



DIVERSITY AND INCLUSION

This constitutes our statutory report on the gender composition of the management for the financial year 2017 cf. Section 99b of the Danish Financial Statements Act ("Lovpligtig redegørelse for den kønsmæssige sammensætning af ledelsen, jf. årsregnskabslovens § 99 b"). The report forms part of the management's report in Scandinavian Tobacco Group's annual report for 2017 and covers the financial year 1 January – 31 December 2017.

At least once a year, the Board of Directors discusses the composition of the Board of Directors and the Executive Management. The Board has an international composition. At present, three out of the six shareholder elected members of the Board of Directors are of another nationality than Danish and a total of four nationalities are represented on the Board of Directors. The Board of Directors has set the goal that by 2020 at least 25% of the shareholder-elected members of the Board of Directors should be women. The goal was not reached in 2017. One out of the six shareholder-elected members of the Board of Directors is a woman. The relative representation of women on the Board of Directors decreased in 2017 (17%) compared to 2016 (25%) due to a reduction of the size of the Board by two shareholder-elected members of which one was female. Other Danish companies of our Group subject to the reporting requirement in section 99b of the Danish Financial Statements Act have an equal representation of men and women at the supervisory board level.

Women at senior management level

We wish to get a better representation of women at senior management level as women are currently the under-represented gender. Through specific measures, the Group aims to identify all talents with leadership potential in the Group, irrespective of gender. We have placed a particular focus on identifying and developing women who can grow into leaders and take on more responsibility or advance in their existing leadership roles. In 2016, 20% of our Senior Executive Managers, the top 60 leaders in our Group, were women. Currently, 19% of our Senior Executive Managers are women. It continues to be our ambition, that by 2020 one third of the Senior Executive Managers are women.

Our Group's performance tracking process covers approximately 1,800 employees across functions and geographies evaluating the individuals' performance and potential. This process ensures that a gender diverse talent base is identified each year.

In addition, we have a tradition for channelling young university graduates with international profiles into key roles via our International Graduate Programme within marketing and sales. The share of women recruited in the Programme is approx. 65% from its inception to date, which is a five percentage points increase since 2016.