



**Group Policy
on
Fraud Response**

| | |
|-------------------------------|-----------------|
| Issue date: | 11/18/2005 |
| Issued by: | Audit Committee |
| Version: | 2.0 |
| Date of last revision: | 2008-12-10 |

CONTENTS

| | | |
|----------|---|----------|
| 1 | INTRODUCTION..... | 4 |
| 2 | IMPLEMENTATION..... | 4 |
| 3 | SAFEGUARDS..... | 5 |
| 3.1 | HARASSMENT OR VICTIMIZATION | 5 |
| 3.2 | CONFIDENTIALITY | 5 |
| 3.3 | ANONYMOUS ALLEGATIONS | 5 |
| 4 | EMPLOYEE ACTION | 5 |
| 5 | HOW WILL ALLEGATIONS OF FRAUD OR CORRUPTION BE DEALT WITH BY THE COMPANY | 6 |
| 6 | DISTRIBUTION AND CONFIRMATION | 6 |

REVISION HISTORY

| Date of change | Changed section | Changed by |
|-----------------------|------------------------|-------------------|
| 2007-12-11 | | Audit Committee |
| 2008-12-05 | 1,2,3,4 | Audit Committee |

1 INTRODUCTION

The Company is committed to the highest possible standards of openness, probity and accountability in all its affairs. It is determined to maintain a culture of honesty and opposition to fraud and corruption

This Fraud Response Policy reinforces the Company's approach by setting out the ways in which employees can voice their concerns about suspected fraud or corruption. It also outlines how the Company will deal with such complaints.

This policy applies to all Board members and employees within Swedish Match Group ("the Group").

2 DEFINITIONS

Fraud is defined as:

The misuse of Group assets and/or the intentional distortion of financial statements or other records carried out to conceal such misuse or otherwise for gain.

Corruption is defined as:

The offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person.

Fraudulent or corrupt acts may include:

| | |
|-------------------|--|
| System issues: | Where a process/system exists which is prone to abuse by either employees or public. |
| Financial issues: | Where individuals or companies have fraudulently obtained money from the Group. |
| Equipment issues: | Where Group equipment is used for inappropriate personal use. |
| Resources issues: | Where there is misuse of resources (e.g. theft of materials) |
| Other issues: | Activities undertaken by Board members or employees in the Group which may be unlawful, against the Group policies, falls below established standards or practices or amounts to improper conduct. |

The list above is not an exhaustive list. If you are in any doubt about the seriousness of your concern, advice or guidance can be obtained from the Senior Vice President Legal Affairs.

3 SAFEGUARDS

3.1 Harassment or Victimization

The Company 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 malpractice. The Company will not tolerate harassment or victimization and will take action to protect those who raise concerns in good faith.

3.2 Confidentiality

The Company will do its best to protect the secrecy of an individual's identity when he or she raises a concern and does not want their name to be disclosed. It must be appreciated, however, the investigation process may reveal the source of the information and a statement by the individual may be required as part of the evidence.

3.3 Anonymous allegations

This policy encourages individuals to put their names to allegations. Concerns expressed anonymously are much less powerful, but they will be considered at the discretion of the Company. In exercising this discretion, the factors to be taken into account would include the seriousness of the issue raised, the credibility of the concern and the likelihood of confirming the allegation from attributable sources.

4 EMPLOYEE ACTION

Employees are often first to realize that there is something seriously wrong within the Company. However, they may not express their concerns because of the feeling that speaking up would be disloyal to their colleagues and to the Company. They may also fear harassment or victimization.

The Company's Whistle-blowing Policy is intended to encourage and enable staff to raise serious concerns within the Company rather than overlooking a problem or blowing the whistle to the media or other external bodies.

A full copy of the Whistle-blowing Policy can be obtained through the link entitled *Direct Reporting to Audit Committee – Irregularities to report?* on the homepage of the Global Intranet.

In essence, employees should approach the head of their Business Unit or the Senior Vice President Legal Affairs on issues related to fraud or corruption. If the claim is substantiated, the Chief Executive Officer will be notified and consulted. The nature of the complaint will determine the Company's course of action.

The Vice President Legal Affairs is Mr Fredrik Peyron and can be contacted via the electronic mail system or by phone +46 8 658 0323

In addition to these internal contacts employees can also turn directly to the Chairman of the Audit Committee. The e-mail address of the Chairman of the Audit Committee is available at the link entitled Direct Reporting to Audit Committee – Irregularities to report? on the homepage of the Global Intranet.

5 HOW WILL ALLEGATIONS OF FRAUD OR CORRUPTION BE DEALT WITH BY THE COMPANY

For issues raised by employees or members of the public, the action taken by the Company will depend on the nature of the concern. The matters raised may:

- be investigated internally
- be referred to the police

Within five working days of a concern being received, the Chief Executive Officer or designated officer will write to the complainant:

- acknowledging that the concern has been received,
- indicating how it proposes to deal with the matter,
- giving an estimate of how long it will take to provide a final response,
- telling them whether any initial enquiries have been made, and
- telling them whether any further investigations will take place, and if not, why not

Where the loss is substantial, legal advice will be obtained without delay. Legal advice will also be obtained about prospects for recovering losses, where the perpetrator refuses repayment. The company would normally expect to recover costs in addition to losses.

The Company accepts that those people who reported the alleged fraud or corruption need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, they will receive information about the outcomes of any investigation.

6 DISTRIBUTION AND CONFIRMATION

Each Division President is responsible for ensuring that this policy is known and adhered to within his or her Division.