ix) uncertainties and risks, including in relation to the outlook;
- To review and assess - prior to the Board of Directors’ review of and statement on the annual report - reports on the internal control and risk management systems and draft report of the Board of Directors on the annual report;
- To investigate the circumstances of any resignation of external auditors and advice on steps to be taken in that regard; and
- To assess the need for establishing an internal audit function.

The duties of the Audit Committee in relation to the external audit are:
- To make a critical assessment of the independence, objectivity and competence of external auditors;
- To submit recommendations to the Board of Directors for its recommendation to the general meeting on the appointment of external auditors;
- To review the overall general framework for the external auditors’ rendering of non-auditing services, including monitoring the nature and extent of such services to ensure that they do not fall outside the audit mandate;
- To submit proposals to the Board of Directors concerning agreements with the external auditors and the remuneration related thereto, including remuneration for non-auditing services, for approval by the Board of Directors; and
To review and assess the external auditors' audit plan etc. and material comments resulting from the audit.

The duties of the Audit Committee in connection with risk management are:

- To monitor the Company's risk management policies on financial reporting, including identifying, communicating and managing risks;
- To monitor the Management's reporting to the Board of Directors concerning the development in the most essential risk areas as well as reporting on compliance with any adopted policies, scopes, etc;
- To monitor the conformity of the Group's risk culture and the decisions, policies, scopes etc. with decisions being made by Executive Management and the Board of Directors; and
- To monitor the development in the most essential risk areas and the compliance with any adopted policies, scopes, etc. for the purposes of the Board of Directors ability to be updated on developments and make the necessary decisions. Related hereto, the Audit Committee shall, if deemed relevant, conduct and monitor the completion of stress tests on essential areas as well as monitor that the results of such tests are evaluated and communicated.

The duties of the Audit Committee in connection with currency, investment, counterpart and financing policies/methods are:

- To monitor particular focus on checking and monitoring the internal currency, investment, counterpart and financing policies/methods, including debt financing (interest rate risk, currency risk and refinancing risk) and financial reserves.

6. REPORTING AND PUBLICATION

Minutes of all meetings of the Audit Committee must be prepared as soon as possible and no later than two weeks after the meeting.

The Audit Committee's reasoned recommendations to the Board of Directors must be set out in the minutes.

Minutes of the meetings of the Audit Committee must be presented at the next meeting of the Board of Directors.

Meetings of the Board of Directors to consider the Audit Committee's recommendations must be organised to enable the chairman of the Audit Committee or an independent member of the Audit Committee appointed by the chairman to attend the meeting.

At least every six months, the Audit Committee must report its activities, etc. to the Board of Directors.

The Company must publish the following information in its annual report and on its website:

- the names of the members of the Audit Committee;
- the name of the chairman of the Audit Committee;
- which members of the Audit Committee are independent members; and
• which members have knowledge about and experience in audit matters.

The Audit Committee must ensure that the information about the Audit Committee as set out in the Company's annual report or on the Company's website is true and accurate.