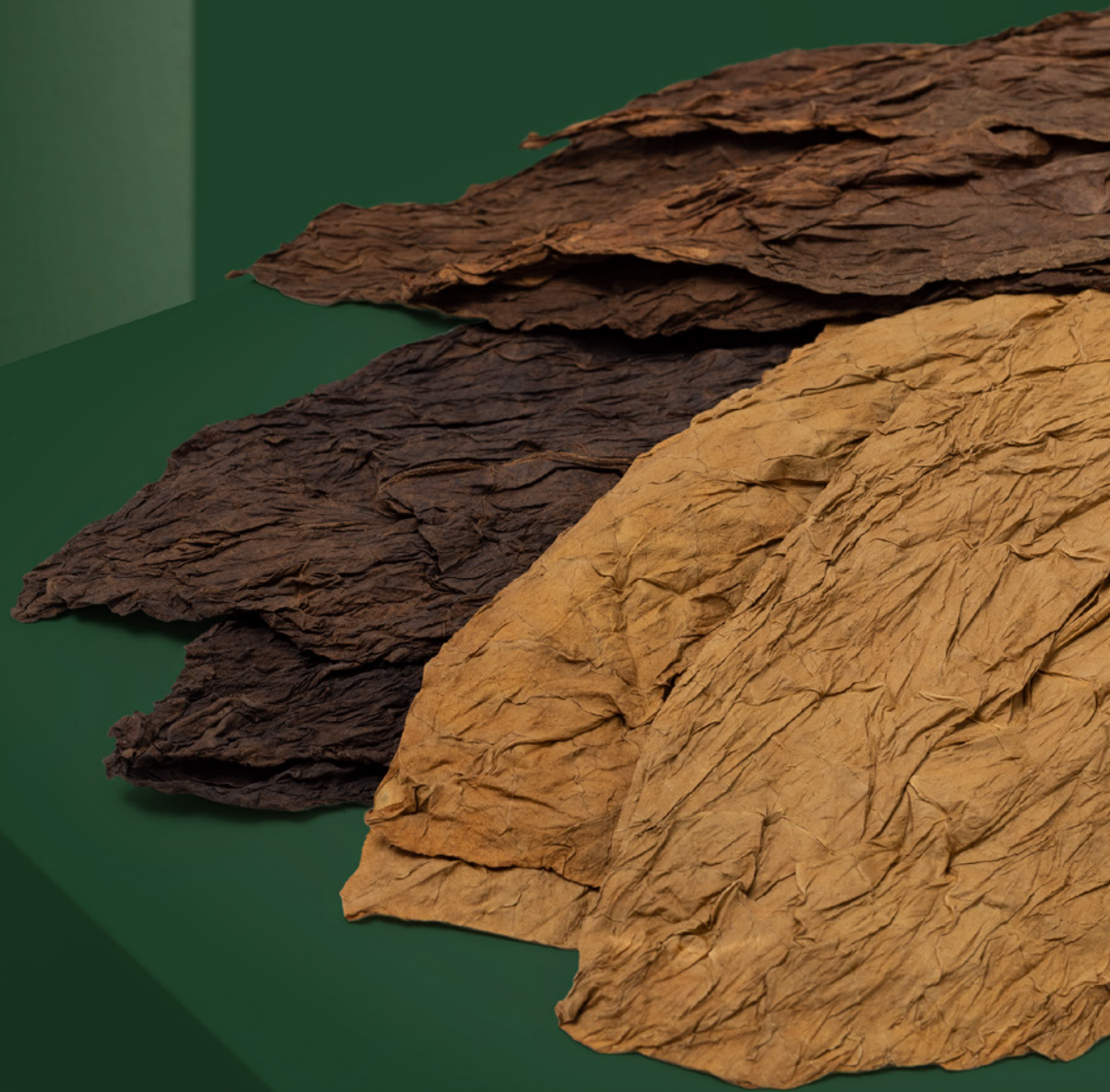




SUSTAINABILTY REPORT 2022



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FIND OUT MORE

ANNUAL REPORT

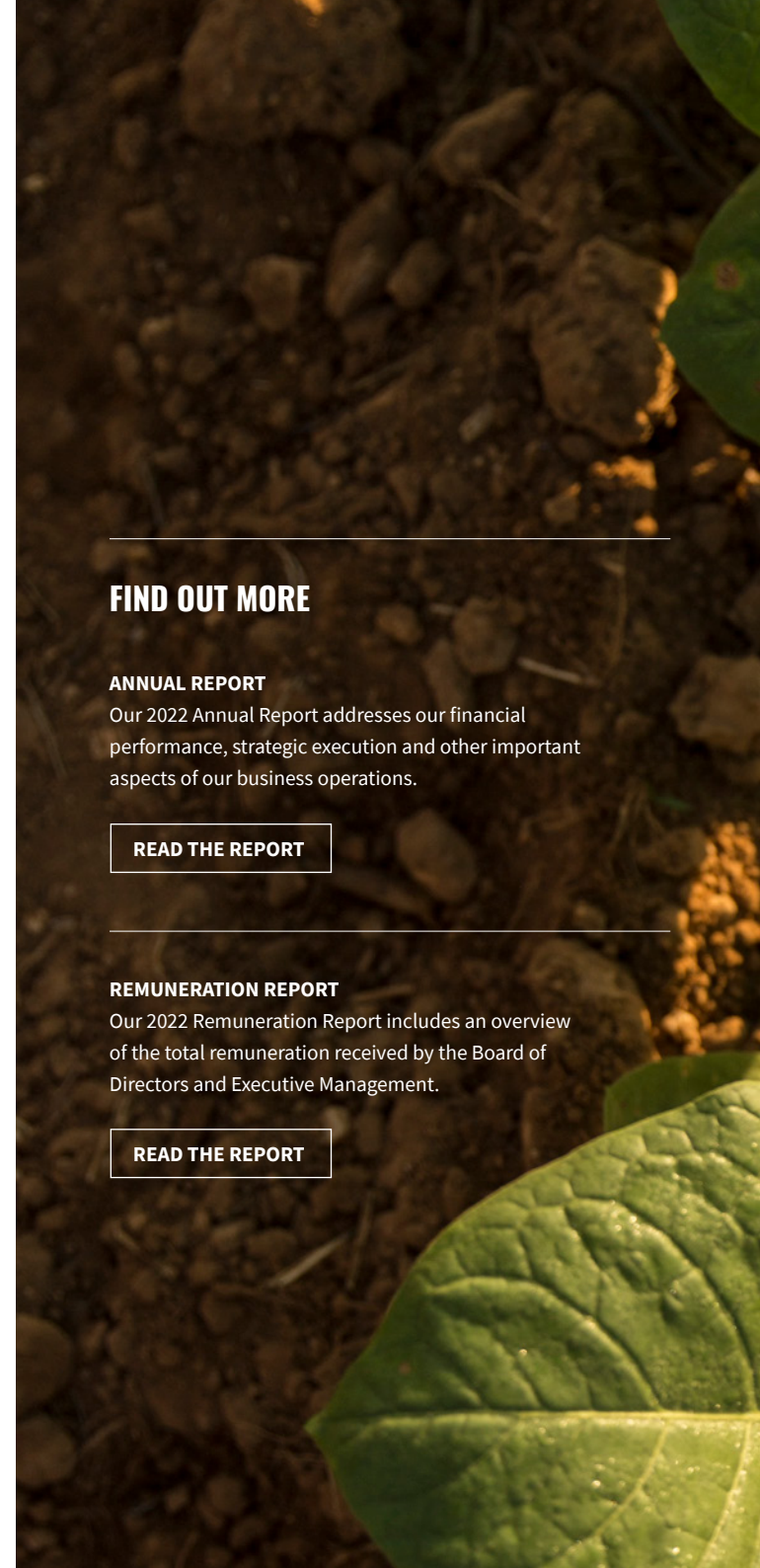
Our 2022 Annual Report addresses our financial performance, strategic execution and other important aspects of our business operations.

[READ THE REPORT](#)

REMUNERATION REPORT

Our 2022 Remuneration Report includes an overview of the total remuneration received by the Board of Directors and Executive Management.

[READ THE REPORT](#)



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LETTER FROM THE CEO

ROLLING RESPONSIBLY

For Scandinavian Tobacco Group, conducting business and acting responsibly have always gone hand in hand and this mindset is rooted in the way we work. We also know that our role in society is changing, as is the way in which we create value for our stakeholders. War in Europe, an energy crisis, the continuous effects of climate change and the ongoing consequences of the pandemic have created a business environment filled with uncertainty. Now more than ever, we need to ensure we continue building a future-proof and sustainable business.

In May 2022, we implemented our enhanced sustainability agenda Rolling Responsibly, which was integrated directly into our wider corporate strategy Rolling Towards 2025. Our vision is clear – we want to be the undisputed and sustainable global leader in cigars. As a leader, we are aware not only of our responsibility to create change, but also of our ability to make a positive difference. Therefore, our commitment to sustainability is a core corporate value.

With our new sustainability agenda, we are certain that we will be able to craft a better tomorrow for our stakeholders and for society.

We have focused on establishing the Rolling Responsibly foundation, building capabilities and kicking off several initiatives throughout the second half of 2022. With climate change being high on our agenda, we committed to the Science Based Targets initiative (SBTi), setting carbon reduction targets for 2030 and 2050.



With our new sustainability agenda, we are certain that we will be able to craft a better tomorrow for our stakeholders and for society.



The agenda is seated in our Strategy, Transformation and Sustainability department with material topics owned by the respective Executive Board members. To build our competencies, we have established a dedicated Sustainability Center of Excellence and we have employees devoted to working on our sustainability agenda. We have integrated climate targets into our Remuneration Policy for senior leaders and we are improving our sustainability data structure and processes, anchoring them in our corporate finance team.

We believe that we have created a solid sustainability platform and have equipped ourselves to deliver on our vision to become the undisputed and sustainable global leader in cigars.



NIELS FREDERIKSEN
Chief Executive Officer

ABOUT THIS REPORT

INTRODUCING OUR BUSINESS AND SUSTAINABILITY AGENDA

Rolling Responsibly has been developed to align with the global Environment, Social and Governance (ESG) agenda.



ENVIRONMENT

In this section, we will unfold our work with environmental management, and describe how we are working with and planning our key focus points: Climate change, Water management, Land use & responsible agriculture and Environmentally friendly materials & packaging.



SOCIAL

Here, we share how we work with our employees, the workers in the value chain and our communities. We also report on our approach to Diversity & Inclusion, Employee health & safety, Anti-child labor and Community engagement.



GOVERNANCE

This section describes how we ensure good governance and responsible business conduct through our policies and education. We also talk about our responsibility towards the consumer and share our view on smoking.

ESG PERFORMANCE DATA

While we have included many important ESG metrics in the relevant sections of the report, we also have a table containing our key ESG metrics and our sustainable reporting principles at the end of the report.

STATUTORY REPORTING REQUIREMENTS

This report serves as the statutory statement on Corporate Social Responsibility for Scandinavian Tobacco Group A/S and our group of companies in accordance with Section 99a of the Danish Financial Statement Act. Similarly, the section “Diversity & Inclusion” on [page 30](#) of this report constitutes our statutory report on the gender composition and diversity of management, in accordance with Sections 99b and 107d of the said Act. Our statement on data ethics in accordance with Section 99d of the Act can be found on [page 45](#).

This report also contains our statement regarding compliance with the EU Sustainable Finance Taxonomy, which can be found on [page 22](#).





OUR BUSINESS

Scandinavian Tobacco Group is headquartered in Copenhagen, Denmark and has a global presence. In our US market, the Group has offices in Bethlehem, Pennsylvania and Richmond, Virginia. The Group’s business model involves manufacturing and sale of tobacco products. These are produced with tobacco and other materials from third-party suppliers all over the world and include cigars, pipe tobacco and fine-cut tobacco. In 2022, the Group had production sites in Denmark, Belgium, the Netherlands, Italy, Indonesia, Sri Lanka, Nicaragua, Honduras, the Dominican Republic and a warehouse and distribution facility in Bethlehem. The two factories in the Netherlands were closed during the year.

VALUE CHAIN

As a tobacco company focused on the production of cigars, our value chain extends from tobacco fields across the globe to production sites on three continents into worldwide distribution networks. The distributors provide our products to consumers in both retail and online settings.



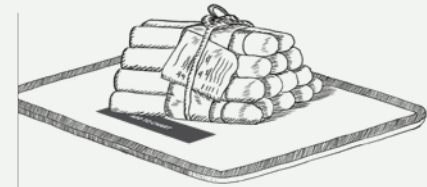
LEAF PROCUREMENT

The Group does not operate tobacco farms, we purchase our leaves from many different sources, ranging from large multinational wholesalers/distributors to smaller suppliers.



TRANSPORT, SHIPPING AND PRODUCTION

At the close of 2022, our global supply chain comprises 13 manufacturing sites. We endeavour to strategically place production sites close to both tobacco growers and consumers. Handmade cigars are produced in the Dominican Republic, Honduras and Nicaragua, while machine-rolled cigars are produced in Belgium, the Dominican Republic and Indonesia. Our factories in Indonesia and Sri Lanka produce die cuts for machine-rolled cigars that are manufactured in Belgium. Pipe tobacco and fine-cut tobacco are produced in Denmark.



SALES AND MARKETING

Our products are sold in approximately 100 markets across the world via the Group’s own sales companies and through third-party importers. In the US, we conduct direct sales to consumers online and via catalogues. In the US and some European markets, we also have direct-to-consumer sales in brick-and-mortar shops.

Every part of our value chain and business model involves different sustainability impacts, risks and opportunities. To assess these, we have conducted comprehensive sustainability materiality analyses. Read more on [page 8](#) of this report.



A WORD FROM LAURIE RÆBILD AND YULIA LYUSINA

OUR SUSTAINABILITY JOURNEY AND PREPPING FOR THE FUTURE

With the launch of Rolling Responsibly, also comes a new approach to the way in which we manage this agenda. From our organisational set up, through to the material topics, we are focused on ensuring that our agenda is properly carried out across the entire company.

As a responsible company, we focus on reducing our negative social and environmental impacts, while at the same time, increasing our positive impacts. We are proud to produce the world's best cigars. Working with tobacco, we acknowledge the health risks associated with smoking and we strive to always act responsibly towards consumers, as highlighted on [page 47](#).

We acknowledge arguments on whether a tobacco company can be sustainable or not but, as the global leader in cigars, with more than 10,000 employees worldwide, we have an opportunity to make a positive difference in the world. We take this opportunity seriously and the ambition of the Rolling Responsibly agenda, is to craft a better tomorrow – by elevating our communities and anchoring climate action in our culture.

TAKING SUSTAINABILITY TO THE NEXT LEVEL

Rolling Responsibly is not just an agenda for our work with Community engagement and Climate change. It is fully integrated across the company and we are taking significant steps across the business. From water and waste management to Diversity & Inclusion, health and safety, and corporate ethics, we want to do what we can knowing that sustainability is an ongoing journey. In 2022, we have taken important steps to craft a better tomorrow and educate our colleagues so that we can embed sustainable thinking into our ways of working in 2023 and beyond. This is how we believe we will succeed.



LAURIE RÆBILD
Head of Sustainability



YULIA LYUSINA
Senior Vice President Strategy,
Transformation & Sustainability

OUR ASPIRATION

**WE CRAFT A BETTER TOMORROW -
BY ELEVATING OUR COMMUNITIES
AND ANCHORING CLIMATE ACTION
IN OUR CULTURE**



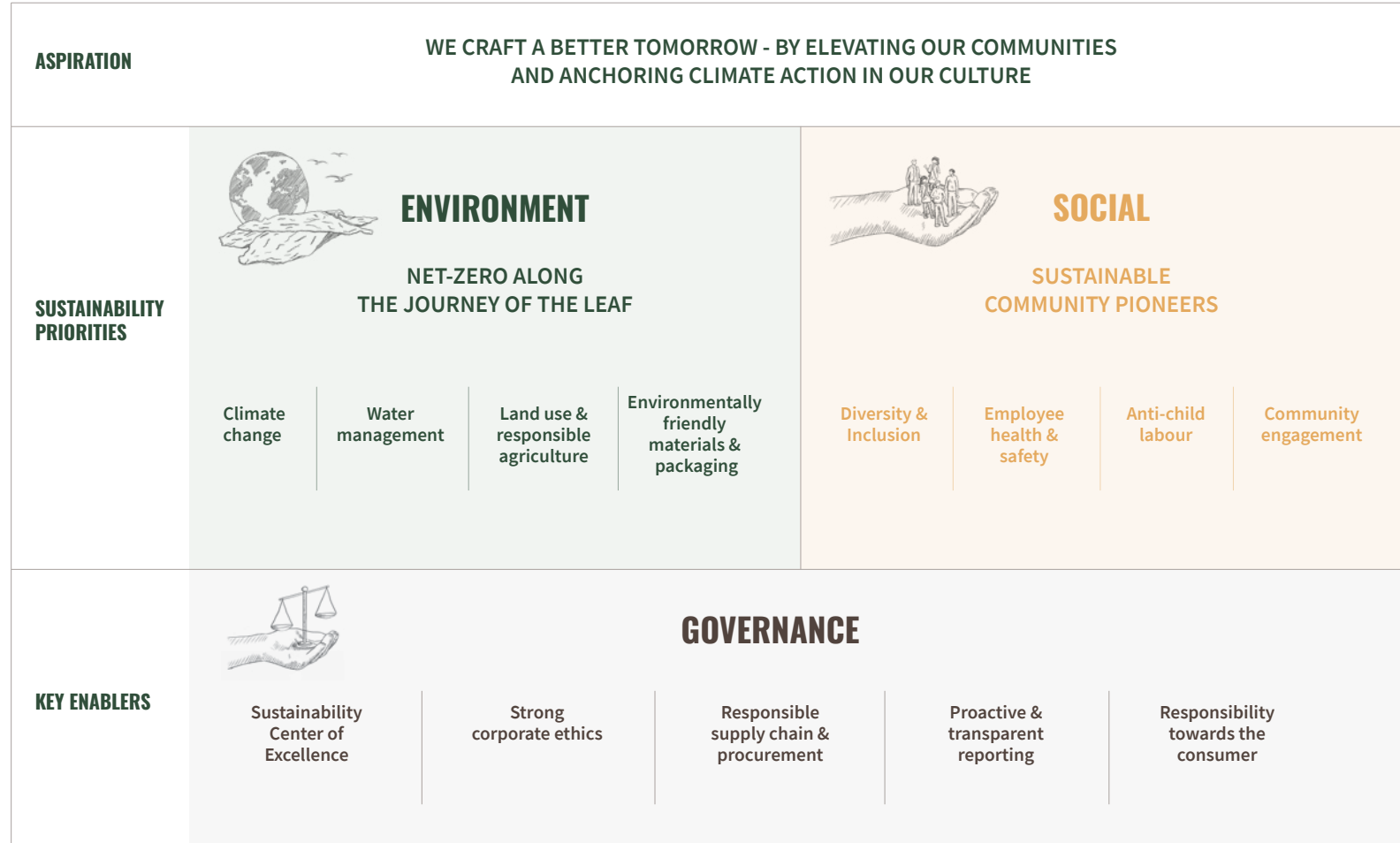
MATERIALITY ASSESSMENT



An impactful sustainability agenda must rest on a solid materiality assessment to help identify the impacts, opportunities and risks involved within the business model. In performing this analysis, sustainability becomes directly tied to the development of our business.

When our first Corporate Sustainability Report (CSR) strategy was developed in 2019, a thorough materiality analysis was conducted to steer our work in the right direction. With the development of Rolling Responsibly, we had a materiality assessment completed using updated and relevant ESG metrics. Our materiality assessments were performed by independent third parties to ensure objectivity and input from key internal and external stakeholders was accounted for. Each assessment brought a more mature discussion within management and the Executive Board determined material topics to establish an ambition level for each, to align with the Rolling Responsibly agenda. These material topics are shown to the right.

In the materiality assessment, we identified four material environmental topics: **Climate change**, **Water management**, **Land-use & responsible agriculture** and **Environmentally friendly materials & packaging**. (See our chapter on **Environment**). Considering the global focus on climate change, we included it in one of our two sustainability pillars, “Net-zero along the journey of the leaf”.





MATERIALITY ASSESSMENT

In parallel, we identified four material social topics: **Diversity & Inclusion (D&I)**, **Employee health and safety**, **Anti-child labour and Community engagement** (see our chapter on [Social](#)). Strong community relations are fundamental to our business as well as ensuring we contribute a positive impact to the communities we operate in. Therefore, we included Community engagement in one of our two sustainability pillars, “Sustainable community pioneers”.

We have also identified five key enablers in relation to Governance which span the entire agenda (see our chapter on [Governance](#)).

Rolling Responsibly extends to 2025, however we will continuously revisit our sustainability priorities to ensure they are up to date and relevant as we approach 2025.



↓ **19.5%**

Total reduction of scope 1 and scope 2 emissions since baseline 2020

↓ **6.3%**

Reduction in water withdrawal compared to 2020 baseline

TWO SUSTAINABILITY PILLARS



NET-ZERO ALONG THE JOURNEY OF THE LEAF

ANCHORING CLIMATE ACTION IN OUR CULTURE

Climate change is an ongoing challenge. As a business we influence climate change through our actions and climate change influences our business, by impacting our supply chain and the environment.

Society needs to act and our goal is clear. We want to achieve Net-zero along the journey of the leaf and have a carbon-neutral value chain by 2050 at the latest. We have established the foundation and begun executing our plan. The first important step on this journey was our commitment to the Science Based Targets initiative (SBTi) made in 2022.

Our goal is a year-on-year reduction in scope 1 and scope 2 emissions. Since our 2020 baseline year, we have been successful in decreasing our emissions year-on-year.

We have also invested in climate assessments, mapping the emissions of our operations and supply chain, and identifying which emission reduction levers we should focus on first. Our work in 2022 has laid the foundation for our Net-zero along the journey of the leaf target.



SUSTAINABLE COMMUNITY PIONEERS

ELEVATING OUR COMMUNITIES

We produce cigars in the Dominican Republic, Honduras, Nicaragua, Indonesia and Sri Lanka. With approximately 8,000 employees working in these areas, we are an important part of peoples' lives, making a positive difference for them, their families and the local communities.

Despite Scandinavian Tobacco Group not directly employing any farmers, we have the potential to make a positive difference for the entire value chain and the people in it.

Better education and healthcare, enabling women and combatting child labour are all critical elements of the second pillar within the sustainability agenda.

We are excited by these opportunities and recognise that we will not be able to accomplish them overnight however, we have taken important steps in becoming Sustainable community pioneers.



LOOKING BACK AT 2022

Our enhanced agenda **Rolling Responsibly** was launched in May 2022 and we increased our sustainability ambitions significantly. The focus for 2022 was to plan and ensure the proper roll-out of our sustainability agenda.

We have set up a Center of Excellence and positioned our functionally based workstreams to comply with ESG categories that we also see in the EU Taxonomy and the Corporate Sustainability Reporting Directive (CSRD) with its European Sustainability Reporting Standards (ESRS) to come in 2024. In 2022, we focused on **Climate change, Water management, D&I, Employee health & safety, Anti-child labour and Community engagement.**

ROLLING RESPONSIBLY

<p>SUSTAINABILITY PROGRAM</p>	<ul style="list-style-type: none"> The Executive Board was established as the Steering Committee and the relevant members own the material topics Established a Sustainability Center of Excellence within the Group Strategy, Transformation & Sustainability department Integrated climate KPIs into management’s compensation scheme Established sustainability reporting workstream, organised to ensure compliance with the CSRD requirements Conducted several educational webinars and meetings for the organisation on sustainability and specific topics 		
<p>ACHIEVEMENTS</p>	<div style="text-align: center;">  <p>ENVIRONMENT</p> </div> <ul style="list-style-type: none"> Established Climate change & Water management workstreams Committed to Science Based Targets initiative (SBTi) Completed deep-dive analysis of scope 1 and 2 emissions and developed a comprehensive action plan to reduce Achieved 19.5% scope 1 and scope 2 carbon emission reduction compared to the 2020 baseline Identified where to focus scope 3 efforts to create our baseline Reported through the Carbon Disclosure Project (CDP) for the first time 	<div style="text-align: center;">  <p>SOCIAL</p> </div> <ul style="list-style-type: none"> Established D&I, Employee health and safety, Anti-child labour and Community engagement workstreams Developed community sustainability strategy and guidance for our work Continued to integrate D&I into key people processes including recruitment and performance evaluations Continued our support and involvement with the Eliminating Child Labour in Tobacco-growing Foundation (ECLT) 	<div style="text-align: center;">  <p>GOVERNANCE</p> </div> <ul style="list-style-type: none"> Updated our Code of Conduct Created a Supplier Code of Conduct which will be implemented with all suppliers Continued anti-corruption and anti-bribery training of employees

2022 ESG PERFORMANCE HIGHLIGHTS



ENVIRONMENT

↓16.4%

Reduction in scope 1 and scope 2 emissions from 2021

↓19.5%

Total reduction of scope 1 and scope 2 emissions since baseline 2020



↓38%

Reduction in CO₂ emissions from refrigerant leakages since baseline 2020



SOCIAL

64

Nationalities employed



+20

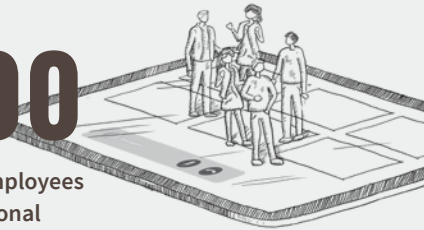
More than 20 different initiatives launched across the communities we operate



GOVERNANCE

+1,500

More than 1,500 employees joining our educational webinars on sustainability








LOOKING AHEAD AT 2023

Having rolled out our enhanced agenda and created long term plans, we are enthused and committed to our sustainability journey ahead. See the table for highlights of what is planned for 2023.

ROLLING RESPONSIBLY

<p>SUSTAINABILITY PROGRAM</p>	<ul style="list-style-type: none"> • Ensure we have the necessary elements for all material topics to report in accordance with the Corporate Sustainability Reporting Directive (CSRD) in 2024 • Partner with relevant parties to progress our sustainability agenda • Continue to educate our colleagues on the sustainability aspects that affect them in their work • Continue to build transparency with our stakeholders on our ESG agenda and progress • Embed sustainability thinking in our ways of working across the Group 		
<p>TARGETS</p>	<div style="text-align: center;">  <p>ENVIRONMENT</p> </div> <ul style="list-style-type: none"> • Commence the remaining workstreams, namely Responsible land use & agriculture, Environmentally friendly materials & packaging • Develop concrete targets for the Science Based Targets initiative (SBTi) • Continue to reduce our scope 1 and 2 carbon emissions with a reduction target of 4.2% or better each year • Perform a deep-dive analysis of scope 3 emissions and create a baseline and an action plan • Divulge our progress to the Carbon Disclosure Project (CDP) 	<div style="text-align: center;">  <p>SOCIAL</p> </div> <ul style="list-style-type: none"> • Review ongoing community initiatives to develop further insight into requirements for our production communities • Further identify critical business risks in communities and value chain in preparation for Corporate Sustainability Due Diligence Directive (CSDDD) • Assess strategic partnerships relevant to material topics 	<div style="text-align: center;">  <p>GOVERNANCE</p> </div> <ul style="list-style-type: none"> • Work to build more robust and transparent ESG data and processes, in preparation for CSRD • Kick off our Responsibility towards the consumer and procurement work • Roll out updated Code of Conduct to all employees in several languages • Roll out Supplier Code of Conduct to our procurement and leaf buyers and begin implementing with selected suppliers • Roll out Data Ethics Policy to relevant employees



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A WORD FROM NIELS FREDERIKSEN

OUR APPROACH TO ENVIRONMENTAL MANAGEMENT

We acknowledge our responsibility to reduce carbon emissions wherever possible, throughout the entire value chain. Our first sustainability strategy was designed to guide us through the period of 2020–2022 and to ensure careful analysis of our climate baseline, promote honest dialogue with key stakeholders and build a roadmap for future interventions.

In 2022, Scandinavian Tobacco Group has built on this momentum and taken important steps forward. In May, we committed to the SBTi. Our commitment to be part of the global effort to limit warming to 1.5°C comes with reduction targets for scope 1 and 2 emissions by 2030. We want to achieve net-zero in the entire value chain by 2050.

Whilst we have worked with energy efficiency for many years and we recognise that this is the first step towards carbon reduction, in 2022 we intensified our focus on modern refrigeration equipment and the sourcing of green electricity. This work has not only delivered impact above our initial carbon reduction targets for the year, but it has also served as a source of engagement and motivation across our operations community.

This is only the first step in a multi-year journey as we strive towards our vision of taking the lead in moving the climate agenda forward within the cigar industry.

To ensure transparency on this journey, the Group has reported to the Carbon Disclosure Project (CDP) in 2022, and is planning to do so in more detail going forward.

Climate action is critical and it is the responsibility of all companies globally, to act quickly. Whilst our climate work is taking precedence, there are other environmental impacts on water, waste, biodiversity and land use that we will increase our focus on in the years to come.

I look forward to the exciting journey ahead to become the undisputed and sustainable global leader in cigars.



This work has not only delivered impact above our initial carbon reduction targets for the year, but it has also served as a source of engagement and motivation across our operations community.



NIELS FREDERIKSEN

Chief Executive Officer and Interim Supply Chain Officer



NET-ZERO ALONG THE JOURNEY OF THE LEAF

We have identified four material topics: Climate change, Water management, Land-use & responsible agriculture and Environmentally friendly materials & packaging, prioritising our efforts on meaningful initiatives.

Of the four topics, we commenced work on Climate change and Water management in multiple workstreams.

ENVIRONMENTAL PRIORITIES

1

CLIMATE CHANGE

2

**WATER
MANAGEMENT**

3

**LAND-USE &
RESPONSIBLE
AGRICULTURE**

4

**ENVIRONMENTALLY
FRIENDLY MATERIALS &
PACKAGING**



1 CLIMATE CHANGE

WHY THIS TOPIC IS IMPORTANT

Climate change threatens not only the natural environment and humankind, but it will also change the very foundation for conducting business. Due to the global setup of our value chain, we are especially at risk as climate change heavily affects agricultural products and practices, including tobacco. We are not only influenced by climate change but we contribute to it via greenhouse gas emissions from our operations.

We have included Climate change in one of the pillars of the sustainability agenda due to its critical importance. We take responsibility for the impact our activities have on the environment and we aim to be a part of the global climate action movement by working on climate change adaptation and mitigation.

OUR CLIMATE STRATEGY

We focus on continuity and growth to be the undisputed and sustainable global leader in cigars, acknowledging the importance of reducing the Group's environmental footprint.

We strive to follow what science dictates and to align with the ambitious aim of the Paris Agreement. We have committed to the SBTi to set climate mitigation targets, including a long-term goal to reach an entirely net-zero value chain no later than 2050. The key abatement levers will require action in energy efficiency to reduce fugitive emissions, such as the use of renewably sourced power and heat or substituting with lower or zero-carbon sources.

The starting point is the 2020 baseline and the Greenhouse Gas Protocol for scope 1 and 2 emissions will set our SBTi targets. In our 2020 baseline year, we consumed 100,636 MWh of energy, corresponding to 36.5 thousand tons of CO₂e.

OUR AMBITION

Strategic partnerships are key to a successful future. Besides pursuing carbon neutrality within our own operations, we need to partner with suppliers and farmers along our value chain to make a greater impact.

More specifically, our work with climate will focus on eliminating emissions across scope 1 and 2, and proactively engaging with value chain partners to identify and eliminate scope 3 emissions.

SBTi

- 1 Reduction of CO₂ emission (scope 1 and 2) by 4.2% per year until 2030, starting from 2020
- 2 Address at least 67% of scope 3 emissions and create climate engagement with our suppliers by 2030
- 3 Reach net-zero across the entire value chain (scope 1, 2, and 3) by 2050



Less CO₂ emitted compared to our baseline year 2020



CLIMATE CHANGE

We have already started the reduction journey and scope 1 and 2 emissions are disclosed below:

tonnes CO₂ emissions

KPI	2022	2021	2020
Scope 1 emissions	11,815	14,189	15,274
Scope 2 emissions	17,557	20,953	21,204

We have seen a 16.7% reduction in scope 1 emissions and a 16.1% reduction in scope 2 emissions which makes a 16.4% reduction in total CO₂ emissions. This is due to:

- The replacement of outdated refrigeration systems at selected sites
- The transition to green electricity power purchase agreements at the Belgian and Danish sites
- Efficiency improvements on tobacco expansion and rationalisation of the manufacturing factory footprint

KEY INITIATIVES TO REACH OUR GOALS

We have identified several international best-practice levers that can impact our carbon footprint over the years to come. The table on the right lists the potential reduction initiatives relevant to our agenda.

FUTURE WORK WITH CLIMATE ACTION

After setting the baseline and committing to the SBTi, the next steps are to submit and have our targets approved by the committee within the 24-month deadline. We continue executing and monitoring our initiatives for the coming years to ensure yearly carbon reduction. Looking at our baseline year 2020, we decreased our carbon emissions by 3.7% in 2021 and by 19.5% in 2022.

Our aim is to improve supplier engagement, after having identified the highest emission sources in scope 3. These lie within tobacco cultivation, tobacco leaf curing, packaging materials and upstream transportation.

Another major milestone on the climate agenda is to prepare for the CSRD in 2024, focusing on setting the scene for fully transparent climate reporting.

FOCUS AREAS

POTENTIAL REDUCTION INITIATIVES

Reduce electricity consumption	Change to LED lighting, use of inverters and energy audits
Renewable power	On-site sustainable energy sources such as solar power and source green produced electricity
Renewable heat	Replace heat from fossil fuels with renewable sources such as biofuels, solar heating and other alternative energy sources
Refrigerants	Empower maintenance and use of more modern refrigerants
Circularity/recycling	Recover and recycle materials to create products, reduce operational waste and produce biogas

TOTAL SCOPE 1 AND SCOPE 2 CARBON EMISSIONS REDUCTION FROM OUR 2020 BASELINE YEAR





2

WATER MANAGEMENT

WHY THIS TOPIC IS IMPORTANT

Ensuring responsible water management and managing the Group's impact on water in the fields and in our factories is not just an environmental and ethical obligation, it is key to future success of our business. Although we are not a large water consumer compared to other industries, we want to act responsibly by taking care of this precious resource for the future and will increase our focus on this.

We have production sites in areas of the world where water quality can be low which is often due to poorly managed agricultural practices. We are attentive to our responsibility as a company to reduce our negative impact.

OUR WATER MANAGEMENT STRATEGY

During production, water is used for cooling, processing and moistening. Water management has been a priority for many years and one of the focus areas in our overall Environment, Health & Safety Policy (EHS).

The main ambition in our water agenda is to significantly reduce the amount of water we use, increase the amount of water we recycle and improve the quality of water we dispose of. The focus for 2022 has been on setting up the agenda, reassessing the performance metrics, evaluating the policies and planning.

MONITORING PROGRESS AND SETTING TARGETS

Getting a full overview of the water footprint by gathering data on water is key to setting targets, implementing improvements and maintaining the results to achieve our ambitions.

We have decreased our water withdrawal by 3.3% compared to 2021. This is due to increased rainwater harvesting, enhanced wastewater treatment, improved process efficiency and rationalisation of the manufacturing footprint.

OUR AMBITION

Since our baseline year 2020, we have reduced our water withdrawal. Our aim going forward is to increase water recycling while looking at improvements to also decrease the water consumption in our sites.

2023 AND BEYOND

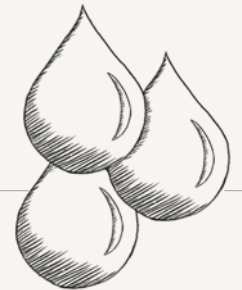
1 Establish a full water footprint overview, define metrics to monitor and establish short and long-term performance targets

2 Analyse, evaluate and improve current processes on cooling, processing and moistening to reduce water consumption, increase water recycling and ensure better wastewater disposal

3 Engage suppliers and local partners to assess possibilities for water consumption reduction and water quality improvement

▼ **3.3%**

Reduction in total water withdrawal since 2021



27.3 m³ / Net sales

Rate of water withdrawal compared to 30.0 from 2021

3

LAND USE & RESPONSIBLE AGRICULTURE

WHY THIS TOPIC IS IMPORTANT

We are aware that the tobacco we source takes up a large amount of land and must be handled responsibly in the fields. Our work impacts ecosystems through procurement and operations and acknowledges our responsibility to minimise negative impacts and increase positive ones.

We source high quality tobacco, and then we craft this tobacco into the world's highest quality cigars. Since the quality of the tobacco is critical to our

business success, any loss of biodiversity or unhealthy ecosystems are not just core environmental issues, but impact our business.

OUR AMBITION

We have in 2022 prioritised the environmental work on Climate change and Water management. In 2023, we will expand our efforts within Land use & responsible agriculture.



4

ENVIRONMENTALLY FRIENDLY MATERIALS & PACKAGING

WHY THIS TOPIC IS IMPORTANT

Creating a circular economy is critical to a sustainable future and to the business model. Due to the nature of tobacco products, the circularity opportunities are limited as tobacco products combust when they are used. However, to reach our customers and maintain our signature quality of products, we rely on several other materials for packaging, e.g. plastics, cardboard and wood. It is within packaging that we currently have the largest impact and potential to contribute to a circular economy.

When producing cigars and managing operations, we use several resources that generate different

kinds of waste, many of which are single use creating unnecessary refuse in our environment. Due to this, we are working with Environmentally friendly materials and packaging and have identified this as a material topic for the Group.

OUR AMBITION

Waste management in production has been a priority for a long time and we work on ensuring full utilisation of the tobacco we source, with the aim to continuously reduce tobacco waste. When waste is unavoidable, we aim to recycle and use it in other tobacco products. We will work on our waste management and on producing sustainably sourced materials and packaging.



ENVIRONMENTAL

EXAMPLES OF OUR WORK

DOMINICAN REPUBLIC

In the Dominican Republic, environmental efforts are visible in our daily operations. A concrete example is waste reduction and the reuse of tobacco. A tobacco reclaimer was implemented in the production facilities to separate filters from tobacco. Before this implementation, all tobacco that included filter products was treated as waste. After the implementation, only the filter is left as waste and the tobacco can be reused in the process, lowering the demand for raw tobacco, but also the indirect carbon emissions that come along with tobacco growing. This initiative reduces the direct operational carbon emissions caused by waste and also reduces the indirect scope 3 emissions caused by unnecessary tobacco growing.



INDONESIA

In Indonesia, we incorporate sustainability in the everyday operations, believing that small actions can make a big difference. In 2022, we focused on water management and wastewater treatment in the local factories.

By collecting the wastewater and expanding our wastewater treatment plant, more water can be reused, resulting in lower water withdrawal, which resulted in the increased use of recycled wastewater. Additionally, our Indonesian team enhanced rainwater harvesting in the factory, in order to further reduce water withdrawal.

DENMARK & BELGIUM

We aim to convert to 100% green electricity for all locations. The work started in Denmark and Belgium, aiming to change the way we operate to have an immediate impact on our scope 2 emissions. We created new contracts with suppliers in April and have already seen an impact from these two local initiatives. In 2021, 3.6% of our electricity consumption was from renewable energy sources. In 2022, this increased to 30.5% of the total electricity consumption.

Our sites in Belgium and Denmark are now run entirely on green electricity, which has improved our overall emission reduction. We lowered our total Group scope 2 emissions by 16.1% in 2022, compared to 2021.





EU'S ENVIRONMENTAL TAXONOMY

ABOUT THE TAXONOMY

In order to meet EU's climate and energy targets for 2030 and reach the objectives of the European Green Deal, it is vital that investments are directed towards sustainable projects and activities. The European Commission has set a binding target of achieving climate neutrality by 2050, and the European Union is committed to sustainable development and environmental protection through regulation and specific action plans.

The EU Taxonomy is a classification system establishing a list of environmentally sustainable economic activities to support climate neutrality. The Taxonomy provides companies, investors and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable. This should create security for investors, protect private investors from greenwashing and help companies to become more climate friendly.

The Group supports these efforts to help orient investments towards projects that support the transition to a sustainable and low carbon economy.

OUR REPORTING ON TAXONOMY

Our EU Taxonomy reporting follows the Regulation 2020/852 of the European Parliament and Council, providing the definition of environmentally sustainable economic activities.

To qualify as environmentally sustainable, an economic activity shall, among other things, contribute substantially to one or more of the six environmental objectives stated in Article 9 of the regulation.

Our disclosures on EU Taxonomy in the year of 2022 include the environmental objectives of climate change mitigation and climate change adaptation.

We will disclose the proportion of Taxonomy-eligible and Taxonomy-aligned economic activities in net sales, operating expenditures (OpEx), and capitalised expenditures (CapEx) for the 2022 fiscal year.

MOVING TOWARDS STANDARDISED REPORTING

Eligibility under the Taxonomy should be assessed according to economic activity rather than sector or industry. The regulation of the Taxonomy sets out a three-step approach towards alignment of the economic activities:

- i) Substantially contribute to one or more of the six environmental objectives
- ii) Does not significantly harm the remaining climate objectives
- iii) Comply with minimum safeguards covering social and governance standards

The technical screening criteria set out in the environmental objectives, determines whether an economic activity makes a substantial environmental contribution to a certain objective, can be applied to any activity. However, to be eligible for the Taxonomy, an activity must also be performed in avoidance of significant harm to the other environmental objectives.

We have begun our Taxonomy alignment process by assessing and documenting compliance with the steps above for all activities that fall under the scope of the Key Performance Indicators (KPIs) in the Taxonomy reporting. This process has been based on available data and current interpretation of the regulation.

MATERIALITY

We have performed the EU Taxonomy reporting based on a materiality assessment. The consolidated financial KPIs are a result of processing large numbers of transactions into classes according to their nature or function. When aggregated, the transactions are presented in classes of similar items and expressed as KPIs for the regard of the Taxonomy reporting. If one line or activity is not individually material, it is aggregated with other items of a similar nature in the report.

ACCOUNTING POLICIES

Our accounting policies for the calculations and reporting are based on our best interpretation of the EU Taxonomy and delegated acts, and the currently available guidelines from the European Commission. As the Taxonomy reporting is an evolving regulation with four of the technical annexes still to be published, it is our expectation that the reporting will mature and evolve during the coming years. To support the efforts, the Group will be reassessing the reporting requirements and level of information on an annual basis.



EU'S ENVIRONMENTAL TAXONOMY

NET SALES

	Substantial contribution criteria								DNSH criteria ('Does Not Significantly Harm')							Taxonomy-aligned proportion of net sales, year 2022 (18)	Taxonomy-aligned proportion of net sales, year 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
	Absolute net sales (3)	Proportion of net sales (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)				
	DKK million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES (A.1. + A.2.)		- %	- %	- %	- %	- %	- %	- %	-	-	-	-	-	-	-	- %	- %	-	-
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
<i>None</i>	-	- %	- %	- %	- %	- %	- %	- %	-	-	-	-	-	-	-	- %	- %	-	-
Net sales of environmentally sustainable activities (Taxonomy-aligned) (A.1.)	-	- %	- %	- %	- %	- %	- %	- %	-	-	-	-	-	-	-	- %	- %	-	-
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
<i>None</i>		- %																	
Net sales of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)	-	- %																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Net sales of Taxonomy-non-eligible activities (B)	8,762.2	100%																	
Total net sales (A+B)	8,762.2	100%																	

TAXONOMY-ELIGIBLE NET SALES

The Group has screened the activities in the technical annexes under the Delegated Act 2021/2139 and identified one eligible net sales stream related to Transport (activity 7). In the US, the Group has net sales arising from freight services to customers, however, despite being a Taxonomy-eligible activity, we have chosen not to report on this activity based on materiality assessment, as the freight services constitute to less than 2% of global net sales.

Based on the current interpretation Scandinavian Tobacco Group does not have any material net sales activities that can be considered to be Taxonomy-eligible in regards to net sales.

ACCOUNTING POLICIES - NET SALES

Net sales is defined in accordance with the interpretation of IFRS 15. Reference is made to the Annual Report net sales line item and note 2.1 Gross profit (net sales and cost of goods sold) where the accounting policies are provided.

MATERIALITY

The Group has decided to apply a threshold equivalent of 3% of net sales, when assessing the activities and disclosures for the Taxonomy reporting regarding net sales.



EU'S ENVIRONMENTAL TAXONOMY

OPEX

	Substantial contribution criteria								DNSH criteria ('Does Not Significantly Harm')							Taxonomy-aligned proportion of OpEx, year 2022 (18)	Taxonomy-aligned proportion of OpEx, year 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
	Absolute OpEx (3)	Proportion of OpEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)				
	DKK million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES (A.1. + A.2.)		- %	- %	- %	- %	- %	- %	- %	-	-	-	-	-	-	-	- %	- %	-	-
A.1. Environmentally Sustainable activities (Taxonomy-aligned)																			
<i>None</i>	-	- %	- %	- %	- %	- %	- %	- %	-	-	-	-	-	-	-	- %	- %	-	-
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)	-	- %	- %	- %	- %	- %	- %	- %								- %	- %		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Transportation - Activity 7	22.9	10%																	
Real estate - Activity 8	107.5	47%																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)	130.4	57%																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities (B)	97.9	43%																	
Total OpEx (A+B)	228.3	100%																	

TAXONOMY-ELIGIBLE OPEX

We screened the activities listed in the technical annexes under the Delegated Act 2021/2139 and identified 57% or DKK 130.4 million eligible operating expenditures. The eligible OpEx related to transportation, constitutes of regular service and maintenance costs related to passenger cars. The eligible OpEx related to real estate is the maintenance costs of company properties and offices, and does not include any maintenance costs related to production assets. None of the eligible OpEx were assessed as Taxonomy-aligned.

ACCOUNTING POLICIES OPEX

OpEx have been defined as non-capitalised costs related to research and development. This includes salaries, building renovation measures, short-term leases, maintenance and repairs relating to day-to-day servicing of assets including property, plant and equipment.

ESTIMATES

To report on the OpEx related to the eligible real estate activity, an allocation key has been used to disaggregate the costs related to maintenance of our buildings and stores from the maintenance costs related our factories and production.

MATERIALITY

The Group has decided to apply a threshold equivalent to 3% of OpEx when assessing the Taxonomy reporting.

EU'S ENVIRONMENTAL TAXONOMY

CAPEX

	Substantial contribution criteria								DNSH criteria ('Does Not Significantly Harm')							Taxonomy-aligned proportion of CapEx, year 2022 (18)	Taxonomy-aligned proportion of CapEx, year 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
	Absolute CapEx (3)	Proportion of CapEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)				
	DKK million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES (A.1. + A.2.)		-%	-%	-%	-%	-%	-%	-%	-	-	-	-	-	-	-	-%	-%	-	-
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
<i>None</i>		-%	-%	-%	-%	-%	-%	-%	-	-	-	-	-	-	-	-%	-%	-	-
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)	-	-%	-%	-%	-%	-%	-%	-%								-%	-%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Transportation - Activity 7	22.2	4%																	
Real estate - Activity 8	169.4	29%																	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)	191.6	33%																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities (B)	390.4	67%																	
Total CapEx (A+B)	582.0	100%																	

TAXONOMY-ELIGIBLE CAPEX

We screened the activities listed in the technical annexes under the Delegated Act 2021/2139 and identified 33% or DKK 191.6 million eligible capital expenditures. The eligible CapEx within the transportation category, is solely related to transportation in passenger cars. The eligible CapEx within the real estate category is related to new or extended lease agreements as well as the retail store expansion in the US. None of the eligible activities were assessed as Taxonomy-aligned.

ACCOUNTING POLICIES CAPEX

CapEx are defined in accordance with International Financial Reporting Standards (IFRS), based on IAS 16, IAS 38 (excluding goodwill) and IFRS 16. CapEx are thereby comparable to the reported 'Additions' (excluding goodwill) in the Scandinavian Tobacco Group Annual Report note 3.1 Intangible Assets, 3.2 Property, Plant, and Equipment, and 3.3 Right-of-Use Assets.

MATERIALITY

The Group has decided to apply a threshold equivalent to 3% of CapEx, when assessing the Taxonomy reporting.



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A WORD FROM RÉGIS BROERSMA

OUR APPROACH TO SOCIAL SUSTAINABILITY

As a multinational company with thousands of people involved globally, we have an obligation to act responsibly and have the potential to make a sizeable impact in our communities.

Acting in accordance with the local regulations and following our firmly established internal Marketing Principles, we take our responsibility seriously.

We have the ability to positively impact the health, safety and education of employees and their families and we foster a culture of D&I. We do not accept child labour, nor do we use child labour in our facilities. Our aim is to create prosperous communities.

We are on our way and I am proud to share some of the work that we have done in 2022 and to present our aspirations for the years to come.



RÉGIS BROERSMA

President & Senior Vice President
Division North America Branded &
Rest of World

ALIGNMENT WITH CSRD

We have aligned our material topics with the newly-published CSRD social categories: Own Workforce, Workers in the Value Chain and Affected Communities.



INTRODUCTION

ENVIRONMENT

SOCIAL

GOVERNANCE

ESG PERFORMANCE



OWN WORKFORCE

The Group employs more than 10,000 people. Over 8,000 are non-desk employees, mainly focused on production and approximately 2,000 are desk workers, working mainly in administration and business development. We are a diverse and global workforce, with our employee base spread across 20 countries, with 64 nationalities represented globally.

All current and future business success stands on the shoulders of our employees. People within the business are at the center of everything we do. Therefore, investing in our employees is an investment in our future.

We employ people from around the world and firmly believe we not only have a responsibility for them, but we also have the opportunity as an employer to craft careers that unleash the employees' full potential. Our people strategy is a key part of our business and a great opportunity to make a sustainable difference through impactful human resources, D&I, and Employee health and safety initiatives.

AFFECTED COMMUNITIES

Community engagement ([page 36](#))

WORKERS IN THE VALUE CHAIN

Anti-child labour ([page 35](#))

OWN WORKFORCE

Diversity & Inclusion
Employee health & safety



SUSTAINABLE COMMUNITY PIONEERS

We are focused on people and provide employees throughout our operations with fair and safe working conditions. We encourage a diverse and inclusive culture, fund local community initiatives and we work against child labour.

SOCIAL PRIORITIES

1

**DIVERSITY &
INCLUSION**

2

**EMPLOYEE HEALTH
& SAFETY**

3

**ANTI-CHILD
LABOUR**

4

**COMMUNITY
ENGAGEMENT**

1 DIVERSITY & INCLUSION

WHY THIS TOPIC IS IMPORTANT

Embracing D&I allows creativity, innovation and enhanced problem-solving. This encourages our employees to flourish, unleash their true potential and enables the Group to attract talented, highly skilled people who can have an immediate and important impact.

OUR D&I STRATEGY

We promote equal opportunities among employees regardless of nationality, culture, race, gender, political or sexual orientation. By embedding D&I into the global corporate strategy, we are ensuring that it lives within the business as a leader-led journey that will have a positive impact on both our people and the business. We are actively working toward embedding D&I into our core business function. We do this through the development of leadership skills, attracting new talent, onboarding new employees into the Group's culture and evaluating and rewarding employees' performance.

THE FOUNDATION OF OUR WORK

In 2022, we began to look at D&I through a global lens. A core component of our work has been hosting employee focus groups which are made up of a cross-section of our global employee population. The purpose of the focus groups was to develop a baseline understanding of employee expectations and experiences to help light the way forward for future D&I work. This analysis has provided a basis for strengthening our strategic

approach and is an important first step to re-formulate and solicit feedback on a companywide D&I statement*:

...At Scandinavian Tobacco Group, we believe the diversity of our people makes us strong. We are comprised of individuals from all walks of life, blending our strengths together to transform our business while creating a culture rooted in respect. We value the different perspectives, unique talents, and passion our team members bring to the table. Our employees are the reason we have created our vision to be the undisputed and sustainable global leader in cigars. We achieve our goals collectively while responsibly serving the communities in which we operate...



HANNE BERG

Senior Vice President & Chief
Human Resources Officer

*The statement stands as Scandinavian Tobacco Group's position on D&I.



DIVERSITY & INCLUSION

THREE PILLARS OF OUR D&I STRATEGY

In addition to developing a D&I statement, we have created the basis for the corporate D&I strategy, which focuses on three pillars: **Culture, Learning and People.**



CULTURE - FOSTERING A D&I ENVIRONMENT

Our focus has been on increasing the diversity of our workforce and celebrating the cultural heritage of our employees. Diversity in our organisation helps us recognise and respect “ways of being” that are not necessarily our own. As we interact with others we can build a culture of trust, respect and understanding. Our diversity makes our company a more interesting place to work, as people from diverse cultures contribute skills, new ways of thinking, new knowledge and different experiences.

In 2023, the D&I committee will focus on cultural enrichment opportunities that celebrate the heritage of our global organisation and the communities where our employees live and work.

LEARNING - ENGAGE AND EDUCATE OUR PEOPLE

The Group prioritises education and open dialogue to reduce unconscious bias. We expect our leaders to act fairly, be unbiased and have the ability to foster inclusive teams that celebrate cultural differences.

In 2022, we conducted an educational webinar with more than 350 participants and implemented training for employees in the United States on topics such as Harassment & Discrimination Prevention, Unconscious Bias, Foundations of D&I, and Microaggressions in the Workplace.

PEOPLE - EQUAL OPPORTUNITIES

We are committed to enhancing diversity in leadership, specifically regarding gender diversity. As an organisation, we have begun the work to ensure that leadership is representative of the communities where we operate. We leverage the available tools and partnerships to increase the diversity of recruiting and talent pipelines.

In 2022, we reviewed our core people processes and documentation through the lens of diversity, equality and inclusion to ensure that they provide equal opportunity for all. As a result, our external recruiting policies and methodologies were strengthened to ensure they are not limiting or exclusive. Our continuous efforts to diversify the Board of Directors and Executive Management, have resulted in our business being ranked number 3 among the 100 biggest companies in Denmark, according to Børsen (<https://borsen.dk/nyheder/generelt/virksomheder-skaldroppe-netvaerket-hvis-de-vil-i-maal-paa-mangfoldighed>).

DIVERSITY IN MANAGEMENT

This section of the report constitutes our statutory report on the gender composition of the management for the financial year 2022, according to Sections 99b and 107d of the Danish Financial Statements Act.

In 2022, the Board of Directors discussed the composition of the Board of Directors as well as the Executive Board as per policy and procedure. Both the Board of Directors and Executive Board are comprised of valuable international experience. Presently, two of the six shareholder-elected members of the Board of Directors are of a nationality other than Danish and a total of three nationalities are represented. Members of the Board of Directors hold a wide range of commercial, FMCG, financial, management and tobacco industry experience and qualifications.

The Board of Directors in 2020 set a goal that, by 2024, 30% of the shareholder-elected Board members should be women. At the end of 2022 two of six, or 33% of the shareholder-elected Board of Directors members were female. With respect to the rules in the Danish Companies Act there is already an equal distribution of genders in the Executive Board.

2022

Gender Balance	Female	Male	Undeclared	Total
Executives	4	4		8
Senior Vice Presidents	2	7		9
Vice Presidents	3	20		23
Directors	11	42		53
Managers	90	171		261
Professionals	528	538		1,066
Supporters	6,045	2,715	1	8,761
Total				10,181

2022

Gender Balance	Female	Male	Undeclared
Executives	50%	50%	
Senior Vice Presidents	22%	77%	
Vice Presidents	13%	87%	
Directors	20%	79%	
Managers	34%	65%	
Professionals	49%	50%	
Supporters	69%	30%	0.01%

Note: Employee data is taken from our HRIS systems on December 31, 2022 and represents an actual headcount representation on that date.



DIVERSITY & INCLUSION

We aim to identify and reward the high-potential talent in the Group, irrespective of gender or background and provide development opportunities for employees to grow both vertically and laterally by taking on additional responsibility, participating in strategic projects, or advancing in their existing leadership roles.

Although women make up 65% of the Group's global workforce, only 31% of the Group's leaders (Manager level and above) are women. Gender equality in management has been a long-time focus area and we continue to work on a balanced distribution of women across all management levels. The gender distribution within management is shown in the table on the previous page.

By 2025 we aim to have 30% females at the top three management levels (Executive Board, Senior Vice President, Vice President) and by 2030, we have set a target of 40% females in all leadership positions.

FUTURE INITIATIVES FOR DIVERSITY & INCLUSION

We look forward to rolling out additional D&I initiatives in 2023 and the years to come, that will educate and foster a culture of inclusion and further unleash the potential of all employees.

CULTURE

- 1 Identify and train D&I ambassadors who will be embedded across the organisation and will be integral to creating cultural moments that matter for employees, supporting new hires in onboarding, and will act as advocates for D&I programs
- 2 Increase participation rate in global D&I activities
- 3 Review our voluntary turnover of diverse employees and create programs to decrease turnover
- 4 Increase talent diversity through establishing new talent pools

LEARNING

- 1 Train desk workers on D&I awareness
- 2 Train all workers across the organisation on unconscious bias
- 3 Establish mentoring programs

PEOPLE

- 1 Review the performance, rewards and promotions processes to ensure they are equitable and free from unconscious bias
- 2 Train managers in D&I aspects in relation to the People and Performance reviews they conduct when considering performance and rewards
- 3 Review all performance ratings to ensure no gender bias exists



2 EMPLOYEE HEALTH & SAFETY

WHY THIS TOPIC IS IMPORTANT

With more than 10,000 employees worldwide, health and safety is a vital part of the people agenda and is a central component of the Group Environment, Health & Safety (EHS) program. We promote and maintain the well-being of employees and strive for safe and healthy working conditions by reducing the risk of accidents and work-related illnesses. Fostering a workforce both mentally and physically healthy, we stay committed to a more sustainable business and impact communities positively with strong and motivated employees.

OUR HEALTH & SAFETY STRATEGY

Health and safety is of the utmost importance and is deeply rooted in the Group's culture and ways of working. Our EHS Policy is the foundation of our work and is the framework for the entire group and all operations.

In our EHS Policy (inspired by ISO14001, 45001 and OSHA 18001 standards), we aim to comply with all applicable regulations and with the company's policy standards. An ever-safer workplace is very important to us. We work together with our employees for the policy's creation and maintenance, while continuously optimising the environmental footprint of our operations. We strive for a more efficient workflow, minimising waste and ensuring that on-site contractors equally commit to this EHS Policy.

As part of the general EHS production site audit cycle, safety audits identify work processes, policies or equipment gaps that might pose a risk to employees. If gaps are found, we proceed to identify root causes and conduct structured analyses and problem-solving using Lean tools and techniques to close the identified gaps.

Behavioural change and training are instrumental in the prevention of incidents. We provide clear information and various training programs for both new and current employees, EHS managers and site managers.

Special training is offered to employees in high-risk jobs, e.g. those dealing with larger machinery or heavy lifting. Health and safety is also integrated into our Supplier Code of Conduct.

PERFORMANCE AND TARGETS

The number of work-related accidents (Lost Time Accidents - LTA, or injuries leading to one or more working days' absence) in 2022 was 41, an increase of 1 from 2021. The accident rate (number of accidents per 200,000 hours worked) has also shown a slight increase from last year, as a result of the decreased total number of working hours. Both metrics are still significantly lower compared to 2020.

	2022	2021	2020
Number of Lost Time Accidents (LTA)	41	40	92
Number of working hours	16,853,392	17,439,673	16,077,807
Rate of LTA per 200k hours	0.49	0.46	1.14

We will continue to strive to reach our target for our overall accident rate of 0.39, which we set after our 2021 results. There are several reasons behind the 2022 performance, the most important being organisational and site changes. We aim to offer increased safety training and align safe procedures and instructions with our employees. We will start with the Belgian sites and extend to others via an online training tool to safely introduce new machines, employees or products.

EMPLOYEE HEALTH & SAFETY

COMMUNITIES

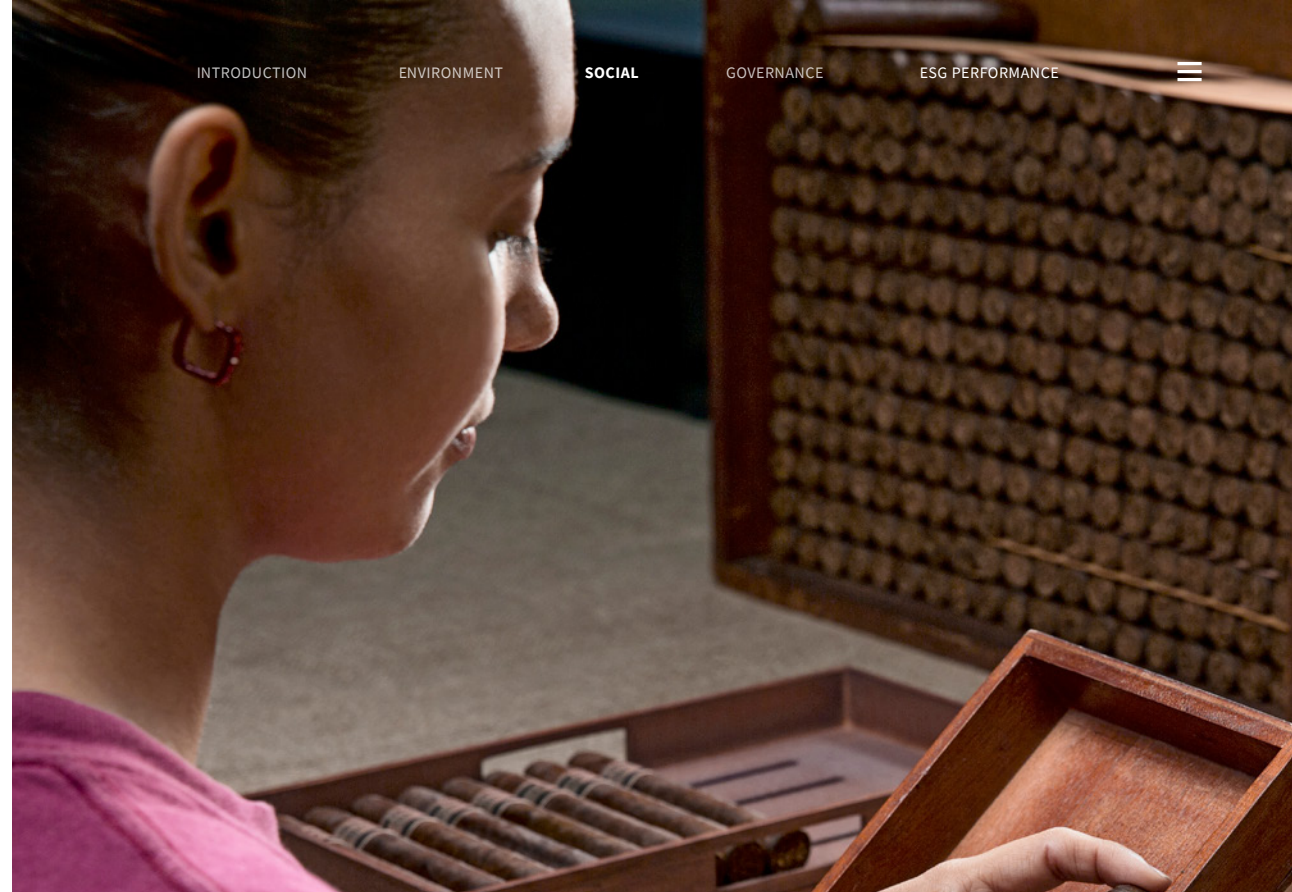
In the Community engagement material topic, health and well-being, education and women’s enablement are the three focus areas. Although focusing on health, safety and well-being is aimed at the employees along the value chain currently, our work has a spillover effect on our communities. As an example, we have doctors posted at factories to allow our employees to get the help they need on-site. This initiative has a threefold effect:

- Employees are given easy access to healthcare
- Employees and surrounding communities are helped to remain healthy and economically stable
- Work productivity is maintained

We also offer bus transportation to and from the factory sites in Honduras, Nicaragua, Dominican Republic, Sri Lanka and Indonesia for the Group’s workers, many of whom are women. This service lowers absenteeism, improves employee retention and raises the well-being and living conditions of individual employees. This enables them to earn the maximum potential that they can, being paid on an output basis, without being concerned about transportation costs and the risk of traveling on their own.

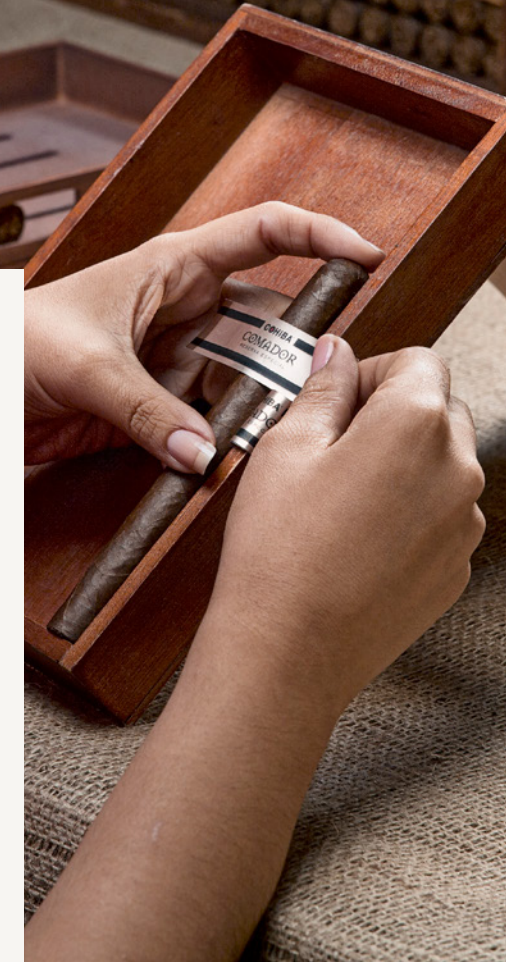
This map shows bus routes offered to employees in Sri Lanka, as in some cases, there are no other means of public transportation. See our [Community engagement section](#) which tells more about the work we are doing.

This year our aim is to continue performing audits on our sites and updating our EHS Policy with risk reducing features.



EMPLOYEE COMMUTER BUS ROUTES

Sri Lanka





3

ANTI-CHILD LABOUR

WHY THIS TOPIC IS IMPORTANT

Unfortunately, tobacco growing, like other types of agricultural work, involves a risk of child labour and below-standard working conditions. It is a challenge to address these issues effectively on the ground in tobacco-growing communities. Child labour exists for complex reasons and is typically rooted in poverty, but the presence of child labour is also affected by other factors such as low levels of awareness and education, lack of available schooling and social programs.

Scandinavian Tobacco Group sources tobacco from both large and small wholesalers, distributors and in some cases, directly from farms. The Group itself does not operate farms. According to the United Nations International Labour Organisation (ILO), 160 million children are involved in child labour, of whom more than 70% are children working in agriculture. Farmers, including growers of tobacco, may engage the whole family in the many tasks that come with growing tobacco and in making a living for the household, including their children.

Child labour is work for which the child is too young (i.e. below the applicable minimum working age), work that is mentally, physically, socially, or morally dangerous to children, or work that interferes with children's schooling. Children who have reached the legal working age, which is normally 15 years (i.e. children between 15 and 18 years of age) may work but shall never perform hazardous work as defined under national regulations.

POLICY

As stated in our Code of Conduct, the Group respects children's rights, including their fundamental rights to development and education, rest and play. We do not accept child labour, and we do not use child labour in our facilities. No child should be subject to forced labour or to child labour as defined by the relevant conventions.

In the newly adopted Supplier Code of Conduct we make our suppliers aware of our policy on child labour and require our suppliers to apply the same standards, comply with international conventions and respect children's right to a childhood free of child labour. The Supplier Code of Conduct will be rolled out to our suppliers starting in 2023.

OUR ANTI-CHILD LABOUR STRATEGY

We acknowledge that eliminating child labour is a very difficult task because of complex causes behind it. We seek to develop capabilities to assess the working and social conditions in our supply chain and by cooperating with our suppliers.

We plan to educate our leaf buyers on topics relating to child labour, to help identify, observe and react where there is reason for concern. Open dialogue with suppliers will encourage real changes to be made with the aim of removing and keeping children out of working environments and instead enrolling them in school.

In 2022, the Group continued its long-standing support to the Eliminating Child Labour in Tobacco-growing Foundation (ECLT), a multi-stakeholder initiative that advocates globally for strong anti-child labour policies, research and best practices. The organisation engages with national, regional and local governments, and supports the elimination of child labour. Cooperating with local Non-Government Organisations (NGOs), the ECLT runs projects in tobacco-growing communities to improve access to education for children and to withdraw them from child labour. The ECLT also seeks to address poverty as a root cause of child labour. More information about the ECLT, its work and its results can be found at www.eclt.org.

WORKERS IN THE VALUE CHAIN

When assessing key sustainability impacts, risks and opportunities for the entire value chain, we decided to make Anti-child labour the main focus area, as this is unfortunately a common risk in tobacco farming regions.



4 COMMUNITY ENGAGEMENT

WHY THIS TOPIC IS IMPORTANT

We strive to take responsibility for the local communities as the majority of these are located in rural areas of developing countries.

Protecting our social license to operate is an important element of the Company's success. Looking after the communities in which we operate helps society, collaborations with our business partners and creates a strong purpose among our colleagues. The intention is to see increased employee motivation and retention which could reduce recruitment costs.

COMMUNITIES

During the past decade, we have played an active role in engaging and supporting various activities within the local communities of our production areas (Indonesia, Sri Lanka, Honduras, Nicaragua and the Dominican Republic). Support has been locally anchored and has included initiatives across health, transportation, schooling for employees' children, loan possibilities and sponsoring equipment for hospitals and local schools.

Going forward with our enhanced sustainability agenda within Community engagement, we are setting ambitious goals for each community to ensure initiatives are being managed in the best way. We will collaborate with local community members, site managers and potential local partners to identify opportunities that will help support, uplift and benefit the local communities.

OUR COMMUNITY ENGAGEMENT STRATEGY

Health and well-being, education and women's enablement are overarching themes relevant to all our communities. We understand that every community might face different challenges and have different needs and priorities. Our initiatives, outcome targets and metrics will be tailored to the individual community we are working with.

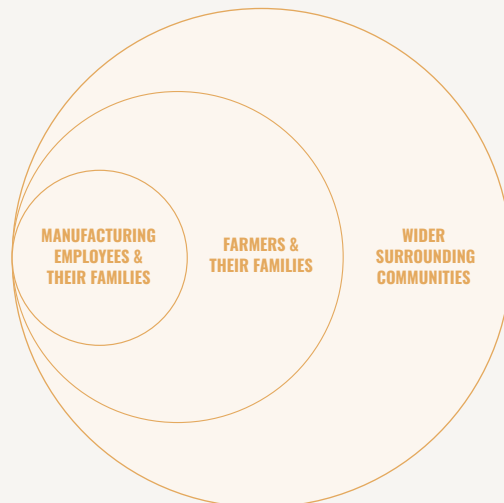
The strategy work in the years to come is expected to include a wider range of stakeholders, both internally and externally, to provide a more thorough assessment of risks and opportunities.

METRICS AND TARGETS

We have conducted an assessment based on the work that has been carried out in the past combined with the current initiatives with regards to the three focus areas.

AFFECTED COMMUNITIES

This refers to the communities and the environment that are within our operations and supply chain. This includes employees, farmers, their families and the wider communities surrounding our facilities.



COMMUNITY ENGAGEMENT

Health and well-being

We aim to provide access to healthcare for manufacturing site employees which will improve their health and well-being, contribute to reducing absenteeism and increase productivity.

Education

We focus on two areas - education of the employees' children and acquiring a new skill. Our intention is to increase the number of site employees' children with access to education. Secondly, we identify the number of employees that are able to learn a new craft or acquire a new skill to advance in their careers.

Women's enablement

Initiatives aim to increase the number of female employees entering managerial level roles by providing them with training opportunities to advance in their career and improve daycare availability.

OUR FUTURE INITIATIVES FOR COMMUNITY WORK

We aim to establish a collaborative and integrated process, where all people involved can bring their ideas forward and help implement the proposed and selected initiatives.

These initiatives will be shortlisted by site managers and a selection will be made according to pre-established criteria within the focus areas. This takes into consideration cost-efficiency, the number of beneficiaries affected and the probability of success. The latter may be influenced by several factors such as proven impact and effectiveness, thoroughness of the assessment of social needs, partnerships and NGOs, as well as the proposed implementation plan.

An initiative with lower cost-efficiency may be chosen if it can demonstrate a higher probability of success. We plan to document the changes seen across people's livelihoods to monitor how effective and successful each initiative is after it has been implemented.

We are committed to uplifting the communities in which we operate and have established clear governance to serve as a guidance for the development of future initiatives. We aim to identify hazards, assess risks and provide the support needed.



We are committed to uplifting the communities in which we operate and have established clear governance



MAKING A POSITIVE IMPACT FOR OUR EMPLOYEES

We believe that there are three critical areas for creating a positive impact: securing equal access to human capital development, developing the capabilities of our workforce and future leadership and personal growth.

EQUAL ACCESS TO HUMAN CAPITAL DEVELOPMENT

We must ensure that administrative solutions are working while access to knowledge and information is fast and simple. This solution is regardless of our employees' location, time zone and skill set. Optimising processes and delivering good digital solutions are something we are heavily focusing on.

We strongly believe that globalising, standardising and harmonising is key to being able to offer equal access and opportunities to the Group's workforce.

THE CAPABILITIES OF OUR WORKFORCE

We are a global and dynamic company focused on fostering a learning culture with an end-to-end global mindset, embracing continuous change. By developing our employees' capabilities, we not only develop the skills and competencies of our employees to use in their everyday lives, but we also ensure that our strategy comes alive within the organisation.

Besides different on-the-job training activities and educational content, we are looking to dedicate much of our Community engagement work to education and teaching our employees important life skills.

FUTURE LEADERSHIP AND PERSONAL GROWTH

To meet the dynamic and ever-changing global environment we need the right leaders. In parallel to this, we want to help craft the careers that make people grow and provide them with the opportunity to unleash their potential.

In 2022, the Group's leadership journey focused on the Executive Board to ensure any changes that were implemented started with the top leadership team to present a united front for the rest of the organisation.

Each Board member completed a comprehensive leadership assessment, highlighting the strengths and areas of development for themselves and their teams. In a world where change is the only constant, a change management tool has been made readily available for all employees and leaders in the organisation.



THE PEOPLE OF SCANDINAVIAN TOBACCO GROUP



64 Nationalities

Employed by Scandinavian Tobacco Group

TOTAL EMPLOYEE POPULATION

Breakdown by country and gender

Country	Female	%	Male	%	Undeclared	Total
Australia		0.0	1	< 0.1		1
Belgium	468	60	312	40		780
Canada	14	30.4	32	69.6		46
Denmark	193	47.1	217	52.9		410
Dominican Republic	1,981	70.6	825	29.4		2,806
France	21	23.6	68	76.4		89
Germany	28	34.1	54	65.9		82
Honduras	596	40.1	890	59.9		1,486
Hong Kong	1	100		0.0		1
Indonesia	1,578	90.9	158	9.1		1,736
Italy	4	33.3	8	66.7		12
Netherlands	62	37.6	103	62.4		165
Nicaragua	194	46.9	220	53.1		414
Portugal	6	66.7	3	33.3		9
Spain	13	27.7	34	72.3		47
Sri Lanka	1,218	89.3	146	10.7		1,364
Sweden	4	28.6	10	71.4		14
United Kingdom	7	25.9	20	74.1		27
United States	296	42.8	395	57.1	1	692
Total						10,181

PART-TIME EMPLOYEES

Breakdown by country and gender

Country	Female	Male	Undeclared	Total
Australia				0
Belgium	204	61		265
Canada	0	0		0
Denmark	15	9		24
Dominican Republic	3	10		13
France	3	1		4
Germany	9	2		11
Honduras	5	4		9
Hong Kong	0	0		0
Indonesia	0	0		0
Italy	1	0		1
Netherlands	25	6		31
Nicaragua	6	2		8
Portugal	0	0		0
Spain	3	0		3
Sri Lanka	6	17		23
Sweden	0	0		0
United Kingdom	1	0		1
United States	61	78	1	140
Total				533

FULL-TIME EMPLOYEES

Breakdown by country and gender

Country	Female	Male	Total
Australia		1	1
Belgium	264	251	515
Canada	14	32	46
Denmark	178	208	386
Dominican Republic	1,978	815	2,793
France	18	67	85
Germany	19	52	71
Honduras	591	886	1,477
Hong Kong	1		1
Indonesia	1,578	158	1,736
Italy	3	8	11
Netherlands	37	97	134
Nicaragua	188	218	406
Portugal	6	3	9
Spain	10	34	44
Sri Lanka	1,212	129	1,341
Sweden	4	10	14
United Kingdom	6	20	26
United States	235	317	552
Total			9,648

Note: Employee data is taken from our HRIS systems on December 31, 2022 and represents an actual headcount representation on that date.

SOCIAL

EXAMPLES OF OUR WORK

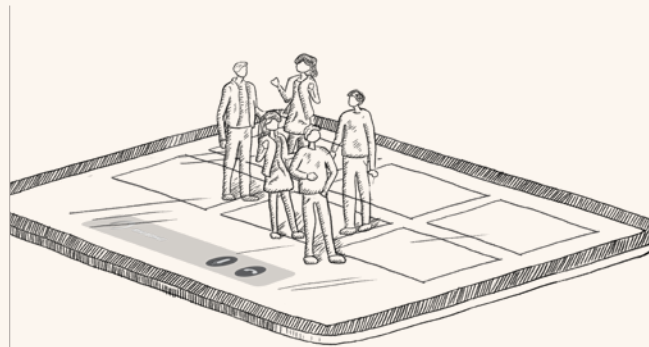
EMPLOYEE HEALTH & SAFETY

FREE MEDICAL ADVICE AND MEDICINE IN SRI LANKA

Working within our communities and employee health and safety are directly linked to one another. To address diverse health problems in Sri Lanka, especially after the pandemic, daily medical checkups were arranged on-site. Some of the main problems affecting the community were a lack of access to medication and a lack of transportation options to visit doctors, as most of the factory employees live in villages away from the city.

A qualified doctor was hired to provide daily medical checkups to site employees. Good care, the right medicine and vitamins were also provided free of charge for all employees, which especially benefited those who presented joint pains or other health issues caused by the pandemic.

As a result, employees were able to receive the right treatment and medication, and thus recovered quickly. By having good health and well-being, absenteeism decreased more than expected and we experienced a 5-10% increase in productivity post-pandemic, as well as a healthy and motivated workforce.



DIVERSITY & INCLUSION

LEADING THE D&I AGENDA

We cultivate a culture that is diverse and inclusive, and are currently enhancing our knowledge on D&I topics in our workforce.

We started at the end of 2021 by introducing D&I training initiatives to the North American employees to develop a baseline understanding within the Group. Therefore, we implemented the following training through our Human Resource Information System (HRIS) that were mandatory for all North American employees: Microaggressions in the Workplace, Unconscious Bias and Workplace Diversity, Inclusion & Sensitivity.

These online classes enable us to build the key competencies necessary to encourage an inclusive, diverse work environment as well as increase team cohesion, productivity, creativity and innovation. Since implementing the training in North America, we have seen an increase in employees inquiring about D&I initiatives and a desire to participate in upcoming activities such as focus groups and the D&I committee. Managers have also become diligent in their approach to discussing D&I, feeling more comfortable when speaking with employees about this topic. As we create a strong D&I culture, the base understanding of these key areas will enable us to develop stronger programs within the business and will allow employees to freely discuss the importance of diversity.

SOME FOCUS GROUP QUESTIONS

- 1 When you think of belonging at work, what does it mean to you? Do you feel Scandinavian Tobacco Group creates a sense of belonging for all employees? Why or why not?
- 2 Do you feel you can voice a contrary opinion without fear of negative consequence? Why or why not?
- 3 What areas or initiatives do you think Scandinavian Tobacco Group should focus on for future D&I initiatives/activities?

EXAMPLES OF OUR WORK

COMMUNITY ENGAGEMENT

MANOS A MANITAS PROGRAM IN HONDURAS & NICARAGUA

We aim to encourage the children of the factory employees to become part of a selected group for academic excellence, by granting them a small scholarship. This was created through the 'Manos a Manitas' fund to provide financial aid to the employees' children in Honduras and Nicaragua. Funds were used to purchase school supplies, uniforms, educational materials and transportation.

This allowed our employees to alleviate the economic burden related to education for their children. Employees whose children obtain this scholarship have proven to be committed and have lower absenteeism, which leads to increased productivity on the floor.



COMMUNITY ENGAGEMENT

SOCIAL LOAN PROGRAM IN HONDURAS & SRI LANKA

Another initiative in Honduras and Sri Lanka was the accessibility of low-cost loans to employees more efficiently. This allows an improved quality of life by providing the opportunity for employees to meet their immediate needs.

This initiative allows employees to access funds more quickly and support their main economic concerns, especially health and medical related scenarios. As a result, we had healthier employees due to access to private medical visits and medication. These initiatives help us to create space for more motivation and commitment.



GOVERNANCE

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A WORD FROM METTE VALENTIN

OUR APPROACH TO GOVERNANCE

We believe that good governance is central to responsible business practice and to our work with sustainability. It is about transparency, credibility, accountability and creating a robust and sustainable organization. Good governance is the foundation for trust with our stakeholders.

Our sustainability agenda is supported by our Board of Directors and our Executive Board who continuously monitor, support and approve the work. Sustainability is a company-wide agenda and therefore it was important to us to integrate sustainability directly into our core business strategy Rolling Towards 2025. This was done in 2022, when we updated our company vision to be the undisputed and sustainable global leader in cigars.

In 2022, we tied our management remuneration to our sustainability agenda so that our climate reduction target is now directly influencing management's remuneration.

[READ THE REMUNERATION REPORT](#)

To ensure good governance we take responsibility for our value chain by ensuring proper business conduct occurs.

In 2022, we updated our Code of Conduct which describes our fundamental beliefs and the behaviour we expect from every employee. In 2022, we created a Supplier Code of Conduct to further the standards that we have incorporated within our supply chain. The Supplier Code of Conduct will begin to be rolled out to our suppliers from 2023. Knowing that written Codes cannot stand alone, we will develop training for our employees in both Codes.

Strong governance and ethical business conduct are deeply rooted in our values, culture and operations, and are instrumental to our business and the trust we wish to nurture with stakeholders and society.

OUR VISION

**BE THE UNDISPUTED
& SUSTAINABLE
GLOBAL LEADER IN
CIGARS**



METTE VALENTIN

Group General Counsel & Senior Vice President Legal, Public & Regulatory Affairs



GOOD GOVERNANCE AND RESPONSIBLE BUSINESS CONDUCT

Spans the entire Sustainability agenda and have been divided into five key enablers to allow the Group to accomplish our corporate strategy and achieve our goals.

KEY ENABLERS

1

**SUSTAINABILITY
CENTER OF
EXCELLENCE**

2

**STRONG
CORPORATE
ETHICS**

3

**RESPONSIBLE
SUPPLY CHAIN &
PROCUREMENT**

4

**PROACTIVE &
TRANSPARENT
REPORTING**

5

**RESPONSIBILITY
TOWARDS THE
CONSUMER**

1 SUSTAINABILITY CENTER OF EXCELLENCE

Day-to-day operations are managed by the Executive Board, which consists of eight members (including members of the Executive Management, namely the CEO and the CFO). With Rolling Responsibly, we have reworked how we govern and work with sustainability. The Executive Board has been the driving force of our sustainability agenda and continuously play a key part.

All material topics are the responsibility of the various Executive Board members. In other words, sustainability is anchored at the very top of the Group's organization, with our Center of Excellence driving the

agenda and creating accountability, dedication and traction.

The Sustainability Center of Excellence steers the sustainability program and works with all topic owners and workstreams. This enables the Group to create, progress and embed sustainability into our ways of working.



ROLLING RESPONSIBLY

We have reworked how we govern and work with sustainability

2 STRONG CORPORATE ETHICS

Responsibility is integral to our values and has been embedded in our culture for many years. We believe in honest and ethical behaviour and acting responsibly towards our stakeholders, the community, and the environment. Our Code of Conduct applies to all employees in the Group, irrespective of role and location. It ensures proper business conduct in relation to labour and human rights, environmental management, fair competition, health and safety, anti-corruption and data management.

ANTI-CORRUPTION AND BRIBERY

The Group is active in countries where the risk of corruption and bribery is often present. However, the Group's business model and the type of products we sell and distribute are not at great risk of being associated with corruption. We have strong policies and zero-tolerance towards any kind of corruption and bribery along the entire value chain.

Our Anti-corruption Policy sets forth guidelines to prevent the company and its employees from being involved in any form of bribery or corruption. The policy applies worldwide to management and all employees of the Group as well as all persons acting on the Group's behalf.

TRAINING

The Group conducts online anti-corruption and anti-bribery training to create and maintain awareness related to corruption and bribery risks in our business and supply chain. The training is mandatory for all office-based employees and an integral part of the onboarding of those employees. At the end of 2022, a total of 1,473 out of 1,493 office-based employees

completed the course. This corresponds to an overall completion rate of 98.7%. During 2022, the training was assigned to 230 office-based employees and 215 of these completed the course, corresponding to a completion rate of 93.5%.

The online training covers how to raise concerns and acknowledges internal and external risks, such as lack of knowledge and understanding, conflicts of interest, transaction and business partnership risks. Interactive exercises and questions ensure that the employees are aware of the Group's anti-corruption policy and fully understand the consequences of breaching it. Both the course material and the accompanying policy material can be accessed via our internal training platform.

We aim for all employees to repeat the training every 18 months and to further develop our training over the coming years to improve awareness and compliance. We also plan to conduct webinars with tailored training to specific countries that are at higher risk of corruption and bribery.

DATA ETHICS

This section constitutes our statutory reporting according to the Danish Companies Act, Section 99 d. In 2022 we have drafted our Data Ethics Policy, which was adopted in early 2023. The policy was developed with the involvement of a group of stakeholders representing various functions in our Group that generate and/or use data from internal and external sources. The Data Ethics Policy can be found at st-group.com.

STRONG CORPORATE ETHICS – CONTINUED

We process various types of data including personal, HR, customer, consumer, supplier, market, sales, technical, statistical, test and production data.

The policy covers our ethical approach to data issues in a wider perspective, including personal data, advanced technology, data quality and security.

In 2023, we will disseminate the policy to relevant employees. We will also establish a governance structure to ensure that we have a way to elevate dilemmas and issues with a data ethical dimension. We will also ensure that such dilemmas and issues are handled and decided upon in accordance with our Data Ethics Policy.

The Group is increasingly conscious of the potential ethical aspects of how we generate, use and otherwise process different kinds of data. We will also explore the opportunity to use artificial intelligence and machine learning tools and maintain supplementary guidelines in order to make the principles of our Data Ethics Policy concrete and applicable in various situations. Data ethics is a new discipline that will develop over time.

WHISTLEBLOWER PROGRAM

The whistleblower platform allows the Group's employees, customers, suppliers, business partners and other stakeholders to raise concerns and report behaviour that seems illegal, dishonest, or otherwise opposed to our policies.

The Group encourages anyone who experiences any suspicious behaviour to report to the relevant person in the organization or to make use of the whistleblower reporting channel. Anyone who reports an incident via the whistleblower platform can choose to remain anonymous. The Group has a clear policy in terms of protecting anyone who reports in good faith and we do not accept any form of retaliation whatsoever.

We are currently developing a program to promote the whistleblower platform via awareness campaigns to encourage our employees to use the channel. This will contribute to the Group's compliance with laws and regulations as well as our Code of Conduct and other policies. Any employee bringing issues of non-compliance to the Group's awareness, supports our wish to maintain high ethical standards and a responsible culture.

3 RESPONSIBLE SUPPLY CHAIN & PROCUREMENT

Engagement with suppliers is an opportunity to lift the standards within our supply chain. In the coming years, we will build further capabilities and establish processes to assist us in identifying and mitigating issues with our suppliers when we find they deviate from our standards.

Our Supplier Code of Conduct contains the standards for the responsible and ethical behaviour we demand from our suppliers. It was developed and adopted in 2022 and can be found at st-group.com.

Our Supplier Code of Conduct applies to all suppliers regardless of the goods or types of services they offer. All suppliers will be expected to operate in full compliance with applicable laws and regulations once rolled out. Where the Supplier Code of Conduct and the laws and regulations may differ, the Group expects suppliers to apply the stricter standard.

Our Supplier Code of Conduct sets standards in areas such as:

- Labour and human rights, including child labour and forced labour
- Respect for human rights
- Diversity and non-discrimination
- Health and safety in the workplace
- Environmental management
- Anti-corruption and anti-bribery
- Fair competition and compliance with trade restrictions



4

PROACTIVE & TRANSPARENT REPORTING

We work with sustainability to craft a better tomorrow and to ensure that we create a positive environmental and social impact in the world. Sustainability is more than just reporting on progress and we acknowledge the need for proactive and transparent reporting. Our sustainability reporting is aligned to the third-party standards and frameworks.

THE CALL FOR CLIMATE ACTION

Climate action is complicated and calls for a joint effort. Scandinavian Tobacco Group has committed to the SBTi and have committed to meeting the goals of the Paris Agreement. Please see our 'Environment' section on climate targets.

In 2022, we also signed up and reported through the Climate Disclosure Project, where our performance on carbon data will in due time be made public. In 2023, we intend to increase the level of our CDP reporting and include aspects on climate-related risks in accordance with the Task Force for Climate-Related Financial Disclosures.



THE EU CORPORATE SUSTAINABILITY REPORTING DIRECTIVE

The Group supports the establishment of a set of common standards for corporate sustainability reporting and recognises the coming Corporate Sustainability Reporting Directive (CSRD) and the following European Sustainability Reporting Standards (ESRS). These will apply to Scandinavian Tobacco Group's reporting from the financial year of 2024.

We are already investing in competences and preparing for the changes by increasing the scope of our reporting, integrating the sustainability report in our annual report in 2023, and improving our ESG data and processes.



5

RESPONSIBILITY TOWARDS THE CONSUMER

Responsibility towards the consumers of our products is fundamental to our license to operate and integrated into the way we do business.

OUR APPROACH TO TOBACCO AND RESPONSIBILITY

The Group acknowledges the health risks associated with smoking and nicotine. This is a fundamental premise for how we conduct our business. We have for many years had Marketing Principles that ensure that we develop, market and promote our products not only in accordance with the law but also with these basic beliefs.

As a fundamental principle we do not want our products to be consumed by anyone below the age of 18 (or whatever higher age local law may have determined for the legal purchase of our products). In the US, where the legal minimum age for purchasing tobacco is 21, the Group sells directly to consumers on our websites and in our retail stores. Our US retail websites ensure legal age verification of all consumers, utilizing a state-of-the-art third-party age verification solution to ensure compliance. We ensure compliance with the minimum age in our stores in the US by requesting age verification.

OUR VIEW ON SMOKING AND NICOTINE

We acknowledge the health risks associated with consuming tobacco and nicotine products. The use of these products should be a personal choice and those who do use them must weigh the associated health risks and balance those against their enjoyment.

Nobody under the age of 18 (or such higher age as may have been determined by local law for legal purchase) should consume tobacco or nicotine products.

We do not work to increase the number of smokers or to grow the total market for tobacco or nicotine products. On the contrary, we grow our business by growing our market share. Our aim is to give smokers and users of nicotine products reasons to choose our products and categories over those of competitors.

TOBACCO REGULATION

Tobacco is a heavily regulated business, and the tobacco regulatory landscape is marked by frequent change. Some tobacco-related regulation is designed to ensure consumers are aware of the health risks associated with smoking (such as health warnings), while other regulation is designed primarily to ensure that tobacco is enjoyed only by adults (for instance age limits on sales and restrictions on the promotion and display of products). The sale of tobacco is also regulated through excise taxes, which influence how much consumers pay for tobacco products.



RESPONSIBILITY TOWARDS THE CONSUMER – CONTINUED

Not all tobacco products are the same, and they are sometimes regulated differently according to product category. Many regulators globally have recognised the distinct consumer profile of cigars and pipe tobacco and regulate them differently. Cigars and pipe tobacco account for less than 3% of the global tobacco market and, unlike cigarettes, are typically enjoyed by older consumers and on a less-frequent basis. According to information published in the European Union in 2021¹ fewer than 2% of smokers in the EU consume cigars, cigarillos, or pipe tobacco daily (as opposed to 69% for cigarettes).

The Group works to engage responsibly and ethically with regulators to ensure that tobacco regulation is evidence-based and proportionate. We conduct this dialogue both at the Group and through several national and regional industry associations where we are a member. When we advocate for changes to new or existing regulations, we do so transparently and in full compliance with local law.

NEW CATEGORIES

Cigars and to a smaller extent pipe tobacco, are our main product categories. However, in 2022 our Growth Incubator whose role it is to look into new product categories, developed STRÖM, a non-combustible nicotine pouch product. The product was launched in Sweden and Manchester, UK, where the initial reaction by consumers has been positive.

OUR MARKETING PRINCIPLES

We are committed to acting responsibly in the promotion and sale of our products and we comply with regulations in the countries where our products are sold. Our Marketing Principles apply to all tobacco products which carry our brands. With our marketing practices, we have developed a set of specific rules, to ensure that:

- Our advertising and promotion activities are only targeting adults
- Consumers are always warned about the health risks associated with the use of our products

We update our Marketing Principles when necessary, for instance to reflect that we have entered new product categories. They are ingrained in the way we work and are front of mind in our consumer-focused teams.

1) EU27 + UK, source: European Commission, Directorate-General for Health and Food Safety, Support Study to the report on the application of Directive 2014/40/EU : Final Report, Publications Office, 2021, <https://data.europa.eu/doi/10.2875/161406>, Page 256.



SUPPORTING THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Scandinavian Tobacco Group wants our sustainability work to have a meaningful and recognisable impact in our business and in the world around us.

We are fully supportive of the aspirations and targets set out in the United Nations Sustainable Development Goals (UN SDGs) and with Rolling Responsibly, we are contributing in various ways.



ENVIRONMENT

NET ZERO ALONG THE JOURNEY OF THE LEAF



We seek to measure, report and ultimately reduce our greenhouse gas emissions



We seek to reduce energy use and waste through prevention, reduction, recycling and reuse



SOCIAL

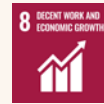
SUSTAINABLE COMMUNITY PIONEERS



We do not tolerate any kind of discrimination



We seek to protect labour rights and ensure safe and secure working environments



We commit to eliminating child labour in all forms in our value chain



We commit to non-discrimination under human rights laws and conventions



GOVERNANCE

RESPONSIBLE BUSINESS CONDUCT



We work to adopt sustainable business practices



We do not tolerate any form of corruption or bribery

ESG PERFORMANCE

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SUSTAINABILITY DATA

ENVIRONMENT

Metric	Units	2022	2021	2020
ENERGY CONSUMPTION & MIX				
Total energy consumption	MWh	92,543	96,847	100,636
Total non-renewable energy consumption	MWh	77,321	95,034	98,956
Gas oil	MWh	722	279	324
Fuel oil	MWh	1,107	1,120	1,287
Gasoline	MWh	4,789	5,421	4,300
Diesel	MWh	10,801	10,337	11,434
Natural gas	MWh	22,335	26,808	30,025
LPG	MWh	1,172	950	740
Purchased/acquired electricity	MWh	34,696	47,990	49,190
Purchased/acquired heating, steam, cooling	MWh	1,699	2,130	1,656
Refrigerants	KgCO ₂ e	2,715,147	4,377,781	4,849,847
Total renewable energy consumption	MWh	15,222	1,813	1,680
100% renewable electricity	MWh	15,222	1,666	1,605
Own production renewable electricity	MWh	1,699	1,818	1,799
Percentage of energy from non-renewable sources	%	83.5	98.1	98.3
Percentage of energy from renewable sources	%	16.5	1.9	1.7
Total net sales	DKK million	8,762	8,233	8,006
Energy Intensity*	MWh/DKK million	10.56	11.76	12.57

*Change in scope from previous reporting years, to not only include production sites. For 2022, all energy consuming entities (e.g. offices) are included in the calculation.

Note: We are developing our data table to match the upcoming CSRD requirements



SUSTAINABILITY DATA - CONTINUED

Metric	Units	2022	2021	2020
CO₂ EMISSIONS AND MIX				
Total CO₂ emissions - scope 1 and scope 2	tonnes CO₂e	29,372	35,142	36,478
Total scope 1 emissions	tonnes CO₂e	11,815	14,189	15,274
Total scope 1 emissions from non-renewable sources	tonnes CO ₂ e	11,815	14,187	14,905
Refrigerants	tonnes CO ₂ e	2,715	4,378	4,850
Gas oil	tonnes CO ₂ e	185	72	83
Fuel oil	tonnes CO ₂ e	297	300	345
Gasoline	tonnes CO ₂ e	1,157	1,309	1,037
Diesel	tonnes CO ₂ e	2,735	2,619	2,890
Natural gas	tonnes CO ₂ e	4,093	4,926	5,541
LPG	tonnes CO ₂ e	251	204	159
Total scope 1 emissions from renewable sources	tonnes CO₂e	0	2	1
Total scope 2 emissions	tonnes CO₂e	17,557	20,953	21,204
WATER MANAGEMENT PERFORMANCE				
Total water withdrawal	M ³	238,960	247,145	254,986
Total water withdrawal per net turnover	M ³ /net turnover	27.3	30	31.8
WASTE				
Total amount of waste generated	tonnes	6,614	no data	no data
Hazardous waste	tonnes	58	no data	no data
Non-hazardous waste	tonnes	6,555	no data	no data
Tobacco waste	tonnes	3,112	3,309	3,329

Note: We are developing our data table to match the upcoming CSRD requirements



SUSTAINABILITY DATA - CONTINUED

SOCIAL

Metric	Units	2022	2021	2020
PERFORMANCE MEASURES - CHARACTERISTICS				
Employees	Number	10,181**	10,194	***
Full-time employees	Number	9,648**	***	***
Part-time employees	Number	533**	***	***
PERFORMANCE OF THE HEALTH AND SAFETY MANAGEMENT				
Lost-time accidents	Number	41	40	92
Lost time accidents, rate	Injuries/200,000 hours worked	0.49	0.46	1.14
WOMEN IN MANAGEMENT				
Women in management	Number	115	100	103
DIVERSITY/ GENDER DIVERSITY				
Age distribution				
– Below age 30	%	24.9	no data	no data
– Between age 30 - 50	%	58.8	no data	no data
– Above age 50	%	16.3	no data	no data
Women in the Board of Directors	%	33	25	28
Women in the Executive Board	%	50	50	50
Women as Senior Leaders	%	27	25	25

** Employee data is taken from our HRIS systems on December 31, 2022 and represents an actual headcount representation on that date.

*** Was not part of ESG reporting capabilities until 2022

Note: We are developing our data table to match the upcoming CSRD requirements



SUSTAINABILITY DATA - CONTINUED

GOVERNANCE

Metric	Units	2022	2021	2020
BOARD CHARACTERISTICS				
Percentage of independent shareholder-elected members	%	83	no data	no data
Percentage of each of the following diversity classifications				
i. gender	%	33% women	no data	no data
ii. age				
– Age 40-49	%	17	no data	no data
– Age 60-69	%	83	no data	no data
iii. any other relevant diversity indicators	Number	3 nationalities	no data	no data
MEETINGS AND ATTENDANCE RATE				
The number of meetings of the undertaking's administrative, management and supervisory bodies and their committees in the reporting period				
Audit committee				
– Meetings	Number	6	no data	no data
– Attendance rate	%	94	no data	no data
Nomination committee				
– Meetings	Number	2		no data
– Attendance rate	%	100	no data	no data
Remuneration committee				
– Meetings	Number	4	no data	no data
– Attendance rate	%	100	no data	no data

Note: We are developing our data table to match the upcoming CSRD requirements



SUSTAINABILITY DATA - CONTINUED

Metric	Units	2022	2021	2020
PREVENTION AND DETECTION OF CORRUPTION AND BRIBERY				
The number of reported allegations of corruption or bribery received through whistleblowing channels	Number	0	no data	no data
The number of internal investigations launched	Number	0	no data	no data
ANTI-CORRUPTION AND ANTI-BRIBERY TRAINING				
Employees received training	Number	215	no data	no data
Methods	Text	Online training	no data	no data
Frequency	Number	Target is every 18 months	no data	no data
Topics	Text	Standard ABAC training	no data	no data
Test completion rate	%	93.5	no data	no data
CORRUPTION OR BRIBERY EVENTS				
The number of investigations into and decisions in which employees were dismissed or disciplined for corruption or bribery-related incidents	Number	0	no data	no data
The number of investigations into and decisions relating to contracts with business partners that were terminated or not renewed due to violations related to corruption or bribery	Number	0	no data	no data
ANTI-COMPETITIVE BEHAVIOUR EVENTS				
Investigations into and decisions relating to violations of anti-trust and monopoly legislation where the undertaking (or its subsidiaries) was named as a participant by a competent authority	Number	0	no data	no data
Number of new, continuing, or finalised legal action (separately) during the reporting period regarding anti-competitive behaviour	Number	0	no data	no data

Note: We are developing our data table to match the upcoming CSRD requirements



SUSTAINABILITY REPORTING PRINCIPLES

ENVIRONMENT

Metric	Units	Reporting principle
Total energy consumption	MWh	Reported Group total energy consumption based on meter readings and invoice data, includes use of natural gas, gas oil, fuel oil, gasoline, diesel, LPG, wood pellets, electricity and district heating. Calculations of conversion factors are based on latest published DEFRA statistics, electricity emission factors based on the latest IEA report, emission factors for district heating based on HOFOR and Energistyrelsen statistics.
Total non-renewable energy consumption	MWh	Total non-renewable energy consumption based on meter readings and invoice data. It includes natural gas, gas oil, fuel oil, gasoline, diesel, LPG, coal and other fossil fuels. For some data inputs, estimates for 2022 were used based on previously collected data.
Total renewable energy consumption	MWh	Total renewable energy consumption based on meter readings and invoice data. It includes bioethanol, biodiesel, wood pellets, biogas and other renewable fuels
Total net sales	Mio DKK turnover	Total net sales of the Group comprise primarily sales of tobacco to different distributors, retailers and direct to consumers. Net sales taken from Group financial reporting; accounting principles for net sales provided in Group Annual Reports.
Energy Intensity	MWh/Turnover	Total Group energy consumption divided by the Group's total net sales

CO₂ EMISSIONS AND MIX

Total CO ₂ emissions - scope 1 and scope 2	tonnes CO ₂	Emissions calculated and reported in accordance with the Greenhouse Gas (GHG) Protocol. All Scandinavian Tobacco Group companies are included in the reporting scope
Total scope 1 emissions	tonnes CO ₂	Scope 1 emission conversion factors: A. Liquid fuels, gaseous fuels and wood pellets. For some data inputs, estimates for 2022 were used based on previously collected data. In calculating the emissions we use latest published GHGe conversion factors from DEFRA. If not available we estimate emissions based on emission levels in the specific country and B. Refrigerants leaks and their specific Global Warming Potential
Total scope 1 emissions from non-renewable sources	tonnes CO ₂	A sum of all scope 1 non-renewable sources
Total scope 1 emissions from renewable sources	tonnes CO ₂	A sum of all scope 1 renewable sources
Total scope 2 emissions	tonnes CO ₂	Scope 2 emission conversion factors : A. Electricity – we use site-specific or actual local CO ₂ e conversion factors where available, and if not available latest published country-specific factors from the International Energy Agency and B. District heating – we use site-specific or actual local CO ₂ e conversion factors where available
CO ₂ intensity	tonnes CO ₂ /net turnover	Scope 1 and scope 2 emissions/net turnover
Scope 1 CO ₂ emissions intensity	tonnes CO ₂ /net turnover	The total amount of scope 1 emissions divided by the net sales
Scope 2 CO ₂ emissions intensity	tonnes CO ₂ /net turnover	The total amount of scope 2 emissions divided by the net sales



SUSTAINABILITY REPORTING PRINCIPLES - CONTINUED

Metric	Units	Reporting principle
WATER MANAGEMENT PERFORMANCE		
Total water withdrawal	M ³	Metered data for Group production sites only
WASTE		
Total amount of waste generated	tonnes	Metered data for Group production sites only
Hazardous waste & Non-hazardous waste	tonnes	Hazardous waste: to be included according to local legislative definitions. It will include oil products, paints, certain types of sludge, chemicals, batteries, toxics, cleaning materials, solvents, pesticides, explosives, flammables, poisonous, etc. Non-hazardous waste: waste directed to recovery (preparation for reuse, recycling, etc.), directed for composting, and waste directed to disposal (incineration with energy recovery, incineration without energy recovery, landfilling etc.)
Tobacco waste	tonnes	Waste tobacco generated within Group production sites as a result of our own production, packaging, and/or storage processes

SOCIAL

Metric	Units	Reporting principle
PERFORMANCE MEASURES - CHARACTERISTICS		
Employees	Number	Number is generated from a report produced from our HR system that separates the relevant employee data by gender and country. Employee data is taken from our HRIS systems on December 31, 2022 and represents an actual headcount representation on that date.
Full-time employees	Number	A full-time employee is defined as an employee employed who meets the home country requirements to be considered full time. Employee data in our HR systems was reviewed and all those labeled as full-time were added to the calculation.
Part-time employees	Number	A part-time employee is defined as an STG employee who is currently employed and who meets the home country requirements to be considered part-time. Employee data in our HR systems was reviewed and all those labeled as part-time were added to the calculation.

Note: Employee data is taken from our HRIS systems on December 31, 2022 and represents an actual headcount representation on that date.



SUSTAINABILITY REPORTING PRINCIPLES - CONTINUED

Metric	Units	Reporting principle
PERFORMANCE OF THE HEALTH AND SAFETY MANAGEMENT		
Lost-time accidents	Number	Work-related accidents leading to one or more working days' absence following the accident
Lost time accidents, rate	Injuries/200,000 hours worked	The Lost Time Accidents rate is calculated using number of Lost Time Accidents (numerator) per 200,000 hours worked (denominator)
WOMEN IN MANAGEMENT		
Women in management (Danish Financial Statement Act, Section 99b requirement)	Number	For years 2020 and prior, number of women represented in the top three organizational layers of the Group (L1-L3), expressed as a percentage of total employees at these levels. Beginning in 2021, this is measured as the number of women represented in the Group's Senior Leadership Community, the Group-wide leadership body that includes the Group's top managers and leaders, including those who may not manage people but have responsibility for key Group business functions and portfolios. In the total number of women in management, women in the Board of Directors and in the Executive Board are included.
DIVERSITY/GENDER DIVERSITY		
Age distribution	Number	Numbers taken from our HR system and represents head count on December 31 2022.
Board of Directors	%	Number of shareholder-elected women in the Group Board of Directors, expressed as percentage of total shareholder-elected Board of Directors members.
Executive Board	%	Number of women in the Group Executive Board, expressed as percentage of total Executive Board members. The Group Executive Board included eight persons in 2022, including the two members of our Executive Management (CEO and CFO), and the other top leaders of Group business functions. Our Executive Board is described, and its members are profiled, in our Group Annual Report.
Senior Leaders	%	For 2020, number of women represented in the top three organizational layers of the Group (L1-L3), expressed as a percentage of total employees at these levels. For 2022, this was measured as the number of women represented in the Group's Senior Leadership Community, the Group-wide leadership body that includes the Group's top managers and leaders, including those who may not manage people but have responsibility for key Group business functions and portfolios.



SUSTAINABILITY REPORTING PRINCIPLES - CONTINUED

GOVERNANCE

Metric	Units	Reporting principle
BOARD CHARACTERISTICS		
Percentage of independent shareholder-elected members	%	Independence defined according to the Danish Recommendations on Corporate Governance (www.corporategovernance.dk). Reflects the information published about each board member upon election at the annual general meeting and as published on the company's website. Data collected by Group Legal.
Percentage of each of the following diversity classifications:	%	Information on each shareholder-elected member's age and gender publicly available on the company's website and in connection with the election at the annual general meeting. Data collected by Group Legal.
Meetings and attendance rate	Number/%	Based on board minutes. Data collected by Group Legal.
Prevention and detection of corruption and bribery	Number/%	Data collected by Group Legal/administrator of whistleblowing channel.
Anti-corruption and anti-bribery training	Number/text	Online anti-corruption and anti-bribery training is assigned to office-based employees. Data collected by Group HR/administrator of the online training.
Corruption or bribery events	Number	Data reported by Group Legal.
Anti-competitive behaviour events	Number	Data reported by Group Legal.

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