



# REMUNERATION REPORT

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## SECTION 1

# INTRODUCTION

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**T**his 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. 31080185, (the "Company") for the 2020 financial year, and for previous financial years where it is relevant for comparison purposes. 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 2021 Annual General Meeting.

Contained in the Remuneration Report are values derived from the Company's audited annual reports for 2016 to 2020; 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.



## 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 new technology, regulation, societal attitudes and consumer behaviour. 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 was designed to meet the objectives listed in 2.1 above, in addition to aligning with the Company's strategy and suitably reflect

shareholders' interests. The Remuneration Policy was adopted by the Annual General Meeting on 26 March 2020 and replaced the previous version which had not changed since being adopted by shareholders in 2016. It was updated 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 good Danish 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 2020

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.

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 2020, the Remuneration Committee consisted of four board members: Nigel Northridge, Henrik Brandt, Claus Gregersen and Luc Missorten. It met four times in the year.

In addition to the normal activities connected to the monitoring, review and determination of compensation of the Company's registered directors, the Remuneration Committee considered:

- the development of a Remuneration Policy compliant with section 139a of the Danish Companies Act
- the impact of the global pandemic on short-term operational performance
- the acquisition of Agio Cigars and its impact on the current cycles of the Long-term Incentive Programme.

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 General Counsel. The CEO and CFO were able to attend meetings by invitation.

In 2020, there were no shareholder dialogues held by the Company concerning the remuneration of the Company's registered directors. 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.

## SECTION 3

# OVERVIEW OF 2020 FINANCIAL AND OPERATIONAL PERFORMANCE

**2020 was marked by COVID-19, however Scandinavian Tobacco Group delivered a strong set of results for the year despite the challenging trading environment.**

In summary:

- Net sales grew by **19.2%** to **DKK 8,006 million** (2019: **DKK 6,719 million**), with **6.6%** organic growth.
- Organic EBITDA growth virtually doubled to **14.0%** (2019: **7.1%**).
- Free cash flow before acquisitions was **DKK 1,394 million** (2019: **DKK 1,187 million**).

These results represent an all-time high for the Company.

The Company suspended financial guidance in the early part of 2020 due to a lack of transparency in consumer behaviour and consumption. However, strong growth in the consumption of handmade cigars in the US and higher online sales led to a reintroduction and raising of financial guidance.

The Board of Directors applied judgement to delay target-setting under the 2020 Short-term Incentive Programme's (STIP) and the 2020-2022 Long-term

Incentive Programme (LTIP) until the end of Q2, to ensure that the targets would be relevant and stretching. The targets were not changed once they had been agreed. During the year, the Board of Directors raised the targets that had originally been set at the start of the 2018-2020 and 2019-2021 performance cycles under the LTIP. It took this step following the acquisition of Agio Cigars on 2 January 2020, which is the largest acquisition in the Company's history.

The Company's strong financial performance for the year can be attributed to a combination of internal actions, alongside higher than expected tobacco consumption across some product categories and markets. In response to the global pandemic, successful measures were put in place to continue to serve customers and maintain business operations, implemented by dedicated employees. Cost efficiency and operational performance improvements were realised through the completion of the three-year transformational programme, Fuelling the Growth, which achieved a run-rate savings target of **DKK 250 million** ahead of time.

As a consequence of the year's financial results, performance was above expectations for both the 2020 STIP and the 2018-2020 LTIP cycle and their respective key performance indicators were achieved above their maximum targets. 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 pandemic, employees' salaries were reviewed across the Company in accordance with its usual annual process. Members of the Executive Management received salary increases in 2020.

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 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 26 March 2020, shareholders approved the fees set out in Table 1. The Vice-chairman's fee increased from DKK 700,000 to DKK 800,000 per annum, via a change to the base fee multiple from 1.75x to 2x. This change was made to align the fee with prevailing practice for the role, as performed in Danish listed companies of a similar size and complexity to the Company. With the exception of this amendment, the fees have remained unchanged

since 2016. At the 2021 Annual General Meeting, shareholders will be asked to approve an increase to the annual base fee.

There were no changes to the composition of the Board of Directors in 2020, and the fees each serving member received for the year is provided in Table 2. 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 0.4 million (2019: DKK 0.3 million).

**Table 1. Fee structure**  
(DKK '000)

	2020		2016-2019	
	Annual Fee	Base Fee Multiple	Annual Fee	Base Fee Multiple
Chairman of the Board of Directors	1,200	3x	1,200	3x
Vice-chairman of the Board of Directors	800	2x	700	1.75x
Ordinary member (base fee)	400	-	400	-
<b>Chairman</b>				
Audit Committee	300	0.75x	300	0.75x
Remuneration Committee	100	0.25x	100	0.25x
Nomination Committee	100	0.25x	100	0.25x
<b>Ordinary member</b>				
Audit Committee	150	0.375x	150	0.375x
Remuneration Committee	50	0.125x	50	0.125x
Nomination Committee	50	0.125x	50	0.125x

**Table 2. Remuneration of the Board of Directors for the 2020 financial year**  
(DKK'000)

	Base Fee	Audit Committee	Remuneration Committee	Nomination Committee	Total
Nigel Northridge, Chairman	1,200		100	100	1,400
Henrik Brandt, Vice-chairman	800		50	50	900
Dianne Neal Blixt	400	150			550
Marlene Forsell	400	300			700
Claus Gregersen	400		50	50	500
Luc Missorten	400	150	50	50	650
Anders C. Obel	400				400
Lindy Larsen <sup>1</sup>	400				400
Hanne Malling <sup>1</sup>	400				400
Mogens Olsen <sup>1</sup>	400				400
<b>Total</b>	<b>5,200</b>	<b>600</b>	<b>250</b>	<b>250</b>	<b>6,300</b>

1. 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. It 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 their interests with those of shareholders.

Remuneration can be clawed back for reasons of material and manifest misstatement of data or accounts, mis-calculation or other error. 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 2020

In 2020, 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.

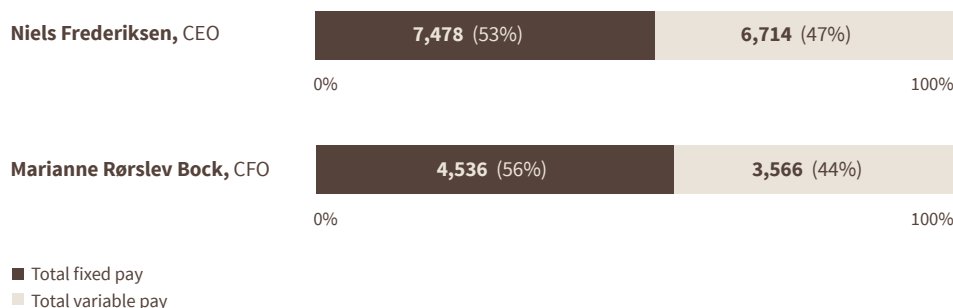
**Table 3. Remuneration of the Executive Management for the 2020 financial year**  
(DKK '000)

	Base Salary	Benefits	Short-term Incentive Programme <sup>1</sup>	Long-term Incentive Programme <sup>2</sup>	Total Remuneration 2020
Niels Frederiksen, CEO	7,220	258	3,610	3,104	14,192
Marianne Rørslev Bock, CFO	4,337	199	2,168	1,398	8,102
<b>Total</b>	<b>11,557</b>	<b>457</b>	<b>5,778</b>	<b>4,502</b>	<b>22,294</b>

1. Bonus earned for 2020 to be paid in Q2, 2021. 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 2020-2022 LTIP cycle as at the grant date in July 2020.

**Table 4. Proportion of fixed and variable pay**  
(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 took into account market benchmark data, the level of increase available for other employees and other inputs, including the financial performance of the Company.

The CEO's annual base salary increased by 2% (2% in 2019), which was consistent with the average salary increase awarded to employees at the Company in

Denmark. His salary adjustment took effect 1 November 2020.

By exception, and within the boundaries of the Remuneration Policy, the Board of Directors exercised judgement to approve a salary increase for the CFO outside of the normal annual review cycle. This decision was taken balancing her strong performance and contribution to the Company, alongside market competitive compensation levels for the scale of her role. The CFO's base salary increased by 10% (3% in 2019), and the adjustment was made in two stages during 2020.

**5.4 SHORT-TERM INCENTIVE PROGRAMME**

For 2020, the Short-term Incentive Programme's ("STIP") key performance indicators ("KPIs") were organic EBITDA growth against 2019's outturn and free cash flow before acquisitions and special items, targeted to promote achievement of the Company's 2020 business plan. These KPIs were selected by the Board of Directors for their relevance to annual profit and cash management performance. 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 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 KPIs' targets had been achieved at a high level as summarised in Table 5. Accordingly, the CEO and CFO both achieved a bonus award of 50% of their respective annual base salaries to be paid in April 2021.

**Table 5. Performance of the STIP 2020**

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%	3.0%	10.0%	14.0%	100%
Free cash flow (DKK m) <sup>2</sup>	33%	1,200	1,300	1,590	100%

1. Against the outturn in 2019.

2. Before acquisitions and special items.

**Table 6. STIP Performance from 2016-2019**

Performance Period	Key Performance Indicators	Performance Outcome: (% Achievement of Maximum Performance)
2016	Organic EBITDA growth	Inventory reduction 75%
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%



## 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. 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.

**2018-2020 performance cycle**

In 2018, 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 2018 to 2020. 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 CEO’s grant was based on his salary as at 1

January 2018. CFO, Marianne Rørslev Bock, joined the Company in October 2018. Her grant took place in December 2018 and reflected her salary at that time. 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 2020 financial year, the Board of Directors determined that performance against both KPIs had been achieved at a level above their respective maximum targets, as noted in Table 7, with historical LTIP performance provided for context in Table 8. The Board of Directors applied the pre-defined KPI performance multiplier range (between 0.0 – 2.0) to the executives’ PSU awards granted under the 2018-2020 LTIP cycle, as noted in Table 9, and 200% of these will vest in April 2021.

**Table 7. Performance of the Long-term Incentive Programme 2018-2020**

Key Performance Indicators	Weight	Performance Targets		Performance Outcome	
		On-target Performance	Maximum Performance	Actual	% Achievement of Maximum Performance
Organic EBITDA growth <sup>1</sup>	75%	9.5%	14.0%	14.3%	100%
Cash conversion	25%	100%	105%	116.3%	100%

1. Against the outturn in 2017.

**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
2017-2019	Organic EBITDA growth	Inventory reduction

## SECTION 5

**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, measured over a three-year performance period from 2020 to 2022. The Board of Directors considers these KPIs to be core success measures in supporting the Company's value creation. The performance targets which apply to these KPIs are commercially sensitive and therefore they will be disclosed on a retrospective basis once the performance period has ended.

The CEO and CFO received PSU grants equal to 40% and 30% of their annual base salaries, respectively, as noted in Table 9. Their grants were based on their salaries as at 1 January 2020. 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 made 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 <sup>3</sup>	Vesting Date <sup>3</sup>	Grant Price (DKK) <sup>4</sup>	Number of PSUs Granted	Grant Value (DKK '000) <sup>5</sup>	Number of Dividend PSUs granted in 2020 <sup>6</sup>	Number of Dividend PSUs granted in prior years <sup>7</sup>	Total Number of PSUs Vested <sup>8</sup>	Total Number of PSUs Lapsed <sup>8</sup>	Market Value of Shares at Vesting (DKK '000) <sup>9</sup>
<b>Niels Frederiksen, CEO</b>	2020-2022	Jul 2020	Q1 2023	87.89	32,745	2,878	2,847	0	-	-	-
	2019-2021	Apr 2019	Q1 2022	84.80	33,278	2,822	3,115	2,551	-	-	-
	2018-2020	Apr 2018	Apr 2021	111.91	24,484	2,740	2,417	3,324	60,450	0	-
	2017-2019	Apr 2017	Mar 2020	120.23	22,224	2,672	0	5,036	13,630	13,630	1,005
<b>Marianne Rørslev Bock, CFO<sup>1</sup></b>	2020-2022	Jul 2020	Q1 2023	87.89	14,746	1,296	1,282	0	-	-	-
	2019-2021	April 2019	Q1 2022	84.80	13,797	1,170	1,291	1,058	-	-	-
	2018-2020	Dec 2018	Apr 2021	90.53	2,692	244	252	206	6,300	0	-
<b>Sisse Fjelsted Rasmussen, former CFO<sup>2</sup></b>	2017-2019	Apr 2017	Mar 2020	120.23	9,557	1,149	0	2,166	5,862	5,861	432

1. Joined the Executive Management on 15 October 2018, therefore she did not receive a grant in the 2017-2019 LTIP cycle.

2. Left her position as CFO and member of the Executive Management on 1 June 2018, but stayed at the Group until 31 August 2018. She retained interests in the 2017-2019 grant cycle that vested in 2020.

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

4. 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.

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

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

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

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

9. The value of the vested shares using the closing price of a share on the vesting date, being DKK 73.70 for the 2017-2019 cycle. The market value of the shares to vest under the 2018-2020 cycle will be reported in the 2021 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 remaining two tranches, each of DKK 6.126 million, are payable on each 1 January of 2021 and 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 the 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 against the year in which the payment was made.





## SECTION 6

# SHAREHOLDINGS OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT



**A** 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 2019	Changes during 2020		End of 2020	
	Number of Shares	Additions	Disposals	Number of Shares	Market Value (DKK '000) <sup>2</sup>
Nigel Northridge, Chairman	5,000	0	0	5,000	521
Henrik Brandt, Vice-chairman	67,112	45,558	0	112,670	11,729
Dianne Neal Blixt	1,700	0	0	1,700	177
Marlene Forsell	3,250	0	0	3,250	338
Claus Gregersen	0	15,928	0	15,928	1,658
Luc Missorten	2,000	0	0	2,000	208
Anders C. Obel	20,270	0	0	20,270	2,110
Lindy Larsen <sup>1</sup>	242	0	0	242	25
Hanne Malling <sup>1</sup>	250	0	0	250	26
Mogens Olsen <sup>1</sup>	1,950	1,500	0	3,450	359
<b>Total</b>	<b>101,774</b>	<b>62,986</b>	<b>0</b>	<b>164,760</b>	<b>17,152</b>

1. Employee-elected Board member.

2. Based on closing share price of DKK 104.10 on 30 December 2020.

**Table 11. Shares held by the Executive Management**

	End of 2019	Changes during 2020		End of 2020		
	Number of Shares	Additions	Disposals	Number of Shares	Market Value (DKK '000) <sup>3</sup>	Market Value (% of annual base salary) <sup>4</sup>
Niels Frederiksen, CEO <sup>1</sup>	75,002	44,998	0	120,000	12,492	170%
Marianne Rørslev Bock, CFO <sup>2</sup>	0	2,300	0	2,300	239	5%
<b>Total</b>	<b>75,002</b>	<b>47,298</b>	<b>0</b>	<b>122,300</b>	<b>12,731</b>	<b>-</b>

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 104.10 on 30 December 2020.

4. As at 31 December 2020.

## SECTION 7

# REMUNERATION COMPARISONS

**T**he 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.

Scandinavian Tobacco Group A/S listed on Nasdaq Copenhagen in 2016, and 2016 was therefore a transitional year; for this reason, the comparison numbers only include 2017 to 2020.

**Table 12. Board of Directors serving in 2020 – change in total fees (base fees and committee fees)**

		2020	2019	2018	2017
Nigel Northridge, Chairman <sup>1</sup>	Fees	1,400	1,400	1,400	1,207
	Percentage change – actual / annualised	0% / 0%	0% / 0%	16% / 16%	-
Henrik Brandt, Vice-chairman <sup>2</sup>	Fees	900	800	800	543
	Percentage change – actual / annualised	13% / 13%	0% / 0%	47% / 0%	-
Dianne Neal Blixt	Fees	550	550	550	550
	Percentage change – actual / annualised	0% / 0%	0% / 0%	0% / 0%	-
Marlene Forsell <sup>3</sup>	Fees	700	508	-	183
	Percentage change – actual / annualised	38% / 0%	-	-	-
Claus Gregersen <sup>4</sup>	Fees	500	362	-	-
	Percentage change – actual / annualised	38% / 0%	-	-	-
Luc Missorten	Fees	650	625	550	502
	Percentage change – actual / annualised	4% / 4%	14% / 14%	10% / 10%	-
Anders C. Obel <sup>5</sup>	Fees	400	400	273	-
	Percentage change – actual / annualised	0% / 0%	47% / 0%	-	-
Lindy Larsen <sup>6</sup>	Fees	400	400	400	400
	Percentage change – actual / annualised	0% / 0%	0% / 0%	0% / 0%	-
Hanne Malling <sup>6</sup>	Fees	400	400	400	400
	Percentage change – actual / annualised	0% / 0%	0% / 0%	0% / 0%	-
Mogens Olsen <sup>6,7</sup>	Fees	400	400	400	200
	Percentage change – actual / annualised	0% / 0%	0% / 0%	100% / 0%	-
Aggregated fees for former Board members		-	331	1,333	2,735
<b>Total actual fees</b>		<b>6,300</b>	<b>6,176</b>	<b>6,106</b>	<b>6,720</b>
<b>Percentage change versus prior year - actual / annualised</b>		<b>2% / -15%</b>	<b>1% / 13%</b>	<b>-9% / -26%</b>	<b>-</b>

1. Elected as Chairman of the Board of Directors in 2017, formerly Vice-chairman.

2. Elected to the Board of Directors in April 2017.

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. Employee-elected member of the Board of Directors.

7. Elected to the Board of Directors in July 2017.

## SECTION 7

**Table 13. Executive Management serving in 2020**

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

		2020	2019	2018	2017
Niels Frederiksen, CEO	Remuneration	7,478	7,339	7,087	6,868
	Percentage change – actual / annualised	2% / 2%	4% / 4%	3% / 3%	-
Marianne Rørslev Bock, CFO <sup>1</sup>	Remuneration	4,536	4,125	869	-
	Percentage change – actual / annualised	10% / 10%	375% / 1%	-	-
<b>Total</b>	<b>Remuneration</b>	<b>12,014</b>	<b>11,464</b>	<b>7,956</b>	<b>6,868</b>
	<b>Percentage change versus prior year – actual / annualised</b>	<b>5% / 5%</b>	<b>44% / 3%</b>	<b>16% / 63%</b>	<b>-</b>

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

**Table 14. Executive Management serving in 2020**

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

		2020	2019	2018	2017
Niels Frederiksen, CEO <sup>1</sup>	Remuneration	14,192	11,884	23,654	10,304
	Percentage change – actual / annualised	19% / 19%	-50% / -50%	130% / 130%	-
Marianne Rørslev Bock, CFO <sup>2</sup>	Remuneration	8,102	6,542	1,360	-
	Percentage change – actual / annualised	24% / 24%	381% / 1%	-	-
<b>Total</b>	<b>Remuneration</b>	<b>22,294</b>	<b>18,426</b>	<b>25,014</b>	<b>10,304</b>
	<b>Percentage change versus prior year – actual / annualised</b>	<b>21% / 21%</b>	<b>-26% / -39%</b>	<b>143% / 192%</b>	<b>-</b>

1. 2018 remuneration value includes 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**

	2020	2019	2018	2017
Net Sales growth	19.2%	2.4%	1.5%	-4.2%
Organic Net Sales growth	6.6%	-2.5%	0.4%	-2.2%
Free cash flow before Acquisitions (DKK m)	1,394	1,187	668	963
Free cash flow before Acquisitions and special items (DKK m)	1,590	1,361	771	1,085
Organic EBITDA Growth	14.0%	7.1%	3.5%	-7.4%
EBITDA before special items (DKK m)	1,826	1,513	1,304	1,283
Net profit (DKK m)	678	748	666	712
Cash conversion rate	135.4%	118.6%	88.2%	110.2%
Annual total dividend per share (DKK)	6.50	6.10	6.00	9.25
Average annual employees across the Group <sup>1</sup>	10,561	7,258	8,172	7,579
Average annual number of FTE employees in the Company <sup>2</sup>	105	95	92	89
Average remuneration per FTE employee in the Company (DKK '000) <sup>3</sup>	1,237	1,105	1,330	1,037
Average change in remuneration for FTE employees of the Company	12%	-17%	28%	-1%

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 by 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



**T**he Board of Directors has considered and adopted the Remuneration Report of the Company for 2020. 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, 10 MARCH 2021

Nigel Northridge

Henrik Brandt

Marlene Forsell

Dianne Neal Blixt

Luc Missorten

Anders C. Obel

Claus Gregersen

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 2020, 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 2020.

We found no reason to point out any omissions with respect to the disclosures included in the Remuneration Report for 2020.

Hellerup, 10 March 2021  
PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR No 3377 1231



**Torben Jensen**  
State Authorised Public Accountant  
mne18651



**Søren Ørjan Jensen**  
State Authorised Public Accountant  
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