



The Group

Our business

• **Sustainability**

Shareholder  
information

Financial  
reports

Corporate  
Governance



# Highlights 2021

5 years in a row MSCI rated Swedish Match as a sustainability leader within the sector.

Swedish Match nicotine pouches are available in

20+ countries

## CODE OF CONDUCT

100% of all significant suppliers<sup>1)</sup>

of direct material have committed to the principles of Swedish Match Supplier Code of Conduct.

## SWEDISH MATCH'S DUE DILIGENCE PROGRAM

95% of our raw tobacco volumes

included in STP or in Swedish Match's due diligence program.

## MONITORING FOR CHILD LABOR

99% of our suppliers' farmers

have been monitored for child labor under STP.

## EMISSIONS REDUCTION

-7% CO<sub>2</sub>e emissions per MSEK sales.

-9% Scope 3 emissions reduction for our smokefree products through active engagement with our suppliers.

## GREEN ELECTRICITY

94% share of green electricity in Europe Division versus 83% in 2020.

<sup>1)</sup> A significant supplier of direct material is defined as a supplier with which Swedish Match has a significant level of spending. All suppliers of raw tobacco are included and each is viewed as an individual supplier per country. The suppliers have either signed our Supplier Code of Conduct or have their own Codes of Conduct and mechanisms which are broadly similar to our Supplier Code of Conduct.

# Our goals

## SWEDISH MATCH GROUP FOCUS AREAS



### Improve public health

#### Goal

Our goal is to eliminate cigarette use and tobacco related morbidity and mortality by offering smokers attractive and safer sources of nicotine for recreational use (such as Swedish snus and other nicotine containing products like ZYN).

#### Target

Development and commercialization of nicotine harm reduction products that are attractive to cigarette users and dramatically safer sources of nicotine compared to cigarettes.

Increased consumer awareness and consumer reach of snus and nicotine pouches.

Factual and correct media and authority reporting on the difference in relative risks between cigarettes and smokefree tobacco and nicotine products, as well as increased consumer awareness.

Regulation that promotes consumer shifting from cigarettes to less harmful nicotine and tobacco products while also protecting vulnerable consumer groups.

#### Commentary

- ZYN available in more than 120,000 stores in the US.
- US shipment volumes for ZYN increased by more than 50 percent.
- Swedish Match nicotine pouches available in more than 20 countries.
- Increased consumer uptake of smokefree tobacco or nicotine products correlates with reduced cigarette consumption.
- Initiatives taken to implement nicotine pouch specific legislation in a number of EU countries, including Sweden.



### Ensure ethical business practices

#### Goal

At Swedish Match, we will take the necessary steps to ensure that ethical business practices are maintained within our own company and in our relationships with all outside parties.

#### Target

Ethical business practices fully embraced and integrated into our corporate culture.

Zero level of incidents rooted in non-ethical business behavior.

Responsible marketing with 100 percent compliance with our policy to exclusively market to adult consumers.

#### Commentary

- 100 percent of significant suppliers of direct materials have committed to the principles of Swedish Match Supplier Code of Conduct.
- All divisions have evaluated and updated their respective marketing policies to secure that these policies reflect marketing of all products within each division's product portfolio and cover all manners and channels of marketing including social media and internet advertising.



### Reduce environmental impact

#### Goal

Our goal is to limit our environment footprint while growing our business. We are committed to reducing our greenhouse gas (GHG) emissions and waste along our value chain from sourcing to our own operations and continuing through consumer use.

#### Target

To reduce GHG emissions by 41 percent by 2030 and by 75 percent by 2050, with 2017 as the base year, in our whole value chain (Scopes 1, 2 and 3).

To reach our goal by 2030 and 2050, we are committed to reducing GHG emissions by 5 percent per year.

To reduce total waste per unit of sales and to keep hazardous waste at the absolute minimum.

To drive effective efforts to prevent post-consumer waste.

#### Commentary

- European operation is 94 percent fossil free.
- Important tobacco suppliers for our smokefree products have successfully implemented GHG reduction initiatives and consequently, following a third party verification, we have confirmed a lower emission factor.
- Europe Division has completely eliminated non-recyclable black cans from production in Sweden and has begun the same process for our production of chew bags in Silkeborg (Denmark).
- 51 percent of paper used in packaging was made from recycled material.
- Recycling of waste has increased by more than 30 percent.
- US Division has reduced waste to landfill by more than 80 percent by shifting to incineration of waste for power.

SWEDISH MATCH GROUP FOCUS AREAS *Continued*



### Human rights in our supply chain

Goal	Target	Commentary
Our goal is the elimination of child labor and other human rights violations in the Company's supply chain.	<p>Robust systems to identify, prevent and mitigate child labor and any other human rights related issues in our entire supply chain.</p> <hr/> <p>100 percent child labor free tobacco.</p> <hr/> <p>100 percent of our raw tobacco suppliers covered by STP or Swedish Match's due diligence program.</p>	<ul style="list-style-type: none"> <li>• 95 percent of our raw tobacco volumes included in STP or in Swedish Match's due diligence program.</li> <li>• Suppliers' self-assessments for 2021 were completed and verified in the STP platform by the STP Secretariat.</li> <li>• 99 percent of our suppliers' farmers under STP have been monitored for child labor.</li> </ul>



### Equal opportunity

Goal	Target	Commentary
Our continuing objective is to be a truly open and inclusive employer. In this environment, with zero tolerance for discrimination, all employees have equal opportunity to achieve their full potential – resulting in a more diverse workplace.	<p>No employees should feel that they are, or could be, the subject of discrimination at the workplace.</p> <hr/> <p>To have at least 40 percent of each gender in senior management<sup>11</sup>.</p> <hr/> <p>To increase diversity in cultural backgrounds.</p>	<ul style="list-style-type: none"> <li>• Continued strong Group-wide focus on ensuring diversity among applicants and final candidates in order to find the best candidates.</li> <li>• A Women's Resource Network established within Field Sales, US Division – a mentoring initiative for female personnel led by top female Field Sales employees.</li> <li>• The Diversity and Inclusion team in Richmond, US Division, completed training and certification and will roll out the division's diversity vision statement and business case complemented with internal communication channels dedicated to diversity and inclusion.</li> </ul>







<sup>11</sup> Defined as participants in the Company's Long-Term Incentive (LTI) plan.



# Our contribution to the UN SDGs

Nine of the UN SDGs align directly with our sustainability focus areas. It is within these SDGs we believe we can have a meaningful impact and where we have tangible commitments and goals connected to the detailed targets set by the identified SDGs. We also contribute to seven of the remaining eight<sup>1)</sup> goals through our general business contribution and societal engagement.

## UN SUSTAINABILITY DEVELOPMENT GOALS DIRECTLY ALIGNED WITH OUR FOCUS AREAS

Focus areas	Material topics	How Swedish Match contributes to the SDGs 2030 targets	SDGs 2030
 <b>Improve public health</b> Page 48–50 of this annual report	Harm reduction through smokefree products with low health impacts	We work to reduce premature mortality by offering cigarette smokers attractive and dramatically safer alternative tobacco and nicotine products. (3.4)	
		We inform consumers about the health effects of our products and the addictive nature of nicotine. (3.A)	
 <b>Ensure ethical business practices</b> Page 51–53 of this annual report	Responsible marketing practices	We work to ensure that our “Adult only Tobacco and Nicotine” policy is followed. (3.A)	
	Ethics and integrity	We do not tolerate any form of corruption or bribery. (16.5)	

<sup>1)</sup> Swedish Match has identified that SDG 11, Sustainable cities and communities, is not specifically related to our business operations and focus areas, as we are a manufacturing company with very limited impact on e.g. urbanization, transportation and the safeguarding of natural heritages.

UN SUSTAINABILITY DEVELOPMENT GOALS DIRECTLY ALIGNED WITH OUR FOCUS AREAS *Continued*

Focus areas	Material topics	How Swedish Match contributes to the SDGs 2030 targets	SDGs 2030
 <b>Reduce environmental impact</b> Page 54–59 of this annual report			
Our goal is to limit our environment footprint while growing our business. We are committed to reducing our greenhouse gas (GHG) emissions and waste along our value chain from sourcing to our own operations and continuing through consumer use.	Product packaging and consumer waste	We work to achieve environmentally sound management of chemicals used and our waste throughout their life cycle as well as reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment. (12.4)	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Climate change	We work to increase the share of renewable energy in our operations. (7.2)	 7 AFFORDABLE AND CLEAN ENERGY
		We work continuously and systematically to assess risk and reduce the negative impact on the environment. (12.5)	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
		We recognize the importance of engaging with suppliers in the journey to achieve our ambitious climate target and constantly leverage our purchasing power to find further potential for reduction. (12.6)	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
		The sustainability performance from suppliers is an important criterion in our vendor selection process. (12.7)	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
We take action to combat climate change. (13.1)	 13 CLIMATE ACTION		
 <b>Human rights in our supply chain</b> Page 60–64 of this annual report			
Our goal is the elimination of child labor and other human rights violations in the Company's supply chain.	Child labor	We take action to eliminate child labor in all its forms in our value chain. (8.7)	 8 DECENT WORK AND ECONOMIC GROWTH
	Respect for human rights	We partner in multi-stakeholder initiatives to work toward common goals. (17.16)	 17 PARTNERSHIPS FOR THE GOALS
 <b>Equal opportunity</b> Page 65–67 of this annual report			
Our continuing objective is to be a truly open and inclusive employer. In this environment, with zero tolerance for discrimination, all employees have equal opportunity to achieve their full potential – resulting in a more diverse workplace.	Diversity and inclusion	We do not tolerate any kind of discrimination including discrimination based on gender. (5.1)	 5 GENDER EQUALITY
		We work toward having at least 40 percent of each gender in senior management. (5.5)	 5 GENDER EQUALITY
		We work diligently to make sure that our processes for promotions and recruitments are non-discriminatory. (8.5)	 8 DECENT WORK AND ECONOMIC GROWTH
		We are working to ensure equal opportunities and to prevent discrimination. (10.3)	 10 REDUCED INEQUALITIES

# UN Sustainability Development Goals aligned with our general business contribution and societal engagement beyond our focus areas

## SDGs 2030 How Swedish Match contributes to the SDGs 2030 targets



Swedish Match provides both job opportunities and livelihoods for workers and their families in certain developing countries or areas where poverty may be high (Dominican Republic, the Philippines, and Brazil).

Our procurement of tobacco and other raw materials is often sourced from areas where the opportunities for high quality source of income are low, such as from tobacco growing areas in Asia and to a limited degree from Africa. Tobacco in these areas generally provides some of the highest level of income of any agricultural products that may be produced in these areas.



Swedish Match addresses the hunger and food security issues by providing employment, livelihoods and sourcing of raw materials in geographies where there may exist high levels of hunger. (See SDG 1 above).



Swedish Match contributes through training and development efforts to promote professional growth and career enhancement for our employees as well as through the provision of a scholarship program for our employees' children in the US. Swedish Match is also a member of the board and supports the ECLT Foundation which provides access to education, through for instance programs in numeracy and literacy in the tobacco growing areas.



Swedish Match neither withdraws water from any source that is significantly affected by water withdrawal, nor discharges water into sensitive water bodies. We address potential issues related to water use from our tobacco supply chain through participation in STP. For more information on how we manage water stress in our operations and tobacco supply chain, see page 43.



During the journey to achieve our vision of *A world without cigarettes*, we have been at the forefront of change to provide smokers with safer alternatives to cigarettes. We have also innovated our manufacturing practices to be more energy and resource efficient.



Swedish Match works to prevent and reduce any pollution to water and regularly monitor and measure all environmentally significant emissions.



Our plantations in Brazil comprise poplar and pine wood in two reforestation projects. Our operations in Brazil protect biodiversity in the plantation by, for instance, restraining external human access to its lands and forests, prohibiting hunting and fishing, and keeping surveillance services in forests. We address potential issues related to Life on land from our tobacco supply chain through participation in STP under theme Natural habitats. For more information on how we prevent deforestation in our operations and tobacco supply chain, see page 43.





# Management approach

**Swedish Match's vision is *A world without cigarettes*. Offering tobacco consumers alternative products to cigarettes is at the core of what we do. Pursuing our vision represents a great commercial opportunity as well as a significant contribution to society. This is where we believe that we are able to have the largest positive impact on society. We can also have a positive impact through how we manage our business, work with our suppliers and customers, and produce our goods.**

## Focus and organization ownership

Our sustainability strategy is founded on two basic principles – focus and organizational ownership. While our sustainability work spans across a broad array of topics, for best impact and transparency we believe that group-wide efforts and reporting are most effective if concentrated to key areas of focus with strong organization ownership. Through this strategy, we emphasize five focus areas – Improve public health, Ensure ethical business practices, Reduce environmental impact, Human rights in our supply chain, and Equal opportunity – areas where we believe we have the ability to directly or indirectly influence meaningful outcomes or where adverse developments could have a negative impact on our businesses. These focus areas form the basis for our common roadmap; this is where we put extra effort and coordinate external reporting. Swedish Match has set a series of tangible commitments and goals for each of the focus areas and will continue to measure and report its progress. Our Code of Conduct forms a foundation for our sustainability approach and efforts throughout the Group. It represents the commitment of Swedish Match and all our employees to conduct business activities in a responsible manner, demonstrating integrity and respect to our stakeholders and society as a whole.

Swedish Match is a global company made up of largely autonomous divisions. We have ensured that the ownership and action in our sustainability work is strongly supported at the local operating level within each division, where efficient and creative ideas and solutions are most likely to come up and best followed through. While taking a common Group approach in our focus areas, we maintain a number of sustainability initiatives above and beyond these focus areas with tailored targets and actions at the divisional levels.

## Integrating sustainability<sup>1)</sup>

Sustainability is embedded in our value proposition and is a significant driver of our long-term success. It is managed and driven from the highest levels of our organization. The Group Management Team (GMT) has the overall responsibility for Swedish Match's efforts on sustainability. The GMT and other leaders within the Group are committed to and involved in the process to define and further develop the strategy. Divisional heads are responsible for implementing the strategy in their respective operating units.

Swedish Match addresses sustainability with the same priority and management approach as the rest of our strategic priorities. It is fully integrated into our business reviews, strategic planning, and risk management process. Each quarter the divisions are responsible to provide progress updates for each sustainability focus area, creating a positive forum for discussion of opportunities and risks. The controlling function at group level, headed by the CFO, ensures a consistent approach to sustainability reporting across the Company, and follows up on our sustainability goals and KPIs in the same rigid manner as the financial targets. The CFO reports to the Board of Directors on progress for our common sustainability focus areas on a regular basis.

<sup>1)</sup> The data scope of this report excludes the recently acquired company Fire-Up International B.V. (February 3, 2021), and partly excludes Swedish Match Denmark, previously V2 Tobacco, (August 31, 2017), House of Oliver Twist (April 3, 2018), and Gotlandssnus (August 22, 2018). The Company continues its efforts to integrate data with Swedish Match protocols and standards.



# Materiality assessment

Our material topics are issues that reflect the most significant economic, environmental, and social impacts for Swedish Match. The materiality process aims to identify and understand the topics that are important to stakeholders, as well as to the Group's business strategy. It is an important way of evaluating the ability to create and sustain value.

The most recent materiality assessment was conducted in 2020. The process was facilitated by an independent leading audit firm in Sweden and the approach to identify the material topics included three steps.

1. Scanning of general trends and identification of topics
2. Stakeholder dialogue
3. Review and validation by the Group Management Team

The assessment resulted in five updated focus areas and eight material topics described in this report. Our harm reduction concept is well accepted among our key external stakeholders and remains central to our sustainability strategy.

A detailed description of the process is available under section *Materiality assessment* on the Company website, [www.swedishmatch.com](http://www.swedishmatch.com).

## Focus areas



Improve public health



Ensure ethical business practices



Reduce environmental impact



Human rights in our supply chain



Equal opportunity

## Material topics

Harm reduction through smokefree products with low health impacts

Responsible marketing practices  
Ethics and integrity

Climate change  
Product packaging and consumer waste

Child labor  
Respect for human rights

Diversity and inclusion



## Other topics outside our focus areas

For best impact and transparency, we believe that group-wide efforts and reporting are most effective if concentrated to key focus areas. Our Code of Conduct covers important sustainability topics above and beyond our five focus areas. It includes our policies on practices regarding ethical business, employment and labor, the environment, as well as job and workplace. We also address a broad array of key sustainability issues in our tobacco supply chain, by primarily purchasing from large global suppliers with robust due diligence processes and through participation in the Sustainable Tobacco Program (STP), pages 61–62.

Some of the specific questions we have received from external stakeholders relate to deforestation and biodiversity, water stress and occupational health and safety. More explanations are provided below with regards to why these topics are not included in our Group sustainability focus areas and how we approach them.

### Deforestation and biodiversity

Swedish Match does not own any farms other than our forestry plantations in Brazil. Our plantations in Brazil comprise pine wood in a reforestation project in the south of the Paraná state. We replant more than we harvest every year for our pine forest. Based on normal annual harvesting, this involves replanting approximately 150 hectares annually. Due to the combination of declining demand for matches and technological advancements on our side that have enabled wider usage of pine wood, we have been able to replace the majority of the poplar wood used in our match production with pine wood and also sold off our land used for poplar. Swedish Match owns a total of 3,419 hectares of pine forestry but the Group's biological assets comprise both poplar and pine forests, 3,686 hectares, which also includes poplar land we do not own but have the right to harvest from.

Our operations in Brazil protect biodiversity in the plantation by, for instance, restraining external human access to its lands and forests, prohibiting hunting and fishing, and keeping surveillance services in forests. We stopped using pesticides for forestry disease control in 2018.

In our tobacco supply chain, a vast majority of the tobacco used does not require wood fire in its processing. Processing that dries the tobacco over an open wood fire might in some cases lead to deforestation. In addition, we address the issue through participation in STP. Under the STP, there is a dedicated reporting theme, Natural habitats. All the participating suppliers are subject to generic risk screening and self-assessment to evaluate their impact on deforestation and biodiversity in the local communities where they operate.

If our suppliers have subsidiaries located in geographies where there is an elevated risk of non-compliance with the high standard set by STP for deforestation, in-depth assessments will be performed by a third party with subject expertise. Results of these assessments will form the foundation for a dialogue for improvement between us and the suppliers.

### Water stress

Swedish Match neither withdraws water from any source that is significantly affected by the water withdrawal, nor discharges water into sensitive water bodies. Swedish Match's water footprint in absolute terms is fairly low as the Company's production processes require relatively low water usage. Our smokefree products are manufactured in Sweden, Denmark and the US. For cigars, matches and lighters, a significant proportion of our production occurs in the US (cigars), Sweden (matches) and the Netherlands (lighters) which are areas that have well-developed regulations with regard to water sourcing and use.

One area where Swedish Match has previously needed a higher water supply is for its poplar farms in Brazil where trees historically have been planted to be used in the Brazilian match production. Drier periods during spring and summer may lead to a higher necessity for irrigation. However, as mentioned earlier, our technological advancements made in recent years have enabled us to replace the majority of the poplar wood used in our match production with pine wood and we have sold off our land used for poplar. Unlike poplar plantations, pine plantations do not need any irrigation. With this initiative we have reduced our own water use to an even lower level.

We address potential issues related to water use from our tobacco supply chain through participation in STP. Under the STP, there is a dedicated reporting theme for water stewardship with a similar due diligence process as described under *Deforestation and biodiversity*.

### Occupational health and safety

Employees' safety and well-being are matters of high importance to us. Swedish Match is dedicated to providing ergonomically sound workplaces, free from health and safety hazards. Specific activities, including safety trainings and wellness programs, are carried out at the divisional level to ensure the physical and mental wellbeing of our employees. This has also been demonstrated by additional measures taken place locally to protect the well-being of our employees during the COVID-19 pandemic. Each division tracks safety metrics for employees and subcontractors and reports data to the CEO. Furthermore, periodic inspections are conducted by an independent third party at major production facilities. These inspections assess, among other things, to what level the facilities meet Swedish Match work safety standards and determine whether there are actions required to further reduce risk.

# Our value chain

The value chain for our products includes research and development of new and refined products, raw material sourcing and production, processing at suppliers, manufacturing at Swedish Match’s facilities, transportation and distribution between the various value chain stages, and sales through distributors and retailers (customers) as well as consumer use and final disposal of products.



A value chain perspective helps Swedish Match to identify how it can best manage its impacts and create maximal value. The following section identifies the Group’s sustainability risks related to the value chain and how they are managed. It also identifies the degree of Swedish Match’s influence along the value chain, and the value created for the Company and the society.



## Raw materials/Suppliers

Ability to influence: *Medium*



The main direct materials for Swedish Match are raw tobacco, timber, nylon and lighter components, as well as packaging material such as cardboard, plastics and metalized films. For raw tobacco, the Company primarily sources from major global suppliers. The top six of these suppliers account for more than 90 percent of the total raw tobacco purchased annually. These suppliers have local entities which contract individual farmers seasonally. For direct material other than raw tobacco, Swedish Match sources from a wide range of suppliers and regions, the majority of which are located in the US and Europe. The focus is to safeguard sustainable supply, ensure Swedish Match’s standards and to develop supplier capacity to improve their sustainability performance, which actively promotes our ambitions throughout our supply chain. This requires careful assessment and selection of suppliers.

### Risks

- Supply interruptions due to severe weather conditions caused by climate change.
- Potential connections to social, ethical and human rights violations.
- Supply interruptions due to unethical business practices in our supply chain.

### How risks are managed

- Source materials from different parts of the world.
- Apply a risk-based approach to mitigate environmental, ethical, and human rights risks among direct suppliers as well as further up in the supply chain.
- Audit suppliers to safeguard standards.
- Provide training and drive improvement initiatives.
- Identify alternative sources of supply.

### Generating value

We generate value by promoting universal norms, supporting human rights and raise environmental, labor, and economic standards – particularly in low-cost countries. By doing so, we also continue to build trust and reduce associated business risks.



## Factory/Warehouse/Office

Ability to influence: *High*



Swedish Match manufactures snus, nicotine pouches, moist snuff, chewing tobacco, cigars, matches and other fire related products, as well as lighters at 16 facilities – in Sweden, the US, the Dominican Republic, Denmark, the Netherlands, the Philippines, and Brazil.

Within our focus areas we are committed to reducing our environmental footprint, maintaining high ethical standards and providing equal opportunities.

### Risks

- Prolonged disruptions in production caused by severe weather related to climate change.
- Negative impact due to social, ethical and human rights violations.
- Unethical behavior due to weak governance.
- Violation of safety regulations at our facilities.

### How risks are managed

- Perform climate risk assessments as part of the annual ERM process.
- Establish loss prevention and continuity planning program.
- Apply relevant environmental management systems.
- Conduct periodic inspections of major facilities by an independent third party.
- Provide governance systems and training to reinforce sustainability policies.

### Generating value

Swedish Match creates value by contributing to the economic development in areas where our offices and production sites are located, retaining talented employees and preventing associated financial and reputational damage related to accidents and unethical behavior.

VALUE CHAIN *Continued*



### Transport/Distribution

**Ability to influence: *Medium*** 

For the Swedish and Norwegian market, Swedish Match has its own distribution company, SMD Logistics. In other parts of Europe, products are distributed primarily through third party distributors. Distribution for the US market is primarily via third parties. Lights products utilize a wide network of distributors worldwide.

- Risks**
- The transportation fleet is GHG emission intense.
  - Violation of safety regulations at distribution companies.

- How risks are managed**
- Choose more efficient and modern transportation solutions.
  - Set fuel efficiency and emissions reduction targets.
  - Provide governance systems and training to reinforce sustainability policies.

**Generating value**  
As transportation is the fastest growing source of fossil-fuel CO<sub>2</sub> emissions, at Swedish Match we continuously work towards a shift to low carbon solutions and encourage our logistic suppliers to do so.



### Customer

**Ability to influence: *Low*** 

The primary sales channels for our products are convenience stores, tobacconists, gasoline stations, and supermarkets. Other channels include bars, restaurants, airports, and ferries, along with e-commerce, and our own dedicated stores in various markets.

- Risks**
- Failure by our customers to comply with our "Adult only Tobacco and Nicotine" policy.
  - Limited opportunity to influence decision-making at the points-of-purchase.
  - Corruption and bribery activities.

- How risks are managed**
- Improve trade and point-of-purchase communication by educating retailers to prevent underage use of tobacco and other nicotine containing products.
  - Provide mandatory training for relevant employees on anti-corruption and bribery.
  - Terminate supply to customers who fail to meet our ethical standards.

**Generating value**  
Promoting transparency and reinforcing our focus on public health improvement strengthens our brands and builds consumer loyalty.



### Consumer

**Ability to influence: *Low*** 

Our products are intended for adult consumers only. A large part of our smokefree consumer base seek less harmful, discreet, and enjoyable alternatives to cigarettes. Product quality and safety are of utmost importance.

- Risks**
- Misalignment between consumer perception and actual product attributes, resulting in an adverse change in consumer behavior.
  - Unclear consumer communication which jeopardizes reputation.
  - Negative impact on the environment due to post consumer littering.

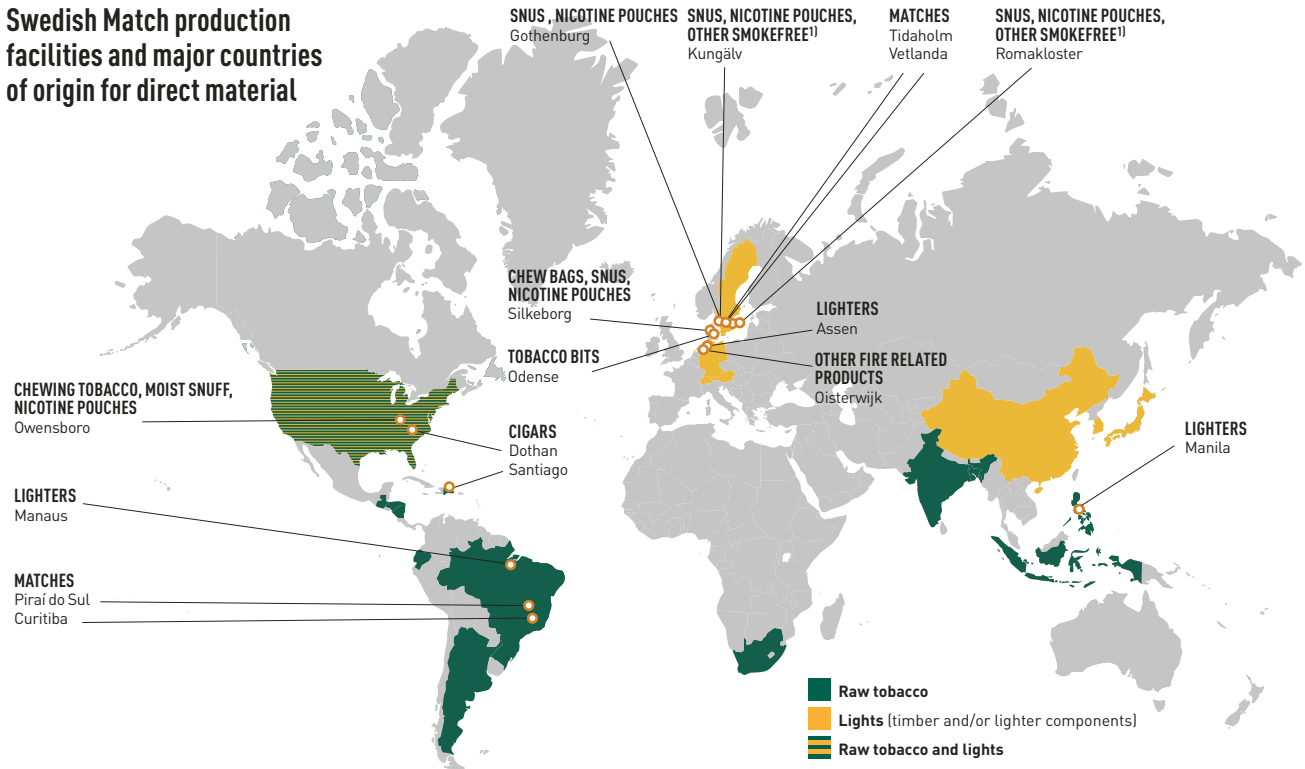
- How risks are managed**
- Provide transparent information to consumers.
  - Keep up proactive approach to product safety with GOTHIA TEK® and MATCHTEK® quality standards.
  - Incorporate more sustainable practices with regard to product packaging.
  - Highlight public health and sustainability aspects in consumer communications.

**Generating value**  
Swedish Match believes that society needs to develop pragmatic and effective harm reduction strategies for the tobacco and nicotine area to help reduce the adverse health, social and economic consequences of tobacco and nicotine use. The primary goal of harm reduction should be to reduce the negative consequences of tobacco use without requiring total abstinence from nicotine. In this context, Swedish Match's smokefree products can play an important and constructive role.

**Code of Conduct** Our Code of Conduct represents the commitment of Swedish Match and of all employees to conduct business activities in a responsible manner and consistent with applicable laws and regulations.

**Supplier Code of Conduct** Our Supplier Code of Conduct reflects Swedish Match's own Code of Conduct and specifies what the Company expects and requires from its suppliers.

### Swedish Match production facilities and major countries of origin for direct material



<sup>1)</sup> Refers to pouch products with neither tobacco nor nicotine.

## DIRECT MATERIALS

### Raw tobacco

Swedish Match does not own tobacco plantations. The Group sources raw tobacco from major global tobacco suppliers who source from 21 countries<sup>1)</sup>. Eleven of these countries (pictured in map) account for close to 92 percent of Swedish Match's raw tobacco purchases. The largest sources come from India, Indonesia and the US. With the GOTHIA TEK® quality standard for snus, testing of the tobacco takes place at several stages of the value chain, including the selection of raw tobacco. Testing often starts at the farm level. This way of working has an influence on how we engage with other raw material supplies.

### Timber

Timber for our match production is sourced locally, close to our factories in Sweden and Brazil. Nearly all of the timber for production of matches in Brazil is grown in Swedish Match's own plantations. Our plantations consist of 3,419 hectares of planted pine in the south of the Paraná state. Our plantations adhere to strict growing requirements beyond those levels set

by local laws and regulations. Aspen used for the production of matches in Sweden is sourced from the southern part of Sweden in the vicinity of our splint factory and is primarily sourced through major timber suppliers. Relatively small quantities are also sourced directly from individual forest owners. Swedish Match Industries AB, the entity producing matches in Sweden, is certified according to FSC's standards for Chain of Custody and Controlled Wood.

### Nylon and lighter components

Raw material and components for lighters consist of nylon and liquefied petroleum gas, as well as spark wheels, flint stones, and top caps, made of various metals, e. g. aluminum, steel and brass. These materials are mainly sourced from suppliers in Austria, China, and Switzerland.

<sup>1)</sup> Argentina, Bangladesh, Brazil, Cameroon, Canada, Colombia, Dominican Republic, Ecuador, Guatemala, Honduras, India, Indonesia, Italy, Mexico, Mozambique, Nicaragua, Paraguay, Philippines, South Africa, USA, and Vietnam.

#### Core values



#### Quality standards

- GOTHIA TEK® for snus
- MATCHTEK® for matches produced in Sweden

# Code of Conduct

**Our policies on practices regarding ethical business, employment and labor, the environment and workplace are based on the principles of the UN Global Compact<sup>1)</sup>. These policies are outlined in our Code of Conduct and underpinned by Group principles, procedures and local policies.**

Our Code of Conduct represents the commitment of Swedish Match and of all its employees to conduct business activities in a responsible manner, consistent with applicable laws and regulations. It applies to all employees within the Swedish Match Group, regardless of location or role. Our Code of Conduct forms the foundation for our sustainability approach and efforts. It is reviewed internally and approved by the Swedish Match Board of Directors on an annual basis.

Our Code of Conduct covers, among other things, our commitment to and guidance on respect for human rights and internationally proclaimed human rights conventions and guidelines<sup>2)</sup>, including non-discrimination and fair treatment,

employment terms, freedom of association, the right to collective bargaining and the elimination of forced or compulsory labor as well as of child labor. The Code of Conduct includes guidance on anti-corruption and anti-bribery practices, as well as gifts, loans and hospitality, responsible marketing practices and fair competition. It also includes guidance on eco-efficiency and the importance of following a precautionary principle in environmental management, as well as occupational health and safety, competence development, talent management, and supplier due diligence.

[www.swedishmatch.com](http://www.swedishmatch.com)

More information is available on the Company website [www.swedishmatch.com/Code-of-Conduct](http://www.swedishmatch.com/Code-of-Conduct).

<sup>1)</sup> Swedish Match operates in alignment with the principles of the UN Global Compact but is not a signatory. This is due to the UN Global Compact officially excluding tobacco companies from participating in the initiative.

<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 fundamental Conventions (Nos. 29, 87, 98, 100, 105, 111, 138 and 182), and the OECD Guidelines for Multinational Enterprises.

## Code of Conduct table of contents

<b>1 INTRODUCTION</b>	
1.1 Why do we have a Code of Conduct?	3.5 Gifts, loans and hospitality
1.2 Who must comply with the Code?	3.6 Fair competition
1.3 What is my responsibility?	3.7 Personal Data and Privacy
1.4 What happens if I violate the Code?	3.8 Responsible Marketing
1.5 How and to whom do I raise a concern?	3.9 Political activity and payments
1.6 What happens when a concern is raised?	3.10 Community engagement
<b>2 OUR PEOPLE: Employment and labor practices</b>	
2.1 Non-discrimination and fair treatment	<b>4 OUR ENVIRONMENT: Practices and internal procedures</b>
2.2 Working hours, remuneration and contracts (employment terms)	<b>5 OUR JOB AND WORKPLACE: Practices and important procedures</b>
2.3 Freedom of association and the right to collective bargaining	5.1 Occupational health and safety
2.4 Child labor	5.2 Competence development and talent management
2.5 Forced or compulsory labor	5.3 Business travel
2.6 The grandparent principle and approval from local HR	5.4 Procurement of goods and services
<b>3 OUR BUSINESS: Ethical business practices</b>	
3.1 Conflicts of interest	5.5 Protection of Company assets
3.2 Export control and sanctions	5.6 Confidential information
3.3 Anti-corruption and anti-bribery	5.7 Cyber security
3.4 Anti-money laundering	5.8 Inside information
	5.9 Internal and external communication
	5.10 Reliability of records and reports
	5.11 Legal matters
	<b>6 GLOSSARY</b>

# Our focus areas



## Improve public health

### Our rationale for inclusion

Cigarette smoking is the dominant method of using nicotine. It causes death and diseases among users who inhale toxic substances created in the combustion. Although nicotine has the potential for addiction, the individual and the societal harm is caused by the inhalation of toxic smoke.

Most countries around the world are looking to reduce the societal harm caused by cigarette smoking through implementation of various kinds of regulation. Experience has, however, showed that relying on increased regulation alone is a slow and inefficient method for achieving this goal. If smokers who do not want to or find it hard to stop using nicotine are offered dramatically safer alternative nicotine products, the adverse health effects can be addressed both faster and more efficiently.

Smokefree tobacco products manufactured according to Swedish Match's quality standards have played an important role in reducing smoking rates in Sweden and Norway for many years. Swedish Match is convinced that this journey of tobacco harm reduction will continue. We also see opportunities to replicate this experience around the globe. Our success with ZYN in the US shows that many smokers are willing to try nicotine pouches if they become aware of the products and understand the large difference in associated health risks compared to cigarettes.

### Our commitment

Swedish Match's vision is of *A world without cigarettes*. The Company is committed to displacing cigarettes by continuing to develop and commercialize alternative and dramatically safer sources of nicotine – which will improve public health. Youth and certain vulnerable consumer groups should not use nicotine products. Swedish Match will continue to work for appropriate regulation which promotes consumer shifting from cigarettes to less harmful nicotine and tobacco products while also protecting vulnerable consumer groups.

### Our approach

#### Product strategy

Swedish Match provides a wide range of attractive alternatives to cigarettes that are both enjoyable and dramatically safer than smoking. Our smokefree portfolio consists of snus, moist snuff, chewing tobacco<sup>1)</sup> as well as innovative products such as nicotine pouches. The vast majority of our R&D efforts and capital expenditures are dedicated to our smokefree business and almost all acquisitions made in recent years have been done to strengthen our smokefree portfolio.

Product appeal is highly important in order to successfully encourage cigarette consumers to find alternative products with favorable risk profiles. At the core of Swedish Match's research and

The scope of this focus area is the entire value chain.



### OUR GOAL

**Our goal is to eliminate cigarette use and tobacco related morbidity and mortality by offering smokers attractive and safer sources of nicotine for recreational use (such as Swedish snus and other nicotine containing products like ZYN).**

- Development and commercialization of nicotine harm reduction products that are attractive to cigarette users and dramatically safer sources of nicotine compared to cigarettes.
- Increased consumer awareness and consumer reach of snus and nicotine pouches.
- Factual and correct media and authority reporting on the difference in relative risks between cigarettes and smokefree tobacco and nicotine products, as well as increased consumer awareness.
- Regulation that promotes consumer shifting from cigarettes to less harmful nicotine and tobacco products while also protecting vulnerable consumer groups.

### HIGHLIGHTS 2021

- ZYN available in more than 120,000 stores in the US.
- US shipment volumes for ZYN increased by more than 50 percent.
- Swedish Match nicotine pouches available in more than 20 countries.
- Regulation specifically recognizing nicotine pouches adopted in Switzerland and the Czech Republic and such legislation implemented in Denmark.
- Initiatives taken to implement nicotine pouch specific legislation in a number of EU countries, including Sweden.

<sup>1)</sup> All chewing tobacco products sold by Swedish Match are sold in Europe and in the US and are in general low in tobacco-specific nitrosamines and other relevant harmful and potential harmful constituents, compared with the chewing tobacco varieties that are sold in other parts of the world.



development efforts are quality, reduction of potentially harmful constituents and the needs of the adult tobacco consumer. We have been acknowledged around the world for the work we have done in reducing potentially harmful components in our snus products. With nicotine pouches we have taken a step further and have managed to come below the levels that can be detected for almost all of these components – a longstanding aim of Swedish Match. However, it does not matter how much we reduce the risks related to our products if the cigarette consumers do not want to use them. Therefore, behavioral, sensorial and other needs expressed by tobacco users are carefully assessed and incorporated in our product development processes. We know that flavor is an important part of product appeal to cigarette consumers and finding the right flavors for them is important.

### Product quality and safety

More than 20 years ago, Swedish Match decided to make detailed information about its GOTHIA TEK® quality standard available to our consumers and other relevant stakeholders. The objective of the GOTHIA TEK® quality standard is to eliminate or reduce harmful or potentially harmful constituents, naturally found in tobacco (and other common crops), to a level that meets comparable food standards. The standard sets maximum levels in finished products for 16 unwanted constituents of which three have also become regulated under the Swedish food legislation. For a list of constituents and current levels, please visit the Company's website.

Nicotine pouch products represent a further step in Swedish Match's work to reduce undesirable constituents in our products. No traces of the three unwanted constituents regulated by the Swedish food legislation for snus can be detected in our nicotine pouch products.

Swedish Match conducts only limited scientific studies on its own but monitors and compiles scientific advancements continuously in a systematic manner. A summary of relevant scientific evidence on snus is available on our Company website and this will be complemented by science on nicotine pouches as it becomes available.

### Consumer accessibility

To encourage consumers to find reduced risk alternatives, accessibility is essential. Swedish Match is committed to investing in capacity expansion and expanded distribution for our smokefree portfolio, both in our key markets as well as markets where we currently have no or low presence.

### Openness and transparency

Consumers are seeking and have a right to factual information about product options available to them. This implies that manufacturers, including Swedish Match, must be open and transparent about what we know about our products, including scientific findings regarding health impacts. We should communicate this to consumers where we are legally allowed to do so. We should also encourage authorities to give factual and unbiased information about the relative harm of different tobacco products and encourage legislators and regulators to regulate tobacco products differently based on their risk profile.

### Regulation and protecting vulnerable consumer groups

During the year, we have continued to actively encourage regulators in a number of European countries to introduce

### OUR CHALLENGES

- There are widespread misconceptions about the risk profile of smokefree products compared to cigarettes among both regulators and consumers.
- There is a lack of nicotine pouch specific regulation in many of the countries where we operate or intend to operate.

legislation on nicotine pouches that would limit marketing, cap nicotine levels and perhaps most importantly make the sale of the products to non-adults illegal. In the US, our regulatory focus has been on making sure that our harm reduction products can be sold to adult tobacco users in flavors that are appealing to them. In our regulatory engagement we support:

- Regulation that promotes consumer shifting from cigarettes to less harmful nicotine and tobacco products.
- Regulation of nicotine and tobacco products to ensure that minors don't have access to the products, that there are coherent warning labels on the products and that there are appropriate restrictions on marketing.
- Product regulation for the nicotine pouch and smokefree tobacco categories to ensure that there are scientifically based thresholds for harmful and potentially harmful constituents.
- Excise taxation according to relative risk between different tobacco and nicotine products.

### Our progress

#### Progress update

During 2021 we have further increased the relative contribution from our smokefree portfolio to the total Group. Currently our smokefree business accounts for 72.1 percent of total Swedish Match sales of tobacco and nicotine products compared to 70.1 percent in 2020.

We have actively worked towards increasing the consumer reach of our nicotine pouches in both existing and new markets. The total numbers of retailers where Swedish Match nicotine pouch products are available outside Scandinavia increased from around 115,000 stores in 2020 to almost 130,000 stores in 2021. During the year, Swedish Match further expanded the availability of ZYN in the US and by the end of 2021, ZYN was available in more than 120,000 stores. During the year, Swedish Match has also expanded the availability of its nicotine pouch products on a limited scale to a number of countries outside of Scandinavia and US, and by the end of the year, we were present in more than 20 countries.

In 2021 we have continued to invest heavily behind our smokefree products to fuel future growth. Similar to previous years, we have committed more than 90 percent of our capital expenditure to our smokefree portfolio. During the year, we have once again scaled up the ZYN production capacity in the US. Out of our total R&D expenditure, 91 percent was related to smokefree products.

Driven by the efforts mentioned above, we have continued on the journey towards a world without cigarettes. In the combined Swedish and Norwegian market, shipments of Swedish Match smokefree products in relation to cigarette category volumes increased from 73.6 percent in 2020 to 75.3 percent in 2021.<sup>1)2)</sup>

<sup>1)</sup> Based on Swedish Match shipment volumes. All volumes are converted to can equivalent.

<sup>2)</sup> Cigarette volumes in Sweden is based on distribution data and volumes in Norway is based on data from the tax authority.



The conversion of cigarette smokers to less hazardous alternatives would be even faster if more smokers are aware of the dramatic difference in the relative risk between smokefree products and cigarettes. Educating consumers on such difference continues to be an important task. This difference is probably best understood in Sweden and Norway, but there is widespread misunderstanding even in these markets. In the general population in Sweden, 30 percent believe that snus is at least as dangerous as cigarettes or answer that they do not know. In Norway the equivalent proportion is 34 percent. Only 23 percent of the Swedish population believe that snus is much less dangerous than cigarettes and in Norway this number is only 19 percent. Thus continuous efforts to further increase consumer awareness will remain a focus going forward. We will continue to engage with the scientific community to verify the public health benefits of our products and will continue to be transparent to our stakeholders.

In March 2020, Swedish Match submitted PMTA applications for all its ZYN products presently on the US market and these applications are under scientific review by the FDA. The applications show that almost all harmful and potentially harmful components commonly associated with tobacco products have been reduced below detection levels. Further, the consumer studies presented in the applications show that there is little interest in the ZYN products among consumers who are not tobacco consumers and that there is a large potential to attract existing tobacco users to the products. During 2021, Swedish Match has continued to work on new PMTA applications for products not presently on the US market.

The most important goal of Swedish Match regulatory efforts in Europe is to initiate regulation for nicotine pouches. Specific legislation should be implemented in order to ensure age limits, appropriate marketing restrictions and product standards (including maximum nicotine content per pouch) to ensure consumer protection. During the year regulation specifically recognizing nicotine pouches was adopted in Switzerland and the Czech Republic. Such legislation was adopted in Denmark in 2020 and implemented in 2021.

Swedish Match has had regulatory contact in a number of EU countries and some progress has been made. Already in 2016, Swedish Match contacted the responsible minister in Sweden, alerting the Swedish government that nicotine pouches were not covered by Swedish tobacco legislation and that the products could therefore be legally sold to minors. We have also pointed out that there are no specific marketing restrictions and no product regulations to ensure the safety profile of the products. The Swedish government has now finally announced that regulation will be proposed in 2022. Swedish Match has also contacted regulators in a number of other EU countries alerting them of the regulatory situation for nicotine pouches. In some of these countries, regulators have expressed an active interest in initiating regulation.

Another objective of Swedish Match is that tobacco taxation should be based on relative risk of the different product categories. In 2021 the Norwegian tax was decreased by 25 percent without a corresponding decrease of the cigarette tax. In the budget for 2022 snus taxes were raised by 5.9 percent and cigarette taxes were raised by 6.5 percent.

Consumer reach <sup>1)</sup> (thousands of stores)	2021	2020	2019
Number of retailers where Swedish Match nicotine pouches are available outside Scandinavia <sup>2)</sup>	129	116	79

<sup>1)</sup> Based on number of retailers for nicotine pouches in the US and Other markets (excluding Germany).

<sup>2)</sup> The information on retailers is based on distributor data and Swedish Match estimates by the end of each year.

Swedish Match's smokefree products <sup>1)</sup> as a share of its total tobacco/nicotine products, %	2021	2020	2019
Volumes <sup>2)</sup>	84.0	83.0	83.5
Net sales	72.1	70.1	67.7
Capital expenditure including acquisitions	91.3	93.3	92.1
R&D cost	90.5	95.3	95.8

<sup>1)</sup> Smokefree consists of snus, nicotine pouches, moist snuff and chewing tobacco.

<sup>2)</sup> All volumes are converted to portion equivalent.

## GOING FORWARD

Goals	Commentary
Development and commercialization of nicotine harm reduction products that are attractive to cigarette users and dramatically safer sources of nicotine compared to cigarettes.	<ul style="list-style-type: none"> <li>Swedish Match will continue to dedicate a vast majority of its R&amp;D resources to development of smokefree tobacco and nicotine products.</li> <li>Swedish Match will continue to dedicate resources to increased geographical footprint for its smokefree nicotine products.</li> </ul>
Increased consumer awareness and consumer reach of snus and nicotine pouches.	<ul style="list-style-type: none"> <li>Swedish Match will continue to dedicate significant resources to marketing of its nicotine pouch products to increase consumer awareness.</li> </ul>
Factual and correct media and authority reporting on the difference in relative risks between cigarettes and smokefree tobacco and nicotine products, as well as increased consumer awareness.	<ul style="list-style-type: none"> <li>Swedish Match will continue to be active and transparent in the public debate about our products and their health effects.</li> </ul>
Regulation that promotes consumer shifting from cigarettes to less harmful nicotine and tobacco products while also protecting vulnerable consumer groups.	<ul style="list-style-type: none"> <li>Swedish Match will continue to engage with regulators to promote interest in specific nicotine pouch regulation.</li> </ul>



## Ensure ethical business practices

### Our rationale for inclusion

At Swedish Match, ethical business practices are vital for keeping our stakeholder's trust and for the long-term success and profitability of the Company. A company based on strong business ethics will keep investors and employees engaged and will be perceived as trustworthy for consumers when making their purchasing choices.

Our tobacco and nicotine products are produced and marketed for adult users. Youth are particularly sensitive to nicotine and should never use any tobacco or nicotine containing products and should be prohibited from buying any such product. As a producer, it is our responsibility to engage with retailers to ensure that they properly understand the need to enforce required age-verification upon sale of tobacco and nicotine products.

### Our commitment

Swedish Match is committed to sound business ethics in all our business activities and relations with stakeholders, both within our own operations and when interacting with third parties. We build relationships through honesty and integrity. We are committed to comply with all laws and regulations, and where we deem appropriate, to maintain a higher standard than required, in the countries in which we operate. We believe that business relationships, when built on common values, mutual respect and trust, are important to our long-term success.

### Our approach

#### Our Code of Conduct

Our Code of Conduct represents the commitment of Swedish Match and of all its employees to conduct business activities in a responsible manner, consistent with applicable laws and regulations. It applies to all employees within the Swedish Match Group, regardless of location or role.

As part of our activities to help ensure awareness of the Code of Conduct and to find out whether our employees have reviewed or been informed about the Code of Conduct, we conduct periodic employee surveys. Mandatory training on the Code of Conduct is done through e-learning to supplement town hall meetings and similar events. Employees without e-mail accounts, hourly employees and consultants also receive training related to the Code of Conduct. Matters addressed in the Code of Conduct are continuously communicated to employees through, for example, the Company's Intranet.

#### Business Ethics Council and Procurement Council

The Business Ethics Council and Procurement Council target enhancement within general business ethics matters and assurance of adherence to our Supplier Code of Conduct. With the responsibility of the sustainability area decentralized to the Company's divisions and operating units, the councils are designated to assist in the coordination of activities and best practice sharing.

#### Corruption and bribery

At Swedish Match we have zero tolerance towards corruption and bribery. Swedish Match shall not participate in, or through third parties, endorse any corrupt practices. This is clearly stated in the Code of Conduct. Raising awareness and knowledge in these

The scope of this focus area is the entire value chain.



### OUR GOAL

**At Swedish Match, we will take the necessary steps to ensure that ethical business practices are maintained within our own company and in our relationships with all outside parties.**

- Ethical business practices fully embraced and integrated into our corporate culture.
- Zero level of incidents rooted in non-ethical business behavior.
- Responsible marketing with 100 percent compliance with our policy to exclusively market to adult consumers.

### HIGHLIGHTS 2021

- We have ensured that all significant suppliers of direct material have committed to the principles of Swedish Match Supplier Code of Conduct.
- All divisions have evaluated and updated their respective marketing policies to secure that these policies reflect marketing of all products within each division's product portfolio and cover all manners and channels of marketing including social media and internet advertising.
- Training sessions have been conducted to secure that relevant employees are up-to-date with and follow the updated marketing policies and applicable legal marketing requirements.

areas within our organization is of high importance and relevant employees are required to complete a specific e-learning on the subject. The e-learning is also open to anyone else within the organization.

### Fair competition

It is our belief that healthy competition contributes to increased business opportunities, improvement of economic performance and the reduction of cost for products and services. Competition between competitors shall be conducted in a fair manner and in compliance with competition laws. Our legal departments support the divisions on compliance with the relevant legislation when entering into agreements with our counterparties and performing market activities.

All employees within sales and marketing as well as management teams throughout the Group are continuously trained within fair competition. E-learning programs and tailor-



made compliance manuals are also used to educate personnel within this area and will continue to be used targeting employees within e.g. sales and marketing, procurement as well as research and development.

**Anti-money laundering**

Money laundering is prohibited by Swedish Match in line with the anti-money laundering laws of various countries. Money laundering is a global problem with potentially very serious consequences. Swedish Match remains vigilant to this concern in our business relations and acts diligently to prevent our products from being used for money laundering. E-learning on anti-money laundering is required for relevant employees within the organization.

**Raising concerns and the whistleblower function**

To further secure sound business ethics within the organization, we encourage all employees to speak up if they become aware of behavior that is not in line with the Code of Conduct. When raising a concern, employees can always contact their managers, their manager's immediate manager, division heads, or the HR or legal departments. Swedish Match also has a whistleblower function that provides employees with the opportunity to report suspicion of non-compliance with the Code of Conduct to the Chairman of the Audit Committee when applicable. All raised concerns are treated seriously and investigated. Appropriate actions are taken in cases of misconduct. All expectations raised and actions are reported to the Audit Committee. External auditors are also present at the time of these reports.

**Our Supplier Code of Conduct**

Our Supplier Code of Conduct reflects Swedish Match's Code of Conduct and specifies what we expect and require from our suppliers in terms of employment and labor practices, workplace practices, ethical business practices and environmental management practices. Requirements are based on and comply with international conventions and guidelines<sup>1)</sup>. The Supplier Code of Conduct forms the basis for our relationship with suppliers and is an integral part of most of our significant business agreements.

For more information, refer to section *Our Supplier Code of Conduct* under the focus area *Human rights in our supply chain*, page 61.

**Our Distributor Code of Conduct**

In certain markets, Swedish Match has extended its use of codes of conduct in our supply chains by adding a Distributor Code of Conduct which follows along the lines of our Code of Conduct. The intent is to promote good practice throughout our value chain over time.

**Personal data and privacy**

Swedish Match is committed to handling personal data responsibly and in accordance with applicable legislation. Employees and consultants are trained through workshops and e-learning in order to understand what privacy responsibilities and obligations mean for Swedish Match and how to comply with the regulations.

To comply with the European General Data Protection Regulation (GDPR), Swedish Match operates under a GDPR Governance Model and Compliance Program which aim to integrate GDPR compliance into existing processes as a natural part of our "day to day activities" and to truly embed the Swedish Match GDPR Privacy Policy and supporting instructions within relevant parts of the Swedish Match Group. This GDPR framework serves to adopt an effective GDPR compliance structure with dedicated roles and departments accountable for various activities within the GDPR compliance areas. The compliance work is performed under the direction of our GDPR Privacy Steering Group, chaired by the General Counsel and supported by local Privacy Coordinators covering all legal entities in scope. Through an annual GDPR compliance monitoring procedure, we follow-up compliance within all relevant Swedish Match entities and annual GDPR compliance reports are provided to the Audit Committee of the Swedish Match Board of Directors. During 2021 there were no internal data breaches recorded in the GDPR compliance report.

**Responsible marketing**

Swedish Match is committed to marketing our products responsibly, in compliance with applicable laws and regulations or high ethical standards if no such regulation is in place. Responsible marketing is covered in the Company's Code of Conduct. The Company also applies division specific policies to ensure that all marketing, regardless of type, format or channel, is legally compliant and responsibly conducted in order to fully comply with the requirements and standards set by Swedish Match.

**"Adult only Tobacco and Nicotine" policy**

For tobacco and other nicotine containing products, Swedish Match has an adult only policy which firmly states that all such products shall only be marketed and sold to adults of legal tobacco age in each market. If the legal tobacco age in any market is below 18, Swedish Match shall still adhere to a policy of 18 years of age or over. This means that we shall not direct any marketing, advertising or promotion of tobacco and other nicotine containing products to persons under the age of 18 or the legal tobacco age if it is higher.

We are committed to educating, informing, and cooperating with retailers, distributors and public officials to prevent the underage use of tobacco and other nicotine containing products. Swedish Match provides information materials in order to inform both customers and consumers of its position on the sale of tobacco and nicotine products to be designated only for purchases by adults over 18 or of legal age if above 18. Where it is legal, we may sell and market our products online and use face to face marketing and sampling, but only to age verified adults.

Source: Swedish Match Code of Conduct.

<sup>1)</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 ILO Conventions [No's. 001, 014, 029, 030, 087, 098, 100, 105, 106, 111, 138 and 182], and the OECD Guidelines for Multinational Corporations.

In relation to the innovative and emerging category tobacco-free nicotine pouches, which unlike e.g. tobacco products can fall outside the scope of sector specific legislation, Swedish Match is supporting and complying with initiatives for transparent and responsible self-regulation within the scope of industry agreements. We also provide clear information to the consumers about the health effects of our nicotine products and that the products are only intended for adults.

We have in place, and continuously improve, internal routines and processes in order to ensure legally compliant and responsible marketing. Our marketing material in general, and that relating to our tobacco and nicotine containing products in particular, is subject to strict internal approval procedures. Training of our employees and close cooperation between different internal functions are key elements. With regard to our nicotine containing products, we have age-gated brand websites and ensure to never employ actors/models in our marketing materials under the age of 25. These steps help to implement our standards and prevent underage use. We are committed to educating, informing, and cooperating with retailers, distributors, and public officials.

For Swedish Match's own stores, in Sweden, new employees are trained by our legal department on responsible marketing and the prevention of underage use of our nicotine containing products. For our retailers, for example in Sweden, we have a designated program and a website which include clear information on applicable legislation and regulations and our own strict marketing policy.

of all products within each division's product portfolio and cover all manners and channels of marketing including social media and internet advertising. The aim with these marketing policies is to include the Company's requirements on marketing also for products and territories which fall outside the scope of sector specific legislation. To secure that all relevant employees are up-to-date with and follow the updated marketing policies and applicable legal marketing requirements, specific training sessions were conducted.

Five Code of Conduct concerns have been raised and evaluated in 2021. Three of these were found unsubstantiated and required no further actions while certain actions were deemed appropriate in two cases.

In the past four years, Swedish Match did not incur any fines or settlements related to anti-competitive practices nor was involved in any ongoing investigations. Regarding corruption and bribery, the Company is currently not involved in any ongoing cases and has not had any confirmed cases in the past four years.

In 2021, Swedish Match has ensured that all of the Company's significant suppliers of direct material have committed to the principles of Swedish Match Supplier Code of Conduct. All suppliers of raw tobacco are included. The suppliers have either signed our Supplier Code of Conduct or have their own Codes of Conduct and mechanisms which are broadly similar to our Supplier Code of Conduct.

Ethical business practices	2021	2020	2019
Share of employees that have completed training on our Code of Conduct <sup>1</sup> , %	96	97	97
Share of employees that believe that they have had an adequate amount of information and training on the Code of Conduct <sup>2</sup> , %	N/A	88	N/A
Number of Code of Conduct concerns raised and evaluated	5	8	20
Share of relevant employees that have completed fair competition e-learning, %	96	95	90
Share of relevant employees that have completed training on anti-corruption, %	95	95	84 <sup>3</sup>
Share of relevant employees that have completed training on GDPR, %	94	95	82
Share of relevant employees that have completed training on anti-money laundering, %	98	97	81
Share of significant suppliers <sup>4</sup> of direct material committed to the principles of Swedish Match Supplier Code of Conduct, %	100	100	99

<sup>1</sup> Relates to individual training for employees with personal e-mail accounts as well as group session training performed for employees in factories without personal e-mail accounts. As of October 2020, consultants on contracts with a duration of over three months are included in the figure.

<sup>2</sup> Data collected through the Group employee survey which is conducted regularly. The latest survey was conducted in 2020.

<sup>3</sup> Decrease due to expanded coverage of relevant employees.

<sup>4</sup> A significant supplier of direct material is defined as a supplier with which Swedish Match has a significant level of spend. All suppliers of raw tobacco are included, and each is viewed as an individual supplier per country.

### OUR CHALLENGES

- No direct control on age verification process at retail where our products are sold.
- Diverse and sometimes unclear regulatory requirements for certain product categories on international markets.
- Current tobacco regulation has a "one-size-fits-all" approach that does not take into account the differences between product categories and their respective risk profiles.

### Our progress

#### Progress update

All divisions evaluated and updated their respective marketing policies during 2021 to secure that these policies reflect marketing

### GOING FORWARD

Goals	Commentary
Ethical business practices fully embraced and integrated into our corporate culture.	<ul style="list-style-type: none"> <li>• Continued focus on awareness of different parts of the Code of Conduct throughout the organization; tailor-made education and trainings, information on Intranet and other internal communication channels.</li> </ul>
Zero level of incidents rooted in non-ethical business behavior.	
Responsible marketing with 100 percent compliance with our policy to exclusively market to adult consumers.	<ul style="list-style-type: none"> <li>• Continued conduct of a strict approval process on our marketing materials to ensure that relevant legal and Company specific requirements as stated in local marketing policies are met.</li> </ul>



## Reduce environmental impact

### Our rationale for inclusion

Tackling climate change by reducing greenhouse gas (GHG) emissions is one of the greatest, most urgent challenges facing society. To be part of the climate solution is important for our employees and consumers. Climate change affects weather patterns and could have an adverse impact on our agricultural supply chain. It also threatens facilities and operations, supply, and distribution. At Swedish Match, we are taking actions to strengthen our resilience to climate impacts, support transition to low carbon activities, and reduce impact of our products on the environment, including post-consumer littering.

### Our commitment

We commit to doing our part in line with the Paris Agreement, supported by science-based targets for our business' value chain. We work with our suppliers and continuously and systematically assess our internal processes to increase our efficiency and reduce the impact that we have on the environment.

### Our approach

#### Addressing climate change in a science-based manner

We have developed an emission reduction strategy in a science-based manner. Our climate targets were set through the Science Based Targets initiative (SBTi) and approved in March 2019. The targets are in line with the level of decarbonization required to keep the rise in global temperature below 2°C compared to preindustrial levels<sup>1)</sup>. In this process we have been guided by the methodology of the Sectoral Decarbonization Approach (Other Industry<sup>2)</sup> pathway) and made use of the associated calculation tool to form a basis for our decision.

<sup>1)</sup> As described by The Intergovernmental Panel on Climate Change (IPCC).

<sup>2)</sup> The "Other industry" sector includes all industries that cannot be allocated to the industry sectors Iron & steel, Cement, Aluminum, Pulp & paper and Chemicals & petrochemicals, e.g. food, beverage and tobacco processing.

The scope of this focus area is the entire value chain.



### OUR GOAL

**Our goal is to limit our environment footprint while growing our business. We are committed to reducing our greenhouse gas (GHG) emissions and waste along our value chain from sourcing to our own operations and continuing through consumer use.**

- To reduce GHG emissions by 41 percent by 2030 and by 75 percent by 2050, with 2017 as the base year, in our whole value chain (Scopes 1, 2 and 3).
- To reach our goal by 2030 and 2050, we are committed to reducing GHG emissions by 5 percent per year.
- To reduce total waste per unit of sales and to keep hazardous waste at the absolute minimum.
- To drive effective efforts to prevent post-consumer waste.

### HIGHLIGHTS 2021

#### Reduction of GHG emissions:

- 100 percent of electricity used in our factories in Odense and Silkeborg (Denmark) has been converted to green electricity, making our European operation 94 percent fossil free.
- Transition to green electricity has begun in our factories in Gotland (Sweden) and Manila (the Philippines) to be completed in 2023.
- Coolers used for storage and display of our smokefree products at points-of-sale in Scandinavia use close to 80 percent of green electricity.
- US Division has embarked on a transition program to increase the use of transport vehicles with reduced carbon footprint, primarily in its smokefree distribution fleet from the Owensboro production facility.
- Important tobacco suppliers for our smokefree products in the US and Europe have successfully implemented GHG reduction initiatives and consequently, following a third party verification, we have confirmed a lower emission factor.

#### Reduction of waste and littering prevention:

- Europe Division has completely eliminated non-recyclable black cans from production in Sweden in 2020 and has begun the elimination of non-recyclable black cans from the production of chew bags in Silkeborg (Denmark).
- Europe Division has improved the sorting process of cans, which significantly reduced the spillage in production.
- Recycling of waste has increased by more than 30 percent, primarily driven by US and Lights divisions.
- US Division has reduced waste to landfill by more than 80 percent by shifting to incineration of waste for power.
- Europe Division has collaborated with three organizations, Håll Sverige Rent (The Keep Sweden Tidy Foundation), DLF, and Livsmedelsföretagen<sup>1)</sup>, in their commitment to increase the awareness of recyclability of packaging, and to reduce post-consumer littering in Sweden.
- Europe Division has initiated a Life Cycle Analysis of all product packaging, to map our footprint and optimization initiatives.
- US Division has started an educational campaign to inform consumers of recycling eligibility of cans.

<sup>1)</sup> DLF and Livsmedelsföretagen are two trade organizations for companies that produce or import goods for resale in grocery retailers and other food service markets in Sweden.

The Sectoral Decarbonization Approach (SDA) is a scientifically informed method for companies to set GHG reduction targets necessary to stay below a 2°C temperature rise compared to preindustrial levels. The method is based on the 2°C scenario, one of the International Energy Agency’s detailed CO<sub>2</sub> sector scenarios modeled in their 2014 Energy Technology Perspectives report (IEA 450 scenario). The Energy Technology Perspectives report’s budget is consistent with the representative concentration pathway 2.6 (RCP2.6) scenario from the IPCC’s Fifth Assessment Report, which gives the highest likelihood of staying within the global target temperature of less than 2°C in the year 2100. All six GHGs covered by the Kyoto Protocol<sup>1)</sup> are included in our calculations, where assumptions and emission factors have followed a conservative approach.

Our climate targets were set by the Group Management Team and approved by the Swedish Match AB’s Board of Directors. Each division president is responsible for achieving the target for its respective division, in line with the ambition set under the SBTi. This organizational approach ensures that targets are integrated into normal business operations and review processes, and continuously followed up. To further reinforce our commitment to our targets, as of 2020 we have added an additional performance metric based on our GHG reduction ambition to our Long-Term Incentive plan for senior management.

**Accounting for GHG emissions in our value chain<sup>2)3)</sup>**

We report GHG emissions from our own facilities (Scope 1 direct emissions), emissions from energy used in our own operations (Scope 2 indirect emissions), and emissions in our full value chain

according to the Corporate Value Chain Standard (Scope 3) of the Greenhouse Gas Protocol<sup>4)</sup>.

Continuous efforts have been made to enhance our accuracy in the GHG accounting by engaging with business partners and expanding the reported data scope for the recently acquired companies. Where supplier specific emission factors are not available, latest generic emission factors have been used to calculate emissions.

**Supplier engagement**

Emissions from our upstream activities comprised more than 50 percent of our total carbon footprint. We recognize the importance of engaging with our suppliers in the journey to achieve our ambitious climate target and constantly leverage our purchasing power to find further potential for reduction. The sustainability performance from suppliers is an important criterion in our vendor selection process.

**Assessing climate change risks**

We address climate change risks in a similar manner as we assess financial and operational risks. Key risks are identified on an annual basis and incorporated into the ERM process at division level. This process aligns with international expectations such as to mitigate and adapt to climate impacts, as well as the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). High level assessment is described below, while more detailed description of climate related risks and opportunities can be found in our submission to the CDP<sup>5)</sup>.

Risk	Commentary
<p><b>Physical risk</b></p> <p>Tobacco is the most important agricultural commodity for Swedish Match business operations. Changes in precipitation patterns, soil content and heat patterns could negatively affect the yield, quality and availability of the tobacco crop. This could result in shortage of supplies and increasing raw material costs. Our direct operations are also exposed to acute physical risks caused by extreme weather events such as cyclones, hurricanes, or floods which could disrupt the manufacturing and distribution in the affected areas.</p>	<p>Swedish Match sources raw materials from a broad geography, therefore reducing its risk of exposure to climate change which may occur in any single geographic area. We also mitigate the risk through various activities such as climate impact assessment for our tobacco suppliers through the Sustainable Tobacco Program (STP) and a commitment to Science Based Targets initiative (SBTi) to do our part in reducing greenhouse gas emissions in our entire value chain. For our production facilities that have been identified as critical, periodic inspections are conducted by an independent third party. These third party assessments address, among other aspects, the potential risk exposure related to natural disasters and whether a business continuity plan is in place to prevent and recover from such acute situations.</p>
<p><b>Transition risk</b></p> <p>Our operations are subject to potential transition risks triggered by for instance new carbon-related regulations and shift in consumer preferences. These risks might impact how the Company can operate its business and interact with its stakeholders. This could imply direct financial impact in the form of increased compliance costs, or decreased revenue due to reduced demand for our products.</p>	<p>The Company closely monitors the regulatory and policy development related to for instance packaging and enhanced emissions-reporting obligation. We also continuously monitor market trends and changing consumer needs by conducting targeted market research. This insight forms the basis for our product development decisions.</p>

<sup>1)</sup> IPCC Fourth Assessment Report.  
<sup>2)</sup> Figures described in this section are based on best available information and are subject to revision. Revised figures will be presented on the Company’s website when available.  
<sup>3)</sup> The data scope of this report excludes the recently acquired company Fire-Up International B.V. (February 3, 2021), and partly excludes Swedish Match Denmark, previously V2 Tobacco, (August 31, 2017), House of Oliver Twist (April 3, 2018), and Gotlandssnus (August 22, 2018).  
<sup>4)</sup> International standard for calculating and reporting climate impact from business activities.  
<sup>5)</sup> CDP (formerly Carbon Disclosure Project) is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts, <https://www.cdp.net>.

### Addressing waste and littering from our products

By integrating sustainable practices for our products, from development to end-of-use, we can lower the environmental and social impacts, as well as cost. We aim to reduce total waste per unit of sales at our operations and keep hazardous waste to an absolute minimum. We continuously work to reduce the use of packaging material and other materials associated with our products and explore the possibilities to use recycled materials where permitted in the local legislation. We also work actively towards increasing the recyclability of consumer packaging materials at the end of their product life and collaborate with our business partners in local markets to raise consumer awareness and implement littering prevention initiatives.

### Permits and obligatory notification

All facilities satisfied the environmental requirements of their permits during 2021. Our facilities in Gothenburg and Kungälv, in Sweden are subject to obligatory notification in accordance with the Swedish Environmental Code. The operations in Vetlanda and Tidaholm, in Sweden have the environmental permits required for the business. These permits entitle the plants to increase production up to certain levels and specify limits for wastewater, the dust content in ventilation outflows and noise levels. For plants in other countries where Swedish Match has production operations, the Group has permits in accordance with the legislation in each country.

The majority of our production facilities (10 of 16) are ISO 14001 certified. Non-certified factories include our match factories in Curitiba and Pirai do Sul, Brazil, lighters factory in Manaus, Brazil, and businesses acquired<sup>1)</sup> since 2018.

### EU Taxonomy

We have identified that our forestry plantation in Brazil is associated with the economic activity “Forest Management” defined in the EU Taxonomy and listed in technical screening criteria for the two environmental objectives Climate change mitigation and Climate change adaptation. The forestry plantation makes up a small portion of our business, however is taxonomy-eligible. In accordance with the disclosure requirements in the taxonomy regulation, below we disclose the share of turnover, capital expenditure and operating expenses of our taxonomy-eligible economic activity.

#### EU taxonomy - Accounting principles

In the context of accounting in line with the EU taxonomy, turnover, capital expenditure and operating expenditure are defined as per below. The definition of capital expenditure and operating expenses differs here compared to our regular financial reporting.

#### Turnover

The presentation of total sales corresponds to item Sales in the Group’s income statement, page 80, and *Note 3 Segment information*, page 92. Sales related to the economic activity “Forest Management” refers to sales of timber to third parties and internal sales of timber, used in Swedish Match’s own production facilities.

#### Capital expenditure

Total capital expenditure refers to additions to tangible and intangible assets during the year, excluding depreciation, revaluations and write-downs and excluding changes in fair value. Furthermore, additions to rights of use and tangible and intangible assets arising from business combinations excluding goodwill are included. See *Note 11 Intangible assets*, *Note 12 Property, plant and equipment* and *Note 13 Biological assets*, pages 99-101. Capital expenditure related to the economic activity “Forest Management” refers additions of tangible and intangible assets, as defined by the EU taxonomy, directly associated with our forestry operations in Brazil.

#### Operating expenses

The accounting of operating expenses within the framework of the EU taxonomy includes the Group’s direct costs related to research and development, building renovations, short-term leases and maintenance and repairs. Operating expenses related to the economic activity “Forest Management” refers to operating expenses, as defined by the EU taxonomy, directly related to the forest operations in Brazil.

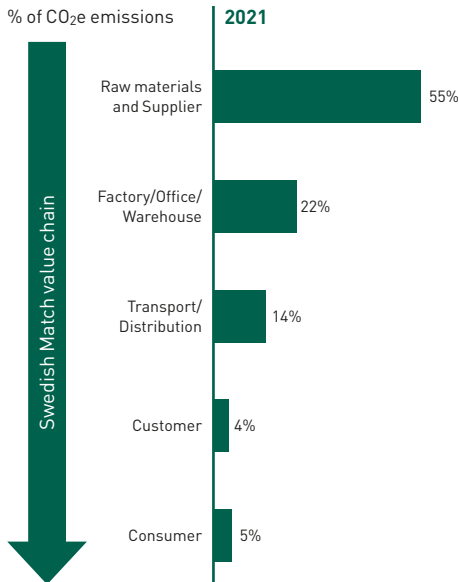
### OUR CHALLENGES

- Continued substantial volume growth, especially for our nicotine pouches in the US, makes it challenging to achieve year-over-year total GHG emissions reduction.
- Limited control over Scope 3 emissions, which account for more than 80 percent of Swedish Match’s total emissions.
- Phasing out fossil fuels can be challenging in several markets due to the lack of technical and economically viable alternatives.
- Nicotine is listed as hazardous waste in the US and Europe, therefore we are required to report the chemicals and contaminated materials such as cans and packaging materials for nicotine pouches as hazardous.

<sup>1)</sup> Fire-Up International B.V. (February 3, 2021), House of Oliver Twist (April 3, 2018), and Gotlandssnus (August 22, 2018).

**OUR PROGRESS**

**Climate footprint at each stage of Swedish Match's value chain**



**Example of initiatives to reduce environmental impact of our business**

Active engagement with key suppliers (tobacco, transportation, pouch paper) to review and improve our climate footprint.	
Continued our shift towards green electricity and now employed 100 percent in our smokefree manufacturing facilities in Denmark. The shift is ongoing in the Gotland and Manila facilities.	Shift from waste to landfill to incineration of waste for power production in the Owensboro facility.
Benchmark and optimization of freight transportation efficiency in the US.	Continued improvement from eco driving system for fleet of vehicles used for distribution in the US and in our own logistic business.
Coolers in Scandinavia use close to 80 percent green electricity.	Reuse of cartons in shipments to customers.
Continued elimination of non-recyclable black plastic cans for our products produced in Silkeborg.	Collaboration with our partners in Sweden, Norway and the US to raise consumer awareness regarding littering issues.

**GHG EMISSIONS FROM SWEDISH MATCH'S MAIN PRODUCTS PER UNIT OF PRODUCTION<sup>1)</sup>**

Gram CO <sub>2</sub> e	2021	2020 <sup>2)</sup>	2019 <sup>2)</sup>
US smokefree	180	211	255
Scandinavia and Other markets smokefree	71	88	103
Cigars	33	32	36
Lighters	90	84	100
Matches	29	28	33

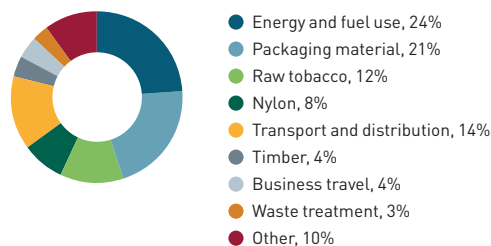
<sup>1)</sup> Unit of production is based on one can or can equivalent for snus, nicotine pouches, moist snuff, chew bags and tobacco bits, one 3 ounce portion of US chewing tobacco, one cigar, one lighter or equivalent and one match box.

<sup>2)</sup> Figures restated due to refined data collection.

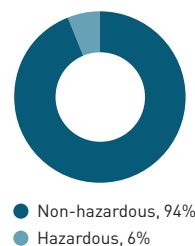
**WASTE FROM SWEDISH MATCH'S MAIN PRODUCTS PER UNIT OF PRODUCTION<sup>1)</sup>**

Gram	2021	2020 <sup>2)</sup>	2019 <sup>2)</sup>
US smokefree	9.8	11.5	11.7
Scandinavia and Other markets smokefree	6.4	7.1	7.2
Cigars	1.0	1.0	1.2
Lighters	1.0	0.8	0.9
Matches	20.4	18.5	18.2

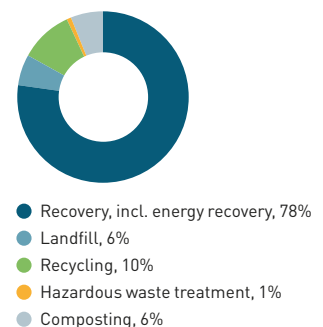
**2021 GHG EMISSIONS BY SOURCE**



**2021 WASTE BY TYPE**



**2021 WASTE BY TREATMENT METHOD**



**Progress update**

**Reduction of GHG emissions**

Swedish Match's direct emissions (Scope 1) and indirect emissions (Scope 2) account for only 17 percent of the total GHG emissions. The remaining 83 percent includes emissions from upstream and downstream (Scope 3) activities identified as relevant to our value chain. The GHG emissions across the value chain amount to 209,454 tons CO<sub>2</sub>-equivalents (CO<sub>2</sub>e) for the year 2021. Our total emissions have increased by 3.5 percent versus 2020, primarily driven by strong volume across all product categories. However,

measured per unit of net sales in constant currency terms, we have reduced emissions by 7 percent versus 2020.

Our Scope 1 and Scope 2 emissions have increased by 14 percent primarily driven by higher production volume for the US business, where currently only 7 percent of energy is fossil free. It remains challenging to increase the use of renewable energy in the US since our production is located in areas where coal is the dominant source of electricity. Europe Division, on the other hand, has increased the share of green electricity from 83 to 94 percent in 2021. During the year both of our factories in Denmark



have shifted to 100 percent green electricity, and we have also increased the share of green electricity used in our facility in Gotland. Lights Division continue transition to green electricity in the Manila facility with total share of fossil free energy amounted to 70 percent globally.

Total Scope 3 emissions have increased by 2 percent year over year primarily due to higher amount of purchased materials in Lights Division, particularly nylon, driven by volume growth. The total Scope 3 emissions for our smokefree products have declined by 9 percent compared to last year. The reduction was driven by our tobacco suppliers both in US Division and Europe Division which have successfully implemented GHG reduction initiatives. After a third party verification we have confirmed a lower emission factor, which resulted in more than 60 percent lower tobacco emissions. We have also continued to work on decreasing the environmental footprint of our packaging. Aluminum film, one of the most carbon-intensive packaging materials used in our products, has in 2021 been completely removed from our cigar consumer packaging.

#### Reduction of waste and littering prevention

Total waste in our operations have increased 9 percent compared to 2020, due to higher volume and temporary inefficiencies in the production of matches. Measured per unit of net sales in local currency terms, our waste was reduced by 2 percent, and 94 percent of total Group waste is classified as non-hazardous. The total hazardous waste generated has temporally increased year over year driven by higher wood waste in Lights Division. Recovery, including energy recovery, remains a main waste treatment method, covering 78 percent of total waste. Waste to landfill decreased by 48 percent, largely driven by a shift to incineration of waste for power production in the Owensboro facility.

Despite increase in total packaging consumption due to higher volumes, the focus remains on we finding low carbon alternatives and where possible, replacing virgin materials with recycled materials in our packaging. In 2021, 51 percent of the paper used in packaging was made from recycled material. However, it remains challenging to replace virgin plastic with a recycled alternative, due to shortage of supply and limiting regulations within the food industry. Currently, less than 1 percent of plastic used in our production made from recycled material.

In addition, we have continued our efforts to reduce the waste from our own operations by implementing different initiatives to address the issue of post-consumer waste from our products. We have continued to reduce the use of black plastic cans in our production of smokefree products destined to markets outside the US. We also partnered with organizations in Sweden and Norway to provide infrastructure to further enable recycling and raise consumer awareness regarding littering issues.

Greenhouse gas emissions (metric tons CO <sub>2e</sub> )	2021	2020 <sup>1)</sup>	2019 <sup>1)</sup>
Scope 1 + Scope 2	35,271	30,925	31,593
Scope 3	174,184	171,462	182,175
<b>Total emissions</b>	<b>209,454</b>	<b>202,387</b>	<b>213,768</b>
<b>Percent change total emissions</b>	<b>3</b>	<b>-5</b>	<b>9</b>
<b>Total emissions per MSEK sales<sup>2)</sup></b>	<b>11</b>	<b>12</b>	<b>15</b>
<b>Percent change per MSEK sales</b>	<b>-7</b>	<b>-16</b>	<b>-4</b>

<sup>1)</sup> Figures restated due to refined data collection.

<sup>2)</sup> Net sales from product segments in constant currency terms.

Energy use in our own operations (MWh)	2021	2020 <sup>1)</sup>	2019 <sup>1)</sup>
Direct energy use	94,398	89,958	88,768
Indirect energy use	96,492	90,313	89,643
<b>Total energy use</b>	<b>190,890</b>	<b>180,271</b>	<b>178,411</b>
<b>Total energy use per MSEK sales<sup>2)</sup></b>	<b>10</b>	<b>11</b>	<b>12</b>
<b>Percent of fossil free energy</b>	<b>45</b>	<b>47</b>	<b>44</b>

<sup>1)</sup> Figures restated due to refined data collection.

<sup>2)</sup> Net sales from product segments in constant currency terms.

Total packaging material (metric tons)	2021	2020 <sup>1)</sup>	2019 <sup>1)</sup>
Plastics	9,097	7,995	6,637
Paper	13,284	12,151	11,754
Metalized film	2,229	2,105	1,623
Metal	943	770	837
Aluminium film	13	17	447
<b>Total packaging material</b>	<b>25,566</b>	<b>23,038</b>	<b>21,299</b>
<b>Total packaging material per MSEK sales<sup>2)</sup></b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>
<b>Percent change per MSEK sales</b>	<b>0</b>	<b>-5</b>	<b>-11</b>

<sup>1)</sup> Figures restated due to refined data collection.

<sup>2)</sup> Net sales from product segments in constant currency terms.

Total waste (metric tons)	2021	2020 <sup>1)</sup>	2019 <sup>1)</sup>
Non-hazardous waste	27,756	26,214	25,384
Hazardous waste	1,651	776	780
<b>Total waste</b>	<b>29,408</b>	<b>26,990</b>	<b>26,164</b>
<b>Total waste per MSEK sales<sup>2)</sup></b>	<b>1.6</b>	<b>1.6</b>	<b>1.8</b>
<b>Percent change per MSEK sales</b>	<b>-2</b>	<b>-9</b>	<b>-16</b>

<sup>1)</sup> Figures restated due to refined data collection.

<sup>2)</sup> Net sales from product segments in constant currency terms.

Post-consumer waste	2021 <sup>1)</sup>	2020
Number of anti-littering initiatives	4	2
Number of organizations/partners engaged in anti-littering initiatives	3	4

<sup>1)</sup> The initiatives accounted for in 2021 were our initiative with Panta Dosan, our commitment to clean a natural reserve in Norway, an anti-littering campaign with Håll Sverige Rent, as well as recycling eligibility of cans campaign in the US. Organizations that Swedish Match engaged with were: DLF, Livsmedelsföretagen, Håll Sverige Rent (The Keep Sweden Tidy Foundation) as well as Hold Norge Rent (Keep Norway Beautiful).

	2021 Total (MSEK)	Proportion of Taxonomy eligible activities, %	Proportion of Taxonomy non-eligible activities, %
EU Taxonomy			
Turnover	18,489	0.1	99.9
Capital expenditures (CapEx)	1,172	0.7	99.3
Operating expenditures (OpEx)	326	0.1	99.9



**GOING FORWARD:**

Goals	Commentary
<p>To reduce GHG emissions by 41 percent by 2030 and by 75 percent by 2050, with 2017 as the base year, in our whole value chain (Scopes 1, 2 and 3).</p> <p>To reach our goal by 2030 and 2050, we are committed to reducing GHG emissions by 5 percent per year.</p>	<ul style="list-style-type: none"> <li>• Continued engagement with key suppliers of raw materials to further improve our GHG accounting visibility and to better guide our emission reduction efforts in upstream activities.</li> <li>• Actively seek new opportunities to reduce our climate footprint with regard to plastic use for consumer packaging.</li> <li>• Continued rollout of <i>Cricket</i> Eco, our lighter range using 100 percent recycled nylon, in a number of markets.</li> <li>• Shift to green heating at our Danish factories by 2023.</li> <li>• Shift to 100 percent of green electricity and heating used in the Gotland factory, Sweden, by 2023.</li> </ul>
<p>To reduce total waste per unit of sales and to keep hazardous waste at the absolute minimum.</p> <p>To drive effective efforts to prevent post-consumer waste.</p>	<ul style="list-style-type: none"> <li>• Continued initiatives to facilitate recycling of post-consumer packaging.</li> <li>• Continued elimination of the use of black plastic cans for products produced in Silkeborg, Denmark.</li> <li>• Continuous improvements on efficiencies in production and in procurement of materials.</li> </ul>





## Human rights in our supply chain

### Our rationale for inclusion

With tobacco being an agricultural product, there is a risk of human right violation in the supply chain especially related to child labor. According to the International Labor Organization, ILO, approximately 160 million children are involved in child labor worldwide; with the vast majority found in agriculture.

Poverty is one of the main causes which influence farmers' ability to achieve acceptable levels of socioeconomic wellbeing. It expedites the risk of child labor on tobacco farms because farmers may be unable to hire workers or afford school costs for their children. Farmers who can support their families are more likely to apply good agriculture practices and send their children to school. These are the farmers Swedish Match prefers to source from. This not only helps to safeguard high quality tobacco supply necessary for our GOTHIA TEK® quality standard, but also in so doing, increases the likelihood that risks of incidences of child labor and other human rights violations are mitigated. By implementing targeted initiatives, and developing strong working relationships with farmers, suppliers and other stakeholders, Swedish Match can have a significant socioeconomic impact on people and tangible benefits for economies and societies in which we operate, meanwhile mitigating reputational and operational risks.

### Our commitment

We respect universal human rights and support internationally proclaimed human rights conventions and guidelines. We recognize the role we play in respecting these rights and in making sure that they are upheld for the people impacted by our business, in the areas from which we source materials.

Elimination of child labor is the center of focus in our efforts. Swedish Match does not accept child labor anywhere in our supply chain. We respect the rights of the child, including the right to education, the right to rest and play and the right to have the child's basic needs met, in accordance with the UN Convention on the Rights of the Child.

### Our approach

#### Minimum age of employment

Consistent with the UN Convention on the Rights of the Child and the ILO Convention 138 on the minimum age for admission to employment and work, Swedish Match adheres to the principle that the minimum age for work should be above the age for finishing compulsory schooling, which is generally 15 years of age, or 14 years according to exceptions for developing countries. If relevant national legislation has set a higher age, this age applies. Work that is likely to be hazardous or harmful to the child's health as well as physical, mental, spiritual, moral or social development or that interferes with the child's education shall not be performed by young workers – children between 15 or 18 years of age. In the case of family farms, children of farmers between the ages of 13 and 15 years or above the minimum age for light work as defined by the country's law, whichever affords greater protection, can do light work on their own family's farm, as long as it does not threaten their health and safety, or hinder their education or vocational orientation and training.

The scope of this focus area is our own production facilities and our suppliers and, for tobacco, the farmers who provide tobacco to suppliers.



### OUR GOAL

**Our goal is the elimination of child labor and other human rights violations in the Company's supply chain.**

- 100 percent child labor free tobacco.
- 100 percent of our raw tobacco suppliers covered by STP or Swedish Match's due diligence program.
- Robust systems to identify, prevent and mitigate child labor and any other human right related issues in our entire supply chain.

### HIGHLIGHTS 2021

- 100 percent of significant suppliers of direct materials have committed to the principles of Swedish Match Supplier Code of Conduct.
- 95 percent of our raw tobacco volumes included in STP or in Swedish Match's due diligence program.
- Suppliers' self-assessments for 2021 were completed and verified in the STP platform by the STP Secretariat. Three suppliers have been identified for an in-depth assessment anticipated to be conducted in 2022.
- 99 percent of our suppliers' farmers under STP have been monitored for child labor.
- We were able to conduct 80 farm visits. Independently, our suppliers also continued to conduct their own site-visits in the countries wherever allowed.

**Our Supplier Code of Conduct**

Our Supplier Code of Conduct reflects Swedish Match's Code of Conduct and specifies what we expect and require from our suppliers in terms of employment and labor practices, workplace practices, ethical business practices and environmental management practices. Requirements are based on and comply with international conventions and guidelines<sup>1)</sup>. The Supplier Code of Conduct forms the basis for our relationship with suppliers and is an integral part of most of our significant business agreements.

Swedish Match strives to work with suppliers who have a healthy long-term financial position and chooses suppliers who also support Swedish Match's requirements regarding ethical business practices and other sustainability aspects.

We are in frequent and recurring dialogue with our suppliers on our fundamental values. Activities include communication of requirements in the Supplier Code of Conduct, follow-up on adherence through supplier assessments and audits as well as further dialogue on priority issues to ensure continued improvement. The overall aim is to proactively increase our further dialogue with suppliers on topics with regard to sustainability.

**Smokefree tobacco due diligence**

We purchase a vast majority of tobacco from global suppliers who in their turn purchase the tobacco from a large number of farmers. Most of these farms are located in developing countries.

They are often small and family owned, and crops are rotated between tobacco and other agricultural products.

All of our suppliers monitor farmers as part of their due diligence process. The monitoring process is primarily based on announced and unannounced visits by field technicians, often several times throughout the growing season. The field technicians audit farmers on numerous areas, including labor practice standards and crop quality. If a noncompliance is recorded, then required actions are taken by the supplier, which may entail training, remediation, or if necessary, non-renewal or termination of contracts with farmers. We audit the suppliers' efforts through self-assessment, validation and third parties review governed by the STP, as well as our own annual farm visits.

The STP covers nearly all of our tobacco suppliers for smokefree products. The Human and labor rights theme in the STP, together with the Livelihoods theme, address components which are fundamental to the well-being of people involved with the production of tobacco. Topics under assessment and review include child labor, fair treatment, freedom of association, income, work hours and benefits, modern slavery, and safe working environment. These themes align with the United Nations Guiding Principles on Business and Human Rights and contribute to six UN Sustainable Development Goals.<sup>2)</sup> The due diligence cycle under the STP is described as below.

<sup>1)</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 ILO Conventions (No's. 001, 014, 029, 030, 087, 098, 100, 105, 106, 111, 138 and 182), and the OECD Guidelines for Multinational Corporations.  
<sup>2)</sup> UN Sustainable Development Goals: Goal 1: No poverty; Goal 2: Zero hunger; Goal 5: Gender equality; Goal 8: Decent work and economic growth; Goal 10: Reduce inequalities; and Goal 16: Peace, justice and strong institutions.

**STP due diligence cycle**

Stages	Participants	Description
<b>Global, generic risk screening</b>	Independent STP Secretariat	An industry-common process to identify what the generic risks (and possible opportunities) are and where (country specific results) the risks are the highest.
<b>Self-assessment and validation</b>	All suppliers; Independent STP Secretariat	An industry-common process for all suppliers to perform self-assessment on an annual basis. Suppliers are asked to specify their commitment and procedures <sup>1)</sup> and report quantitative measures to show impact. The self-assessment results are then validated by the STP Secretariat.
<b>Prioritization</b>	Independent STP Secretariat; Manufacturers	Based on the generic risk screening and self-assessment validation results, a list of prioritized countries, suppliers and tobacco types are identified for an in-depth assessment.
<b>In-depth assessment by third party</b>	Prioritized suppliers; Independent assessor	The in-depth assessment is performed by a third party with subject expertise. This forms the basis for the consecutive stages in the STP process.
<b>Dialogue for improvement</b>	Prioritized suppliers; Independent assessor; Manufacturers; Independent STP Secretariat	The STP platform delivers a standardized format for dialogue to promote synergies among stakeholders. This dialogue renders an impact oriented action plan aiming for improvement as well as effective results in measured KPIs set in the STP standard.
<b>Implementation of actions</b>	Prioritized suppliers; Manufacturers	A standardized log format is set to facilitate communication on progress. The results of this process provide input into the next cycle and show effective results in measured KPIs set in the STP standard.

<sup>1)</sup> Procedures include farm monitoring, extreme breach procedure, prompt action issues procedure and grievance mechanisms and impact assessments.

### Cigar tobacco due diligence

For the cigars tobacco supply chain due diligence, we rely on both the STP and our own Cigar Leaf Audit Program to monitor adherence to our Supplier Code of Conduct.

For the tobacco used in the body of our cigars as filler, we source from global suppliers, with farms located all over the world. We believe we can deliver more impact through industry leverage when performing the due diligence, therefore 95 percent of filler tobacco is covered by STP.

For tobacco used as wrapper for our cigars, we source from a limited number of suppliers and farms. The largest suppliers account for more than 90 percent of total purchases and the locations of the farms are more concentrated than our smokefree raw tobacco farms. Thus, we believe it is more efficient to run our own due diligence program. Nearly all of our cigar leaf tobacco volumes are monitored through the Cigar Leaf Audit Program. The program is founded on Swedish Match's sustainability focus areas. The continuity of compliance with the requirements in the program is verified through annually submitted supplier's self-assessment and evidence validating the answers. Documentation is reviewed and opportunities and non-conformances detected will be added to the supplier's risk reduction plan and followed up in dialogue with the supplier, on site or digitally, to define necessary actions going forward.

### Traceability of tobacco

The STP defines traceability as the ability to identify and trace the history, distribution, location and application of products, parts, and materials, in the areas of human rights, labor (including health and safety), the environment and anti-corruption. Traceability enables us to follow the raw tobacco through the supply chain stages, including who grew the tobacco, how much was grown, how it was grown and what impacts growing activities had on people involved and the environment.

We encourage our suppliers to implement Integrated Production Systems (IPS) and have the contracts signed ahead of the growing season, without involvement of intermediaries. A core component of IPS is an upfront commitment from our suppliers to contracted farmers. A benefit of IPS is to enable

greater supply chain transparency and traceability. This enables opportunities to identify issues or adverse impacts during the growing season and provides us with the leverage to address those issues or impacts to effect change in the supply chain.

Engaging in IPS is not always possible due to various market conditions and government regulations. Therefore, we encourage our suppliers to seek alternatives and to work with relevant stakeholders to establish a clear chain of custody for tobacco in their supply chain and to verify that farmers are upholding set standards.

### ECLT Foundation

Swedish Match is a member of and represented on the board of the ECLT Foundation – Eliminating Child Labour in Tobacco Growing Foundation. The foundation is committed to pursuing collaborative solutions for children and their families that combat the root causes of child labor in tobacco-growing communities. Founded in 2000, this multi-stakeholder initiative brings several stakeholders from different parts of the tobacco industry together toward a common goal. Since 2011, the ECLT Foundation has supported over 1,035,000 children, farmers and families in the fight against child labor and are currently active in projects in Guatemala, Indonesia, Malawi, Mozambique, Tanzania and Uganda.

Our involvement provides us with a platform to continuously keep the issue high up on the agenda, exchange experience and knowledge within this field, and follow projects to tackle the issue on the ground. For more information on the ECLT Foundation, see [www.eclt.org](http://www.eclt.org).

### Direct material other than raw tobacco

For direct materials other than raw tobacco we rely on our own due diligence programs to monitor adherence to our Supplier Code of Conduct. The due diligence primarily covers tier one suppliers<sup>1)</sup>. The tier one suppliers are continuously screened for compliance and risk in relation to ethical business practices, employment and labor practices, including child labor. In addition to this, we encourage our suppliers to develop their own supplier standards and monitoring procedures.

<sup>1)</sup> Suppliers referred to here are suppliers who provide products directly to Swedish Match, without middlemen or other manufacturers.

## Sustainable Tobacco Program (STP)

The STP is an industry-wide initiative, jointly developed by tobacco manufacturers and experts, to assure standards in agricultural practices as well as environmental management and key social and human rights areas. Through industry leverage the program delivers impact and continuous improvement in the tobacco supply chain.

The STP is developed in line with relevant UN SDGs as well as global standards, guidelines and reporting frameworks. The program is governed by the STP Steering Committee, which consists of representatives from PMI, JTI, BAT/RJ Reynolds, Imperial Brands, Altria, and Swedish Match, and managed by the STP Secretariat, an external party that holds a secretarial, project management and advisory role.

The STP addresses eight common industry priority themes: Governance, Crop, Climate change, Human and labor rights, Livelihoods, Natural habitat, Soil health, and Water. An industry guidance is defined for each theme, with specific goals and indicators to measure impact and track progress.

The first self-assessment cycle was completed in 2021. Future reviews will be done annually and based on the crop cycle. The aim of the first 3-year cycle is to perform third-party assessments on the subsidiaries of our suppliers that are located in geographies where there is an elevated risk of non-compliance with the high standard set by STP for each theme.

Swedish Match sources direct materials other than raw tobacco from a wide range of suppliers and regions, with the majority of our significant suppliers located in the US and Europe. We adopt a systematic approach to assess the risk related to business integrity and human rights in our value chain. The assessment is based on a combination of industry risk and country of origin. Classification of risk has been done based on geographical location and the Corruption Perception Index of Transparency International (CPI), cross-referenced with Maplecroft’s Human Rights Index<sup>1)</sup> and complemented with specific industry-related risk of human and labor rights violations. The suppliers classified as high risk are suppliers of lighter components or finished products primarily sourced from Asia.

All of the high risk suppliers are required to perform a self assessment. Based on the assessment results, further dialogues are initiated. Third party audits are conducted on suppliers based on their risk score and cover ethical business practices, employment and labor practices. The audit generates a report, including a corrective action plan which is followed up by the auditor. Immediate action is taken in case the audit report includes major exceptions on legal and/or regulatory compliance on matters audited.

**OUR CHALLENGES**

- Traceability of tobacco is not always possible due to various market conditions and government regulations.
- According to ILO, a large body of evidence affirms that due to the COVID-19 pandemic, families in low-income countries may turn to child labor as a coping mechanism.

**Our progress**

During the past year, we have continued to participate in the Sustainable Tobacco Program (STP) and have made efforts to integrate our own due diligence program for cigars into the same digital platform as STP. This step will enable us to improve how we consolidate and track human rights KPIs, both in the areas of traceability and monitoring for our raw tobacco suppliers. With both STP and our own internal reporting performed in the same system, we hope to improve our capabilities of tracking suppliers’ progress in a more systematic way, and also to improve transparency in our external reporting.

In 2021, 95 percent of our raw tobacco volumes were included in STP or in Swedish Match’s due diligence program. For the suppliers reporting in STP, the first cycles of self-assessments were completed and verified by the STP secretariat. Based on the validation of the evidence, three suppliers were identified for an in-depth assessment anticipated to be conducted in 2022. All of our raw tobacco suppliers for cigars, which are covered by the internal Cigar Leaf Audit Program, have completed self-assessments in 2021. Based on the result, all suppliers evaluated were provided a risk reduction plan based on non-conformities identified in the audit. Swedish Match conducted follow-up reviews and dialogue with the suppliers digitally.

All of our suppliers monitor their farmers, primarily through announced and unannounced visits by field technicians. In

case, a prompt action issue<sup>2)</sup> is recorded, we encourage our supplier to confront and cease it immediately. Field technicians are empowered to address a prompt action issue directly on the farm. Where the technician does not have the necessary skills, the issue would be referred to an agricultural labor practices (ALP) manager or, in some cases, through an independent third party. Based on the latest STP self assessments, 99 percent of our suppliers’ farmers have been monitored for child labor and 97 percent of all prompt action issues, including child labor, recorded by our suppliers of smokefree tobacco were resolved. In addition to suppliers’ monitoring, our Leaf Operations teams have conducted 80 farm visits to validate the efforts made by the suppliers.

Traceability of tobacco remains a crucial part of preventing human rights issues in the supply chain. In 2021, 84 percent of our total raw tobacco volumes were sourced from contracted raw tobacco farmers. Establishing traceability is not always possible in various markets due to government regulations, therefore we continue to encourage our suppliers to seek alternatives and establish a clear chain of custody for tobacco in their supply chain.

In 2021, the ECLT Foundation remained committed to strategic investment and collaborative efforts to support children, farmers and families in areas where tobacco is grown. During the year, ECLT also provided urgent relief funds to raise awareness about COVID-19, provide masks and other needed health supplies, support families, and keep children connected with their studies during school closures.

During 2021 we have continued to monitor our significant suppliers in accordance with Group Procedures. Ten third party audits have been performed in 2021 and we are now in line with set targets. The audits covered child labor, employment and labor practices and ethical business practices. All audit results were reviewed by Division Presidents and corrective action plans are followed up, on site, by a third party auditor.

Supply chain management	2021	2020	2019
<b>Raw tobacco</b>			
Share of raw tobacco volumes sourced from global tobacco suppliers, %	91	93	N/A
Share of raw tobacco volumes included in STP or Swedish Match’s own due diligence program, %	95	96 <sup>1)</sup>	N/A
Number of farms visited by Swedish Match	80	47	138
Share of raw tobacco volumes sourced from contracted raw tobacco farmers, % <sup>2)</sup>	84	N/A	N/A
Share of our suppliers’ farmers monitored for child labor under STP, % <sup>2)3)</sup>	99	N/A	N/A
Share of prompt action issues related to human rights and child labor recorded by field technicians on suppliers’ farms that have been resolved, % <sup>2)3)</sup>	97	N/A	N/A
<b>Direct materials other than raw tobacco</b>			
Number of significant suppliers <sup>4)</sup> of direct material other than raw tobacco	80	75	66
Number of significant suppliers of direct material other than raw tobacco that are viewed as high risk	17	17	15
Number of third party audits performed on high risk suppliers of direct material other than raw tobacco	10	0	5

<sup>1)</sup> Figures restated due to refined data collection.

<sup>2)</sup> New KPIs added in 2021.

<sup>3)</sup> This KPI measures our suppliers of smokefree tobacco.

<sup>4)</sup> A significant supplier of direct material is defined as a supplier with which Swedish Match has a significant level of spend.

<sup>1)</sup> The index assesses key elements of the human rights and development environment, including labor rights, civil and political rights, human security, poverty, education, and health.

<sup>2)</sup> Prompt action issues are defined by STP as situations where, through negligence or ignorance, an individual’s actions are deemed an immediate or prolonged risk to themselves or others around them. All prompt action issues are considered a human right violation.



**GOING FORWARD:**

Goals	Commentary
<p>100 percent child labor free tobacco.</p> <p>100 percent of our raw tobacco suppliers covered by STP or Swedish Match’s due diligence program.</p> <p>Robust systems to identify, prevent and mitigate child labor and any other human right related issues in our entire supply chain.</p>	<ul style="list-style-type: none"> <li>• Review the results of the in-depth assessments under the STP and take necessary actions on potential findings.</li> <li>• Review the results of the next cycle of self-assessment under STP.</li> <li>• Continue Swedish Match due diligence program for our cigar suppliers.</li> <li>• Continue third party review of high risk suppliers of direct materials other than raw tobacco and necessary actions on potential findings.</li> </ul>





## Equal opportunity

### Our rationale for inclusion

We are convinced that a diverse workforce and diverse management groups are positive for our business. Diversity creates value in and of itself, and a balanced workforce improves our chances of recruiting and retaining the best talent and to keep employee engagement. We have identified gender and cultural background to be the areas where the Company could benefit most from an increased diversity focus. We are still well below our Group goal of having at least 40 percent of each gender in senior management. We need to continue to take action and are confident that the initiatives we do now will have an effect in the long run.

### Our commitment

We are committed to non-discrimination in all employment practices, policies, benefits and procedures and we work diligently to make sure that all our managers and employees understand that there is zero tolerance for discrimination. Neither employees, nor potential employees, should feel that they are or could be the subject of discrimination at Swedish Match.

At Swedish Match we put equal opportunities first and foremost in our work toward non-discrimination and diversity. We are dedicated to having an open and inclusive work environment where all our employees shall have equal opportunities to achieve their full potential, regardless of personal status. We take a proactive approach for diversity and against structural discrimination and norms that may stand in the way of equal opportunities.

### Our approach

#### Tone from the top for equal opportunity

We believe that the most important element of our efforts is to foster a genuine culture of equal opportunity with the right tone from the top. The Group Management Team (GMT) is fully committed to our equal opportunity efforts. Progress is continuously being monitored and senior managers are mindful to set clear examples that help developing and fostering the culture. Many actions are taken each year to ensure that we create and maintain an inclusive work environment. We continually have initiatives to assess and improve our culture from a diversity perspective. We monitor our succession planning, recruitments and promotions, organize gender equality programs, perform detailed equal pay analyses and conduct other equal employment opportunity efforts. Employee satisfaction and perceived ability to advance and develop are tracked through a global employee opinion survey which also includes parameters on discrimination.

#### How we achieve equal opportunity

Non-discriminatory promotions and recruitments  
The processes for promotions and recruitments are very important aspects of shaping and developing a company culture. They are also key elements in achieving a more diverse workforce. We work hard to make sure that these processes are non-discriminatory. This will benefit our equal opportunity efforts both in the long and short term. We consider it to be strategically important to develop and promote internal personnel and we have been successful in filling many vacancies for senior positions with internal candidates. We, therefore, consider a diverse talent pool to be a key element of achieving a more diverse workforce at the senior management level over time. The GMT thoroughly

The scope of this focus area is our own operations.



### OUR GOAL

**Our continuing objective is to be a truly open and inclusive employer. In this environment, with zero tolerance for discrimination, all employees have equal opportunity to achieve their full potential – resulting in a more diverse workplace.**

- No employees should feel that they are, or could be, the subject of discrimination at the workplace.
- To have at least 40 percent of each gender in senior management<sup>1)</sup>.
- To increase diversity in cultural backgrounds.

<sup>1)</sup> Defined as participants in the Company's Long-Term Incentive (LTI) plan.

### HIGHLIGHTS 2021

- Continued strong Group-wide focus on ensuring diversity among applicants and final candidates in order to find the best candidates.
- A Women's Resource Network established within Field Sales, US Division - a mentoring initiative for female personnel led by top female Field Sales employees.
- The Diversity and Inclusion team in Richmond, US Division, completed training and certification and will roll out the division's diversity vision statement and business case complemented with internal communication channels dedicated to diversity and inclusion.
- The annual Affirmative Action Plans completed in the US Division, goals communicated, and progress monitored.
- Internal Diversity and Inclusion training conducted with senior management in the US Division.
- Digitized job descriptions accessible to all employees within Europe Division to be able to promote internal mobility.
- Roll out of updated equal treatment and ethics program at SMD Logistics, Sweden, with active participation from employees with the view to make equal treatment part of everyday life.
- Continued efforts to active search for female applicants when recruiting to male dominated positions within Lights Division and SMD Logistics.

reviews the pool of often relatively junior talented employees from several perspectives, including diversity, and discuss means to become more effective in ensuring a large and diverse pool of employees with a mixed set of skills that can advance far in the organization. For more immediate effects external recruitment is an important tool. We view every external recruitment as an opportunity to ensure that we scan the entire market for the very



best candidate. Experience has taught us that norms and existing structures, (e.g. candidate pools at recruitment firms) mean that we need to be prepared to make extra efforts and extend the search processes in time to ensure that the group of identified candidates becomes more diverse. We challenge our managers to try to have diversity among the final candidates for any position to make sure that we find the most skilled and promising candidate.

**Incentives for equal sharing of parental leave**  
Specifically related to gender balance at senior positions, we have identified that inequality and norms related to parental leave creates structural inequality in several countries and societies where we operate. At Swedish Match, the rules and policies related to parental leave vary from country to country, but the culture of encouraging a more equal sharing of parental leave is promoted from the top.

In Sweden, a policy has been implemented with additional parental leave compensation provided that the employee can show that parental leave has been equally shared with the partner. This will encourage both our male and female employees to share the parental leave equally and in 2020 this policy was updated to create further incentives for equal sharing by employees at the most senior positions.

**A diverse and international organization**  
Swedish Match derives its revenues and earnings mainly from outside Sweden. The Corporate functions, to a large but not complete extent based at the headquarters in Sweden, interact on a daily basis with colleagues across the globe. A diverse and international organization at the headquarters is a clear benefit in this environment. Colleagues from several continents work at the Stockholm headquarters, and the Company is proactively engaging in specific employer branding activities targeted at highly qualified international students.

**Zero tolerance for discrimination**  
We have procedures in place where any employee who feels that there has been a breach of our policy of zero tolerance for discrimination can report such breach. We also make sure that we have procedures in place to ensure that swift action is taken to investigate and resolve any such employee concerns without fear of retaliation.

**Our general view on global gender pay gap analyses**  
At Swedish Match, we generally have a pre-set salary range for each position, which systematically decreases the risk of inequality of pay. We conduct an annual gender pay gap analysis in our larger markets, such as Sweden, but believe that a global gender pay analysis would provide quite limited additional value compared to the work effort and data quality. In some countries where we operate, we only have a small number of employees which provides a very limited number of comparable positions to analyze. Furthermore, due to differences in local pay practices, the salaries for comparable positions and the overall requirements for this type of analysis differ a lot between the countries where we operate. In the US, for example, the focus on equal pay is broader and include criteria such as ethnicity, while in Sweden, this is not possible due to privacy rules.

**How we monitor our progress**

To follow up on diversity goals throughout the organization, KPIs have been established for the Group. We have a Group goal of

having at least 40 percent of each gender in senior management. Gender balance targets, and subject to legal limitations targets relating to cultural background, are also set locally striving for greater balance over time, particularly with regard to more senior levels within the organization. Analysis, identification of relevant initiatives and following up of targets and KPIs are integrated into normal processes for strategic, financial and general business planning and reviews.

All divisions as well as Corporate functions present status and changes in gender balance within their organizations. These status updates are reviewed by the Group Management Team and provide greater awareness and involvement in the organization. They are also followed up in succession planning and talent review meetings between the CEO and Division Presidents.

Our businesses in the US and Sweden present status reports within their organizations, concerning protected groups and employees from other cultural backgrounds or country of origin respectively. In Sweden, information is being gathered to identify the percentage employees and managers who are either born in countries outside of Sweden, or who have two parents born in another country. In the US, ethnic or racial background is a factor which is reviewed.

**OUR CHALLENGES**

- Women are underrepresented at the management level and progress is uneven within the Group. The popularity of Swedish Match as a workplace and the resulting high retention rates both for managers and senior managers have resulted in slow progress but with positive trends in some parts of the Company.
- It may be difficult or even illegal to measure several aspects of diversity.

**Our progress**

**Progress update**

In the group of all employees, Swedish Match considers its total workforce balanced from the gender perspective. By the end of 2021, the share of women was 41 percent. Women are, however, still underrepresented at the management level but we are seeing positive trends in some parts of the Company. By the end of 2021, the share of women in managerial positions with direct reports had increased to 28 percent, up from 26 percent in 2020. We also saw an increase in the group defined as senior management, where the percentage of women was 21 percent, up from 19 percent last year. In some organizational units we are close to reaching our goals, but in others we have a long way to go. We remain confident that our current and future focus on equal opportunity eventually will increase the share of women in management positions. What we do today will have effect in the long run.

The US Division established a Women’s Resource Network within their field sales organization. This is a mentoring initiative for female personnel led by top female field sales employees. Ten mentees will participate during the first round of the program. The division’s work with the annual Affirmative Action Plans was also carried out as planned with goals communicated and progress monitored. The diversity and inclusion committee formed at the Richmond office to further advance efforts within

equal opportunity completed training and certification and will roll out the division's diversity vision statement and business case complemented with internal communication channels dedicated to diversity and inclusion. During the year the US Division's head office in Richmond was awarded Top Workplaces<sup>1)</sup> regional award for the seventh consecutive year.

In Europe Division and at Corporate functions, the Equal Opportunity plan, which establishes how to work with equal treatment, i.e. our zero tolerance for discrimination, has been updated and new goals set for 2024.

<sup>1)</sup> An employer recognition program in the US. The event is hosted by the Richmond Times Dispatch. For more information, please refer to <https://topworkplaces.com/company/swedish-match-north-amer/richmond/>.

Gender representation <sup>1)</sup>	2021	2020	2019
<b>Senior management</b>			
Share of women in senior management, % <sup>2)</sup> <sup>3)</sup>	21	19	18
<b>Board of Directors</b>			
Total number of members in Board of Directors appointed by the Annual General Meeting	8	8	7
Share of women in Board of Directors appointed by the Annual General Meeting, %	38	38	43
Share of women in Board of Directors appointed by the trade unions, %	0	0	0
<b>Employees</b>			
Share of women in total number of employees, %	41	41	40
Share of women in total number of managers with direct reports, %	28	26	26

<sup>1)</sup> Represents figures at year-end.  
<sup>2)</sup> Figures restated due to refined data collection.  
<sup>3)</sup> Defined as participants in the Company's Long-Term Incentive (LTI) plan, composed of 38 individuals in 2021.

Employees on discrimination <sup>1)</sup>	2020	2018	2016
Share of employees who agree that their working group is free from discrimination at work, %			
	93	92	94
<sup>1)</sup> The Group employee survey is conducted regularly. The difference between 2016 and 2018 was partly explained by the rephrasing of the question in the survey.			
Cultural background, affected group's share <sup>1)</sup> , %	2021	2020	2019
<b>Employees</b>			
Sweden	24	24	24
The US	16	16	16
<b>Managers</b>			
Sweden <sup>2)</sup>	11	12	11
The US	13	11	10

<sup>1)</sup> In Sweden, the affected group is defined as employees born outside Sweden or born in Sweden with two parents born outside Sweden. In the US, the affected group is defined as non-caucasian.  
<sup>2)</sup> In Sweden, the managers are defined as managers and any other employees with one of the hundred highest salaries in the Swedish Match workforce.

## GOING FORWARD:

Goals	Commentary
No employees should feel that they are, or could be, the subject of discrimination at the workplace.	<ul style="list-style-type: none"> <li>• We will conduct training for HR and managers in awareness of unconscious bias and review all HR processes with this in focus.</li> <li>• We will continue conduct mandatory training for employees on welcome/unwelcome behaviors.</li> <li>• We will continue with regular reporting and follow up between the CEO and Operating Unit heads on matters related to diversity.</li> <li>• We will resume various planned diversity initiatives and develop new programs to reach our goals.</li> </ul>
To have at least 40 percent of each gender in senior management <sup>1)</sup> .	<ul style="list-style-type: none"> <li>• We will continue our focus on managerial and talent recruitment to promote diversity among final candidates.</li> </ul>
To increase diversity in cultural backgrounds.	<ul style="list-style-type: none"> <li>• We will conduct training in awareness of unconscious bias.</li> </ul>

<sup>1)</sup> Defined as participants in the Company's Long-Term Incentive (LTI) plan.

## AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in Swedish Match AB (publ), corporate identity number 556015-0756.

### Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the financial year 2021-01-01 – 2021-12-31 on pages 34–67 and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 *The auditor's opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally

accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

### Opinion

A statutory sustainability report has been prepared.

Stockholm, March 24, 2022

Deloitte AB

Peter Ekberg

Authorized Public Accountant