



**2014  
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, lighters, and complementary products).

## A WORLD WITHOUT CIGARETTES

VISION

*We create shareholder value  
by offering tobacco consumers enjoyable products  
of superior quality in a responsible way.  
By providing products that are recognized as safer  
alternatives to cigarettes, we can contribute  
significantly to improved public health.*

Swedish Match's vision is a world without cigarettes. Some of its well-known brands include: *General, Longhorn, White Owl, Red Man, Fiat Lux, and Cricket.*

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 2014 were approximately:

- 238 million cans of snus in Scandinavia and 4 million cans of snus in the US.
- 133 million cans of moist snuff in the US.
- 1,127 million cigars in the US.
- 6,100 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.

### Markets served

The primary sales channels for Swedish Match products are supermarkets, convenience stores, tobacconists, and gasoline stations. Other 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 (moist snuff, snus, cigars, and chewing tobacco), Brazil (matches, lighters, and complementary products), as well as Russia and parts of Asia (matches and lighters). Swedish Match consumers purchase their products through these sales channels.

### Ownership structure<sup>1)</sup>

At year-end, ownership outside of Sweden corresponded to 71.1 percent of total share capital, a decline of 1.5 percentage points compared with 2013.<sup>2)</sup> Swedish ownership interests, totaling 28.9 percent, were distributed among institutions, with 7.3 percent of the share capital, mutual funds, with 12.1 percent, and private individuals, with 9.5 percent.

### Operational structure

The Swedish Match head office, where the CEO and Corporate functions are based, is located in Stockholm, Sweden. Corporate functions include finance, business control, legal, IR and corporate sustainability, scientific, communications and public affairs, procurement, group IT, as well as central HR. The organizational structure is divided among the following operating units: Scandinavia Division, US Division, Lights International, Lights Latin America, and SMD Logistics. The total workforce in the Group at year-end 2014 was 4,387 (including temporary workers).<sup>3)</sup>

### Sales and operating profit 2014

In 2014, sales increased by 6 percent to 13,305 MSEK. Operating profit from product areas<sup>4)</sup> for the full year increased by 2 percent to 3,446 MSEK. Operating profit<sup>5)</sup> amounted to 3,780 MSEK for the full year. EPS (basic) for the full year amounted to 13.23 SEK.

CORE VALUES



PASSION



OWNERSHIP



INNOVATION



QUALITY

<sup>1)</sup> Source: SIS Ägarservice AB, data derived from Euroclear Sweden AB.

<sup>2)</sup> Excluding shares held in treasury by Swedish Match AB, which corresponded to 2.41 percent of the total number of shares as per December 31, 2014.

<sup>3)</sup> 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 2014 Annual Report, the average number of employees in the Group was 4,395.

<sup>4)</sup> Operating profit from Swedish Match's product areas, which excludes share of net profit in STG and larger one-time items.

<sup>5)</sup> Operating profit for the Group includes share of net profit in STG and larger one-time items.

# 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 establish new markets for snus outside of Scandinavia and the US. Production units are located in Sweden (snus) and the US (moist snuff).



### Main markets and brands

**Sweden:** *General, Göteborgs Rapé, Ettan, Grov, Catch, Kaliber, Kronan*

**Norway:** *General, Nick & Johnny, The Lab*

### Strategy

Swedish Match's vision is a world without cigarettes, and snus can play a major part in helping to achieve this vision. The availability and accessibility of high quality snus on the Swedish market explains the uniquely low cigarette consumption in Sweden. In Norway, there is a similar trend of migration from cigarettes to snus. Swedish Match is distinctly positioned to compete in and further develop the growing snus category while contributing significantly to improved public health.

One of the Company's major strengths is its ability to consistently offer the market innovative high quality products and established brands based on deep consumer insight, to meet ever changing consumer needs.

Swedish Match will leverage its unique Snus and moist snuff platform, and continue to innovate and develop new and improved products with outstanding quality and value. 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 build on the Company's position in the US moist snuff market, and to explore global opportunities for Swedish snus through SMPM International.

Success will come from dedicated employees collaboratively working 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.

## 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 of chewing tobacco. Nearly all the products are sold on the US market. Production takes place in the US (cigars and chewing tobacco) and in the Dominican Republic (cigars).

### Main markets and brands

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



### 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 in order to maximize profits.

## LIGHTS

### (MATCHES, LIGHTERS, AND COMPLEMENTARY PRODUCTS)

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 many countries. Production of matches takes place in Sweden and Brazil. Lighters are produced in the Philippines, the Netherlands, and Brazil. The Company also offers a portfolio of complementary products, including disposable razors, batteries, high efficiency light bulbs, and tooth picks under the *Fiat Lux* brand.

### Main markets and brands

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

**Lighters:** *Cricket* (globally)



### 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 market positions. With its high and demanding quality standards, fast and flexible production, and ongoing customer feedback, Swedish Match is able to provide consumers and customers with the quality products they demand at attractive prices. The Company will work to maintain sales and profitability in the Lights product area by tightly controlling costs and managing its price/mix and by growing its overall presence for its premium disposable lighters and utility lighters. The Company will also focus on further developing its complementary products business sold in the Brazilian market. These complementary products now account for close to 10 percent of total sales in the Lights product area.

# CONTENT

2	<b>Swedish Match at a glance</b>
5	<b>CEO Statement</b>
6	<b>Key figures 2014</b>
7	<b>A few highlights in 2014</b>
8	<b>Our approach to Corporate Sustainability</b>
8	A sustainable and responsible business
8	Sustainability and tobacco
8	Stakeholder engagement
8	Risk management
8	Swedish Match's sustainability model
9	sustainability key achievements 2014
10	Stakeholder dialogue
11	Prioritized stakeholder groups
12	Sustainability materiality matrix
12	Materiality analysis
13	Sustainability organization
14	<b>Policies and procedures</b>
14	The Code of Conduct
15	Group Policy on Fraud Response
15	Group Environmental Policy
16	<b>Economic responsibility</b>
16	Financial performance
17	Corporate Governance and transparency
18	<b>Employee responsibility</b>
18	Human resources organization
18	HR-related KPIs and targets
18	Freedom of association and collective bargaining
18	Occupational health and safety
20	Workforce diversity and non-discrimination
20	Employee programs
21	<b>Social responsibility</b>
21	Social responsibility organization
22	Supplier responsibility
24	Consumer and marketplace responsibility
30	Regulator engagement
32	Community responsibility
34	<b>Environmental responsibility</b>
34	Environmental organization
34	Environmental management (quality and standards)
35	ISO certifications
36	Environmental KPIs and targets
37	Energy consumption
38	Greenhouse gas emissions (CO <sub>2</sub> )
38	Water use
39	Waste management
40	Environmentally adapted products and packaging
40	Sustainable agriculture
42	Eco efficiency
42	Green building policy
42	Climate change
44	<b>GRI index 2014</b>
46	<b>Reporting facts and details</b>
47	<b>Reporting on performance indicators</b>
47	Economic performance indicators
48	Environmental performance indicators
60	Employee related performance indicators

## IMPORTANT DISCLOSURE INFORMATION

Date of issue: May 8, 2015

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 Service which concludes that the 2014 Sustainability Report fulfills the requirement of Application level B. The Application Level Service icon on page 44 in this report, confirms the successful completion of the service.

Swedish Match annually publishes a sustainability report as a soft copy. The 2014 Sustainability Report follows the 2013 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 2014 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.

## 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](mailto:sustainability@swedishmatch.com).

The SVP Investor Relations and Corporate Sustainability, Emmett Harrison, is responsible for the publishing of the Company's 2014 Sustainability Report as well as the Swedish Match 2014 annual report.

[emmett.harrison@swedishmatch.com](mailto:emmett.harrison@swedishmatch.com).

The Director of Corporate Sustainability, Annsie Kumlin, is responsible for compiling the Company's 2014 Sustainability Report.

[annsie.kumlin@swedishmatch.com](mailto:annsie.kumlin@swedishmatch.com).

## CEO STATEMENT

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.

Nearly two decades ago, Swedish Match chose a different path and made the conscious decision to divest its cigarette business. This was the start of a successful and ongoing journey that has helped to define our values, our company culture and our daily decisions.

While our vision is long term, it can be achieved. The availability of our high quality snus explains the uniquely low cigarette consumption in Sweden. In Norway, we see

a similar migration from cigarettes to snus. Swedish Match can and does contribute to improved public health by offering tobacco consumers quality products which are recognized to be safer than the dominant tobacco product, cigarettes.

Our vision should be seen as a further clarification of what we stand for. With our new vision, we see the market and its potential as something more, and larger, than simply gaining share in an existing market.

To realize our potential, we take an approach based on the values of passion, ownership, innovation, and quality. Our various businesses are strong platforms for reaching our vision, which requires capital, proximity to markets, distribution, strong brands and dedicated employees. We look forward to a world without cigarettes where snus will be widely recognized as a more responsible way for adults to enjoy nicotine.

On the regulatory front, there were a number of notable events during 2014. This past summer, Swedish Match was informed by the FDA in the US that the application

for Modified Risk Tobacco Product status was complete – a first for a tobacco company. The FDA takes into account relative risk of different tobacco products. While we do not know the final outcome of the application, we are hopeful that the application will be approved which would enable proper communication of information to consumers about the significantly lower health risks of snus compared to cigarettes. In Europe, with the new European Tobacco Products Directive, the ban on the sale of snus products within the EU will remain in place. We maintain that this was a wrong decision on the part of the EU from a public health standpoint and continue to believe that snus has an important role to play as a reduced harm alternative to cigarettes.

Swedish Match is committed to improving its social, environmental, and economic endeavors. As an example, during 2014 we broadened our scope with regard to our suppliers, implementing new standards and control procedures to help evaluate and ensure continued progress by our suppliers in maintaining high standards of conduct.

We have signed onto the ECLT Pledge of Commitment, demonstrating our resolve in doing our part toward eliminating child labor in tobacco growing. To monitor our tobacco suppliers and supplies, we have engaged AB Sustain, an outside company which is a leader in monitoring and supplier audits in the tobacco sector.

Swedish Match works continuously with diversity and gender equality. 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.

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 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, May, 2015

**Lars Dahlgren,**  
President and CEO



# KEY FIGURES 2014<sup>1)</sup>

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

<b>Economic performance</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Sales [MSEK]	13,305	12,610	12,486
Operating profit from product areas [MSEK]*	3,446	3,375	3,666
Economic value distributed [MSEK]	12,446	11,841	11,318
Economic value retained [MSEK]	1,171	1,251	1,573

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

<b>Environmental performance</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Total number of ISO 14001 certified manufacturing facilities*	10	10	9
Total energy (direct and indirect) consumption [MWh]	181,558	181,918	186,385
Total energy (direct and indirect) consumption [MWh per MSEK sales]	13.7	14.4	14.9
Total electricity consumption [MWh]	67,628	69,545	69,398
Total waste [metric tons]	22,982	26,680	24,063
Total waste [metric tons per MSEK sales]	1.7	2.1	1.9
Hazardous waste [metric tons]	823	866	800
Total direct and indirect greenhouse gas emissions [metric tons]	54,398	55,042	56,637
Total direct and indirect greenhouse gas emissions [metric tons per MSEK sales]	4.1	4.4	4.5

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

<b>Employee and social performance</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Total workforce (including temporary workers)	4,387	4,311	4,299
Gender distribution within total workforce [% of females]	38	38	38
Injury rate [per 100 employees per year]	2.00	2.93	1.77
Occupational diseases rate [per 100 employees per year]	0.11	0.16	0.18
Lost days rate [per 100 employees per year]	61.24	79.50	75.42
Absentee rate [% of working days per year]	3.12	2.86	3.26
Employees (including temporary workers) receiving a formal performance review [%]	76	76	74
Gender distribution in the Board of Directors [% of females]*	40	40	30

\* Including employee representatives but not deputy employee representatives.

<sup>1)</sup> 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 breakdowns in the Annual Report due to differences in methodologies. Some historic environmental figures have been restated in this report compared to the 2013 Sustainability Report.

## A FEW HIGHLIGHTS IN 2014

- The Company submitted a Modified Risk Tobacco Product (M RTP) application to the US Food and Drug Administration (FDA) for products within the *General* snus portfolio. The MR TP application seeks a risk modification order permitting the use of warning label statements on the Company's snus tobacco products in the US that differ from those carried by other commercially marketed smokeless tobacco products.
- The ECLT (Eliminating Child Labour in Tobacco Growing) Foundation Board, where Swedish Match is represented, approved a pledge to remove child labor from the tobacco supply chain.
- Systems have been put into place to enable tracking of supplier performance with regards to Swedish Match's Supplier Code of Conduct.
- The Company significantly improved its disclosure score in the Carbon Disclosure Project (CDP).
- In Sweden, Swedish Match initiated a special gender equality project in the beginning of 2014 to secure the right future conditions for an equal workplace.
- In the Netherlands, Swedish Match Lighters BV received an award for its efforts within workplace health and safety.
- For the first time ever, Swedish Match's Swedish operations were ranked as number one in total by convenience trade customers in the 2014 customer satisfaction survey by Handelsattityder.



# Our approach to Corporate Sustainability

Swedish Match has a vision of a world without cigarettes. This vision demonstrates the Company's commitment to contributing to improved public health.

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.

## A sustainable and responsible business

Sustainability entails generating value for the Company and its stakeholders while addressing environmental impacts – in order to assure long term and sustainable growth.

Swedish Match creates shareholder value by offering tobacco consumers enjoyable products of superior quality in a responsible way. By providing products that are recognized as safer alternatives to cigarettes, Swedish Match can contribute significantly to improved public health.

For Swedish Match, a sustainable and responsible business goes hand in hand. Consistent with the Swedish Match vision, the Company works systematically with Corporate Sustainability across the organization – a work that provides many long term benefits to the Company. It helps to make Swedish Match more competitive, to identify and reduce costs and risks, as well as 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).

## SWEDISH MATCH'S SUSTAINABILITY MODEL<sup>1)</sup>



### Strategic sustainability focus areas and overall ambitions

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

### Sustainability and tobacco

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.

### Risk management

Risk management is an important part of conducting business. Swedish Match focuses on understanding the risks to which the

business is exposed. To create the highest shareholder value and be a sustainable and socially responsible company, Swedish Match needs to manage risks efficiently. For more information, please refer to the Company's annual report.








### Stakeholder engagement

Swedish Match maintains an active dialogue with its stakeholders. For the past 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 the Company is focusing on sustainability activities that are material to stakeholders.

<sup>1)</sup> In this document, the sections Environmental responsibility and Employee responsibility are presented separately from Social responsibility. Employee responsibility refers to the Company's responsibility with regards to its internal stakeholder group while social responsibility entails responsibility towards external stakeholder groups such as suppliers, consumers and marketplace as well as society at large. Economic responsibility is also discussed in a separate section. For financial performance and other information regarding economic responsibility, please refer to pages 16-17 in this report and to the Swedish Match annual report.



# SUSTAINABILITY KEY ACHIEVEMENTS 2014

<p><b>Economic responsibility</b></p> 	<ul style="list-style-type: none"> <li>• Economic value generated in 2014 amounted to 13,617 MSEK, up 4 percent from 2013.<sup>1)</sup></li> <li>• Economic value distributed amounted to 12,446 MSEK in 2014, up 5 percent from 2013.<sup>1)</sup></li> <li>• Economic value retained amounted to 1,171 MSEK in 2014, down 6 percent from 2013.<sup>1)</sup></li> </ul>
<p><b>Employee responsibility</b></p> 	<ul style="list-style-type: none"> <li>• Joakim Tilly, President of Swedish Match's Scandinavia Division, was nominated Sweden's Employer Branding person of the year by the employer branding company Universum. The award goes to an individual who, through their efforts, has helped to increase engagement and interest in employer branding within their organization.</li> <li>• In Sweden, Swedish Match initiated a special gender equality project in the beginning of 2014 to secure the right future conditions for an equal workplace.</li> <li>• In the Netherlands, Swedish Match Lighters BV received an award for its efforts within workplace health and safety, IJzersterk Bedrijf 2014. As a part of being awarded, Swedish Match Lighters BV acted as an ambassador company for workplace health and safety matters during the year.</li> </ul>
<p><b>Supplier responsibility</b></p> 	<ul style="list-style-type: none"> <li>• In 2014, Swedish Match received its first annual set of results from AB Sustain's (previously LeafT) Social Responsibility in Tobacco Production (SRTP) program covering the calendar year 2013. The Company's overall SRTP index score, the average of the scores within the five SRTP categories, was 81. In 2015, the score covering the calendar year 2014 was 77.</li> </ul>
<p><b>Consumer and marketplace responsibility</b></p> 	<ul style="list-style-type: none"> <li>• To prevent the underage use of tobacco, Swedish Match continued to work with retailers, distributors, and public officials.</li> <li>• Focus on snus documented to have significantly lower negative health effects than cigarettes.</li> <li>• The Swedish Match GOTHIA TEK® standard for snus, with maximum permissible levels on undesired constituents, aids in efforts to improve public health.</li> </ul>
<p><b>Community responsibility</b></p> 	<ul style="list-style-type: none"> <li>• The ECLT (Eliminating Child Labour in Tobacco Growing) Foundation Board signed a pledge to align and reinforce members' policies and practices in combatting child labor in tobacco growing. The pledge was signed off by all the major leaf suppliers, the US and multinational tobacco manufacturers, and is supported by the International Labour Organization (ILO) and Save the Children Switzerland. Swedish Match is represented on the Board of the ECLT.</li> </ul>
<p><b>Regulatory engagement</b></p> 	<ul style="list-style-type: none"> <li>• During the year, Swedish Match submitted a Modified Risk Tobacco Product (MRTP) application to the US Food and Drug Administration (FDA) for products within the General snus portfolio. The MRTP application seeks a risk modification order permitting the use of warning label statements on the Company's snus tobacco products in the US that differ from those carried by other commercially marketed smokeless tobacco products.</li> </ul>
<p><b>Environmental responsibility</b></p> 	<ul style="list-style-type: none"> <li>• The Company significantly improved its disclosure score in Carbon Disclosure Project's (CDP) global annual review mapping companies' CO<sub>2</sub> emissions. The disclosure score reflects the comprehensiveness of a company's response to CDP in terms of the depth and breadth.</li> </ul>



<sup>1)</sup> 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.

## Stakeholder dialogue

The frequency of Swedish Match's stakeholder dialogue and 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 11 were recognized as prioritized to the Company, i.e. consumers, customers/retailers, employees, legislators/regulators, investors/financial analysts, the scientific/health community, and suppliers.<sup>1)</sup>

During stakeholder meetings in 2014, issues related to the supply chain, the Company's corporate governance, emissions to air and water, human rights, product quality and health aspects, as well as marketing practices were discussed.

## Sustainability stakeholder survey

A part of Swedish Match's stakeholder dialogue is the sustainability stakeholder survey, which has been sent out yearly between 2010 and 2013 to prioritized stakeholder groups. Respondents are asked to assess the importance of various sustainability issues. The majority of these sustainability issues are chosen in accordance with the GRI framework, while a few additional issues have been added based on internal considerations. Swedish Match's Group Management Team, as well as members of the Environmental Council and HR professionals in the organization, are asked to assess the impact of these sustainability issues on Swedish Match's operations in 3-5 years.

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. 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. 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 in future sustainability stakeholder surveys. In addition, respondents to the 2013 sustainability stakeholder survey provided suggestions for 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.

The next sustainability stakeholder survey is scheduled in 2015.

<sup>1)</sup> The stakeholder group investors was in 2012 broadened to include financial analysts.



Employees at the Dothan factory, the US, where cigar production takes place.

# PRIORITIZED STAKEHOLDER GROUPS

Stakeholder group	Description	Examples of activities
<b>Employees</b>	At year-end 2014, Swedish Match employed 4,387 people, of whom 38 percent were women. <sup>1)</sup> 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.	<ul style="list-style-type: none"> <li>• Performance reviews</li> <li>• Dialogue and close cooperation with labor unions</li> </ul>
<b>Customers/retailers</b>	<p>Swedish Match's primary customers are wholesalers and selected retailers of tobacco and lights products.</p> <p>The Company's tobacco 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"> <li>• Customer surveys</li> <li>• Direct dialogue in meetings and ongoing contact</li> </ul>
<b>Consumers</b>	<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. 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"> <li>• Consumer surveys</li> <li>• Focus groups</li> </ul>
<b>Suppliers</b>	<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"> <li>• Supplier Code of Conduct</li> <li>• Purchasing negotiations with prioritized suppliers based on the Company's procurement policy</li> <li>• Supplier surveys</li> <li>• Direct dialogue in meetings and ongoing contact</li> </ul>
<b>Legislators/regulators and the scientific/health community</b>	<p>Swedish Match's primary business is tobacco which is a highly regulated industry.</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"> <li>• Dialogue and updates on various activities</li> </ul>
<b>Investors/financial analysts</b>	<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 71.1 percent of total share capital, a decline of 1.5 percentage points compared with 2013.<sup>2)</sup> Swedish ownership interests, totaling 28.9 percent, were distributed among institutions, with 7.3 percent of the share capital, mutual funds, with 12.1 percent, and private individuals, with 9.5 percent.</p> <p>In 2014, there were approximately 20 sell side financial analysts regularly covering Swedish Match.</p>	<ul style="list-style-type: none"> <li>• Regular Board meetings</li> <li>• Annual General Meeting</li> <li>• Telephone conferences</li> <li>• Surveys from SRI-analysts</li> <li>• Regular meetings with investors and analysts</li> </ul>

<sup>1)</sup> Due to differences in methodologies, the total workforce presented in this Sustainability Report does not correspond to workforce breakouts in the annual report. In the 2014 Annual Report, the average number of employees in the Group was 4,395.

<sup>2)</sup> SIS Ågarservice AB, data derived from Euroclear Sweden AB. Numbers exclude shares held in treasury by Swedish Match AB, which corresponded to 2.41 percent of the total number of shares as per December 31, 2014.

# SWEDISH MATCH'S SUSTAINABILITY MATERIALITY MATRIX<sup>1)</sup>

Issues below presented in alphabetical order per sustainability area.



\* Issue ranks lower than medium impact in the stakeholder survey results, but is included in the matrix as Swedish Match's management believes it still needs to be recognized:  
 - The issue *Biodiversity and land use* as Swedish Match sources raw tobacco and also has forest plantations.  
 - The issue *Water use* as it is an important global sustainability issue.

## Materiality analysis

The materiality analysis gives insight into which sustainability issues are material for Swedish Match. The most recent analysis is based on the stakeholder survey in 2013 which included 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 made its own assessment of which sustainability issues to select for reporting as well as target and activity setting.<sup>1)</sup>

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

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 assess-

ment, 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.

In preparation for the next Sustainability Report, which will be aligned with the GRI G4 Guidelines, the Company will conduct a new materiality assessment to define report content. In comparison with the G3 guidelines, the G4 guidelines has an increased emphasis on identifying and reporting on those aspects that are material to the business and key stakeholders.

<sup>1)</sup> Based on internal considerations, a few additional issues were chosen for reporting beyond the level indicated by stakeholder assessments for the reasons outlined above (refer to the bottom left square in the materiality matrix). The issue *Community engagement/relations* was included as it is important to local Swedish Match operations. The issue *Environmental management (environmental certifications, quality systems)* was included as it is the foundation for working with environmental responsibility. The issue *Freedom of association and collective bargaining* was included 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. Lastly, the issue *Water use* was included as it is an increasingly important environmental issue globally.

# 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.

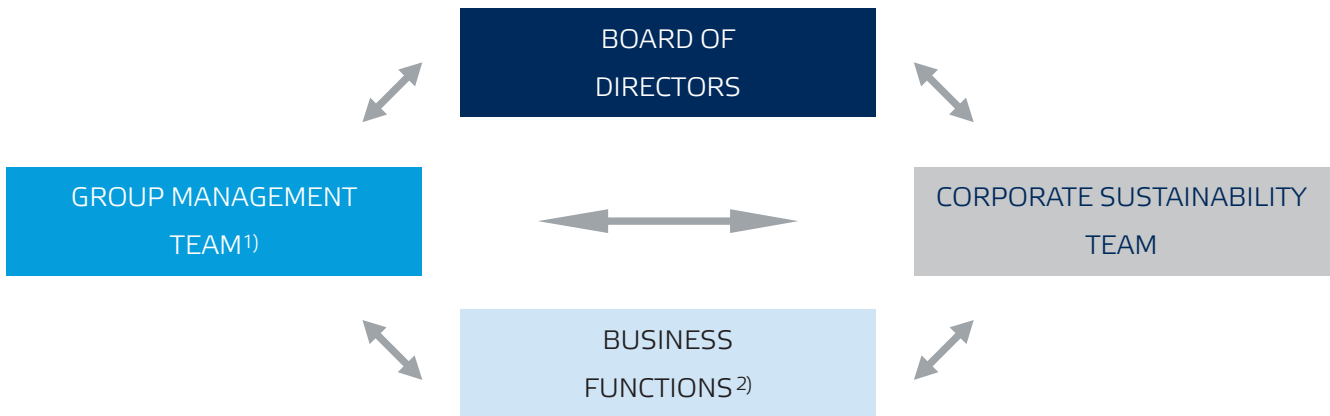
The SVP Investor Relations and Corporate Sustainability is responsible for the Corporate Sustainability function and for communicating sustainability issues internally and externally. The SVP Investor Relations and Corporate Sustainability reports to the CEO, and presents findings and updates to the 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 2014 include changes and improvements in reporting with regard to the 2013 Sustain-

ability Report, 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, legal, manufacturing (both supply chain and R&D), marketing and sales, communications and public affairs, and procurement. The Corporate Sustainability team works 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.



<sup>1)</sup> Representing operating units.

<sup>2)</sup> Including finance, HR, legal, manufacturing (Environmental Council), marketing and sales, communications and public affairs, and procurement.



# Policies and procedures

**Swedish Match has a number of Company policies<sup>1)</sup> 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.

## The Code of Conduct

The Swedish Match Code of Conduct is the foundation for the Company's position in areas related to Corporate Sustainability. It is applicable to all employees within the Group, regardless of position or geographical location, and 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 human rights and child labor), and the environment (the Group's Environmental Management System and the Group Environmental Policy). These areas of the Code of Conduct are consistent with international conventions and guidelines on human rights and labor conditions.<sup>2)</sup>



Employee at the Vetlanda factory, Sweden, where splint (match sticks) and skillets (printed outer boxes) are made.

Individual company policies in all 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 not only with the words but 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. Concerns about inappropriate conduct must be promptly addressed.

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.

Various procedures are in place for monitoring the Code of Conduct to ensure that employees are aware of, understand, and comply with its content.

The Code of Conduct is reviewed internally and approved by the Swedish Match Board of Directors. In addition, monitoring of the availability and knowledge of the Code of Conduct is conducted by the external partner AON (an international risk management company) who visit the Group's operating units.

During 2014, a project was conducted to expand and clarify the Code of Conduct, helping to ensure greater understanding and accessibility. This revised Code of Conduct is being communicated during 2015.

## 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 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 of Conduct and whether the employee has reviewed or been informed about the Code of Conduct over the past twelve months.

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.

<sup>1)</sup> Information throughout this document relates to policies and procedures in place 2014. During 2015, modifications have been made to ensure clarity and improved compliance.

<sup>2)</sup> 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.

## 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.

### 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 encour-

aged 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 whistleblower function.

Details on the whistleblower function are provided on the Swedish Match intranet. The SVP 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 promptly to the

SVP Legal Affairs. All other actual fraud or corruption cases shall, regardless of impact, be reported to the SVP 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 whistleblower 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.



# Economic responsibility

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.

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, the Company will continue to leverage the strengths of its operations and product areas to help to achieve the vision of a world without cigarettes. The Company will also play an active role in working with its partners and associated companies for future organic growth.

## Financial performance<sup>1)</sup>

### Group results full year 2014

Sales increased by 6 percent to 13,305 MSEK (12,610). In local currencies, sales increased by 4 percent. Operating profit from product areas<sup>2)</sup> increased by 2 percent to 3,446 MSEK (3,375). In local currencies, operating profit from product areas increased by 1 percent. Operating profit amounted to 3,780 MSEK (3,855 including a capital gain of 161 MSEK) including share of net profit in STG, and larger one-time items.

Profit before income tax amounted to 3,270 MSEK (3,310). Profit for the period amounted to 2,626 MSEK (2,711).

EPS (basic) decreased by 3 percent to 13.23 SEK (13.63).

## Creating value for stakeholders<sup>3)</sup>

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 benefits the Company's stakeholders in many different ways:

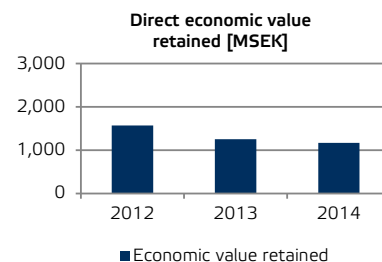
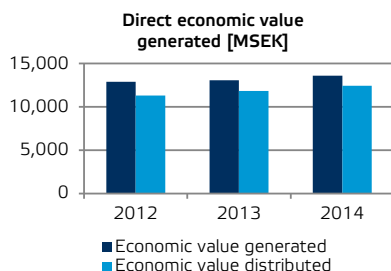
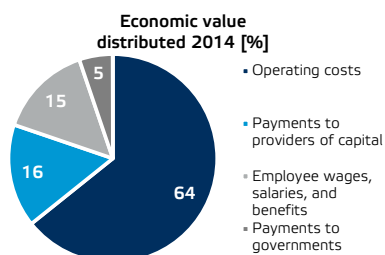
- Employees receive wages, salaries, and other benefits, enabling them to improve their standard of living.
- Suppliers benefit from payments for delivered goods and services.
- Governments benefit from tax revenues as well as Swedish Match's involvement and investments in community projects, which support 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 2014 amounted to 13,617 MSEK, up 4 percent from 2013. The total economic value distributed amounted to 12,446 MSEK in 2014, up 5 percent from 2013. Economic value retained amounted to 1,171 MSEK in 2014, down 6 percent from 2013, largely due to higher operating costs.

Operating costs accounted for 64 percent of total economic value distributed in 2014, followed by payments to providers of capital, which accounted for 16 percent, and employee wages, salaries, and benefits, with 15 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 6 percent in 2014 compared to 2013. While payments to providers of capital decreased by 2 percent, employee wages, salaries, and benefits increased by 8 percent. Payments to governments increased by 7 percent. Community investments were virtually unchanged compared to 2013 at 5 MSEK.



<sup>1)</sup> To read more about Swedish Match's financial performance, please refer to the 2014 annual report.

<sup>2)</sup> Operating profit from Swedish Match's product areas, which excludes share of net profit in STG and larger one-time items.

<sup>3)</sup> 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.



### **Corporate Governance and transparency**

Swedish Match AB (publ) is a public Swedish limited liability company listed on Nasdaq 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. Also refer to the Governance report in the 2014 annual report.

### **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 2014, one of the key results include Swedish Match's SVP Investor Relations and Corporate Sustainability being ranked among the best among all large cap companies in Sweden.



*Employees in the Gothenburg factory in Sweden where snus production takes place.*

# 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 continues to focus on employee related processes. 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.

At year-end 2014, Swedish Match employed 4,387 people, of whom 38 percent were women, with the largest number of employees in the US, Sweden, and the Dominican Republic followed by Brazil, the Philippines, and the Netherlands.<sup>1)</sup>

## 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. 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.

## 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.

## 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. 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 continuously monitored and, in addition, factory audits are conducted both internally and by external third parties. Read more about this audit process on page 14.

During 2014, 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 decreased from 132 cases in 2013 to 88 cases in 2014, primarily in the area of machine operations in the Dominican Republic manufacturing facility. In 2012, the total number of injuries/accidents (excluding minor first-aid level injuries/accidents) was 77. The total number of occupational illnesses decreased from 7 in 2013 to 5 in 2014. The total number of lost days due to occupational illnesses or injuries/accidents decreased from 3,586 to 2,697.

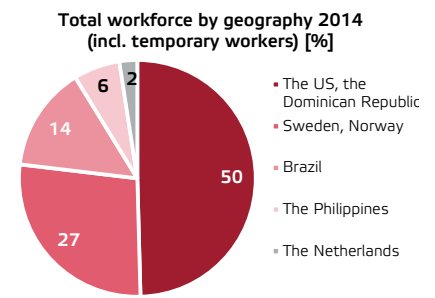
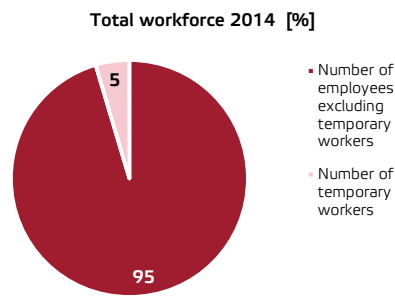
## Workplace practices

### 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. Efforts to recruit talented individuals, both internally and externally, continued during the year 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.

<sup>1)</sup> 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 2014 annual report, the average number of employees in the Group was 4,395.





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

**Leadership and talent pipeline**

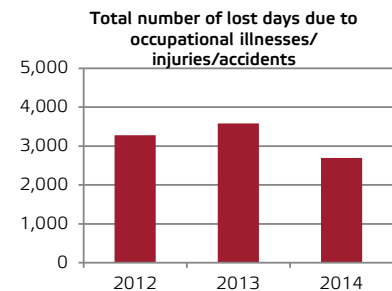
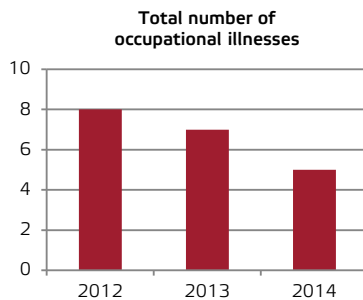
Successful leadership is a focus area for Swedish Match. During the past year, key employees in the Company have been monitored closely by the Group management, with the objective of securing appropriate staffing of senior management and critical positions, as well as to identify and develop high potential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



## 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. During the year, a consultant specialized in gender equality issues have conducted several in-depth interviews and the results have been analyzed for further actions during 2015.

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

## Employee programs

Social initiatives vary among countries and are closely linked to the social framework in which Swedish Match operates as an employer. The Group runs several employee programs across its operating units. 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 with the digital world. The project started in 2008 with the introduction of open computer areas. The computers



Employees at the Gothenburg factory, Sweden, where production of snus takes place.

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 comprises four areas in the Swedish Match sustainability model: supplier responsibility, consumer and marketplace responsibility, community responsibility, and regulatory engagement.**

## **Swedish Match and social responsibility**

For Swedish Match, social responsibility implies working conscientiously and responsibly in relation to the Company's 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

stakeholder groups/areas external to the Company: suppliers, consumers and the marketplace, communities, as well as regulators and scientific bodies.

## **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 human resources, legal, marketing and sales, public affairs,

procurement, R&D, as well as supply chain are all involved in this work 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.



*Research & Development, Gothenburg factory, Sweden.*

## SUPPLIER RESPONSIBILITY

Swedish Match seeks to treat its suppliers and business contacts impartially and strives for stable long term relations with suppliers with whom the Company can develop goods and services through collaboration.

The Company strives to work with suppliers who have a healthy long term financial situation and chooses suppliers who also support Swedish Match's long term requirements regarding quality, service, ethics, and environmental approach.

According to the Group Procurement Policy, when making the choice of supplier, all negotiations shall be carried out on a competitive basis, involving the collection of at least three offers from selected qualified suppliers.

### Supplier base

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, 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.

### 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 the Swedish Match Code of Conduct, the Group shall encourage its suppliers to establish and fulfill their own Codes of Conduct which address for example, basic human rights, occupational health and safety, ethical business conduct, and environmental issues.

As of fall 2013, supplier contracts have been revised to incorporate standards of conduct. Swedish Match's major contracted suppliers are expected to sign off on and adhere to the Company's Supplier Code of Conduct. This document is included as an

appendix in new and renegotiated supplier contracts for these suppliers. 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, and 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.

During the supplier engagement process, Swedish Match may recommend that certain actions be taken to improve a supplier's sustainability efforts. 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.

### Tobacco leaf suppliers

The Company's tobacco purchasers visit suppliers and tobacco markets on a yearly basis to proactively discuss social issues. In addition to promoting responsible farming practices, the respect of human rights and other important matters, Swedish Match partners with suppliers in its efforts toward the elimination of child labor in the supply chain.

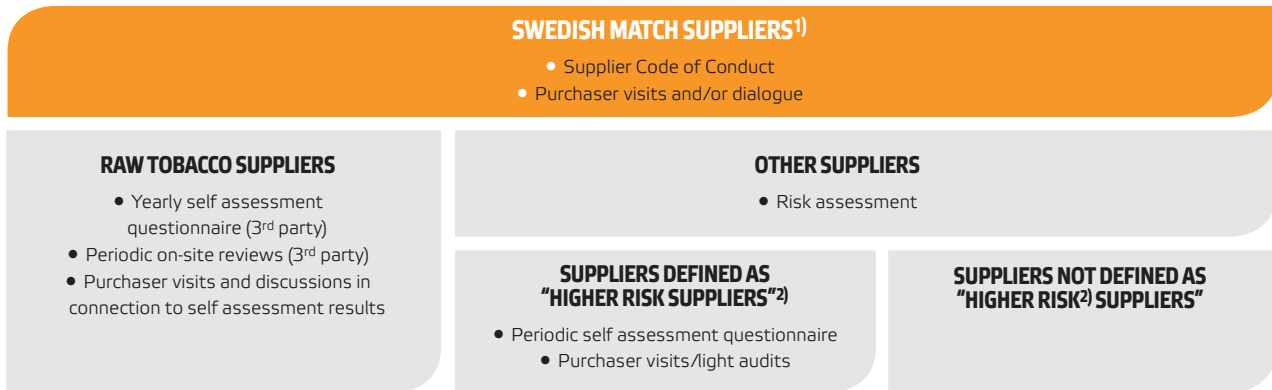
Swedish Match is a small purchaser in the global tobacco market; the Company buys less than one percent of the world's total tobacco supply. The Company's tobacco leaf suppliers are all audited by other large international tobacco companies as well as Swedish Match. The suppliers also have own strict policies with regard to human rights, child labor, and farming practices.

In the end of 2013, Swedish Match entered into an agreement with AB Sustain (previously LeafTc), an independent and experienced consultant, in order to enhance the supplier responsibility process within the Company's tobacco leaf supply chain.



Tobacco leaves.

## SIMPLIFIED ILLUSTRATION OF SWEDISH MATCH'S SUPPLIER RESPONSIBILITY PROCESS



<sup>1)</sup> Larger suppliers with whom Swedish Match has a contract. The Supplier Code of Conduct is an appendix to new and renegotiated contracts for these larger suppliers.  
<sup>2)</sup> "Higher risk suppliers" are defined as identified suppliers operating in geographies with higher risk according to Transparency International's Corruption Perception Index.

### The SRTP program

AB Sustain'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 tobacco supply chain. The program is used by all leading tobacco companies to reduce the burden on suppliers while also encouraging clear and consistent standards across the industry.

Through the SRTP program, tobacco suppliers yearly complete an online self assessment tool which allows them to assess and benchmark their performance and generate a sustainability road map. Swedish Match's Supplier Code of Conduct is included as a supplement to the assessment tool. The program includes topics 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 all Swedish Match's 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 auditor visit suppliers.

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. In 2015, the score covering the calendar year 2014 was 77.

AB Sustain (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. AB Sustain 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 certain 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, ethical, and environmental 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 have been trained in how to perform light on site audits of suppliers. In the 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.

## CONSUMER AND MARKETPLACE RESPONSIBILITY

Consumer and marketplace responsibility implies working closely with customers/retailers to maintain high standards of corporate conduct in the marketplace – to market and sell tobacco to adults of legal tobacco age, as well as to market both tobacco and lights products responsibly. It also implies to continuously work to reduce or eliminate undesired constituents in the Company's tobacco products and to increase knowledge about its potential impact on consumers.

### Product quality and safety

#### Harm reduction and consumer health

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 helped many people to quit smoking and

contributed to fewer people taking up the habit, 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.

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

During the past decades a large number of scientific studies have been published on health effects on snus use.

The scientific findings conclude among other things:

- The availability of snus in Sweden and Norway reduces the prevalence of smoking.
- There is no evidence of a link between snus and increased risk for lung cancer.
- There is no evidence of a link between snus and increased risk for oral cancer.
- Swedish men demonstrate the lowest incidence of lung- and oral cancer in the western world.

### Product quality and GOTHIA TEK®

The GOTHIA TEK® quality standard for Swedish Match's snus products is a guarantee to consumers that new technology, new methods for analytical testing and other scientific advances are continuously incorporated into manufacturing processes with the overarching aim of minimizing any adverse health effects among consumers of snus.

The most important determinant of health effects among individual users with any product for oral consumption, including food, lies in the chemical properties of the product. While unwanted constituents found in plants used as food are typically regulated, thereby avoiding the risk of adverse health effects, regulation of the same constituents found in the tobacco plant is absent. Therefore, GOTHIA TEK® includes a set of requirements for maximum permissible limits of selected undesired constituents, specific and non-specific to tobacco, in finished products. Simply put, the governing principles for food form the basis of the GOTHIA TEK® standard.

The development of GOTHIA TEK® is an important and trail blazing work that had already started in the mid '80s when the head of Swedish Match Scandinavia formulated his vision: “Swedish snus by Swedish Match should not have a negative impact on the user's health”. The passionate and dedicated research and development work that followed resulted in a dramatic reduction in unwanted constituents.

A few years ago the World Health Organization's Tobacco Regulatory Committee (WHO/TobReg) recommended; “Smokeless tobacco products should be regulated by controlling the contents of the products. The metric for measuring toxicants in smokeless tobacco should be the amount per gram of dry weight of tobacco”.<sup>1)</sup> WHO/ TobReg also proposed maximum permissible levels on specific constituents. The selected constituents and the maximum levels of these constituents were in line with the GOTHIA TEK® quality standard.

The high quality of Swedish Match's snus and the effectiveness of using snus as an alternative to the traditional cigarette have had an unprecedented impact on the tobacco consumption pattern in Sweden. Even though Swedish snus is not marketed or sold as a smoking cessation product, switching to Swedish snus remains the most



Research & Development, Gothenburg factory, Sweden.

<sup>1)</sup> WHO TobReg Report 955, 2010.



common way to stop smoking in Sweden among smokers who opt for a product to aid in quitting cigarettes. A similar trend is taking place in Norway – the use of snus is growing at the expense of cigarette smoking. It is a reasonable prediction that tobacco related diseases in Norway will drop due to this change in tobacco consumption pattern similar to what has happened in Sweden. Overall incidence levels for tobacco consumption in Sweden is similar to the European average. The difference is that the majority of Swedish tobacco users are not smokers – they use snus. The consequences are well documented in official

public health statistics which demonstrate that the prevalence of all diseases typically associated with cigarette smoking (or tobacco) are significantly lower in Sweden than in any other western population.

Today GOTHIA TEK® is recognized as the quality benchmark for smokeless tobacco products and is often referred to in the scientific literature.

For more information on snus and health, GOTHIA TEK®, including limits and average contents, please refer to the Snus and Health section on the Company's website.



#### **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 15.



*Solstickan matches and Eco Cricket lighter.*

## Responsible product labelling

Swedish Match complies with all regulations concerning labelling of tobacco products. Compliance with these requirements is reviewed continuously and no incidents of non-compliance were reported during 2014.

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 labelling 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 labelling for snus in Sweden and Norway, Swedish Match must comply with the regulations concerning labelling 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.

Compliance with these requirements is reviewed and safeguarded by the Marketing department and the Chemical Analysis department within Scandinavia Division.

Above and beyond regulatory requirements, Swedish Match's snus cans also contain nicotine percentage and pouch weight on product labels. This modification to product labelling, introduced in 2011, was

made in order to provide increased transparency with regard to nicotine content, and is above and beyond regulatory requirements.

In 2014, the EU approved and adopted a revised Tobacco Products Directive (TPD) (2014/40/EU) and its regulations in respect of snus will enter into force in May 2016. During 2015, a special investigator appointed by the Swedish Government will analyze and present how Sweden should implement the TPD into national law. Consequently, Swedish Match is analyzing how the new requirements following the transposition of TPD with regards to labelling, will affect how Swedish Match communicates such information to its consumers. According to the TPD, the warning label on snus will change from "this tobacco product may damage your health and is addictive" to "this tobacco product damages your health and is addictive". Furthermore, under the directive, a tobacco package and any outside packaging may no longer contain information about taste, smell or flavor. Nor will it be possible to communicate nicotine strength or an ingredients declaration on the package or any outside packaging once the TPD is implemented. Since the TPD is a minimum directive, Swedish Match will carefully follow its implementation into Swedish 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, and cigars)*

With respect to product labelling 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 pack-

aging. 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 labelling 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 labelling 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 labelling 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 labelling.

### *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 European Economic Community (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 labelling that complies with local regulations. While EN 13869 prescribes no warning labelling, Swedish Match voluntarily applies the "Child resistance" logo on the packaging of *Cricket* lighters. Compliance with these requirements is reviewed and safeguarded internally,



An example of a warning label on a Timber Wolf moist snuff can, sold in the US.

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 labelling 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. For batteries, information about disposal is required.

### **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 2014 in Sweden and Norway.

#### **The new "Under 18 No Snus" 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.

In 2014, Swedish Match formed a new company vision: A world without cigarettes. Sweden's uniquely low cigarette consumption is credited to the availability and accessibility of Swedish snus and has significantly improved public health in Sweden. In the implementation of the new vision, Swedish Match have reformulated the "Under 18 No Tobacco" principle for the Swedish market to a new "Under 18 No

Snus" principle. Swedish Match believes that no one should use cigarettes, regardless of age. However, Swedish Match considers snus an adult product and to prevent the underage use of snus, Swedish Match works with retailers, distributors, and public officials. 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, for example in Sweden, the "Under 18 No Snus" message to be placed on or in connection to the snus coolers in the stores together with an explanatory pamphlet.

#### **Scandinavia (snus)**

##### **Sweden**

With respect to marketing communication for snus in Sweden, Swedish Match must comply with the provisions of the Swedish Tobacco Act (Tobakslagen) and the Swedish Commercial Legislation Marketing Practices Act (Marknadsföringslagen) which are enforced by Sweden's Consumer Agency/Consumer Ombudsman (Konsumentverket/Konsumentombudsman). The legislation regulates to what extent marketing of tobacco products is allowed.

The Swedish 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 Swedish 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 Swedish Match's 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. 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. Only the sale of tobacco products is allowed and 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.

The limitations regarding marketing and self-service sale of tobacco, also applies to non-tobacco products defined as tobacco surrogates, such as Swedish Match's brand *Onico*.

A requirement for stores, which sells tobacco, to apply for a sales license from the authorities in order to be able to sell tobacco has been enacted and is anticipated to enter into force from January 1, 2016.

To the extent that marketing communication concerning snus in Norway is allowed at all, such communication shall be reviewed and approved by Swedish Match's 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 of the Directive 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, continues the ban on the sale and distribution of snus within the EU.

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

With respect to marketing communication 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 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 (FTC).

With respect to marketing communication for cigars in the US, Swedish Match must comply with the provisions of a consent decree it signed with the FTC. 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 a 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 Sweden**

On December 16, 2014, the Swedish Market Court case between the Consumer Agency and Swedish Match was resolved. The case concerned certain snus advertisements and the sale of items (other than snus) branded with Swedish Match's snus trademarks in the Company's store *Svenskt Snus* in Stockholm, Sweden, which the Consumer Agency deemed to be illegal. The court ruled both in favor and against both parties. Firstly, the Swedish Market Court concluded that Swedish Match had proved that snus is less harmful to people's health compared to cigarettes which made the court rule that the concerned snus advertisements were legally compliant. This ruling implies that advertising of snus shall be treated less strict than advertising of cigarettes going forward. Secondly, Swedish Match's sale of items such as clothes, sports equipment and other accessories branded with the Company's snus trademarks were forbidden to be sold in connection with the sale of snus products. Finally, Swedish Match was prohibited from arranging the Company's snus products with accessories such as artificial ice, plants, and sports equipment. The prohibitions were combined with a penalty of 1 MSEK in respect of each future, non-compliant activity to such prohibitions.

#### **Norway**

Following a presentation of new products to two major commercial retailers, the retailers, independently of each other, asked for written information/presentation regarding the products. Swedish Match forwarded a presentation of the products. The presentation included i.a. pictures of the products. The Directorate of Health considered the provided information to represent illegal marketing of tobacco toward the two retailers. Swedish Match has informed the Directorate of Health that information provided upon request to two retailers is not considered marketing of tobacco products. However, Swedish Match has accepted that the information was not approved for distribution in accordance with internal procedures, and that no further use of the material would occur. The Directorate of Health did not take further actions following the reply from Swedish Match, but requested that Swedish Match improve internal procedures for distribution of material.

## 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, which is divided into two parts, on a store level and on a central chain level, contains 14 questions that, amongst other things, evaluates cooperation, sales support, contact persons, and the company as a whole. Swedish Match is measured in comparison with most suppliers in all categories and all major tobacco companies are included as well as other well-known suppliers. The survey is standardized at both the store and chain level for the grocery and convenience classes of trade.

In 2014, Swedish Match's Swedish operations were, for the first time ever, ranked as number one in total by convenience trade customers. In the category of tobacco and confectionary suppliers, both at the store level and at the chain level, Swedish Match remained as the number one supplier. The results showed that Swedish Match is improving its competitiveness compared to other product 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.

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 United States (snus, moist snuff, chewing tobacco, and cigars)**

In the US, Swedish Match strives to evaluate customer satisfaction on a regular basis. Every fall, Swedish Match attends the American Wholesale Marketers Association (AWMA) Summit & Business Exchange (ABX) for three days of sessions where the company meet with the top 40 wholesalers and distributors who are represented by their presidents and owners. Swedish Match have serious discussions on how well the company performs to their expectations and standards, and if any changes should be taken to continue improvements to customer satisfaction.

In 2015, Swedish Match will conduct a customer satisfaction survey measuring the following areas of importance: category management, customer service, representation, and product offering.

### **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 2014, the customer satisfaction score was 4.1 on a scale of 1 to 5, the same as in 2013. 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. In 2014, the customer satisfaction rate scored 4.2 on a scale of 1 to 5 (in 2013 the overall rating was also 4.2). Consumer feedback is received by distributors and relayed to the factory by e-mail.

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

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 falls below the 88 percent threshold.

The end product users can use a special free telephone line to talk directly to the Consumer Service or through Internet. Any comments, suggestions or claims are submitted to the person responsible for the product segment.

## AWARDS AND RECOGNITIONS 2014

- For the first time ever, Swedish Match's Swedish operations were ranked as number one in total by convenience trade customers in the 2014 survey by Handelsattityder. The company was also ranked as number one in the group tobacco and confectionary suppliers.
- In Norway, Swedish Match was awarded supplier of year by Shell, a gasoline station retail chain, in competition with more than 100 other suppliers.
- Swedish Match's US operations was awarded "Tobacco Company of the Year" by Southern Association of Wholesale Distributors (SAWD), the largest regional association of distributors in the US. Criteria for being chosen include excellence and integrity in representing the industry, and positive contributions toward the organization.
- Swedish Match's US operations was awarded Convenience Store News' Best New Products Award in the "Other Tobacco Products" category for Garcia Y Vega 1882.
- Swedish Match's Brazilian operations maintained the Certificate of Quality NBR ISO 9001-2008. The certificate is valid until December 2015.

## REGULATORY ENGAGEMENT

Swedish Match expects that for the foreseeable future, hundreds of millions of people around the world will continue to consume tobacco, the vast majority by smoking cigarettes. Swedish Match believes that smokers should have access to a traditional, viable, non-combustible tobacco alternative, such as Swedish snus, which is scientifically documented to have significantly lower negative health effects.

Swedish Match believes that tobacco regulation will continuously become more global in character and steadily increase in scope. It is Swedish Match's aspiration to see a move from "one-size-fits-all" tobacco 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 i.e. product standards based on the principles of food regulation.

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/retailers and producers. This is why Swedish Match is monitoring relevant regulatory developments and is actively engaged with stakeholders in various ways, while recognizing that regulatory decisions will ultimately always be at the discretion of the lawmaker.

Swedish Match also 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 rele-

vant 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.

### Regulatory developments in the US

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 modified risk products. 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 August, 2014, the CTP accepted Swedish Match's so called Modified Risk Tobacco Products application, by which the Company is seeking to have the warning labels for its Swedish snus products inform consumers that these products present substantially fewer risks to health than cigarettes. The application is currently ongoing a review.

The Act also empowers the FDA to regulate other tobacco products, such as cigars, e-cigarettes and pipe tobacco. In April 2014, FDA published its proposed regulations for these products. The proposed regulations addressed certain areas, such as product

health warnings and the process companies must follow to have new products approved for sales in the US. A comment period followed, and now the CTP must determine which of those comments to accept and to incorporate into proposed final regulations. At this point it is not known when these regulations will come into force.

### Regulatory developments in Scandinavia

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 new directive (2014/40/EU) was approved by the European parliament in February 2014 and by the European Council in April 2014. The sales ban on snus will remain in the EU. Changes that the revised EU legislation will bring are increased and amended warning labels on snus cans, and restrictions on product presentation, among other things. For instance, Swedish Match may likely no longer disclose product information such as nicotine content, taste or flavorings on its snus packages.

EU member states and Norway, associated with the European Union through its membership in the European Economic Area (EEA), in the context of being a European Free Trade Association (EFTA) member shall nationally bring into force the laws, regulations and administrative provisions necessary to comply with the new directive by May 2016.

In Norway, a self-service ban went into force in July 2014 for tobacco products including Swedish snus.

### Lobbying

The main responsibility of the public affairs team at Swedish Match 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 represen-

#### SWEDISH MATCH IS OF THE OPINION THAT:

- The EU ban on Swedish snus is discriminatory, disproportionate, violates the free trade and subsidiarity principles and distorts the function of the internal market.
- The new Tobacco Products Directive (2014/40/EU) violates the fundamental consumer right to be informed of content and product taste by banning product information disclosure on snus packages.
- All smokefree tobacco products should be subject to consistent and competition neutral product regulation based on product quality and consumer protection i.e. similar to food standards.

tation 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 650,000 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 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 a member of European Smokeless Tobacco Council (ESTOC), which is also listed in the registry and adheres to the same 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 formal adoption of the EU's Tobacco Products Directive in May 2014, 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. The new Tobacco Products Directive will enter into force in May 2016 and will primarily change current labelling and ingredients reporting requirements.

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.



*Grounded tobacco.*

## COMMUNITY RESPONSIBILITY

For Swedish Match, community responsibility implies contributing to and supporting the local communities connected with the Company's business interests.

### Human rights and child labor

Swedish Match policy on human rights, included in Swedish Match's Code of Conduct, is based on international laws and accepted practices and guidelines such as 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.

The Company 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.

### Commitment against child labor

*The ECLT Foundation*



### Eliminating Child Labour in Tobacco Growing

Swedish Match has for several years been a member of the ECLT (Eliminating Child Labour in Tobacco Growing) Foundation and is represented on the Board. 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.

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.

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.

In 2014, the members of ECLT signed a pledge of commitment to align and reinforce members' policies and practices in combatting child labor in tobacco growing.

The ECLT Foundation focuses its work on the following five strategic objectives:

- Preventing, withdrawing and protecting children from child labor.
- Providing education and other basic services.
- Raising awareness.
- Strengthening communities.
- Alleviating poverty.

All initiated projects address these objectives.

One of many ongoing projects is the PROSPER (Promoting Sustainable Practices to Eradicate Child Labour in Tobacco) project in Tanzania which is helping to make a better life for children in tobacco-growing communities in many ways. The project has been actively working with 20 communities in Sikonge and Urambo districts of Tabora region, by building the community capacity to identify children in



*Community Activist provided with a bicycle by The PROSPER Project to facilitate their travel.*

child labour or at risk of entering child labour, among other activities. As part of this project, 20 Village Child Labour Committees (VCLCs) have been formed and trained on issues of child labor, identification, and monitoring, as well as taught skills and confidence to talk with parents and children about child labor issues. The VCLC's nominate Community Activists, who are provided with bicycles by the Project, enabling them to reach and monitor children in school and at home at poor and remote locations sometimes six hours away by foot.

For more information on the ECLT Foundation, the pledge of commitment, and ongoing projects, see the ECLT Foundation's website, [www.eclt.org](http://www.eclt.org).

### Community involvement

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 2014, 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 by donating money 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 special award to an individual who has made a personal effort, beyond the ordinary, for the benefit of children or the elderly. In 2014, the board of The Solstickan Foundation awarded the 2014 Solstickan Award to Göran Harnesk in Stockholm "for his genuine commitment and many years of support and assistance to children living with personal difficulties for various reasons. Göran



Harnesk has for decades worked to give help and support to children who are, or are at risk of being maltreated. He has emphasized the need for support for children who seek help and who are not always seen, understood and respected by adults close to them.”

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.

Swedish Match 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. Historically, the contributions have focused on the health and safety of children, community service, health, food/shelters, and education. 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 continued its support in 2014 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. The Company continued its support in 2014.

#### ***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 with regards to 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.

The Laguna Technopark Annual CSR program is a program supported by the majority of the companies within the industrial park where Swedish Match Philippines, Inc. is located. Swedish Match and the other supporting companies in the area work together on projects that benefit the environment, communities, and the people (see case below).

## ***Community involvement in the Philippines***

Swedish Match Philippines, Inc. (SMPI), is based in the Laguna Technopark, a privately owned industrial estate in the city of Binan. In 2008, the land-owner of Laguna Technopark initiated a Corporate Social Responsibility (CSR) program called the Laguna Technopark Annual CSR program. The program is supported by the majority of the companies within the industrial park. The supporting companies work together on projects that benefit the environment, communities, and the people.

SMPI have participated in the program's various CSR activities since 2009. Most activities are the same from year to year, although some change venue. Activities have included eco-trail restoration, safety orientation seminars, lakeshore clean-ups, school rehabilitation programs, orphanage house visits, Mangrove tree planting projects, dental and pediatric medical missions, visiting homes for the aged, SMPI Feeding Program as well as Christmas gift giving activities. The program is voluntary and based on participants choosing to spend time to participate outside of their working hours – contributing with their own spare time and effort.

SMPI and the other participating companies continuously strives to achieve positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the community. These CSR projects proactively promote the public interest by encouraging community growth and development, honoring the triple bottom line: people, planet, and profit.



*Feeding program.*



*Lakeshore clean-up.*



*Tree planting project.*

# 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.**

## Swedish Match and environmental responsibility

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 15.

## 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 imple-

menting 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 2014, the ten most significant of the Company's twelve manufacturing facilities, with products accounting for more than 95 percent of Company sales of its own produced products, had management systems certified according to the environmental management standard ISO 14001 as well as the quality management systems standard ISO 9001.

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 in Sweden during 2012 was implemented. Since implementation, approximately 350 employees have successfully completed the training program.



Log piles for match production at the Vetlanda factory, Sweden.

## ISO CERTIFICATIONS

ISO (International Organization for Standardization) is the world's largest developer of voluntary international standards. The standards specifies requirements for products, services and good practice, helping to make industries more efficient and effective. Founded in 1947,

the organization has published more than 19,500 international standards covering almost all aspects of technology and business. The majority of Swedish Match's production facilities, with products accounting for more than 95 percent of Company sales of its own

produced products, is certified according to the environmental management standard ISO 14001 as well as the quality management systems standard ISO 9001.

More information about ISO can be found on ISO's website, [www.iso.org](http://www.iso.org).

## ISO CERTIFICATIONS

### Snus, 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

### 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

## Environmental KPIs and targets

Swedish Match is monitoring and reporting on the following six environmental KPIs: total energy consumption, electricity, greenhouse gas emissions (CO<sub>2</sub>), 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. 2014 has been the third 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 CO<sub>2</sub> 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 the table below, aggregated 2016 targets and 2014 results are listed per product area and per unit of output.

Topic	KPI	Product	Target 2016	Result 2014	Units	Increase/decrease vs. target
Energy consumption	Total energy consumption	Smokefree products	3.9	4.7	MWh/ metric tons produced	21%
		Cigars	13.0	8.4	MWh/ mn cigars produced	-35%
		Matches	813.4	827.8	MWh/ bn matches produced	2%
		Lighters	38.9	37.5	MWh/ mn lighters produced	-4%
	Electricity	Smokefree products	1.5	1.8	MWh/ metric tons produced	21%
		Cigars	11.6	8.2	MWh/ mn cigars produced	-30%
		Matches	150.8	147.7	MWh/ bn matches produced	-2%
		Lighters	36.8	36.1	MWh/ mn lighters produced	-2%
Waste	Total waste	Smokefree products	0.16	0.18	metric tons/ metric tons produced	17%
		Cigars	1.99	1.00	metric tons/ mn cigars produced	-50%
		Matches, <i>excluding biomass</i>	19.15	20.07	metric tons/ bn matches produced	5%
		Lighters	0.86	0.78	metric tons/ mn lighters produced	-10%
	Hazardous waste	Smokefree products	0.001	0.001	metric tons/ metric tons produced	0%
		Cigars	0.007	0.005	metric tons/ mn cigars produced	-22%
		Matches	8.912	11.386	metric tons/ bn matches produced	28%
		Lighters	0.045	0.029	metric tons/ mn lighters produced	-36%
Water use	Withdrawal and discharge of water	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 <sub>2</sub> emissions	Total company	To stay at or below baseline for CDP Scope 1 (direct emissions) and Scope 2 (indirect emissions).			



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

## Energy consumption

Swedish Match's total energy use during 2014, 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 2014

Approximately 45 percent of Swedish Match's total energy consumption is sourced from intermediate energy sources (indirect energy consumption<sup>1)</sup>).

Electricity constitutes approximately 83 percent of the total amount of indirect energy consumed, and 37 percent of total energy consumed. Purchased steam and district heating constitutes 9 percent and 8 percent respectively of the total amount of indirect energy consumed, and 4 percent each of the total energy consumed.

Approximately 55 percent of the Company's energy consumption is sourced from primary energy sources used for the Company's own consumption (direct energy consumption<sup>2)</sup>). Approximately 53 percent of the direct energy comes from wood chips (29 percent of total energy), which is a renewable energy source. Natural gas constitutes 46 percent of the total direct energy, and 25 percent of total energy.

In 2014, several energy efficiency improvement projects were registered. These projects led to energy savings of 711 MWh, corresponding to a cost saving of almost 575,000 SEK.

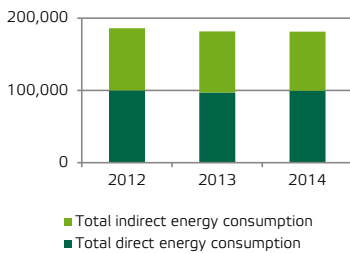
Within the production of lights products, there were several initiatives resulting in

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 and compressors as well as installing LED lamps and fluorescent lamps with lower wattages. For the production of cigars, the focus was on introducing systems that automatically shuts off lighting, suction units, and air conditioning during breaks and shift changes. Furthermore, relocation of certain machinery has eliminated the need for using some of the air conditioning units.

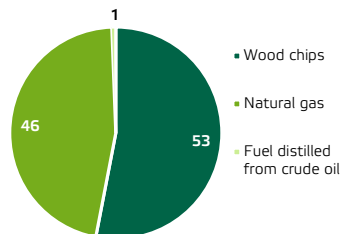
<sup>1)</sup> Indirect energy is defined as energy produced outside Swedish Match that is consumed to supply energy for the Company's intermediate energy needs (e.g. electricity, district heating, and purchased steam).

<sup>2)</sup> 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.

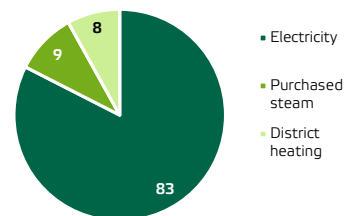
Total energy consumption [MWh]



Total direct energy consumption by source 2014 [%]



Total indirect energy consumption by source 2014 [%]



Employee at the Kungälv factory, Sweden, where snus production takes place.

## Greenhouse gas emissions (CO<sub>2</sub>)

Swedish Match works persistently on improvement activities and projects in order to limit its emissions of greenhouse gas, specifically with regards to CO<sub>2</sub> emissions, and each factory has its own target and/or activities in order to limit its CO<sub>2</sub> 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' CO<sub>2</sub> 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

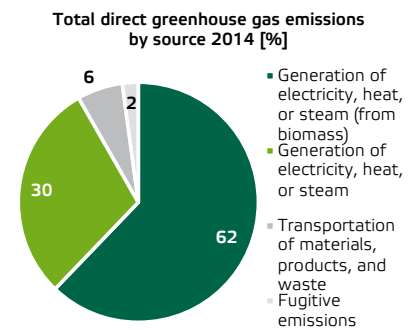
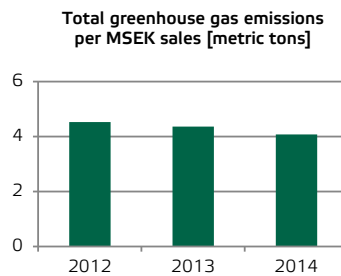
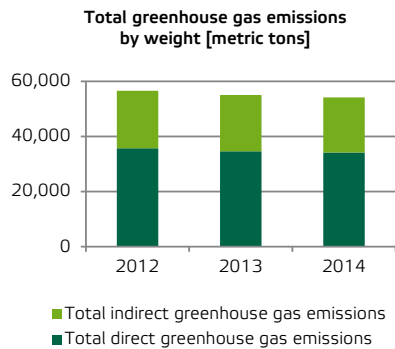
emissions). During 2014, the Company improved its disclosure score significantly (from 64 to 72) covering the 2013 calendar year.<sup>1)</sup>

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.

In 2014, approximately 63 percent of Swedish Match's total CO<sub>2</sub> 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 2014 were generated through electricity, heat, or steam, either from biomass (62 percent) or from other sources (30 percent). Transportation of materials, products, and waste accounted for 6 percent of the direct emissions. A small part, 2 percent, were fugitive emissions.

<sup>1)</sup> For more information regarding Swedish Match and CDP, refer to [www.cdproject.net](http://www.cdproject.net).



## 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.

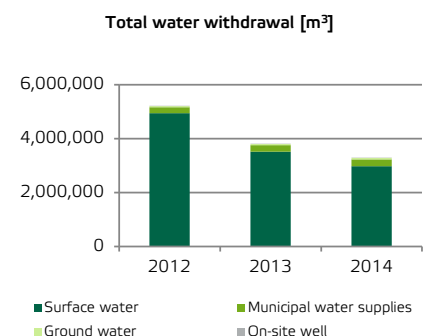


Swedish Match's poplar plantation, Brazil.

### Performance and initiatives 2014

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, the Company's water use in 2014 was lower than in 2013, and still significantly lower than in 2012, due to the somewhat less dry climate and a lower demand for irrigation of the poplar plantations.



## 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 2014

In 2014, 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 2014, incinerated waste decreased by 14 percent compared to 2013, mainly due to lower production volumes in the Company's match factories in Sweden. Waste to landfill and recovery/recycling/reuse decreased by 16 and 10 percent respectively.

### Hazardous waste<sup>1)</sup>

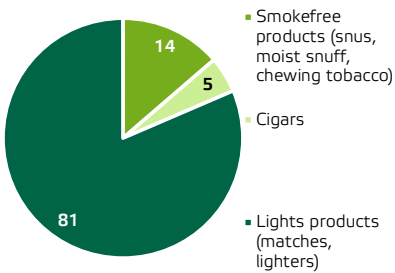
Environmentally harmful substances are only handled to a limited extent during production. In 2014, approximately 4 percent of Swedish Match's total waste was identified as hazardous. Almost all hazardous waste is generated in the Company's match production facilities. Examples from the match production 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.

<sup>1)</sup> In accordance with GRI, Swedish Match defines hazardous waste according to national legislation.

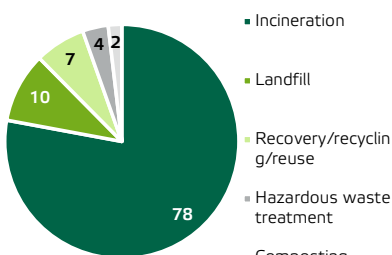
Total waste by type [metric tons]



Total waste per product area 2014 [%]



Total waste by treatment method 2014 [%]



Waste management in the snus factory in Gothenburg, Sweden.

## 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 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 (*Förpacknings- och Tidningsinsamlingen AB*) 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.



*Skillets (printed outer boxes), Vetlanda, Sweden.*

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 page 41.

For lighters, packaging for utility lighters has been developed which helps to minimize the use of material. 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.



*Cricket lighters.*



### 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.

#### 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, Sydved and Mellanskog. Smaller volumes of wood are sourced directly from individual forest owners.

The Company uses approximately 25,000 m<sup>3</sup> 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. FSC labelling 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.

#### 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.
- 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.

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

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:

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.

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



Swedish Match's poplar plantation, Brazil.

## 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.

In March 2015, employees from Swedish Match's Corporate HQ and the majority of the Stockholm-based employees from the Scandinavia Division relocated and moved to new, modern office facilities in central Stockholm. These recently renovated facilities are rated "Excellent" according to the international environmental certification system BREEAM (BRE Environmental Assessment Method). BREEAM is the most comprehensive environmental certification system available and is based on ten weighted criteria that in total provides an assessment of a building's performance with regard to environmental and sustainability aspects.

## 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 report printing must have FSC™ certification (or similar). Interim reports are only available in electronic form as of 2015.
- 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.

## Climate change

In the following tables (based on information to be reported to the Carbon Disclosure Project in 2015), 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 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
Induced changes in natural resources	Crop prices could increase.	Increased operational costs (direct impact).	Unknown	Medium

### 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
Product labelling regulations and standards	Due to the intention of the FDA to regulate tobacco, new marketing labelling is required.	Reduced demand for goods/ services and increased capital cost (direct impact).	Up to one year	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 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 have been 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 <sub>2</sub> -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
Other regulatory drivers	If more countries were to adopt regulation demanding lighters to be child resistant, it would provide an opportunity for <i>Cricket</i> lighters as these products feature consumer friendly child resistance mechanisms.	Increased demand for existing products/services (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 2014

The following index shows where the GRI-requested information can be found in the Swedish Match 2014 Annual Report as well as in this 2014 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 2014 Sustainability Report while AR refers to the Company's 2014 Annual Report (2013 numbers in parenthesis). The symbols show whether each indicator is being reported ●, partially reported ◐, or not reported ○.

In 2014, Swedish Match is fully reporting on 23 (23) performance indicators and partially reporting on 9 (9).

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 (13) Partially reported: 5 (5)

Explanations for the omission of information of general disclosures 1.2, 4.5, 4.7, and 4.10 are found in NOTE 1-4 in the box below.

INDICATORS	REFERENCE	
<b>1 Strategy and analysis</b>		
1.1 CEO statement	SR 5, AR 2-3	●
1.2 Description of key impacts, risks, and opportunities	NOTE 1 below, SR 5, 10-12, 42-43 AR 8-9, 48, 101	◐
<b>2 Organizational profile</b>		
2.1 Name of the organization	AR 81	●
2.2 Primary brands, products, and/or services	SR 2-3, AR 1	●
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, 60	●
2.6 Nature of ownership and legal form	SR 2, 17, AR 38	●
2.7 Markets served	SR 2-3 AR 6-7, 10-15, 17-21	●
2.8 Size of the reporting organization	SR 2, 6, 60 AR infold, 38-39, 51-53, 62	●
2.9 Significant changes during the reporting period	SR 46 AR 38-39, 53, 80	●
2.10 Awards received in the reporting period	SR 9, 29	●
<b>3 Report parameters</b>		
<b>Report profile</b>		
3.1 Reporting period	SR 46	●
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	●
<b>Report scope &amp; boundaries</b>		
3.5 Process for defining report content	SR 10-12, 46, AR 25	●
3.6 Boundary of the report	SR 46	●
3.7 Specific limitations on the scope or boundary of the report	SR 46	◐
3.8 Basis for reporting on joint ventures, subsidiaries, etc.	SR 46	●
3.9 Data measurement and calculation principles	SR 46, 55	●
3.10 Comparability with previous reports	SR 46	●
3.11 Significant changes from previous reporting periods regarding scope, boundaries etc.	SR 46	●
<b>GRI content index</b>		
3.12 Table identifying the location of the Standard Disclosures in the report	SR 44-45	●
3.13 Policy and current practice regarding external verification of the report	SR 4, 46	●

**NOTE 1** Separate descriptions of key impacts, risks and opportunities are available, but Swedish Match does not provide a single overview.  
**NOTE 2** Swedish Match's current compensation structure is not linked to the Company's performance within social and environmental performance.  
**NOTE 3** 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.  
**NOTE 4** 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	
<b>4 Governance, commitments, and engagement</b>		
<b>Governance</b>		
4.1 Governance structure for the organization	SR 13, AR 96-97	●
4.2 The role of the Chairman of the Board	AR 97-98	●
4.3 Independent and/or non-executive Board members	AR 98	●
4.4 Mechanisms for shareholders and employees to propose recommendations, etc. to the Board	SR 13 AR 96-97	◐
4.5 Linkage between compensation for Board members, senior managers, and executives, and the organization's performance	NOTE 2 below, 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	NOTE 3 below, AR 97-98	●
4.8 Mission, values, Code of Conduct, etc.	SR 2, 14-15, AR infold	●
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	NOTE 4 below, AR 97-98	●
<b>Commitments to external initiatives</b>		
4.11 Explanations of if and how the precautionary principle is applied	SR 25	●
4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives	SR 14-15, 32, 40-41 AR 26	◐
4.13 Memberships in associations and/or national/international advocacy organization	SR 31-32, 40-41 AR 32	●
<b>Stakeholder engagement</b>		
4.14 List of stakeholder groups	SR 8, 10-11, AR 25	●
4.15 Basis for identification and selection of stakeholders with whom to engage	SR 10-11	●
4.16 Approaches to stakeholder engagement	SR 5, 10-11	●
4.17 Key topics and concerns that have been raised through stakeholder engagement	SR 5, 10-12	●
<b>5 Economic performance indicators</b>		
Disclosure on management approach	SR 16-17, AR 2-3	●
<b>Economic performance</b>		
EC1 Economic value generated and distributed	SR 6, 16-17, 47	●
EC2 Financial implications and other risks and opportunities due to climate change	SR 42-43	◐
EC3 Coverage of the organization's defined benefit plan obligations	SR 47 AR 92	◐
EC4 Financial assistance received from government		○
<b>Market presence</b>		
EC6 Policy/practices regarding locally-based suppliers		○
EC7 Procedures for local hiring and proportion of senior management hired		○
<b>Indirect economic impacts</b>		
EC8 Development and impact of infrastructure investments and services provided		○

INDICATORS	REFERENCE	
<b>6 Environmental performance indicators</b>		
Disclosure on management approach	SR 34-36 AR 34-35	●
<b>Materials</b>		
EN1 Materials used by weight or volume	SR 48-49	●
EN2 Recycled input materials	SR 49	●
<b>Energy</b>		
EN3 Direct energy consumption	SR 37, 50	●
EN4 Indirect energy consumption	SR 37, 51-52	●
EN5 Energy saved due to conservation and efficiency improvements	SR 53	●
<b>Water</b>		
EN8 Total water withdrawal by source	SR 38, 54	●
<b>Biodiversity</b>		
EN11 Location/scope of land at organization's disposal in areas of biodiversity value		○
EN12 Impacts on biodiversity		○
<b>Emissions, effluents, and waste</b>		
EN16 Direct/indirect greenhouse gas emissions	SR 6, 38, 55-56	●
EN17 Other relevant indirect greenhouse gas emissions	SR 56-57	●
EN19 Emissions of ozone-depleting substances	SR 57	●
EN20 NO, SO and other significant air emissions		○
EN21 Total water discharge		○
EN22 Total weight of waste	SR 39, 57-59	●
EN23 Total number and volume of significant spills	SR 59	●
<b>Products and services</b>		
EN26 Initiatives to mitigate environmental impacts of products and services		○
EN27 Percentage of products sold and their packaging materials that are reclaimed by category		○
<b>Compliance</b>		
EN28 Fines and sanctions for non compliance with environmental laws and legislation		○
<b>7 Social performance indicators</b>		
<b>LABOR PRACTICES AND DECENT WORK</b>		
Disclosure on management approach	SR 18-20, AR 27-28	●
<b>Employment</b>		
LA1 Total workforce	SR 60, 64, AR 62	●
LA2 Number and rate of employee turnover		○
<b>Labor/management relations</b>		
LA4 Percentage of employees covered by collective bargaining agreements	SR 61	●
LA5 Minimum notice period(s) regarding operational changes		○
<b>Occupational health and safety</b>		
LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees	SR 61	●
LA7 Rates of injury, occupational diseases, lost days, absenteeism, work related fatalities	SR 6, 18, 62-64	●
LA8 Programs in place to assist workforce members, their families, or community members regarding serious diseases		○
<b>Training and education</b>		
LA10 Average hours of training per year per employee		○
LA11 Programs for skills management and lifelong learning	SR 19-20	●
LA12 Percentage of employees receiving regular performance reviews	SR 64-65	●
<b>Diversity and equal opportunity</b>		
LA13 Composition of governance bodies and breakdown of employees per category	SR 65	●
LA14 Ratio of basic salary of men to women by employee category		○

INDICATORS	REFERENCE	
<b>HUMAN RIGHTS</b>		
Disclosure on management approach	SR 14-15, 22-23 AR 32	●
<b>Investment and procurement practices</b>		
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 22-23	●
<b>Non-discrimination</b>		
HR4 Total number of incidents of discrimination and actions taken		○
<b>Freedom of association and collective bargaining</b>		
HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk		○
<b>Child labor</b>		
HR6 Operations identified as having significant risk for incidents of child labor	SR 22, 32 AR 32	●
<b>Forced and compulsory labor</b>		
HR7 Operations identified as having significant risk for incidents of forced or compulsory labor		○
<b>SOCIETY</b>		
Disclosure on management approach	SR 30-33, AR 32-33	●
<b>Community</b>		
SO1 Nature, scope and effectiveness of programs and practices that assess and manage impacts of operations on communities		○
<b>Corruption</b>		
SO2 Percentage and total number of business units analyzed for risks related to corruption	SR 14-15	●
SO3 Percentage of employees trained in anti-corruption policies	SR 14-15	●
SO4 Actions taken in response to incidents of corruption	SR 14-15	●
<b>Public policy</b>		
SO5 Public policy positions and participation in public policy development and lobbying	SR 30-31	●
<b>Compliance</b>		
SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		○
<b>PRODUCT RESPONSIBILITY</b>		
Disclosure on management approach	SR 24-29, AR 31	●
<b>Customer health and safety</b>		
PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement		○
<b>Product and service labelling</b>		
PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	SR 26-27	●
PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product or service information and labelling	SR 26	●
PR5 Practices related to customer satisfaction, including results of surveys	SR 29	●
<b>Marketing communications</b>		
PR6 Programs for adherence to laws, standards and voluntary codes related to marketing communications	SR 27-28	●
PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	SR 28	●
<b>Compliance</b>		
PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning products and services		○

# REPORTING FACTS AND DETAILS

<b>Reporting period</b>	All data in this report has been collected over the calendar years 2012, 2013, and 2014.
<b>Reporting principles to define content</b>	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.
<b>Reporting principles to define quality</b>	Swedish Match has followed guidance from GRI's <i>Principles for defining quality</i> to help ensure quality of the reported information. During 2015, Swedish Match has authorized the Global Reporting Initiative (GRI) to confirm Swedish Match's self-declaration that the 2014 Sustainability Report meets GRI G3 'B' level reporting requirements. The Application Level Service icon on page 44 confirms the successful completion of the service. The GRI Application Level Service confirms that a sustainability report has the required set and number of disclosures to meet the organization's self-declared Application Level. During 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.
<b>Reporting boundaries</b>	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.
<b>Reporting details – qualitative data</b>	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.
<b>Reporting details – quantitative data</b>	<p>An overview of details with regard to quantitative data (economic, environmental, and employee responsibility) can be found in the table below.</p> <p>Environmental data is reported per unit of output by product area, tied to the Company's manufacturing setup:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Cigars, covering manufacturing facilities in Dothan (the US) and Santiago (the Dominican Republic). Output is measured in million cigars.</li> <li>• Lights products (matches and lighters), covering match manufacturing facilities in Tidaholm and Vetlanda (Sweden), Curitiba and Pirai 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.</li> </ul> <p>Environmental data is also reported in relation to total Company sales (MSEK).</p> <p>Employee related data is reported under the following geographies, tied to production of the Company's main products:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• Brazil, covering the organizations within the operating unit Lights Latin America (matches and lighters).</li> <li>• The Philippines, covering the Philippine part of the operating unit Lights International (lighters).</li> <li>• The Netherlands, covering the Dutch part of the operating unit Lights International (lighters).</li> </ul>
<b>Changes in operational structure</b>	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.
<b>Changes in reporting procedures</b>	No changes in 2014 compared to previous years.
<b>Measurement techniques</b>	Calculations regarding emissions of greenhouse gases (see pages 55-57) 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		
		2014	2013	2012	2014	2013	2012	2014	2013	2012
<b>Data covers</b>	Fully owned manufacturing facilities	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Sales and administrative offices	✓	✓	✓	✓	✓	✓	-	-	-
	Business travel and logistics of products	✓	✓	✓	N/A	N/A	N/A	✓	✓	✓
<b>Data presented</b>	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	-	-	-	✓	✓	✓	-	-	-
<b>Data collected through</b>	The Corporate Control function			Human Resources			The Environmental Council			
<b>Other reporting details</b>	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 environmental figures have been restated in this report compared to the 2013 Sustainability Report.			

# REPORTING ON PERFORMANCE INDICATORS

## ECONOMIC PERFORMANCE INDICATORS

### ECONOMIC PERFORMANCE <sup>1)</sup>

*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 2014, the Company generated value of 13,617 MSEK, up 4 percent from 13,092 MSEK in 2013. Total economic value distributed amounted to 12,446 MSEK in 2014, up 5 percent from 11,841 MSEK in 2013. Economic value retained amounted to 1,171 MSEK in 2014, down 6 percent from 1,251 MSEK in 2013.

Operating costs accounted for 64 percent of total economic value distributed in 2014, followed by payments to providers of capital, which accounted for 16 percent, and employee wages, salaries, and benefits, with 15 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 6 percent in 2014 compared to 2013. While payments to providers of capital decreased by 2 percent, employee wages, salaries, and benefits increased by 8 percent. Payments to governments increased by 7 percent. Community investments were virtually unchanged at 5 MSEK.

Direct economic value generated [MSEK]		2014	2013	2012
Revenues		13,617	13,092	12,891
<b>Economic value distributed [MSEK]</b>	<b>[%]</b>			
Operating costs	64	7,996	7,519	6,964
Payments to providers of capital	16	1,990	2,037	1,923
Employee wages, salaries, and benefits	15	1,811	1,680	1,823
Payments to governments	5	644	600	604
Community investments	0	5	5	4
<b>Total economic value distributed [MSEK]</b>	<b>100</b>	<b>12,446</b>	<b>11,841</b>	<b>11,318</b>
<b>Economic value retained [MSEK]</b>		<b>1,171</b>	<b>1,251</b>	<b>1,573</b>

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

In 2014, the estimated value of benefit plan's liabilities met by Swedish Match's general resources amounted to 1,185 MSEK, up 45 percent from 818 MSEK in 2013. In 2014, 78 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]	2014	2013	2012
Estimated value of benefit plan's liabilities met by the organization's general resources	1,185	818	824
<b>Where a separate fund exists to pay the plan's pension liabilities [%]</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
The extent to which the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them	78	87	77

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 2014 Annual Report, note 26, Employee benefits.

Estimates have been calculated using the Project Unit Credit Method (IAS 19) on December 31, 2014, December 31, 2013, and December 31, 2012.

<sup>1)</sup> 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 INDICATORS<sup>1)</sup>

## MATERIALS<sup>2)</sup>

### Materials used by weight or volume (EN1)<sup>3)</sup>

In 2014, Swedish Match used 35,176 metric tons of materials plus 81,321 m<sup>3</sup> of wood. In relation to total Company sales (MSEK), the total amount of materials excluding wood<sup>4)</sup> amounted to 2.6 metric tons.

Total materials used excluding wood	2014	2013	2012
Total materials used [metric tons]	35,176	36,783	35,219
Total materials used [metric tons per MSEK sales]	2.6	2.9	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 33 percent of total usage in metric tons. The usage of tobacco leaf was down 2 percent from 2013. Cardboard, used for packaging materials in the production of all products, accounted for 21 percent in 2014. The use of coated board decreased compared to 2013, down 17 percent, partially due to lower usage in the moist snuff factory in Owensboro, the US, where some of the coated board consumption was replaced by cardboard. Plastics accounted for 10 percent of the total materials used. Film, used for packaging materials in the US production of smokefree products and cigars, accounted for 6 percent, with consumption virtually unchanged compared to 2013. 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]	[%]	2014	2013	2012
Tobacco leaf	33	11,778	11,997	10,942
Cardboard	21	7,279	7,414	9,445
Coated board	15	5,267	6,358	3,924
Plastics	10	3,499	3,410	3,444
Nylon	8	2,729	2,869	2,779
Film (aluminum, metalized)	6	2,069	2,043	1,922
Paraffin	4	1,406	1,538	1,569
Gas (butane, propane)	3	1,150	1,155	1,193
<b>Total materials used excluding wood [metric tons]</b>	<b>100</b>	<b>35,176</b>	<b>36,783</b>	<b>35,219</b>
<b>Wood [m<sup>3</sup>]</b>		<b>81,321</b>	<b>89,440</b>	<b>89,266</b>

In total, 51 percent of total materials used (excluding wood) in 2014 refers to packaging materials such as cardboard, coated board, plastics, and film. Raw materials excluding wood, i.e. tobacco leaf and gas, accounted for 37 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]	[%]	2014	2013	2012
Packaging materials	51	18,114	19,224	18,735
Raw materials	37	12,927	13,152	12,135
Semi-manufactured goods	12	4,135	4,407	4,348
<b>Total materials used excluding wood [metric tons]</b>	<b>100</b>	<b>35,176</b>	<b>36,783</b>	<b>35,219</b>
<b>Raw materials, wood [m<sup>3</sup>]</b>		<b>81,321</b>	<b>89,440</b>	<b>89,266</b>

In 2014, 24,324 metric tons of materials used (69 percent of total materials used excluding wood) were renewable. Tobacco leaf accounted for 48 percent of renewable materials, followed by cardboard with 30 percent, and coated board with 22 percent. Wood is also a renewable material.

<sup>1)</sup> When reporting environmental data in relation to MSEK sales, numbers are based on figures in the 2014 Annual Report. Furthermore, the baseline used for setting environmental 2016 targets was average data per manufacturing facility for 2010 and 2011.

<sup>2)</sup> Swedish Match measures and reports on EN1 - Materials used as this information is basic and important for any manufacturing company. Materials used in 2013 have been restated compared to the 2013 Sustainability Report, from 38,212 metric tons to 36,783 metric tons, reflecting a previous estimation error for the use of film in the production of cigars.

<sup>3)</sup> Materials reported on EN1 refer to the most significant materials categories within each product area. The list of materials reported is therefore not exhaustive.

<sup>4)</sup> Wood is reported in volume (m<sup>3</sup>) instead of weight (metric tons). Due to the inherent inaccuracies when using density conversion rates, wood is not converted into metric tons.



Total materials used excluding wood - renewable [metric tons]	[%]	2014	2013	2012
Tobacco leaf	48	11,778	11,997	10,942
Cardboard	30	7,279	7,414	9,445
Coated board	22	5,267	6,358	3,924
<b>Total materials used excluding wood - renewable [metric tons]</b>	<b>100</b>	<b>24,324</b>	<b>25,768</b>	<b>24,312</b>
<b>Percentage of renewable materials excluding wood [%]</b>		<b>69</b>	<b>70</b>	<b>69</b>

Per product area, 39 percent of total materials (excluding wood) was used for the production of smokefree products while approximately 27 percent refers to materials used for the production of cigars. Materials used (excluding wood) for the production of lights products accounted for 35 percent of total materials used (excluding wood). Material consumption for this product area was down 7 percent in line with production volumes.

Total materials used excluding wood - by product area [metric tons]	[%]	2014	2013	2012
Smokefree products (snus, moist snuff, chewing tobacco)	39	13,641	14,209	14,419
Cigars	27	9,398	9,504	7,668
Lights products (matches, lighters)	35	12,138	13,070	13,132
<b>Total materials used excluding wood [metric tons]</b>	<b>100</b>	<b>35,176</b>	<b>36,783</b>	<b>35,219</b>

Materials used in relation to total weight of smokefree products amounted to 0.8 metric tons in 2014. For the production of cigars, 8.4 metric tons of materials were used per million cigars, a decrease of 15 percent compared to 2013. This was a result of the increase in the overall production volume as well as a slight decrease in materials used compared to 2013. For match production, total materials used were 44.2 metric tons plus 471.5 m<sup>3</sup> of wood per billion matches. For lighters, 11.2 metric tons of materials were used per million lighters.

Total materials used by product area and unit of output produced [metric tons]	2014	2013	2012
Smokefree products (snus, moist snuff, chewing tobacco) [metric tons/metric tons]	0.8	0.8	0.8
Cigars [metric tons/mn cigars]	8.4	9.9	6.8
Matches, <i>excluding wood</i> [metric tons/bn matches]	44.2	45.0	44.7
Lighters [metric tons/mn lighters]	11.2	10.9	11.6
Matches, <i>wood</i> [m <sup>3</sup> /bn matches]	471.5	479.7	468.8

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

In total, 12,546 metric tons, or 36 percent of input materials, were recycled in 2014. The largest part refers to cardboard, which accounted for 58 percent of all recycled input materials, followed by coated board which accounted for the remaining 42 percent.

Total materials used - recycled input materials [metric tons]	[%]	2014	2013	2012
Cardboard	58	7,279	7,414	9,445
Coated board	42	5,267	6,358	3,924
<b>Total materials used - recycled input materials [metric tons]</b>	<b>100</b>	<b>12,546</b>	<b>13,771</b>	<b>13,369</b>
<b>Percentage of recycled input materials [%]</b>		<b>36</b>	<b>37</b>	<b>38</b>

## ENERGY<sup>1)</sup>

### Direct energy consumption by primary energy source (EN3)<sup>2)</sup>

In 2014, Swedish Match consumed 99,594 MWh of direct energy, an increase of 2,552 MWh (3 percent) compared to 2013. In relation to total Company sales (MSEK), the total amount of direct energy consumed also decreased by 3 percent to 7.5 in 2014 compared to 2013.

Total direct energy consumption	2014	2013	2012
Total direct energy consumption [MWh]	99,594	97,042	100,249
Total direct energy consumption [MWh per MSEK sales]	7.5	7.7	8.0

Swedish Match's primary direct energy sources are wood chips (a renewable energy source) and natural gas. Wood chips accounted for 53 percent of all direct energy consumed in 2014 while natural gas accounted for 46 percent. Fuel distilled from crude oil accounted for 1 percent. The use of wood chips declined by 2 percent to 52,816 MWh in 2014 with lower production volumes for matches in Brazil. The total amount of natural gas increased by 8 percent compared to 2013, largely due to more usage in the moist snuff factory in Owensboro, the US as a result of an overall increase in production volumes as well as the cold weather conditions in early 2014. The use of fuel distilled from crude oil was basically flat compared to 2013.

Total direct energy consumption by source [MWh]	[%]	2014	2013	2012
Wood chips	53	52,816	53,839	58,913
Natural gas	46	46,187	42,607	40,619
Fuel distilled from crude oil	1	592	597	717
<b>Total direct energy consumption [MWh]</b>	<b>100</b>	<b>99,594</b>	<b>97,042</b>	<b>100,249</b>
<b>Percentage of renewable energy sources [%]</b>		<b>53</b>	<b>55</b>	<b>59</b>

The production of lights products accounted for 54 percent of the total direct energy consumed in 2014, followed by the production of smokefree products which accounted for 46 percent. For smokefree products, total direct energy consumed increased by 9 percent to 45,435 MWh compared to 2013, mostly due to the increase in natural gas use in the Owensboro factory in the US. Cigars accounted for a very small amount of all direct energy consumed as the factories in Dothan, the US, and Santiago, the Dominican Republic, mainly uses indirect energy in their operations. Concerning lights products, total direct energy consumed decreased by 3 percent compared to 2013 mostly due to a lower usage of wood chips as a result of lower production volumes.

Total direct energy consumption by product area [MWh]	[%]	2014	2013	2012
Smokefree products (snus, moist snuff, chewing tobacco)	46	45,435	41,508	39,602
Cigars	0	288	245	330
Lights products (matches, lighters)	54	53,871	55,289	60,317
<b>Total direct energy consumption [MWh]</b>	<b>100</b>	<b>99,594</b>	<b>97,042</b>	<b>100,249</b>

Per unit of output produced, total direct energy consumed increased by 8 percent to 2.6 MWh per unit of output by weight for smokefree products, substantially due to the increase in direct energy consumption. For cigars, 2014 figures were flat compared to the prior year. For matches, total direct energy consumed per unit of output increased by 6 percent in 2014 compared to 2013 as the decline in direct energy consumption was not sufficiently offset by the production volume declines. For lighters, total direct energy consumed per unit of output decreased by 35 percent compared to 2013, reflecting lower usage of natural gas in the Assen factory in the Netherlands due to warm weather conditions during the year.

Total direct energy consumption by product area and unit of output produced [MWh]	2014	2013	2012
Smokefree products (snus, moist snuff, chewing tobacco) [MWh/metric tons]	2.6	2.4	2.2
Cigars [MWh/mn cigars]	0.3	0.3	0.3
Matches [MWh/bn matches]	309.2	291.8	312.5
Lighters [MWh/mn lighters]	1.3	2.1	2.1

<sup>1)</sup> Data for energy is presented in MWh. Gigajoules can be calculated by multiplying MWh-numbers with the factor 3.6.

<sup>2)</sup> 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)<sup>1)</sup>

In 2014, Swedish Match consumed 81,964 MWh of indirect energy, a decrease of 2,912 MWh (3 percent) compared to 2013. In relation to total Company sales (MSEK), the total amount of indirect energy consumed decreased by 8 percent to 6.2 MWh.

Total indirect energy consumption	2014	2013	2012
Total indirect energy consumption [MWh]	81,964	84,876	86,136
Total indirect energy consumption [MWh per MSEK sales]	6.2	6.7	6.9

Electricity accounted for 83 percent of total indirect energy consumed while purchased steam and district heating accounted for 9 and 8 percent, respectively. In 2014, the total amount of electricity consumed was down 3 percent compared to 2013. Purchased steam decreased by 13 percent due to lower production volumes within the Company's match production in Sweden.

In 2014, 18 percent of Swedish Match's indirect energy consumed was composed of renewable energy sources, down from 21 percent in 2013. 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]	[%]	2014	2013	2012
Electricity	83	67,628	69,545	69,398
Purchased steam	9	7,719	8,848	8,368
District heating	8	6,617	6,484	8,370
<b>Total indirect energy consumption [MWh]</b>	<b>100</b>	<b>81,964</b>	<b>84,876</b>	<b>86,136</b>
<b>Percentage of renewable energy sources [%]</b>		<b>18</b>	<b>21</b>	<b>19</b>

Per product area, 44 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 45 percent of total indirect energy and 39 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 2014 compared to 2013. For cigars, total indirect energy consumed (which only refers to purchases of electricity) was basically unchanged. For the production of lights products, total indirect energy and electricity consumed was down in 2014 compared to 2013 due to lower production volumes.

Total indirect energy consumption by product area [MWh]	[%]	2014	2013	2012
Smokefree products (snus, moist snuff, chewing tobacco)	44	36,041	36,033	36,456
Cigars	11	9,107	8,937	9,748
Lights products (matches, lighters)	45	36,816	39,907	39,932
<b>Total indirect energy consumption [MWh]</b>	<b>100</b>	<b>81,964</b>	<b>84,876</b>	<b>86,136</b>
Total electricity consumption by product area [MWh]	[%]	2014	2013	2012
Smokefree products (snus, moist snuff, chewing tobacco)	47	31,940	32,620	31,836
Cigars	13	9,107	8,937	9,748
Lights products (matches, lighters)	39	26,580	27,989	27,815
<b>Total electricity consumption [MWh]</b>	<b>100</b>	<b>67,628</b>	<b>69,545</b>	<b>69,398</b>

Per unit of output produced, total indirect energy consumed was similar in 2014 compared to 2013 for smokefree products. For cigars, total indirect energy consumed decreased by 12 percent per unit of output produced, as higher levels of output produced offset the slight increase in total indirect energy consumed. For the production of matches, total indirect energy consumed was down 3 percent in 2014 compared to 2013. For the production of lighters, total indirect energy consumed increased by 2 percent per unit of output produced.

<sup>1)</sup> 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]	2014	2013	2012
Smokefree products (snus, moist snuff, chewing tobacco) [MWh/metric tons]	2.1	2.1	2.0
Cigars [MWh/mn cigars]	8.2	9.3	8.7
Matches [MWh/bn matches]	129.0	132.7	132.5
Lighters [MWh/mn lighters]	36.1	35.4	36.9

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

In 2014, Swedish Match's total energy consumption amounted to 181,558 MWh, basically similar to the prior year. In relation to total Company sales (MSEK), the total amount of energy consumed decreased by 5 percent to 13.7.

Total energy (direct and indirect) consumption	2014	2013	2012
Total energy (direct and indirect) consumption [MWh]	181,558	181,918	186,385
Total energy (direct and indirect) consumption [MWh per MSEK sales]	13.7	14.4	14.9

Direct energy accounted for 55 percent of total energy consumption while indirect energy accounted for 45 percent.

Total energy (direct and indirect) consumption [MWh]	[%]	2014	2013	2012
Total direct energy consumption	55	99,594	97,042	100,249
Total indirect energy consumption	45	81,964	84,876	86,136
<b>Total energy (direct and indirect) consumption [MWh]</b>	<b>100</b>	<b>181,558</b>	<b>181,918</b>	<b>186,385</b>

Electricity accounted for 37 percent of total energy consumed in 2014. Wood chips accounted for 29 percent while natural gas accounted for 25 percent. Purchased steam and district heating accounted for approximately 4 percent each.

Total energy (direct and indirect) consumption by source [MWh]	[%]	2014	2013	2012
Electricity	37	67,628	69,545	69,398
Wood chips	29	52,816	53,839	58,913
Natural gas	25	46,187	42,607	40,619
Purchased steam	4	7,719	8,848	8,368
District heating	4	6,617	6,484	8,370
Fuel distilled from crude oil	0	592	597	717
<b>Total energy (direct and indirect) consumption [MWh]</b>	<b>100</b>	<b>181,558</b>	<b>181,918</b>	<b>186,385</b>

Per product area, the production of smokefree products in 2014 accounted for 45 percent of total energy consumed. The production of cigars accounted for 5 percent of total energy consumed. Approximately 50 percent of total energy consumed was for the production of lights products.

Total energy (direct and indirect) consumption per product area [MWh]	[%]	2014	2013	2012
Smokefree products (snus, moist snuff, chewing tobacco)	45	81,476	77,541	76,058
Cigars	5	9,395	9,181	10,078
Lights products (matches, lighters)	50	90,687	95,196	100,250
<b>Total energy (direct and indirect) consumption [MWh]</b>	<b>100</b>	<b>181,558</b>	<b>181,918</b>	<b>186,385</b>

### Performance against targets – total energy consumption

Per unit of output produced, total energy consumption for smokefree products increased by 4 percent. For cigars, total energy consumption per unit of output produced decreased by 12 percent. For matches, total energy consumed increased by 3 percent. For lighters, total energy consumed was basically flat per unit of output produced. In relation to the aggregated 2016 targets, results for smokefree products in 2014 were 21 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 35 percent lower than the aggregated 2016 target of 13.0 MWh per million cigars. With regards to matches, total energy per billion matches was 2 percent higher 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	2014	2013	2012	Baseline	Increase/decrease vs. target
Smokefree products (snus, moist snuff, chewing tobacco) [MWh/metric tons]	3.9	4.7	4.5	4.2	4.2	21%
Cigars [MWh/mn cigars]	13.0	8.4	9.6	9.0	12.5	-35%
Matches [MWh/bn matches]	813.4	827.8	803.9	852.1	784.8	2%
Lighters [MWh/mn lighters]	38.9	37.5	37.5	38.9	43.1	-4%

### Performance against targets – total electricity consumption

Per unit of output produced, total electricity consumed in 2014 compared to 2013 decreased for smokefree products and cigars but increased for matches and lighters. For smokefree products, the electricity consumed decreased by 3 percent. For cigars, the decrease amounted to 12 percent. For matches and lighters, total electricity consumed increased slightly for both.

In relation to the aggregated 2016 targets, results for smokefree products in 2014 were 21 percent higher than the aggregated target of 1.5 MWh per unit of output by weight. For cigars, total electricity per million cigars was 30 percent lower than the aggregated 2016 target of 11.6 MWh. With regards to matches, total electricity per billion matches was 2 percent ahead of the aggregated 2016 target of 150.8 MWh. Total electricity per million lighters was also 2 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	2014	2013	2012	Baseline	Increase/decrease vs. target
Smokefree products (snus, moist snuff, chewing tobacco) [MWh/metric tons]	1.5	1.8	1.9	1.7	1.7	21%
Cigars [MWh/mn cigars]	11.6	8.2	9.3	8.7	11.4	-30%
Matches [MWh/bn matches]	150.8	147.7	144.9	143.8	143.0	-2%
Lighters [MWh/mn lighters]	36.8	36.1	35.4	36.9	40.8	-2%

### Energy saved due to conservation and efficiency improvements (EN5)

In 2014, 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 and compressors as well as installing LED lamps and fluorescent lamps with lower wattages. For the production of cigars, the focus was on introducing systems that automatically shuts off lighting, suction units, and air conditioning during breaks and shift changes. Furthermore, relocation of certain machinery has eliminated the need for using some of the air conditioning units. For the production of smokefree products, there were no significant initiatives reported.

In total, Swedish Match registered projects that led to energy improvements of 711 MWh in 2014, of which improvements for lights production accounted for 75 percent. In terms of total cost savings, these registered projects led to cost savings of 574,927 SEK in 2014 (using average 2014 currency rates from the Swedish Riksbank). Savings for the production of lights accounted for 90 percent.

Total energy saved per product area [MWh]	[%]	2014	2013	2012
Smokefree products (snus, moist snuff, chewing tobacco)	5	35	0	95
Cigars	20	142	21	44
Lights products (matches, lighters)	75	534	194	650
<b>Total energy saved [MWh]</b>	<b>100</b>	<b>711</b>	<b>215</b>	<b>789</b>
Total cost saved per product area [SEK]	[%]	2014	2013	2012
Smokefree products (snus, moist snuff, chewing tobacco)	4	23,000	0	47,500
Cigars	6	34,289	16,936	24,865
Lights products (matches, lighters)	90	517,638	272,817	686,716
<b>Total cost saved [SEK]</b>	<b>100</b>	<b>574,927</b>	<b>289,753</b>	<b>759,082</b>

## WATER

### Total water withdrawal by source (EN8)

In 2014, Swedish Match withdrew 3,287,273 m<sup>3</sup> water, a decrease of 519,288 m<sup>3</sup> (14 percent) compared to 2013. 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 18 percent to 247.1 m<sup>3</sup>.

Total water withdrawal [m <sup>3</sup> ]	2014	2013	2012
Total water withdrawal	3,287,273	3,806,561	5,218,276
Total water withdrawal per MSEK sales	247.1	301.9	417.9

In 2014, 91 percent of Swedish Match's total water withdrawals were taken from surface water, followed by municipal water supplies or other water utilities (8 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 <sup>3</sup> ]	[%]	2014	2013	2012
Surface water	91	2,983,812	3,525,528	4,946,216
Municipal water supplies or other water utilities	8	252,819	232,721	219,128
Ground water	1	47,652	45,539	49,779
On-site well	0	2,990	2,773	3,153
<b>Total water withdrawal [m<sup>3</sup>]</b>	<b>100</b>	<b>3,287,273</b>	<b>3,806,561</b>	<b>5,218,276</b>

In 2014, 94 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 146,137 m<sup>3</sup> when comparing the 2014 figures with 2013. For the production of cigars, total water withdrawals increased by 38 percent to 45,421 m<sup>3</sup>. This was due to changes in the overall product mix with increased volumes for natural leaf cigars as well as an increase in the number of employees. For the manufacturing of lights products, water withdrawals decreased by 15 percent due to the decrease of water withdrawals for the poplar farms in Brazil.

Total water withdrawal by product area [m <sup>3</sup> ]	[%]	2014	2013	2012
Smokefree products (snus, moist snuff, chewing tobacco)	4	146,137	135,832	125,734
Cigars	1	45,421	32,834	33,298
Lights products (matches, lighters)	94	3,095,715	3,637,895	5,059,243
<b>Total water withdrawal [m<sup>3</sup>]</b>	<b>100</b>	<b>3,287,273</b>	<b>3,806,561</b>	<b>5,218,276</b>

Per unit of output produced, for the production of smokefree products and cigars, water withdrawals increased by 6 percent and 19 percent, respectively. For lighters, water withdrawals increased by 4 percent. For matches, total water withdrawals per unit of output decreased 8 percent.

Total water withdrawal by product area and unit of output produced	2014	2013	2012
Smokefree products (snus, moist snuff, chewing tobacco) [m <sup>3</sup> metric tons]	8.5	8.0	6.9
Cigars [m <sup>3</sup> /mn cigars]	40.7	34.2	29.6
Matches [m <sup>3</sup> /bn matches]	17,791.6	19,364.0	26,437.5
Lighters [m <sup>3</sup> /mn lighters]	66.5	64.1	62.1

## 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. 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	Substance	Global Warming Potential (GWP)
<b>Petrol</b>	2.2 metric tons CO <sub>2</sub> -e/m <sup>3</sup>	Methane	CH <sub>4</sub> 23
Diesel	2.7 metric tons CO <sub>2</sub> -e/m <sup>3</sup>	Carbon Dioxide	CO <sub>2</sub> 1
Fuel oil	2.7 metric tons CO <sub>2</sub> -e/m <sup>3</sup>	HydrofluoroCarbon	HFC 1,300
Natural gas	0.0019 metric tons CO <sub>2</sub> -e/m <sup>3</sup>	Nitrous Oxide	N <sub>2</sub> O 310
LPG	1.5 metric tons CO <sub>2</sub> -e/m <sup>3</sup>	Perfluorocarbon	PFC 5,600
Wood chips	1.8 metric tons CO <sub>2</sub> -e/metric tons	Sulfur Hexafluoride	SF <sub>6</sub> 22,200
District heating, electricity, purchased steam, Brazil	81.0g CO <sub>2</sub> /kWh		
District heating, electricity, purchased steam, Dominican Republic	604.0g CO <sub>2</sub> /kWh		
District heating, electricity, purchased steam, Netherlands	425.0g CO <sub>2</sub> /kWh		
District heating, electricity, purchased steam, Philippines	480.0g CO <sub>2</sub> /kWh		
District heating, electricity, purchased steam, Sweden	22.0g CO <sub>2</sub> /kWh		
District heating, electricity, purchased steam, United States	528.0g CO <sub>2</sub> /kWh		
Green energy: District heating, electricity, purchased steam	0.0g CO <sub>2</sub> /kWh		

### Total direct and indirect greenhouse gas emissions by weight (EN16)<sup>1)</sup>

In 2014, Swedish Match emitted 54,398 metric tons of greenhouse gas emissions, a decrease of 644 metric tons (1 percent) compared to 2013. In relation to total Company sales (MSEK), total greenhouse gas emissions decreased by 6 percent to 4.1 metric tons.

Total greenhouse gas emissions by weight [metric tons]	2014	2013	2012
Total greenhouse gas emissions	54,398	55,042	56,637
Total greenhouse gas emissions per MSEK sales	4.1	4.4	4.5

Approximately 63 percent of the greenhouse gas emissions were identified as direct emissions, i.e. gases from all sources owned or controlled sources. In 2014, emissions of total direct greenhouse gases decreased by 1 percent. Emissions of total indirect greenhouse gas emissions decreased by 2 percent compared to 2013.

Total greenhouse gas emissions by weight [metric tons]	[%]	2014	2013	2012
Total direct greenhouse gas emissions	63	34,423	34,622	35,731
Total indirect greenhouse gas emissions	37	19,974	20,419	20,906
<b>Total greenhouse gas emissions [metric tons]</b>	<b>100</b>	<b>54,398</b>	<b>55,042</b>	<b>56,637</b>

Generation of electricity, heat, or steam from biomass accounted for 62 percent of the Company's greenhouse gas emissions in 2014, down 2 percent from 2013. With regards to other sources, generation of electricity, heat, or steam increased by 10 percent compared to 2013 and accounted for 30 percent of the Company's direct greenhouse gas emissions. Swedish Match emitted 2,102 metric tons of direct greenhouse gases from the transportation of materials, products, and waste, a decrease of 30 percent compared to 2013. This was mainly due to the use of less fuel for transports of raw materials in Brazil. Fugitive emissions and accounted only for a small part of the Company's emissions of direct greenhouse gases.

<sup>1)</sup> All numbers presented refer to what will be reported to the Carbon Disclosure Project (CDP) in 2015. All CO<sub>2</sub>/Greenhouse gas reporting is according to CDP protocols, Scope 1 and Scope 2.

Total direct greenhouse gas emissions by weight and source [metric tons]	[%]	2014	2013	2012
Generation of electricity, heat, or steam (from biomass)	62	21,295	21,708	23,754
Generation of electricity, heat, or steam	30	10,294	9,365	8,927
Transportation of materials, products, and waste	6	2,102	2,986	2,485
Fugitive emissions	2	732	563	566
<b>Total direct greenhouse gas emissions [metric tons]</b>	<b>100</b>	<b>34,423</b>	<b>34,622</b>	<b>35,731</b>

Brazil accounted for 70 percent of all direct greenhouse gas emissions in 2014, followed by the US and the Dominican Republic with 26 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]	[%]	2014	2013	2012
Brazil	70	23,944	25,065	26,639
The US, the Dominican Republic	26	8,917	8,121	7,654
The Philippines	0	74	15	16
The Netherlands	0	111	183	170
Sweden	4	1,378	1,238	1,251
<b>Total direct greenhouse gas emissions [metric tons]</b>	<b>100</b>	<b>34,423</b>	<b>34,622</b>	<b>35,731</b>

The US and the Dominican Republic accounted for 64 percent of all indirect greenhouse gas emissions in 2014, followed by the Philippines with 19 percent, and the Netherlands with 11 percent. Small amounts were emitted in Sweden and Brazil.

Total indirect greenhouse gas emissions by geographic area [metric tons]	[%]	2014	2013	2012
Brazil	3	551	582	644
The US, the Dominican Republic	64	12,839	12,982	13,772
The Philippines	19	3,727	4,198	3,851
The Netherlands	11	2,294	2,133	2,085
Sweden	3	562	524	555
<b>Total indirect greenhouse gas emissions [metric tons]</b>	<b>100</b>	<b>19,974</b>	<b>20,419</b>	<b>20,906</b>

Brazil accounted for 45 percent of all direct and indirect greenhouse gas emissions in 2014, followed by the US and the Dominican Republic with 40 percent, the Philippines with 7 percent, the Netherlands with 4 percent, and Sweden with 4 percent.

Total greenhouse gas emissions by geographic area [metric tons]	[%]	2014	2013	2012
Brazil	45	24,496	25,647	27,283
The US, the Dominican Republic	40	21,756	21,103	21,426
The Philippines	7	3,801	4,213	3,866
The Netherlands	4	2,405	2,316	2,255
Sweden	4	1,940	1,763	1,806
<b>Total greenhouse gas emissions [metric tons]</b>	<b>100</b>	<b>54,398</b>	<b>55,042</b>	<b>56,637</b>

### Other relevant indirect greenhouse gas emissions by weight (EN17)<sup>1)</sup>

In 2014, Swedish Match emitted 14,220 metric tons of other relevant indirect greenhouse gas emissions, a decrease of 1,463 metric tons (9 percent) compared to 2013. In relation to total Company sales (MSEK), total greenhouse gas emissions increased by 14 percent to 1.1 metric tons from 2013 to 2014. All calculations are based on site specific data, and conversion methodologies based on the Greenhouse Gas Protocol (see page 55).

Other relevant indirect greenhouse gas emissions by weight [metric tons]	2014	2013	2012
Other relevant indirect greenhouse gas emissions	14,220	15,683	12,370
Other relevant indirect greenhouse gas emissions per MSEK sales	1.1	1.2	1.0

<sup>1)</sup> All numbers presented refer to what will be reported to the Carbon Disclosure Project (CDP) in 2015. All CO<sub>2</sub>/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 44 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 56 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 and 2014. In Brazil, an increased amount of transports of finished goods have contributed to the overall change.

Other relevant indirect greenhouse gas emissions by weight [metric tons]	[%]	2014	2013	2012
Business travel	44	6,224	7,529	6,127
Transportation and distribution	56	7,996	8,153	6,242
<b>Other relevant indirect greenhouse gas emissions by weight [metric tons]</b>	<b>100</b>	<b>14,220</b>	<b>15,683</b>	<b>12,370</b>

### Emissions of ozone-depleting substances by weight (EN19)

Swedish Match has a very small amount of emissions of ozone-depleting substances. Emissions increased during 2014 compared to 2013, by 26 percent in CFC-11 equivalent, although they were still significantly lower than in 2012. In 2013 the use of methyl bromide as a fumigation agent in Santiago was discontinued and replaced by a more environmentally friendly method. In 2014 and 2013, the total number of CFC-11 equivalent emissions was from the substance R22.

In 2014, the emissions originated from the Company's snus factory in Kungälv, Sweden, the Company's cigar factories in Dothan, the US, and Santiago, the Dominican Republic, as well as from the Company's lighter factory in Manila, the Philippines.

Total emissions of ozone-depleting substances	2014	2013	2012
Total emissions of ozone-depleting substances [metric tons]	0.40	0.31	0.93
Total emissions of ozone-depleting substances [CFC-11 equivalent]	0.02	0.02	0.41

Emissions of ozone-depleting substances by type [metric tons, CFC-11 equivalent]	[%]	2014	2013	2012
Methyl bromide	0	-	-	0.38
R22	100	0.02	0.02	0.02
CFC-11	0	-	-	0.01
<b>Emissions of ozone-depleting substances by type [metric tons, CFC-11 equivalent]</b>	<b>100</b>	<b>0.02</b>	<b>0.02</b>	<b>0.41</b>

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

In 2014, Swedish Match generated a total waste of 22,982 metric tons, a decrease of 3,698 metric tons (14 percent) compared to 2013. In relation to total Company sales (MSEK), total waste decreased 18 percent to 1.7 metric tons.

Total waste [metric tons]	2014	2013	2012
Total waste	22,982	26,680	24,063
Total waste per MSEK sales	1.7	2.1	1.9

In 2014, 81 percent of Swedish Match's total waste was generated in the production of lights products while waste from production of smoke-free products accounted for approximately 14 percent. Waste generated in the production of cigars accounted for approximately 5 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 2014, compared to 2013, total waste generated in the production of smokefree products decreased by 3 percent to 3,144 metric tons. In the production of cigars, total waste decreased by 28 percent to 1,118 metric tons as a new scale was installed in Santiago, the Dominican Republic, providing more accurate estimates. In the production of lights, total waste decreased by 14 percent, to 18,720 metric tons.

Total waste per product area [metric tons]	[%]	2014	2013	2012
Smokefree products (snus, moist snuff, chewing tobacco)	14	3,144	3,241	3,036
Cigars	5	1,118	1,552	1,601
Lights products (matches, lighters)	81	18,720	21,887	19,426
<b>Total waste [metric tons]</b>	<b>100</b>	<b>22,982</b>	<b>26,680</b>	<b>24,063</b>

Of the total waste produced, 96 percent was identified as being non-hazardous in 2014 and 4 percent of total waste was identified as being hazardous.<sup>1)</sup> Compared to 2013, the Company's total weight of hazardous waste decreased by 5 percent.

Total waste by type [metric tons]	[%]	2014	2013	2012
Hazardous waste	4	823	866	800
Non-hazardous waste	96	22,160	25,814	23,262
<b>Total waste [metric tons]</b>	<b>100</b>	<b>22,982</b>	<b>26,680</b>	<b>24,063</b>

The majority of the Company's hazardous waste is generated in the Company's match production facilities in Sweden and Brazil. In 2014, 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]	[%]	2014	2013	2012
Smokefree products (snus, moist snuff, chewing tobacco)	2	20	21	17
Cigars	1	6	4	4
Lights products (matches, lighters)	97	797	842	779
<b>Total hazardous waste [metric tons]</b>	<b>100</b>	<b>823</b>	<b>866</b>	<b>800</b>

Incineration is the one waste disposal method most commonly used followed by landfill and recovery/recycling/reuse. In 2014, 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 4 percent. Approximately 2 percent was composted.

In 2014, incinerated waste decreased by 14 percent compared to 2013, mainly due to lower production volumes in the Company's match factories in Sweden. Waste to landfill and recovery/recycling/reuse decreased by 16 and 10 percent respectively.

Total waste by treatment method [metric tons]	[%]	2014	2013	2012
Incineration	78	17,908	20,899	18,680
Landfill	10	2,220	2,656	2,483
Recovery/recycling/reuse	7	1,606	1,777	1,736
Hazardous waste treatment	4	817	860	800
Composting	2	431	488	363
<b>Total waste [metric tons]</b>	<b>100</b>	<b>22,982</b>	<b>26,680</b>	<b>24,063</b>

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.

<sup>1)</sup> In accordance with GRI, Swedish Match defines hazardous waste according to national legislation.

<sup>2)</sup> 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 against targets – total waste<sup>2)</sup>

Per unit of output produced, total waste in 2014 compared to 2013 decreased within all product areas. The most significant percentage change occurred in the production of cigars where total waste per million cigars decreased by 38 percent compared to 2013. For the production of smokefree products, total waste decreased by 4 percent. For match production, waste excluding biomass decreased by 3 percent per billion matches produced, while waste including biomass decreased by 8 percent. For the production of lighters, waste decreased by 7 percent per unit of output by weight.

In relation to the aggregated 2016 targets, results for smokefree products in 2014 were 17 percent higher than the aggregated target of 0.16 metric tons. For the production of cigars, total waste per million cigars was 50 percent lower than the 2016 target of 1.99 metric tons. Regarding matches, total waste excluding biomass per billion matches was 5 percent higher than the aggregated 2016 target of 19.15 metric tons, and total waste per million lighters was 10 percent below the aggregated 2016 target of 0.86 metric tons.

Total waste by product area and unit of output produced [metric tons]	Target 2016	2014	2013	2012	Baseline	Increase/decrease vs. target
Smokefree products (snus, moist snuff, chewing tobacco) [metric tons/metric tons]	0.16	0.18	0.19	0.17	0.16	17%
Cigars [metric tons/mn cigars]	1.99	1.00	1.62	1.42	2.11	-50%
Matches [metric tons/bn matches]	-	201.01	217.55	191.57	204.69	N/A
Matches, excluding biomass [metric tons/bn matches]	19.15	20.07	20.70	19.01	18.13	5%
Lighters [metric tons/mn lighters]	0.86	0.78	0.84	0.78	1.12	-10%

### Performance against targets – hazardous waste

Per unit of output produced, total hazardous waste in 2014 compared to 2013 increased for cigars and matches and decreased for smokefree products (by 4 percent) and lighters.

In relation to aggregated 2016 targets, results for smokefree products was in line with the aggregated target of 0.001 metric tons. Total hazardous waste per million cigars was 22 percent lower than the aggregated 2016 target of 0.007 metric tons. With regard to matches, total hazardous waste per billion matches was 28 percent higher than the aggregated 2016 target of 8.912 metric tons, and total hazardous waste per million lighters was 36 percent lower 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	2014	2013	2012	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	0%
Cigars [metric tons/mn cigars]	0.007	0.005	0.004	0.004	0.007	-22%
Matches [metric tons/bn matches]	8.912	11.386	10.866	9.626	9.410	28%
Lighters [metric tons/mn lighters]	0.045	0.029	0.049	0.043	0.043	-36%

### Total number and volume of significant spills (EN23)

During 2012 to 2014, two significant spills were recorded within Swedish Match's manufacturing facilities. No significant spill was recorded during 2014. 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]	2014	2013	2012
Chemicals	-	-	-
Fuel	-	-	0.07
Oil	-	0.03	-
<b>Total weight of significant spills [metric tons]</b>	<b>-</b>	<b>0.03</b>	<b>0.07</b>
<b>Total number of significant spills</b>	<b>0</b>	<b>1</b>	<b>1</b>

# EMPLOYEE RELATED PERFORMANCE INDICATORS 1)

## LABOR PRACTICES AND DECENT WORK

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

At the end of the reporting period, December 31, 2014, Swedish Match employed 4,387 people, an increase of 76 employees compared to 2013. The number of employees/supervised workers, excluding temporary workers, increased by 172 people (4 percent) while the number of temporary workers decreased by 96 people (33 percent). Temporary workers accounted for 5 percent of the total workforce.

Total workforce	[%]	2014	2013	2012
Number of employees excluding temporary workers	95	4,184	4,012	3,951
Number of temporary workers	5	203	299	348
<b>Total workforce (employees + temporary workers)</b>	<b>100</b>	<b>4,387</b>	<b>4,311</b>	<b>4,299</b>

In 2014, 96 percent of the total workforce worked full-time while 4 percent worked part time.

Employment type	[%]	2014	2013	2012
Number of employees working full-time	96	4,205	4,072	4,015
Number of employees working part-time*	4	182	233	99
Number of employees not classified as working full-time or part-time (temporary workers in the US)	0	0	6	186
<b>Total workforce (employees + temporary workers)</b>	<b>100</b>	<b>4,387</b>	<b>4,311</b>	<b>4,299</b>

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

In 2014, 4,181 people, or 95 percent of the total workforce, had an indefinite/permanent contract. In 2014, 206 people (5 percent) of the total workforce had a fixed term/temporary contract.

Employment contract	[%]	2014	2013	2012
Number of employees with an indefinite/permanent contract	95	4,181	4,012	3,951
Number of employees with a fixed term/temporary contract	5	206	299	348
<b>Total workforce (employees + temporary workers)</b>	<b>100</b>	<b>4,387</b>	<b>4,311</b>	<b>4,299</b>

In terms of the geographical spread of Swedish Match's workforce, 50 percent of all employees in 2014 worked in the US/the Dominican Republic. Approximately 27 percent worked in Sweden and Norway, 14 percent in Brazil, 6 percent in the Philippines, and 2 percent in the Netherlands.

Total workforce by geography	[%]	2014	2013	2012
The US, the Dominican Republic	50	2,175	1,976	2,015
Sweden, Norway	27	1,198	1,214	1,200
Brazil	14	629	684	724
The Philippines	6	278	332	254
The Netherlands	2	107	105	106
<b>Total workforce (employees + temporary workers)</b>	<b>100</b>	<b>4,387</b>	<b>4,311</b>	<b>4,299</b>

1) 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 2014 Annual Report, the average number of employees in the Group was 4,395 for 2014, 4,382 for 2013 and 4,198 for 2012. The average number of employees in the Annual Report also includes temporary employees.

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

In total, 2,159 employees, or 49 percent of Swedish Match's total workforce (including temporary workers), were covered by collective bargaining agreements in 2014. Per geography, results for 2014 show that 10 percent were covered by collective bargaining agreements in the US and the Dominican Republic, 96 percent in Sweden and Norway, 99 percent in Brazil, 31 percent in the Philippines, and 87 percent in the Netherlands.

Employees covered by collective bargaining agreements by geography	2014	2013	2012
The US, the Dominican Republic	208	216	217
Sweden, Norway	1,148	1,162	1,148
Brazil	624	679	719
The Philippines	86	93	88
The Netherlands	93	90	90
<b>Employees covered by collective bargaining agreements (employees + temporary workers)</b>	<b>2,159</b>	<b>2,240</b>	<b>2,262</b>

Percentage of employees covered by collective bargaining agreements by geography [%]	2014	2013	2012
The US, the Dominican Republic	10	11	11
Sweden, Norway	96	96	96
Brazil	99	99	99
The Philippines	31	28	35
The Netherlands	87	86	85
<b>Percentage of employees covered by collective bargaining agreements by geography [%]</b>	<b>49</b>	<b>52</b>	<b>53</b>

### 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 2014, 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, 75 percent of the total workforce was represented in formal committees, in Brazil 74 percent, and in the Philippines 100 percent.

Percentage of total workforce represented in formal joint management-worker health and safety committees by geography [%]	2014	2013	2012
The US, the Dominican Republic	75	73	72
Sweden, Norway	100	100	100
Brazil	74	76	76
The Philippines	100	100	100
The Netherlands	100	100	100
<b>Percentage of total workforce represented in formal joint management-worker health and safety committees by geography [%]</b>	<b>84</b>	<b>84</b>	<b>83</b>

## Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region (LA7)<sup>1)</sup>

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.

### All geographies

When looking at the total Swedish Match workforce, the total number of injuries/accidents (excluding minor first-aid level injuries/accidents) decreased from 132 cases in 2013 to 88 cases in 2014, leading to an decreased injury rate of 2.00 (per 100 employees).

The total number of occupational illnesses decreased from 7 cases in 2013 to 5 cases in 2014, leading to a decrease in the accompanying occupational diseases rate to 0.11 per 100 employees.

The total number of lost days due to occupational illnesses or injuries/accidents decreased by 25 percent to 2,697 while the total number of absentee days increased by 7 percent to 34,397, leading to a lost days rate of 61.24 and an absentee rate of 3.12 per 100 employees.

All geographies	2014	2013	2012
A. Total number of working hours per year	8,807,576	9,020,184	8,696,129
B. Calculated number of total working days per year	1,100,947	1,127,523	1,087,016
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	88	132	77
D. Total number of occupational illnesses	5	7	8
E. Total number of lost days due to occupational illnesses/injuries/accidents	2,697	3,586	3,280
F. Total number of absentee days	34,397	32,264	35,404
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	0
Injury rate [per 100 employees per year] = C / A * 200,000	2.00	2.93	1.77
Occupational diseases rate [per 100 employees per year] = D / A * 200,000	0.11	0.16	0.18
Lost days rate [per 100 employees per year] = E / A * 200,000	61.24	79.50	75.42
Absentee rate [% of days per year] = F / B	3.12	2.86	3.26

The US and the Dominican Republic	2014	2013	2012
A. Total number of working hours per year	4,673,294	4,495,000	4,570,000
B. Calculated number of total working days per year	584,162	561,875	571,250
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	67	103	53
D. Total number of occupational illnesses	0	0	0
E. Total number of lost days due to occupational illnesses/injuries/accidents	710	996	447
F. Total number of absentee days	8,502	7,491	6,956
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	0
Injury rate [per 100 employees per year] = C / A * 200,000	2.87	4.58	2.32
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	30.39	44.32	19.56
Absentee rate [% of days per year] = F / B	1.46	1.33	1.22

<sup>1)</sup> Independent contractors, which according to GRI definitions should be included for indicator LA7, are not included in the tables presented on pages 62-63 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 64.

<b>Sweden and Norway</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
A. Total number of working hours per year	1,908,122	1,937,977	1,886,532
B. Calculated number of total working days per year	238,515	242,247	235,817
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	7	11	12
D. Total number of occupational illnesses	4	6	7
E. Total number of lost days due to occupational illnesses/injuries/accidents	337	710	1 225
F. Total number of absentee days	18,398	16,936	19,954
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	0
Injury rate [per 100 employees per year] = C / A * 200,000	0.73	1.14	1.27
Occupational diseases rate [per 100 employees per year] = D / A * 200,000	0.42	0.62	0.74
Lost days rate [per 100 employees per year] = E / A * 200,000	35.32	73.27	129.87
Absentee rate [% of days per year] = F / B	7.71	6.99	8.46

<b>Brazil</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
A. Total number of working hours per year	1,369,419	1,456,847	1,416,287
B. Calculated number of total working days per year	171,177	182,106	177,036
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	13	13	10
D. Total number of occupational illnesses	1	1	1
E. Total number of lost days due to occupational illnesses/injuries/accidents	1,473	1,794	1,580
F. Total number of absentee days	5,617	6,654	7,322
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	0
Injury rate [per 100 employees per year] = C / A * 200,000	1.90	1.78	1.41
Occupational diseases rate [per 100 employees per year] = D / A * 200,000	0.15	0.14	0.14
Lost days rate [per 100 employees per year] = E / A * 200,000	215.13	246.29	223.12
Absentee rate [% of days per year] = F / B	3.28	3.65	4.14

<b>The Philippines</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
A. Total number of working hours per year	641,920	922,056	618,936
B. Calculated number of total working days per year	80,240	115,257	77,367
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	0	3	2
D. Total number of occupational illnesses	0	0	0
E. Total number of lost days due to occupational illnesses/injuries/accidents	0	20	13
F. Total number of absentee days	463	469	223
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	0
Injury rate [per 100 employees per year] = C / A * 200,000	0.00	0.65	0.65
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	0.00	4.23	4.04
Absentee rate [% of days per year] = F / B	0.58	0.41	0.29

<b>The Netherlands</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
A. Total number of working hours per year	214,821	208,304	204,374
B. Calculated number of total working days per year	26,853	26,038	25,547
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	1	2	0
D. Total number of occupational illnesses	0	0	0
E. Total number of lost days due to occupational illnesses/injuries/accidents	177	66	15
F. Total number of absentee days	1,417	714	949
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	0
Injury rate [per 100 employees per year] = C / A * 200,000	0.93	1.92	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	164.79	63.37	14.68
Absentee rate [% of days per year] = F / B	5.28	2.74	3.71

### **Independent contractors**

During 2014, 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.

<b>Number of independent contractors by geography</b>	<b>[%]</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
The US, the Dominican Republic	2	1	1	3
Sweden, Norway	98	43	43	43
Brazil	0	0	0	0
The Philippines	0	0	0	0
The Netherlands	0	0	0	0
<b>Number of independent contractors by geography</b>	<b>100</b>	<b>44</b>	<b>44</b>	<b>46</b>

For independent contractors, there were no registered cases of injuries/accidents, occupational illnesses, lost days, absentee days, or fatalities in 2014 and 2013. In 2012, however, 1 case of injury/accidents, 120 lost days, and 8 absentee days were registered in Sweden.

<b>Number of occurrences of injuries, occupational illnesses, lost and absentee days, and fatalities</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	0	0	1
D. Total number of occupational illnesses	0	0	0
E. Total number of lost days due to occupational illnesses/injuries/accidents	0	0	120
F. Total number of absentee days	0	0	8
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 2014, 76 percent of the total workforce (including temporary workers) received a formal performance evaluation. In the Philippines, all employees continued to receive a formal performance evaluation in 2014 whereas the number for Sweden and Norway was 85 percent. In the US and the Dominican Republic, 90 percent received a formal performance evaluation in 2014 compared to 86 percent in 2013. In the Netherlands, where reviews are not conducted every year, only 43 percent received a formal performance evaluation. In Brazil, no formal performance evaluations were performed in 2014.



Employees receiving regular performance reviews by geography	2014	2013	2012
The US, the Dominican Republic	1,967	1,701	1,612
Sweden, Norway	1,024	1,179	1,156
Brazil	0	4	58
The Philippines	278	332	254
The Netherlands	46	42	102
<b>Employees receiving regular performance reviews (employees + temporary workers)</b>	<b>3,315</b>	<b>3,258</b>	<b>3,182</b>

Percentage of employees receiving regular performance reviews by geography [%]	2014	2013	2012
The US, the Dominican Republic	90	86	80
Sweden, Norway	85	97	96
Brazil	0	1	8
The Philippines	100	100	100
The Netherlands	43	40	96
<b>Percentage of employees receiving regular performance reviews [%]</b>	<b>76</b>	<b>76</b>	<b>74</b>

### 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 2014, 38 percent were female employees. Swedish Match does not collate global data per age groups or minority groups.

Employees by gender	[%]	2014	2013	2012
Total number of female employees	38	1,669	1,617	1,629
Total number of male employees	62	2,718	2,694	2,670
<b>Total workforce (employees + temporary workers)</b>	<b>100</b>	<b>4,387</b>	<b>4,311</b>	<b>4,299</b>

In terms of gender per geography, 41 percent of the total US and Dominican Republic workforce were female in 2014. In Sweden and Norway, 39 percent of the total workforce were female, in Brazil 30 percent, and in the Philippines 45 percent. In the Netherlands, 7 percent were female.

Percentage of female employees by geography [%]	2014	2013	2012
The US, the Dominican Republic	41	38	40
Sweden, Norway	39	39	39
Brazil	30	33	34
The Philippines	45	48	42
The Netherlands	7	7	7
<b>Percentage of female employees (employees + temporary workers) [%]</b>	<b>38</b>	<b>38</b>	<b>38</b>

In 2014, two members (29 percent) of Group Management were female. Four members (40 percent) of the Company's Board of Directors were female, including employee representatives but not deputy employee representatives.

Members of Group Management by gender	[%]	2014	2013	2012
Total number of female Group Management members	29	2	1	0
Total number of male Group Management members	71	5	6	7
<b>Total number of Group Management members</b>	<b>100</b>	<b>7</b>	<b>7</b>	<b>7</b>

Board members (including employee representatives) by gender	[%]	2014	2013	2012
Total number of female Board members	40	4	4	3
Total number of male Board members	60	6	6	7
<b>Total number of board members</b>	<b>100</b>	<b>10</b>	<b>10</b>	<b>10</b>



**Swedish Match AB (publ)**  
SE-118 85 Stockholm, Sweden

Visiting address: Sveavägen 44, 8th Floor  
Telephone: +46 8-658 02 00  
Corporate Identity Number: 556015-0756  
[www.swedishmatch.com](http://www.swedishmatch.com)