

## RULES OF PROCEDURE FOR THE AUDIT COMMITTEE

of

**SCANDINAVIAN TOBACCO GROUP A/S**

Central Business Register (CVR) no. 31 08 01 85

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# RULES OF PROCEDURE FOR THE AUDIT COMMITTEE

## 1. ESTABLISHMENT AND OBJECTIVE

- 1.1 The board of directors (the "**Board of Directors**") of Scandinavian Tobacco Group A/S (the "**Company**") has established, in accordance with clause 17.2 of the rules of procedure of the Board of Directors and section 31 of the Danish Act on Approved Auditors and Audit Firms (in Danish: *Revisorloven*), an audit committee (the "**Audit Committee**") under the supervision of the Board of Directors.
- 1.2 The composition of the Audit Committee will be decided at the first ordinary meeting of the Board of Directors after the annual general meeting.
- 1.3 The objectives of the Audit Committee are to supervise and assess risks in relation to the Company's financial and sustainability reporting, and supervise risk management over financial risks, in order to ensure that there is a true and fair view of the Company's assets, liabilities, financial position, results, cash flows and social and environmental impacts. Furthermore, it is the objective of the Audit Committee to ensure that there is good financial basis for decision making and that the assumed financial risks are within the Company's risk tolerance. The Audit Committee shall also, from time to time, assess whether the Company is and remains a going concern from a financial point of view. The tasks undertaken by the Audit Committee in order to fulfil its objective are further described in clause 3 below.
- 1.4 The Audit Committee's function is merely preparatory in connection with the transaction of business by the Board of Directors. Accordingly, the setting up of the Audit Committee does not limit or render superfluous any requisite consideration by the Board of Directors, and information required by members of the Board of Directors to fulfil their duties must therefore be provided to all members of the Board of Directors and not only to the members of the Audit Committee. Without deviating from the foregoing, one of the purposes of establishing the Audit Committee is to allow the members thereof time for a more detailed review of matters coming within the objectives described above. The Audit Committee shall summarize such review and when required give its recommendation to the Board of Directors. Accordingly, presentations to the Board of Directors of matters reviewed by the Audit Committee will often be in summary form. Each member of the Board of Directors remains responsible to ascertain that he/she is sufficiently informed about the matters presented to the Board of Directors.

## 2. MEMBERS AND COMPOSITION

- 2.1 The Audit Committee consists of a minimum of three members who are appointed by the Board of Directors.
- 2.2 Members are appointed among the members of the Board of Directors.
- 2.3 Appointments to the Audit Committee are for one-year terms. Members may be removed by the Board of Directors at any time. Any member of the Audit Committee who resigns from the Board of Directors must also resign from the Audit Committee. In the event of vacancies, the Board of Directors will decide on the appointment of interim members of the Audit Committee until the next ordinary appointments.
- 2.4 The Audit Committee elects a chair. The chair of the Board of Directors may not serve as chair of the Audit Committee.
- 2.5 A majority of the members of the Audit Committee must be independent.

- 2.5.1 No member of the Audit Committee will be considered as independent if he or she (list not exhaustive, also refer to Corporate Governance's criteria for independence):
- a) is - or has been within the last five years - a manager/executive officer of the Company or of any affiliated company,
  - b) is manager of any company and there is overlapping board membership between that company and the Company,
  - c) within the past five years have received large emoluments from the Company or any affiliated company in another capacity than as member of the Board of Directors,
  - d) represents or is associated with a controlling shareholder,
  - e) is closely related to any person who is not considered to be independent,
  - f) is, or has been within the last three years, an employee or partner of the Company's external auditors,
  - g) has had within the last year important business relations (as a partner, shareholder, customer, supplier or member of a governing body of a company or companies with similar relations) with the Company or any affiliated company,
  - h) has served on the Board of Directors for more than twelve years, or
  - i) is closely related to persons, who are not independent, cf. the above-stated criteria.

2.5.2 The Board of Directors determines whether any member of the Audit Committee can be deemed independent or not.

2.6 At least one member of the Audit Committee must have relevant and up-to-date expertise and experience within accounting or auditing. The Audit Committee's pool of combined expertise and experience must be adequate to ensure that the Audit Committee has an up-to-date insight into financial affairs, financial and sustainability reporting, and auditing in relation to listed companies such as the Company.

### 3. DUTIES

3.1 The duties of the Audit Committee in connection with **financial reporting** are:

- i. To assess the overall presentation of the financial information presented in the Company's annual, bi-annual and quarterly reports,
- ii. To monitor the appropriateness and efficiency of the financial reporting processes,
- iii. To assess and if necessary, investigate the Management's actions and assessments for the annual, bi-annual and quarterly financial reporting submitted to the Board of Directors, focusing particularly on:
  - a) important accounting principles and policies and the appropriateness thereof and changes thereto,
  - b) important accounting estimates, including estimated valuations, the basis thereof and changes thereto (e.g., recoverability of intangible and tangible assets, accounts receivables, deferred taxes and tax provisions, restructuring and other provisions, impairments, etc.),

- c) related party transactions,
  - d) 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,
  - e) transparency of information,
  - f) material adjustments resulting from audit,
  - g) compliance with applicable laws, accounting standards, and Nasdaq Copenhagen A/S' Rules for Issuers of Shares,
  - h) the results of Management's investigation of and follow-up on incidents of fraud or similar events (if any),
  - i) the correctness and fairness of the management commentary, and
  - j) assumptions and uncertainties in relation to the financial expectations.
- iv. To assess the need for establishing an internal audit function.

3.2 The duties of the Audit Committee in connection with **sustainability reporting** are:

- i. To assess the overall presentation of the sustainability information presented in the Company's Annual Report as well as bi-annual and quarterly reports if these include any sustainability reporting,
- ii. To monitor the appropriateness and efficiency of the sustainability reporting processes,
- iii. To assess and if necessary, investigate the Management's actions and assessments for the annual, bi-annual and quarterly sustainability reporting submitted to the Board of Directors, focusing particularly on:
  - a) important policies and the appropriateness thereof and changes thereto,
  - b) whether the sustainability reporting is affected by material or unusual circumstances, and the way in which information about this is presented,
  - c) transparency of information,
  - d) compliance with applicable laws/directives and reporting standards, and
  - e) the correctness and fairness of the management commentary.

3.3 The duties of the Audit Committee in relation to the **external audit** are:

- i. To make a critical assessment of the independence, objectivity and competence of external auditors (which includes to consider any findings from the national competent authorities during their last inspection of the statutory auditor or firm),
- ii. To submit recommendations to the Board of Directors for its proposal to the general meeting on the appointment of external auditors,
- iii. To set a policy on the engagement and approval of non-audit services rendered by the external auditors in order to ensure that such services do not jeopardize the auditors' independence and are in accordance with applicable legislation, and thereafter monitor the nature and magnitude (absolute and relative) of such services to ensure that they do not fall outside the set policy,
- iv. To review and assess the external auditors' audit plan etc. and follow the progress of such,
- v. To review and assess material comments resulting from the audit and to follow up on Management's corrective actions relating to such,
- vi. To report to the Board of Directors its view on how the audit has contributed to the integrity of the financial and sustainability reporting as well as what role the Audit Committee has had in the audit,

- vii. To investigate the circumstances of any resignation of external auditors and advice on steps to be taken in that regard, and
- viii. To report the result of the external audit to the Board of Directors.

3.4 The duties of the Audit Committee in connection with **risk management in relation to financial and sustainability reporting** are:

- i. To review and monitor the Company's risk assessment and risk management processes in relation to financial and sustainability reporting including in particular,
  - a. Assessing and reviewing the external auditors' and Management's risk assessment over financial and sustainability reporting,
  - b. Assessing and reviewing the Company's framework for internal control over financial reporting and sustainability reporting including IT General Controls (ITGC) and the effectiveness and compliance of such. This includes assessing and reviewing,
    - 1. The policies and support systems used,
    - 2. The integrity and the results of monitoring and testing, and
    - 3. The follow up on corrective actions.
  - c. Assessing and reviewing the sensitivity of critical estimates and judgements affecting the financial and sustainability reporting,
  - d. Assessing and reviewing the assumptions and basis for financial expectations and related sensitivities, and
  - e. To follow-up on planned risk reducing or mitigating activities for risks relating to financial or sustainability reporting.
- ii. To assess and review the Company's methods for identifying and managing risks to the extent it is needed for the reporting in the Annual Report. Other risks than risks over financial and sustainability reporting and financial risk, shall be assessed and reviewed by the Board of Directors if not specifically delegated to the Audit Committee,
- iii. 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 the draft management report of the Board of Directors in the Annual Report.

3.5 The duties of the Audit Committee in connection with **risk management in relation to financial risks** are:

- i. To review and monitor the Company's risk management processes in relation to financial risks including in particular:
  - a. Reviewing and assessing the currency exposure, both transactional and translational,
  - b. Reviewing and assessing the liquidity risk,
  - c. Reviewing and assessing the financing and refinancing risk, and
  - d. Setting a policy for hedging, financial instruments to use, minimum cash requirements and leverage.
- ii. To review and assess the Company's insurance policies and insurance coverage.
- iii. To follow-up on planned risk reducing or mitigating activities for financial risk.

3.6 **The Duties of the Audit Committee in relation to Capital structure and shareholder distributions are:**

- 3.6.1. To review and assess the capital structure from a shareholder value creation perspective considering financial risks, future cash generation and future investment needs.
- 3.6.2. To assess shareholder distributions in relation to distributable earnings, available funds and future cash flows, ensuring shareholder distributions do not jeopardize the going concern of the Company.

3.7 **The duties of the Audit Committee in relation to business ethics are:**

- 3.7.1. To ensure there are systems in place for employees to report any suspicion of incidents of fraud, bribery or other misconduct.
- 3.7.2. To ensure there are adequate policies and processes in place to make sure all reporting of suspected incidents of fraud, bribery or other misconduct are investigated and responsibly responded to by Management.

3.8 **Other duties of the Audit Committee**

- 3.8.1 At the Company's general meetings, the chair of the Audit Committee must be available to answer questions about the Audit Committee's rules of procedure and activities.
- 3.8.2 The Audit Committee must also monitor any other matters relating to the duties referred to in clauses 3.1 to 3.7 that it deems necessary, in its discretion, and perform any other duties that the Board of Directors delegates to it.

**4. MEETINGS**

- 4.1 Meetings of the Audit Committee will be held as often as the chair deems necessary or if requested by a member of the Audit Committee, the Chief Financial Officer or by the Company's external auditors, subject to a minimum of four meetings per year.
- 4.2 Meetings of the Audit Committee will be convened by the chair of the Audit Committee. In the chair's absence, or if the chair has not yet been elected, meetings will be convened by an independent member of the Audit Committee.
- 4.3 Before the beginning of every financial year, the Audit Committee must prepare a meeting schedule for the next financial year.
- 4.4 The Chief Financial Officer and the external auditors will attend meetings of the Audit Committee, except where the chair of the Audit Committee specifically requests otherwise and subject to clause 5.
- 4.5 There must be at least one meeting per year attended by the external auditors without the attendance of the Chief Executive Officer and the Chief Financial Officer.
- 4.6 Copies of all meeting agendas must be sent to the Board of Directors for information.
- 4.7 The chair of the Audit Committee presides over the Audit Committee's meetings.
- 4.8 The Audit Committee has no independent decision-making power other than what have been delegated to AC by the Board of Directors. The Audit Committee only passes resolutions where recommendations are to be made to the Board of Directors. All resolutions by the Audit Committee are passed by a simple majority of votes.

**5. AUTHORITY**

5.1 The Board of Directors authorises the Audit Committee to:

- i. investigate and assess all matters that fall within these rules of procedure,
- ii. obtain all necessary information from the members of the Management and employees,
- iii. obtain information from the Company's external auditors elected by the general meeting, and
- iv. obtain the advice, guidance and assistance from external advisers that the Audit Committee deems to be necessary or appropriate for performing its duties.

**6. RESSOURCES AND BUDGET**

6.1 The Company must make available to the Audit Committee the resources required for the performance of the Committee's duties, including outside legal, accounting and other professional advice and assistance.

**7. REPORTING TO THE BOARD OF DIRECTORS**

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

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

7.3 Minutes of the meetings of the Audit Committee must be shared with the Board of Directors. At the next meeting of the Board of Directors, the chair of the Audit Committee reports from the most recent meeting in the committee, including on any recommendations to the Board of Directors as also set out in the minutes.

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

7.5 At least every six months, the Audit Committee must report its activities, etc. in connection with the Audit Committee's duties under clause 3 of these rules of procedure to the Board of Directors.

**8. PUBLICATION OF INFORMATION ABOUT THE AUDIT COMMITTEE**

8.1 The Company must publish the following information in its Annual Report and on its website:

- i. that the Company has established an Audit Committee,
- ii. the names of the members of the Audit Committee,
- iii. the name of the chair of the Audit Committee,
- iv. which members of the Audit Committee are independent members, see clause 2.5 of these rules of procedure, and
- v. which members have knowledge about and experience in audit matters (see clause 2.6 of these rules of procedure).

8.2 The Audit Committee must ensure that the information about the Audit Committee as set out in the Company's Annual Report and on the Company's website is true and accurate.



9. REMUNERATION

9.1 The members of the Audit Committee shall receive remuneration for their work. The remuneration shall be determined by the General Meeting.

The Board of Directors shall review these Rules of Procedure annually taking into consideration any amendments suggested by the Audit Committee. As adopted by the Board of Directors on 10 December 2024.

The Board of Directors:

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