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Swedish Match.

Sustainability report

2022



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This is Swedish Match

Swedish Match is a company registered in Sweden with operations in eleven countries. The average number of employees was 7,536 in 2022. Swedish Match provides consumers with the best quality products with well-known brands. Production is located in seven countries.



OUR BUSINESS AREAS

SMOKEFREE

- Nicotine pouches (US, Scandinavia)
- Snus (US, Scandinavia)
- Moist snuff (US)
- Chewing tobacco (US)
- Chew bags (Europe)
- Tobacco bits (Europe)

CIGARS

- Cigars (US)

LIGHTS

- Matches (worldwide)
- Lighters (worldwide)
- Complementary products (Brazil)

Sustainability strategy and approach

In late November, Philip Morris Holland Holdings B.V., an affiliate of Philip Morris International Inc. (PMI), announced that it had acquired more than 90 percent of the Swedish Match shares and the Swedish Match share was subsequently delisted from Nasdaq Stockholm on December 30, 2022. As a result of the new ownership, the work to integrate Swedish Match into PMI's global sustainability structure, strategy and policies has started.

Swedish Match's sustainability report for 2022 describes the policies, risks and results of our material topics regarding the environment, social issues, employees, human rights and anti-corruption, based on our business and sustainability strategy up until the acquisition by PMI. It covers the five focus areas which were the result of our latest materiality assessment conducted in 2020 and does not consider any ongoing or future changes of our strategy following the integration with PMI. A detailed description of this materiality assessment process is available under section *Materiality assessment* on the Company website.

The report only covers the performance of Swedish Match in 2022. All forward looking aspirations have been removed as these will become aligned and integrated with the ESG performance of PMI. During 2023 we will work on integrating our two businesses and look forward to communicating on our performance as one company going forward.

Our 2022 management approach

Our sustainability report for 2022 is based on the sustainability strategy set in 2016. This strategy was founded on two basic principles – focus and organizational 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 have been the basis for our common roadmap and where we have put extra effort and coordinated our external reporting. We have had a series of tangible commitments and goals for each of the focus areas and the Company have continuously measured and reported on its progress. Our Code of Conduct has been the foundation for our sustainability approach and efforts throughout the Company. It has represented 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 has been a global company made up of largely autonomous divisions. We have continuously ensured that the ownership and action in our sustainability work has been strongly supported at the local operating level within each division, where efficient and creative ideas and solutions have been most likely to come up and best followed through. While Swedish Match has been taking a common approach in the focus areas, a number of sustainability initiatives have also been maintained above and beyond these focus areas, with tailored targets and actions at the divisional levels.

Integrating sustainability¹⁾

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

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

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

¹⁾ 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 Götlandssnus (August 22, 2018). The Company continues its efforts to integrate data with Swedish Match protocols and standards.

Swedish Match 2022 focus areas and goals



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.



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.



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.



Human rights in our supply chain

Goal

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

Target

Robust systems to identify, prevent and mitigate child labor and any other human rights related issues in our entire 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.



Equal opportunity

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.

Target

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 management¹⁾.

To increase diversity in cultural backgrounds.

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

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.



The following section identifies Swedish Match's sustainability risks related to the value chain and how they are managed.



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. The raw tobacco is primarily sourced from major global suppliers. Direct material other than raw tobacco is sourced from a wide range of suppliers and regions. 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.

Swedish Match manages these risks by

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



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.

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.

Swedish Match manages these risks by

- performing climate risk assessments as part of the annual ERM process.
- establishing loss prevention and continuity planning program.
- applying relevant environmental management systems.
- conducting periodic inspections of major facilities by an independent third party.
- providing governance systems and training to reinforce sustainability policies.

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.



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.

Swedish Match manages these risks by

- choosing more efficient and modern transportation solutions.
- setting fuel efficiency and emissions reduction targets.
- providing governance systems and training to reinforce sustainability policies.



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.

Swedish Match manages these risks by

- improving trade and point-of-purchase communication by educating retailers to prevent underage using of tobacco and other nicotine containing products.
- providing mandatory training for relevant employees on anti-corruption and bribery.
- terminating supply to customers who fail to meet our ethical standards.



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.

Swedish Match manages these risks by

- marketing products responsibly and providing transparent information to consumers.
- keeping up the proactive approach to product safety with GOTHIA TEK® and MATCHTEK® quality standards.
- incorporating more sustainable practices with regard to product packaging.
- highlighting public health and sustainability aspects in consumer communications.

Core values



PASSION



OWNERSHIP



INNOVATION



QUALITY

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 Compact¹⁾. 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 guidelines²⁾, 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, fair competition, personal data and privacy as well as responsible marketing practices. 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



More information is available on the Company website www.swedishmatch.com/Code-of-Conduct.

¹⁾ 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.

²⁾ 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.

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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. Youths and certain other 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 tobacco¹⁾ 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 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 reach 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

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.

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.

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

¹⁾ 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.

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.

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 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.

Our progress

Progress update

During 2022 we have further increased the relative contribution from our smokefree portfolio to the total Group. During the year, our smokefree business accounted for 75.1 percent of total Swedish Match sales of tobacco and nicotine products compared to 72.1 percent in 2021.

We have continued to actively work 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 130,000 stores in 2021 to around 160,000 stores in 2022. During the year, Swedish Match further expanded the availability of ZYN in the US and by the end of 2022, ZYN was available in more than 140,000 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 2022 we have continued to invest heavily behind our smokefree products to fuel future growth. Similar to previous years, we have committed around 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, 90 percent was related to smokefree products.

Continuous efforts to further increase consumer awareness of the dramatic difference in the relative risk between smokefree products and cigarettes will remain a focus going forward. This difference is probably best understood in Sweden and Norway, but there is widespread misunderstanding even in these markets. 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.

Swedish Match's 2020 PMTA applications for all its ZYN products presently on the US market 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 2022, 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's 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, product regulation specifically recognizing nicotine pouches was adopted in Iceland and Slovakia. In Iceland, a new bill for nicotine pouches introduces limitations such as an age limit, two warning labels, and marketing restrictions. The Slovak parliament passed a product regulation for nicotine pouches, which came into effect on January 1, 2023.

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 has not been any specific marketing restrictions and no product regulations to ensure the safety profile of the products. In 2022, the Swedish government finally passed a new bill covering the areas mentioned above.

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 Italy, a decree introducing tax on nicotine products was adopted and published in the Italian Official Journal in February 2022. However, no products have yet been put on the market as the Ministry of Health has not published requirements for marketing nicotine pouches.

Consumer reach ¹⁾ (thousands of stores)	2022	2021	2020
Number of retailers where Swedish Match nicotine pouches are available outside Scandinavia ²⁾	158	129	116

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

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



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 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. Matters addressed in the Code of Conduct are continuously communicated to employees through, for example, the Company's Intranet.

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 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.

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 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.

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.

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.

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 concerns raised, and actions taken 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 guidelines¹⁾. 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 15.

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.

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.

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 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 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.

"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 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.

¹⁾ 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.

Our progress

Progress update

The Code of Conduct have been reviewed annually. In 2022, the section on Personal Data and Privacy was updated with a reference to the Company's GDPR Governance Model & Compliance Program, where employees can find further information on how the Company collects, uses, and processes personal data to comply with European privacy laws. This is mainly an issue for the Company's European business, but the legislation also covers when European personal data is handled in the non-European businesses as well. During 2022, there were no internal data breaches recorded in the annual GDPR compliance report provided to the Audit Committee of the Swedish Match Board of Directors.

Six Code of Conduct concerns have been raised and evaluated in 2022 and some of these have resulted in certain corrective actions.

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 2022, Swedish Match continued to ensure that the Company's significant suppliers of direct material commit to the principles of Swedish Match Supplier Code of Conduct by either having signed our Supplier Code of Conduct or having their own Codes of Conduct and mechanisms which are broadly similar to our Supplier Code of Conduct.

Ethical business practices	2022	2021	2020
Share of employees that have completed training on our Code of Conduct ¹ , %	96	96	97
Share of employees that believe that they have had an adequate amount of information and training on the Code of Conduct ² , %	90	N/A	88
Share of relevant employees that have completed training on anti-corruption, %	94	95	95

¹ 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. This includes consultants on contracts with a duration of over three months.

² Data collected through the Group employee survey which has been conducted regularly. The latest survey was conducted in 2022.





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 have committed in 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 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 levels¹. In this process we have been guided by the methodology of the Sectoral Decarbonization Approach (Other Industry² pathway) and made use of the associated calculation tool to form a basis for our decision.

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 CO₂ 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 Protocol³ are included in our calculations, where assumptions and emission factors have followed a conservative approach.

Our climate targets were set by the Group management 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.

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.

OUR CHALLENGES

- Continued substantial volume growth, especially for our nicotine pouches in the US, makes it challenging to achieve year-over-year GHG emissions reduction in absolute terms.
- 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.

¹ As described by The Intergovernmental Panel on Climate Change (IPCC).

² 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.

³ IPCC Fourth Assessment Report.

Accounting for GHG emissions in our value chain^{1|2|}

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 parts of our value chain according to the Corporate Value Chain Standard (Scope 3 indirect emissions) of the Greenhouse Gas Protocol^{3|}. In scope 3, Swedish Match covers all reporting categories, except category 2 capital goods.

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, e.g., from sources such as DEFRA and EIA. This means that Swedish Match applies the supplier-specific method, the hybrid method and the average-data method to calculate the scope 3 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 submissions to CDP^{4|}.

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.

Risk	Commentary
<p>Physical risk</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>Transition risk</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>

^{1|} 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.

^{2|} 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 Gottlandssnus (August 22, 2018).

^{3|} International standard for calculating and reporting climate impact from business activities.

^{4|} CDP 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>.

Our progress

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 188,750 tons CO₂-equivalents (CO₂e) for the year 2022. Our total emissions have decreased by 11 percent versus 2021, primarily driven by reduction initiatives in US Division, Europe Division and Lights Division together with lower volumes of lighters, matches and cigars. Measured per unit of net sales in constant currency terms, we have reduced emissions by 17 percent versus 2021.

In 2022, our Scope 1 and Scope 2 emissions have decreased by 11 percent over prior year, primarily driven by lower production volume for lighters, matches and cigars. Emissions from higher volumes of Smokefree products in the US have to a large extent been offset by lower revised emission factors for grid electricity. 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, remains at a high share of green electricity of 98 percent, where our factory on Gotland now also has shifted to 100 percent green electricity. In the Lights Division, our factory in Manilla has also shifted to 100 percent fossil free electricity, contributing to their share of fossil free energy, which amounted to 89 percent in 2022.

Total Scope 3 emissions have decreased by 11 percent year over year, driven by reduction initiatives in both Europe Division and US Smokefree, coupled with the lower volumes in lighters, matches and cigars. The total Scope 3 emissions for our smokefree products have been reduced by 4 percent compared to last year, despite continued volume growth of ZYN in the US. The higher volumes have been more than offset by larger initiatives such as the increased use of recycled plastic in Sweden and Denmark, reduced sourcing from the US to Europe Division in support of the ZYN expansion, and the discontinuation of instore chillers in the US which has dramatically decreased our scope 3 energy consumption.

Reduction of waste and littering prevention

Total waste in our operations have decreased by 19 percent compared to 2021, primarily driven by lower production volumes of matches and lighters. Measured per unit of net sales in local currency terms, our waste was reduced by 25 percent, driven by a lower share of the more waste intense production of matches. This has also increased the total share of the waste classified as non-hazardous, which was up by 4 percentage points to 98 percent in 2022. The total hazardous waste which has been generated has also decreased, primarily due to a temporary increase in 2021 from higher wood waste in Lights Division but also from lower volumes of matches. Recovery, including energy recovery, remains a main waste treatment method, covering 80 percent of total waste. Waste to landfill decreased by 54 percent during the year, largely driven by the before mentioned increase in Lights Division during 2021, but also from a shift to recycling of waste in the Owensboro facility.

Greenhouse gas emissions (metric tons CO ₂ e)	2022	2021 ¹⁾	2020 ¹⁾
Scope 1 + Scope 2	31,234	35,273	30,928
Scope 3	157,516	176,647	175,401
Total emissions	188,750	211,921	206,329
Percent change total emissions	-11	3	-3
Total emissions per MSEK sales²⁾	9	10	12
Percent change per MSEK sales	-17	-12	-18

¹⁾ Figures restated due to refined data collection.

²⁾ Net sales from product segments in constant currency terms.

Total waste (metric tons)	2022	2021	2020
Non-hazardous waste	23,379	27,756	26,214
Hazardous waste	454	1,651	776
Total waste	23,832	29,408	26,990
Total waste per MSEK sales¹⁾	1.1	1.4	1.5
Percent change per MSEK sales	-25	-7	-13

¹⁾ Net sales from product segments in constant currency terms.



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.

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.

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 guidelines¹⁾. 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.

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.

OUR CHALLENGES

- With tobacco being an agricultural product, there is a risk of human right violation in the supply chain especially related to child labor.
- Traceability of tobacco is not always possible due to various market conditions and government regulations.

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 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.

¹⁾ 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.

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 the farmers on numerous areas, including labor practice standards and crop quality. If a noncompliance is recorded, required actions are taken by the supplier, which may entail training, remediation, or if necessary, non-renewal or termination of the contract. We audit the suppliers' efforts through self-assessment, validation and third parties review governed by the STP.

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.¹⁾

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.

The tobacco used in the body of our cigars as filler is sourced from global suppliers, with farms located all over the world. Due diligence is most effectively accomplished through participation in the STP, resulting in 94 percent of filler tobacco is covered by STP.

The tobacco used as wrapper for our cigars is sourced from a limited number of suppliers and farms who specialize in the type and grade of tobacco necessary for a quality wrapper leaf. These suppliers operate in a concentrated area and on a smaller scale than some of the larger global suppliers. Historically, monitoring these suppliers has been more efficiently accomplished through our Cigar Leaf Audit Program, which is founded on Swedish Match's sustainability focus areas. Compliance with the requirements in the program is verified through annual supplier self-assessment and evidence validating the answers. Documentation is reviewed and any opportunities and non-conformances detected are added to the supplier's risk reduction

plan. The supplier's risk reduction plan is communicated to the supplier with regular follow-up, both on-site and virtual, to ensure action plans are implemented.

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. 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.

Sustainable Tobacco Program (STP)

The STP is an industry-wide initiative, jointly developed by tobacco manufacturers and experts, to provide guidance 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 the industry, 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.

¹⁾ 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.

²⁾ Suppliers referred to here are suppliers who provide products directly to Swedish Match, without middlemen or other manufacturers.

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 suppliers¹⁾. 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.

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 Index²⁾ 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 progress

Progress update

In 2022, 95 percent of our raw tobacco volumes were included in STP or in Swedish Match's due diligence program. For our suppliers reporting in STP, the annual self-assessments were completed and validated by the STP Secretariat. The in-depth assessments conducted within STP are performed by a third party with subject expertise and include interviews, farm visits, and field assessments. It is a qualitative assessment focusing on improvements and enabling positive impacts on prioritized topics. In 2022, three in-depth assessments were conducted on Swedish Match suppliers in two geographies identified by the STP Secretariat and manufacturers as geographies with elevated risk. Two assessments covered Human and Labor Rights' practices and one assessment covered Water management. Supplier dialogues on improvements are ongoing and action plans created and communicated to STP Companies.

All of our suppliers within STP monitor their farmers, primarily through announced and unannounced visits by field technicians. In case a prompt action issue³⁾ 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, 94 percent of our suppliers' farmers have been monitored for child labor and 99 percent of all prompt action issues, including child labor, recorded by our suppliers of tobacco for our smokefree products were resolved.

Our raw tobacco suppliers for cigars, monitored through our own Cigar Leaf Audit Program, have completed self-assessments in 2022. 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 either in person or digitally.

Traceability of tobacco remains a crucial part of preventing human rights issues in the supply chain. In 2022, 83 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.

To complement our due diligence, Swedish Match decided to rejoin and support an after-school program in the Philippines in areas from where we source our tobacco. This is a project under Universal Leaf's "Let's PLAY" program, providing after school activities in selected communities where children have been observed to participate in harvest activities, giving children an alternative to working and allowing them to thrive in new activities.

We have continued to monitor our significant suppliers of direct material other than raw tobacco in accordance with Group Procedures. Five third party audits have been performed on high risk suppliers in 2022 and we have followed up on the corrective action plans from suppliers that underwent audit in 2021. 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	2022	2021	2020
Share of raw tobacco volumes included in STP or Swedish Match's own due diligence program, %	95	95	96
Share of our suppliers' farmers monitored for child labor under STP, % ¹⁾	94	99	N/A

¹⁾ New KPI added in 2021 and measures our suppliers of tobacco for smokefree products.

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

²⁾ 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.

³⁾ 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.



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. Swedish Match's management 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 and we continually have initiatives to assess and improve our culture from a diversity perspective. We monitor our succession planning, recruitments and promotions, as well as 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. Swedish Match's management thoroughly reviews the pool of often relatively

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 management¹⁾.
- To increase diversity in cultural backgrounds.

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

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.

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.

To encourage both our male and female employees in Sweden to share the parental leave equally, a policy has been implemented granting additional parental leave compensation provided that the employee can show that parental leave has been equally shared with the partner. This policy has also been 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 Swedish Match 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 management of Swedish Match 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 progress

Progress update

In the group of all employees, Swedish Match considers its total workforce balanced from the gender perspective, with a share of women of 41 percent in 2022. Even though we continue to see positive trends in some parts of the Company, women are still underrepresented at the management level. By the end of 2022, the share of women in managerial positions with direct reports was 29 percent, up from 28 percent in 2021, whilst the group defined as senior management, there was a small decrease in the share of women. This area remains a challenge as retention rates continues to remain high for both managers and senior managers. Even though the progress is slow, we still remain confident that our current and future efforts within this area eventually will increase the share of women in management positions.

The Company has a goal that no employees should feel that they are, or could be, the subject of discrimination at the workplace. This is continually followed up in performance management discussions between managers and employees and tracked in the global employee survey. The most recent employee survey was conducted in 2022. The survey showed that the share of employees who agree that their working group is free from discrimination at work (with regard to gender, ethnicity, religion, sexual orientation, disability and age) was 94¹⁾ percent. Since our policy is zero tolerance for discrimination, the result is still not satisfactory and the area remains a priority. The result of the survey is followed up within all divisions and guides the development of further action plans.

Swedish Match re-introduced The Big Match (originally established in 2018), offering a four- to six-month internship directed toward non-European foreign-born academics in the Swedish Match head office. The program is directed toward foreign-born academics who generally have more difficulties getting into the Swedish job market and the initiative gives us a possibility to increase social commitment and ethnic diversity in our workplace as well as an opportunity to identify future talents. The Big Match is a collaboration with a national internship program for newcomer and foreign academics, Jobbsprånget, the Swedish Public Employment Service.

The US Division continued work within the Diversity and Inclusion Program to create a more inclusive environment for all employees, regardless of race, ethnicity, gender, sexual orientation, disability, age, or religious affiliation. During 2022, focus has been on non-discriminatory recruitment efforts. For the eighth consecutive year, the division's head office in Richmond was also awarded Top Workplaces²⁾ regional award.

In the Europe Division, the performance and recruitment process has been reviewed by an external party with focus on equal opportunity and unconscious bias. The division is also working on making all job descriptions for white collars accessible for the employees to promote internal mobility, increasing transparency on requirement of education and competences.

Gender representation ¹⁾	2022	2021	2020
Senior management			
Percentage of women in senior management ²⁾	18	21	19
Cultural background, affected group's share¹⁾, %			
Employees			
Sweden	24	24	24
The US	16	16	16
Managers			
Sweden ²⁾	10	11	12
The US	14	13	11

¹⁾ Represents figures at year-end.

²⁾ Defined as participants in the Company's Long-Term Incentive (LTI) plan during 2020 to 2022; composed of 39 members in 2022.

¹⁾ 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.

²⁾ In Sweden, the managers are defined as managers and any other employees with one of the hundred highest salaries in the Swedish Match workforce.

¹⁾ Percentage includes positive and neutral answers.

²⁾ 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/>.

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 2022-01-01 – 2022-12-31 on pages 2–20 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, April 25, 2023

Deloitte AB

Peter Ekberg

Authorized Public Accountant



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