



SCANDINAVIAN TOBACCO GROUP

TAX POLICY

of SCANDINAVIAN TOBACCO GROUP A/S
Central Business Register (CVR) no. 31 08 01 85



TAX POLICY

1. INTRODUCTION

Due to the nature of our business we have many transactions between Scandinavian Tobacco Group business units in different countries. We are subject to various Danish and foreign taxes, including direct and indirect taxes imposed on our global activities, such as corporate income tax, withholding tax, customs duty, excise tax, value added tax and other taxes.

This policy sets forward the principles for our global tax management. The policy is set by the Executive Management of Scandinavian Tobacco Group in consultation with the Senior Vice President of Tax. It has been reviewed and approved by our Audit Committee.

2. GUIDING PRINCIPLES

Our tax policy is built on the following guiding principles:

2.1 Compliance

Our tax affairs must be legally compliant. We engage local advisors to ensure that we are in compliance with existing regulations and to ensure that we understand not only the letter but also the spirit of the law.

2.2 Transparency

We are cooperative with the tax authorities in all the jurisdictions where we operate on a basis of transparency and respect. Our tax affairs must withstand the test of daylight. We do not speculate on detection risk. Through our whistle-blower scheme we provide the opportunity for the employees to raise any issues of concern with complete confidentiality.

2.3 Controls

We have a continuous focus on identifying, monitoring and mitigating tax risks and on keeping proper controls in place to ensure compliance. We aim at having critical transactions covered by an agreement with the tax authorities where possible.



2.4 Economic Reality

We structure our transfer pricing in a way that the expected tax outcomes are consistent with economic reality.

3. APPLYING OUR GUIDING PRINCIPLES

3.1 Management of Tax Risks

The many different taxes we are subject to and the complexity of our business require that we have a constant focus on tax management. We make sure that tax outcomes are taken into consideration in all important business decisions.

Implementation of tax policies and handling of daily tax matters is the responsibility of our Group CFO and our Senior Vice President of Tax. They work closely together with local finance managers, our commercial teams as well as external advisors to ensure tax compliance and awareness of tax risks. Processes relating to different taxes are allocated to specialist functions to ensure that key risks are identified and monitored and mitigating controls are in place.

Interpretation of tax legislation and case-law is complex and may change over time. As a consequence, we have continuous focus on evaluating our processes and controls to ensure that we remain in compliance with the law and international tax standards. The key risks are monitored for changes in business and tax legislation and processes and controls are updated accordingly.

3.2 Our Attitude to Tax Planning

Scandinavian Tobacco Group seeks to reduce the tax risk arising from its operations. We structure our tax affairs based on sound commercial principles and in accordance with our tax policy and relevant tax legislations. We seek external advice where appropriate. We use tax reliefs, allowances and incentives in the manner intended in the different jurisdictions where we operate. We structure our tax transfer pricing in a way that the expected tax outcomes are consistent with economic reality.

3.3 Relationship with Tax Authorities

It is our policy to be transparent and proactive in our dealings with the tax authorities in all jurisdictions where we operate. Where relevant we arrange regular meetings and have regular communication with the tax authorities. We are committed to transparency in all matters with the tax authorities. We realise that there will be areas where we have a different legal interpretation than the applicable tax authority or where the tax rules or



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regulations are unclear. Where this occurs in material matters, we will engage in proactive discussions with the tax authorities or ask for a tax ruling to settle such matters. Any errors in our tax returns are fully disclosed to the tax authorities within a reasonable period after they have been identified.