



DIVERSITY AND INCLUSION

This constitutes our statutory report on the gender composition of the management for the financial year 2018 cf. Section 99b of the Danish Financial Statements Act ("Lovpligtig redegørelse for den kønsmæssige sammensætning af ledelsen, jf. årsregnskabslovens § 99 b"). The report forms part of the management's report in Scandinavian Tobacco Group's annual report for 2018 and covers the financial year 1 January – 31 December 2018.

At least once a year, the Board of Directors discusses the composition of the Board of Directors and the Executive Management. The Board has an international composition. At present, three out of the six shareholder elected members of the Board of Directors are of another nationality than Danish and a total of four nationalities are represented on the Board of Directors which among others together hold a wide range of commercial, FMCG, financial, management and tobacco industry experience and qualifications. The Board of Directors has set the goal that by 2020 at least 25% of the shareholder-elected members of the Board of Directors should be women. The goal was not reached in 2018. One out of the six shareholder-elected members of the Board of Directors is a woman. The relative representation of women on the Board of Directors remained unchanged in 2018 compared to 2017 (17%). In Scandinavian Tobacco Group Assens A/S, the other Danish company of our Group subject to the reporting requirement in section 99b of the Danish Financial Statements Act, one of the three shareholder-elected directors is a woman (i.e. 33%).

Women at senior management level

We wish to get a better representation of women at senior management level as women are currently the under-represented gender. We aim to identify all talents with leadership potential in the Group, irrespective of gender and want to identify and develop women who can grow into leaders and take on more responsibility or advance in their existing leadership roles. It continues to be our ambition, that by 2020 one third of the senior managers are women. We have not reached that goal yet. In 2017, 19% of the senior leaders were women. In our new organisation implemented by the end of 2018 in connection with the transformational programme Fuelling the Growth 20% of the top three levels of the organisation are women.

Our Group's performance tracking process covers approximately 1,800 employees across functions and geographies evaluating the individuals' performance and potential. This process ensures that a gender diverse talent base is identified each year.

We have a tradition for channelling young university graduates with international profiles into key roles via our International Graduate Programme within marketing, sales and finance. The share of women recruited in the Programme from its inception to date is above 65% and we continued the trend as four out of the five international graduates recruited in 2018 are women.