



2013
Swedish Match
and Sustainability

Swedish Match at a glance

Swedish Match develops, manufactures, markets, and sells quality products with market leading brands in the product areas Snus and moist snuff, Other tobacco products (cigars and chewing tobacco), and Lights (matches and lighters). Well known brands include *General snus*, *Longhorn moist snuff*, *White Owl* cigars, *Red Man* chewing tobacco, *Fiat Lux* matches, and *Cricket* lighters.

The Group sells products across the globe, with production units (twelve factories) in six countries (Brazil, the Dominican Republic, the Netherlands, the Philippines, Sweden, and the US).

Regarding tobacco products (product areas Snus and moist snuff as well as Other tobacco products), the Company's shipment volumes in 2013 were approximately:

- 231 million cans of snus in Scandinavia and 4 million cans of snus in the US.
- 135 million cans of moist snuff in the US.
- One billion cigars in the US.
- 6,200 metric tons of chewing tobacco in the US.

Tobacco products represent approximately 95 percent of Company profit from product areas. More than a third of total Company sales and more than half of the operating profit come from the product area Snus and moist snuff.

In Sweden, the Group has an independent distribution company. Swedish Match also owns 50 percent of SMPM International (a joint venture with Philip Morris International for snus outside of Scandinavia and the US). In addition, Swedish Match holds a 49 percent ownership interest in Scandinavian Tobacco Group (STG). The Swedish Match share is listed on NASDAQ OMX Stockholm.

Markets served

The primary sales channels for Swedish Match products are supermarkets, convenience stores, tobacconists, and gasoline stations. Other important channels include bars and restaurants, as well as Scandinavian Travel Retail outlets, such as airports and ferries. The largest markets where Swedish Match sells its products are Sweden and Norway (primarily snus, along with matches and lighters), the US (chewing tobacco, cigars, moist snuff and snus), Brazil (matches and lighters), as well as Russia and parts of Asia (matches and lighters). Swedish Match consumers purchase their products through these sales channels.

Ownership structure¹

At year-end, ownership outside of Sweden corresponded to 72.6 percent of total share capital, a decrease of 3.8 percentage points compared with 2012.² Swedish ownership interests, totaling 27.4 percent, were distributed among institutions, with 8.7 percent of the share capital, mutual funds, with 9.0 percent, and private individuals, with 9.8 percent.

Operational structure

The Swedish Match head office, where the CEO and Corporate functions are based, is located in Stockholm. Corporate

functions consist of the CEO office, Group Finance, Group Business Control, Corporate and Legal Affairs, as well as Investor Relations and Corporate Sustainability. The organizational structure is divided among the following operating units: Scandinavia Division, US Division, Lights Latin America, Lights International, and SMD Logistics AB.³ The total workforce in the Group during 2013 was 4,311 (including temporary workers).⁴

Sales and operating profit 2013

In 2013, sales increased by 1 percent to 12,610 MSEK. Operating profit from product areas⁵ for the full year declined by 8 percent to 3,375 MSEK. Operating profit⁶ amounted to 3,855 MSEK for the full year. EPS (basic) for the full year amounted to 13.63 SEK.

The Company vision

Swedish Match's vision is to be the global smokefree leader. The Company will continue to leverage the strengths of its operations and product areas to help to achieve that vision. With its strong platforms in Snus and moist snuff, Other tobacco products, and Lights, the Company is able to pool its talent and resources to explore new market opportunities, develop new product concepts, and expand its geographic footprint. Further support in achieving the vision comes from the Company's partnerships, such as the joint venture, SMPM International, and resources generated from the 49 percent ownership of Scandinavian Tobacco Group (STG).

¹ Source: SIS Ågarservice AB, data derived from Euroclear Sweden AB. Totals may be affected by rounding.

² Excluding shares held in treasury by Swedish Match AB, which corresponded to 1.46 percent of the total number of shares as per December 31, 2013.

³ During 2013 a reorganization took place to integrate the former Smokefree Products Division into a new Scandinavia Division. This does not affect any of the data reported for 2013 in this report.

⁴ Due to differences in methodologies, the total workforce presented in this Sustainability Report does not correspond to workforce breakdowns in the Annual Report. In the 2013 Annual Report, the average number of employees in the Group was 4,382.

⁵ Operating profit from Swedish Match's product areas, which excludes share of net profit in STG and larger one-time items.

⁶ Operating profit for the Group includes share of net profit in STG and larger one-time items.

Swedish Match organization



Product areas

Snus and moist snuff

Swedish Match has a market leading position in the Scandinavian snus market. In the US, Swedish Match is well positioned as the third largest snus and moist snuff company. Through its 50/50 joint venture, SMPM International, Swedish Match is well positioned to explore and develop new markets for snus outside of Scandinavia and the US. Production units are located in Sweden (snus) and the US (moist snuff).

Strategy

Swedish Match endeavors to be the global smokefree leader.

Swedish Match's strength in smokefree products lies in its quality products and established brands in combination with deep consumer insight.

Swedish Match will leverage its unique Snus and moist snuff platform to build global smokefree leadership, and will continue to innovate and develop new and improved products while leveraging its brands' strengths in order to meet changing consumer needs. Swedish Match will endeavor to drive category growth and maintain its leading position in Scandinavia, to develop the snus category in the US and establish a strong presence in the market, to strengthen the Company's position in the US moist snuff market, and to explore global opportunities for Swedish snus through SMPM International.

Swedish Match strives to be the preferred choice for consumers of smokefree products, the most valued partner to customers/retailers and distributors, and the industry authority for regulators and opinion makers.

Success will come from dedicated employees working closely together in building on the strong brand portfolio, maintaining and improving technological leadership, leveraging the Company's unique Swedish heritage and market leadership in Scandinavia, and providing consumers with products they enjoy.

Main markets and brands

Sweden: *General, Göteborgs Rapé, Ettan, Grov, Catch, Kaliber, Kronan*
 Norway: *General, Nick and Johnny, The LAB*
 The US: *Longhorn, Timber Wolf, General*

Other tobacco products (cigars and chewing tobacco)

Swedish Match is a major player in the US market for mass market cigars and the largest manufacturer for chewing tobacco. Nearly all the products are sold exclusively on the US market. Production takes place in the US (cigars and chewing tobacco) and in the Dominican Republic (cigars).

Strategy

In the product area Other tobacco products, Swedish Match is leveraging its strong platforms in order to maximize long term profitability.

For cigars, the Company will drive profitable growth through consumer-driven innovation and strong sales execution. The Company continues to innovate, in order to introduce high quality products appreciated by consumers.

For chewing tobacco, Swedish Match will capitalize on its leading position in the category and continuously drive productivity improvements. With its efficient production, well known and trusted brands, as well as category leadership, the Group has been able to leverage its strengths in a declining product category while enabling sustainable profits.

Main markets and brands

The US: *Cigars: White Owl, Garcia y Vega, Game by Garcia y Vega*
Chewing tobacco: Red Man, Southern Pride

Lights (matches and lighters)

Swedish Match is the market leader for matches in many markets throughout the world, with well known local brands. For lighters, the *Cricket* brand has strong market positions in a large number of countries. Production of matches takes place in Sweden and Brazil. Lighters are produced in the Philippines, the Netherlands, and Brazil. Swedish Match sells matches and lighters through its own and third party distribution networks, including the distribution network of Scandinavian Tobacco Group.

Strategy

With its portfolio of well known brands and strong market positions, Swedish Match works for continuous operational excellence in the Lights product area. The Company is committed to maintaining and improving its already efficient manufacturing operations as well as capitalizing on its strong market positions. This helps to drive solid levels of profitability, while providing consumers with the quality products they demand.

The lights business is organized in two operating units: Lights Latin America and Lights International (covering all markets outside Latin America).

Main markets and brands

Brazil: *Matches: Fiat Lux*
Lighters: Cricket
 Globally: *Matches: Solstickan (Sweden), Swan (UK), Tres Estrellas (Spain), Feudor (France), Redheads (Australia)*
Lighters: Cricket

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IMPORTANT DISCLOSURE INFORMATION

Date of issue: July 9, 2014

Swedish Match has followed guidance from the Global Reporting Initiative (GRI) Sustainability Reporting Framework in its sustainability reporting. This report has been prepared using the GRI G3 Guidelines.

Swedish Match currently reports according to the GRI reporting guidelines for self-declared B level. Global Reporting Initiative has performed an Application Level Check which concludes that the 2013 Sustainability Report fulfills the requirement of Application level B. The GRI Application Level Check Statement is available on the Company's website: <http://www.swedishmatch.com/en/Sustainability/Sustainability-reporting/>.

Swedish Match annually publishes a sustainability report as a soft copy. The 2013 Sustainability Report follows the 2012 Sustainability Report published on Swedish Match's website. Any revisions to the report will be provided in supplements.

Information provided in this document is intended for stakeholders with an interest in the Company's sustainability efforts. The document is to be used as a complement to the 2013 Annual Report. While the Annual Report includes general information about how Swedish Match works with sustainability, the Sustainability Report includes more specific information requested by GRI, as well as facts concerning Swedish Match's sustainability reporting process.



You can read more about Swedish Match's work within sustainability, including a detailed FAQ section, on the Company's website: www.swedishmatch.com/en/Sustainability/.

CONTACT DETAILS

As part of the Company's ongoing stakeholder engagement, we welcome comments on any aspect of our approach to sustainability. Please e-mail us at sustainability@swedishmatch.com.

The SVP Investor Relations and Corporate Sustainability, Emmett Harrison, is responsible for the publishing of the Company's 2013 Sustainability Report as well as the Swedish Match 2013 Annual Report. Emmett.Harrison@swedishmatch.com.

The Director of Corporate Sustainability and Business Analysis, Sofia Hedevåg, is responsible for compiling the Company's 2013 Sustainability Report. Sofia.Hedevag@swedishmatch.com.

CEO statement

TO OUR SHAREHOLDERS AND OTHER STAKEHOLDERS:

At Swedish Match, we take a holistic approach to the way we do business, in order to deliver long term economic benefits to our shareholders, while also taking steps to reduce impacts on the environment and to address important social and societal issues. Our scope of activities with regard to sustainability cover areas where we can influence meaningful changes, looking at our supply chain, our production, our products, the way we market to our customers and consumers, and our impacts on public health, our communities, and the environment.

One of the cornerstones of our sustainability efforts is to have a positive impact on society. By providing quality products that have been determined to be safer than cigarettes, Swedish Match can help to reduce cigarette consumption, thereby contributing to improved public health.

Our engagement and dialogue with stakeholders provide valuable insights into how we can address various sustainability issues, as well as providing us with an opportunity to promote change. They also help to promote greater transparency and a better understanding of issues important to them. Our work with suppliers, for example, helps to bring greater accountability with regard to human rights and labor issues. Our work with employee and labor organizations and our employment of internal and external audits and controls help us to provide a safer and more productive work environment, and to contribute to the quality of life in communities where we operate. Our discussions with the regulatory and scientific/health communities aid in mutual understanding regarding health and risk aspects in connection to our products. Engagement through clear and consistent environmental standards, KPIs, and reporting, help us not only to reduce negative impacts on the environment but also to provide financial benefits.

In this Sustainability Report (together with our Annual Report), we report on issues and provide examples of many of our activities with regard to our financial performance, our employees, the environment, and society. We also provide information with regard to our strategic priorities, ambitions and achievements, as well as areas for improvement.

Some of the broader trends that affect the Company and that have influenced our sustainability priorities during 2013 include a growing interest in corporate reputational issues, with sustainability being an important part of the process to address risks and opportunities. We have noted an increased emphasis on how companies engage with their suppliers with regard to their own conduct and workplace/environmental practices. We see continued support and interest in environmental issues, such as waste management and recycling initiatives, and the use of natural resources, including but not limited to water and land

use. There is also continued focus on the ability of companies to support both governmental and non-governmental organizations for greater transparency and consistency in approach with regard to international standards of governance, working conditions, human rights, public health, and environmental controls. With regard to employee rights and working conditions, for example, Swedish Match supports the ILO Core Conventions regarding labor rights and believes that all employees should be free to form associations and to engage in collective bargaining.

During the year we have progressed in a number of areas. In terms of supplier engagement, for example, we have developed and implemented a supplier Code of Conduct, now included in new and renegotiated supplier contracts. We have also engaged an outside organization to aid in monitoring and assessing tobacco leaf suppliers in critical sustainability areas. We have increased our activities in employee engagement, specifically in the areas of procurement and environmental awareness. We continue to work on improvements in both process and reporting. In Brazil, for example, our lighter factory in Manaus has been certified with ISO 14001. We now have ten of our 12 production facilities with this certification.

There is still work ahead of us to achieve some of our more immediate ambitions. For example, we are working to complete and communicate a new and updated Code of Conduct. We also need to work on providing more detailed key performance indicators beyond the financial and environmental areas.

Swedish Match has followed guidance from the GRI Sustainability Reporting Framework in its sustainability reporting and this report has been prepared according to the GRI G3 Guidelines. The Company will, over the next two years, be transitioning to GRI G4 reporting, maintaining our commitment to identifying, measuring, and reporting on the most impactful and meaningful areas to Swedish Match with regard to sustainability topics and issues.

Stockholm,
June 27, 2014

Lars Dahlgren,
President and
CEO



A few highlights in 2013

- Swedish Match entered into an agreement to engage the services of LeafTc (a division of ABSustain), an independent consultant, in order to further monitor its leaf supplier performance going forward.
 - Supplier training sessions were held for the purchasers of Swedish Match to further educate them in addressing sustainability related issues in relationships with suppliers to the Company.
 - The employer branding prize *New thinker of the year* was received from Universum, recognizing the Swedish operations' employer branding efforts.
 - Improved disclosure score in the Carbon Disclosure Project (CDP).
 - The Manaus lighter factory in Brazil was certified for ISO 14001 bringing the total to the ten most significant of the Company's twelve manufacturing facilities with both ISO 14001 certification and ISO 9001 certification.
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Tobacco leaf

Key figures 2013⁷

In the table below, some of Swedish Match's key sustainability figures for the past three years are presented.

Economic performance	2013	2012	2011
Sales [MSEK]	12,610	12,486	11,666
Operating profit from product areas [MSEK]*	3,375	3,666	3,365
Economic value distributed [MSEK]	11,841	11,318	10,645
Economic value retained [MSEK]	1,251	1,573	1,385

* Excluding share of net profit in STG and larger one-time items.

Environmental performance	2013	2012	2011
Total number of ISO 14001 certified manufacturing facilities*	10	9	9
Total energy (direct and indirect) consumption [MWh]	181,918	186,385	180,556
Total energy (direct and indirect) consumption [MWh per MSEK sales]	14.4	14.9	15.5
Total electricity consumption [MWh]	69,545	69,398	67,835
Total waste [metric tons]	26,680	24,063	22,948
Total waste [metric tons per MSEK sales]	2.1	1.9	2.0
Hazardous waste [metric tons]	866	800	790
Total direct and indirect greenhouse gas emissions [metric tons]	55,042	56,637	59,794
Total direct and indirect greenhouse gas emissions [metric tons per MSEK sales]	4.4	4.5	5.1

* In January 2013, the Manaus lighter factory in Brazil was certified for ISO 14001.

Employee and social performance	2013	2012	2011
Total workforce (including temporary workers)	4,311	4,299	4,174
Gender distribution within total workforce [% of females]	38	38	38
Injury rate [per 100 employees per year]	2.93	1.77	1.58
Occupational diseases rate [per 100 employees per year]	0.16	0.18	0.48
Lost days rate [per 100 employees per year]	79.50	75.42	71.63
Absentee rate [% of working days per year]	2.86	3.26	3.32
Employees (including temporary workers) receiving a formal performance review [%]	76	74	57
Gender distribution in board [% of females]*	36	30	33
Significant suppliers undergone screening on social commitment [%]**	100	100	95

* Including employee representatives but not deputy employee representatives.

** A significant supplier is defined as a supplier from which Swedish Match purchases tobacco for more than 100,000 USD per year.

⁷ Certain figures for economic performance using the GRI methodology do not correspond to figures reported in Swedish Match's Annual Report due to definitions set forth by GRI which may differ from Swedish Match's reporting under the IFRS methodology. Certain figures for employee related performance using the GRI methodology do not correspond to workforce breakouts in the Annual Report due to differences in methodologies. Some historic environmental and employee related figures have been restated in this report compared to the 2012 Sustainability Report. For more details, see pages 57-75.

Our approach to Corporate Sustainability

Corporate Sustainability is embedded in Swedish Match's corporate culture and way of doing business. For Swedish Match, Corporate Sustainability entails generating value for the Company and its stakeholders while addressing environmental impacts – in order to assure long term and sustainable growth.

A sustainable and responsible business

In order to achieve its vision to be the global smokefree leader, Swedish Match continues to work toward the Company's mission: to responsibly develop, manufacture, market, and sell quality products with market leading brands in the product areas Snus and moist snuff, Other tobacco products, and Lights, delivering growing and sustainable profits to our shareholders. This mission statement demonstrates that, for Swedish Match, a sustainable and responsible business goes hand in hand. For Swedish Match, sustainability implies always striving to balance economic responsibility with environmental and social responsibility; or put in other words – delivering growing and sustainable profits, mindful of the world around us.

Consistent with the Swedish Match mission, the Company works systematically with Corporate Sustainability across the organization. This work provides many long term benefits to the Company. It helps to make Swedish Match more competitive, to identify and reduce costs and risks, and to strengthen the corporate reputation and brand. It also enables the Company to be an attractive employer. Working with sustainability is thus an important element for Swedish Match's value creation and future growth.

Swedish Match's sustainability activities also aim to provide value to the Company's stakeholders while addressing environmental issues. This includes for example an improved working environment for employees, a reduced negative environmental impact, and

adherence to high standards of conduct within the supply chain. Many of these activities also benefit consumers by enabling them to make well informed decisions based on, for example, product information provided by the Company (e.g. concerning nicotine and snus).

Sustainability and tobacco

Some people may question whether a tobacco company can be sustainable in the long term. For Swedish Match, sustainability and tobacco are not incompatible, and the Group strives to conduct business in a responsible and sustainable manner towards its stakeholders and the environment. Tobacco products are not without risk, however certain tobacco product categories carry higher levels of risk than others. Swedish Match believes that snus can play an important role in reducing harm related to tobacco (harm reduction) and providing consumers with health benefits compared to cigarettes, consistent with a society moving away from cigarettes.

Stakeholder engagement

Swedish Match maintains an active dialogue with its stakeholders. For the past four years, Swedish Match has conducted a sustainability stakeholder survey among prioritized stakeholder groups (consumers, customers/retailers, employees, legislators/

regulators, investors/financial analysts, the scientific-health community, and suppliers). This methodical engagement helps the Company to consider the views of stakeholders and to examine whether (and to reaffirm that) the Company is focusing on sustainability activities that are material to stakeholders.

Strategic sustainability focus areas and overall ambitions

Based on recent sustainability stakeholder surveys, Swedish Match has chosen to conceptualize and focus its efforts on six strategic sustainability focus areas deemed to be material to the Company (see Swedish Match's sustainability model below). The Company has set overall ambitions within each area, and going forward the focus will be to set clear objectives and targets.



Swedish Match's sustainability model

Strategic sustainability focus areas

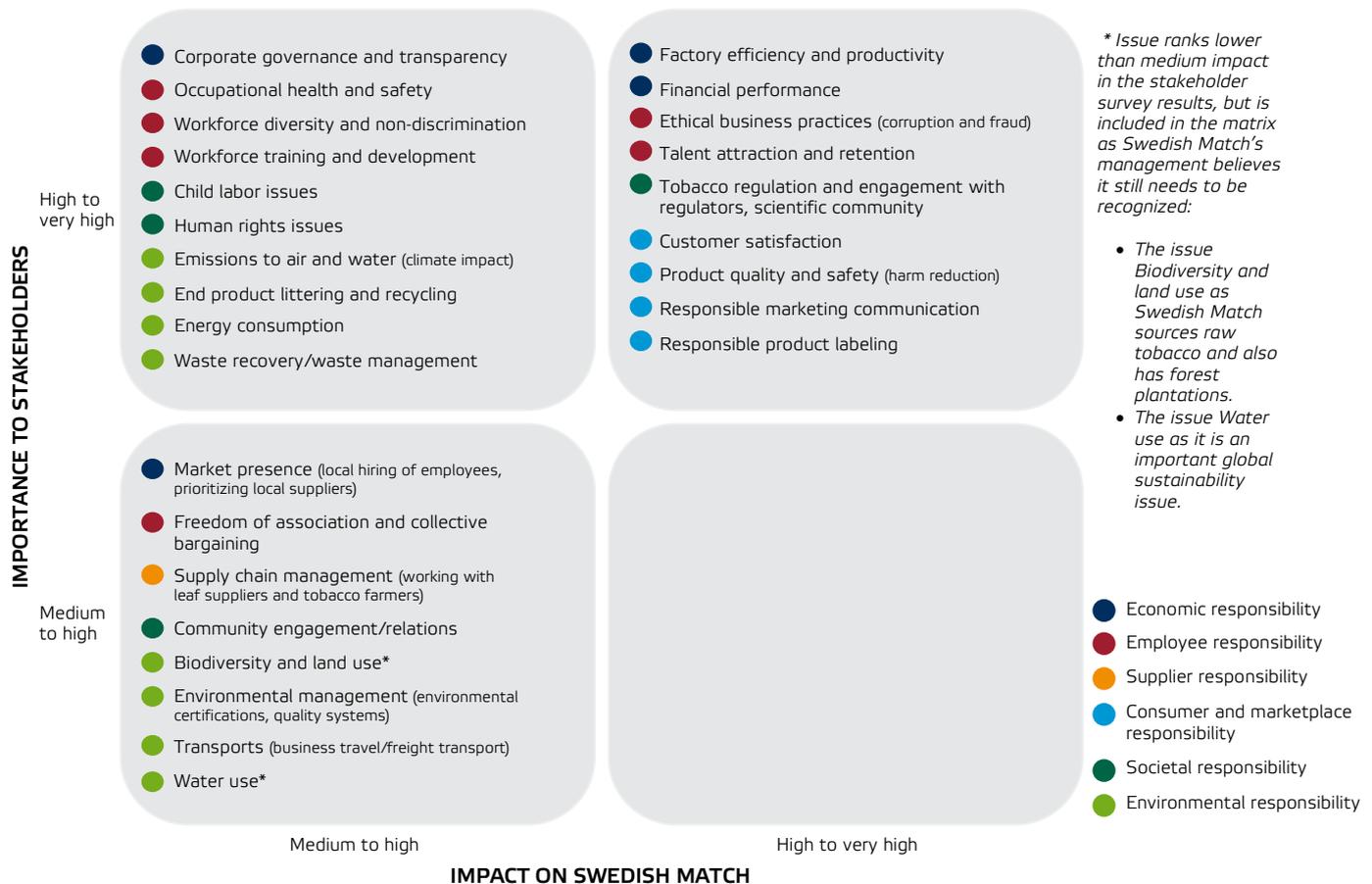
	Overall ambition	Achievements 2013
Economic responsibility 	<p>To deliver growing and sustainable long term profits to shareholders, while maintaining strong cash flows, thus helping to create economic prosperity among the Company's stakeholder groups. This implies working to achieve long term shareholder/stakeholder buy-in of the business model through high levels of transparency and corporate governance, as well as efficient operations.</p>	<ul style="list-style-type: none"> • Economic value generated in 2013 amounted to 13,092 MSEK, up 2 percent from 2012.⁸ • Economic value distributed amounted to 11,841 MSEK in 2013, up 5 percent from 2012.⁸ • Economic value retained amounted to 1,251 MSEK in 2013, down 20 percent from 2012.⁸
Employee responsibility 	<p>To attract, develop, and retain highly competent employees, to promote a culture of openness and trust, and a sound workplace environment. This implies addressing issues such as ethical business practices, workforce diversity, talent management, training and development, as well as workplace health and safety.</p>	<ul style="list-style-type: none"> • The Company's employee focus and the prioritized work with performance, talent, and employee processes were strengthened even further during the year. • The employer branding prize <i>New thinker of the year</i> was received from Universum, recognizing the Swedish operations' employer branding efforts.
Supplier responsibility 	<p>To work closely with the Company's suppliers in order to maintain adherence to Swedish Match's high standards of conduct and to support efforts to ensure that suppliers work responsibly in terms of economic, environmental, and social issues. This implies working closely with major suppliers, addressing issues related to human rights and working conditions, child labor and tobacco farming, as well as making sure honest and ethical business practices are conducted in the supply chain.</p>	<ul style="list-style-type: none"> • A Supplier Code of Conduct was developed. The document is included in all new and renegotiated supplier contracts. • Swedish Match entered into an agreement to engage the services of LeafTc (a division of ABSustain), an independent consultant, in order to further monitor its leaf supplier performance going forward. • All significant suppliers of tobacco signed and returned the <i>Social commitment for Swedish Match suppliers</i> document, including certain requirements and recommendations on business ethics, basic human rights as well as on health and safety.⁹
Consumer and marketplace responsibility 	<p>To bring high-quality tobacco and lights products to consumers as well as take a lead in keeping high standards of corporate conduct within the Company's marketplace. This implies labeling and marketing all products in a responsible manner, and working closely with customers/retailers in order to promote high standards of conduct in the tobacco marketplace.</p>	<ul style="list-style-type: none"> • To decrease the flow of illicit trade of snus on the Baltic Sea, Swedish Match continued its efforts employed during recent years by extending the special label on cans and rolls to include the entire product portfolio. This effort assists retailers and the authorities to easily spot irregularities.
Societal responsibility 	<p>To build and strengthen relationships with society at large, such as with the regulatory and scientific community as well as in local communities where the Company operates. In addition to addressing societal issues such as human rights and child labor, this implies continuous dialogue and engagement as well as contributing to local communities through projects and activities that are relevant to local business operations.</p>	<ul style="list-style-type: none"> • In November 2013, the Philippines was hit by the devastating typhoon Haiyan. Following the typhoon, Swedish Match donated disaster relief to a local aid organization with funds dedicated to rebuilding houses for affected families. The Company has also been involved in voluntary work, donated lighters to different aid organizations, and given monetary support to employees with affected relatives.
Environmental responsibility 	<p>To consciously and actively reduce the negative impacts the Company has on the environment. This implies working efficiently with resource management, reducing waste and energy consumption, as well as maintaining sound environmental management processes.</p>	<ul style="list-style-type: none"> • In January 2013, the Manaus lighter factory in Brazil was certified for ISO 14001. • Improved disclosure score in Carbon Disclosure Project's (CDP) global annual review mapping companies' CO₂ emissions. • Approximately 300 employees within Swedish Match successfully completed the internal online environmental training program, first introduced in 2012 via the Company's intranet.

⁸ Certain figures for economic performance using the GRI methodology do not correspond to figures reported in Swedish Match's Annual Report due to definitions set forth by GRI which may differ from Swedish Match's reporting under the IFRS methodology.

⁹ A significant supplier is defined as a supplier from which Swedish Match purchases tobacco for more than 100,000 USD per year.

Swedish Match's sustainability materiality matrix 2013*

(Issues below presented in alphabetical order per sustainability area)



Materiality analysis and matrix

The materiality analysis gives insight into which sustainability issues are material for Swedish Match. The 2013 analysis is based on a stakeholder survey including approximately 250 internal and external respondents from prioritized stakeholder groups in Scandinavia and the US. Following the survey results, the internal Corporate Sustainability team at Swedish Match has made its own assessment of which sustainability issues to select for reporting as well as target and activity setting.¹⁰

Material issues are those ranking high on both importance and impact (refer to the upper right square in the materiality matrix). These issues are the ones that Swedish Match prioritizes when reporting and communicating on sustain-

¹⁰ Based on internal considerations, a few additional issues were chosen for reporting beyond the level indicated by stakeholder assessments for the reasons outlined below (refer to the bottom left square in the materiality matrix): The issue *Community engagement/relations* as it is important to local Swedish Match operations. The issue *Environmental management (environmental certifications, quality systems)* as it is the foundation for working with environmental responsibility. The issue *Freedom of association and collective bargaining* as it is one of ILO's core conventions on human rights. The issue *Supply chain management (working with leaf suppliers and tobacco farmers)* as Swedish Match endeavors to support and promote ongoing efforts with regard to ethical, social, and environmental issues within its tobacco supply chain. *Water use* as it is an increasingly important environmental issue globally.

ability. Issues ranking high on either importance or impact are also considered to be important for reporting purposes.

Results 2013

Results for 2013 are very similar to those in previous years. In most cases, the results illustrate that there is a high correlation between importance and impact assessment, i.e. issues that stakeholders deem to be important are also deemed by Swedish Match to have a high impact on the Company's operations. Compared to 2012, the following changes can be seen in the 2013 materiality matrix:

- The newly added issue *End product littering and recycling* was ranked high with respect to importance.
- The issues *Corporate governance and transparency*, *Supply chain management (working with leaf suppliers and tobacco farmers)*, *Occupational health and safety*, *Workforce diversity and non-discrimination*, and *Workforce training and development* were in 2013 ranked as having a lower impact on Swedish Match.
- The issue *Water use* decreased in importance.

Sustainability stakeholder survey

The sustainability stakeholder survey has been sent out yearly since 2010 to prioritized stakeholder groups. The majority of the sustainability issues included in the survey have been chosen in accordance with the GRI framework, while a few additional issues have been added based on internal considerations.

In 2013, the issue *End product littering and recycling* was added to the survey based on a review of Swedish Match's industry peers' material issues as well as input from stakeholder meetings. Also, the issue *Productivity in operations* was renamed to *Factory efficiency and productivity* for clarification purposes.

While some difficulties persisted in receiving responses from the stakeholder group government/regulators as well as the scientific-health community, in line with previous years, the number of respondents significantly increased. Swedish Match will continue to look into the cause of these difficulties.

Most stakeholders completed the survey (anonymously) through an online survey link which was sent out to stakeholders directly via Swedish Match contacts. A few respondents chose to complete a paper survey instead.

Respondents were asked to assess *the importance* of various sustainability issues. Swedish Match's Group Management Team as well as members of the Environmental Council and HR professionals in the organization were asked to assess *the impact* of these sustainability issues on Swedish Match's operations in 3-5 years.

Stakeholder dialogue

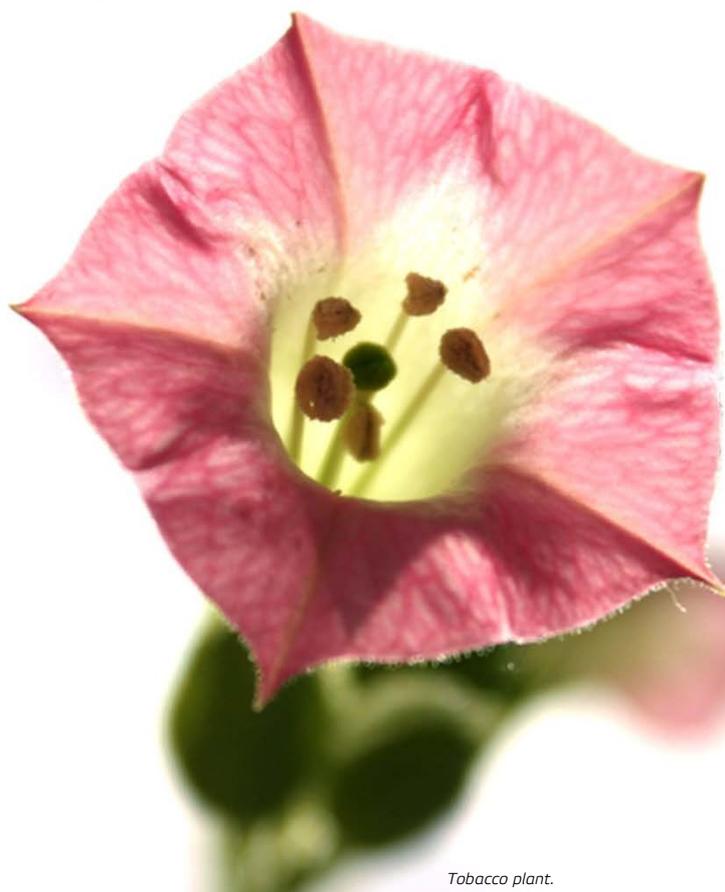
Swedish Match maintains an active dialogue with its various stakeholder groups. The frequency of engagement differs by type and stakeholder group. It also varies in different parts of the Swedish Match organization.

In 2010, Swedish Match conducted an internal stakeholder identification analysis in order to identify key stakeholder groups to the organization. Based on an analysis of which stakeholder groups strongly influence Swedish Match, and whether the stakeholder group is strongly influenced by Swedish Match, the stakeholder groups presented on page 12 were recognized as prioritized to the Company, i.e. consumers, customers/retailers, employees, legislators/regulators, investors/financial analysts, the scientific-health community, and suppliers.¹¹

During stakeholder meetings in 2013, issues related to the Company's corporate governance, emissions to air and water, human rights, product quality and health aspects, marketing practices, as well as the supply chain were discussed.

In the 2013 sustainability stakeholder survey, respondents were asked to identify areas where the Company could seek to improve its practices. Suggested improvements included, for example, an increased control of the Company's supply chain, initiations of more local agricultural sustainability projects, how Swedish Match deals with recycling and that the Company should take a more active role concerning consumers' disposal of its products after usage (i.e. littering of snus and snus cans). The impact of tobacco consumption on consumer health was also brought up as well as the importance of combatting youth tobacco use.

¹¹ The stakeholder group investors was in 2012 broadened to include financial analysts.



Prioritized stakeholder groups

Stakeholder group	Description	Examples of activities
Consumers	<p>Swedish Match's target consumers are adults who use smokeless tobacco products, cigars, matches, and/or lighters.</p> <p>The Company's consumers of smokeless tobacco products are mainly found in Scandinavia and the US, but the Company increasingly reaches consumers worldwide through its joint venture SMPM International. Consumers of Swedish Match cigars are primarily located in the US. Consumers of matches and lighters can be found worldwide – in Europe, Latin America, Australia, as well as parts of the Middle East, Africa, and Asia.</p>	<ul style="list-style-type: none"> • Consumer surveys • Focus groups
Customers/retailers	<p>Swedish Match's primary customers are wholesalers and selected retailers of tobacco and lights products.</p> <p>The Company's products are sold through supermarkets, convenience stores, tobacconists, and gasoline stations. Other important channels include bars and restaurants, as well as Scandinavian Travel Retail outlets, such as airports and ferries. Matches and lighters are widely available wherever tobacco products are sold.</p> <p>Wholesalers and retailers of tobacco products are mainly situated in Scandinavia and the US, whereas matches and lighters are sold worldwide.</p>	<ul style="list-style-type: none"> • Customer surveys • Direct dialogue in meetings and ongoing contact
Employees¹²	<p>In 2013, Swedish Match employed 4,311 people, of whom 38 percent were women. The largest number of employees was employed in the US and the Dominican Republic followed by Sweden and Norway, Brazil, the Philippines, and the Netherlands.</p>	<ul style="list-style-type: none"> • Performance reviews • Dialogue and close cooperation with labor unions
Legislators/regulators and the scientific-health community	<p>Swedish Match's primary business is tobacco, a highly regulated industry with specific rules and regulations.</p> <p>Swedish Match strives to uphold an open dialogue with regulatory authorities, policymakers, and the scientific-health community. A vital part of regulatory relations is to share knowledge and insights and thereby stimulate a mutual dialogue and understanding of products and business operations at large.</p>	<ul style="list-style-type: none"> • Dialogue and updates on various activities
Investors/financial analysts	<p>The majority of Swedish Match's shareholders are located in the US, Sweden, and the UK.</p> <p>At year-end, ownership outside of Sweden corresponded to 72.6 percent of total share capital, a decrease of 3.8 percentage points compared with 2012.¹³ Swedish ownership interests, totaling 27.4 percent, were distributed among institutions, with 8.7 percent of the share capital, mutual funds, with 9.0 percent, and private individuals, with 9.8 percent.</p> <p>In 2013, there were approximately 20 sell side financial analysts regularly covering Swedish Match.</p>	<ul style="list-style-type: none"> • Regular Board meetings • Annual General Meeting • Teleconferences • Surveys from SRI-analysts • Regular meetings with investors and analysts
Suppliers	<p>Many of the largest suppliers to Swedish Match are involved in the purchase of tobacco. The Company buys tobacco from a small number of large global independent leaf tobacco suppliers. The Company sources forestry and paper products for its match production from a small number of suppliers, increasingly from Forest Stewardship Council™ (FSC™) certified sources. For indirect materials, the supplier base is larger and more local.</p>	<ul style="list-style-type: none"> • Purchasing negotiations with prioritized suppliers based on the Group Procurement Policy • Supplier surveys

¹² Due to differences in methodologies, the total workforce presented in this Sustainability Report does not correspond to workforce breakdowns in the Annual Report. In the 2013 Annual Report, the average number of employees in the Group was 4,382.

¹³ SIS Ågarservice AB, data derived from Euroclear Sweden AB. Totals may be affected by rounding. Numbers exclude shares held in treasury by Swedish Match AB, which corresponded to 1.46 percent of the total number of shares as per December 31, 2013.

Sustainability organization

The Swedish Match Board of Directors has the overall responsibility for overseeing the Company's Corporate Sustainability efforts and reviews sustainability issues annually.

The SVP Investor Relations and Corporate Sustainability is responsible for the Corporate Sustainability function and for communicating sustainability issues internally and externally. The SVP Investor Relations and Corporate Sustainability reports to the CEO, and presents findings and updates to the Group Management Team (GMT) as well as to the Board of Directors on a periodic basis.

Topics brought up for discussion during Board and GMT meetings during 2013 include changes and improvements in reporting with regard to the 2012

Sustainability Report, results from the 2013 sustainability stakeholder survey, general achievements, as well as status on prioritized sustainability projects such as a review of the Code of Conduct and an improved process concerning supplier responsibility standards.

The Corporate Sustainability team within Swedish Match AB is responsible for ensuring that Swedish Match's sustainability efforts align with the Company's vision and strategy. The team coordinates and compiles information of key performance indicators and other aspects and communicates sustainability related information to internal and external stakeholders through relevant communication channels. The team is also responsible for ensuring continuous stakeholder dialogue with the Group's identified priority stakeholders.

The Corporate Sustainability team is represented in the Environmental Council and works closely with other functions and individuals across the Company, such as Group Finance, Human Resources, Corporate and Legal Affairs, Manufacturing (both Supply Chain and R&D), Marketing and Sales, Communications and Public Affairs, and Procurement.

The Corporate Sustainability team works very closely with the Environmental Council, which consists of managers trained in environmental and quality systems and reporting for the various production units. The Environmental Council is chaired by the SVP Investor Relations and Corporate Sustainability. The Environmental Council is comprised of individuals representing all product areas and local production units.

Illustration of Swedish Match's sustainability organization



Corporate Sustainability policies and procedures

Swedish Match has a number of Company policies covering basic principles and guiding statements that are designed to ensure that the Company operates in a way that meets or exceeds the stakeholders' requirements.

Some of the policies are published externally on the Company's website while some are only available internally for Swedish Match's employees. Externally available policies include the Code of Conduct, the Corporate Communications Policy, the Group Policy on Fraud Response, and the Group Environmental Policy.

In 2013, a project was initiated on Group level with the aim of making Group policies more accessible and easier to communicate. This work will continue during 2014 with the aim of combining and simplifying policies, updating the design, as well as improving communication, training, and follow up.

As part of this project, Swedish Match aims to update its Code of Conduct in 2014 to better reflect today's demands and requirements of a global company.

The Code of Conduct

The Swedish Match Code of Conduct, established in 2004, is the foundation for the Company's position in areas related to Corporate Sustainability. The Group's commitment to Corporate Sustainability and responsibility ties directly to its core values.

The Swedish Match Code of Conduct reflects the position of the Swedish Match Group with regard to Corporate Sustainability issues, when interacting with employees (including workplace practices, business ethics, and communication), suppliers (supplier contracts), customers and marketplace (issues specific to tobacco products), general society (including such areas as human rights, respect for indigenous rights, and child labor), and the environment (the Group's Environmental Management Systems and the Group Environmental Policy). These areas of the Code of Conduct comply with international conventions and guidelines on human rights and labor conditions.¹⁴

The Code of Conduct is reviewed by the SVP Investor Relations and Corporate Sustainability and the document is annually approved by the Swedish Match Board of Directors.

The Code of Conduct is available on the Company website, http://www.swedishmatch.com/Documents/Policies/CodeOfConduct_EN.pdf.

¹⁴ The international conventions and guidelines referred to here are the UN Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, the eight ILO Core Conventions (Nos. 87, 98, 29, 105, 100, 111, 138, and 182), and the OECD Guidelines for Multinational Enterprises.

Compliance with the Code of Conduct
The Swedish Match Code of Conduct is applicable to all employees within the Group, regardless of position and geographical location. Individual company policies for the business units must always conform to the principles stated in the Code of Conduct.

Every employee has a personal responsibility to make sure that actions taken comply with both the words and the spirit of the Code of Conduct. Management has an additional responsibility to foster a culture in which compliance with the Code of Conduct is expected. The operating units' management teams have operational responsibility for ensuring compliance with the Code of Conduct and to ensure that employees are aware of, understand, and comply with its content. Concerns about inappropriate conduct must be promptly addressed.

Violations of the Code of Conduct may lead to disciplinary actions. Such action may include reprimand, reimbursement of any loss or damage suffered by the Group, termination of employment, referral for civil action or criminal prosecution, or any other disciplinary deemed appropriate by the Group.

To further secure sound business ethics within the Company, consistent with the Code of Conduct, Swedish Match has a whistleblower function that provides every employee with the opportunity to report any suspicion of infringement of Group policies. Such suspicions can be submitted – anonymously – to an appropriate manager, or to the Chairman of the Audit Committee. The whistleblower function can easily be accessed through the Swedish Match intranet. In 2013 there was one reported infringement of Group policies using the whistleblower function. This reported infringement was addressed by the Company.



Employees at the Owensboro factory, the US.

External reviews and follow up

At least once every two years, the external partner AON (an international risk management company) examines the Group's operating units at the factory level. These reviews include follow up of implementation of the Code of Conduct as such, with evaluations within the areas of social responsibility, workplace practices, business ethics, communication, and the environment. Topics evaluated include human rights, child labor, forced labor, supplier contracts, as well as health and safety matters.

AON identifies improvement areas (which are reevaluated the following year) and reports conclusions to operating units' management teams and to the Investor Relations and Corporate Sustainability function. The operating units' management teams are responsible for any needed corrective actions.

Communication and training

Ongoing communication on matters referred to in the Code of Conduct is communicated to employees primarily through the Company's intranet and also in conjunction with performance reviews and development discussions.

Updated versions of the Code of Conduct are communicated yearly (following reviews/updates) to all employees. Every manager in the Group has an obligation to ensure that all subordinated employees are informed about the Code of Conduct. Managers have to confirm that they have read, understood, and implemented the policy.

Training with regard to interpretation of the Code of Conduct may be carried out at the local level. New employees should read and discuss any concerns regarding the content of the policy with the respective manager.

Through Swedish Match's global employee survey, the Company is able to keep track of employee's awareness of the Code and whether the employee has reviewed or been informed about the Code of Conduct over the past twelve months.



Employees at the Swedish Match corporate headquarters, Stockholm, Sweden.

In addition, the Company's Corporate Communications Policy provides guidelines for how Swedish Match's managers should act in their daily communications with employees and external stakeholders. The Corporate Communications Policy is available on the Company website, http://www.swedishmatch.com/Documents/Policies/CorporateCommunicationsPolicy_EN.pdf.

Group Policy on Fraud Response

Swedish Match is committed to the highest possible standards of openness, probity, and accountability in all its affairs. No type of fraud or corruption will be tolerated.

The Group Policy on Fraud Response is established to reinforce the Swedish Match approach and to aid in the prevention and detection of fraud and corruption. The policy is available on the Company website, http://www.swedishmatch.com/Documents/Policies/FraudResponse_EN.pdf.

Safeguards

Swedish Match recognizes that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the alleged malpractice. Reprisal or harassment will however not be tolerated. Every effort will be made to protect the rights and the reputation of everyone involved, including the individual who in good faith alleges perceived malpractice as well as the alleged violator(s). Malicious allegations may however result in disciplinary action.

Prevention and detection of fraud and corruption

The head of each operating unit shall establish and communicate appropriate responsibilities and procedures aimed at reducing both the opportunity and scope of fraud and corruption. No such management control structure can however fully prevent fraud or corruption. Employees are encouraged to raise

concerns about any instance of malpractice at the earliest possible stage.

Employees are encouraged to approach, in the first place, their immediate supervisor or the head of their operating unit. Employees may, however, choose not to express their concerns with management because of fear of reprisal, harassment or victimization. Employees are therefore offered the possibility to raise concerns through the Swedish Match whistleblowing function.

Details on the whistleblowing function are provided on the Swedish Match intranet. The SVP Corporate and Legal Affairs or the Chairman of the Audit Committee can also be contacted via telephone, e-mail or letter.

Handling of suspected cases

Swedish Match is committed to taking prompt action to investigate and address any allegations or indications of fraud and corruption. Any member of management who receives an allegation or indication of fraud or corruption is required to ensure that operating unit and Group procedures be maintained when taking any actions to investigate and resolve the matter.

All actual or suspected fraud or corruption incidents, which may result in any effect on the Swedish Match reputation or have a material effect on the financial statements, shall be reported within 24 hours to the SVP Corporate and Legal Affairs. All other actual fraud

or corruption cases shall, regardless of impact, be reported to the SVP Corporate and Legal Affairs.

Swedish Match shall report, in a timely manner, to the Audit Committee all actual fraud or corruption incidents, as well as suspected fraud or corruption incidents which may result in any effect on the Swedish Match reputation or have a material effect on the financial statements.

Depending on the nature of the concern the matter may be investigated by internal or external parties, and/or be referred to the police or other relevant public authorities.

An employee reporting a concern through the Whistleblowing function will without undue delay be informed on:

- Acknowledgement that the concern has been received
- An indication on how the matter will be dealt with
- An estimate of how long it will take to reach a conclusion
- Which initial enquiries have been made
- Whether any further investigations will take place, and if not, the reason why

The employee will, unless exceptional circumstances do not permit, be informed of the outcome of the investigation and any resulting action.

Group Environmental Policy

Swedish Match has adopted a Group Environmental Policy, designed to ensure that Swedish Match achieves a balance whereby the Group consistently reaches its commercial objectives while addressing the environmental requirements of the Company as well as its stakeholders. The policy is based on the principles of the environmental management standard ISO 14001 and is available on the Group's website and intranet. Due to the diversity of Swedish Match activities, subordinated environmental policies are formulated for each operating unit.

The main purpose of the Group Environmental Policy is to ensure that the Group commits itself to continuous environmental improvement with the aim of preventing and reducing negative environmental impacts in its activities.

Other rationales of the policy are to ensure that:

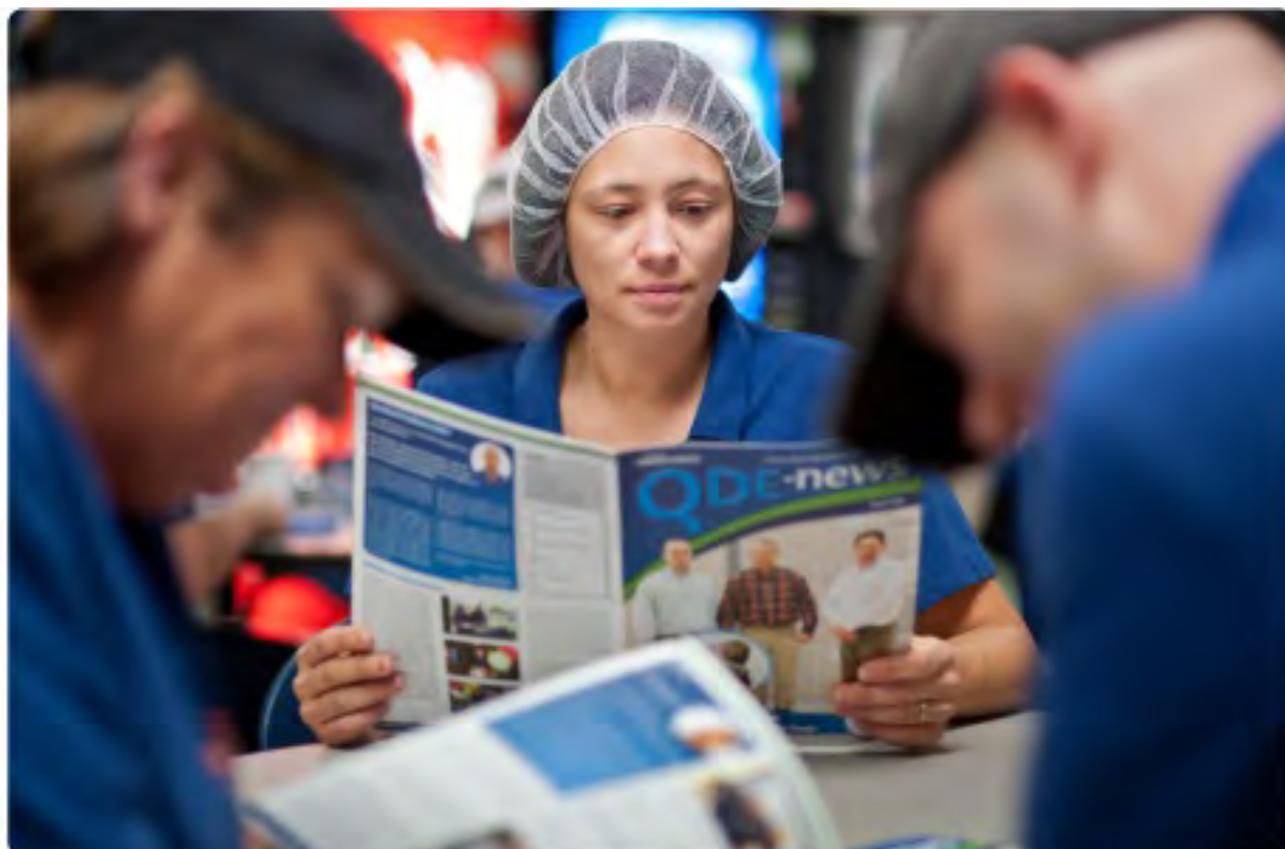
- The Company operates an Environmental Management System (EMS), applicable on a corporate, operating unit, and factory level, which will safeguard that commitment is continuously maintained. Through the EMS, the Group has the tools to identify, track, and target its environmental objectives and targets.
- The Company commits to comply with all relevant environmental legislation, regulations, and other requirements to which it subscribes.
- The Company develops and communicates priority Key Performance Indicators (KPIs) for environmental factors, which are deemed to be of high importance by both

Swedish Match and its stakeholders.

- The Company commits to continual documentation and communication of any changes of environmental impact due to its activities, products, and services.
- The Company undertakes appropriate remedial actions and improvements based on financial and environmental criteria.

Swedish Match's Group Environmental Policy also includes the topics of biodiversity and eco efficiency, thus helping to broaden the scope from the sourcing and factory levels to the offices.

The Group Environmental Policy is available on the Company website, http://www.swedishmatch.com/Documents/Policies/EnvironmentalPolicy_EN.pdf.



Employee reading Swedish Match's internal newsletter QDE news at the Owensboro factory, the US.

Economic responsibility



Employees at the Gothenburg factory, Sweden.

Swedish Match's operations, goals, and strategies impact and affect the society in which the Company operates. Swedish Match's overall ambition is to deliver growing and sustainable long term profits to shareholders, while maintaining strong cash flows, thus helping to create economic prosperity among the Company's stakeholder groups.

ECONOMIC RESPONSIBILITY:

Ambition: To deliver growing and sustainable long term profits to shareholders, while maintaining strong cash flows, thus helping to create economic prosperity among the Company's stakeholder groups.

This implies working to achieve long term shareholder/stakeholder buy-in of the business model through high levels of transparency and corporate governance, as well as efficient operations.



Improved profitability and a greater value generation and distribution are fundamental in creating a foundation for long term sustainable development.

From a financial perspective, in order to ensure long term economic sustainability and financial performance, Swedish Match will follow strategies toward positioning the Company to be the global smokefree leader, leveraging the strengths of its operations and product areas to help to achieve this vision. The Company will also play an active role in working with its partners and associated companies for future organic growth.

Financial performance¹⁵

Group results full year 2013

Sales increased by 1 percent to 12,610 MSEK (12,486). In local currencies, sales increased by 3 percent. Operating profit from product areas¹⁶ declined by 8 percent to 3,375 MSEK (3,666). In local currencies, operating profit from product areas declined by 6 percent. Operating

¹⁵ To read more about Swedish Match's financial performance, please refer to the 2013 Annual Report, <http://www.swedishmatch.com/en/Investors/Publications/Annual-reports/>.

¹⁶ Operating profit from Swedish Match's product areas, which excludes share of net profit in STG and larger one-time items.

profit amounted to 3,855 MSEK (4,062) including share of net profit in STG, and larger one-time items.

Profit before income tax amounted to 3,310 MSEK (3,511). Profit for the period amounted to 2,711 MSEK (2,907).

EPS (basic) decreased by 5 percent to 13.63 SEK (14.33).

Creating value for stakeholders¹⁷

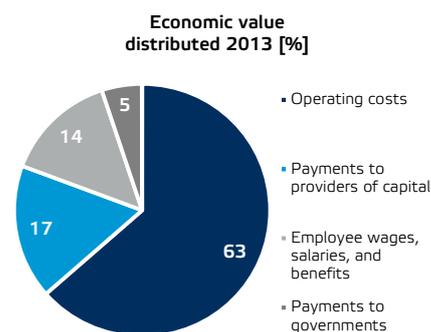
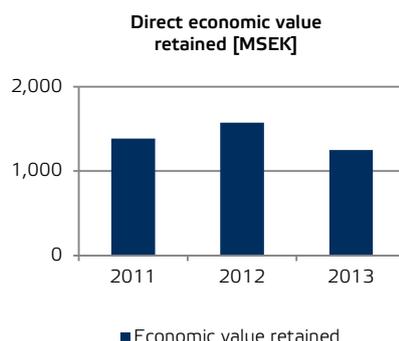
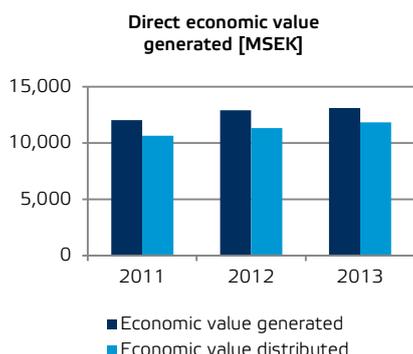
Swedish Match develops, manufactures, markets, and sells products across the globe and is a part of many communities all around the world. By conducting its business operations in a responsible way, Swedish Match contributes to economic development in these communities. It also benefits Swedish Match which has an economic interest in supporting these communities which in turn can help Swedish Match achieve its long term goals. Swedish Match contributes to economic prosperity and development among its stakeholders, both directly and indirectly. The economic value generated and distributed by Swedish Match

¹⁷ The figures for economic performance using the GRI methodology do not correspond to figures reported in Swedish Match's Annual Report due to definitions set forth by GRI which may differ from Swedish Match's reporting under the IFRS methodology.

benefits the Company's stakeholders in many different ways:

- Employees receive wages, salaries, and other benefits, enabling them to improve their standard of living.
- Suppliers benefit from payments for delivered goods and services.
- Governments benefit from tax revenues as well as Swedish Match's involvement and investments in community projects, which support their national or local economies.
- Customers are given the opportunity to work in true partnership with Swedish Match to build their own businesses by optimizing their selling of Swedish Match's products to consumers.
- Consumers benefit from the high quality products offered by Swedish Match.
- Shareholders benefit through sustainable returns from both dividends and share repurchases, in addition to any share price appreciation.

The total direct economic value that Swedish Match generated in 2013 amounted to 13,092 MSEK, up 2 percent from 2012. The total economic value



distributed amounted to 11,841 MSEK in 2013, up 5 percent from 2012. Economic value retained amounted to 1,251 MSEK in 2013, down 20 percent from 2012, largely due to higher operating costs.

Operating costs accounted for 63 percent of total economic value distributed in 2013, followed by payments to providers of capital, which accounted for 17 percent, and employee wages, salaries, and benefits with 14 percent. Payments to governments accounted for 5 percent of total economic value distributed. Payments to governments by country are more relevant locally and Swedish Match does not collate global data on it.

Operating costs increased by 8 percent in 2013 compared to 2012. While payments to providers of capital increased by 6 percent, employee wages, salaries, and benefits decreased by 8 percent.

Payments to governments decreased by 1 percent. Community investments increased by 25 percent to 5 MSEK.

Corporate Governance and transparency

Swedish Match AB (publ) is a public Swedish limited liability company listed on NASDAQ OMX Stockholm. The objective of the Company's operations, as stated in the Company's Articles of Association, is to directly or indirectly conduct business relating to the development and manufacture of and trade in tobacco products, matches, and lighters and to carry out other activities that are related to these businesses. To read more about Swedish Match and Corporate Governance, please refer to the website,

<http://www.swedishmatch.com/en/Corporate-Governance/>.

Also refer to the Governance report in the 2013 Annual Report, <http://www.swedishmatch.com/en/Investors/Publications/Annual-reports/>.



Employees at the Gothenburg factory in Sweden.

Measuring openness and transparency

Swedish Match strives to be an open and transparent company. To track its performance in the area of communications to the financial community, Swedish Match participates in an annual study conducted by *Regi*, a Swedish consulting agency, evaluating Nordic companies' investor relations (IR) functions.

In the study, financial analysts covering Nordic listed companies are asked to assess the companies they cover based on different criteria relating to openness and transparency. Topics include matters such as information frequency and content as well as availability, openness, and trustworthiness of top management. The companies included in the study are ranked in relation to each other based on the results.

In 2013, some of the key results include Swedish Match's IR function being ranked second best among all large cap companies in Sweden. In terms of competence, Swedish Match's IR function was top ranked.



Employee responsibility



One of Swedish Match's success factors is the ability to attract, develop, and retain highly competent employees while simultaneously pursuing efforts to motivate them in order to build a strong and sustainable company.

The Company's employee focus and the prioritized work with performance, talent, and employee processes were strengthened even further in 2013. A key objective is to continuously develop the skills of both leaders and employees in order to strengthen the result-oriented culture, while at the same time contributing to the improvement and growth of the Company.

Per December 31, 2013, Swedish Match employed 4,311 people, of whom 38 percent were women, with the largest number of employees in the US/the Dominican Republic, Sweden/Norway, followed by Brazil, the Philippines, and the Netherlands.¹⁸

Human resources organization

The majority of the Group's HR activities are handled locally within the Company's operating units. Local units are represented by dedicated HR professionals, who ensure clear communication and coordination of efforts relating to the Company's employees.

¹⁸ Due to differences in methodologies, the total workforce presented in the Sustainability Report does not correspond to workforce breakdowns in the Annual Report. In the 2013 Annual Report, the average number of employees in the Group was 4,382.

The HR organization supports the Company's efforts in managing talent and leadership development, works to provide clear and consistent documentation of activities, and upholds employee practices consistent with the Code of Conduct and local laws and regulations, among other tasks.

The HR organization regularly coordinates and conducts a global employee survey to identify common improvement areas. Following the presentation of the results, employees and managers develop action plans together based on the survey results.

The 2012¹⁹ survey covered eight countries and was provided in seven different languages. Approximately 81 percent of all Swedish Match employees participated in the survey. The response rate was 88 percent of all employees surveyed. The survey measured levels of employee engagement, satisfaction, and employer attractiveness and evaluated communication effectiveness and other areas critical to the performance of the Company, such as leadership and management capabilities.

¹⁹ In the beginning of 2014, a new global employee survey has been conducted. At the publication of this report however, the results have not been presented.

EMPLOYEE RESPONSIBILITY:

Ambition: To attract, develop, and retain highly competent employees, to promote a culture of openness and trust, and a sound workplace environment.

This implies addressing issues such as ethical business practices, workforce diversity, talent management, training and development, as well as workplace health and safety.



HR-related KPIs and targets

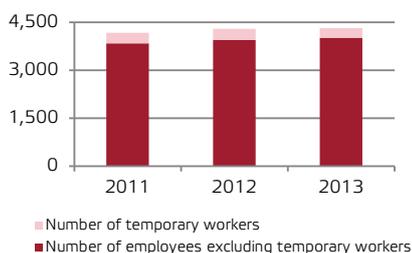
As HR is handled locally within the Company's operating units, each local unit is responsible for setting and monitoring its own KPIs and targets.

In the Swedish organization for example, some KPIs and targets that are used concern attendance rates, external staff turnover, internal staff mobility, equality/diversity, as well as key results from the employee survey (e.g. Net Promoter Score, Leadership Index, and Employee Satisfaction Index). Each year the results are compared to targets set, and activities are chosen based on the results.

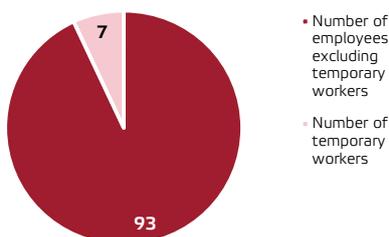


Employee at the Owensboro factory, the US.

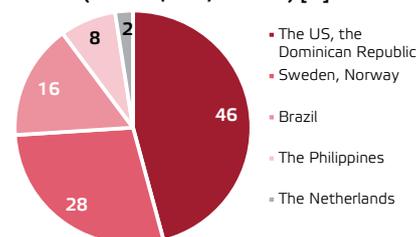
Total workforce



Total workforce 2013 [%]



Total workforce by geography 2013 (incl. temporary workers) [%]



Freedom of association and collective bargaining

Swedish Match supports the ILO Core Conventions regarding labor rights and believes that all employees should be free to form associations and to engage in collective bargaining.²⁰ According to the Company's Code of Conduct, all employees should be free to join or form (non-violent) assemblies or associations.

Occupational health and safety

Swedish Match is dedicated to providing ergonomically sound workplaces that are free from health and safety hazards. Health and safety committees and structures are in place in all manufacturing facilities and many proactive actions, including safety training and wellness programs, are taken at the Company's various workplaces. Potential safety issues are identified through regular factory audits conducted by AON, an international risk management company. Audits take place at least every second year. Read more about this audit process on page 15.

During 2013, examples of recommendations regarding health and safety risks that were identified for improvement by AON include the installation of improved noise reduction as well as safety measures such as sound and safety barriers and collision protection.

The total number of injuries/accidents (excluding minor first-aid level injuries/accidents) within Swedish Match increased from 77 cases in 2012 to 132 cases in 2013, primarily in the area of machine operations in the Dominican Republic manufacturing facility. The total number of occupational illnesses decreased from 8 in 2012 to 7 in 2013. The total number of lost days due to occupational illnesses or injuries/accidents increased from 3,280 to 3,586.

²⁰ Swedish Match complies with the eight International Labour Organization (ILO) Core Conventions (Nos. 87, 98, 29, 105, 100, 111, 138, and 182).

Workplace practices

Recruitment and talent attraction

Swedish Match focuses on Employer Branding efforts in order to maintain its position as an attractive employer as well as to retain and attract a strong employee base. During 2013, efforts to recruit talented individuals, both internally and externally, continued in order to secure the Company's competence base for both short and long term challenges.

Empowerment is a key component of the Swedish Match culture and leadership style. Initiatives and result-oriented actions are encouraged in a professional and informal atmosphere. As a global player, the organization strives to create a working climate that rewards the sharing of information and competence, while encouraging behavior that promotes high performance across all markets.

The Group Policy on Recruitment, Introduction and Termination comprises the recruitment, introduction, and termination processes within Swedish Match and is designed to facilitate and secure these HR processes.

Leadership and talent pipeline

Successful leadership is a focus area for Swedish Match. During the past year, key employees in the Company have been monitored closely by the Group management, with the objective of securing appropriate staffing of senior management and critical positions, as well as to identify and develop high potential employees in the Company.

This process, which starts locally, enables Swedish Match to gain an overall profile of the requirements and of the potential available within the Company as well as to identify management capabilities, potential future internal careers, and successors.

Developing competence and promoting careers

In order to meet current and future competence needs and business objectives, Swedish Match focuses on strengthening and reinforcing an overall performance-oriented culture by continually working to develop leadership and employee skills.

Managers and employees have ongoing open discussions regarding individual targets and plans as well as the overall objectives of the Company. Managers must demonstrate good leadership by setting clear targets, providing ongoing coaching and counseling, conducting reviews, and delegating tasks and assignments.

The Company continuously evaluates adequate training and development efforts to promote professional growth and career enhancement. The annual performance evaluation is an instrumental part in this career development, as the tool helps to identify individual goals, targets, and development needs.

An important part of the Company culture is to recruit internally. The ambition is to take advantage of internal competence by providing development opportunities so that employees can accept more responsibilities in the organization during the course of their careers. All members of the Swedish Match Group Management Team have been recruited internally and during this past year, most management vacancies were recruited internally as well. External recruitment is mainly carried out when a particular competence cannot be found internally.

The Group Policy on Employee Development includes guidelines focusing on the Company's performance management process, global and operating unit follow-up activities, and how responsibilities are distributed in these processes.

Workforce diversity and non-discrimination

In accordance with the Code of Conduct and the Company's internally available Group Policy on Recruitment, Introduction and Termination of Employees, Swedish Match is committed to equal opportunity in all of its employment practices, policies, and procedures.

The Code of Conduct specifically states that all positions within the Company are to be filled with skilled and competent personnel regardless of the person's race, color, nationality, ethnic origin, age, religion, political views, gender, sexual orientation, marital status, disability, or other status.

Diversity and gender equality work is conducted within the Company's operating units in accordance with local laws and regulations. In Sweden, a special gender equality project was initialized in the beginning of 2014 to even further secure the right future conditions for an equal workplace.

Every year, the Company also conducts salary reviews to help ensure that no unjustified pay differentials exist.



Employees at the Gothenburg factory in Sweden.

Employee programs

In geographies where Swedish Match operates as an employer, the Group runs several employee programs. These programs focus mainly on health, education, and other opportunities to help employees and their families.

One example of a current employee program is the *Sons and Daughters* scholarship program in the US, whereby the Company has contracted Scholarship America, a non-profit organization, to administer this program. Scholarships are awarded annually to 12 eligible dependents of current Swedish Match employees. The awards can be utilized for undergraduate programs or to cover vocational/technical expenses based on criteria including grade point average, volunteerism, leadership, work experience, school activity participation, and goals for the future.

In Brazil, the *Digital Space* project continued with the aim of familiarizing factory workers at the Curitiba, Pirai do Sul, and Manaus factories in Brazil with the digital world. The project started in 2008 with the introduction of open computer areas where employees are given the opportunity to use computers. The computers give Internet access and are used to conduct research and send e-mails. Employees are obtaining and disseminating knowledge as well as getting access to recreation and culture. For Swedish Match, this is important as digital inclusion is a way to also achieve social inclusion.

In the Dominican Republic, emergency loans are provided to employees for medical, educational, and/or relocation purposes. Donations to employees and their families are also made for reasons such as natural disasters, terminal illness, or other traumatic occasions.

In terms of transition assistance programs to support employees who are retiring or who have been terminated, Swedish Match in most cases provides severance pay and job placement services. Also, pre-retirement planning for intended retirees is used, as well as retraining for those intending to continue working. In some cases, the Company provides assistance on transitioning to life post employment.

Social responsibility



Social responsibility is broad and multifaceted, and for Swedish Match this implies working conscientiously and responsibly in relation to external stakeholders.

Value creation derived from working closely with external stakeholders can have direct positive benefits on the Group as well as to the stakeholders themselves.

Swedish Match has chosen to structure its social responsibility communication towards three external stakeholder groups/areas: supplier responsibility, consumer and marketplace responsibility, and societal

responsibility (responsibility towards regulators, the scientific community, and local communities).

Social responsibility organization

Issues with regard to social responsibility are managed across the Company's operating units and Corporate functions. Employees working within the Swedish Match internal functions of HR, Legal, Marketing/Sales, Communications and

Public Affairs, Procurement, R&D, as well as Supply Chain are all involved in addition to the Corporate Sustainability function. Community involvement projects are managed locally in the respective operating units.

Dedicated resources are provided at the Corporate level to monitor and guide activities with regard to community involvement.

SUPPLIER RESPONSIBILITY:

Ambition: To work closely with the Company's suppliers in order to maintain adherence to Swedish Match's high standards of conduct and to support efforts to ensure that suppliers work responsibly in terms of economic, environmental, and social issues.

This implies working closely with major suppliers, addressing issues related to human rights and working conditions, child labor and tobacco farming, as well as making sure honest and ethical business practices are conducted in the supply chain.



Supplier responsibility

Swedish Match seeks to treat its suppliers and business contacts fairly and impartially. In accordance with the Group Procurement Policy, the Company strives to work with suppliers who have a healthy long term financial situation. Swedish Match seeks stable long term relations with suppliers with whom the Company can develop goods and services through collaboration.

Supplier base

Many of Swedish Match's largest suppliers are involved in the purchase of tobacco. The Company buys tobacco for its production of smokefree products and cigars from a small number of large global independent leaf tobacco suppliers, who are all major international organizations with their own regulatory

frameworks and controls of ethical, social, and environmental issues. These suppliers, in turn, source tobacco from farmers in countries such as Brazil, the Dominican Republic, India, Indonesia, Spain, and the US, and process the tobacco according to Swedish Match's requirements.

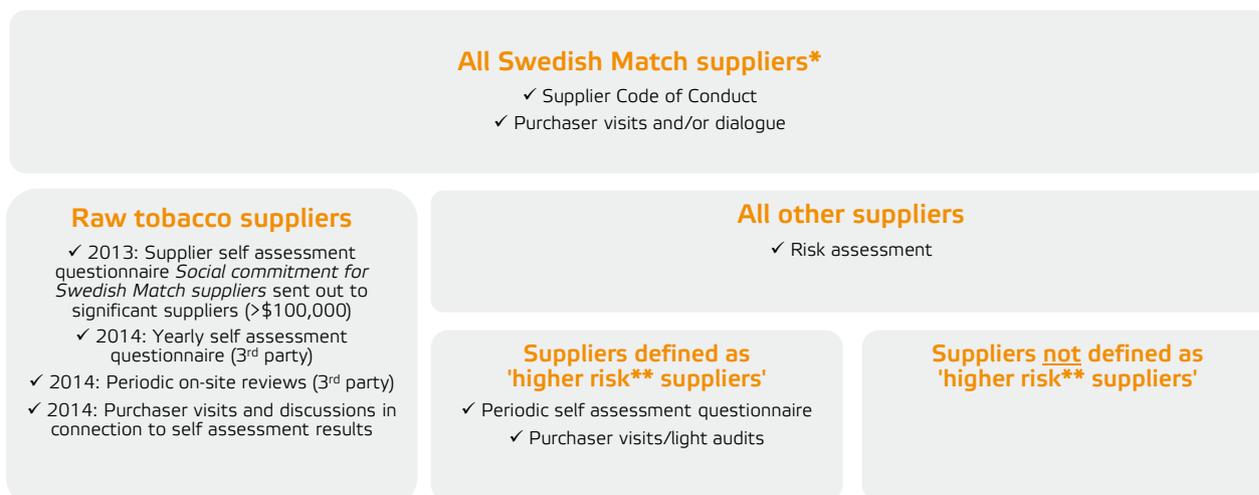
Swedish Match sources forestry and paper products for its match production from a small number of suppliers, increasingly from Forest Stewardship Council™ (FSC™) certified sources (license code: FSC-C037294). In the Company's match production in Brazil, the supplier base is small as more than 95 percent of the wood used in the manufacturing process is sourced from the Company's own plantations.

The supplier base for indirect materials within the Company's operating units is larger and more local.

According to the Group Procurement Policy, when making the choice of supplier, all negotiations shall be carried out on a competitive basis, involving collection of at least three offers from selected qualified suppliers, and in accordance with ethical and legal standards. In some cases, it may not be possible to obtain three viable offers, however. The Procurement department primarily chooses suppliers who support

Swedish Match's long term requirements regarding quality, service, economic situation, ethics, and environmental approach.

Simplified illustration of Swedish Match's supplier responsibility process in 2013-2014



* Suppliers with whom Swedish Match has a contract. The Supplier Code of Conduct is an appendix to all new and renegotiated supplier contracts.
 ** 'Higher risk supplier' are defined as suppliers operating in geographies with higher risk according to Transparency International's Corruption Perception Index.

Supplier responsibility standards and ethics

Swedish Match endeavors to support and promote ongoing efforts with regard to ethical, social, and environmental issues within its supply chain.

In accordance with Swedish Match's own Code of Conduct, the Group shall encourage its suppliers to establish and fulfill their own Codes of Conduct regulating the basic rights of their employees, occupational health and safety, the prevention of child labor, ethical business conduct, and environmental issues. Should a supplier fail to comply with the Company's recommendations, Swedish Match shall strive to resolve the situation through cooperation and information or, if deemed necessary, terminate the relationship.

As of fall 2013, all Swedish Match suppliers are required to sign off on and adhere to the Company's *Supplier Code of Conduct* which is included as an appendix in all new and renegotiated supplier contracts. This document reflects Swedish Match's internal Code of Conduct and specifies what Swedish Match expects and requires from suppliers in the following four areas:

- Employment and labor practices
- Workplace practices
- Ethical business practices
- Environmental management practices

Swedish Match holds the right to follow up compliance to the requirements set in the *Supplier Code of Conduct*, and suppliers shall on demand supply Swedish Match, or a party appointed by Swedish Match, with relevant information concerning the requirements set in the document.



Tobacco field in the Dominican Republic.

Tobacco leaf suppliers

The Company's purchasers visit suppliers and each tobacco market on a yearly basis to proactively discuss general social and environmental issues. In 2013, the Company's significant leaf tobacco

suppliers, defined as suppliers from which Swedish Match purchases tobacco for more than 100,000 USD per year, were required to sign and return a *Social commitment for Swedish Match suppliers* document with certain requirements and recommendations on business ethics, basic human rights, as well as on health and safety.

These suppliers were also required to complete an agronomy questionnaire regarding the way that the tobacco was grown (including sourcing of seeds, use of fertilizers and agrochemicals on the tobacco crops).

The self-assessment document has enabled Swedish Match to keep track of and evaluate how leaf suppliers deal with ethical, social, and environmental issues.

In 2013, 19 out of the Company's 19 significant suppliers completed the document. No significant supplier or contractor was declined or imposed performance conditions or other actions as a result of the responses to the document.

With the introduction of the S RTP program described in the next section, Swedish Match will from 2014 no longer send out the *Social commitment for Swedish Match suppliers* document.

The SRTP program

In the end of 2013, Swedish Match entered into an agreement to engage the services of LeafTc (a division of ABSustain), an independent and experienced consultant, in order to enhance the supplier responsibility process within the Company’s tobacco leaf supply chain. LeafTc’s Social Responsibility in Tobacco Production (SRTP) program is based on road mapping principles that enable continuous improvement throughout a wide ranging, extensive and global supply chain.

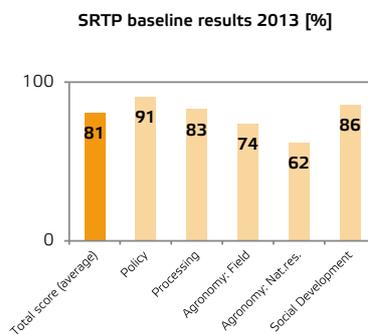
This SRTP program is used by a number of other tobacco manufacturers to reduce the burden on suppliers while also encouraging clear and consistent standards across the industry.

Through the SRTP program, tobacco leaf suppliers yearly complete an online questionnaire which allows them to assess their performance and generate an improvement action plan. The program includes a total of 192 topics (26 sections) within the following five categories:

- Policy: including questions about the SRTP policy and additional policies.
- Processing: including questions about working environment, impact on community, factory safety, and site security.
- Agronomy – field management: including questions about farmer training, seed selection, integrated pest management, soil and water conservation, and farm safety.
- Agronomy – natural resources management: includes questions about wood usage, pollution control, biodiversity, and carbon/climate farms.
- Social development: including questions about children on farms, farmers’ margins, farm labor codes and conventions, and equal opportunities within the supplier workforce.

Yearly results from suppliers participating in the SRTP program are interrogated against comparable plans from the preceding year. Responses are used as a platform for constructive dialogue when Swedish Match and/or the consultant visit suppliers.

In 2013, 19 of Swedish Match’s suppliers participated in the SRTP program. In early 2014, Swedish Match received its first annual set of results from the program. The Company’s overall SRTP index score, which will be used as a baseline, was 81, an average of scores within the five SRTP categories as outlined in the graph below.



LeafTc (together with Swedish Match) also performs periodic on site verification reviews over a four year cycle. The aim of such a review is to go through the responses provided in the SRTP questionnaire and to make sure that suppliers have documentary evidence which supports their self assessed scoring level. LeafTc also checks whether the documentation provided matches observations made on site. Suppliers are given feedback and comments on specific issues found.

Other suppliers

From 2014, Swedish Match sends out self-assessment questionnaires to those suppliers who operate in higher risk geographies (higher risk geographies are defined based on Transparency International’s Corruption Perceptions Index) as the Company deems these suppliers to have a higher risk of non-compliance with social, environmental, and ethical requirements.

The questionnaire includes detailed follow-up questions and enables tracking of supplier performance with regard to issues related to the *Supplier Code of Conduct*.

To further ensure that suppliers adhere to the *Supplier Code of Conduct*, Swedish Match purchasers were in December 2013 trained in how to perform light on site audits of suppliers. In this training, purchasers were provided with a toolbox and a framework regarding issues related to the content of the *Supplier Code of Conduct* that needs to be discussed and checked when meeting suppliers.

When visiting suppliers, purchasers should be able to perform very basic audits of their operations to see if they adhere to the *Supplier Code of Conduct*. Purchasers should also be able to decide upon if an external party needs to perform a more thorough audit to ensure compliance with the standards in the document.



Delivery of aspen wood to the Vetlanda factory, Sweden.

CONSUMER AND MARKETPLACE RESPONSIBILITY:

Ambition: To bring high-quality tobacco and lights products to consumers as well as take a lead in keeping high standards of corporate conduct within the Company's marketplace.

This implies the labeling and marketing of all products in a responsible manner, and working closely with customers/retailers in order to promote high standards of conduct in the tobacco marketplace.



Consumer and marketplace responsibility

Swedish Match's portfolio of tobacco and lights products is intended to be used by adults only. Consumer and marketplace responsibility implies working closely with customers/retailers to maintain high standards of corporate conduct in the marketplace – to prevent the underage sale of tobacco as well as to market both tobacco and lights products to adults only. It also implies to continuously work to reduce or eliminate undesired components in the Company's tobacco products and to increase knowledge about its potential impact on consumers.



Research & Development, Gothenburg factory, Sweden.

Product quality and safety

Harm reduction

Swedish Match is convinced that smokeless tobacco products, such as Swedish snus manufactured according to Swedish Match's quality standard GOTHIA TEK®, play an important role to achieve harm reduction.

The adverse health effects of tobacco use are primarily related to inhalation of smoke. Scientific data clearly demonstrate that the health risks associated with smokeless products in the Western world are significantly lower than those of cigarettes. Data from both Scandinavia and the US show that smokeless tobacco is used by many smokers for smoking cessation purposes.

The availability of snus in Sweden has contributed to fewer people taking up smoking, often referred to as "the Swedish experience". Swedish males have very low rates of tobacco-related diseases although their overall rate of any tobacco use is comparable to that of other countries.

Snus and health

Smokeless tobacco provides a better alternative to cigarettes and other smoking products, foremost because it does not deliver toxic compounds due to combustion. In addition, environmental tobacco smoke is not an issue with smokeless tobacco.

Swedish Match does not claim that the Company's smokeless products could not have any health effects. Swedish Match recognizes that tobacco use raises valid questions about nicotine dependence, and the role of nicotine in specific groups of the population such as during pregnancy and among patients with certain preexisting medical conditions.

Substantial research conducted by independent (mostly university-based) research groups has been conducted with regard to Swedish snus and health.

Some of the findings of this research indicate:

- Snus and oral cancer – there is no evidence of a link between snus and an increased risk of oral cancer.
- Snus and oral health – there is no evidence of a link between snus and an increased risk of gum disease, cavities, or tooth loss.
- Snus and lung cancer – there is no evidence of a link between snus and an increased risk of lung cancer.
- Snus and myocardial infarction – there is no evidence of a link between snus and an increased risk of myocardial infarction.
- Snus and stroke – there is no evidence of a link between snus and an increased risk of stroke.
- Smokers who quit smoking by switching to snus substantially reduce their risk of cancer and cardiovascular disease. The risk reduction is the same as that among smokers who quit tobacco altogether.
- Snus and gastrointestinal disorders – there is no evidence of a link between snus and an increased risk of gastrointestinal disorders.
- Snus and rheumatic disease – there is no evidence of a link between snus and an increased risk of rheumatic disease (in contrast to smokers).
- Snus and smoking cessation – both population surveys and controlled clinical trials show that availability of snus contributes to smoking cessation.
- The use of snus in reducing the prevalence of smoking has had positive effects on public health both in Sweden and in Norway.

For more information on snus and health, please refer to <http://www.swedishmatch.com/en/Snus-and-health/>.

Product quality and GOTHIA TEK®

Swedish Match's production of snus is aligned with the World Health Organization's (WHO) scientific recommendations about permitted acceptable limits of undesired elements in smokeless tobacco. The Swedish Match GOTHIA TEK® quality standard provides a guarantee assuring consumers that Swedish Match snus undergoes controls while maintaining the highest quality, from tobacco plant to the end consumers. This includes requirements on maximum permitted levels of undesired elements that occur naturally in tobacco, as well as requirements on raw material, the manufacturing process, and high quality product information to consumers.

Today, GOTHIA TEK® is adopted by the industry as a standard in the process of manufacturing Swedish snus.

GOTHIA TEK® sets the standard for:

- Swedish Match internal requirements for maximum permitted levels of undesirable substances found naturally in the tobacco plant
- Raw material quality requirements
- Manufacturing process requirements
- Consumer product information requirements

The starting point for GOTHIA TEK® is the requirement for maximum allowable levels/limits of certain undesirable substances in Swedish snus. These substances are found or produced in nature and can occur in various types of crops. The GOTHIA TEK® standard guarantees that the finished product never exceeds the limits.

In Sweden, snus and chewing tobacco are regulated by the Swedish National Food Agency Directive of snus and chewing tobacco (LIVSFS 2012:6). This Directive regulates e.g. the content of undesired components and comprises limits for lead and aflatoxins. Besides this directive, Swedish Match also comply with the recommendation by WHO on maximum limits for NNN plus NNK, which are two tobacco specific nitrosamines (TSNA)

and one polycyclic aromatic hydrocarbon, Benzo(a)pyrene (B(a)P) (WHO Technical Report Series No 955).

For more information about GOTHIA TEK®, including limits and average contents, refer to <http://www.swedishmatch.com/en/Snus-and-health/GOTHIA TEK/>.

A declaration of contents in accordance with food labeling shall be publicly available for all GOTHIA TEK® products. Substances that are used in the manufacturing of each product shall be listed in declining order of weight. Flavor additives shall be listed as a common group. A list of flavor additives used in Swedish snus by GOTHIA TEK®, is available at <http://www.swedishmatch.com/Ingredients-in-snus>.

The GOTHIA TEK® standard requirements stipulate that the manufacturing process must comply with Swedish law on food production, and meet the requirements of the quality standard ISO 9001:2000 and the environmental standard 14001:1996. In addition, Swedish Match has added its own objectives for quality and content beyond what is required by law.

By consistently complying with the GOTHIA TEK® standard, Swedish Match can guarantee all consumers that the products maintain the highest quality. Each can of snus will taste as it always has and always maintains the highest standard. Sanitation, proper handling, rigorous quality tests and a manufacturing process in which each step is monitored and documented according to fixed procedures, ensure an excellent product.

The GOTHIA TEK® standard entails the consumers' natural right to feel secure when using snus by learning what it means to use snus.

GOTHIA TEK® shall for consumers be not only a standard but also a symbol for trust in Swedish Match's ambition always to use production methods that are based on the best available knowledge

regarding selection of raw materials and manufacturing practices.

Match and lighter safety

Most of Swedish Match's matches are safety matches which means that the match only will be ignited when struck against a specially treated, chemically active friction surface on the side of the box. The most important properties of safety matches are that they strike easily, do not split or drop burning debris, do not easily break, do not continue to glow after the flame is extinguished, do not contain toxic heavy metals, and are environmentally sound. Matches do not self-ignite during normal handling.

Regarding lighter safety, Swedish Match's largest lighter brand, *Cricket*, is one of the world's safest lighters. It is manufactured with self-extinguishing nylon, which cannot burn when the ignition source is removed. With *Cricket*, the "fixed flame technology" was invented to provide the best safety for consumers; a proprietary patented system where the flame is fixed and creates a uniform and reliable flame during the entire lifetime of the product. Innovative, advanced technology and quality ensure that *Cricket's* child-resistant lighters comply with very high demands and with the ISO 13869 European directive. All *Cricket* pocket lighters are manufactured according to the quality standard ISO 9994:2006 and undergo more than 60 tests prior to being released on the market.

Product responsibility and precautionary requirements

Basic precautionary requirements are covered in the Group Environmental Policy, which ensures that the Company commits itself to continuous environmental improvement with the aim of preventing and reducing negative environmental impacts in its activities. This is applied for example in conjunction with the implementation of the Group's environmental targets. Read more about the Group Environmental Policy on page 17.

Responsible product labeling

Swedish Match complies with all regulations concerning labeling of tobacco products. Compliance with these requirements is reviewed continuously and no incidents of non-compliance were reported during 2013.

In addition to complying with the mandated requirements, the Company is transparent with regards to the content of its snus products. Ingredients are listed on the Company's website and are disclosed to the relevant public health authorities. Certain laws and regulations concern labeling of tobacco products and Swedish Match's compliance with these laws and requirements is reviewed on an ongoing basis.

Scandinavia (snus)

With respect to product labeling for snus in Sweden and Norway, Swedish Match must comply with the regulations concerning labeling of tobacco products. The legislation requires placement of a health warning on the most visible side of the snus packaging which shall comprise 30 percent of the area of the display panel.

In Sweden, there are also requirements to print the designated name of the product, weight, date of manufacture (which from September 1, 2013, replaced the statement of "best before" date), storage requirements and name and place of business of the manufacturer on the packaging. As of March 8, 2012, the requirement on ingredient listing in snus products has been revoked. Swedish Match has however decided to continue with listing of ingredients on its products as well as the statement of "best before" date by reason of transparency towards consumers.

Norway does not have corresponding requirements for the labeling of snus products, but Swedish Match applies the same standard for labeling in Sweden on the Norwegian market.

Compliance with these requirements is reviewed and safeguarded by the Marketing department and the Chemical



Warning label on a can of General snus in Sweden.

Analysis department within Scandinavia Division.

As of 2011, Swedish Match's snus packaging labels were modified to contain nicotine percentage and pouch weight on product labels. This modification to product labeling was made in order to provide increased transparency with regard to nicotine content, and is above and beyond regulatory requirements. Swedish Match is the first and, as far as the Company believes, the only major tobacco company to provide such transparent consumer labeling information in Sweden.

The European Union

The new Tobacco Products Directive (2014/40/EU), which was enacted in May 2014, provides changes to the legislation regarding product labeling. Changes include increased and amended warning labels on snus cans as well as restrictions on product presentation. Swedish Match is closely following the transposition process of the directive into national law. It is the Company's expectation that the new national legislation encompasses the consumer's right to information with a strict application of the directive.

The United States (snus, moist snuff, chewing tobacco, cigars)

With respect to product labeling for snus, moist snuff, and chewing tobacco in the US, Swedish Match must comply with the provisions of the Family Smoking Prevention and Tobacco Control Act (the

Act) which is enforced by the Food and Drug Administration (FDA). The Act requires that Swedish Match place certain health warnings on the two principal display panels on all packaging. The health warnings shall comprise 30 percent of the area of the display panels. Swedish Match is also required to put the designated name of the product, the weight, the percentage of domestic tobacco, the name and place of business of the manufacturer as well as the statement "Sale only allowed in the United States" on the packaging.

With respect to product labeling for cigars in the US, Swedish Match must comply with the provisions of a consent decree it signed with the Federal Trade Commission. This requires that the Company place certain health warnings on all products and the size of labeling depends upon the packaging size. In addition, Swedish Match is required to put the name and place of business of the manufacturer, the number of cigars, and the country of origin on the packaging.

Compliance with these mandated requirements is continuously reviewed via the Company's marketing approval policy. A marketing approval sheet is attached to all product labeling and is circulated to all persons required for final approval of the piece. The purpose of this approval process is to ensure that all legal requirements are met and that the brand teams and factory are satisfied with the product labeling.

International (matches and lighters)

Swedish Match manufactures its lighters to be in compliance with ISO 9994 (safety specification) and EN 13869 (child resistance). This is mandatory in the EEC. In many other countries outside the EEC, local regulations are comparable with ISO 9994 and EN 13869. In the US, Japan, Canada, Australia, New Zealand, and South Korea, child resistance is also mandatory. Both standards are unique for lighters.

Swedish Match imports its utility lighters to be in compliance with ISO 22702

(safety specification) and local child resistance regulations for countries outside the EEC where needed. Section 6 of the ISO 9994 or ISO 22702 standard describes the instructions and warnings. Local regulations on how to label differ by country, and all *Cricket* lighters and utility lighters sold in a country have labeling that complies with local regulations. While EN 13869 prescribes no warning labeling, *Cricket* voluntarily applies the “Child resistance” logo on the packaging. Compliance with these requirements is reviewed and safeguarded internally, through the methodology of ISO reporting systems, and through the Product and Process Integrity department located in Assen, the Netherlands, as well as externally, through reviewing and certifying bodies for ISO 9994, ISO 22702, ISO 9001, and ISO 14001.

Matches produced in Sweden comply with the voluntary EN 1783:1997 match

standard. This standard covers performance, safety, and classification requirements. For matches exported to some countries outside of EU, compliance to the EN 1783:1997 standard is mandatory. Warning labels on pre-mix (pre-mix of dry chemicals for match head composition) bags are mandatory in the EU according to the CLP-regulation (Regulation (EC) No 1272/2008). Compliance with the EN 1783:1997 match standard is reviewed through control and testing by a third party body (e.g. the National Standard Institute) in the country requesting fulfillment of the standard.

Latin America/Brazil (matches, lighters, and complementary products)

With respect to product labeling for matches, lighters, and complementary products such as batteries, razors, and light bulbs, Swedish Match is required to disclose information such as component lists, information about content in

general, information about safe use, and country of origin if the products are imported. Swedish Match imports complementary products for the local Brazilian market.

Information about the disposal of lighters, matches, and light bulbs is not required. Information about the disposal of light bulbs will however be required in the future as Brazilian legislation currently is being defined. For batteries, information about disposal is required.



Employees at the Owensboro factory, the US, where moist snuff and chewing tobacco production takes place.

Responsible marketing communication

Swedish Match always seeks to market its products responsibly and in accordance with laws and regulations as well as with the Company's Code of Conduct.

Compliance with these laws and requirements is reviewed continuously. Certain complaints alleging non-compliance have been reported during 2013 in Sweden, Norway, and the US.

The Under 18 No Tobacco principle

Swedish Match has an *Under 18 No Tobacco* principle and believes that all tobacco products should only be sold to adults of legal tobacco age, and who are 18 years of age or over. To prevent the underage use of tobacco, Swedish Match works with retailers, distributors, and public officials. The Company does not direct its marketing, advertising, or promotion of tobacco products to people under the age of 18 and will continue to educate and inform tobacco retailers in order to prevent the underage sale of tobacco as well as provide support and leadership in any efforts they make to demonstrate their endorsement of the *Under 18 No Tobacco* principle.

This is for example accomplished together with trade organizations via information pamphlets which are handed out to retailers. Swedish Match also provides retailers with signage with the *Under 18 No Tobacco* message to be placed on or in connection to the snus coolers in the stores.

Scandinavia (snus)

Sweden

With respect to marketing communication for snus in Sweden, Swedish Match must comply with the provisions of the Swedish Tobacco Act (*Tobaks-lagen*) and the Marketing Law which are enforced by Sweden's Consumer Agency/ Consumer Ombudsman. The legislation regulates to what extent marketing of tobacco products is allowed.

The Tobacco Act prescribes warning labels and prohibits the use of names, trademarks, and figures or other signs on the packaging of tobacco products, suggesting that a particular tobacco

product is less harmful than others. It also contains an age minimum of 18 years for purchases of tobacco products.

The Tobacco Act prescribes a general ban on advertising and marketing of tobacco products to consumers. This ban covers all kinds of advertising and marketing of tobacco products to consumers in Sweden, except for:

- Marketing which is not considered commercial advertising in medias protected by the Swedish Constitution.
- The mere sale of tobacco products.
- Moderate commercial messages at points of sale.

Moreover, the legislation contains certain prohibitions for manufacturers, wholesale traders, and importers of tobacco products to sponsor events or activities that are open to the general public or which may have cross border effects, if the sponsoring could be considered to have the direct or indirect effect of promoting tobacco products.

Before publishing, all marketing communication shall be reviewed by the Legal department and approved by the Marketing department taking into account a written opinion from the Legal department.

Norway

With respect to marketing communication for snus in Norway, Swedish Match must comply with the provisions of the Norwegian Act on protection against harm or disease caused by tobacco (*Lov om vern mot tobakksskader*) and a regulation on prohibition against marketing of tobacco which is enforced by the Norwegian Directorate of Health.

The Norwegian legislation prescribes warning labels and prohibits the use of names, trademarks, and figures or other signs suggesting that a particular tobacco product is less harmful than others on the packaging of tobacco products. It also contains an age minimum of 18 years for purchases of tobacco products.

According to the legislation, there is a general ban on marketing of tobacco products including a ban on visible exposure of tobacco products in stores.

This means that only the sale of tobacco products is allowed and that the exposure of advertising material and other marketing activities related to tobacco products is generally banned. There are very few exceptions to this. One example is that price lists with information on tobacco products being sold must use a neutral type face when presented in the stores.

During 2013, the Norwegian tobacco legislation was revised; it now states that the goal with the legislation is a tobacco free society. The revised legislation will enter into force within a period between July 1, 2013, and January 1, 2015. A major change affecting the snus business is that as from July 1, 2014, there is a ban on in-store self-service of tobacco products. This means that the snus coolers that previously were placed in stores have been moved behind the counter in order to remove the possibility for consumers to select the snus products by themselves. Other examples of the sharpened legislation are:

- The implementation of a ban on sponsoring by tobacco companies.
- An explicit ban on testing of tobacco products and packaging.
- An explicit ban on visible exposure of tobacco surrogates, such as for products under the non-tobacco brand *Onico*.
- The obligation for tobacco stores to apply for a sales license from the authorities in order to be able to sell tobacco.
- The obligation for importers to report on their activities as well as a certain obligation for companies to report sales statistics for tobacco products to authorities.

To the extent that marketing communication concerning snus in Norway is allowed at all, such communication shall be reviewed and approved by the Legal department before implementation.

The European Union

Snus is not allowed to be sold within the EU. In 1992, EU adopted Directive 92/41/EEC. Article 8 prohibits the sale or distribution of tobacco for oral use. Tobacco for oral use is defined as all products for oral use, except those intended to be smoked or chewed. As Swedish snus is neither smoked nor chewed, its sale is prohibited within the EU outside of Sweden. Upon Sweden's entry into the EU in 1995, the country was granted a permanent exemption for the ban on snus in accordance with Article 151 of the Accession Act.

The new Tobacco Products Directive (2014/40/EU), which entered into force in May 2014, still bans the sale and distribution of snus within the EU.

The United States (snus, moist snuff, chewing tobacco, cigars)

With respect to marketing communication for snus, moist snuff, and chewing tobacco, the Swedish Match US operations must comply with the provisions of the Family Smoking Prevention and Tobacco Control Act (the Act) which is enforced by the Food and Drug Administration (FDA). The Act requires that Swedish Match place certain health warnings on all of the Company's communications that comprise 20 percent of the total area of any of its communications. Swedish Match is also required to put the designated name of the product on the communication. In addition, the Company is prohibited from making health related claims and from making any false or deceptive statements. The Company's marketing communications are also subject to review by the Federal Trade Commission.

With respect to marketing communication for cigars, the Swedish Match US operations must comply with the provisions of a consent decree it signed with the Federal Trade Commission. The Act requires that the Company place certain health warnings on all of its communications and the size depends upon the size of the communication. In addition, the Company is prohibited from making health related claims and from making any false or deceptive statements.

Compliance with these mandated requirements is continuously reviewed via the Company's marketing approval policy. A marketing approval sheet is attached to marketing communication and is circulated to all persons required for final approval of the piece. The purpose of this approval process is to ensure that relevant legal requirements are met.

International (matches and lighters)

Swedish Match lights products (matches and lighters) do not need to comply with any specific regulations/laws related to marketing communication other than the general legislation relating to the marketing of consumer products.

Latin America/Brazil (matches, lighters, and complementary products)

There is vast legislation applicable to the business activities (e.g. Consumer Code), however there are no specific marketing codes that must be adhered to for lights or complementary products, such as batteries and light bulbs. Any codes adhered to are voluntary. In terms of quality and metrology, matches, lighters, batteries, and light bulbs are subject to government regulation.

Incidents of non compliance during 2013

Sweden

As of December 2012, Swedish Match has marketed snus as well as certain clothes and other items branded with Swedish Match's snus trademarks in a store called *Svenskt Snus* in Stockholm, Sweden.

Several complaints regarding the marketing of these items were filed to the Swedish Consumer Agency in 2012 and 2013. During spring 2013, the agency declared in writing to Swedish Match that it questioned the legality of Swedish Match's marketing of these items in the store as well as certain snus advertisements that were exposed in other tobacco stores.

Swedish Match and its external legal counsel are of the opinion that Swedish Match's activities are in conformity with the Swedish tobacco legislation. The Consumer Agency decided however to file summons against Swedish Match

with the Swedish Market Court in December 2013. It is expected that the Market Court will try the case during 2014.

Norway

During 2013, Swedish Match in Norway presented a campaign on the Internet with the message *Under 18 No Tobacco* with the purpose of making people aware that snus and other tobacco products are only intended to be used or sold to adults of legal tobacco age. The campaign did not show any of Swedish Match's tobacco products or trademarks and was not meant to be or designed as commercial advertising for Swedish Match's snus products. However, the Directorate of Health reacted strongly against the campaign and issued a statement saying that it was to be considered as illegal marketing of tobacco products. Swedish Match informed the Directorate of Health that it was not of the same opinion and that the campaign raised an important issue which should be in the interest of both Swedish Match and the authorities to communicate. However, Swedish Match decided, after having communicated its opinion, to withdraw the campaign and the Directorate of Health did not take any further actions against Swedish Match.

The United States

During 2013, Swedish Match received a warning letter from the FDA citing two violations of the Family Smoking Prevention and Tobacco Control Act. The FDA claimed that Swedish Match did not put proper warnings on certain signage at *General* snus sampling events. Swedish Match formally disagreed with this position but removed the signage in question.

Further, the FDA claimed that Swedish Match sponsored an event in violation of the Act when Swedish Match sponsored the *Jet/Set/Go* sweepstakes for *General* snus. Swedish Match formally disagreed with this position and no corrective action was needed since the sweepstakes had already been completed.

Customer satisfaction

Swedish Match works to maintain high levels of customer satisfaction.

Scandinavia (snus)

In Sweden, customer satisfaction is measured annually by the institute Handelsattityder. The survey contains 14 questions in which, amongst other things, cooperation, sales support, contact persons, and the company as a whole, are being evaluated. Swedish Match is measured within the category confectionary and tobacco, where all major tobacco companies are included. The survey is standardized at both the store and chain level for the grocery and convenience classes of trade.

In 2013, Swedish Match's Swedish operations were once again ranked as number one in the category of tobacco and confectionary suppliers, both at the store level and at the chain level. The results showed that Swedish Match is improving its competitiveness compared to other categories. The Company's contact persons are seen as having a high level of competence and professionalism and the sales representatives that are visiting stores are also scoring very high compared to other suppliers in other categories. The chains further appreciate Swedish Match's clarity and content of information. Swedish Match also improved its ranking compared to all suppliers in all categories within grocery and convenience classes of trade.

In some cases, the customer satisfaction survey is supplemented with in-depth, face-to-face interviews with purchasing and category managers to get a better understanding of their needs.

Customer support is handled mostly by phone or e-mail and customers always receive feedback on their comments or complaints.

In Norway, customer satisfaction is measured annually for one of the largest chains (Norgesgruppen) through a standardized survey process at the store level. The customer satisfaction score for 2013 was the same as for 2012. For the grocery channel, the score was similar to other suppliers, but for kiosk and gas chains the score was well above the median.

The United States (snus, moist snuff, chewing tobacco, cigars)

In the US, Swedish Match strives to evaluate customer satisfaction on a regular basis. In 2012, for example, a customer satisfaction survey was completed where customers in the US were asked to rate Swedish Match and its competitors on 21 questions regarding category management, customer service, representation, and product offering. Swedish Match received the highest rating average on 17 of the 21 questions. During 2014, a new survey will be conducted.

In addition to providing an unlimited product guarantee for all US products, a consumer complaint call center is available for consumers to phone or e-mail any concerns.

International (matches and lighters)

In Sweden, Swedish Match measures customer satisfaction among the main European distributors on a business to business level, and covers matches. A customer survey is conducted at least every second year, covering areas such as match product quality, customer service, and delivery performance. The results from the latest survey showed that the Company's customers are very satisfied. Regular business review meetings are conducted with most of the customers/distributors and customer satisfaction is an indirect handled topic in those meetings.

Concerning consumer feedback, each respective country distributor handles the direct contact with consumers. Assistance is provided when a distributor has a need for support and input.

In the Netherlands, Swedish Match conducts a customer satisfaction survey every year among its (mainly European) distributors of lighters. Areas that are covered include product quality, delivery performance, customer support, and competitiveness in relation to competitors. During 2013, the customer satisfaction score was 4.1 on a scale of 1 to 5, the same as in 2012. Survey feedback and areas for improvement are regularly evaluated in meetings with the distributors.

In the Philippines, Swedish Match conducts a customer satisfaction survey twice a year through e-mail, covering both lighters and gas cartridges. The survey addresses the following factors: feedback to customer inquiries, order lead times, on-time and completeness of deliveries, product quality, and promptness to act on complaints, products, and services. For the first half of 2013, the Customer Satisfaction rate scored 4.30 on a scale of 1 to 5 (in 2012 the overall rating was 4.00). Consumer feedback is received by distributors and relayed to the factory by e-mail.

Latin America/Brazil (matches and lighters)

In Brazil, Swedish Match conducts an annual customer satisfaction survey through regular mail or e-mail. During 2012, a *Certificate of Quality NBR ISO 9001-2008* was received. The Quality Program of NBR ISO 9001-2008, suggests a goal of a satisfaction score of at least 88 percent. The certificate is valid for three years unless the satisfaction score fall below the 88 percent threshold. The 2013 survey score was approximately 91 percent, above the threshold. The end product users can use a special free line to talk directly to the Consumer Service or through an Internet form on www.swedishmatch.com.br. Any comments, suggestions or claims are submitted to the person responsible for the product segment.

Awards and recognitions 2013

- Swedish Match's Swedish operations were ranked as number one in the group tobacco and confectionary suppliers in the 2013 survey by Handelsattityder.
- Swedish Match's Brazilian operations maintained the *Certificate of Quality NBR ISO 9001-2008*.
- Swedish Match's US operations were awarded the *CSP Retailer Choice Best New Product Finalist* award for *White Owl Gold FoilFresh®* cigarillos.
- Swedish Match's US operations were awarded *Vendor of the Year* from McLane Company, the largest tobacco and convenience store distributor in the US.

SOCIETAL RESPONSIBILITY:

Ambition: To build and strengthen relationships with society at large, such as with the regulatory and scientific community as well as in local communities where the Company operates.

In addition to addressing societal issues such as human rights and child labor, this implies continuous dialogue and engagement as well as contributing to local communities through projects and activities that are relevant to local business operations.



Societal responsibility

For Swedish Match, societal responsibility implies contributing to society by promoting an active and transparent dialogue with regulators and the scientific community as well as by supporting the local communities connected with the Company's business interests.

Protecting human rights

The Company's policy on human rights, included in Swedish Match's Code of Conduct, is based on international laws and accepted practices and guidelines.²¹ Swedish Match does not accept any form of slavery, torture, or forced labor nor tolerates any kind of harassment or discrimination based on race, color, nationality, ethnic origin, age, religion, gender, sexual orientation, marital status, disability, or other status. The Company promotes freedom of opinion and expression and believes that every employee should be free to join or form (non-violent) assemblies or associations.

Commitment against child labor

Swedish Match does not tolerate child labor and the Company's view on this issue follows the UN Convention on the Rights of the Child, Article 32.1. This article defines child labor as economic exploitation of children and states that children should not perform work that is

²¹ The international conventions and guidelines referred to here are the UN Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, the eight International Labour Organization (ILO) Core Conventions (Nos. 87, 98, 29, 105, 100, 111, 138, and 182), and the OECD Guidelines for Multinational Enterprises.

likely to be hazardous or harmful to the child's health as well as physical, mental, spiritual, moral, or social development or interferes with the child's education.

The Company's own factories are not considered by Swedish Match to have significant risk for incidents of child labor. In the Company's supply chain however, among tobacco farmers, there is a known risk for incidents of child labor. Swedish Match therefore continuously works with its tobacco suppliers and through industry collaboration to ensure that the issue of child labor is addressed.

The ECLT Foundation

Swedish Match is represented on the Board of the ECLT (Eliminating Child Labour in Tobacco Growing) Foundation. ECLT, established in 2001, is an international alliance of several parties active in different parts of the tobacco industry with the International Labour Organisation (ILO) and Save the Children Switzerland as advisors. The strength of ECLT is that members represent different parts of the tobacco industry and work together toward a common goal.

ECLT has funded projects in seven countries: Kyrgyzstan, Malawi, Mozambique, the Philippines, Tanzania,

Uganda, and Zambia. These projects have helped to remove more than 20,000 children from work in the tobacco industry and prevented even more from entering into child labor. Swedish Match has for several years been a member of ECLT.

Child labor is a symptom of a complex problem that derives from poverty, traditions, and lack of education. To permanently solve the problem of child labor, efforts must be focused directly on the causes. From an international perspective, Swedish Match is a small purchaser of tobacco and cannot resolve these issues on its own. ECLT provides a unique opportunity for the tobacco industry with initiatives that can be supported by many partners and that can provide lasting results.

More information about ECLT can be found on ECLT's website, www.eclt.org.



The Company's major tobacco suppliers are also members of ECLT and in many cases have programs of their own to help enable young people to receive education.



Child Labour Committee members in the Kafwafwa Village in Malawi during their weekly meeting. ECLT works with communities to build their capacity to withdraw children from child labor. Photo source: ECLT.

Community engagement/relations

Swedish Match has a long history of social investments and community involvement. The Company's approach is to conduct community projects that are relevant to local business operations and to make investments in other independent projects. These include providing support for children, the disabled, and people in need. Other important initiatives include safeguarding cultural heritage, enriching public community life (such as supporting the arts and educational institutions), and restoring public spaces. Swedish Match may also decide to provide emergency relief in the event of natural disasters.

During 2013, Swedish Match has been involved in various social community projects.

Sweden

In Sweden, for every product sold under the *Solstickan* brand, a portion of sales goes to The Solstickan Foundation. The foundation works for the benefit of children and the elderly (see case below).

The Tobacco and Match Museum in Stockholm was established in 1938. The museum is the custodian of an important part of Swedish industrial culture. Its extensive collections are cared for by Swedish Match.

The Company also supports *Städa Sverige*, an anti-littering campaign for a cleaner and safer Sweden.

Many of the Company's employees in Sweden support the Chiredzi Orphanage in Zimbabwe by donating an amount of their salary each month. The orphanage was built by a former business partner in Zimbabwe and takes care of and provides education for children whose parents have died of AIDS. The Company encourages active participation and each year, Swedish Match employees visit the orphanage and report internally upon its progress.

The United States

In the US, charitable contributions are made to organizations primarily in those geographical areas where employees live and work. Community involvement is strongly encouraged and nearly all employees participate through donations, volunteer work, and other activities.

The Dominican Republic

In the Dominican Republic, the Company continued its engagement with the local community. In 2012, Swedish Match helped the Company's neighbors, a low income community with limited access to recreation activities, to renovate their basketball court and install lights to make the environment safer. The Company continues its support in 2013 by providing maintenance services.

In 2013, the Company also purchased and donated classroom activity materials for the children at the Free Zone day care where children of employees participate.

Brazil

In Brazil, the Company has continued its engagement in the *Bom Menino* project. The *Bom Menino* project is a skill building program that enables youths, aged 14 to 18 from low income families, to develop educational, employment, and social skills.

The Philippines

In the Philippines, the Company supports the developing of talents from marginalized students. During an 18 month in-plant training program, scholars complete an electro mechanics technology training program. After completing the program, scholars are qualified for and have the opportunity to become full time employees as technicians at Swedish Match.

Case: The Solstickan Foundation

The Solstickan Foundation was established in 1936. The initiator was Mathias Hallgren, a director of Svenska Tändsticks AB's sales company. The artist Einar Nerman was commissioned to hastily design the cover of the matchbox and created the now very famous *Solstickan* boy. It is said that he received 200 SEK for the illustration, which later became probably the world's most reproduced artwork.

The idea was to donate half an öre per box of matches to be used to benefit the elderly and children. *Solstickan* became a success. The demand for matches was high and strong support from retail sales and the media was received. For every *Solstickan* product sold today, a minimum of 8 öre per box goes to The Solstickan Foundation.

Approximately 2 MSEK is donated annually and is used for research and charity purposes. Project funds primarily go to organizations involved with children and the elderly with disabilities and/or chronic illness. In addition, scholarships are awarded to promote research in these areas. The foundation also gives out a Solstickan award to an individual who has made a personal effort, beyond the ordinary, for the benefit of children or the elderly.

The honorary Chairman of the foundation is Princess Christina, Mrs. Magnuson, and the members of the board consist of highly qualified experts in areas relating to children and the elderly.



Regulatory and scientific community engagement

Swedish Match expects that hundreds of millions of people around the world will continue to consume tobacco, the vast majority by smoking cigarettes. This is a prediction that few are likely to dispute.

Swedish Match believes that smokers should have access to a traditional, viable, non-combustible tobacco alternative, such as snus, which is scientifically documented to have significantly lower negative health effects.

Swedish Match also believes that tobacco regulation will continuously globalize, steadily increasing in scope. It is Swedish Match's aspiration to see a move from "one-size-fits-all" regulation, to an approach that takes into account the differences between product categories and their accompanying risk profiles. Smokefree tobacco regulation should ultimately be based upon standards which strive to ensure that consumers receive the highest possible product quality at the lowest possible risk. The possibility for consumers to choose snus products of the highest quality is one of the greatest explanations as to why cigarette smoking is at record low levels in Sweden compared to other countries. Swedes have for decades preferred snus over cigarettes and there are few who question the public health benefits offered by this migration. This consumption pattern, once upon a time unique to Sweden, is now also becoming clearly visible in neighboring Norway.

Global awareness of the public health impact of smoking has grown at a steady pace since the 1960s. Very few smokers in the western world continue to smoke today as a result of ignorance of the dangers of smoking. While all nicotine-containing products pose a risk for the development of addiction, it is not the nicotine itself which carries the threat of tobacco-related diseases. There are great differences in the risks associated with different nicotine containing products with nicotine pharmaceuticals and Swedish snus at the lower end of the risk

spectrum. This calls for differentiated regulation of products based on risk profile.

It is a given that existing regulatory frameworks must be respected and complied with; however, these frameworks are not necessarily always efficient, nor, in some cases, sufficient. Truly effective regulation must be evidence based, and requires an exchange of knowledge and experience between governments and industry. The Company believes that, when determining what interventions are chosen, developed and implemented, then better regulation is achieved by maintaining focus on those who are directly affected by the regulation – consumers, customers, and producers. This is why Swedish Match is actively engaged with stakeholders in various ways, while recognizing that regulatory decisions will ultimately always be at the discretion of the lawmaker.

Beyond current tobacco regulations, one of the most important longstanding commitments Swedish Match has made is the far-reaching, self-imposed product quality standard for its snus – GOTHIA TEK®. The GOTHIA TEK® standard provides for continuous work towards reducing or entirely eliminating undesired compounds that are found naturally in tobacco. Today, GOTHIA TEK® is adopted by the industry as a standard in the process of manufacturing Swedish snus. Swedish Match subscribes to the belief that the key regulatory objective for all products consumed orally, be they food or smoke-free tobacco, ought to be to strive for high product quality and, ultimately, for product safety and consumer protection.

Swedish Match monitors and evaluates the emerging scientific data, and interacts with the scientific community. Swedish Match considers itself accountable to all stakeholders in addressing and informing them about the established science and relevant product information.

Swedish Match is also committed to preventing the availability of tobacco products to minors. The Company is actively engaged with retailers to ensure that they properly understand the need to enforce required age-verification upon purchase of tobacco products. There is a mutual understanding between Swedish Match, leading retailers, and their trade organizations of the necessity for commercial stakeholders to actively work against underage purchases. Swedish Match also cooperates with retailers in order to reduce the growing volume of illicit products, which distort competition on the market.

The United States

The Family Smoking Prevention and Tobacco Control Act (the Act), signed into law June 2009, empowered the Food and Drug Administration (FDA) to regulate tobacco products such as cigarettes, roll-your-own tobacco, and smokefree tobacco.

Along with regulatory authority for the manufacture, sale and marketing of tobacco, the Act includes a provision that will enable a company to have one or more of its products classified as a modified risk tobacco product (MRTP). Products classified this way by the FDA Center for Tobacco Products (CTP) may then have warning labels that better reflect the risk profile agreed to by the FDA and may allow a company to make appropriate harm reduction claims.

In accordance with the Act, in April of 2012, CTP issued its guidance in consultation with the Institute of Medicine (IOM), setting forth the scientific studies and other elements necessary to submit a modified risk products application. Among other things, the guidance contemplates that a party wishing to seek a modified risk product status for one or more of its products will have meetings with CTP in order to agree upon specific elements of a modified risk product application to meet CTP's requirements.

During 2013, Swedish Match has held such meetings with CTP and in June 2014 filed an application for its snus products to be classified as modified risk products.

The Act also empowers the FDA to regulate other tobacco products, such as cigars and pipe tobacco. The FDA has indicated that it intends to assert jurisdiction over cigars, but has not yet issued proposed regulations. Initial guidance and draft regulations could be issued in the first half of 2014, which would then be followed by a period of public comment before final guidance is issued.

The European Union

The sale and distribution of tobacco products for oral use, except those intended to be smoked or chewed, have been banned in the EU since 1992. As Swedish snus is neither smoked nor chewed, it is prohibited for sale. Upon Sweden's entry into the EU in 1995, the country was granted a permanent exemption from the sales ban on snus. Cigarettes and other types of traditional smokefree tobacco products, including Asian/African types, chewing tobacco and nasal snuff can all be legally sold within the EU.

In 2013, the Tobacco Products Directive 2001/37/EC underwent a process of revision. The three parties involved in the revision – the Commission, the European Parliament, and the Council – reached a final agreement in December 2013. The new Tobacco Products Directive (2014/40/EU) entered into force in May 2014 and for the majority of the articles, EU member states are allowed 24 months to bring into force the laws, regulations, and administrative provisions necessary to comply with the Directive. The Directive shall be applied across all 28 member states by May 20, 2016.

The Directive states that the sales ban on snus will remain in the EU, while the EU has agreed that flavors and ingredients in snus will be regulated in Sweden. This is important as snus is by tradition flavored. The availability of flavors has made the development of GOTHIA TEK®, among other things possible, Swedish Match can now maintain the current low levels of unwanted substances and can continue the work of reducing them further.

Scandinavia

Swedish Match and its customers are increasingly alarmed by fast-growing illicit trade of Swedish snus. One of the most significant measures to slow the flow of illicit trade during 2012 was a special label on cans sold on Baltic Sea ferries, which assists retailers and the authorities to easily spot irregularities. This was a voluntary measure which received acknowledgement by responsible authorities including the Swedish Custom Authority and the Ministry for Social Affairs.

During 2013, Swedish Match continued its efforts by extending the special labeling on cans and rolls to include the entire product portfolio.

The Company is also actively working to ensure that Swedish and Norwegian retailers properly understand and enforce required age-verification upon purchase in order to prevent the availability of tobacco products to minors. There is a mutual understanding between Swedish Match, leading retailers, and their trade organizations of the necessity for commercial stakeholders to commit to reducing both the number of actual underage purchases as well as cooperating in order to reduce the growing volume of illicit products that distort the development of the market.

Lobbying

Swedish Match has a Public Affairs team reporting to the SVP Corporate Legal Affairs. The main responsibility of the team is to maintain a dialogue with regulators and government officials. This team works closely with the Scientific Affairs team, which also has a dialogue with regulators as well as with the scientific community. The two teams are divided between Sweden, Norway, and the US, and Swedish Match also has a representation office in Brussels. According to the Corporate Communications Policy, individuals in these departments are authorized to speak on behalf of Swedish Match.

To promote integrity in lobbying practices within its operations, Swedish Match is committed to conduct its outreach with legislators and other stakeholders according to the highest standards. Employees adhere to the Swedish Match Code of Conduct and it is encouraged that the Company's advisors do the same.

The United States

For the US, there are numerous registration and reporting requirements for lobbyists at the state and federal level to ensure the integrity of that practice. One example is the filing and registration requirements maintained by the Clerk of the House of Representatives and the Secretary of the United States Senate. Also, Swedish Match has contracts to ensure that the Company's state lobbyists understand clearly the scope of their responsibility, including a commitment to work in favor of reducing youth usage of tobacco products.

Those individuals within the Swedish Match organization who have contact with lobbyists, as with all of the Company's employees, are guided by the Business Conduct Policy, which mandates that all employees conduct themselves in a certain fashion in dealing with the Company's lobbyists and giving instructions to them. For the US state program, the Company spends approximately 825,000 USD in lobbyists' retainers and an additional 317,000 USD

in support of various state organizations who believe in a free market place for adult tobacco sales. Examples include groups such as the Ohio Grocers Association and the New York Association of Convenience Stores. For the federal program, Swedish Match pays a retainer of 100,000 USD per year to the Alpine Group and has no other corporate expenses.

As a general statement, Swedish Match is addressing issues that could interrupt or interfere with a fair and competitive marketplace for the sale of tobacco products to adult consumers. Examples of such issues are that Swedish Match:

- Opposes excessively high taxes, because they place an undue burden upon the Company's consumers. Thus Swedish Match would urge legislators to consider that tax rates beyond a certain level do not generate additional revenue but simply punish those who are purchasing from legal channels and drive many to unregulated black markets.
- Urges legislators not to adopt laws that provide a competitive advantage for one manufacturer versus another.
- Educates legislators about the industry so that, as issues do arise, they are more knowledgeable and will be able to use that knowledge as a basis to decide how to act on a particular issue. Issues that the Company addresses are taxes, bans on flavors, restrictions on package sizes, and marketing restrictions, etc.

The European Union

With regard to activities directed to the policy makers of the European Union, the European Commission and the European Parliament have a voluntary lobbying register and a Code of Conduct (<http://europa.eu/transparency-register/>). Swedish Match is listed in this registry and adheres to this Code of Conduct. The Company is also a member of European Smokeless Tobacco Council (ESTOC), which is also listed in the registry and adheres to the Code of Conduct.

In addition, the Company works with external advisors in different markets. The general rule and agreement the Company has with its external advisors is that they act as advisors and speaking partners. Advisors also monitor regulatory developments and processes for the Company.

Following the adoption of the EU's Tobacco Products Directive in December 2013, the main objective of Swedish Match's engagement vis-à-vis EU decision makers is to understand how relevant member states will interpret/ apply the EU directive as well as monitor the development of secondary legislation of relevance to Swedish Match and the Company's product portfolio. Swedish Match continues to be of the opinion that all smokeless tobacco should be regulated equally and that the regulation should be founded on scientific evidence and based on relative risk.

Swedish Match is of the opinion that:

- The EU ban on Swedish snus is unmotivated, discriminatory, and disproportionate.
- The current EU ban on Swedish snus is a violation of the free trade principle and distorts the function of the internal market.
- The ban on snus denies adult European smokers access to a traditional and viable non-combustible tobacco alternative, such as snus, that is scientifically well documented to have significantly lower negative health effects.
- All smokefree tobacco products should be subject to consistent and competition neutral product regulation based on product quality and consumer protection.

Environmental responsibility



For Swedish Match, environmental responsibility implies working consciously and actively to reduce and mitigate negative environmental impacts of the Company's business operations.

ENVIRONMENTAL RESPONSIBILITY

Ambition: To consciously and actively reduce the negative impacts the Company has on the environment.

This implies working efficiently with resource management, reducing waste and energy consumption, as well as maintaining sound environmental management processes.



Swedish Match's environmental responsibility extends across the value chain, from sustainable tobacco sourcing and forest management to efficient management of energy, waste, and water in manufacturing, to eco-efficiency measures in all facilities.

Although the production processes and raw materials used in the tobacco industry generally are considered to have limited environmental impact, improvements and savings from more efficient use of resources can have positive direct benefits on the sustainability and profitability of the Company as well as on the environment itself.

Swedish Match has adopted a Group Environmental Policy, designed to ensure that Swedish Match achieves a balance whereby the Group consistently reaches its commercial objectives while addressing the environmental requirements of the Company as well as its stakeholders. Read more on page 17.

Environmental organization

The SVP Investor Relations and Corporate Sustainability, who reports to the CEO, is responsible for the Corporate Sustainability function and for communicating environmental issues. The SVP Investor Relations and Corporate Sustainability also chairs the Group's Environmental Council, and presents findings and updates to the Board of Directors on a periodic basis.

The Group's Environmental Council, with representation from all Swedish Match factories, is an advisory and

reporting body on matters relating to environmental issues and aids in reporting results internally in this area. The council's task is to safeguard compliance with Swedish Match's Group Environmental Policy and the Environmental Management System (EMS) throughout the organization. This is achieved by periodic meetings and by a structured information exchange between meetings.

At Swedish Match, each operating unit head appoints those responsible for implementing the EMS and for complying with, reporting, and contributing to the evaluation of environmental action programs and activities. The heads of the operating units must assure that the person(s) selected have appropriate education, training, or experience for the tasks. This group comprises members of the Environmental Council, supplemented by other members to ensure full coverage of the Swedish Match organization. Internal audits of the EMS are conducted in the operating units and reported to the Environmental Council.

Consistent with Swedish Match's commitment to compliance with applicable legislation or other requirements, the operations establish, implement, and maintain procedures for periodic evaluation of activities and their environmental impacts.

Swedish Match maintains the requisite records to demonstrate conformity to the requirements of the EMS. The appointed person(s) in the operating unit and at Group level are responsible for compiling material for external publication.

Environmental management (quality and standards)

In 2013, the majority of Swedish Match's production facilities, with products accounting for more than 95 percent of Company sales of its own produced products, had been certified according to the environmental management standard ISO 14001 as well as the quality management systems standard ISO 9001.

In January 2013, the Manaus lighter factory in Brazil was certified for ISO 14001 bringing the total to the ten most significant of the Company's twelve manufacturing facilities with both ISO 14001 and ISO 9001 certifications. The remaining two manufacturing facilities have been deemed to be so small as not to warrant this level of certification.

Basic environmental education is a requirement according to the environmental management standard ISO 14001 in those facilities that are certified according to the standard. The main purpose of the education is to promote environmental awareness among the staff and increased knowledge of the EMS and the Company's routines.

During 2013, the new online environmental training program that was initialized during 2012 within the organization was implemented via the Swedish Match intranet. Approximately 300 employees successfully completed the training program.

ISO certifications

Smokefree products (snus, moist snuff, and chewing tobacco)

Factory	Country	Products	Certification	Year of certification	Accreditor
Göteborg	Sweden	Snus	ISO 9001	2001	Det Norske Veritas
			ISO 14001	2003	Det Norske Veritas
Kungälv	Sweden	Snus	ISO 9001	2004	Det Norske Veritas
			ISO 14001	2004	Det Norske Veritas
Owensboro	The US	Moist snuff, chewing tobacco	ISO 9001	2003	SAI
			ISO 14001	2000	SAI

Cigars

Factory	Country	Products	Certification	Year of certification	Accreditor
Dothan	The US	Cigars	ISO 9001	2002	SAI
			ISO 14001	2003	SAI
Santiago	The Dominican Republic	Cigars	ISO 9001	2003	SAI
			ISO 14001	2003	SAI

Lights products (matches and lighters)

Factory	Country	Products	Certification	Year of certification	Accreditor
Assen	The Netherlands	Lighters	ISO 9001	1995	Lloyds
			ISO 14001	2000	Lloyds
Curitiba	Brazil	Matches	Not certified	n/a	n/a
Manaus	Brazil	Lighters	ISO 9001	1996	Lloyds
			ISO 14001	2013	TÜV Rheinland
Manila	The Philippines	Lighters	ISO 9001	1995	Lloyds
			ISO 14001	2001	Lloyds
Piraí do Sul	Brazil	Splint	Not certified	n/a	n/a
Tidaholm	Sweden	Matches	ISO 9001	2011	SFK Certifiering
			ISO 14001	2011	SFK Certifiering
Vetlanda	Sweden	Splint, print	ISO 9001	2011	SFK Certifiering
			ISO 14001	2011	SFK Certifiering



Employee at the Owensboro factory, the US, where moist snuff and chewing tobacco production takes place.

Environmental KPIs and targets

Swedish Match is monitoring and reporting on the following six environmental KPIs: total energy consumption, electricity, greenhouse gas emissions (CO₂), water use, total waste, and hazardous waste.

During 2011, the Environmental Council set long term targets at the factory level (five year horizon to 2016) within each KPI. 2013 has been the second year of tracking and follow-up. The baseline used for target setting was average data per manufacturing facility for 2010 and 2011. Targets were set based on projections of future production volumes, cost considerations as well as

alternative inputs or resources. For CO₂ emissions, baseline was data for 2009.

The Company measures all KPIs on a factory level, both in absolute numbers as well as per unit of output produced.

Aggregated results are reported for each product area - per unit of output by weight for smokefree products (snus, moist snuff, and chewing tobacco) as well as per unit of output for cigars and lights products (matches and lighters).

Within the production of matches, aggregated results may differ slightly from individually reported targets due to methodology.

In 2012, the Environmental Council also initialized and implemented a new software for environmental data management with the goal to enable structured tracking of and reporting on the KPIs and targets over time.

In the table below, aggregated 2016 targets and 2013 results are listed per product area and per unit of output.

Topic	KPI	Product area	Target 2016	Result 2013 Unit	Increase/decrease vs. target
Energy consumption	Total energy consumption	Smokefree products	3.9	4.5 MWh/ metric tons produced	16%
		Cigars	13.0	9.6 MWh/ mn cigars produced	-26%
		Matches	813.4	803.9 MWh/ bn matches produced	-1%
		Lighters	38.9	37.5 MWh/ mn lighters produced	-4%
	Electricity	Smokefree products	1.5	1.9 MWh/ metric tons produced	25%
		Cigars	11.6	9.3 MWh/ mn cigars produced	-20%
		Matches	150.8	144.9 MWh/ bn matches produced	-4%
		Lighters	36.8	35.4 MWh/ mn lighters produced	-4%
Waste	Total waste	Smokefree products	0.16	0.19 metric tons/ metric tons produced	22%
		Cigars	1.99	1.62 metric tons/ mn cigars produced	-19%
		Matches, <i>excluding biomass</i>	19.15	20.70 metric tons/ bn matches produced	8%
		Lighters	0.86	0.84 metric tons/ mn lighters produced	-3%
	Hazardous waste	Smokefree products	0.001	0.001 metric tons/ metric tons produced	22%
		Cigars	0.007	0.004 metric tons/ mn cigars produced	-39%
		Matches	8.912	10.866 metric tons/ bn matches produced	22%
		Lighters	0.045	0.049 metric tons/ mn lighters produced	10%
Water use	Withdrawal and discharge of water	All product areas/ all factories	To have a level of zero in terms of the withdrawal and discharge of water affecting sensitive water bodies (using the GRI definition of sensitive water bodies).		
Greenhouse gas emissions	CO ₂ emissions	Total company	To stay at or below baseline for CDP Scope 1 (direct emissions) and Scope 2 (indirect emissions).		

Energy consumption

Swedish Match's total energy use during 2013, both direct and indirect, amounted to less than 200,000 MWh. In relation to Company sales, Swedish Match does not consider itself to be energy intensive. Nonetheless, the Company believes that the reduction of energy used in relation to output is important as it provides benefits both in terms of cost and environmental impact.

Energy saving programs

Swedish Match works persistently on energy saving programs as well as programs to reduce electricity consumption for heating, cooling, and lighting. Measures taken include the installation of low energy lighting, insulation, heat recovery systems, and energy consumption controls.

Each Swedish Match factory has its own target and/or activities in order to limit its energy consumption per unit of output produced. As electricity constitutes the largest part of Swedish Match's total energy consumption, the Group tracks both total energy consumption in general as well as electricity consumption in specific. In Sweden, Swedish Match's suppliers of electricity undertake to produce and supply the amount of electricity that Swedish Match purchases and consumes without the use of fossil fuels.

Performance and initiatives 2013

Approximately 47 percent of Swedish Match's total energy consumption is sourced from intermediate energy sources (indirect energy consumption²²).

Electricity constitutes approximately 82 percent of the total amount of indirect energy consumed, and 38 percent of total energy consumed. Purchased steam and district heating constitutes 10 percent and 8 percent respectively of the total amount of indirect energy consumed, and 5 percent and 4 percent respectively of the total energy consumed.

Approximately 53 percent of the Company's energy consumption is sourced from primary energy sources used for the Company's own consumption (direct energy consumption²³). Approximately 55 percent of the direct energy comes from wood chips (30 percent of total energy), which is a renewable energy source. Natural gas constitutes 44 percent of the total direct energy, and 23 percent of total energy.

²² Indirect energy is defined as energy produced outside Swedish Match that is consumed to supply energy for the Company's intermediate energy needs (e.g. electricity, district heating, and purchased steam).

²³ Direct energy is defined as Swedish Match's purchased and produced energy sources. Wood chips from the Brazilian match production are categorized as a direct energy source as the wood chips are produced and used internally to heat the boilers within match production.

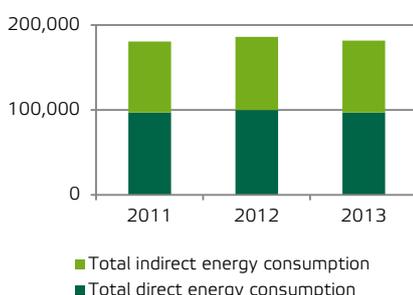
In 2013, several energy efficiency improvement projects were registered. These projects led to energy savings of 215 MWh, corresponding to a cost saving of approximately 290,000 SEK.

Within the production of lights products, there were several initiatives resulting in energy and cost savings. An example from the Company's match facilities include installing of LED lamps and fluorescent lamps with lower wattages.

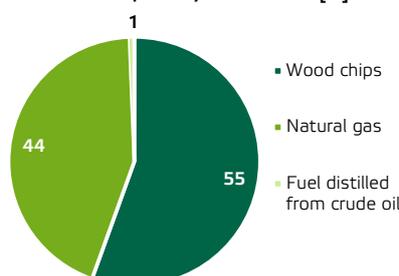
Examples from the Company's lighter facilities include introducing energy efficient air conditioning, replacing old molding machinery, installing of LED lamps and fluorescent lamps with lower wattages, introducing systems that automatically shuts off idle machinery, and reducing the usage of specific water heaters.

Within the production of cigars, a project was initiated to make the use of lighting more efficient in the storage and production areas.

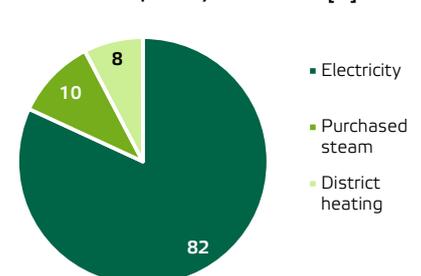
Total energy consumption [MWh]



Total direct energy consumption by source 2013 [%]



Total indirect energy consumption by source 2013 [%]



Greenhouse gas emissions (CO₂)

Swedish Match works persistently on improvement activities and projects in order to limit its emissions of greenhouse gas, specifically with regards to CO₂ emissions, and each factory has its own target and/or activities in order to limit its CO₂ emissions per unit of output.

The Company is participating in an annual review administrated by the Carbon Disclosure Project (CDP), an independent organization, which maps companies' CO₂ emissions. On an aggregate factory level, the Company's target is to stay at or below baseline for CDP Scope 1 (direct emissions) and Scope 2 (indirect emissions). During 2013, the Company improved its

disclosure score (from 63 to 64) covering the 2012 calendar year.²⁴

As the vast majority of production of the Company's primary products (snus and moist snuff as well as cigars and chewing tobacco) are produced and sold in the same geographic area (Scandinavia or the US/Dominican Republic), the need for air freight or long distance transports are reduced and thus third party emissions are avoided. In addition, matches and lighters for the Brazilian market are produced in Brazil.

²⁴ For more information regarding Swedish Match and CDP, refer to <https://www.cdproject.net/en-US/Results/Pages/Company-Responses.aspx?company=18095>.

In 2013, approximately 63 percent of Swedish Match's total CO₂ emissions (Scope 1 and Scope 2 as defined by CDP) were direct, and 37 percent were defined as indirect emissions.

The majority of the direct emissions in 2013 were generated through electricity, heat, or steam, either from biomass (63 percent) or from other sources (27 percent). Transportation of materials, products, and waste accounted for 9 percent of the direct emissions. A small part, 2 percent, were fugitive emissions.

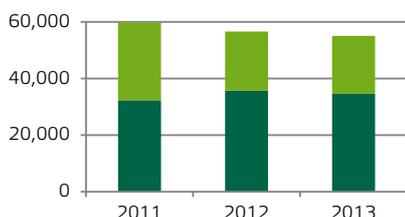
Environmental responsibility: Energy efficiency in Vetlanda, Sweden

At Swedish Match Industries AB in Vetlanda, Sweden, energy and cost savings have been achieved through improvements from existing steam dryers in the match facility.

Steam dryers enable the drying of wood with steam. The moisture content of incoming wood to the factory is about 45-55 percent. After approximately 25 minutes in the dryer, however, the wood's moisture content is decreased to around 2-5 percent. Steam is used because it has a very high energy content, which is necessary in this case as a dryer has a power load of about 1 MW.

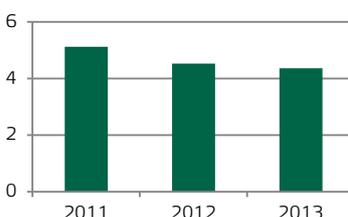
This project is still in its infancy, but clear advantages of this project are energy savings as well as better and easier monitoring and control of the steam dryers. Preliminary results indicate energy savings of over 20 percent, by controlling the supply and extraction of air in a more beneficial way. Further actions should enable the Company to achieve up to 30 percent energy savings.

Total greenhouse gas emissions by weight [metric tons]

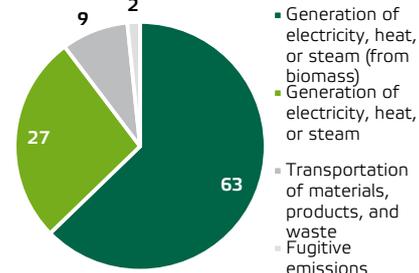


■ Total indirect greenhouse gas emissions
■ Total direct greenhouse gas emissions

Total greenhouse gas emissions per MSEK sales [metric tons]



Total direct greenhouse gas emissions by source 2013 [%]



■ Generation of electricity, heat, or steam (from biomass)
■ Generation of electricity, heat, or steam (from other sources)
■ Transportation of materials, products, and waste
■ Fugitive emissions

Water use

Swedish Match neither withdraws water from any water source that is significantly affected by the water withdrawal, nor discharges water into sensitive water bodies. The Company's target for water use is to maintain a level of zero in terms of the withdrawal or discharges of water affecting sensitive water bodies. Swedish Match's water footprint in absolute terms is fairly low as the Company's production processes require rather low water usage.

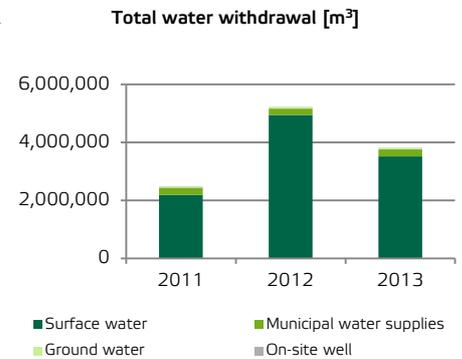
The one area where Swedish Match needs a higher water supply is for its poplar farms in Brazil (trees are planted to be used in the Brazilian match production), where dryer periods during

spring and summer may lead to a higher necessity of irrigation. River water is pumped to the poplar forest through channels. After use, most of the water volume falls in the drainage system and returns to the river. In addition, the water quality around poplar forestry improves as poplar is a phytoremediation specie used as a bio filter to decontaminate polluted water areas.

Performance and initiatives 2013

The vast majority of Swedish Match's water withdrawals are taken from surface water, followed by municipal water supplies or other water utilities. A small amount is withdrawn from ground water and on-site wells.

In Brazil, due to the somewhat less dry climate than in 2012, and a lower demand for irrigation of the poplar plantations, the Company's water use in 2013 was significantly lower than in 2012, although still higher than in 2011.



Waste management

Swedish Match works systematically to reduce its production of waste, in total or per unit of output produced, as applicable. The vast majority of waste is non-hazardous. The environmentally harmful substances (hazardous waste) that do exist are limited and primarily related to match production. Swedish Match furthermore works to facilitate consumers' disposal of the Company's products after use.

For match production in Sweden, total waste *excluding biomass* (pure wooden waste from match splint) is tracked internally instead of total waste. Biomass is a "positive waste" as it is used for incineration to generate district heating (biofuel) for local communities, and waste *excluding biomass* is a more relevant performance indicator when setting reduction targets.

Performance and initiatives 2013

In 2013, approximately 78 percent of the Company's total waste referred to incinerated waste from the Company's match factories in Sweden. Landfill accounted for 10 percent of total waste while recovery/recycling/reuse accounted for 7 percent. Also, hazardous waste treatment and composting were treatment methods used.

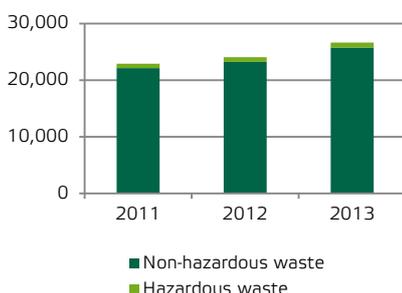
In 2013, incinerated waste increased by 12 percent compared to 2012 while waste to landfill and recovery/recycling/reuse increased by 7 and 2 percent respectively.

Hazardous waste²⁵

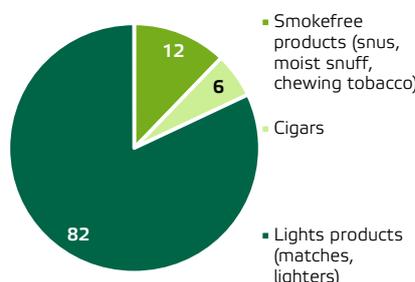
Environmentally harmful substances are only handled to a limited extent during production. In 2013, approximately 3 percent of Swedish Match's total waste was identified as hazardous. Almost all hazardous waste is generated in the Company's match production facilities. Examples from the match production are scrapped match boxes (defect match boxes and matches from the production), slurry from the waste water treatment plant, as well as empty bags from chemical handling. In the production of match splints, hazardous waste includes slurry from the waste water treatment plant, empty printing ink cans, as well as water contaminated with lacquer.

²⁵ In accordance with GRI, Swedish Match defines hazardous waste according to national legislation.

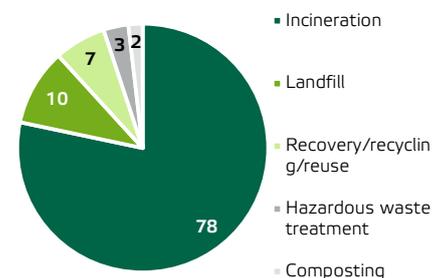
Total waste by type [metric tons]



Total waste per product area 2013 [%]



Total waste by treatment method 2013 [%]



Environmentally adapted products and packaging

Swedish Match strives to deliver the best possible products while minimizing waste.

The Company works to reduce packaging materials while introducing continuous improvements that not only deliver high consumer value, but also reduce the negative environmental footprint.

Swedish Match also strives to use environmentally adapted materials in its packaging.

Snus and moist snuff

For snus, continuous improvements mean adhering to quality standards such as those set forth by GOTHIA TEK®, as well as the ISO 14001 and ISO 9001 standards.

For both Swedish snus and US moist snuff, the plastic cans and lids are made from polypropylene. Rolls of cans are mostly shrink-wrapped in polyethylene. At complete combustion, only carbon dioxide and water remain from these plastics. All coloring agents in the plastic are approved for food packaging.

Paperboard is the standard snus packaging used for loose snus. It is made from recycled paper and the inside is covered in paraffin wax to help keep the product separated from the packaging. Using paperboard means that the packaging materials will biodegrade easily.

In Sweden, the Company is a member of the Packaging and Newspaper Collection Service which help businesses meet their legal obligations for recycling their products or packaging.

Cigars

For cigars, the usage of FoilFresh® packaging has provided longer shelf life of products, reducing the need for returns of old or stale product, which in turn can reduce waste to the landfill.



Post-consumer recycled fibers are being used for the vast majority of the production of inner and outer match boxes.

Also, the use of 100 percent recycled paperboard within certain packaging formats has increased significantly. All byproduct paper from the production of packaging material used in the Company's factory in Dothan (Alabama, the US) is returned to the supplier, who converts it to an energy source.

Matches and lighters

For matches, post-consumer recycled fibers are being used for the vast majority of the production of inner and outer match boxes. Forest Stewardship Council™ (FSC™) certified materials are increasingly being used for match cardboard. Read more about FSC™ on pages 50-51.

For lighters, packaging for utility lighters has been developed which helps to minimize the use of material used. This also helps to maximize the amount of units that can be loaded on freight containers when distributing the products.

Sustainable agriculture

Agricultural practices in tobacco farming

For its production of smokefree products and cigars, Swedish Match does not source tobacco directly from tobacco farms. Instead, the Company relies on large, reputable international leaf tobacco suppliers.

Significant tobacco suppliers must be able to provide Swedish Match with documentation of their own regulatory framework and activities related to social

and environmental issues, including their policies with regard to farming practices.

These suppliers are also encouraged to grow tobacco according to Good Agricultural Practice (GAP) guidelines which aim at ensuring responsible and economically viable production of usable tobacco. This implies producing a quality tobacco crop while protecting, sustaining

or enhancing the environment with regard to soil, water, and air as well as animal and plant life.

Agricultural practices in forestry

Timber sourcing and forestry is an important area for the Group as Swedish Match sources wood and maintains plantations for use in its match production.

Swedish Match uses aspen, pine, and poplar, and sourcing takes place near production, primarily from sources in Sweden and Brazil. All sourcing must be from timber that meets or exceeds the minimum requirements of government regulations.



Aspen trees in Sweden.

Sweden

In Sweden, Swedish Match uses aspen wood for the manufacturing of matches. The wood is mainly sourced from the southern part of Sweden (Götaland and Svealand).

The largest volumes are purchased through large wood suppliers, such as Södra and Mellanskog. Smaller volumes of wood are sourced directly from individual forest owners.

The Company uses approximately 25,000 m³ of aspen wood per year. Aspen grows naturally together with other kinds of wood and the cutting is often done where spruce is planted. All cutting of wood must be performed according to the Swedish forestry law and all final cutting of wood above an area of 0.5 hectares must be reported to the Swedish Forest Agency.

Forest Stewardship Council™

Swedish Match Industries AB (SMI, the Company's entity which produces matches in Sweden) produce an increasing number of Forest Stewardship Council™ (FSC™) certified match boxes, which implies that SMI not only strengthens its brands and the Company's own environmental profile, but also contributes to viable and sustainable management of the world's forests.

SMI is since 2009 certified according to the FSC™ Chain of Custody standard and the standard for controlled wood (license code FSC-C037294). FSC™ is an international, non-governmental organization dedicated to promoting environmentally appropriate, socially beneficial, and economically viable management of the world's forests.

The rules of the organization, which are stricter than law, among other things protect threatened animals and plants, the soil's future ability to grow forests, safe and sound working conditions for those who work in the forests as well as rights of the indigenous people.

SMI acquires FSC™ certified wood/cardboard to use in the manufacturing of match boxes. Since 2010, the Company has a multi-site chain of custody system, which today includes 11 sales companies and agents around the world. In the multi-site system, agents are included in SMI's certificate and thus have the right to sell and advertise the Company's FSC™ products. FSC™ labeling ensures that the FSC™ guidelines and requirements concerning sustainable forestry are adhered to.

The FSC™ certification is a unique quality mark guaranteeing that the wood

used to produce the match boxes comes from a certified forestry and other controlled sources.

During 2013, the production of FSC™ certified boxes increased significantly compared to 2012.

Brazil

In Brazil, more than 95 percent of Swedish Match's wood consumption comes from the Company's own plantations. The remaining small volume is bought from reputable companies in Brazil.

Swedish Match owns approximately 5,800 hectares of planted forests in two different reforestation projects in Brazil:

- The pine reforestation project is scattered around five farms in the Paraná state in the south of Brazil. It covers approximately 3,300 hectares of *Pinus elliottii* forests and nearly 3.4 million trees. The forest has a 25 year rotation period.
- The poplar reforestation project is carried out in six farm groups in the south of the Paraná state and in the north of the Santa Catarina state. Approximately 2,500 hectares are covered with 800,000 poplar trees, in places where the specie has shown good adaptation. The aim has been to obtain high quality matches by overcoming difficulties concerned within pine wood splint production and restraints imposed for the use of Paraná pine wood. The poplar reforestation project is a pioneer project and Swedish Match has been working for 20 years to find the best methods and forest management systems from nursery to harvest.

The main goal of the reforestation projects is to supply wood for safety matches and match box production in a self-sufficient manner.

The Company harvests and plants close to 350 hectares annually, representing more than 250,000 seedlings every year.



Swedish Match's poplar forestry in Brazil.

In the combined area of all plantations, 20 percent of the area remains untouched for the preservation of native forest. This is in accordance with Brazilian legislation, which is extensive and rigorous. In addition, areas adjacent to rivers are protected in accordance with the *Permanent Protection law* of Brazil.

Some examples of environmental monitoring and control as well as biodiversity initiatives in Brazil:

- For all pest and disease controls, only materials approved by Brazilian authorities are used. Swedish Match has constantly strived to replace traditional pesticides in favor of more environmentally friendly natural biological means of control.
- A rich variety of different bird and wildlife species can be found on the plantations.
- Water quality in rivers inside and adjacent to plantations is monitored upstream and downstream. Until now, no toxic residuals have been identified which confirms that there is no water contamination detected.
- For weed control, the use of herbicides has been partially replaced by the natural process of winter intercropping (*Lolium multiflorum*). *Lolium multiflorum* is sown in the forest to obtain a dead vegetal

coverage on the soil at the beginning of summertime, which helps to avoid weeds that compete with poplar for water and nutrients. It also promotes nutrient cycling, improves moisture and soil aeration, and protects from soil erosion. The most important benefit is the significant reduction of herbicide utilization, thus becoming an environmentally friendly practice.

- Swedish Match's Brazilian operations are currently in a process of obtaining an Environmental Operational License to be issued by the Santa Catarina state, where parts of the Company's plantations are located. Swedish Match is one of the first companies to work towards obtaining this license.

Other improvements under implementation include mechanization of forest harvest and forest management in both the pine and poplar projects. Further, a new fertilization program is being developed for poplar forests, aiming to optimize forest growth while respecting the environment.

Eco efficiency

In addition to efforts at the factory and sourcing levels, Swedish Match encourages greater eco efficiency in all facilities under the following guidelines (as stated in the Group Environmental Policy):

- The Group actively encourages use of computers for data management whenever possible, and discourages the use of printed material. This encouragement shall be reinforced in all inter- and intra-company correspondence.
- All Group printed materials published in large quantities, should be using Forest Stewardship Council™ (FSC™) certified (or similar) paper. Suppliers of annual and interim report printing must have FSC™ certification (or similar). Electric devices which do not require constant power should be turned off

when not used for extended periods of time. When appropriate, stand alone computers and lights should be turned off outside of business hours.

- The Group actively encourages the use of video, web, and telephone conferencing in lieu of travel, through proactive means. Train travel is encouraged over air travel, and public transport is encouraged over personal transports. Specific guidelines for employee travel are included in the Group’s Global Travel Policy (available to Swedish Match employees only), a policy with the purpose to accommodate the Company’s essential business needs for travelling safely and cost effectively to various destinations with as low an impact as possible on the environment.
- Offices are encouraged to facilitate recycling of materials.

Green building policy

Swedish Match does not have a green building policy per se. However, when the Company expands, modernizes, or builds new manufacturing facilities, environmental technologies and principles of design are taken into consideration as part of its ongoing efforts to both reduce energy use and improve on its environmental footprint.

Climate change

In the following tables (based on information reported to the Carbon Disclosure Project in 2014), those risks and opportunities that have potential to generate a substantive change in Swedish Match’s business operations, revenue or expenditure, are listed.

The estimated financial impact from climate change is low. The main identified negative impact would come from higher risk of flooding causing plant closure or relocation.

Risks driven by changes in regulations

Risk driver	Description	Potential impact	Timeframe	Magnitude of impact
Fuel/energy taxes and regulations	a) Limitation on availability of fuel. b) Significant price increases of fuel. With a global presence, transports of goods are an important factor for the Group. In Brazil there can be a risk of shortage of hydroelectric energy supply due to rain seasonality with a consequent increase of cost.	Increased operational cost (direct impact).	1-5 years	Low-medium
Other regulatory drivers	More difficult to receive the right quality of raw materials due to changes in EU chemical regulations (eg. REACH).	Increased operational cost (direct impact).	1-5 years	Medium

Risks driven by change in physical climate parameters

Risk driver	Description	Potential impact	Timeframe	Magnitude of impact
Sea level rise	Increased sea level and unpredictable weather in Europe and Asia, most notably in Sweden and in the Philippines, may have implications on our localization of the factories.	Plant closure or relocation may be necessary (direct impact).	Unknown	High
Change in precipitation extremes and droughts	Extreme changes in weather conditions, especially in the regions where Swedish Match has tobacco and timber growing and production. Higher ambient temperature and humidity.	Supply disruption or higher cost of raw materials (direct impact).	Up to one year	High
Change in mean (average) temperature	Increased temperature affects the number of storms and their intensity.	Reduction/disruption in production capacity. Could lead to difficulties in sourcing timber for match production, including supply disruption and higher cost of raw materials (direct impact).	Unknown	Medium
Tropical cyclones (hurricanes and typhoons)	Intensivity of hurricanes and tornados would increase due to changes in the physical climate parameters.	Reduction/disruption in production capacity. Could lead to difficulties in sourcing timber for match production, including supply disruption and higher cost of raw materials (direct impact).	Unknown	High

Risks driven by changes in other climate related developments

Risk driver	Description	Potential impact	Timeframe	Magnitude of impact
Changing consumer behaviour	Minimal risk is related to the nature of the business. Tobacco consumption as such is not likely to be affected by climate change, but is related to other factors, like commercial risks (brand, quality, market development, consumer trends, and regulatory restrictions). One future challenge may be the consumers preferences regarding packaging since the numbers of varieties have increased steadily. Various initiatives taken to investigate more efficient use of resources, especially raw material, related to product innovation and development.	Reduced demand for goods/services (direct impact).	1-5 years	Low

Opportunities driven by changes in regulations

Opportunity driver	Description	Potential impact	Timeframe	Magnitude of impact
Fuel/energy taxes and regulations	Reduced consumption of CO ₂ -emitting energy may provide opportunities for more efficient use of resources in terms of logistic and energy effectiveness of buildings.	Reduced operational costs (direct impact).	1-5 years	Low

Opportunities driven by change in physical climate parameters

Opportunity driver	Description	Potential impact	Timeframe	Magnitude of impact
Induced changes in natural resources	Crop yields and quality could increase.	Reduced operational costs (direct impact).	Unknown	Medium

Opportunities driven by changes in other climate related developments

Opportunity driver	Description	Potential impact	Timeframe	Magnitude of impact
Changing consumer behavior	Consumers alarmed by climate change and caring for the environment may choose our products if they are regarded as less harmful to the environment than our competitors' products.	Increased demand for existing products/services (direct impact).	1-5 years	Low-medium

GRI index 2013

The following index shows where the GRI-requested information can be found in the Swedish Match 2013 Annual Report as well as in this 2013 Sustainability Report. Apart from the profile and corporate governance information requested by GRI, the table includes all GRI core indicators as well as those additional indicators that Swedish Match has selected to report. All additional indicators are marked in *italics*.

In the tables below, SR refers to this 2013 Sustainability Report while AR refers to the Company's 2013 Annual Report (2012 numbers in parenthesis). The symbols show whether each indicator is being reported ●, partially reported ●*, or not reported ○.

In 2013, Swedish Match is fully reporting on 23 (22) performance indicators and partially reporting on 9 (10).

Indicators	Reference	
1 Strategy and analysis		
1.1 CEO statement	SR 5 AR 2-3	●
1.2 Description of key impacts, risks, and opportunities	SR 5, 10-12, 52-53 AR 48, 101	●*
2 Organizational profile		
2.1 Name of the organization	AR 81	●
2.2 Primary brands, products, and/or services	SR 2-3 AR 1, 10-19	●
2.3 Operational structure	SR 2, AR infold	●
2.4 Location of headquarters	SR 2, AR infold, 81	●
2.5 Countries where the organization operates	SR 2-3, 70 AR infold, 62	●
2.6 Nature of ownership and legal form	SR 2, 20, AR 38	●
2.7 Markets served	SR 2-3 AR 6-7, 10-19	●
2.8 Size of the reporting organization	SR 2, 7, 70 AR infold, 38-39, 51-53, 62	●
2.9 Significant changes during the reporting period	SR 56	●
2.10 Awards received in the reporting period	AR 38-39, 53, 80 SR 36	●
3 Report parameters		
Report profile		
3.1 Reporting period	SR 56	●
3.2 Date of most recent previous report	SR 4	●
3.3 Reporting cycle	SR 4	●
3.4 Contact persons for questions regarding the report	SR 4	●
Report scope & boundaries		
3.5 Process for defining report content	SR 10-12, 56 AR 23	●
3.6 Boundary of the report	SR 56	●
3.7 Specific limitations on the scope or boundary of the report	SR 56	●
3.8 Basis for reporting on joint ventures, subsidiaries, etc.	SR 56	●
3.9 Data measurement and calculation principles	SR 56, 65	●
3.10 Comparability with previous reports	SR 56	●
3.11 Significant changes from previous reporting periods regarding scope, boundaries etc.	SR 56	●
GRI content index		
3.12 Table identifying the location of the Standard Disclosures in the report	SR 54-55	●
3.13 Policy and current practice regarding external verification of the report	SR 4, 56	●
4 Governance, commitments, and engagement		
Governance		
4.1 Governance structure for the organization	SR 13, AR 96-97	●
4.2 The role of the Chairman of the Board	AR 97-99	●
4.3 Independent and/or non-executive Board members	AR 99	●
4.4 Mechanisms for shareholders and employees to propose recommendations, etc. to the Board	SR 13 AR 96-97	●

Economic performance indicators:

- Reported: 1 (1)
- Partially reported: 2 (2)

Environmental performance indicators:

- Reported: 9 (9)
- Partially reported: 2 (2)

Social performance indicators:

- Reported: 13 (12)
- Partially reported: 5 (6)

Indicators	Reference	
4.5 Linkage between compensation for Board members, senior managers, and executives, and the organization's performance	AR 63-65	●*
4.6 Processes in place for the Board to ensure conflicts of interest are avoided	AR 95-101	●
4.7 Process for determining the qualifications and expertise of the Board members	AR 97-98	●*
4.8 Mission, values, Code of Conduct, etc.	SR 2, 14-17	●
4.9 The Board's procedures for overseeing the organization's sustainability performance	SR 13	●
4.10 Processes for evaluating the Board's own performance	AR 97, 99	●*
Commitments to external initiatives		
4.11 Explanations of if and how the precautionary principle is applied	SR 31	●
4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives	SR 14-17, 37 SR 50-51 AR 24	●
4.13 Memberships in associations and/or national/international advocacy organization	SR 37, 41, 50 AR 29	●
Stakeholder engagement		
4.14 List of stakeholder groups	SR 8, 11-12 AR 23	●
4.15 Basis for identification and selection of stakeholders with whom to engage	SR 11-12	●
4.16 Approaches to stakeholder engagement	SR 5, 11-12	●
4.17 Key topics and concerns that have been raised through stakeholder engagement	SR 5, 10-12	●
5 Economic performance indicators		
Disclosure on management approach	SR 19-20, AR 2-3	●
Economic performance		
EC1 Economic value generated and distributed	SR 7, 57	●
EC2 Financial implications and other risks and opportunities due to climate change	SR 52-53	●*
EC3 Coverage of the organization's defined benefit plan obligations	SR 57 AR 92	●*
EC4 Financial assistance received from government		○
Market presence		
EC6 Policy/practices regarding locally-based suppliers		○
EC7 Procedures for local hiring and proportion of senior management hired		○
Indirect economic impacts		
EC8 Development and impact of infrastructure investments and services provided		○

* General disclosures 1.2, 4.5, 4.7, and 4.10 are partially reported as complete data does currently not exist. Regarding 1.2, separate descriptions of key impacts, risks and opportunities are available, but Swedish Match does not provide a single overview. Regarding 4.5, Swedish Match's current compensation structure is not linked to the Company's performance within social and environmental performance. As for 4.7, the Nominating Committee's determination of qualifications of Board members is broad and no specific attention is given to experience or performance within for example environmental and social topics. Finally, regarding 4.10, the external performance evaluation of the Board of Directors is broad and no specific attention is given to areas such as environmental and social performance.

Indicators		Reference	
6	Environmental performance indicators		
Disclosure on management approach		SR 43-45 AR 31-33	●
Materials			
EN1	Materials used by weight or volume	SR 58-59	●
EN2	Recycled input materials	SR 59	●
Energy			
EN3	Direct energy consumption	SR 46, 60	●
EN4	Indirect energy consumption	SR 46, 61-62	●
EN5	Energy saved due to conservation and efficiency improvements	SR 63	●
Water			
EN8	Total water withdrawal by source	SR 48, 64	●
Biodiversity			
EN11	Location/scope of land at organization's disposal in areas of biodiversity value		○
EN12	Impacts on biodiversity		○
Emissions, effluents, and waste			
EN16	Direct/indirect greenhouse gas emissions	SR 7, 47, 65-66	●
EN17	Other relevant indirect greenhouse gas emissions	SR 66-67	●
EN19	Emissions of ozone-depleting substances	SR 67	●
EN20	NO _x , SO _x and other significant air emissions		○
EN21	Total water discharge		○
EN22	Total weight of waste	SR 48, 67-69	●
EN23	Total number and volume of significant spills	SR 69	●
Products and services			
EN26	Initiatives to mitigate environmental impacts of products and services		○
EN27	Percentage of products sold and their packaging materials that are reclaimed by category		○
Compliance			
EN28	Fines and sanctions for non compliance with environmental laws and legislation		○
7	Social performance indicators		
LABOR PRACTICES AND DECENT WORK			
Disclosure on management approach		SR 23-25 AR 25-26	●
Employment			
LA1	Total workforce	SR 70, 74 AR 62	●
LA2	Number and rate of employee turnover		○
Labor/management relations			
LA4	Percentage of employees covered by collective bargaining agreements	SR 70-71	●
LA5	Minimum notice period(s) regarding operational changes		○
Occupational health and safety			
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees	SR 71	●
LA7	Rates of injury, occupational diseases, lost days, absenteeism, work related fatalities	SR 7, 24, 71-74	●
LA8	Programs in place to assist workforce members, their families, or community members regarding serious diseases		○
Training and education			
LA10	Average hours of training per year per employee		○
LA11	Programs for skills management and lifelong learning	SR 24-25	●
LA12	Percentage of employees receiving regular performance reviews	SR 74-75	●
Diversity and equal opportunity			
LA13	Composition of governance bodies and breakdown of employees per category	SR 75	●
LA14	Ratio of basic salary of men to women by employee category		○

HUMAN RIGHTS			
Disclosure on management approach		SR 14-15, 28-29 SR 37 AR 29	●
Investment and procurement practices			
HR1	Percentage and total number of significant investment agreements that have undergone human rights screening		○
HR2	Percentage of significant suppliers undergone screening on human rights	SR 7, 28-29	●
Non-discrimination			
HR4	Total number of incidents of discrimination and actions taken		○
Freedom of association and collective bargaining			
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk		○
Child labor			
HR6	Operations identified as having significant risk for incidents of child labor	SR 37 AR 29	●
Forced and compulsory labor			
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor		○
SOCIETY			
Disclosure on management approach		SR 37-41 AR 29-30	●
Community			
SO1	Nature, scope and effectiveness of programs and practices that assess and manage impacts of operations on communities		○
Corruption			
SO2	Percentage and total number of business units analyzed for risks related to corruption	SR 15-16	●
SO3	Percentage of employees trained in anti-corruption policies	SR 15-16	●
SO4	Actions taken in response to incidents of corruption	SR 15-16	●
Public policy			
SO5	Public policy positions and participation in public policy development and lobbying	SR 39-41 AR 34-35	●
Compliance			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		○
PRODUCT RESPONSIBILITY			
Disclosure on management approach		SR 30-36 AR 28-29	●
Customer health and safety			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement		○
Product and service labeling			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	SR 32-33	●
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product or service information and labeling	SR 32	●
PR5	Practices related to customer satisfaction, including results of surveys	SR 36	●
Marketing communications			
PR6	Programs for adherence to laws, standards and voluntary codes related to marketing communications	SR 34-35	●
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	SR 35	●
Compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning products and services		○

Reporting facts and details

Data collection and measurement

Reporting period	All data in this report has been collected over the calendar years 2011, 2012, and 2013.
Reporting principles to define content	Swedish Match has followed guidance from GRI's <i>Principles for defining content</i> to help guide the selection of what information to include in the report, which indicators to report on, as well as to ensure transparency in the reporting process.
Reporting principles to define quality	Swedish Match has followed guidance from GRI's <i>Principles for defining quality</i> to help ensure quality of the reported information. During 2013, Swedish Match has authorized the Global Reporting Initiative (GRI) to confirm Swedish Match's self-declaration that the 2013 Sustainability Report meets GRI G3 'B' level reporting requirements. The GRI Application Level Check Statement is available on http://www.swedishmatch.com/en/Sustainability/Sustainability-reporting/ . An application level check assesses to what extent the GRI guidelines have been applied in reporting. During 2014 and 2015, as part of the transition to reporting according to the GRI G4 guidelines, Swedish Match will evaluate whether to have a third party provider assure the Sustainability Report.
Reporting boundaries	This report includes all fully owned Swedish Match manufacturing facilities as well as business travel and logistics of the Company's products. Sales and administrative offices are also included where applicable. For partner and associated companies, as well as suppliers, Swedish Match has established guidelines in its Code of Conduct as well as in its Group Procurement Policy, which ensure that sustainability issues are being addressed. Swedish Match's joint venture with Philip Morris International (SMPM International) is not included in the report as its operations are not considered to generate significant impacts. Also, Scandinavian Tobacco Group (STG), of which Swedish Match holds a 49 percent ownership interest, is not included in the report as STG has its own, separate, reporting and follow up on sustainability matters.
Reporting details – qualitative data	Information pertaining to supplier responsibility is collected through the Procurement, Supply Chain, and R&D functions. Information regarding consumer and marketplace responsibility is collected through the Marketing/Sales, Legal Affairs, and Supply Chain functions. Information regarding societal responsibility is collected through the Company's local operating units as well as from the R&D and the Communications and Public Affairs functions.
Reporting details – quantitative data	An overview of details with regard to quantitative data (economic, environmental, and employee responsibility) can be found in the table below. Environmental data is reported per unit of output by product area, tied to the Company's manufacturing setup: <ul style="list-style-type: none"> • Smokefree products (snus, moist snuff, and chewing tobacco), covering the manufacturing facilities in Kungälv and Gothenburg (Sweden), as well as Owensboro (the US). Output is measured by weight, in metric tons. • Cigars, covering manufacturing facilities in Dothan (the US) and Santiago (the Dominican Republic). Output is measured in million cigars. • Lights products (matches and lighters), covering match manufacturing facilities in Tidaholm and Vetlanda (Sweden), Curitiba and Piraf do Sul (Brazil) as well as lighter manufacturing facilities in Assen (the Netherlands), Manaus (Brazil), and Manila (the Philippines). Output is measured in billion matches or million lighters. Environmental data is also reported in relation to total Company sales (MSEK). Employee related data is reported under the following geographies, tied to production of the Company's main products: <ul style="list-style-type: none"> • Sweden and Norway, covering the organizations within the operating units Scandinavia Division (snus), the Swedish parts of Lights International (matches), SMD Logistics AB, and Swedish Match AB. • The US and the Dominican Republic, covering the organizations within the operating unit US Division (moist snuff, chewing tobacco, cigars produced in the US and the Dominican Republic). The US and the Dominican Republic are combined, corresponding to the Company's production set-up within cigars. • Brazil, covering the organizations within the operating unit Lights Latin America (matches and lighters). • The Philippines, covering the Philippine part of the operating unit Lights International (lighters). • The Netherlands, covering the Dutch part of the operating unit Lights International (lighters).
Changes in operational structure	In June, 2011, Swedish Match divested its subsidiary SM Plam Bulgaria. During 2013 a reorganization took place to integrate the former Smokefree Products Division into a new Scandinavia Division. This does not affect any of the data reported for 2013 in this report.
Changes in reporting procedures	No changes in 2013 compared to previous years.
Measurement techniques	Calculations regarding emissions of greenhouse gases (see pages 65-67) are based on site specific data. Conversion methodologies used are based on the Greenhouse Gas Protocol to calculate the amount of greenhouse gas emissions per source.

Summary of reporting details – quantitative data

	Economic data			Employee related data			Environmental data		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Data covers									
Fully owned manufacturing facilities	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sales and administrative offices	✓	✓	✓	✓	✓	✓	-	-	-
Businesses divested in Plam, Bulgaria in June, 2011	-	-	✓	-	-	-	-	-	-
Business travel and logistics of products	✓	✓	✓	N/A	N/A	N/A	✓	✓	✓
Data presented									
In total	✓	✓	✓	✓	✓	✓	✓	✓	✓
In relation to sales (MSEK)	N/A	N/A	N/A	✓	✓	✓	✓	✓	✓
In relation to number of employees	-	-	-	✓	✓	✓	✓	✓	✓
In relation to unit of output produced	-	-	-	-	-	-	✓	✓	✓
In relation to geographies, tied to production of the Company's main products	-	-	-	✓	✓	✓	-	-	-
Data collected through	The Corporate Control function			Human Resources			The Environmental Council		
Other reporting details	Data using the GRI methodology does not always correspond to figures reported in the Annual Report due to definitions set forth by GRI which may differ from Swedish Match's reporting under the IFRS methodology.			Data using the GRI methodology does not always correspond to figures reported in the Annual Report due to differences in methodologies. Some historic employee related figures have been restated in this report compared to the 2012 Sustainability Report.			Some historic environmental figures have been restated in this report compared to the 2012 Sustainability Report.		

Reporting on performance indicators

Economic performance indicators

Economic performance²⁶

Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments (EC1)

In 2013, the Company generated value of 13,092 MSEK, up 2 percent from 12,891 MSEK in 2012. Total economic value distributed amounted to 11,841 MSEK in 2013, up 5 percent from 11,318 MSEK in 2012. Economic value retained amounted to 1,251 MSEK in 2013, down 20 percent from 1,573 MSEK in 2012.

Operating costs accounted for 63 percent of total economic value distributed in 2013, followed by payments to providers of capital (17 percent), and employee wages, salaries, and benefits (14 percent). Payments to governments accounted for 5 percent of total economic value distributed. Swedish Match does not collate global data on payments to governments by country as it is more relevant locally.

Operating costs increased by 8 percent in 2013 compared to 2012. While payments to providers of capital increased by 6 percent, employee wages, salaries, and benefits decreased by 8 percent. Payments to governments decreased by 1 percent. Community investments increased by 25 percent, from 4 to 5 MSEK.

Direct economic value generated [MSEK]		2013	2012	2011
Revenues		13,092	12,891	12,030
Economic value distributed [MSEK]	[%]			
Operating costs	63	7,519	6,964	6,539
Payments to providers of capital	17	2,037	1,923	1,712
Employee wages, salaries, and benefits	14	1,680	1,823	1,749
Payments to governments	5	600	604	642
Community investments	0	5	4	3
Total economic value distributed [MSEK]	100	11,841	11,318	10,645
Economic value retained [MSEK]		1,251	1,573	1,385

Coverage of the organization's defined benefit plan obligations (EC3)

In 2013, the estimated value of benefit plan's liabilities met by Swedish Match's general resources amounted to 818 MSEK, down 1 percent from 824 MSEK in 2012. In 2013, 87 percent of the scheme's liabilities were estimated to be covered by the assets that have been set aside to meet them.

Estimated value of benefit plan's liabilities met by the organization's general resources [MSEK]	2013	2012	2011
Estimated value of benefit plan's liabilities met by the organization's general resources	818	824	933
Where a separate fund exists to pay the plan's pension liabilities [%]	2013	2012	2011
The extent to which the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them	87	77	81

The structure of retirement plans offered to Swedish Match employees are based on defined benefit plans and other types of benefits. For defined benefit plans, the employer's obligations to pay pensions under the plan are met directly by the organization's general resources as well as through a fund held and maintained separately from the resources of the organization. For more information about how Swedish Match works with benefit plans, please refer to page 92 in the 2013 Annual Report, note 25, Employee benefits.

Estimates have been calculated using the Project Unit Credit Method (IAS 19) on December 31, 2013, December 31, 2012, and December 31, 2011.

²⁶ The figures for economic performance using the GRI methodology do not correspond to figures reported in Swedish Match's Annual Report due to definitions set forth by GRI which may differ from Swedish Match's reporting under the IFRS methodology.

Environmental performance indicators²⁷

Materials²⁸

Materials used by weight or volume (EN1)²⁹

In 2013, Swedish Match used 38,212 metric tons of materials plus 89,440 m³ of wood. In relation to total Company sales (MSEK), the total amount of materials *excluding wood*³⁰ amounted to 3.0 metric tons. Estimates for 2011 are not available.

Total materials used excluding wood	2013	2012
Total materials used [metric tons]	38,212	35,219
Total materials used [metric tons per MSEK sales]	3.0	2.8

Excluding wood, tobacco leaf used in the production of Swedish Match's smokefree tobacco products as well as cigars, is the largest group of materials, with 31 percent of total usage in metric tons. The usage of tobacco leaf was up 10 percent from 2012, despite lower production volumes. This was due to the increase in natural leaf cigar products under the *Game* brand. Cardboard, used for packaging materials in the production of all products, accounted for 19 percent in 2013, down significantly from 2012. The use of coated board increased significantly compared to 2012, up 62 percent, with cardboard being replaced by coated board as a material used in the splint factory in Vetlanda, Sweden. Plastics accounted for 9 percent of the total materials used. Film, used for packaging materials in the US production of smokefree products and cigars, accounted for 9 percent, up from 5 percent in 2012. This was due to changes in the overall product mix for cigars, with more SKUs produced in FoilFresh® packaging. Nylon, used in the production of lighters, accounted for 8 percent. Paraffin, used in the production of matches, accounted for 4 percent. Butane and propane gas, used in the production of lighters, accounted for 3 percent.

Total materials used excluding wood - by group [metric tons]	[%]	2013	2012
Tobacco leaf	31	11,997	10,942
Cardboard	19	7,414	9,445
Coated board	17	6,358	3,924
Plastics	9	3,410	3,444
Film (aluminum, metalized)	9	3,472	1,922
Nylon	8	2,869	2,779
Paraffin	4	1,538	1,569
Gas (butane, propane)	3	1,155	1,193
Total materials used excluding wood [metric tons]	100	38,212	35,219
Wood [m³]		89,440	89,266

In total, 54 percent of total materials used (excluding wood) in 2013 refers to packaging materials such as cardboard, coated board, plastics, and film. Raw materials excluding wood, i.e. tobacco leaf and gas, accounted for 34 percent of all materials used. Semi-manufactured goods, i.e. nylon and paraffin, accounted for the remaining 12 percent of total materials used.

Total materials used excluding wood - by group [metric tons]	[%]	2013	2012
Packaging materials	54	20,653	18,735
Raw materials	34	13,152	12,135
Semi-manufactured goods	12	4,407	4,348
Total materials used excluding wood [metric tons]	100	38,212	35,219
Raw materials, wood [m³]		89,440	89,266

²⁷ When reporting environmental data in relation to MSEK sales, numbers are based on figures in the 2013 Annual Report. Furthermore, the baseline used for setting environmental 2016 targets was average data per manufacturing facility for 2010 and 2011.

²⁸ Swedish Match measures and reports on EN1 - Materials used as this information is basic and important for any manufacturing company.

²⁹ Materials reported on EN1 refer to the most significant materials categories within each product area. The list of materials reported is therefore not exhaustive.

³⁰ Wood is reported in volume (m³) instead of weight (metric tons). Due to the inherent inaccuracies when using density conversion rates, wood is not converted into metric tons.

In 2013, 25,768 metric tons of materials used (67 percent of total materials used excluding wood) were renewable. Tobacco leaf accounted for 47 percent of renewable materials, followed by cardboard with 29 percent, and coated board with 25 percent. Wood is also a renewable material.

Total materials used excluding wood - renewable [metric tons]	[%]	2013	2012
Tobacco leaf	47	11,997	10,942
Cardboard	29	7,414	9,445
Coated board	25	6,358	3,924
Total materials used excluding wood - renewable [metric tons]	100	25,768	24,312
Percentage of renewable materials excluding wood [%]		67	69

Per product area, 37 percent of total materials (excluding wood) was used for the production of smokefree products while approximately 34 percent refers to materials used for the production of lights products. For the production of cigars, materials used (excluding wood) increased by 43 percent, and accounted for 29 percent of total materials (excluding wood) used. This was partially due to the increase in natural leaf cigar products under the *Game* brand, but also due to changes in the overall product mix for cigars, with more SKUs produced in FoilFresh® packaging.

Total materials used excluding wood - by product area [metric tons]	[%]	2013	2012
Smokefree products (snus, moist snuff, chewing tobacco)	37	14,209	14,419
Cigars	29	10,933	7,668
Lights products (matches, lighters)	34	13,070	13,132
Total materials used excluding wood [metric tons]	100	38,212	35,219

Materials used in relation to total weight of smokefree products amounted to 0.8 metric tons in 2013. For the production of cigars, 11.4 metric tons of materials were used per million cigars, an increase of 67 percent. This is a result of the decrease in the overall production volume, as well as an increase in materials used compared to 2012. For match production, total materials used were 45.0 metric tons plus 479.7 m³ of wood per billion matches. For lighters, 10.9 metric tons of materials were used per million lighters.

Total materials used by product area and unit of output produced [metric tons]	2013	2012
Smokefree products (snus, moist snuff, chewing tobacco) [metric tons/metric tons]	0.8	0.8
Cigars [metric tons/mn cigars]	11.4	6.8
Matches, <i>excluding wood</i> [metric tons/bn matches]	45.0	44.7
Lighters [metric tons/mn lighters]	10.9	11.6
Matches, <i>wood</i> [m ³ /bn matches]	479.7	468.8

Percentage of materials used that are recycled input materials (EN2)

In total, 13,771 metric tons, or 36 percent of input materials, were recycled in 2013. The largest part refers to cardboard, which accounted for 54 percent of all recycled input materials, followed by coated board which accounted for the remaining 46 percent. During 2013, the use of cardboard was replaced by coated board as a packaging material in the splint factory in Vetlanda, Sweden.

Total materials used - recycled input materials [metric tons]	[%]	2013	2012
Cardboard	54	7,414	9,445
Coated board	46	6,358	3,924
Total materials used - recycled input materials [metric tons]	100	13,771	13,369
Percentage of recycled input materials [%]		36	38

Energy³¹*Direct energy consumption by primary energy source (EN3)³²*

In 2013, Swedish Match consumed 97,042 MWh of direct energy, a decrease of 3,207 MWh (3 percent) compared to 2012. In relation to total Company sales (MSEK), the total amount of direct energy consumed decreased by 4 percent to 7.7 in 2013 compared to 2012.

Total direct energy consumption	2013	2012	2011
Total direct energy consumption [MWh]	97,042	100,249	97,297
Total direct energy consumption [MWh per MSEK sales]	7.7	8.0	8.3

Swedish Match's primary direct energy sources are wood chips (a renewable energy source) and natural gas. Wood chips accounted for 55 percent of all direct energy consumed in 2013 while natural gas accounted for 44 percent. Fuel distilled from crude oil accounted for 1 percent. The use of wood chips declined by 9 percent to 53,839 MWh in 2013 with lower production volumes for matches in Brazil. The total amount of natural gas increased by 5 percent compared to 2012, largely due to more usage in the US as a result of the cold winter. The use of fuel distilled from crude oil decreased by 17 percent.

Total direct energy consumption by source [MWh]	[%]	2013	2012	2011
Wood chips	55	53,839	58,913	50,078
Natural gas	44	42,607	40,619	46,359
Fuel distilled from crude oil	1	597	717	860
Total direct energy consumption [MWh]	100	97,042	100,249	97,297
Percentage of renewable energy sources [%]		55	59	51

The production of lights products accounted for 57 percent of the total direct energy consumed in 2013, followed by the production of smokefree products which accounted for 43 percent. For smokefree products, total direct energy consumed increased by 5 percent to 41,508 MWh compared to 2012, mainly due to more usage of natural gas in the US as a result of the cold winter. For cigars, total direct energy was reduced by 26 percent from a small base. Concerning lights products, total direct energy consumed decreased by 8 percent compared to 2012 due to a lower usage of wood chips as a result of lower production volumes.

Total direct energy consumption by product area [MWh]	[%]	2013	2012	2011
Smokefree products (snus, moist snuff, chewing tobacco)	43	41,508	39,602	45,564
Cigars	0	245	330	488
Lights products (matches, lighters)	57	55,289	60,317	51,245
Total direct energy consumption [MWh]	100	97,042	100,249	97,297

Per unit of output produced, total direct energy consumed increased by 11 percent to 2.4 MWh per unit of output by weight for smokefree products, substantially due to a shift toward lighter weight products. For cigars, 2013 figures were 13 percent lower than the prior year. For matches, total direct energy consumed per unit of output decreased by 7 percent in 2013 compared to 2012 driven by the decreased consumption of wood chips in the Brazilian match production. For lighters, total direct energy consumed per unit of output was basically unchanged compared to 2012.

Total direct energy consumption by product area and unit of output produced [MWh]	2013	2012	2011
Smokefree products (snus, moist snuff, chewing tobacco) [MWh/metric tons]	2.4	2.2	2.4
Cigars [MWh/mn cigars]	0.3	0.3	0.6
Matches [MWh/bn matches]	291.8	312.5	274.7
Lighters [MWh/mn lighters]	2.1	2.1	1.8

³¹ Data for energy is presented in MWh. Gigajoules can be calculated by multiplying MWh-numbers with the factor 3.6.

³² Direct energy is defined as Swedish Match's purchased and produced energy sources. Wood chips from the Brazilian match production are categorized as a direct energy source as the wood chips are produced and used internally to heat the boilers within match production.

Indirect energy consumption by primary energy source (EN4)³³

In 2013, Swedish Match consumed 84,876 MWh of indirect energy, a decrease of 1,260 MWh (1 percent) compared to 2012. In relation to total Company sales (MSEK), the total amount of indirect energy consumed decreased by 2 percent to 6.7 MWh.

Total indirect energy consumption	2013	2012	2011
Total indirect energy consumption [MWh]	84,876	86,136	83,259
Total indirect energy consumption [MWh per MSEK sales]	6.7	6.9	7.1

Electricity accounted for 82 percent of total indirect energy consumed while purchased steam and district heating accounted for 10 and 8 percent, respectively. In 2013, the total amount of electricity consumed was basically unchanged compared to 2012. District heating decreased by 23 percent due to warmer temperatures in Sweden. Purchased steam increased by 6 percent.

In 2013, 21 percent of Swedish Match's indirect energy consumed was composed of renewable energy sources, up from 19 percent in 2012. This renewable energy refers to electricity purchases in Sweden, where the Company's suppliers undertake to produce and supply the amount of electricity that Swedish Match consumes without the use of fossil fuels.

Total indirect energy consumption by source [MWh]	[%]	2013	2012	2011
Electricity	82	69,545	69,398	67,835
Purchased steam	10	8,848	8,368	7,421
District heating	8	6,484	8,370	8,003
Total indirect energy consumption [MWh]	100	84,876	86,136	83,259
Percentage of renewable energy sources [%]		21	19	12

Per product area, 42 percent of total indirect energy and 47 percent of total electricity was consumed for the production of smokefree products. Approximately 11 percent of total indirect energy and 13 percent of total electricity was consumed for the production of cigars. Approximately 47 percent of total indirect energy and 40 percent of total electricity was consumed for the production of lights products.

For the production of smokefree products, total indirect energy and electricity consumed was basically unchanged in 2013 compared to 2012. For cigars, total indirect energy consumed (which only refers to purchases of electricity) decreased by 8 percent substantially due to lower production volumes. For the production of lights products, total indirect energy and electricity consumed was basically unchanged in 2013 compared to 2012.

Total indirect energy consumption by product area [MWh]	[%]	2013	2012	2011
Smokefree products (snus, moist snuff, chewing tobacco)	42	36,033	36,456	36,525
Cigars	11	8,937	9,748	9,004
Lights products (matches, lighters)	47	39,907	39,932	37,730
Total indirect energy consumption [MWh]	100	84,876	86,136	83,259

Total electricity consumption by product area [MWh]	[%]	2013	2012	2011
Smokefree products (snus, moist snuff, chewing tobacco)	47	32,620	31,836	32,043
Cigars	13	8,937	9,748	9,004
Lights products (matches, lighters)	40	27,989	27,815	26,788
Total electricity consumption [MWh]	100	69,545	69,398	67,835

Per unit of output produced, total indirect energy consumed increased by 5 percent in 2013 compared to 2012 for smokefree products due to a decreased production volume by weight. For cigars, total indirect energy consumed increased by 8 percent per unit of output produced, as lower levels of output produced offset the decrease in total indirect energy consumed. For the production of matches, total indirect energy consumed was basically unchanged in 2013 compared to 2012. For the production of lighters, total indirect energy consumed decreased by 4 percent per unit of output produced.

³³ Indirect energy is defined as energy produced outside Swedish Match that is consumed to supply energy for the Company's intermediate energy needs (e.g. electricity, district heating, and purchased steam).

Total indirect energy consumption by product area and unit of output produced [MWh]	2013	2012	2011
Smokefree products (snus, moist snuff, chewing tobacco) [MWh/metric tons]	2.1	2.0	1.9
Cigars [MWh/mn cigars]	9.3	8.7	10.3
Matches [MWh/bn matches]	132.7	132.5	128.5
Lighters [MWh/mn lighters]	35.4	36.9	39.6

Total energy (direct and indirect) consumption by primary energy source

In 2013, Swedish Match's total energy consumption amounted to 181,918 MWh, down 4,467 MWh (2 percent) from 2012. In relation to total Company sales (MSEK), the total amount of energy consumed decreased by 3 percent to 14.4.

Total energy (direct and indirect) consumption	2013	2012	2011
Total energy (direct and indirect) consumption [MWh]	181,918	186,385	180,556
Total energy (direct and indirect) consumption [MWh per MSEK sales]	14.4	14.9	15.5

Direct energy accounted for 53 percent of total energy consumption while indirect energy accounted for the remaining 47 percent.

Total energy (direct and indirect) consumption [MWh]	[%]	2013	2012	2011
Total direct energy consumption	53	97,042	100,249	97,297
Total indirect energy consumption	47	84,876	86,136	83,259
Total energy (direct and indirect) consumption [MWh]	100	181,918	186,385	180,556

Electricity accounted for 38 percent of total energy consumed in 2013. Wood chips accounted for 30 percent while natural gas accounted for 23 percent. Purchased steam and district heating accounted for 5 percent and 4 percent, respectively.

Total energy (direct and indirect) consumption by source [MWh]	[%]	2013	2012	2011
Electricity	38	69,545	69,398	67,835
Wood chips	30	53,839	58,913	50,078
Natural gas	23	42,607	40,619	46,359
Purchased steam	5	8,848	8,368	7,421
District heating	4	6,484	8,370	8,003
Fuel distilled from crude oil	0	597	717	860
Total energy (direct and indirect) consumption [MWh]	100	181,918	186,385	180,556

Per product area, the production of smokefree products in 2013 accounted for 43 percent of total energy consumed. The production of cigars accounted for 5 percent of total energy consumed. Approximately 52 percent of total energy consumed was for the production of lights products.

Total energy (direct and indirect) consumption per product area [MWh]	[%]	2013	2012	2011
Smokefree products (snus, moist snuff, chewing tobacco)	43	77,541	76,058	82,089
Cigars	5	9,181	10,078	9,492
Lights products (matches, lighters)	52	95,196	100,250	88,975
Total energy (direct and indirect) consumption [MWh]	100	181,918	186,385	180,556

Performance against targets – total energy consumption

Per unit of output produced, total energy consumption for smokefree products and cigars increased by 9 percent and 7 percent in 2013 compared to 2012, respectively. For matches and lighters, total energy consumed decreased by 6 percent and 4 percent, respectively. In relation to the aggregated 2016 targets, results for smokefree products in 2013 were 16 percent higher than the target of 3.9 MWh per unit of output by weight. Within the production of cigars, total energy consumed per million cigars was 26 percent lower than the aggregated 2016 target of 13.0 MWh per million cigars. With regards to matches, total energy per billion matches was 1 percent lower than the aggregated 2016 target of 813.4 MWh per billion matches. Total energy per million lighters was 4 percent lower than the aggregated target of 38.9 MWh per million lighters.

Total energy (direct and indirect) consumption by product area and unit of output produced [MWh]	Target 2016	2013	2012	2011	Baseline	Increase/decrease vs. target
Smokefree products (snus, moist snuff, chewing tobacco) [MWh/metric tons]	3.9	4.5	4.2	4.3	4.2	16%
Cigars [MWh/mn cigars]	13.0	9.6	9.0	10.9	12.5	-26%
Matches [MWh/bn matches]	813.4	803.9	852.1	793.6	784.8	-1%
Lighters [MWh/mn lighters]	38.9	37.5	38.9	41.4	43.1	-4%

Performance against targets – total electricity consumption

Per unit of output produced, total electricity consumed in 2013 compared to 2012 increased for all product areas but lighters, where the consumption decreased by 4 percent. For smokefree products, the electricity consumed increased by 9 percent. For cigars, the increase amounted to 8 percent. For matches, total electricity consumed increased slightly.

In relation to the aggregated 2016 targets, results for smokefree products in 2013 were 25 percent higher than the aggregated target of 1.5 MWh per unit of output by weight. For cigars, total electricity per million cigars was 20 percent lower than the aggregated 2016 target of 11.6 MWh. With regards to matches, total electricity per billion matches was 4 percent ahead of the aggregated 2016 target of 150.8 MWh. Total electricity per million lighters was also 4 percent lower than the aggregated 2016 target of 36.8 MWh.

Total electricity consumption by product area and unit of output produced [MWh]	Target 2016	2013	2012	2011	Baseline	Increase/decrease vs. target
Smokefree products (snus, moist snuff, chewing tobacco) [MWh/metric tons]	1.5	1.9	1.7	1.7	1.7	25%
Cigars [MWh/mn cigars]	11.6	9.3	8.7	10.3	11.4	-20%
Matches [MWh/bn matches]	150.8	144.9	143.8	144.0	143.0	-4%
Lighters [MWh/mn lighters]	36.8	35.4	36.9	39.6	40.8	-4%

Energy saved due to conservation and efficiency improvements (ENS)

In 2013, several energy efficiency improvement projects were registered. An example from the Company's match facilities include installing of LED lamps and fluorescent lamps with lower wattages. Examples from the Company's lighter facilities include introducing energy efficient air conditioning, replacing old molding machinery, installing of LED lamps and fluorescent lamps with lower wattages, introducing systems that automatically shuts off idle machinery, and reducing the usage of specific water heaters. For the production of cigars, a project was initiated during the second half of the year to improve the use of lighting in storage and production areas. For the production of smokefree products, there were no significant initiatives reported.

In total, Swedish Match registered projects that led to energy improvements of 215 MWh in 2013, of which improvements for lights production accounted for 90 percent. In terms of total cost savings, these registered projects led to cost savings of 289,753 SEK in 2013 (using average 2013 currency rates from the *Swedish Riksbank*). Savings for the production of lights accounted for 94 percent. Energy savings for 2011 are not available.

Total energy saved per product area [MWh]	[%]	2013	2012
Smokefree products (snus, moist snuff, chewing tobacco)	0	0	95
Cigars	10	21	44
Lights products (matches, lighters)	90	194	650
Total energy saved [MWh]	100	215	789

Total cost saved per product area [SEK]	[%]	2013	2012
Smokefree products (snus, moist snuff, chewing tobacco)	0	0	47,500
Cigars	6	16,936	24,865
Lights products (matches, lighters)	94	272,817	686,716
Total cost saved [SEK]	100	289,753	759,082

Water

Total water withdrawal by source (EN8)

In 2013, Swedish Match withdrew 3,806,561 m³ water, a decrease of 1,411,715 m³ (27 percent) compared to 2012. The decrease refers to the water withdrawn for the Company's irrigation of poplar farms in Brazil. The amount of water that is needed to be withdrawn for irrigation purposes varies significantly from one year to another due to natural differences in climate behavior, such as the amount of rain that has fallen during the year. Figures for water withdrawal are therefore highly volatile. In relation to total Company sales (MSEK), total water withdrawals decreased by 28 percent to 301.9 m³.

Total water withdrawal [m ³]	2013	2012	2011
Total water withdrawal	3,806,561	5,218,276	2,482,986
Total water withdrawal per MSEK sales	301.9	417.9	212.8

In 2013, 93 percent of Swedish Match's total water withdrawals were taken from surface water, followed by municipal water supplies or other water utilities (6 percent). One percent was withdrawn from ground water. Nearly all water withdrawals from surface water took place in the Company's poplar farms in Brazil.

Total water withdrawal by source [m ³]	[%]	2013	2012	2011
Surface water	93	3,525,528	4,946,216	2,195,118
Municipal water supplies or other water utilities	6	232,721	219,128	250,115
Ground water	1	45,539	49,779	34,219
On-site well	0	2,773	3,153	3,534
Total water withdrawal [m³]	100	3,806,561	5,218,276	2,482,986

In 2013, 96 percent of the Company's total water was withdrawn for the production of lights products, a result of water withdrawals taking place in the Company's poplar farms in Brazil. Approximately 4 percent was withdrawn for the production of smokefree products while production of cigars accounted for 1 percent of total water withdrawals.

For the production of smokefree products, total water withdrawals increased by 8 percent to 135,832 m³ when comparing the 2013 figures with 2012. For the production of cigars, total water withdrawals decreased by 1 percent to 32,834 m³. For the manufacturing of lights products, water withdrawals decreased by 28 percent due to the decrease of water withdrawals for the poplar farms in Brazil.

Total water withdrawal by product area [m ³]	[%]	2013	2012	2011
Smokefree products (snus, moist snuff, chewing tobacco)	4	135,832	125,734	133,186
Cigars	1	32,834	33,298	63,156
Lights products (matches, lighters)	96	3,637,895	5,059,243	2,286,644
Total water withdrawal [m³]	100	3,806,561	5,218,276	2,482,986

Per unit of output produced, for the production of smokefree products and cigars, water withdrawals increased by 15 percent and 16 percent, respectively, due to lower production volumes. For lighters, water withdrawals increased by 3 percent. For matches, total water withdrawals per unit of output decreased significantly, by 27 percent, due to decreased irrigation for the Company's poplar farms in Brazil.

Total water withdrawal by product area and unit of output produced	2013	2012	2011
Smokefree products (snus, moist snuff, chewing tobacco) [m ³ /metric tons]	8.0	6.9	7.0
Cigars [m ³ /mn cigars]	34.2	29.6	72.3
Matches [m ³ /bn matches]	19,364.0	26,437.5	12,284.8
Lighters [m ³ /mn lighters]	64.1	62.1	64.3

Emissions, effluents, and waste

All calculations with regard to indicators EN16 and EN17 are based on site specific data, and conversion methodologies based on the Greenhouse Gas Protocol are used in order to calculate the amount of greenhouse gas emissions per source. The conversion methodologies that have been used are listed in the table below.³⁴ References for emission factors include The Swedish Environmental Protection Agency (Naturvårdsverket), the International Energy Agency, and the UK Department for Environment, Food and Rural Affairs (Defra). Substances and the respective Global Warming Potential (GWP) are listed in the right column below.

Fuel/material/energy	Emission factor
Petrol	2.2 metric tons CO ₂ -e/m ³
Diesel	2.7 metric tons CO ₂ -e/m ³
Fuel oil	2.7 metric tons CO ₂ -e/m ³
Natural gas	0.0019 metric tons CO ₂ -e/m ³
LPG	1.5 metric tons CO ₂ -e/m ³
Wood chips	1.8 metric tons CO ₂ -e/metric tons
District heating, electricity, purchased steam, Brazil	81.0g CO ₂ /kWh
District heating, electricity, purchased steam, Dominican Republic	604.0g CO ₂ /kWh
District heating, electricity, purchased steam, Netherlands	425.0g CO ₂ /kWh
District heating, electricity, purchased steam, Philippines	480.0g CO ₂ /kWh
District heating, electricity, purchased steam, Sweden	22.0g CO ₂ /kWh
District heating, electricity, purchased steam, United States	528.0g CO ₂ /kWh
Green energy: District heating, electricity, purchased steam	0.0g CO ₂ /kWh

Substance	Global Warming Potential (GWP)
Methane CH ₄	23
Carbon Dioxide CO ₂	1
HydrofluoroCarbon HFC	1,300
Nitrous Oxide N ₂ O	310
Perfluorocarbon PFC	5,600
Sulfur Hexafluoride SF ₆	22,200

Total direct and indirect greenhouse gas emissions by weight (EN16)³⁵

In 2013, Swedish Match emitted 55,042 metric tons of greenhouse gas emissions, a decrease of 1,595 metric tons (3 percent) compared to 2012. In relation to total Company sales (MSEK), total greenhouse gas emissions decreased by 4 percent to 4.4 metric tons.

Total greenhouse gas emissions by weight [metric tons]	2013	2012	2011
Total greenhouse gas emissions	55,042	56,637	59,794
Total greenhouse gas emissions per MSEK sales	4.4	4.5	5.1

Approximately 63 percent of the greenhouse gas emissions were identified as direct emissions, i.e. gases from all sources owned or controlled sources. In 2013, emissions of total direct greenhouse gases decreased by 3 percent. Emissions of total indirect greenhouse gas emissions decreased by 2 percent compared to 2012.

Total greenhouse gas emissions by weight [metric tons]	[%]	2013	2012	2011
Total direct greenhouse gas emissions	63	34,622	35,731	32,349
Total indirect greenhouse gas emissions	37	20,419	20,906	27,444
Total greenhouse gas emissions [metric tons]	100	55,042	56,637	59,794

Generation of electricity, heat, or steam from biomass accounted for 63 percent of the Company's greenhouse gas emissions in 2013, down 9 percent from 2012. With regards to other sources, generation of electricity, heat, or steam increased by 5 percent compared to 2012 and accounted for 27 percent of the Company's direct greenhouse gas emissions. Swedish Match emitted 2,986 metric tons of direct greenhouse gases from the transportation of materials, products, and waste, an increase of 20 percent compared to 2012. Figures for fugitive emissions are only available for 2012 and 2013 and accounted only for a small part of the Company's emissions of direct greenhouse gases.

³⁴ Due to updates of conversion factors, as well as a recategorization for wood chips which is now included as an energy source, numbers for 2011 have been restated compared to what was published in the 2012 Sustainability Report. Also, total direct emissions for 2012 have been restated compared to figures in the 2012 Supplement to Swedish Match's Sustainability Report, from 35,740 metric tons to 35,731 metric tons.

³⁵ All numbers presented refer to what has been reported to the Carbon Disclosure Project (CDP) in 2014. All CO₂/Greenhouse gas reporting is according to CDP protocols, Scope 1 and Scope 2.

Total direct greenhouse gas emissions by weight and source [metric tons]	[%]	2013	2012	2011
Generation of electricity, heat, or steam (from biomass)	63	21,708	23,754	20,191
Generation of electricity, heat, or steam	27	9,365	8,927	10,173
Transportation of materials, products, and waste	9	2,986	2,485	1,985
Fugitive emissions	2	563	566	N/A
Total direct greenhouse gas emissions [metric tons]	100	34,622	35,731	32,349

Brazil accounted for 72 percent of all *direct* greenhouse gas emissions in 2013, followed by the US and the Dominican Republic with 23 percent, and Sweden with 4 percent. Very small amounts were emitted in the Philippines and in the Netherlands.

Total direct greenhouse gas emissions by geographic area [metric tons]	[%]	2013	2012	2011
Brazil	72	25,065	26,639	22,401
The US, the Dominican Republic	23	8,121	7,654	8,736
The Philippines	0	15	16	13
The Netherlands	1	183	170	0
Sweden	4	1,238	1,251	1,199
Total direct greenhouse gas emissions [metric tons]	100	34,622	35,731	32,349

The US and the Dominican Republic accounted for 64 percent of all *indirect* greenhouse gas emissions in 2013, followed by the Philippines with 21 percent, and the Netherlands with 10 percent. Small amounts were emitted in Sweden and Brazil.

Total indirect greenhouse gas emissions by geographic area [metric tons]	[%]	2013	2012	2011
Brazil	3	582	644	651
The US, the Dominican Republic	64	12,982	13,772	19,533
The Philippines	21	4,198	3,851	3,367
The Netherlands	10	2,133	2,085	2,392
Sweden	3	524	555	1,501
Total indirect greenhouse gas emissions [metric tons]	100	20,419	20,906	27,444

Brazil accounted for 47 percent of all *direct and indirect* greenhouse gas emissions in 2013, followed by the US and the Dominican Republic with 38 percent, the Philippines with 8 percent, the Netherlands with 4 percent, and Sweden with 3 percent.

Total greenhouse gas emissions by geographic area [metric tons]	[%]	2013	2012	2011
Brazil	47	25,647	27,283	23,051
The US, the Dominican Republic	38	21,103	21,426	28,269
The Philippines	8	4,213	3,866	3,381
The Netherlands	4	2,316	2,255	2,392
Sweden	3	1,763	1,806	2,700
Total greenhouse gas emissions [metric tons]	100	55,042	56,637	59,794

Other relevant indirect greenhouse gas emissions by weight (EN17)³⁶

In 2013, Swedish Match emitted 15,683 metric tons of other relevant indirect greenhouse gas emissions, an increase of 3,312 metric tons (27 percent) compared to 2012. The year 2012 was an exceptionally low year in terms of other relevant greenhouse gas emissions. In relation to total Company sales (MSEK), total greenhouse gas emissions increased by 26 percent to 1.2 metric tons from 2012 to 2013. All calculations are based on site specific data, and conversion methodologies based on the Greenhouse Gas Protocol (see page 65).

Other relevant indirect greenhouse gas emissions by weight [metric tons]	2013	2012	2011
Other relevant indirect greenhouse gas emissions	15,683	12,370	15,431
Other relevant indirect greenhouse gas emissions per MSEK sales	1.2	1.0	1.3

³⁶ All numbers presented refer to what has been reported to the Carbon Disclosure Project (CDP) in 2014. All CO₂/Greenhouse gas reporting is according to CDP protocols, Scope 3.

Business travel (including data from travel agencies and mileage from company and private cars) accounted for 48 percent of total other relevant indirect greenhouse gas emissions. Transportation and distribution (including purchased transports of goods to and from facilities) accounted for the remaining 52 percent.

In Sweden, the Group's distribution company in 2013 adjusted the mix with regard to distribution vehicles. Also, sub road carriers are included in the figures for 2013. In Brazil, an increased amount of transports of finished goods have contributed to the overall change. Regarding business travel, the increase was substantially due to an increased amount of business travel within the US operations.

Other relevant indirect greenhouse gas emissions by weight [metric tons]	[%]	2013	2012	2011
Business travel	48	7,529	6,127	8,570
Transportation and distribution	52	8,153	6,242	6,861
Other relevant indirect greenhouse gas emissions by weight [metric tons]	100	15,683	12,370	15,431

Emissions of ozone-depleting substances by weight (EN19)

Swedish Match has a very small amount of emissions of ozone-depleting substances. In 2013, the emissions decreased significantly, by 96 percent in CFC-11 equivalent, as the use of methyl bromide as a fumigation agent in Santiago was discontinued and replaced by a more environmentally friendly method. In 2013, the total number of CFC-11 equivalent emissions was from the substance R22. The emissions originate in the Company's cigars factories in Dothan, the US, Santiago, the Dominican Republic, as well as in Manaus, Brazil and Manila, the Philippines.

Total emissions of ozone-depleting substances	2013	2012	2011
Total emissions of ozone-depleting substances [metric tons]	0.31	0.93	1.22
Total emissions of ozone-depleting substances [CFC-11 equivalent]	0.02	0.41	0.50

Emissions of ozone-depleting substances by type [metric tons, CFC-11 equivalent]	[%]	2013	2012	2011
Methyl bromide	0	-	0.38	0.48
R22	100	0.02	0.02	0.02
CFC-11	0	-	0.01	-
Emissions of ozone-depleting substances by type [metric tons, CFC-11 equivalent]	100	0.02	0.41	0.50

Total weight of waste by type and disposal method (EN22)

In 2013, Swedish Match generated a total waste of 26,680 metric tons, an increase of 2,617 metric tons (11 percent) compared to 2012. In relation to total Company sales (MSEK), total waste increased 10 percent to 2.1 metric tons.

Total waste [metric tons]	2013	2012	2011
Total waste	26,680	24,063	22,948
Total waste per MSEK sales	2.1	1.9	2.0

In 2013, 82 percent of Swedish Match's total waste was generated in the production of lights products while waste from production of smokefree products accounted for approximately 12 percent. Waste generated in the production of cigars accounted for approximately 6 percent. The vast majority of the waste (according to definitions by GRI) is generated in the production of matches in Sweden, where pure wooden waste from match splint is used for incineration to generate district heating for local communities.

In 2013, compared to 2012, total waste generated in the production of smokefree products increased by 7 percent to 3,241 metric tons and in the production of cigars, total waste decreased by 3 percent to 1,552 metric tons. In the production of lights, total waste increased by 13 percent, to 21,887 metric tons.

Total waste per product area [metric tons]	[%]	2013	2012	2011
Smokefree products (snus, moist snuff, chewing tobacco)	12	3,241	3,036	2,940
Cigars	6	1,552	1,601	1,572
Lights products (matches, lighters)	82	21,887	19,426	18,436
Total waste [metric tons]	100	26,680	24,063	22,948

Of the total waste produced, 97 percent was identified as being non-hazardous in 2013 and 3 percent of total waste was identified as being hazardous.³⁷ Compared to 2012, the Company's total weight of hazardous waste increased by 8 percent.

Total waste by type [metric tons]	[%]	2013	2012	2011
Hazardous waste	3	866	800	790
Non-hazardous waste	97	25,814	23,262	22,158
Total waste [metric tons]	100	26,680	24,063	22,948

The majority of the Company's hazardous waste is generated in the Company's match production facilities in Sweden and Brazil. In 2013, production of lights products accounted for 97 percent of all hazardous waste produced. Examples of hazardous waste from the match production are scrapped match boxes (defect match boxes and matches from the production), slurry from the waste water treatment plant, as well as empty bags from chemical handling. In the production of match splints, hazardous waste includes slurry from the waste water treatment plant, empty printing ink cans, as well as water contaminated with lacquer.

Total hazardous waste per product area [metric tons]	[%]	2013	2012	2011
Smokefree products (snus, moist snuff, chewing tobacco)	2	21	17	20
Cigars	0	4	4	8
Lights products (matches, lighters)	97	842	779	762
Total hazardous waste [metric tons]	100	866	800	790

Incineration is the one waste disposal method most commonly used followed by landfill and recovery/recycling/reuse. In 2013, approximately 78 percent of the Company's total waste referred to incinerated waste, mainly from the Company's match factories in Sweden. The majority of waste produced in the Swedish match factories refers to pure wooden waste used for incineration to generate district heating for the local communities. Approximately 10 percent of the total waste was treated as landfill, followed by 7 percent treated as recovery/recycling/reuse. Hazardous waste treatment accounted for 3 percent. Approximately 2 percent was composted.

In 2013, incinerated waste increased by 12 percent compared to 2012, while landfill and recovery/recycling/reuse increased by 7 and 2 percent respectively.

Total waste by treatment method [metric tons]	[%]	2013	2012	2011
Incineration	78	20,899	18,680	17,424
Landfill	10	2,656	2,483	2,707
Recovery/recycling/reuse	7	1,777	1,736	1,899
Hazardous waste treatment	3	860	800	790
Composting	2	488	363	129
Total waste [metric tons]	100	26,680	24,063	22,948

The method of disposal has primarily been determined by information provided by the local waste disposal contractors, and in some cases also what is disposed directly by Swedish Match.

Performance against targets - total waste³⁸

Per unit of output produced, total waste in 2013 compared to 2012 increased within all product areas. For the production of smokefree products, cigars, and matches *including biomass*, waste increased by 14 percent in each product area compared to the prior year. For match production, waste *excluding biomass* increased by 9 percent per billion matches produced. For the production of lighters, waste increased by 7 percent per unit of output by weight.

In relation to the aggregated 2016 targets, results for smokefree products in 2012 were 22 percent higher than the aggregated target of 0.16 metric tons. For the production of cigars, total waste per million cigars was 19 percent lower than the 2016 target of 1.99 metric tons. Regarding matches, total waste *excluding biomass* per billion matches was 8 percent higher than the aggregated 2016 target of 19.15 metric tons, and total waste per million lighters was 3 percent below the aggregated 2016 target of 0.86 metric tons.

³⁷ In accordance with GRI, Swedish Match defines hazardous waste according to national legislation.

³⁸ For match production in Sweden, total waste *excluding biomass* (pure wooden waste from match splint) is tracked internally instead of total waste. Biomass is a "positive waste" as it is used for incineration to generate district heating (biofuel) for local communities, and waste excluding biomass is a more relevant performance indicator when setting reduction targets. Total waste for matches 2011 has been restated compared to the 2012 Sustainability Report, from 210.98 to 192.14 metric tons/bn matches.

Total waste by product area and unit of output produced [metric tons]	Target 2016	2013	2012	2011	Baseline	Increase/decrease vs. target
Smokefree products (snus, moist snuff, chewing tobacco) [metric tons/metric tons]	0.16	0.19	0.17	0.15	0.16	22%
Cigars [metric tons/mn cigars]	1.99	1.62	1.42	1.80	2.11	-19%
Matches [metric tons/bn matches]	-	217.55	191.57	192.14	204.69	N/A
Matches, excluding biomass [metric tons/bn matches]	19.15	20.70	19.01	17.28	18.13	8%
Lighters [metric tons/mn lighters]	0.86	0.84	0.78	1.09	1.12	-3%

Performance against targets – hazardous waste

Per unit of output produced, total hazardous waste in 2013 compared to 2012 increased for all product areas. The only significant increase in terms of metric tons per unit of output was for matches where hazardous waste increased by 13 percent to 10.866 metric tons per billion matches.

In relation to aggregated 2016 targets, results for smokefree products were in line with the aggregated target of 0.001 metric tons. Total hazardous waste per million cigars was 39 percent lower than the aggregated 2016 target of 0.007 metric tons. With regard to matches, total hazardous waste per billion matches was 22 percent higher than the aggregated 2016 target of 8.912 metric tons, and total hazardous waste per million lighters was 10 percent higher than the aggregated 2016 target of 0.045 metric tons.

Total hazardous waste by product area and unit of output produced [metric tons]	Target 2016	2013	2012	2011	Baseline	Increase/decrease vs. target
Smokefree products (snus, moist snuff, chewing tobacco) [metric tons/metric tons]	0.001	0.001	0.001	0.001	0.001	22%
Cigars [metric tons/mn cigars]	0.007	0.004	0.004	0.009	0.007	-39%
Matches [metric tons/bn matches]	8.912	10.866	9.626	9.239	9.410	22%
Lighters [metric tons/mn lighters]	0.045	0.049	0.043	0.040	0.043	10%

Total number and volume of significant spills (EN23)

During 2011 to 2013, five significant spills were recorded within Swedish Match's manufacturing facilities, with three of those cases occurring in 2011. In 2011, two minor cases concerned gas spills in the Dominican Republic factory while one case of 1.00 metric tons refers to a spill of caustic soda from the Gothenburg snus factory, which was notified to the authorities. In 2012 and in 2013, one oil spill each year in the Dominican Republic was recorded. The environmental impact of these spills was considered to be insignificant and did not require any legal action.

Total weight of significant spills [metric tons]	2013	2012	2011
Chemicals	-	-	1.00
Fuel	-	0.07	0.17
Oil	0.03	-	-
Total weight of significant spills [metric tons]	0.03	0.07	1.17
Total number of significant spills	1	1	3

Employee related performance indicators³⁹

Labor practices and decent work

Total workforce by employment type, employment contract, and region (LA1)

At the end of the reporting period, December 31, 2013, Swedish Match employed 4,311 people, an increase of 12 employees compared to 2012. The number of employees/supervised workers, excluding temporary workers, increased by 61 people (2 percent) while the number of temporary workers decreased by 49 people (14 percent). Temporary workers accounted for 7 percent of the total workforce.

Total workforce	[%]	2013	2012	2011
Number of employees excluding temporary workers	93	4,012	3,951	3,841
Number of temporary workers	7	299	348	333
Total workforce (employees + temporary workers)	100	4,311	4,299	4,174

In 2013, 94 percent of the total workforce worked full-time while 5 percent worked part time.

Employment type	[%]	2013	2012	2011
Number of employees working full-time	94	4,072	4,015	3,868
Number of employees working part-time*	5	233	99	133
Number of employees not classified as working full-time or part-time (temporary workers in the US)	0	6	186	173
Total workforce (employees + temporary workers)	100	4,311	4,299	4,174

* A number of employees working part-time in Sweden are full-time employed, but work part time according to the Swedish Parental Leave Act (Föräldraledighetslagen).

In 2013, 4,012 people, or 93 percent of the total workforce, had an indefinite/permanent contract. In 2013, 299 people (7 percent) of the total workforce had a fixed term/temporary contract.

Employment contract	[%]	2013	2012	2011
Number of employees with an indefinite/permanent contract	93	4,012	3,951	3,837
Number of employees with a fixed term/temporary contract	7	299	348	337
Total workforce (employees + temporary workers)	100	4,311	4,299	4,174

In terms of the geographical spread of Swedish Match's workforce, 46 percent of all employees in 2013 worked in the US/the Dominican Republic. Approximately 28 percent worked in Sweden and Norway, 16 percent in Brazil, 8 percent in the Philippines, and 2 percent in the Netherlands.

Total workforce by geography	[%]	2013	2012	2011
The US, the Dominican Republic	46	1,976	2,015	1,960
Sweden, Norway	28	1,214	1,200	1,152
Brazil	16	684	724	709
The Philippines	8	332	254	248
The Netherlands	2	105	106	105
Total workforce (employees + temporary workers)	100	4,311	4,299	4,174

Percentage of employees covered by collective bargaining agreements (LA4)⁴⁰

In total, 2,240 employees, or 52 percent of Swedish Match's total workforce (including temporary workers), were covered by collective bargaining agreements in 2013. Per geography, results for 2013 show that 11 percent were covered by collective bargaining agreements in the US and the Dominican Republic, 96 percent in Sweden and Norway, 99 percent in Brazil, 28 percent in the Philippines, and 86 percent in the Netherlands.

³⁹ Due to differences in methodologies, the total workforce presented in the Sustainability Report does not correspond to workforce breakouts in the Annual Report. In the 2013 Annual Report, the average number of employees in the Group was 4,382 for 2013, 4,198 for 2012 and 4,309 for 2011. As of 2013, the average number of employees in the Annual Report also includes temporary employees. Also, figures for 2011 and 2012 in this 2013 Sustainability Report have in some cases been restated compared to numbers presented in the 2012 Sustainability Report.

⁴⁰ Numbers for 2011 and 2012 concerning Sweden and Norway have been restated in this 2013 report compared to what was reported in the 2012 Sustainability Report, from 1,081 to 1,148 in 2012 and from 1,045 to 1,100 in 2011.

Employees covered by collective bargaining agreements by geography	2013	2012	2011
The US, the Dominican Republic	216	217	221
Sweden, Norway	1,162	1,148	1,100
Brazil	679	719	701
The Philippines	93	88	83
The Netherlands	90	90	93
Employees covered by collective bargaining agreements (employees + temporary workers)	2,240	2,262	2,198

Percentage of employees covered by collective bargaining agreements by geography [%]	2013	2012	2011
The US, the Dominican Republic	11	11	11
Sweden, Norway	96	96	95
Brazil	99	99	99
The Philippines	28	35	33
The Netherlands	86	85	89
Percentage of employees covered by collective bargaining agreements by geography [%]	52	53	53

Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs (LA6)

In 2013, 84 percent of the Swedish Match total workforce (including temporary workers) was represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs. The committees operate at different levels: company, regional, divisional, function, or facility level.

In Sweden, Norway, and the Netherlands, all employees are, by law, represented in formal joint management worker health and safety committees. In the US and the Dominican Republic, 73 percent of the total workforce was represented in formal committees, in Brazil 76 percent, and in the Philippines 100 percent.

Percentage of total workforce represented in formal joint management-worker health and safety committees by geography [%]	2013	2012	2011
The US, the Dominican Republic	73	72	75
Sweden, Norway	100	100	100
Brazil	76	76	75
The Philippines	100	100	50
The Netherlands	100	100	100
Percentage of total workforce represented in formal joint management-worker health and safety committees by geography [%]	84	83	81

Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region (LA7)⁴¹

In accordance with the GRI guidelines, the rates of injury, occupational diseases, lost days, and absenteeism presented below are related to the number of employees, not the number of hours worked. The factor 200,000 is derived from 50 working weeks at 40 hours per week, per 100 employees.

To calculate the total number of working hours and working days per year, the following calculations have been used:

A. Working hours per year = Average number of employees per year * Average numbers of hours worked per year.

B. Calculated working days per year = Total working hours per year ÷ 8.

The systems of rules are applied from national law in different countries.

⁴¹ Independent contractors, which according to GRI definitions should be included for indicator LA7, are not included in the tables presented on pages 72-74 due to difficulties related to compiling the total number of hours worked for this specific group. Details on the total number of independent contractors and numbers per geographical area are provided on page 74.

All geographies

When looking at the total Swedish Match workforce, the total number of injuries/accidents (excluding minor first-aid level injuries/accidents) increased from 77 cases in 2012 to 132 cases in 2013, leading to an increased injury rate of 2.93 (per 100 employees). This is primarily due to circumstances within the area of machine operations in the Dominican Republic manufacturing facility.

The total number of occupational illnesses decreased from 8 cases in 2012 to 7 cases in 2013, leading to a decrease in the accompanying occupational diseases rate to 0.16 per 100 employees.

The total number of lost days due to occupational illnesses or injuries/accidents increased by 9 percent to 3,586 while the total number of absentee days decreased by 9 percent to 32,264, leading to a lost days rate of 79.50 and an absentee rate of 2.86 per 100 employees.

	2013	2012	2011
A. Total number of working hours per year	9,020,184	8,696,129	7,991,220
B. Calculated number of total working days per year	1,127,523	1,087,016	998,903
	2013	2012	2011
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	132	77	63
D. Total number of occupational illnesses	7	8	19
E. Total number of lost days due to occupational illnesses/injuries/accidents	3,586	3,280	2,862
F. Total number of absentee days	32,264	35,404	33,176
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	0
	2013	2012	2011
Injury rate [per 100 employees per year] = C / A * 200 000	2.93	1.77	1.58
Occupational diseases rate [per 100 employees per year] = D / A * 200 000	0.16	0.18	0.48
Lost days rate [per 100 employees per year] = E / A * 200 000	79.50	75.42	71.63
Absentee rate [% of days per year] = F / B	2.86	3.26	3.32

The US and the Dominican Republic

	2013	2012	2011
A. Total number of working hours per year	4,495,000	4,570,000	4,210,000
B. Calculated number of total working days per year	561,875	571,250	526,250
	2013	2012	2011
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	103	53	39
D. Total number of occupational illnesses	0	0	0
E. Total number of lost days due to occupational illnesses/injuries/accidents	996	447	94
F. Total number of absentee days	7,491	6,956	7,322
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	0
	2013	2012	2011
Injury rate [per 100 employees per year] = C / A * 200 000	4.58	2.32	1.85
Occupational diseases rate [per 100 employees per year] = D / A * 200 000	0.00	0.00	0.00
Lost days rate [per 100 employees per year] = E / A * 200 000	44.32	19.56	4.47
Absentee rate [% of days per year] = F / B	1.33	1.22	1.39

Sweden and Norway

	2013	2012	2011
A. Total number of working hours per year	1,937,977	1,886,532	1,623,129
B. Calculated number of total working days per year	242,247	235,817	202,891
	2013	2012	2011
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	11	12	14
D. Total number of occupational illnesses	6	7	18
E. Total number of lost days due to occupational illnesses/injuries/accidents	710	1,225	1,222
F. Total number of absentee days	16,936	19,954	17,679
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	0
	2013	2012	2011
Injury rate [per 100 employees per year] = C / A * 200 000	1.14	1.27	1.73
Occupational diseases rate [per 100 employees per year] = D / A * 200 000	0.62	0.74	2.22
Lost days rate [per 100 employees per year] = E / A * 200 000	73.27	129.87	150.57
Absentee rate [% of days per year] = F / B	6.99	8.46	8.71

Brazil

	2013	2012	2011
A. Total number of working hours per year	1,456,847	1,416,287	1,435,141
B. Calculated number of total working days per year	182,106	177,036	179,393
	2013	2012	2011
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	13	10	10
D. Total number of occupational illnesses	1	1	1
E. Total number of lost days due to occupational illnesses/injuries/accidents	1,794	1,580	1,546
F. Total number of absentee days	6,654	7,322	6,459
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	0
	2013	2012	2011
Injury rate [per 100 employees per year] = C / A * 200 000	1.78	1.41	1.39
Occupational diseases rate [per 100 employees per year] = D / A * 200 000	0.14	0.14	0.14
Lost days rate [per 100 employees per year] = E / A * 200 000	246.29	223.12	215.45
Absentee rate [% of days per year] = F / B	3.65	4.14	3.60

The Philippines

	2013	2012	2011
A. Total number of working hours per year	922,056	618,936	523,776
B. Calculated number of total working days per year	115,257	77,367	65,472
	2013	2012	2011
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	3	2	0
D. Total number of occupational illnesses	0	0	0
E. Total number of lost days due to occupational illnesses/injuries/accidents	20	13	0
F. Total number of absentee days	469	223	223
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	0
	2013	2012	2011
Injury rate [per 100 employees per year] = C / A * 200 000	0.65	0.65	0.00
Occupational diseases rate [per 100 employees per year] = D / A * 200 000	0.00	0.00	0.00
Lost days rate [per 100 employees per year] = E / A * 200 000	4.23	4.04	0.00
Absentee rate [% of days per year] = F / B	0.41	0.29	0.34

The Netherlands

	2013	2012	2011
A. Total number of working hours per year	208,304	204,374	199,174
B. Calculated number of total working days per year	26,038	25,547	24,897
	2013	2012	2011
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	2	0	0
D. Total number of occupational illnesses	0	0	0
E. Total number of lost days due to occupational illnesses/injuries/accidents	66	15	0
F. Total number of absentee days	714	949	1,493
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	0
	2013	2012	2011
Injury rate [per 100 employees per year] = C / A * 200 000	1.92	0.00	0.00
Occupational diseases rate [per 100 employees per year] = D / A * 200 000	0.00	0.00	0.00
Lost days rate [per 100 employees per year] = E / A * 200 000	63.37	14.68	0.00
Absentee rate [% of days per year] = F / B	2.74	3.71	6.00

Independent contractors

During 2013, Swedish Match had 44 independent contractors working on-site to whom the reporting organization is liable for the general safety of the working environment. All contractors but one worked in Sweden.

Number of independent contractors by geography	[%]	2013	2012	2011
The US, the Dominican Republic	2	1	3	5
Sweden, Norway	98	43	43	44
Brazil	0	0	0	0
The Philippines	0	0	0	0
The Netherlands	0	0	0	0
Number of independent contractors by geography	100	44	46	49

For independent contractors, there were in 2013 no registered cases of injuries/accidents, occupational illnesses, lost days, absentee days, or fatalities. In 2012 however, 1 case of injury/accidents, 120 lost days, and 8 absentee days were registered in Sweden.

Number of occurrences of injuries, occupational illnesses, lost and absentee days, and fatalities	2013	2012	2011
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	0	1	0
D. Total number of occupational illnesses	0	0	0
E. Total number of lost days due to occupational illnesses/injuries/accidents	0	120	0
F. Total number of absentee days	0	8	0
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	0

Details on injury rates, occupational diseases rates, lost days rates, and absentee rates are not available due to difficulties related to compiling the total number of hours worked for this group.

Percentage of employees receiving regular performance and career development reviews (LA12)

During 2013, 76 percent of the total workforce (including temporary workers) received a formal performance evaluation, an increase from 74 percent in 2012. In the Philippines, all employees continued to receive a formal performance evaluation in 2013 whereas the number for Sweden and Norway was 97 percent. In the US and the Dominican Republic, 86 percent received a formal performance evaluation in 2013 compared to 80 percent in 2012 and 42 percent in 2011. The reason for the large increase between 2011 and 2012 is that Swedish Match introduced mandated appraisals within the cigar production in the US and the Dominican Republic. In the Netherlands, the number of reviews dropped from 96 percent to 40 percent as performance reviews are conducted every second year. In Brazil, 1 percent of the Company's employees received a formal performance evaluation in 2013.

Employees receiving regular performance reviews by geography	2013	2012	2011
The US, the Dominican Republic	1,701	1,612	820
Sweden, Norway	1,179	1,156	1,128
Brazil	4	58	59
The Philippines	332	254	248
The Netherlands	42	102	105
Employees receiving regular performance reviews (employees + temporary workers)	3,258	3,182	2,360

Percentage of employees receiving regular performance reviews by geography [%]	2013	2012	2011
The US, the Dominican Republic	86	80	42
Sweden, Norway	97	96	98
Brazil	1	8	8
The Philippines	100	100	100
The Netherlands	40	96	100
Percentage of employees receiving regular performance reviews [%]	76	74	57

Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group memberships, and other indicators of diversity (LA13)

Of Swedish Match's total workforce in 2013, 38 percent were female employees. Swedish Match does not collate global data per age groups or minority groups.

Employees by gender	[%]	2013	2012	2011
Total number of female employees	38	1,617	1,629	1,585
Total number of male employees	62	2,694	2,670	2,589
Total workforce (employees + temporary workers)	100	4,311	4,299	4,174

In terms of gender per geography, 38 percent of the total US and Dominican Republic workforce were female in 2013. In Sweden and Norway, 39 percent of the total workforce were female, in Brazil 33 percent, and in the Philippines 48 percent were female. In the Netherlands, 7 percent were female.

Percentage of female employees by geography [%]	2013	2012	2011
The US, the Dominican Republic	38	40	40
Sweden, Norway	39	39	39
Brazil	33	34	33
The Philippines	48	42	43
The Netherlands	7	7	7
Percentage of female employees (employees + temporary workers) [%]	38	38	38

In 2013, four members (36 percent) of the Company's Board of Directors were female, including employee representatives but not deputy employee representatives.

Board members (including employee representatives) by gender	[%]	2013	2012	2011
Total number of female board members	36	4	3	3
Total number of male board members	64	7	7	6
Total number of board members	100	11	10	9



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