



SCANDINAVIAN TOBACCO GROUP

SCANDINAVIAN TOBACCO GROUP A/S MODERN SLAVERY STATEMENT

This statement is made pursuant to section 54(1) of the UK Modern Slavery Act 2015 and sets out the steps Scandinavian Tobacco Group has taken and is continuing to take to ensure that modern slavery and human trafficking is not taking place within its business or supply chain. The statement covers the financial year 1 January to 31 December 2017.

INTRODUCTION

Modern Slavery in the UK Modern Slavery Act encompasses slavery, servitude, human trafficking and forced labour. In Scandinavian Tobacco Group, we respect internationally recognised human rights as expressed in the International Bill of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the UN Guiding Principles on Business and Human Rights and the UN and ILO conventions on child labour and children's rights. Our aim is to avoid causing or contributing any adverse impacts on human rights, and to address and mitigate such impacts if they occur.

OUR POLICIES ON MODERN SLAVERY AND HUMAN TRAFFICKING

We are proud that responsibility is one of our core values and has been embedded in our culture for many years. We aim to apply good labour practises in all our operations and strive to ensure that terms of employment and working conditions for all employees as a minimum comply with local labour laws. Our Code of Conduct reflects our commitment to acting ethically and with integrity in all our business relationships and comprises our fundamental beliefs in the area of social responsibility, including our commitment to respect human rights and labour rights. Based on the Code of Conduct, we develop internal policies, guidelines and projects to turn the Code into actions and to continuously improve in terms of sustainability. Our Code of Conduct is available online on www.st-group.com.

Scandinavian Tobacco Group has a group-wide whistleblower scheme which enables all Group employees to report via a confidential channel wrongdoings or suspected wrongdoings and violations of law, including the violation of human rights. The principles and procedures of the scheme are laid down in a central whistleblower policy. Additional information like, for instance, a whistleblower FAQ has been made available to all employees to facilitate reporting through the whistleblower scheme. Employees who raise concerns under the scheme are protected against retaliation of any kind.

OUR SUPPLY CHAINS

Scandinavian Tobacco Group's business model involves the manufacturing and sale of tobacco products. The tobacco products, which are produced with tobacco and other materials from third party suppliers, include cigars, pipe tobacco and fine-cut tobacco. These products are sold via the Group's own sales companies, via third party importers and via wholesalers to retailers in approx. 100 markets across the world.



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All our business partners globally are as a fundamental principle expected to comply with local laws and any other applicable rules and regulations. When selecting business partners, we aim at appointing partners who share our ethical standards as described in our Code of Conduct.

Tobacco growing, like other types of agriculture, can involve great risk of child labour and working conditions below standards and is vulnerable to forced labour. Scandinavian Tobacco Group has numerous third party suppliers who only in some cases are in direct contact with the farmers or are farmers themselves. Addressing this issue efficiently represents a challenge.

DUE DILIGENCE PROCESSES

We currently conduct relatively simple and only irregular reviews in this field of some of our tobacco suppliers. Our intention is, over the coming years, to gradually establish a more uniform, systematic and risk based approach to our due diligence processes in the tobacco supply chain, enabling a more focused approach in particular with respect to child labour. We aim at making this improvement by developing our capabilities in the assessment and by influencing the working and social conditions where we source tobacco, and will concentrate our efforts on where there is the best possibility of making a real difference.

FURTHER STEPS

We will over time strengthen our capabilities in the assessment and influencing of the working and social conditions where we source tobacco applying a risk based approach focusing on where we are best able to make a real difference.

As in previous years we will continue our long-term engagement with the ECLT (Eliminating Child Labour in Tobacco Growing) foundation in 2018. The foundation, which has the involvement of several other members of the tobacco industry and the ILO and works with national and local governments to influence public policy on child labour, also supports projects in tobacco-growing areas that help improve the livelihoods of farmers and, consequently, preclude the reliance on child labour.

Søborg, 3 May 2018

Niels Frederiksen
CEO