



Group Environmental Policy

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1 INTRODUCTION

The Group Environmental Policy is designed to make sure that Swedish Match achieves a balance in which the Group consistently reaches its commercial objectives while fulfilling the environmental requirements of shareholders, customers and other stakeholders.

1.1 Swedish Match environmental platform

- We are committed to continue with environmental improvements and the prevention of pollution in all our activities, products and services
- We operate an Environmental Management System (EMS) applicable at Group, operating unit and factory levels to ensure that this commitment is continuously maintained
- We are committed to complying with all relevant environmental legislation, regulations and other requirements in the countries where we operate
- We continuously strive to achieve environmental objectives identified through our EMS
- We undertake appropriate improvements and remedial actions based on financial and environmental criteria
- We provide information about and document major changes in the environmental impacts of our activities, products, and services

2 PURPOSE

The purpose of the Group Environmental Policy is to ensure that

- The Group commits itself to continual environmental improvement and prevention of pollution in our activities, products and services
- The Group operates an Environmental Management System (EMS), applicable on corporate, operating unit and factory levels, which will safeguard that said commitment is continuously maintained
- The Group is likewise committed to comply with all relevant environmental legislation, regulation and other requirements to which it subscribes
- The Group will continuously search environmental objectives and targets and identify them through its EMS

- The Group develops and communicates priority Key Performance Indicators for environmental factors, determined by an analysis of the business and through dialogue with stakeholders, which are deemed to be most important in its sustainability efforts. These KPIs provide a basis for continuous improvements
- The Group commits itself to continual correspondence and documentation of any changes of environmental impact due to its activities, products and services
- The Group will undertake appropriate remedial actions and improvements based on financial and environmental criteria

3 SCOPE

The Group policy on environmental issues is both for internal and external use and it is addressed to all managers at all levels and all employees who are involved in processes and procedures having an impact on the environment.

3.1 Environmental organization

The Senior Vice President of Corporate Communications and Sustainability is responsible for the Corporate Sustainability function at the Corporate Headquarters and reports to the CEO. The function is responsible for communicating sustainability issues externally.

The Group 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 help to safeguard compliance with the Swedish Match stated policy and the Environmental Management System (EMS) throughout the organization. The Environmental Council also provides input into setting targets for Key Performance Indicators. The Environmental Council is chaired by the Senior Vice President of Corporate Communications and Sustainability.

Each Swedish Match operating unit President or COO is responsible for appointing a person(s) responsible for implementing the EMS and of following, reporting, and contributing to the evaluation of environmental action programs and activities. The head of the operating unit must assure that the person(s) selected have appropriate education, training or experience for the tasks. This group of people is composed of Environmental Council members, supplemented by other members to ensure full coverage of the Swedish Match organization.

Each of the operating units will assure that internal audits of the EMS are conducted and that the results of the audits are reported to the Environmental Council.

Consistent with Swedish Match commitment to compliance, the operations will establish, implement and maintain procedures for periodically evaluating compliance with applicable legislation or other requirements.

Swedish Match will establish and maintain records as necessary to demonstrate conformity to the requirements of the EMS. Records can be internal only, but external reporting and publishing may occur. The appointed person(s) on operating unit or Group level will be responsible for selecting material for external publication.

3.2 Swedish Match Environmental Management System (EMS)

Swedish Match has an EMS that is applicable to all operating units in the Group. Based on the principles of ISO 14001, the EMS describes the principles of how to run environmental improvement programs within the Group.

All major production units should adhere to the principles of ISO 14001, with the objective that more than two-thirds of total Swedish Match factory output, based on Group sales, are ISO 14001 certified by an independent organization. ISO 14001 factory certification ensures that training and information to employees in production units takes place with regard to environmental issues, and involves them in a process of continuous improvement.

3.3 Key Performance Indicators (KPIs)

Swedish Match continually works to identify (and verify the choice of) those environmental aspects of its activities, products and services that are of high importance to stakeholders and which have the most significant impacts on its sustainability performance. The search for activities, products and services with significant negative environmental impact will originate at factory level or other operating units and be reported to the Environmental Council members. Beneficial environmental impacts will also be reported to the operating units' environmental representative.

The Environmental Council is tasked with the formulation of specific objectives and targets for KPIs. These objectives and targets should be clear, measurable and consistent with the Group Environmental Policy.

In evaluating its steps in the supply chain, and supplemented by dialogues with its stakeholders, the Group has chosen to measure and report the following KPIs: energy consumption, water consumption, waste produced, and carbon dioxide (CO₂) discharged. The KPIs are measured using internationally accepted measurement units at the level of production (factory site level) and will be compared with sales, volume, weight, or other unit of measure. For CO₂, the Group will also measure emissions from own and purchased transports.

- **Energy:** Swedish Match will work to increase its resource efficiency by reducing the consumption of energy per unit of output

- **Water:** Swedish Match will monitor its water use, working to minimize water taken from or flowing into sensitive areas
- **Waste:** Swedish Match will monitor its production of waste and its disposal methods, striving to reduce waste per unit of output
- **CO₂:** Swedish Match will monitor and report its CO₂ emissions from factory sources, as well as purchased transports, following protocols under the Carbon Disclosure Project (CDP)

In addition to the KPIs, Swedish Match evaluates a number of different issues that relate to the environment. Based on stakeholder dialogues, and the Group's own assessment of issues which it determines to be of high importance to its stakeholders or high impact on Swedish Match sustainability performance, Swedish Match will undertake to evaluate its measuring system, update or revise if necessary, and gather data with the intention of eventually reporting these measurements internally and externally.

In order to achieve the identified environmental targets that are directed at reducing or remedying the environmental impact of Swedish Match activities, products and services, environmental management programs must be developed. Among the factors that are considered when developing an environmental management program are legal requirements, the degree of environmental impact, financial considerations and impact on the business operations. These programs will be defined and implemented at the factory level or at other levels in the Group as appropriate.

3.4 Biodiversity

Swedish Match both sources wood and maintains plantations for use in match production. As such, timber sourcing and forestry is an important area for the Group in environmental sustainability. Swedish Match uses aspen, pine, and poplar. Sourcing takes place near production, primarily from sources in Sweden and Brazil. All sourcing must be from timber grown which meets or exceeds government regulations. Information with regard to Swedish Match forestry and timber sourcing practices shall be made available to the public via the Group's website.

Swedish Match sources an extremely small percentage of global tobacco production, and, as such, relies on large, reputable international suppliers of tobacco. These tobacco suppliers must be able to provide Swedish Match with documentation of their own regulatory framework and control of social and environmental issues, including their policies with regard to farming practices.

3.5 Eco efficiency

In addition to its efforts at the factory level, the Group encourages greater eco efficiency in all facilities under the following guidelines.

- 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 FSC certified (or similar) paper. Suppliers of annual and interim report printing must have FSC certification (or similar). *FSC is the Forest Stewardship Council, a body which certifies that the paper comes from well managed forests and other controlled sources*
- 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 Travel Policy (available to Swedish Match employees only)*
- Offices are encouraged to facilitate recycling of materials

4 DISTRIBUTION, CONFIRMATION AND IMPLEMENTATION OF THIS DOCUMENT

This policy is to be distributed to the following groups of persons and must be confirmed in accordance with the matrix below.

Confirmation required for this policy	Received	Read	Implemented
GMT	X	X	
Operating units' management team	X	X	
Head of operating unit	X	X	X
Environmental Council	X	X	

- By confirming that the Group policy document has been RECEIVED, the recipient confirms to know that the policy exists.
- By confirming that the Group policy document has been READ, the recipient acknowledges having read and understood the contents of the policy.
- Confirming that the Group policy document has been IMPLEMENTED means that the recipient
 - has informed all other persons within his/her respective unit that may be affected by the policy of the contents of the policy,
 - has documented evidence of informing the other persons within his/her respective unit of the policy (ex. meeting minutes with participant list and agenda, return-receipt on an e-mail), and

- ensures that the principles of the policy are followed within his/her respective unit.

5 INFORMATION AND COMMUNICATION

For more information regarding the policy requirements, contact your operating unit representative in the Environmental Council or equivalent.

For additional general information regarding this policy please contact the Group department of Corporate Communications and Sustainability.

The Senior Vice President of Corporate Communications and Sustainability is responsible for the revision and updating of this policy.