

Protocol of Annual General Meeting in Scandinavian Tobacco Group A/S (CVR no. 31080185)

On 14 April 2021, at 4.30pm CET, the Annual General Meeting in Scandinavian Tobacco Group A/S (the “Company” or “STG”) took place at the Company’s office at Sandtoften in Gentofte.

Nigel Northridge, Chairman of the Board of Directors, attended virtually and welcomed the shareholders and others to the meeting. Mr. Northridge informed the meeting that to minimise the risk of spreading any infection, STG had limited the attendees from the Board of Directors and Management to STG’s CEO Niels Frederiksen, the Vice-chairman of the Board of Directors Henrik Brandt and himself (attending via webcast).

Mr. Northridge noted that as set out in the Company’s Articles of Association, the General Meeting would be conducted in English but as many of STG’s shareholders are Danish, the Board of Directors had agreed with Christian Lundgren that he would provide a short summary in Danish at the end of each agenda item.

Christian Lundgren had been appointed as chair of the meeting by the Board of Directors in accordance with Article 10.1 of the Articles of Association.

Present or represented at the meeting were a total of 67,439,464 shares, equal to 69.89% of the total voting rights in the Company. The General Meeting was webcast with access via the Company’s shareholder portal.

The chair of the meeting announced that the meeting had been duly convened and constituted a quorum for the transaction of business as set out in the agenda, and that the agenda, the full text of all proposals to be submitted to the General Meeting, and the annual report including the audited financial statement etc. had been made available for inspection by the shareholders no less than three weeks before the date of the meeting.

The agenda was as follows:

1. Report of the Board of Directors on the Company’s activities during the past financial year
2. Adoption of the audited annual report
3. Appropriation of profit as recorded in the adopted annual report
4. Presentation of the Company’s remuneration report for an advisory vote
5. Adoption of the remuneration of the Board of Directors and Board committees
6. Any proposals by the Board of Directors and/or shareholders
 - 6a: Proposal to reduce the Company’s share capital
 - 6b: Proposal to authorise the Board of Directors to resolve that the Company’s general meetings shall be held as completely electronic general meetings
 - 6c: Proposal regarding the language of company announcements etc.
7. Election of members to the Board of Directors
8. Election of auditor(s)

1. Report of the Board of Directors on the Company’s activities during the past financial year

The Chairman of the Board of Directors, Nigel Northridge, presented the report of the Board of Directors. The report of the Board of Directors had been available for everyone on the Company’s website since Monday 12 April in both English and Danish.

Mr. Northridge started the summary report by thanking every STG employee for their work in 2020.

For the full year 2020, STG delivered net sales of DKK 8,006 million and EBITDA before special items of DKK 1,826 million. This is a 6.6% organic growth in net sales and a 14.0% organic growth in EBITDA, and in line with the financial guidance for the year. Net profit was DKK 678 million, while free cash flow before acquisitions was for the second consecutive year at a record high DKK 1,394 million.

The Board of Directors proposed a dividend of DKK 6.50 per share, which is an increase of 6.6% compared to 2019 and an increase in the ordinary dividend for the fifth consecutive year. The DKK 6.50 per share means a total distribution of dividend of approx. DKK 625 million. In addition to the dividend payment, STG has recently completed a DKK 300 million share buy-back program.

Mr. Northridge mentioned the reporting structure of the STG group and the new commercial divisions, where, from the second quarter of 2020, STG has been reporting in three divisions: (i) North America Online & Retail, (ii) North America Branded & Rest of World, and (iii) Europe Branded. Mr. Northridge presented each of the three divisions and went through their performance in 2020.

Mr. Northridge then spoke about the successful integration of Agio Cigars which STG acquired in January 2020 and explained that with the acquisition, group net sales grew by 15%. Integration is progressing according to plan with the commercial integration being finalised and synergies of approximately DKK 80 million realised during the year and that STG expects that the acquisition is fully integrated by the end of 2022.

Mr. Northridge then moved on to the program Fuelling the Growth, stating that during the course of the year STG managed to complete the programme and reach the DKK 250 million run rate savings target one year ahead of time. Afterwards, the updated strategy, called Rolling Towards 2025, was explained. Rolling Towards 2025 is built on a framework with five focused must-win battles, four enablers and a set of defined values to support STG in being its very best.

Mr. Northridge then addressed the composition of the Board of Directors.

Next, Mr. Northridge addressed the Remuneration Policy adopted at last year's Annual General Meeting stating that the policy is intended to ensure that STG's Executive Management is rewarded appropriately for achieving central short- and long-term business goals and to ensure sustainability and alignment of the remuneration with shareholders' interests. Referring to the Remuneration Report uploaded on STG's website, he then commented on the remuneration package for the Executive Management for the year 2020. The total cost of remuneration for the Executive Management amounted to DKK 22.3 million. He noted that the Board of Directors believe that remuneration of the Executive Management is in compliance with the Remuneration Policy and fairly reflects the results achieved by the Company. Further on this, Mr. Northridge addressed the base annual fee to the Board of Directors. This has remained unchanged since 2016 and, in line with the Remuneration Policy, the Board of Directors annually reviews the fee. The Board of Directors proposed that it was time to adjust the fee, having also benchmarked it against comparable international companies. Lastly, Mr. Northridge commented on the self-assessment made by the Board of Directors in 2020, in accordance with the Danish Recommendations on Corporate Governance. The overall result of the evaluation last year was that the Board of Directors is functioning well.

Mr. Northridge continued the summary report by looking forward at 2021. STG will in 2021 increase its efforts within Corporate Social Responsibility (CSR) and execute on the group's very first Corporate Social Responsibility strategy, which was adopted in 2020 and addresses the UN Sustainable Development Goals. The focus on capital discipline remains a constant, especially in terms of reducing inventories and simplifying product portfolio, along with a focus on generating strong cash flows from day-to-day business and optimal capital allocation. Mr. Northridge commented on the hard work being delivered in 2021 to ensure that the Company delivers on the ambitious guidance for the year of an organic EBITDA growth of more

than 7%, free cash flow before acquisitions above DKK 1 billion and an increase in adjusted earnings per share (EPS) of more than 10%.

Lastly, Mr. Northridge commented that (i) the underlying overall financial ambitions is maintained, (ii) that it is decided to add Return on Invested Capital (ROIC) to the financial ambition, and (iii) that the shareholder return policy remains unchanged.

Mr. Northridge then thanked the shareholders, business partners, customers and consumers for the interest and trust they have shown STG in 2020 and finished by congratulating all employees and the Executive Management on a job very well done in 2020, on the strong results, and by thanking them for a remarkable effort in an unprecedented year. Also, he thanked his colleagues on the Board of Directors for their constructive and positive collaboration during the year.

The General Meeting took due notice of the report.

Following the presentation of the report, Mr. Northridge commented on specific items to be covered further down the agenda:

Item 4 (Remuneration Report)

The fees paid to the Board of Directors in 2020 were approved at last year's Annual General Meeting and those fees are reflected in the Remuneration Report.

In terms of the remuneration of the Company's Executive Management, namely the CEO Niels Frederiksen and the CFO Marianne Rørslev Bock. Firstly, Mr. Northridge noted that their remuneration in 2020 was in accordance with the framework in the Remuneration Policy and the Danish Recommendations on Corporate Governance, and that the Board finds that the remuneration of Niels Frederiksen and Marianne Rørslev Bock is fair and reflect their responsibilities and the results achieved.

Mr. Northridge explained that in 2016 Niels Frederiksen was granted an extraordinary payment scheme to replace an early-retirement contract that he had back then, but which was abolished. The total value of the extraordinary payment scheme was DKK 24.450 million, of which DKK 12.198 million was paid in 2018. According to the 2016 agreement, the rest is to be paid in two instalments, one in 2021 and one in 2024, provided that the CEO remains employed with STG. There are special terms that apply if the employment is terminated. Referring to the remuneration report, Mr. Northridge clarified that one could get the impression that beyond what is shown in the Remuneration Report, Niels Frederiksen received a special bonus of DKK 2 million in 2020. However, the DKK 2 million in the Annual Report is a technical accrual that STG has made for the remaining payments under the extraordinary payment scheme. It does not represent an actual payment to the CEO in 2020.

Item 6b (Electronic general meetings)

The second point mentioned by Mr. Northridge related to item 6b on the agenda, being a proposal to give the Board of Directors the power to resolve that the Company's future general meetings can be held as completely electronic general meetings. The intention with this proposal from the Board of Directors is to create flexibility for the Company in extraordinary circumstances, for instance during a pandemic like the current. However, Mr. Northridge emphasised that it is not the intention to always hold virtual general meetings going forward. Completely electronic general meetings will therefore be considered an exception to the general rule of conducting physical general meetings.

2. Adoption of the audited annual report

The chair of the General Meeting noted that the 2020 audited annual report had been presented to the shareholders.

The General Meeting approved the annual report.

3. Appropriation of profit as recorded in the adopted annual report

The Board of Directors had proposed to the General Meeting that for the financial year 2020 the Company pays a dividend of DKK 6.50 per share of DKK 1.

The proposal was adopted by the General Meeting.

4. Presentation of the Company's remuneration report for an advisory vote

Mr. Northridge had, in the report of the Board of Directors, presented the remuneration report for 2020, which Christian Lundgren referred to.

The General Meeting approved the report on an advisory vote.

5. Adoption of the remuneration of the Board of Directors and Board committees

The Board of Directors had proposed to the General Meeting that compensation for the Board of Directors for the financial year 2021 be adopted as a base annual fee of DKK 440,000 paid to each member. Furthermore, under this proposal, the chairman will receive three times the base annual fee and the vice-chairman will receive twice the base annual fee. The chairman of the Audit Committee will receive a fee corresponding to 75% of the base annual fee for members of the Board of Directors. Other members of the Audit Committee will receive a fee corresponding to 37.5% of the base annual fee for members of the Board of Directors. The chairman of each of the Remuneration Committee and Nomination Committee will receive a fee corresponding to 25% of the base annual fee for members of the Board of Directors. The members of each of the Remuneration Committee and Nomination Committee will receive a fee corresponding to 12.5% of the base annual fee for members of the Board of Directors. The fees for the chairmen and members of the committees are in addition to their fees as chairman, vice-chairman or member of the Board of Directors.

In addition to the above, the Company may also pay social contributions and similar fees that may be charged by foreign authorities in relation to the fees paid to members of the Board of Directors. Further, the Company may pay travel expenses and other expenses related to the work as member of the Board of Directors.

The proposal was adopted by the General Meeting.

6. Any proposals by the Board of Directors and/or shareholders

There were three proposals made by the Board of Directors to be decided upon by the General Meeting. No shareholders had presented proposals to be decided upon by the General Meeting.

The Board of Directors' proposals were, as set out in the agenda:

6a: Proposal to reduce the Company's share capital

6b: Proposal to authorise the Board of Directors to resolve that the Company's general meetings shall be held as completely electronic general meetings

6c: Proposal regarding the language of company announcements etc.

Re. proposal 6a:

The chair of the meeting presented the proposal, including the proposed amendments to Articles 3.1, 5.1 and 6.1 in the Company's Articles of Association.

The Board of Directors proposed that the Company's share capital is reduced.

On 28 August 2020, the Company announced a share buy-back programme with the purpose of adjusting the Company's capital structure and meeting obligations relating to the group's share-based incentive programme. The programme was completed on 26 February 2021. Some of the treasury shares acquired are proposed to be cancelled, resulting in the share capital being reduced by DKK 2,500,000 from DKK 100,000,000 to DKK 97,500,000.

Prior to the implementation of the capital reduction, the Company's creditors will be requested to file any claims they may have against the Company within a period of four weeks. The request will be published via the Danish Business Authority's IT system. The capital reduction will be implemented after expiry of the said four-week deadline.

Adoption of the proposal implies the following amendment of Article 3.1 of the Articles of Association, which will take effect upon completion of the capital reduction:

"3.1 The company's share capital is nominally DKK 97,500,000, divided into shares of DKK 1 or any multiple thereof."

In addition, as a result of the proposal to reduce the share capital, it was proposed to amend the authorisation to the Board of Directors to increase the share capital set out in Article 5.1 of the Company's Articles of Association. The revised wording of Article 5.1, first paragraph shall be as follows:

"5.1 In the period until 26 March 2025, the board of directors is authorised on one or more occasions to increase the share capital by cash contribution; contribution in kind; and/or conversion of debt by issuance of new shares up to an aggregate of 10% of the share capital. The subscription is to be made at market price."

Also, as a result of the proposal to reduce the share capital, it was proposed to amend the authorisation to the Board of Directors for the Company to acquire own shares set out in Article 6.1 of the Company's Articles of Association. The revised wording of Article 6.1 shall be as follows:

"6.1 In the period until 26 March 2025 the board of directors is authorised to allow the company to acquire its own shares up to an aggregate of 10% of the share capital at a price deviating by no more than 10% from the listed price at the time of the acquisition."

The proposal to amend Articles 3.1, 5.1 and 6.1 was adopted by the General Meeting.

Re. proposal 6b:

The chair of the meeting presented the proposal, including the proposed new Article 7.4 to the Company's Articles of Association.

The Board of Directors proposed that the Company's Board of Directors is authorised to resolve that the Company's general meetings shall be held electronically without any physical attendance, i.e. as completely electronic general meetings in accordance with section 77(2) of the Danish Companies Act.

Adoption of the proposal implies that a new Article 7.4 will be inserted into the Articles of Association, which will read as follows:

"7.4 The company's general meetings may by decision of the board of directors be held as completely electronic general meetings without access to any physical attendance. Participation in completely electronic general meetings shall take place via electronic media enabling the shareholders of the company to attend, speak and vote at the general meeting and

ensuring that the general meeting can be conducted in a proper manner and in accordance with the Danish Companies Act (in Danish: Selskabsloven)."

The proposal was adopted by the General Meeting.

Re. proposal 6c:

The chair of the meeting presented the proposal, including the proposed new Article 11.7 to the Company's Articles of Association.

The Board of Directors proposed that information disclosed pursuant to applicable securities legislation, including company announcements, shall be in English only going forward.

Adoption of the proposal implies that a new Article 11.7 will be included in the Articles of Association which will read as follows:

"11.7 The company's disclosure of information pursuant to applicable securities legislation, including company announcements, shall be in English only."

The proposal was adopted by the General Meeting.

7. Election of members to the Board of Directors

In accordance with Article 11.1 of the Articles of Association, all members of the Board of Directors elected by the General Meeting were up for election. All shareholder-elected members of the Board of Directors were prepared to be re-elected. Furthermore, the Board of Directors proposed election of Henrik Amsinck as new member of the Board of Directors. Information about the candidates had been enclosed with the notice convening the General Meeting and had also been available on the Company's website (www.st-group.com).

Henrik Amsinck was elected as a new member of the Board of Directors and the other candidates were re-elected by the General Meeting.

8. Election of auditor(s)

The Board of Directors had proposed that PricewaterhouseCoopers Statsautoriseret Revisionspartnerskab be re-elected as auditor of the Company.

The proposal was adopted by the General Meeting.

The chair of the meeting ascertained that there was no further business to be transacted. The chair of the meeting gave the floor to Chairman Nigel Northridge who thanked the shareholders for attending the General Meeting and closed the meeting.

The meeting was adjourned at 5.25pm CET.

As chair of the meeting



Christian Lundgren