

Supplier Code of Conduct

Appendix to supplier contracts

1 Introduction

Swedish Match believes that business relationships, when built on common values, mutual respect and trust, become valuable and dynamic. Based on those beliefs, Swedish Match makes an effort to seek suppliers, contractors and vendors (“Suppliers”) that also share a common commitment to similar philosophies.

This Supplier Code of Conduct specifies what Swedish Match expects and requires from our Suppliers in terms of employment and labor practices, workplace practices, ethical business practices and environmental management practices. The requirements and beliefs stated in this Supplier Code of Conduct are developed and supported by the management of Swedish Match, and it is expected that all Suppliers, and their management, respect this Supplier Code of Conduct and actively do their utmost to achieve Swedish Match’s standards.

Swedish Match’s general rule is that all our Suppliers must, in all their activities, follow applicable local, national, and international laws, regulations and voluntary commitments in the countries in which they operate. Should differences exist as a result of local customs, norms, laws, or regulations, either this Supplier Code of Conduct or local requirements must be applied, whichever sets the higher standard of conduct.

Swedish Match encourages our Suppliers to establish and fulfil their own Codes of Conduct regulating the basic rights of their employees, occupational health and safety, the prevention of child labor, ethical business conduct and environmental issues in compliance with international conventions and guidelines¹.

Suppliers are expected to communicate the expectations and requirements outlined in this Supplier Code of Conduct to its sub-suppliers, involved in production or operations for Swedish Match.

2 Employment and labor practices

Swedish Match respects its employees and their human rights, and supports internationally proclaimed human rights conventions and guidelines wherever we operate. Our policy on human rights and employment practices is based on local and international labor laws, recommended practices and guidelines¹. We expect our Suppliers to do the same.

The Supplier shall not participate in or violate employment provisions relating to discrimination, or participate in unfair labor practices.

2.1 Non-discrimination and fair treatment

The Supplier shall respect the right to a non-discriminatory workplace, free of harassment and discrimination based on a person's status such as race, nationality, ethnic or social origin, age, religion, political orientation, gender, sexual orientation or identity, family or marital status, pregnancy or disability (in accordance with ILO Conventions No. 100 and 111), in connection to remuneration, promotions, job assignments, benefits, and/or termination. Working conditions or treatment of employees that are in conflict with international laws and practices shall not be tolerated. All employees shall be treated and treat others with respect and dignity. Physical or verbal harassment or any illegal threats shall not be tolerated.

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 (Nos. 001, 014, 029, 030, 087, 098, 100, 105, 106, 111, 138 and 182), and the OECD Guidelines for Multinational Corporations.

2.2 Working hours, remuneration and contracts (employment terms)

The Supplier shall comply with applicable laws, agreements and industry standards regarding working hours, remuneration and employment contracts.

The Supplier shall recognize the right and need for rest and leisure (in accordance with ILO conventions No. 001, 014, 030 and 106). Employees shall not, except on a temporary basis, be required to work a standard work week of more than 48 hours per week or a total work week of more than 60 hours (including overtime). Employees entitled to overtime pay shall always receive overtime pay in accordance with current legislation. Except in extraordinary business circumstances, employees shall be entitled to at least one day off in every seven-day period.

The Supplier shall base compensation on national provisions, industrial standards, or the wage negotiated in a collective agreement. The statutory minimum wage set by the government in each country where the Supplier operates should be observed. Should the legal minimum wage not be sufficient to cover basic needs, the Supplier is encouraged to provide adequate compensation to meet these needs. All other types of legally mandated benefits and compensations shall be paid. Wages shall be paid in a timely manner. Wage deductions shall not be used as a disciplinary measure.

Employment contracts shall be negotiated in a fair manner and be adhered to by both the Supplier and its employee. The Supplier shall offer all workers clear communication stipulating the employment terms and conditions to ensure workers' awareness of their rights and obligations. Any written contracts shall be written in a language understood by the worker.

The Supplier shall recognize that migrant or seasonal workers shall have entitlements which at a minimum conform to local laws and regulations with regard to contracts, working hours and compensation.

2.3 Freedom of association and the right to collective bargaining

The Supplier shall respect employees' rights and freedom to join or form (non-violent) assembly or associations of their own choice and to bargain collectively (in accordance with ILO Conventions No. 087 and 098). No employee shall be subject to dismissal, discrimination, harassment, intimidation, or retaliation for exercising these rights. The Supplier shall facilitate open communication and direct engagement between employees and management in situations where the right to freedom of association and collective bargaining are restricted under law.

2.4 Child labor

The Supplier shall 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, Article 32.1. The Supplier shall comply with all relevant national and international laws, regulations and provisions applicable in its country of production or operations. The Supplier shall not engage in or condone the unlawful employment or exploitation of children among its employees and/or in its facilities, and shall actively work to prevent the possibility of its occurrence.

The Supplier shall respect that the minimum age for work should not be below the age for finishing compulsory schooling, which is generally 15 years of age, or 14 years of age in accordance with the exceptions for developing countries (ILO Convention No.138). If relevant national legislation has set a higher age, this age will apply.

The Supplier shall also recognize all legal limitations on the employment of children between the ages of 15 and 18 (young workers). 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 children between 15 or 18 years of age (in accordance with ILO convention No 182).

In the case of family farms, a child may only help on his or her family's farm provided that the work is light work and the child is between 13 and 15 years or above the minimum age for light work as defined by the country's laws, whichever affords greater protection.

The Supplier certifies that it has made a good faith effort to determine whether forced or indentured child labor is used to mine, produce or manufacture any product. If child labor, in accordance with the above definitions, is identified at the company or at any of its subcontractors, an action plan with the child's best interest in focus shall be established.

2.5 Forced or compulsory labor

All work must be voluntary. The Supplier shall not engage in or support any form of forced labor, such as prison, bonded, debt bonded or compulsory labor (in accordance with ILO Conventions No. 029 and 105). Neither the Supplier, nor any entity supplying labor to the company, shall withhold any part of any personnel's salary, benefits, property, or documents in order to force such personnel to continue working for the company. Employees of the Supplier shall be free to leave their employment subject to any notice period as required by law and contract.

3 Workplace practices

Swedish Match is committed to responsible and safe practices and procedures in all business activities both on the job and in the workplace. We promote a working environment with high standards of ethics and morale, where our employees respect and care for one another, Swedish Match as well as the environment. We expect our Suppliers to do the same.

The Supplier shall ensure compliance with applicable laws and regulations relating to health and safety issues. The Supplier shall be committed to providing a safe and secure working environment and reducing risks that can cause accidents or impair the health and wellbeing of employees.

The Supplier shall be aware of industry specific risks, continuously carry out risk assessments, and take all reasonable precautions to protect the safety and health of employees and members of the general public.

The Supplier shall ensure that all employees receive and understand necessary and adequate information about safety arrangements in their work area such as emergency exits, fire extinguishers, first aid equipment etc., and information shall be accessible in a language understood by the worker. Appropriate safety training before operating machines, equipment or carrying out potentially hazardous operations shall be conducted and necessary protective equipment shall be provided. If potentially dangerous or unsafe activities in work are noted, actions shall be immediately taken to address them. This can include immediately stopping an activity.

The Supplier shall maintain records of non-minor work related incidents and accidents including corrective actions. If required by law, the accidents shall be reported to the authorities.

The Supplier shall conduct periodic audits in its production units to ensure that proper health and safety measures and employment practices are being adhered to.

4 Ethical business practices

Swedish Match is committed to sound business ethics in all our business activities and relations with stakeholders, both within our own operations but also with regard to outside parties. We build relationships through honesty and integrity and we respect the laws and regulations in the countries in which we operate. We expect our Suppliers to do the same.

The Supplier shall comply with all applicable laws, rules and regulations relevant for its operations and performance and is required to maintain a culture of honesty and opposition to fraud and corruption, including bribery or extortion. No type of fraud or corruption shall be tolerated. Swedish Match encourages that an anti-corruption policy be adopted and communicated throughout the organization.

The Supplier shall be committed to take prompt action to investigate and address any allegations or indications of fraud or corruption.

The Supplier is encouraged to implement a complaint mechanism, such as a whistleblower system, hot line or equivalent to promote follow up of reported concerns. The anonymity of anyone reporting concerns shall be protected.

5 Environmental management practices

Swedish Match promotes sound changes that reduce environmental impacts caused by our operations and we encourage our employees to be conscious and proactive in minimizing these impacts. We undertake programs to continuously improve our environmental performance. We expect our Suppliers to do the same.

The Supplier shall ensure compliance with applicable laws and regulations as well as all applicable industry standards, agreements, and guidelines regarding the environment. This includes environmental classification, reporting, and inspections by authorities.

The Supplier shall be committed to act in an environmentally responsible manner, hold a pre-cautionary approach to environmental management practices, and is encouraged to work consciously and actively to reduce and mitigate environmental impacts of its business operations.

5.1 Environmental management systems

The Supplier is encouraged to implement and maintain a certified environmental management system in accordance with ISO 14001 or similar, as well as to adopt its own environmental policy based on such a management system.

5.2 Eco-efficiency

The Supplier is encouraged to reduce its ecological damage while improving efficiency in its production processes, through for example less use of energy, materials, and water; minimizing hazardous emissions or by-products; as well as through increased recycling efforts. Any waste, and in particular hazardous waste, must be taken care of in a responsible manner and in accordance with local law.

6 Monitoring and enforcement

The Supplier shall be responsible for continuously monitoring and reviewing that they act in accordance with the expectations and requirements as set forth in this Supplier Code of Conduct – if reasonable, possibly through an external review conducted by a third party.

Swedish Match holds the right to follow up on compliance with the requirements set in this Supplier Code of Conduct, and the Supplier shall, on demand, supply Swedish Match, or a party appointed by Swedish Match, with relevant information concerning the requirements set in this Supplier Code of Conduct.

The Supplier shall without delay inform Swedish Match of any suspected or concluded non-compliance with these expectations and requirements and the work that has been done to resolve the situation.