

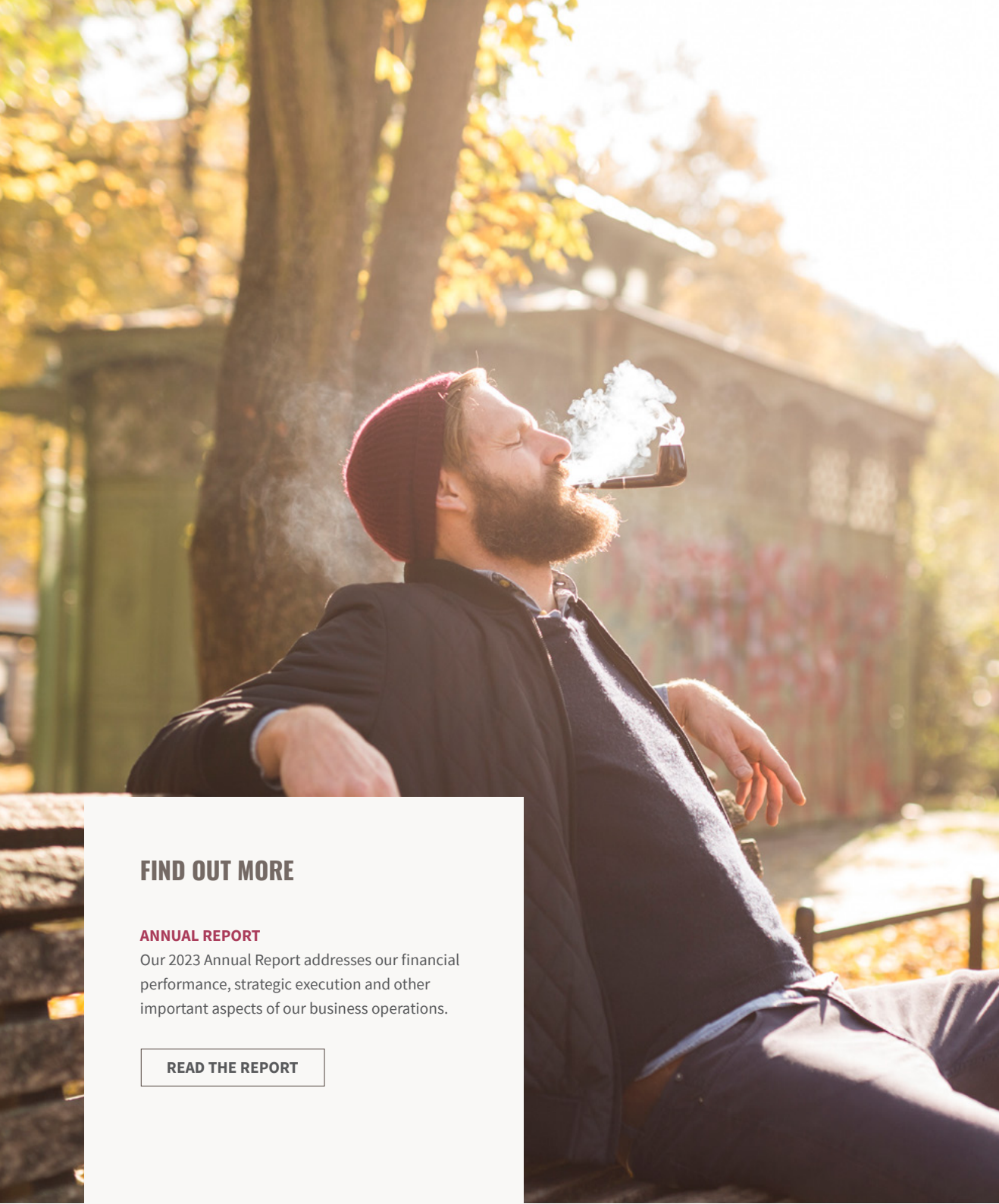


# REMUNERATION REPORT 2023

CVR NR: 31080185  
Sandtoften 9  
2820 Gentofte







## FIND OUT MORE

### ANNUAL REPORT

Our 2023 Annual Report addresses our financial performance, strategic execution and other important aspects of our business operations.

[READ THE REPORT](#)



# CONTENTS

<b>SECTION 1</b> Introduction	<b>3</b>	<b>SECTION 5</b> Remuneration of the Executive Management	<b>7</b>
<b>SECTION 2</b> Remuneration governance	<b>4</b>	5.1 Remuneration Policy summary	
2.1 Overall objectives		5.2 Total remuneration in 2023	
2.2 The Remuneration Policy		5.3 Annual base salary and benefits	
2.3 The Remuneration Committee and its activities in 2023		5.4 Short-term Incentive Programme	
2.4 Clawback		5.5 Long-term Incentive Programme	
<b>SECTION 3</b> Overview of 2023 financial and operational performance	<b>5</b>	5.6 Contractual terms	
<b>SECTION 4</b> Remuneration of the Board of Directors	<b>6</b>	5.7 Exceptional legacy compensation	
4.1 Remuneration Policy summary		<b>SECTION 6</b> Shareholdings of the Board of Directors and Executive Management	<b>12</b>
4.2 Remuneration		<b>SECTION 7</b> Remuneration comparisons	<b>13</b>
		<b>SECTION 8</b> Statement by the Board of Directors	<b>15</b>
		<b>SECTION 9</b> Independent Auditor's Statement on Remuneration Report	<b>16</b>



## 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 2023 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 2024 Annual General Meeting.

Contained in the Remuneration Report are values derived from the Company’s audited annual reports for 2019 to 2023; 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 2022 was approved on an advisory vote without changes at the 2023 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 slightly amended in 2021 by the Board of Directors. The Remuneration Policy meets the requirements of section 139 and 139a of the Danish Companies Act (in Danish Selskabsloven), and reflects prevailing standards of Danish good corporate governance.

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

2.3 THE REMUNERATION COMMITTEE AND ITS ACTIVITIES IN 2023

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://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.

In 2023, the Remuneration Committee consisted of 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:

- incentive design in a volatile market environment
- market trends and the future direction of executive remuneration
- engagement of a new executive remuneration advisor

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 participated in meetings of the Remuneration Committee based on invitations.



In 2023, there has not been any dialogue between the Company and its shareholders 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 2023 FINANCIAL AND OPERATIONAL PERFORMANCE

**The financial year 2023 was influenced by macro-economic uncertainties and changing consumer behavior. Our financial performance was impacted by this, but while having to revise our full-year expectations in August, we are satisfied with the strategic progress made.**

In summary:

- Nets sales fell by 0.4% to DKK 8.731 million (2022: DKK 8,762 million), with an increase by 0.3% in organic growth.
- Organic EBITDA growth was -5% (2022:-3.5%)
- Free cash flow before acquisitions was DKK 1,053 million (2022: DKK 1,264 million).

Group net sales decreased slightly to DKK 8.7 billion and the EBITDA-margin decreased to 24.1% from 25.9% in 2022 resulting in an EBITDA before special items of DKK 2.1 billion (DKK 2.3 billion).

Free cash flow before acquisitions declined to DKK 1.1 billion. Decreasing volumes in most product categories driven by lower consumption were mostly off set by solid pricing and increasing sales in Growth Enablers like next generation

products, retail stores and international sales of handmade cigars. The financial results were impacted by the acquisitions of the Alec Bradley and XQS brands, as well as a weaker USD. The Group's organic net sales increased by 0.3% and was driven by positive organic net sales growth in NAOR and EUB, and a negative growth in NABROW.

The EBITDA margin before special items was 24.1% and despite declining versus 2022, the margin remained well above the pre-pandemic level of 23%. The ROIC was 11.4% (versus 14.3% in 2022) reflecting the financial performance and an increase in the net debt. The free cash flow before acquisitions declined to DKK 1.1 billion (DKK 1.3 billion) as result of the financial performance. The leverage ratio was 1.9 times (1.6 times).

During the year, the Group delivered further progress in its sustainability ambitions as expressed in the Rolling Responsibly agenda including, the reduction of its scope 1 and scope 2 emissions by 4.3% compared with 2022 and by 22.9% compared with the 2020 baseline. The baseline for measuring the Groups scope 3 emissions was established.

As a consequence of the year's financial results, performance was below the thresholds for all key performance indicators of both the 2023 STIP and the LTIP 2021-2023. The Board of Directors approved the programmes' outcomes based on the factual achievement of their targets.

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.



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.

TABLE 1. FEE STUCTURE (DKK ‘000)

	2021-2023		2020		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	-
<b>Chairman of</b>						
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
<b>Ordinary member of</b>						
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

A proposal to amend the Remuneration Policy to include an indemnification scheme for members of the Board of Directors and the Executive Management was adopted by the 2023 General Meeting with the requisite majority.

4.2 REMUNERATION

At the Annual General Meeting held on 13 April 2023, shareholders approved the fees for 2023 set out in Table 1. The base fee remained unchanged from the financial year 2022 at DKK 440,000 per annum. All shareholder-elected members of the Board of Directors were re-elected.

Two elections of employee representatives to the Board of Directors were held in 2023. One regular election on 7 March and one supplementary election on 22 June following a

change in the Company’s legal structure in Denmark. 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 a 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 (2022: DKK 0.2 million).

TABLE 2. REMUNERATION OF THE BOARD OF DIRECTORS FOR THE 2023 FINANCIAL YEAR (DKK ‘000)

	Base Fee	Audit Committee	Remuneration Committee	Nomination Committee	Supplementary remuneration	Total
Henrik Brandt, Chairman	1,320	-	110	110	-	1,540
Dianne Neal Blixt	440	165	55	55	-	715
Anders C. Obel	440	165	-	-	-	605
Marlene Forsell	440	330	-	-	-	770
Claus Gregersen	440	-	55	55	-	550
Henrik Amsinck <sup>1</sup>	440	-	-	-	110	550
Hanne Malling <sup>2</sup>	126	-	-	-	-	126
Lindy Larsen <sup>2</sup>	126	-	-	-	-	126
Mogens Olsen <sup>2</sup>	126	-	-	-	-	126
Trine Eriksen <sup>3,5</sup>	58	-	-	-	-	58
Mark Kristen Draper <sup>3</sup>	314	-	-	-	-	314
Thomas Thomsen <sup>3</sup>	314	-	-	-	-	314
Karsten Dam Larsen <sup>4</sup>	231	-	-	-	-	231
<b>Total</b>	<b>4,815</b>	<b>660</b>	<b>220</b>	<b>220</b>	<b>110</b>	<b>6,025</b>

1. Received supplementary remuneration for performance of ad hoc task, as noted in section 4.2.  
2. Employee-elected Board member, not re-elected in 2023.  
3. Employee-elected Board member following regular election on 7 March, as noted in section 4.2.  
4. Employee-elected Board member following supplementary election on 22 June, as noted in section 4.2.  
5. Employee-elected Board member not re-elected following supplementary election on 22 June.

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.

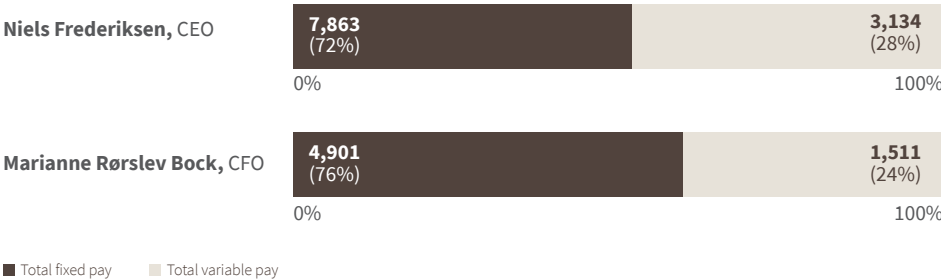
A proposal to amend the Remuneration Policy to include an indemnification scheme for members of the Board of Directors and the Executive Management was adopted by the 2023 General Meeting with the requisite majority.

TABLE 3. REMUNERATION OF THE EXECUTIVE MANAGEMENT FOR THE 2023 FINANCIAL YEAR  
(DKK ‘000)

	Base Salary	Benefits	Short-term Incentive Programme <sup>1</sup>	Long-term Incentive Programme <sup>2</sup>	Total Remuneration	Exceptional Compensation <sup>3</sup>	Total Remuneration, including Exceptional Compensation
Niels Frederiksen, CEO	7,601	262	-	3,134	10,997	-	10,997
Marianne Rørslev Bock, CFO	4,712	189	-	1,511	6,412	-	6,412
Total	12,313	451	-	4,645	17,409	-	17,409

1. Bonus earned for 2023 to be paid in April, 2024. 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 2023-2025 LTIP cycle as at the grant date in May 2023.  
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

5.2 TOTAL REMUNERATION IN 2023

In 2023, 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.

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. The effective date of the normal annual review cycle is 1 January to align with the performance cycle of the incentive programmes and the financial year of the Company.

The CEO’s annual base salary increased by 3.5% (0.0% in 2022) and the CFO’s annual base salary increased by 3.5% (0.0% in 2022), below the average salary increase awarded to the Company’s employees in Denmark

5.4 SHORT-TERM INCENTIVE PROGRAMME

For 2023, the Short-term Incentive Programme’s (“STIP”) three key performance indicators (“KPIs”) were (1) organic EBITDA growth against 2022, (2) free cash flow before acquisitions and special items, and (3) organic net sales growth against 2022.

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% of their respective annual base salaries.

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



TABLE 5. PERFORMANCE OF THE STIP 2023

Key Performance Indicators	Weight	Performance Targets		Performance Outcome	
		On-target Performance	Maximum Performance	Actual	% Achievement of Maximum Performance
Organic EBITDA growth <sup>1</sup>	50%	-2.0%	2.0%	-5.0%	0.0%
Free cash flow (DKKm) <sup>2</sup>	30%	1,300	1,400	1,152	0.0%
Organic net sales growth <sup>1</sup>	20%	3.0%	5.0%	0.3%	0.0%

1. Against the performance in 2022.  
2. Before acquisitions and special items.

TABLE 6. STIP PERFORMANCE FROM 2018-2022

Performance Period	Key Performance Indicators	Performance Outcome: (% Achievement of Maximum Performance)	
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%
2022	Organic EBITDA growth	Free cash flow (DKKm)	1.5%
		Organic Net Sales growth	



SECTION 5

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.

**2021-2023 performance cycle**

In 2021, 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 2021 to 2023. 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 June 2021. 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 2023 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 2021-2023 LTIP cycle, and 0% of these will vest in April 2024 as shown in Table 9.

**2023-2025 performance cycle**

In 2023, members of the Executive Management were awarded PSUs subject to the fulfilment of four KPIs; EBITDA margin, ROIC growth, Adjusted EPS growth, and sustainability, measured over a three-year performance period from 2023 to 2025. The Board of Directors considers these KPIs to be core success measures in supporting the Company’s value creation.

EBITDA margin replaced the KPI “Organic EBITDA growth” used in previous LTIPs, reflecting the Company’s revised guidance metrics in 2023.

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.

TABLE 7. PERFORMANCE OF THE LONG-TERM INCENTIVE PROGRAMME 2021-2023

Key Performance Indicators	Weight	Performance Targets		Performance Outcome	
		On-target Performance	Maximum Performance	Actual	% Achievement of Maximum Performance
Organic EBITDA growth <sup>1</sup>	67%	8.0%	11.0%	2.5%	0.0%
Cash conversion	33%	105%	110%	99.6%	0.0%

1. Against the performance in 2020.

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%
2020-2022	Organic EBITDA growth	Cash conversion	81%

SECTION 5

The CEO and CFO received PSU grants equal to 45% and 35% of their annual base salaries, respectively, for the performance period 2023-2025, as noted in Table 9. The grants were based on the executives’ salaries as at 1 April 2023. 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.

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



TABLE 9. LONG-TERM INCENTIVE PROGRAMME INTERESTS

	Performance period	Grant date	Vesting Date <sup>1</sup>	Grant Price (DKK) <sup>2</sup>	Number of PSUs Granted	Grant Value (DKK ‘000) <sup>3</sup>	Number of Dividend PSUs granted in 2023 <sup>4</sup>	Number of Dividend PSUs granted in prior years <sup>5</sup>	Total Number of PSUs Vested <sup>6</sup>	Total Number of PSUs Lapsed <sup>6</sup>	Market Value of Shares at Vesting (DKK ‘000) <sup>7</sup>
Niels Frederiksen, CEO	2023-2025	May-23	Q1 2026	131.63	25,986	3,421	1,653	-	-	-	-
	2022-2024	May-22	Q1 2025	138.14	23,924	3,305	1,604	1,291	-	-	-
	2021-2023	Jun-21	Q1 2024	123.42	23,802	2,938	1,684	2,669	-	-	-
	2020-2022	Jul-20	Q1 2023	87.89	32,745	2,878	-	6,838	63,729	-	8,552
	2019-2021	Apr-19	Q1 2022	84.8	33,278	2,822	-	7,815	82,186	-	11,736
Marianne Rørslev Bock, CFO	2023-2025	May-23	Q1 2026	131.63	12,529	1,649	797	-	-	-	-
	2022-2024	May-22	Q1 2025	138.14	11,535	1,593	773	623	-	-	-
	2021-2023	Jun-21	Q1 2024	123.42	10,744	1,326	760	1,205	-	-	-
	2020-2022	Jul-20	Q1 2023	87.89	14,746	1,296	-	3,079	28,698	-	3,851
	2019-2021	Apr-19	Q1 2022	84.8	13,797	1,170	-	3,240	34,074	-	4,866

1. Any vesting of PSUs takes place following approval by the Board of Directors and generally takes place in Q1 of the financial year.  
2. 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.  
3. The face value of the PSU grant using the grant price, as described under note 2.  
4. PSUs equivalent to dividend on PSUs granted earlier, corresponds to dividend paid to shareholders.  
5. Dividend PSUs have been granted in respect of the current LTIP cycles every year of the performance periods.  
6. The vested and lapsed PSUs include both PSUs and dividend PSUs that were granted during the performance period.  
7. The value of the vested shares using the closing price of a share on the vesting date, being DKK 142.80 for the 2019-2021 and DKK 134.2 for the 2020-2022 cycle and. The market value of the shares to vest under the 2021-2023 cycle will be reported in the 2024 Remuneration Report.



**SECTION 5**

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 2022	Changes during 2023		End of 2023	
	Number of Shares	Additions	Disposals	Number of Shares	Market Value (DKK '000) <sup>2</sup>
Henrik Brandt, Chairman	112,670	0	0	112,670	13,216
Dianne Neal Blixt	1,700	0	0	1,700	199
Marlene Forsell	3,250	0	0	3,250	381
Claus Gregersen	15,928	0	0	15,928	1,868
Anders C. Obel	8,570	11,700	0	20,270	2,378
Henrik Amsinck	1,000	0	0	1,000	117
Mark Kristen Draper <sup>1</sup>	0	200	0	200	23
Thomas Thomsen <sup>1</sup>	0	3,500	0	3,500	411
Karsten Dam Larsen <sup>1</sup>	0	600	0	600	70
<b>Total</b>	<b>143,118</b>	<b>16,000</b>	<b>0</b>	<b>159,118</b>	<b>18,663</b>

1. Employee-elected Board member, elected in 2023.  
2. Based on closing share price of DKK 117.3 on 29 December 2023.

TABLE 11. SHARES HELD BY THE EXECUTIVE MANAGEMENT

	End of 2022	Changes during 2023		End of 2023		
	Number of Shares	Additions	Disposals	Number of Shares	Market Value (DKK '000) <sup>2</sup>	Market Value (% of annual base salary) <sup>3</sup>
Niels Frederiksen, CEO <sup>1</sup>	262,636	63,729	0	326,365	38,283	504%
Marianne Rørslev Bock, CFO <sup>1</sup>	42,674	28,698	0	71,372	8,372	178%
<b>Total</b>	<b>305,310</b>	<b>92,427</b>	<b>0</b>	<b>397,737</b>	<b>46,655</b>	<b>-</b>

1. Holding includes shares arising from the vesting of the Company's Long-term Incentive Programme.  
2. Based on closing share price of DKK 117.3 on 29 December 2023.  
3. As at 31 December 2023.



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 the Board of Directors but not 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 2023 – CHANGE IN TOTAL FEES  
(Base Fees and Committee Fees)

		2023	2022	2021	2020	2019
Henrik Brandt, Chairman <sup>1</sup>	Fees	1,540	1,402	990	900	800
	Percentage change – actual / annualised	10%/0%	42%/56%	10%/10%	13%/13%	0%/0%
Dianne Neal Blixt <sup>2</sup>	Fees	715	687	605	550	550
	Percentage change – actual / annualised	4%/4%	14%/14%	10%/10%	0%/0%	0%/0%
Anders C. Obel <sup>5</sup>	Fees	605	564	440	400	400
	Percentage change – actual / annualised	7%/7%	28%/28%	10%/10%	0%/0%	47%/0%
Marlene Forsell <sup>3</sup>	Fees	770	770	770	700	508
	Percentage change – actual / annualised	0%/0%	0%/0%	10%/10%	38%/0%	
Claus Gregersen <sup>4</sup>	Fees	550	550	550	500	362
	Percentage change – actual / annualised	0%/0%	0%/0%	10%/10%	38%/0%	
Henrik Amsinck <sup>6</sup>	Fees	550	495	313		
	Percentage change – actual / annualised	11%/0%	58%/25%			
Hanne Malling <sup>7</sup>	Fees	126	440	440	400	400
	Percentage change – actual / annualised	-71%/0%	0%/0%	10%/10%	0%/0%	0%/0%
Lindy Larsen <sup>7</sup>	Fees	126	440	440	400	400
	Percentage change – actual / annualised	-71%/0%	0%/0%	10%/10%	0%/0%	0%/0%
Mogens Olsen <sup>7</sup>	Fees	126	440	440	400	400
	Percentage change – actual / annualised	-71%/0%	0%/0%	10%/10%	0%/0%	0%/0%
Thomas Thomsen <sup>7</sup>	Fees	314				
	Percentage change – actual / annualised					
Mark Kristen Draper <sup>7</sup>	Fees	314				
	Percentage change – actual / annualised					
Trine Eriksen <sup>7</sup>	Fees	58				
	Percentage change – actual / annualised					
Karsten Dam Larsen <sup>7</sup>	Fees	231				
	Percentage change – actual / annualised					
Aggregated fees for former serving Board members			565	2,295	2,010	2,316
Total fees received		6,025	6,353	7,243	6,300	6,176
Percentage change versus prior year		-5%/16%	-12%/12%	15%/17%	2%/-15%	1%/13%

1. Elected as Chairman of the Board of Directors in 2022, formerly Vice-chairman.  
2. Elected to the Board of Directors in April 2016.  
3. Re-elected to the Board of Directors in April 2019 (also served on the Board June 2014 - April 2017).  
4. Elected to the Board of Directors in April 2019.  
5. Elected to the Board of Directors in April 2018.  
6. Elected to the Board of Directors in April 2021.  
7. Employee-elected member of the Board of Directors.



## SECTION 7

**TABLE 13. EXECUTIVE MANAGEMENT SERVING IN 2023**

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

		2023	2022	2021	2020	2019
Niels Frederiksen, CEO	Remuneration	7,864	7,606	7,595	7,478	7,339
	Percentage change – actual /	3%/	0%/	2%/	2%/	4%/
	annualised	3%	0%	2%	2%	4%
Marianne Rørslev Bock, CFO <sup>1</sup>	Remuneration	4,901	4,741	4,627	4,536	4,125
	Percentage change – actual /	3%/	2%/	2%/	10%/	375%/
	annualised	3%	2%	2%	10%	1%
<b>Total</b>	<b>Remuneration</b>	<b>12,765</b>	<b>12,347</b>	<b>12,222</b>	<b>12,014</b>	<b>11,464</b>
	<b>Percentage change versus prior year</b>	<b>3%/</b>	<b>1%/</b>	<b>2%/</b>	<b>5%/</b>	<b>44%/</b>
	<b>– actual / annualised</b>	<b>3%</b>	<b>1%</b>	<b>2%</b>	<b>5%</b>	<b>3%</b>

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

**TABLE 14. EXECUTIVE MANAGEMENT SERVING IN 2023**

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

		2023	2022	2021	2020	2019
Niels Frederiksen, CEO <sup>1</sup>	Remuneration	10,997	11,176	20,314	14,192	11,884
	Percentage change – actual /	-2%/	-45%/	43%/	19%/	-50%/
	annualised	-2%	-45%	43%	19%	-50%
Marianne Rørslev Bock, CFO <sup>2</sup>	Remuneration	6,412	6,470	8,167	8,102	6,542
	Percentage change – actual /	-1%/	-21%/	1%/	24%/	381%/
	annualised	-1%	-21%	1%	24%	1%
<b>Total</b>	<b>Remuneration</b>	<b>17,409</b>	<b>17,646</b>	<b>28,481</b>	<b>22,294</b>	<b>18,426</b>
	<b>Percentage change versus prior year</b>	<b>-1%/</b>	<b>-38%/</b>	<b>28%/</b>	<b>21%/</b>	<b>-26%/</b>
	<b>– actual / annualised</b>	<b>-1%</b>	<b>-38%</b>	<b>28%</b>	<b>21%</b>	<b>-39%</b>

1. 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)

	2023	2022	2021	2020	2019
<b>GROUP</b>					
Net Sales growth	-0.40%	6.40%	2.80%	19.20%	2.40%
Organic Net Sales growth	0.30%	-0.80%	4.50%	6.60%	-2.50%
Free Cash Flow before Acquisitions (DKK m)	1,053	1,264	1,393	1,394	1,187
Free cash flow before Acquisitions and special items (DKK m)	1,152	1,160	1,559	1,590	1,361
Organic EBITDA Growth	-5.0%	-3.50%	18.40%	14.00%	7.10%
EBITDA before special items (DKK m)	2,106	2,270	2,233	1,826	1,513
Net profit (DKK m)	1,182	1,476	1,391	678	748
Cash conversion rate	103.00%	87.20%	108.60%	135.40%	118.60%
Annual total dividend per share (DKK)	8.4	8.25	7.5	6.5	6.1
Average annual employees across the Group <sup>1</sup>	10,141	10,098	10,275	10,561	7,258
<b>PARENT COMPANY<sup>2</sup></b>					
Net profit (DKKm)	810	1,109	1,152	339	405
Average annual number of FTE employees in the Company <sup>3</sup>	417	141	122	105	95
Average remuneration per FTE employee in the Company (DKK '000) <sup>4</sup>	698	1,086	1,238	1,237	1,105
Average change in remuneration for FTE employees of the Company	-36%	-12%	0%	12%	-17%

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

2. In the financial year 2023, the Parent Company acquired activities from its subsidiaries Scandinavian Tobacco Assens A/S and Scandinavian Tobacco Group Denmark A/S, as part of a vertical merger, where the relevant subsidiaries have been ceased to exit. This makes it difficult to compare 2023 with previous years for Parent Company.

3. Excludes members of the Executive Management.

4. 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 2023. 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.

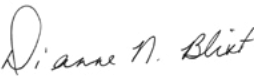
GENTOFTE, 5 MARCH 2024



**Henrik Brandt**  
Chairman of the Board of Directors



**Marlene Forsell**



**Dianne Neal Blixt**



**Anders C. Obel**



**Mark Kristen Draper**



**Claus Gregersen**



**Henrik Amsinck**



**Thomas Thomsen**



**Karsten Dam Larsen**

SECTION 9

# INDEPENDENT AUDITOR'S STATEMENT ON REMUNERATION REPORT

**TO THE SHAREHOLDERS OF SCANDINAVIAN TOBACCO GROUP A/S**

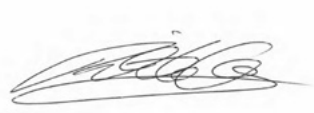
According to section 139b of the Danish Companies Act, the Board of Directors is responsible for preparing a remuneration report in accordance with the Remuneration Policy adopted at the General Meeting.

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 2023, 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 2023.

We found no reason to point out any omissions with respect to the disclosures included in the Remuneration Report for 2023.

Hellerup, 5 March 2024  
PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR No 33 77 12 31



**Michael Groth Hansen**  
State Authorised Public Accountant  
mne33228



**Kim Danstrup**  
State Authorised Public Accountant  
mne32201



**Scandinavian Tobacco Group A/S**

Sandtoften 9  
2820 Gentofte  
Denmark

[www.st-group.com](http://www.st-group.com)

CVR 31 08 01 85