



REMUNERATION REPORT 2022



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SECTION 1

INTRODUCTION

This remuneration report (the “Remuneration Report”) is an overview of the total remuneration received by each member of the Board of Directors (“Board of Directors”) and of the Executive Management of Scandinavian Tobacco Group A/S, CVR no. 31 08 01 85, (the “Company”) for the 2022 financial year, and for previous financial years where it is relevant. Reference to the “Executive Management” in the Remuneration Report means the members of management of the Company registered as such with the Danish Business Authority (in Danish: Erhvervsstyrelsen).

The Remuneration Report has been prepared in accordance with section 139b 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). It will be presented to shareholders for an advisory vote (in Danish: vejledende afstemning) at the 2023 Annual General Meeting.

Contained in the Remuneration Report are values derived from the Company’s audited annual reports for 2018 to 2022; an explanation is provided in the relevant sections of the Remuneration Report where there are variations in reported values based on the application of different calculation methodologies or accounting treatment.

The Company’s Remuneration Report 2021 was approved on an advisory vote without changes at the 2022 Annual General Meeting.





SECTION 2

REMUNERATION GOVERNANCE

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 regulation, societal attitudes, consumer behaviour, and new technology. It is therefore critical that the Company's remuneration arrangements:

- 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.

2.2 THE REMUNERATION POLICY

The Company's remuneration policy (the "Remuneration Policy") is a framework around which the contractual terms and compensation of the Board of Directors and the Executive Management are set, reviewed and managed. It is designed to meet the objectives listed in 2.1 above, in addition to aligning with the Company's strategy and suitably reflecting shareholders' interests. The Remuneration Policy was adopted by the Annual General Meeting on 26 March 2020 and was prepared in accordance with the requirements of section 139 and 139a of the Danish Companies Act (in Danish Selskabsloven), and to generally reflect prevailing standards of Danish good corporate governance.

The Remuneration Policy is available on the Company's website, [st-group.com](https://www.st-group.com).

2.3 THE REMUNERATION COMMITTEE AND ITS ACTIVITIES IN 2022

The remuneration of the Board of Directors and Executive Management is overseen by a committee of the Board of Directors (the "Remuneration Committee"). The Remuneration Committee's objective is, among other things, to improve the quality of the Board of Directors' work. It does this by contributing to the preparation of decisions the Board of Directors takes on the drawing up, implementation and pursuit of the Remuneration Policy. It is responsible for recommending the adoption of an annual remuneration report to the Board of Directors before presentation of the report to the Annual General Meeting.

The Remuneration Committee discharges its responsibilities in accordance with the Remuneration Policy and its Rules of Procedure, which are also available at [st-group.com](https://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.

For the period until the 2022 Annual General Meeting, the Remuneration Committee consisted of Nigel Northridge, Henrik Brandt, Claus Gregersen, and Luc Missorten. Since the Annual General Meeting, the members of the Remuneration Committee have been Henrik Brandt, Dianne Neal Blixt, and Claus Gregersen. The Committee met four times during the year.

In addition to the normal activities connected to the monitoring, review and determination of remuneration of the Company's Board of Directors and Executive Management, the Remuneration Committee considered:

- implementation of updated long-term and short-term incentive frameworks following a comprehensive review conducted in 2021
- market trends and the future direction of executive remuneration
- inclusion of new key performance indicators in incentive programmes to distinguish more between short-term and long-term performance



In making its recommendations to the Board of Directors during the year, the Remuneration Committee received advice and information from external advisors and members of management including the Chief HR Officer and Group General Counsel. The CEO and CFO were able to attend meetings by invitation.

In 2022, there were no shareholder dialogues held by the Company concerning the remuneration of the Company's Board of Directors and Executive Management. There were no instances of temporary Remuneration Policy exceptions (for individual extraordinary cases) or the awarding of exceptional recruitment remuneration.

2.4 CLAWBACK

The Company had no cause to claw back remuneration in the year or otherwise offset remuneration, as is permitted under the Remuneration Policy for reasons of material and manifest misstatement of data or accounts, miscalculation or other error, or bad faith.



SECTION 3

OVERVIEW OF 2022 FINANCIAL AND OPERATIONAL PERFORMANCE

Following two years of exceptional financial results and strong growth in 2020 and 2021, the financial year 2022 turned into a challenging one with Scandinavian Tobacco Group having to adjust accordingly.

In summary:

- Net sales grew by 6.4% to DKK 8,762 million (2021: DKK 8,233 million), with a decline by only 0.8% in organic growth.
- Organic EBITDA growth was -3.5% (2021: 18.4%).
- Free cash flow before acquisitions was DKK 1,264 million (2021: DKK 1,393 million).

The Company's goal of being the undisputed and sustainable global leader in cigars remains unchanged. The desire to grow the size of Scandinavian Tobacco Group through acquisitions, geographic expansion, and further experimentation in next generation products also remains unchanged.

The Company's financial performance for the year was impacted by increasing macro-economic uncertainty, the war in Ukraine causing severe disruptions to supply-chain stability, increasing cost inflation across the entire value chain, consumption and market mix starting to normalize following the changes in tobacco consumption seen during the pandemic, and high promotional pressure in the online business.

The financial performance was also impacted by internal supply chain challenges that took longer to resolve than originally anticipated. As a consequence, the expectation for the full-year guidance was revised in August. The Company's financial performance for the year was within the revised guidance range.

In line with the Company's vision and strategy "Rolling Towards 2025", investments in the project "OneProcess" (global roll out of ERP SAP

S/4HANA) and in the further growth of the handmade cigar category were made. The Company's core focus is cigars. However, to support the strategic imperative of next generation products, the Growth Incubator team was established to explore growth opportunities outside the Company's core categories. Furthermore, a revised and more ambitious sustainability agenda "Rolling Responsibly" was launched in May.

As a consequence of the year's financial results, performance was close to the threshold for the 2022 STIP whereas the key performance indicators of the LTIP 2020-2022 were achieved above their target and maximum performance levels, respectively, due to the Company's strong financial results in 2020 and 2021. The Board of Directors approved the

programmes' outcomes based on the factual achievement of their targets and no discretion was applied in so doing.

As the Company was proving to be resilient in the context of the increasing macro-economic uncertainty, employees' salaries were reviewed across the Company in accordance with its usual annual process. The effective date of the normal annual salary review cycle of the Executive Management was moved from 1 November to 1 January to align with the performance cycle of the incentive programmes and the financial year of the Company.

The remuneration of the members of the Board of Directors and the Executive Management complies with the Remuneration Policy.





SECTION 4

REMUNERATION OF THE BOARD OF DIRECTORS

4.1 REMUNERATION POLICY SUMMARY

Members of the Board of Directors receive an annual cash fee. Ordinary board members receive a fixed, base fee while the Chairman and Vice-chairman receive multiples thereof. Additional fixed annual fees are paid to those who chair or attend a board committee to reflect these supplementary duties and time commitment. The Company may pay and cover social security charges and similar taxes imposed by foreign authorities in relation to Board members' fees and may reimburse

travel and other expenses related to the performance of their duties. In connection with their roles, members of the Board of Directors do not receive incentive-based remuneration, retirement benefits, retention or termination payments. With prior or subsequent shareholder approval, Board members may receive supplementary fixed remuneration to compensate for additional time commitment or in order to carry out ad hoc duties outside of their normal remit.

4.2 REMUNERATION

At the Annual General Meeting held on 31 March 2022, shareholders approved the fees for 2022 set out in Table 1. The base fee remained unchanged from the financial year 2021 at DKK 440,000 per annum. The composition of the Board of Directors was changed in 2022 when Nigel Northridge and Luc Missorten did not stand for re-election at the Annual General Meeting. All other shareholder-elected members of the Board of Directors were re-elected. Since the 2022 Annual General Meeting, the Board does not have a Vice-chairman. The fees each serving member received for the year are provided in Table 2.

The Board has authorized Henrik Amsinck, the Board member with special IT competences, to perform a specific ad hoc task in relation to the Company's project "OneProcess" (global roll out of ERP SAP S/4HANA). As of 1 July 2022 and for the duration of the task, Henrik Amsinck receives separate supplementary remuneration equal to 25% of the base fee.

During the year, the Company additionally paid social security charges and similar taxes imposed by foreign authorities in relation to the Board members' fees of DKK 0.2 million (2021: DKK 0.5 million).

TABLE 1. FEE STRUCTURE
(DKK '000)

	2021-2022		2020		2018-2019	
	Annual Fee	Base Fee Multiple	Annual Fee	Base Fee Multiple	Annual Fee	Base Fee Multiple
Chairman of the Board of Directors	1,320	3x	1,200	3x	1,200	3x
Vice-chairman of the Board of Directors	880	2x	800	2x	700	1.75x
Ordinary member (base fee)	440	-	400	-	400	-
Chairman of						
Audit Committee	330	0.75x	300	0.75x	300	0.75x
Remuneration Committee	110	0.25x	100	0.25x	100	0.25x
Nomination Committee	110	0.25x	100	0.25x	100	0.25x
Ordinary member of						
Audit Committee	165	0.375x	150	0.375x	150	0.375x
Remuneration Committee	55	0.125x	50	0.125x	50	0.125x
Nomination Committee	55	0.125x	50	0.125x	50	0.125x

TABLE 2. REMUNERATION OF THE BOARD OF DIRECTORS FOR THE 2022 FINANCIAL YEAR
(DKK '000)

	Base Fee	Audit Committee	Remuneration Committee	Nomination Committee	Supplementary remuneration	Total
Nigel Northridge, Chairman ¹	330		28	28		386
Henrik Brandt, Chairman ²	1,210		96	96		1,402
Dianne Neal Blixt	440	165	41	41		687
Marlene Forsell	440	330				770
Claus Gregersen	440		55	55		550
Luc Missorten ¹	110	41	14	14		179
Anders C. Obel	440	124				564
Henrik Amsinck ³	440				55	495
Lindy Larsen ⁴	440					440
Hanne Malling ⁴	440					440
Mogens Olsen ⁴	440					440
Total	5,170	660	234	234	55	6,353

1. Did not stand for re-election in 2022.

2. Elected as Chairman of the Board of Directors in 2022, formerly Vice-chairman.

3. Received supplementary remuneration for performance of ad hoc task starting 1 July 2022, as noted in section 4.2.

4. Employee-elected Board member.



SECTION 5

REMUNERATION OF THE EXECUTIVE MANAGEMENT

5.1 REMUNERATION POLICY SUMMARY

Members of the Executive Management receive a total compensation package which is designed to align with the Company's strategy and suitably reflect shareholders' interests. It consists of a fixed annual base salary, benefits, a short-term incentive and a long-term incentive. 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 their respective scope. The remuneration components are set at a level to be market competitive and, in the case of incentives, reflect different performance scenarios.

As is common in Denmark for executive positions, the current members of the Executive Management receive an annual base salary which is inclusive of a Company-provided pension allowance. In addition, they receive contractual employment benefits or a cash-equivalent amount, aligned with local market practice. They do not receive remuneration connected to any Company-related entities other than the Company.

A significant proportion of the Executive Management's remuneration is in the form of variable pay, ensuring their reward is linked to business performance. The short-term incentive gives focus to the Company's annual priorities and is intended to contribute to the execution of strategy. The long-term incentive links the reward of the Executive Management with performance of the organisation on a longer-term time horizon, taking into consideration the Company's long-term sustainability. The long-term incentive is also designed to strengthen the executives' retention through the issue of annual rolling grants which are performance based. Shares in the Company are awarded which aims to ensure a high degree of alignment of the executives' interests with those of shareholders.

Remuneration can be clawed back for reasons of material and manifest misstatement of data or accounts, miscalculation or other error, or bad faith. The Board of Directors also has the right to make proportionate adjustments by offsetting other forms of remuneration, including salary, bonuses yet to be paid and unvested PSUs if any of these circumstances have occurred.

5.2 TOTAL REMUNERATION IN 2022

In 2022, the Executive Management consisted of the Chief Executive Officer ("CEO"), Niels Frederiksen, and the Chief Financial Officer ("CFO"), Marianne Rørslev Bock. There were no changes in the composition of the Executive Management during the year.

TABLE 3. REMUNERATION OF THE EXECUTIVE MANAGEMENT FOR THE 2022 FINANCIAL YEAR
(DKK '000)

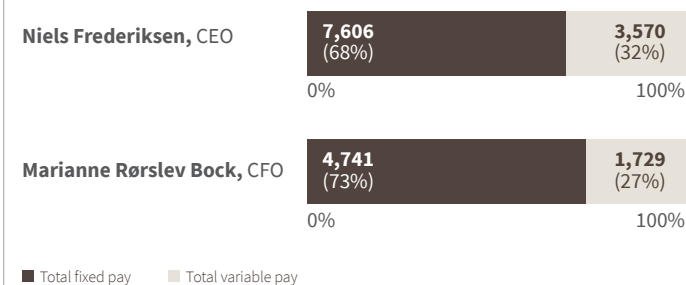
	Base Salary	Benefits	Short-term Incentive Programme ¹	Long-term Incentive Programme ²	Total Remuneration	Exceptional Compensation ³	Total Remuneration, including Exceptional Compensation
Niels Frederiksen, CEO	7,344	262	55	3,514	11,176	-	11,176
Marianne Rørslev Bock, CFO	4,553	189	34	1,694	6,470	-	6,470
Total	11,897	451	89	2,208	17,646	-	17,646

1. Bonus earned for 2022 to be paid in April, 2023. In remuneration reports prior to 2020, the bonus accrual value was provided rather than the actual payment value.

2. Fair value of the PSUs granted under the 2022-2024 LTIP cycle as at the grant date in May 2022.

3. A buy-out payment made in connection with the abolition of a contractual early retirement plan as noted in section 5.7.

TABLE 4. PROPORTION OF FIXED AND VARIABLE PAY, EXCLUDING EXCEPTIONAL COMPENSATION
(DKK '000)



SECTION 5

5.3 ANNUAL BASE SALARY AND BENEFITS

The annual base salaries of the CEO and the CFO were reviewed during the year in accordance with the principles and process contained in the Remuneration Policy. In so doing, the Board of Directors decided to permanently move the effective date of the normal annual review cycle from 1 November to 1 January to align with the performance cycle of the incentive programmes and the financial year of the Company.

Consequently, the CEO's annual base salary increased by 0.0% (0.0% in 2021) and the CFO's annual base salary increased by 0.0% (3.0% in 2021), below the average salary increase awarded to employees at the Company in Denmark.

5.4 SHORT-TERM INCENTIVE PROGRAMME

For 2022, the Short-term Incentive Programme's ("STIP") three key performance indicators ("KPIs") were (1) organic EBITDA growth against 2021, (2) free cash flow before acquisitions and special items, and (3) organic net sales growth against 2021. These KPIs were selected by the Board of Directors for their relevance to annual profit and cash management performance as well as to the achievement of the Company's strategy to become a bigger company. The maximum bonus payment that the CEO and the CFO could have earned under the STIP was 50% of annual base salary (the Remuneration Policy maximum STIP payment is 100% of annual base salary). An on-target level of performance would have awarded a bonus payment of 25% of annual base salary.

The Board of Directors determined that the performance of the KPIs had been achieved as summarised in Table 5. Accordingly, the CEO and CFO both achieved a bonus award of 0.75% of their respective annual base salaries to be paid in April 2023.

TABLE 5. PERFORMANCE OF THE STIP 2022

Key Performance Indicators	Weight	Performance Targets		Performance Outcome	
		On-target Performance	Maximum Performance	Actual	% Achievement of Maximum Performance
Organic EBITDA growth ¹	50%	3.0%	8.0%	-3.5%	0.0%
Free cash flow (DKKm) ²	30%	1,250	1,400	1,160	5.0%
Organic net sales growth ¹	20%	2.0%	3.5%	-0.8%	0.0%

1. Against the performance in 2021.

2. Before acquisitions and special items.

TABLE 6. STIP PERFORMANCE FROM 2017-2021

Performance Period	Key Performance Indicators	Performance Outcome: (% Achievement of Maximum Performance)
2017	Organic EBITDA growth	Inventory reduction 25%
2018	Organic EBITDA growth	Cash conversion 63%
2019	Organic EBITDA growth	EBITDA impact from Fuelling the growth 68%
2020	Organic EBITDA growth	Free cash flow (DKKm) 100%
2021	Organic EBITDA growth	Free cash flow (DKKm) 100%





SECTION 5

5.5 LONG-TERM INCENTIVE PROGRAMME

Under the Long-term Incentive Programme (“LTIP”), the CEO and CFO receive an annual grant of Performance Share Units (“PSUs”). No payment is due from the executives for the grant of a PSU. The size of their PSU grant is based on a percentage of their current annual base salary divided by the grant price (“Grant Price”). The Grant Price is normally the average price of the Company’s shares calculated over the ten trading days following the publication of the Company’s annual report in the grant year. The value of PSUs granted to an executive at the time of grant will not exceed 100% of the annual base salary then applicable, even assuming a maximum level of performance under the LTIP.

If the Company distributes dividends to its shareholders during the performance period, the CEO and CFO will receive additional PSUs equivalent to the dividend that corresponds to the number of PSUs granted to them. This approach further aligns the executives’ interests with that of shareholders.

The vesting of shares under the PSUs is subject to fulfilment in part or in full of KPIs linked to the Company’s performance, which are usually measured over a performance period of three financial years. The number of shares, if any, to be allocated to each participant under the LTIP will be determined on the basis of the initial PSUs, with the addition of any granted dividend PSUs; these PSUs are adjusted by the performance in the performance period against a pre-defined KPI multiplier range (between 0.0 – 2.0). If performance is not reached at the defined 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 a maximum target is exceeded.

2020-2022 performance cycle

In 2020, members of the Executive Management were awarded PSUs subject to the fulfilment of two KPIs, organic EBITDA growth and cash conversion, which were measured over a three-year performance period

from 2020 to 2022. The Board of Directors considered these KPIs to be core success measures in supporting the Company’s value creation.

The CEO and CFO received PSU grants equal to 40% and 30% of their annual base salaries, respectively. The grants were based on salaries as at 1 July 2020. The executives were granted additional dividend PSUs equivalent to the dividends distributed to the Company’s shareholders during the performance period.

Following the end of the 2022 financial year, the Board of Directors determined that the performance of the KPIs had been achieved as summarized in Table 7, with historical LTIP performance provided for context in Table 8. The Board of Directors applied a performance multiplier to the executives’ PSU awards granted under the 2020-2022 LTIP cycle, and 161% of these will vest in April 2023 as shown in Table 9.

TABLE 7. PERFORMANCE OF THE LONG-TERM INCENTIVE PROGRAMME 2020-2022

Key Performance Indicators	Weight	Performance Targets		Performance Outcome	
		On-target Performance	Maximum Performance	Actual	% Achievement of Maximum Performance
Organic EBITDA growth ¹	67%	7.5%	10.5%	8.8%	70.9%
Cash conversion	33%	105%	110%	110.5%	100.0%

1. Against the performance in 2019.

TABLE 8. HISTORIC PERFORMANCE UNDER THE LONG-TERM INCENTIVE PROGRAMME

Performance Period	Key Performance Indicators	Performance Outcome: (% Achievement of Maximum Performance)	
2016-2018	Organic EBITDA growth	Inventory reduction	25%
2017-2019	Organic EBITDA growth	Inventory reduction	25%
2018-2020	Organic EBITDA growth	Cash conversion	100%
2019-2021	Organic EBITDA growth	Cash conversion	100%



SECTION 5

2022-2024 performance cycle

In 2022, members of the Executive Management were awarded PSUs subject to the fulfilment of four KPIs; organic EBITDA growth, ROIC growth, Adjusted EPS growth, and sustainability, measured over a three-year performance period from 2022 to 2024. The Board of Directors considers these KPIs to be core success measures in supporting the Company's value creation.

The KPIs mark a greater distinction from those of the STIP compared to previous years. The introduction of a sustainability KPI reflects the Company's enhanced sustainability strategy "Rolling Responsively" that focuses on two priorities: "Net-zero along the journey of the leaf", and "Sustainable community pioneers".

The performance targets which apply to the four KPIs are commercially sensitive and therefore they will be disclosed only after the performance period has ended.

Effective 1 January, 2022 and within the boundaries of the Remuneration Policy, the Board of Directors approved an increase in the maximum bonus payment that the CEO and the CFO can earn under the LTIP to 90% and 70%, respectively (the Remuneration Policy maximum is 100% of the annual base salary at the time of grant, assuming a maximum level of performance under the LTIP).

The CEO and CFO received PSU grants equal to 45% and 35% of their annual base salaries, respectively, for the performance period 2022-2024, as noted in Table 9. The grants were based on the executives' salaries as at 1 April 2022. The executives will be granted additional dividend PSUs equivalent to any dividends the Company distributes to its shareholders during the performance period.

The number of shares, if any, to be allocated to each participant under the LTIP will be determined on the basis of the initial PSUs, with the addition of any granted dividend PSUs; these PSUs are adjusted by the performance in the performance period against a pre-defined KPI multiplier range (between 0.0 and 2.0). If performance is not reached at the defined threshold level, no shares will vest and no compensation in lieu of them will be provided if this occurs. No additional remuneration is granted if a maximum target is exceeded. If performance is achieved between the multiplier range, a linear calculation will be applied to determine the vesting outcome.

TABLE 9. LONG-TERM INCENTIVE PROGRAMME INTERESTS

	Performance period	Grant date	Vesting Date ²	Grant Price (DKK) ³	Number of PSUs Granted	Grant Value (DKK '000) ⁴	Number of Dividend PSUs granted in 2022 ⁵	Number of Dividend PSUs granted in prior years ⁶	Total Number of PSUs Vested ⁷	Total Number of PSUs Lapsed ⁷	Market Value of Shares at Vesting (DKK '000) ⁸
Niels Frederiksen, CEO	2022-2024	May-22	Q1 2025	138.14	23,924	3,305	1,291	-	-	-	-
	2021-2023	Jun/21	Q1 2024	123.42	23,802	2,938	1,356	1,313	-	-	-
	2020-2022	Jul/20	Q1 2023	87.89	32,745	2,878	2,027	4,811	63,729	-	-
	2019-2021	Apr/19	Q1 2022	84.8	33,278	2,822	-	7,815	82,186	-	11,736
	2018-2020	May/18	Apr/21	111.91	24,484	2,740	-	5,741	60,450	-	7,466
Marianne Rørslev Bock, CFO ¹	2022-2024	May-22	Q1 2025	138.14	11,535	1,593	623	-	-	-	-
	2021-2023	Jun/21	Q1 2024	123.42	10,744	1,326	612	593	-	-	-
	2020-2022	Jul/20	Q1 2023	87.89	14,746	1,296	913	2,166	28,698	-	-
	2019-2021	Apr/19	Q1 2022	84.8	13,797	1,170	-	3,240	34,074	-	4,866
	2018-2020	Dec/18	Apr/21	90.53	2,692	244	-	458	6,300	-	778

1. Joined the Executive Management on 15 October 2018.

2. Any vesting of PSUs takes place following approval by the Board of Directors and generally takes place in Q1 of the financial year.

3. The price used to set the number of PSUs in each grant is calculated as an average price of the Company's shares calculated over the ten trading days following the publication of the Company's annual report in the grant year. The grant price was calculated over the ten trading days following the 2018 Q3 results' announcement in respect of Marianne Rørslev Bock's grant in 2018.

4. The face value of the PSU grant using the grant price, as described under note 3.

5. PSUs equivalent to dividend on PSUs granted earlier, corresponds to dividend paid to shareholders.

6. Dividend PSUs have been granted in respect of the current LTIP cycles every year of the performance periods.

7. The vested and lapsed PSUs include both PSUs and dividend PSUs that were granted during the performance period.

8. The value of the vested shares using the closing price of a share on the vesting date, being DKK 123.50 for the 2018-2020 cycle and DKK 142.80 for the 2019-2021. The market value of the shares to vest under the 2020-2022 cycle will be reported in the 2023 Remuneration Report.



SECTION 5

5.6 CONTRACTUAL TERMS

The current members of the Executive Management have employment contracts which are ongoing (i.e. without a fixed term). The employment contracts of the CEO and the CFO may be terminated by the Company with 24 months' and 12 months' notice, respectively. The CEO and the CFO may terminate their position with 12 months' and 6 months' notice, respectively, to the Company.

Within 6-12 months after a change of control or delisting of the Company, the CEO may terminate his employment and he will be entitled to 24 months of remuneration as if he had been terminated by the Company. Also, the CEO would be eligible to receive a proportional share of the compensation for an abolished early retirement plan (as separately detailed below). If the Company should wish to terminate the CFO within 18 months after a change of control or delisting of the Company, the CFO is entitled to a notice of 24 months.

In case the CEO or CFO would die while employed, their beneficiaries would be entitled to 6 months' base salary.

5.7 EXCEPTIONAL LEGACY COMPENSATION

In connection with the IPO in 2016, a contractual early-retirement plan was abolished, and the CEO was granted a total compensation of DKK 24.450 million based on an external evaluation. With this, the CEO is entitled to a buy-out payment split in three tranches. The first tranche of DKK 12.198 million was paid to the CEO in 2018 and the second tranche of DKK 6.126 million was paid to the CEO on 1 January in 2021. The last tranche of DKK 6.126 million is payable on 1 January 2024, contingent upon his continued employment in the same position in the Company.

If the CEO terminates his position, or is terminated for breach of contract, the CEO is no longer entitled to any unpaid payments. If the employment is terminated by the Company for a reason other than breach of contract by the CEO, or if he terminates the employment due to breach by the Company, he will be entitled to a proportionate share of any unpaid payments.

The Company has accrued the CEO's compensation of DKK 24.450 million in increments in each financial year from 2016 to 2023. The value of these annual accruals was reported in the annual reports prior to 2020 and, where produced, corresponding remuneration reports. From 2020 onwards, the disclosure of contingent cash compensation in the Company's remuneration reports will be made of the value actually paid to the executive for the year in which the payment was made.





SECTION 6

SHAREHOLDINGS OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

All members of the Board of Directors and Executive Management own shares in the Company.

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 and in accordance with the Remuneration Policy. The shareholding target levels are 100% and 35% of annual base salary for the CEO and the CFO, respectively.

TABLE 10. SHARES HELD BY THE BOARD OF DIRECTORS

	End of 2021	Changes during 2022		End of 2022	
	Number of Shares	Additions	Disposals	Number of Shares	Market Value (DKK '000) ⁴
Nigel Northridge, Chairman ¹	5,000	-	-	-	-
Henrik Brandt, Chairman ²	112,670	0	0	112,670	13,757
Dianne Neal Blixt	1,700	0	0	1,700	208
Marlene Forsell	3,250	0	0	3,250	397
Claus Gregersen	15,928	0	0	15,928	1,945
Luc Missorten ¹	2,000	-	-	-	-
Anders C. Obel	20,270	0	11,700	8,570	1,046
Henrik Amsinck	500	500	0	1,000	122
Lindy Larsen ³	242	0	0	242	30
Hanne Malling ³	250	0	0	250	31
Mogens Olsen ³	3,450	0	0	3,450	421
Total	165,260	500	11,700	147,060	17,957

1. Did not stand for re-election in 2022.

2. Elected as Chairman of the Board of Directors in 2022, formerly Vice-chairman.

3. Employee-elected Board member.

4. Based on closing share price of DKK 122.1 on 30 December 2022.

TABLE 11. SHARES HELD BY THE EXECUTIVE MANAGEMENT

	End of 2021	Changes during 2022		End of 2022		
	Number of Shares	Additions	Disposals	Number of Shares	Market Value (DKK '000) ³	Market Value (% of annual base salary) ⁴
Niels Frederiksen, CEO ¹	180,450	82,186	0	262,636	32,068	437%
Marianne Rørslev Bock, CFO ^{1,2}	8,600	34,074	0	42,674	5,210	114%
Total	189,050	116,260	0	305,310	37,278	-

1. Holding includes shares arising from the vesting of the Company's Long-term Incentive Programme.

2. Joined the Executive Management on 15 October 2018.

3. Based on closing share price of DKK 122.1 on 30 December 2022.

4. As at 31 December 2022.



SECTION 7

REMUNERATION COMPARISONS

The tables in this section show the percentage change in remuneration provided to members of the Board of Directors and the Executive Management, on an actual and annualised basis, in comparison to other employees in the Company which is the parent company. For contextual purposes, a range of performance metrics is provided in Table 15.

The annualisation percentage is based on a theoretical full-year remuneration value where an individual received part-year remuneration for reasons such as an appointment or a departure. Over the time periods presented, there were changes in the composition of both the Board of Directors and the Executive Management.

All remuneration values are noted in DKK '000. They represent the actual values paid to members of the Board of Directors and the Executive Management in each year. The average employee remuneration values are derived from the annual staff costs figures reported in the Company's annual reports.

TABLE 12. BOARD OF DIRECTORS SERVING IN 2022 – CHANGE IN TOTAL FEES (Base Fees and Committee Fees)

		2022	2021	2020	2019	2018
Nigel Northridge, Chairman ¹	Fees	386	1,540	1,400	1,400	1,400
	Percentage change – actual / annualised	-75%/0%	10%/10%	0%/0%	0%/0%	16%/16%
Henrik Brandt, Chairman ²	Fees	1,402	990	900	800	800
	Percentage change – actual / annualised	42%/56%	10%/10%	13%/13%	0%/0%	47%/0%
Dianne Neal Blixt ³	Fees	687	605	550	550	550
	Percentage change – actual / annualised	14%/14%	10%/10%	0%/0%	0%/0%	0%/0%
Marlene Forsell ⁴	Fees	770	770	700	508	
	Percentage change – actual / annualised	0%/0%	10%/10%	38%/0%		
Claus Gregersen ⁵	Fees	550	550	500	362	
	Percentage change – actual / annualised	0%/0%	10%/10%	38%/0%		
Luc Missorten ⁹	Fees	179	715	650	625	550
	Percentage change – actual / annualised	-75%/0%	10%/10%	4%/4%	14%/14%	10%/10%
Anders C. Obel ⁶	Fees	564	440	400	400	273
	Percentage change – actual / annualised	28%/28%	10%/10%	0%/0%	47%/0%	
Henrik Amsinck ⁷	Fees	495	313			
	Percentage change – actual / annualised	58%/25%				
Lindy Larsen ⁸	Fees	440	440	400	400	400
	Percentage change – actual / annualised	0%/0%	10%/10%	0%/0%	0%/0%	0%/0%
Hanne Malling ⁸	Fees	440	440	400	400	400
	Percentage change – actual / annualised	0%/0%	10%/10%	0%/0%	0%/0%	0%/0%
Mogens Olsen ⁹	Fees	440	440	400	400	400
	Percentage change – actual / annualised	0%/0%	10%/10%	0%/0%	0%/0%	100%/0%
Aggregated fees for former serving Board members					331	1,333
Total fees received		6,353	7,243	6,300	6,176	6,106
Percentage change versus prior year		-12%/12%	15%/17%	2%/-15%	1%/13%	-9%/-26%

1. Elected as Chairman of the Board of Directors in 2017. Did not stand for re-election in 2022.

2. Elected as Chairman of the Board of Directors in 2022, formerly Vice-chairman.

3. Elected to the Board of Directors in April 2016.

4. Re-elected to the Board of Directors in April 2019 (also served on the Board June 2014 - April 2017).

5. Elected to the Board of Directors in April 2019.

6. Elected to the Board of Directors in April 2018.

7. Elected to the Board of Directors in April 2021.

8. Employee-elected member of the Board of Directors.

9. Did not stand for re-election in 2022.



SECTION 7

TABLE 13. EXECUTIVE MANAGEMENT SERVING IN 2022

Changes in fixed pay (base salary, benefits and any allowances)

		2022	2021	2020	2019	2018
Niels Frederiksen, CEO	Remuneration	7,606	7,595	7,478	7,339	7,087
	Percentage change – actual / annualised	0%/	2%/	2%/	4%/	3%/
		0%	2%	2%	4%	3%
Marianne Rørslev Bock, CFO ¹	Remuneration	4,741	4,627	4,536	4,125	869
	Percentage change – actual / annualised	2%/	2%/	10%/	375%/	
		2%	2%	10%	1%	
Total	Remuneration	12,347	12,222	12,014	11,464	7,956
	Percentage change versus prior year – actual / annualised	1%/	2%/	5%/	44%/	16%/
		1%	2%	5%	3%	63%

1. Joined the Group as CFO and a member of the Executive Management on 15 October 2018.

TABLE 14. EXECUTIVE MANAGEMENT SERVING IN 2022

Changes in total compensation (includes all forms of contingent pay plus incentive-based pay paid and/or granted in the relevant year)

		2022	2021	2020	2019	2018
Niels Frederiksen, CEO ¹	Remuneration	11,176	20,314	14,192	11,884	23,654
	Percentage change – actual / annualised	-45%/	43%/	19%/	-50%/	130%/
		-45%	43%	19%	-50%	130%
Marianne Rørslev Bock, CFO ²	Remuneration	6,470	8,167	8,102	6,542	1,360
	Percentage change – actual / annualised	-21%/	1%/	24%/	381%/	
		-21%	1%	24%	1%	
Total	Remuneration	17,646	28,481	22,294	18,426	25,014
	Percentage change versus prior year – actual / annualised	-38%/	28%/	21%/	-26%/	143%/
		-38%	28%	21%	-39%	192%

1. 2018 and 2021 remuneration values include a buy-out payment made in connection with the abolition of a contractual early retirement plan as noted on page 11.

2. Joined the Group as CFO and a member of the Executive Management on 15 October 2018.

TABLE 15. COMPARATIVE COMPANY PERFORMANCE AND EMPLOYEE INFORMATION

(DKK '000)

	2022	2021	2020	2019	2018
Net Sales growth	6.40%	2.80%	19.20%	2.40%	1.5%
Organic Net Sales growth	-0.80%	4.50%	6.60%	-2.50%	0.40%
Free Cash Flow before Acquisitions (DKK m)	1,264	1,393	1,394	1,187	668
Free cash flow before Acquisitions and special items (DKK m)	1,160	1,559	1,590	1,361	771
Organic EBITDA Growth	-3,50%	18.40%	14.00%	7.10%	3.50%
EBITDA before special items (DKK m)	2,270	2,233	1,826	1,513	1,304
Net profit (DKK m)	1,476	1,391	678	748	666
Cash conversion rate	87.20%	108.60%	135.40%	118.60%	88.20%
Annual total dividend per share (DKK)	8.25	7.5	6.5	6.1	6
Average annual employees across the Group ¹	10,098	10,275	10,561	7,258	8,172
Average annual number of FTE employees in the Company ²	141	122	105	95	92
Average remuneration per FTE employee in the Company (DKK '000) ³	1,086	1,238	1,237	1,105	1,330
Average change in remuneration for FTE employees of the Company	-12%	0%	12%	-17%	28%

1. Employee headcount for the entire group-wide organisation being the parent company, Scandinavian Tobacco Group A/S, and its entities.

2. Excludes members of the Executive Management.

3. "Average remuneration" means "the annual staff costs minus social security costs of Scandinavian Tobacco Group A/S, excluding members of the Executive Management, as reported in the Company's income statements divided by the average annual number of FTE employees in Scandinavian Tobacco Group A/S, excluding members of the Executive Management".



SECTION 8

STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors has considered and adopted the Remuneration Report of the Company for 2022. The Remuneration Report has been prepared in accordance with section 139b of the Danish Companies Act and is consistent with the Company's Remuneration Policy.

The Board of Directors approves the Remuneration Report for an advisory shareholder vote at the Company's next Annual General Meeting.



GENTOFTE, 8 MARCH 2023

Henrik Brandt
Chair of the Board of Directors

Marlene Forsell

Dianne Neal Blixt

Anders C. Obel

Claus Gregersen

Henrik Amsinck

Lindy Larsen

Hanne Malling

Mogens Olsen



SECTION 9

INDEPENDENT AUDITOR'S STATEMENT ON REMUNERATION REPORT

TO THE SHAREHOLDERS OF SCANDINAVIAN TOBACCO GROUP A/S

According to section 139b of the Danish Companies Act, the Board of Directors is responsible for preparing a remuneration report in accordance with the Remuneration Policy adopted at the General Meeting.

Our opinion on the audit of the Consolidated Financial Statements and the Company's Financial Statements does not include the Remuneration Report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements and the Company's Financial Statements for 2022, it is, however, our responsibility pursuant to section 147 of the Danish Companies Act to verify that all disclosures required under section 139b(3) of the Danish Companies Act are included in the Company's Remuneration Report for 2022.

We found no reason to point out any omissions with respect to the disclosures included in the Remuneration Report for 2022.

Hellerup, 8 March 2023
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Søren Ørjan Jensen
State Authorised Public Accountant
mne33226

Michael Groth Hansen
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