



2012
Swedish Match
and Sustainability

Important disclosure information

Date of issue: March 25, 2013

Swedish Match reports its sustainability information according to the guidelines set forth by the Global Reporting Initiative (GRI) G3. Swedish Match currently reports according to the GRI reporting guidelines for self-declared B level. Third party Application Level Check provider Tofuture Oy has confirmed Swedish Match's self-declaration that the 2012 Sustainability Report meets GRI G3 'B' level reporting requirements.

Swedish Match publishes a sustainability report annually and the report is only available as a soft copy. Any revisions to the report will be provided in supplements.

Information provided in this document is intended for stakeholders with an interest in the Company's sustainability efforts. The document is to be used as a complement to the Swedish Match Annual Report.¹

As part of the Company's ongoing stakeholder engagement, we welcome comments on any aspect of our approach to sustainability. Please e-mail us at sustainability@swedishmatch.com.

¹ Please refer to <http://www.swedishmatch.com/en/Investors/Publications/Annual-reports>.

Table of contents

Important disclosure information	2
Table of contents	3
CEO statement	4
Key figures	5
A few highlights in 2012	5
Swedish Match at a glance	6
Markets served.....	6
Ownership structure.....	6
Operational structure.....	6
The Company vision.....	7
Sales and operating profit 2012	7
Product areas	8
About this document	9
General information.....	9
Document structure.....	9
Contact details	9
Data collection and measurement	10
Our approach to Corporate Sustainability	12
A sustainable and responsible business.....	12
Sustainability and tobacco	12
Stakeholder engagement	12
Strategic sustainability focus areas: overall ambitions and achievements 2012.....	13
Sustainability organization	14
Stakeholder identification.....	15
Stakeholder dialogue.....	15
Stakeholder survey.....	16
Materiality analysis and matrix.....	16
Code of Conduct and other policies	18
The Code of Conduct.....	18
Corporate Communications Policy	19
Group Policy on Fraud Response	19
Group Environmental Policy	20
Economic responsibility	22
Financial performance	23
Corporate Governance and transparency.....	24
Employee responsibility	26
Human resources organization.....	27
HR-related KPIs and targets	27
Ethical business practices (corruption and fraud).....	27
Freedom of association and collective bargaining.....	28
Occupational health and safety.....	28
Workplace practices.....	28
Workforce diversity and non-discrimination	29
Social responsibility	30
Social responsibility organization	31
Supplier responsibility	31
Consumer and marketplace responsibility	33
Societal responsibility	41
Environmental responsibility	46
Environmental organization.....	47
Environmental management (quality and standards).....	47
Environmental KPIs and targets.....	49
Energy consumption.....	50
Greenhouse gas emissions (CO ₂).....	51
Waste.....	52
Water use.....	54
Environmentally adapted products and packaging.....	55
Sustainable agriculture.....	56
Eco efficiency.....	58
Green building policy.....	58
Climate change.....	58
GRI index 2012	60
Reporting on GRI indicators 2012	62
Economic performance indicators	62
Environmental performance indicators.....	63
Employee related performance indicators	77

CEO statement

TO OUR SHAREHOLDERS AND OTHER STAKEHOLDERS:

At Swedish Match, we believe that a balanced approach in our activities helps to maximize the long term economic benefits to our shareholders. A balanced approach means assessing how our decisions not only affect the bottom line in the short term, but also how those decisions may have long term impacts. Our stakeholder dialogues enable us to better understand potential impacts from our decisions and choices. Our vision is to be the global smokefree leader, and we believe that in order to achieve our vision, we must deliver high quality products that consumers desire. We must also clearly demonstrate our commitment to maintaining active dialogue with our stakeholders, behaving in a responsible manner, and providing understandable and measureable information with regard to our activities concerning our employees, our products, the environment, and our social and societal efforts.

In this 2012 Sustainability Report, we discuss our strategic priorities and key topics over the medium term with regard to sustainability issues. In the section entitled *Our approach to Corporate Sustainability* (pages 12–17) you will find more detailed information on our strategic focus areas and achievements, sustainability and tobacco, our sustainability organization, and our approach and activities with regard to stakeholder engagement.

Swedish Match's aim is to deliver sustainable and growing profits, mindful of the world around us. In this document we will address what we believe are the key responsibility areas to help deliver those sustainable and growing profits. We have grouped our responsibility areas as follows: economic responsibility, employee responsibility, supplier responsibility, consumer and marketplace responsibility, societal responsibility, and environmental responsibility.

This document outlines the key events and achievements in these areas of responsibility during 2012, as well as areas where we need to improve. We discuss environmental targets for 2016, and provide an update on our progress toward reaching those targets. In our stakeholder dialogues, we have noted high levels of interest in discussing and reporting on the environmental topics of water use, biodiversity, production and disposal of waste, and climate change. We have also noted continued interest in our community involvement efforts, our views in addressing the issue of child labor in tobacco farming, and further understanding about our dialogue with and impacts from regulators.

Swedish Match's primary business involves the production, distribution, marketing, and sales of tobacco products, as well as matches and lighters. As such, our company is subject to a high level of regulations and takes its obligations to meet or exceed all regulatory requirements very seriously. Beyond legal and

regulatory requirements, we also believe that we have a responsibility to be a good corporate citizen, and believe that it is in the long term best interest of our shareholders and other stakeholders, and consistent with our long term vision to communicate our commitments in the areas of responsibility mentioned earlier. With regard to employee rights, for example, Swedish Match supports the ILO Core Conventions regarding labor rights and believes that all employees should be free to form associations and to engage in collective bargaining. We have a responsibility to strictly adhere to our Code of Conduct, and expect both our suppliers and our customers to also behave in a responsible manner. During the year we have taken a number of steps, through stakeholder engagement, dialogue, supplier screening, and customer interaction, to further our commitment. More information on these steps can be found in this report.

Over the coming years, we will face a continually changing regulatory environment with regard to production, product content and availability, marketing, and distribution. More information on risks is contained in our 2012 Annual Report. We will work to reduce consumption of resources that are not renewable or that generate non recyclable waste. Not only does this improve our long term environmental footprint but it also helps to reduce costs. We will continue our important efforts to engage with and contribute to the communities in which we operate, and to maintain a dialogue with our most important suppliers and partners with regard to social, economic, and environmental matters.

Swedish Match follows guidelines set forth by the Global Reporting Initiative, (GRI) in its sustainability reporting. We continuously improve on our tracking and reporting systems in order to better communicate and understand how we can become a stronger and more sustainable company. Please feel free to contact us if you would like more information or would like to contribute to our engagement process.

Stockholm, March, 2013

Lars Dahlgren,
President and CEO

Key figures²

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

Economic performance	2012	2011	2010
Sales [MSEK]*	12,486	11,666	11,222
Operating profit from product areas [MSEK]*	3,666	3,365	3,158
Economic value distributed [MSEK]**	11,318	10,645	12,408
Economic value retained [MSEK]**	1,573	1,385	1,869

* Sales excluding businesses transferred to STG. Operating profit excluding businesses transferred to STG, share of net profit/loss in STG and larger one time items.
** Numbers for 2010 include businesses transferred to STG on October 1, 2010.

Environmental performance	2012	2011	2010
Total number of ISO 14001 certified manufacturing facilities*	9	9	7
Total energy (direct and indirect) purchased [MWh]	186,385	180,556	180,289
Total energy (direct and indirect) purchased [MWh per MSEK sales]	14.9	15.5	16.1
Total electricity purchased [MWh]	69,398	67,835	67,263
Total waste [metric tons]	24,063	22,948	22,363
Total waste [metric tons per MSEK sales]	1.9	2.0	2.0
Hazardous waste [metric tons]	800	790	850
	2011	2010	2009
Total direct and indirect greenhouse gas emissions [metric tons]**	39,602	38,517	37,060
Total direct and indirect greenhouse gas emissions [metric tons per MSEK sales]**	3.4	3.4	3.5

* In January 2013, the Manaus lighter factory in Brazil was certified for ISO 14001, bringing the total to 10 facilities with ISO 14001 certification.

** Data for 2012 will be available from mid 2013, following the reporting to the CDP, and will be published as a supplement document to this 2012 Sustainability Report.

Employee and Social performance	2012	2011	2010
Total workforce (including temporary workers)	4,299	4,174	4,272
Gender distribution within total workforce [% of females]	38	38	38
Injury rate [per 100 employees per year]	1.77	1.58	1.60
Occupational diseases rate [per 100 employees per year]	0.18	0.48	1.75
Lost days rate [per 100 employees per year]	75.42	71.63	83.36
Absentee rate [% of working days per year]	3.3	3.3	3.3
Employees (including temporary workers) receiving a formal performance review [%]	74	57	53
Gender distribution in board [% of females]*	33	33	40
Significant suppliers undergone screening on social commitment [%]**	100	95	83

* Including employee representatives but not deputy employee representatives.

** A significant supplier is defined as a supplier of tobacco, from whom Swedish Match purchases more than 100,000 USD per year.

² Certain figures for economic performance using the GRI methodology do not correspond to figures reported in Swedish Match's Annual Report due to definitions set forth by GRI which may differ from Swedish Match's reporting under the IFRS methodology. Certain figures for employee related performance using the GRI methodology do not correspond to workforce breakouts in the Annual Report due to differences in methodologies. Some historic environmental and employee related figures have been restated in this report compared to the Sustainability reporting document published in 2011, for more details see pages 62-81.

A few highlights in 2012

- New sustainability data management software in place to enable more reliable reporting on sustainability data globally.
- New online environmental training program initialized internally via the Swedish Match intranet.
- Increased internal communication with regard to Corporate Sustainability.
- Increased scope of the sustainability stakeholder survey among Swedish Match's prioritized stakeholder groups.
- Improved disclosure score in the Carbon Disclosure Project (CDP).
- Expanded scope of the global employee survey.
- Third party confirmation of Swedish Match's 2011 self-declared GRI reporting level C.

Swedish Match at a glance

Swedish Match develops, manufactures, and sells quality products with market-leading brands in the product areas Snus and snuff, Other tobacco products (cigars and chewing tobacco), and Lights (matches and lighters). Well known brands include General snus, Longhorn moist snuff, White Owl cigars, Red Man chewing tobacco, Fiat Lux matches, and Cricket lighters.

The Group sells products across the globe, with production units (twelve factories) in six countries (Brazil, the Dominican Republic, the Netherlands, the Philippines, Sweden, and the US).

Regarding tobacco products (product areas Snus and snuff as well as Other tobacco products), the Company's shipment volumes in 2012 were approximately:

- 235 million cans of snus in Scandinavia and two million cans of snus in the US.
- 140 million cans of moist snuff in the US.
- One billion cigars in the US.
- 6,700 metric tons of chewing tobacco in the US.

Tobacco products represent approximately 95 percent of Company profits from product areas.

More than a third of total company sales and more than half of the operating profit come from the product area Snus

and snuff. In Sweden, the Group has an independent distribution company. Swedish Match also owns 50 percent of SMPM International (a joint venture with Philip Morris International for snus outside of Scandinavia and the US). In addition, Swedish Match holds a 49 percent ownership interest in Scandinavian Tobacco Group (STG). The Swedish Match share is listed on NASDAQ OMX Stockholm.

Markets served

The primary sales channels for both tobacco and lights products are supermarkets, convenience stores, tobacconists, and gasoline stations. Other important channels include bars and restaurants, as well as Scandinavian Travel Retail outlets, such as airports and ferries. The largest markets where Swedish Match sells its products are Sweden and Norway (primarily snus, along with matches and lighters), the US (chewing tobacco, cigars, moist snuff and snus), Brazil (matches and lighters), as well as Russia and parts of Asia (matches and lighters). Swedish Match consumers

purchase their products through these sales channels.

Ownership structure³

At year-end, ownership outside of Sweden corresponded to 76.4 percent of total share capital, an increase of 0.2 percentage points compared with 2011.⁴ Swedish ownership interests, totaling 23.6 percent, were distributed among institutions, with 8.1 percent of the share capital, mutual funds, with 5.6 percent, and private individuals, with 9.9 percent.

Operational structure

The Swedish Match head office, where the CEO and Corporate functions are based, is located in Stockholm. Corporate functions consist of the CEO office, Group Finance & IT, Legal Affairs, Group Human Resources, as well as Corporate Communications & Sustainability. The organizational

³ SIS Ågarservice AB, data derived from Euroclear Sweden AB.

⁴ Excluding shares held in treasury by Swedish Match AB, which corresponded to 3.20 percent of the total number of shares as per December 31, 2012.



structure is divided among the following operating units: Smokefree Products Division, Scandinavia Division, US Division, Lights Latin America, Lights International, and Swedish Match Distribution AB. The total workforce in the Group during 2012 was 4,299 (including temporary workers).⁵



The Company vision

Swedish Match’s vision is to be the global smokefree leader. The Company will continue to leverage the strengths of its operations and product areas to help to achieve that vision.

With its strong platforms, not only in Snus and snuff, but also in Other tobacco products, and Lights, the Company is able to pool its talent and resources to explore new market opportunities, develop new product concepts, and expand its geographic footprint.

Further support in achieving the vision comes from the Company’s partnerships, such as the joint venture, SMPM International, and resources generated from the 49 percent ownership of Scandinavian Tobacco Group (STG).



Sales and operating profit 2012

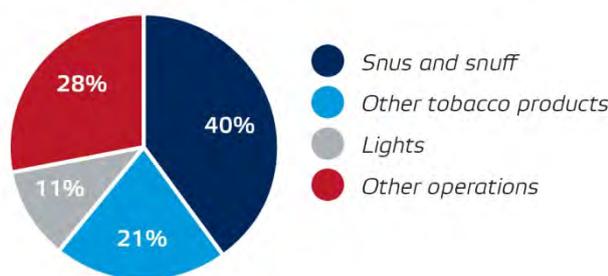
In 2012, sales increased by 7 percent to 12,486 MSEK. Operating profit from product areas⁶ for the full year increased by 9 percent to 3,666 MSEK. Operating profit⁷ amounted to 4,062 MSEK for the full year. EPS (basic) for the full year increased by 18 percent to 14.33 SEK.

⁵ Due to differences in methodologies, the total workforce presented in this Sustainability Report does not correspond to workforce breakouts in the Annual Report. In the Annual Report 2012, the average number of employees reported was 3,848.

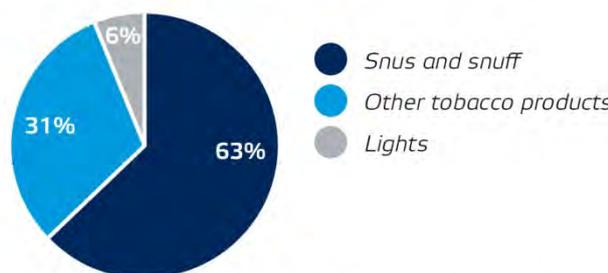
⁶ Operating profit from Swedish Match’s product areas, which excludes share of net profit in STG and larger one time items.

⁷ Operating profit for the Group includes share of net profit in STG and larger one time items.

SALES BY PRODUCT AREA



OPERATING PROFIT BY PRODUCT AREA¹⁾



¹⁾ Excluding Other operations and share of net profit in STG and larger one time items.

Product areas

Swedish Match operates in the three product areas Snus and snuff, Other tobacco products (cigars and chewing tobacco), and Lights (matches and lighters).

Snus and snuff

Swedish Match has a market leading position in the Scandinavian snus market. In the US, Swedish Match is well positioned as the third largest snus and moist snuff company. The Company also has a 50/50 joint venture with Philip Morris International to explore and develop new markets for snus outside of Scandinavia and the US.

Swedish Match endeavors to be the global smokefree leader.

Swedish Match's strength in smokefree products lies in its quality products and established brands in combination with deep consumer insight.

Swedish Match will leverage its unique Snus and snuff platform to build global smokefree leadership, and will continue to innovate and develop new and improved products while leveraging its brands' strengths in order to meet changing consumer needs. Swedish Match will endeavor to drive category growth and maintain its leading position in Scandinavia, to develop the snus category in the US and establish a strong presence in the market, to strengthen the Company's position in the US moist snuff market, and to explore global opportunities for Swedish snus through SMPM International.

Swedish Match strives to be the preferred choice for consumers of smokefree products, the most valued partner to customers/retailers and distributors, and the industry authority for regulators and opinion makers.

Success will come from dedicated employees working closely together in building on the strong brand portfolio, maintaining and improving technological leadership, leveraging the Company's unique Swedish heritage and market leadership in Scandinavia, and providing consumers with products they enjoy.

Other tobacco products (cigars and chewing tobacco)

Swedish Match is a major player in the US market for cigars, and the largest manufacturer in the US for chewing tobacco.

In the product area Other tobacco products, Swedish Match is leveraging its strong platforms in order to maximize long term profitability.

For cigars, the Company will drive profitable growth through consumer-driven innovation and strong sales execution. The Company continues to innovate, in order to introduce high quality products appreciated by consumers.

For chewing tobacco, Swedish Match will capitalize on its leading position in the category and continuously drive productivity improvements. With its

efficient production, well known and trusted brands, as well as category leadership, the Group has been able to leverage its strengths in a declining product category while enabling sustainable profits.

Lights (matches and lighters)

Swedish Match is the market leader for matches in many markets throughout the world, with well known local brands. For lighters, the *Cricket* brand has strong market positions in a large number of countries, most notably in parts of Europe and Asia.

With its portfolio of well known brands and strong market positions, Swedish Match works for continuous operational excellence in the Lights product area. The Company is committed to maintaining and improving its already efficient manufacturing operations as well as capitalizing on strong market positions in order to maintain solid levels of profitability, while providing consumers with the quality products they demand.

The lights business is organized in two operating units: Lights Latin America and Lights International (covering all markets outside Latin America). Swedish Match sells matches and lighters through its own and third party distribution networks, including the distribution network of Scandinavian Tobacco Group.

Main brands

Product area	Main markets	Main brands
Snus and snuff	Sweden	General, Göteborgs Rapé, Ettan, Grovsnus, Catch, Kronan, Kaliber
	Norway	General, Nick and Johnny, The Lab Series, Catch, Göteborgs Rapé
	The US	Longhorn, Timber Wolf, Red Man, General
Other tobacco products (cigars and chewing tobacco)	The US	<i>Cigars</i> : White Owl, Garcia y Vega, Game by Garcia y Vega
		<i>Chewing tobacco</i> : Red Man, Southern Pride
Lights (matches and lighters)	Brazil	Fiat Lux, Cricket
	Sweden, France, the UK, Australia, Spain, Russia	Solstickan (Sweden), Swan (UK), Tres Estrellas (Spain), Feudor (France), Redheads (Australia), Cricket (globally)

About this document

Successful sustainability activities require a methodical approach to reporting. Swedish Match continues to report its sustainability information according to the guidelines set forth by Global Reporting Initiative (GRI) G3, in order to reach measurable, transparent, clear, and comparable results.

General information

The 2012 Sustainability Report follows the 2011 reporting document published on Swedish Match's website. Information from this document is to be used as a complement to the 2012 Annual Report.

While the Annual Report includes general information about how Swedish Match works with sustainability, the Sustainability Report includes more specific information requested by GRI, as well as facts concerning Swedish Match's sustainability reporting process. This includes information about the Company's materiality analysis, stakeholder dialogue, as well as detailed

reporting on prioritized performance indicators.

Information provided in this report is intended primarily for stakeholders with an interest in the Company's sustainability performance. Prioritized stakeholder groups include consumers, customers/retailers, employees, government/regulators, investors/financial analysts, the scientific-health community, and suppliers.

Swedish Match currently reports according to the GRI G3 Sustainability Reporting Guidelines for self-declared level B.



Document structure

The chapter *About this document* describes data collection and measurement.

The chapter *Code of Conduct and other policies* describes the four externally published policies that cover basic principles and guiding statements that are designed to ensure that Swedish Match operates in a way that meets or exceeds the stakeholders' requirements.

The chapter *Economic responsibility* covers the economic impact and affect Swedish Match has on the society in which the Company operates.

The chapter *Employee responsibility* refers to the Company's responsibility in relation to its internal stakeholder group – its employees.

The chapter *Social responsibility* entails Swedish Match's responsibility towards its external stakeholder groups – suppliers, customers and marketplace, as well as society in large.

Following the *GRI Index*, the chapter *Reporting on GRI indicators 2012* can be found in the back of this document.

Contact details

You can read more about Swedish Match's work within sustainability, including a detailed FAQ section, on the Company's website: www.swedishmatch.com/en/Sustainability/. As part of the Company's ongoing stakeholder engagement, we welcome comments on any aspect of our approach to sustainability. Please e-mail us at sustainability@swedishmatch.com.

The SVP Corporate Communications and Sustainability, Emmett Harrison, is responsible for the publishing of the Company's Sustainability Report 2012 as well as the Swedish Match Annual Report 2012. Emmett.Harrison@swedishmatch.com.

The Director of Corporate Sustainability and Business Analysis, Sofia Hedevåg, is responsible for compiling the Company's Sustainability Report 2012. Sofia.Hedevag@swedishmatch.com.

Data collection and measurement

All data in this report has been collected over the calendar years 2010, 2011, and 2012.⁸

Reporting principles to define content

Swedish Match has followed GRI's *Principles for defining content* to help guide the selection of what information to include in the report, which indicators to report on, as well as to ensure transparency in the reporting process.

Reporting principles to define quality

Swedish Match has followed GRI's *Principles for defining quality* to help ensure quality of the reported information.

During 2012, Swedish Match has authorized the external third party Application Level Check provider Tofuture Oy to confirm Swedish Match's self-declaration that the 2012 Sustainability Report meets GRI G3 'B' level reporting requirements. An application level check assesses to what extent the GRI guidelines have been applied in the reporting.

During 2013, Swedish Match will start a project to evaluate whether the Sustainability Report should be fully assured by a third party provider.

Reporting boundaries

This report includes all fully owned Swedish Match manufacturing facilities as well as business travel and logistics of the Company's products. Sales and administrative offices are also included where applicable. For partner and associated companies, as well as major suppliers, Swedish Match has established guidelines in its Code of Conduct as well as in its Group Procurement Policy, which ensure that sustainability issues are being addressed.

Swedish Match's joint venture with Philip Morris International, SMPM International, is not included in the report as its operations are not considered to generate significant impacts. Also, Scandinavian Tobacco Group (STG), of which Swedish Match holds a 49 percent ownership interest, is not included in the report as STG has its own, separate, reporting and follow up on sustainability matters.

Reporting details - qualitative data

Information pertaining to supplier responsibility is collected through the Procurement, Supply Chain, and R&D functions. Information regarding consumer and marketplace responsibility is collected through the Marketing/Sales, Legal, and Supply Chain functions. Information regarding societal responsibility is collected through the Company's local operating units as well as from the R&D and the Public Affairs functions.

Reporting details - quantitative data

An overview of details with regard to quantitative data (economic, environmental, and employee responsibility) can be found in the table on page 11.

Details for environmental data

Environmental data is reported per unit of output by product area⁹, tied to the Company's manufacturing setup:

- Smokefree products (snus, moist snuff, and chewing tobacco), which covers the manufacturing facilities in Kungälv and Gothenburg (Sweden), as well as Owensboro (the US). Output is measured by weight, in metric tons.
- Cigars, which covers manufacturing facilities in Dothan (the US) and Santiago (the Dominican Republic). Output is measured in million cigars.
- Lights products (matches and lighters), which covers match manufacturing facilities in Tidaholm

and Vetlanda (Sweden), Curitiba and Piraí do Sul (Brazil) as well as lighter manufacturing facilities in Assen (the Netherlands), Manaus (Brazil), and Manila (the Philippines). Output is measured in billion matches or million lighters.

Environmental data is also reported in relation to total Company sales (MSEK) and per employee. When reporting environmental performance in relation to the total number of employees, the number of employees used as a base refers to what is presented in the Annual Report for 2010-2012, excluding employees transferred to STG.

Details for employee related data

Employee related data is reported under the following geographies, tied to production of the Company's main products:

- Sweden and Norway, which covers the organizations within the operating units Scandinavia Division (snus), the Swedish parts of Lights International (matches), the Swedish part of Smokefree Products Division (snus), Swedish Match Distribution AB, and Swedish Match AB.
- The US and the Dominican Republic, which covers the organizations within the operating unit US Division (moist snuff, chewing tobacco, cigars produced in the US and the Dominican Republic) as well as the US part of Smokefree Products Division (moist snuff, chewing tobacco). The US and the Dominican Republic is combined, corresponding to the Company's production set-up within cigars.
- Brazil, which covers the organizations within the operating unit Lights Latin America (matches and lighters).
- The Philippines, which covers the Philippine part of the operating unit Lights International (lighters).
- The Netherlands, which covers the Dutch part of the operating unit Lights International (lighters).

⁸ Regarding CO₂ emissions, data is reported for 2009, 2010, and 2011, in line with what has been reported to the Carbon Disclosure Project in 2012. Data for 2012 will be available from mid 2013, following the reporting to the CDP, and will be published as a supplement document to this 2012 Sustainability Report.

⁹ Product areas used for aggregated reporting on environmental data in this 2012 Sustainability Report do not correspond directly to Swedish Match's overall product areas due to manufacturing setup. The Company's product areas are Snus and snuff, Other tobacco products (cigars and chewing tobacco), and Lights (matches and lighters).

Changes in operational structure

On October 1, 2010, the transaction between Swedish Match and Scandinavian Tobacco Group to form a new company was finalized. Swedish Match contributed its cigar business (excluding the US mass market cigar business and the holding in Arnold André) as well as

the pipe tobacco and accessories businesses to the new company. Swedish Match acquired 49 percent of the shares in the new STG company.

In June, 2011, Swedish Match divested its subsidiary SM Plam Bulgaria.

Measurement techniques

Calculations regarding emissions of greenhouse gases (see page 71) are based on site specific data. Conversion methodologies used are based on the Greenhouse Gas Protocol in order to calculate the amount of greenhouse gas emissions per source.

Summary of reporting details – quantitative data

Data covers:	Economic data			Employee related data			Environmental data		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Fully owned manufacturing facilities	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sales and administrative offices	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
Businesses transferred to STG in Oct, 2010	No	No	Yes**	No	No	No	No	No	No
Businesses divested in Plam, Bulgaria in June, 2011	No	Yes	Yes	No	No	No	No	No	No
Business travel and logistics of products	Yes	Yes	Yes	N/A	N/A	N/A	Yes	Yes	Yes
Data presented:									
In total	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
In relation to sales (MSEK)*	N/A	N/A	N/A	Yes	Yes	Yes	Yes	Yes	Yes
In relation to total number of employees	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
In relation to unit of output produced	No	No	No	No	No	No	Yes	Yes	Yes
In relation to geographies, tied to production of the Company's main products	No	No	No	Yes	Yes	Yes	No	No	No
Data collected through:	The Corporate Control function			The HR Council			The Environmental Council		
Changes in reporting procedures from previous year:	No			No			Introduction of a sustainability data management software in 2012.		
Other reporting details:	Data using the GRI methodology does not always correspond to figures reported in the Annual Report due to definitions set forth by GRI which may differ from Swedish Match's reporting under the IFRS methodology.			Data using the GRI methodology does not always correspond to figures reported in the Annual Report due to differences in methodologies.			Data concerning greenhouse gas emissions is presented for 2009-2011, in line with what has been reported to the CDP in 2012.		
				Some historic employee related figures have been restated in this report compared to the Sustainability reporting document published in 2011.			Some historic environmental figures have been restated in this report compared to the Sustainability reporting document published in 2011.		

* Sales refer to Group sales, excluding employees transferred to STG.

** Data concerning economic responsibility for 2010 includes businesses transferred to STG in October 2010. Financial data according to IFRS however does not include businesses transferred to STG in October 2010.

Our approach to Corporate Sustainability

Corporate Sustainability is embedded in Swedish Match’s corporate culture and way of doing business. For Swedish Match, Corporate Sustainability entails generating value for the Company, its stakeholders, and the environment – in order to assure long term and sustainable growth.

During 2012, Swedish Match furthered its efforts to use a systematic approach to Corporate Sustainability in order to ensure improved transparency and a focus on business operations. Work was devoted to further strengthening the link to the Company’s vision and strategy as well as implementing and enhancing systems and processes necessary to support the Company’s long term efforts.

A sustainable and responsible business

In order to achieve its vision to be the global smokefree leader, Swedish Match must continue to work toward the Company’s mission: to responsibly develop, manufacture, market, and sell high-quality products with market leading brands in the product areas Snus and snuff, Other tobacco products, and Lights, delivering sustainable and growing profits to the Company’s shareholders. This mission statement demonstrates that for Swedish Match, a sustainable and responsible business goes hand in hand. For Swedish Match, sustainability implies always striving to balance economic responsibility with environmental and social responsibility; or put in other words – delivering sustainable and growing profits, mindful of the world around us.

Consistent with the Swedish Match mission, the Company works systematically with Corporate Sustainability across the organization. This work provides many long term benefits to the Company. It helps to make Swedish Match more competitive, to identify and reduce long term costs and risks, and to strengthen the corporate reputation and brand. It also enables the Company to be an attractive employer. Working with sustainability is thus an important element for Swedish Match’s future growth and value creation.

Swedish Match’s sustainability activities also aim to provide value to the Company’s stakeholders and to the environment. This includes for example an improved workplace environment for employees, a reduced negative environmental impact, and adherence to high standards of conduct within the supply chain. Many of these activities also benefit consumers by enabling them to make well informed decisions based on product information provided by the Company (for example concerning nicotine and snus).

Sustainability and tobacco

Some people may question whether a tobacco company can be sustainable in the long term. For Swedish Match, sustainability and tobacco are not incompatible. While the Company produces and sells tobacco products, the Group must still conduct business in a responsible and sustainable manner towards its stakeholders and the environment.

Tobacco products are not without risk, however certain tobacco product categories carry higher levels of risk than others. Swedish Match believes that snus can play an important role in reducing tobacco harm (harm reduction) and providing consumers with health benefits compared to cigarettes, consistent with a society moving away from cigarettes.

Stakeholder engagement

Swedish Match maintains an active dialogue with its stakeholders. For the past three years, Swedish Match has conducted a sustainability stakeholder survey among prioritized stakeholder groups (consumers, customers/retailers, employees, government/regulators, investors/financial analysts, scientific-health community, and suppliers). This methodical engagement helps the Company to consider the views of stakeholders and to examine whether (and to reaffirm that) the Company is focusing on sustainability activities that are material to stakeholders.

Based on the outcome of the 2012 study, Swedish Match decided to further conceptualize and focus its efforts on six strategic sustainability focus areas, each covering those aspects deemed to be material to the Company (see Swedish Match’s sustainability model below). The Company has set overall ambitions within each area, and going forward the focus will be to set clear objectives and targets. Swedish Match works to encourage positive changes through its activities toward each stakeholder group.



Strategic sustainability focus areas: overall ambitions and achievements 2012

	Overall ambition	Achievements 2012
Economic responsibility 	To deliver sustainable and growing long term profits to shareholders, while maintaining strong cash flows, thus helping to create economic prosperity among the Company's stakeholder groups.	<ul style="list-style-type: none"> • Sales for the full year increased by 7 percent to 12,486 MSEK (11,666). • Operating profit from product areas¹⁰ for the full year increased by 9 percent to 3,666 MSEK (3,365). • Operating profit¹¹ amounted to 4,062 MSEK (3,702) for the full year. • EPS (basic) for the full year increased by 18 percent to 14.33 SEK (12.14). • The Board proposes an increased dividend to 7.30 SEK (6.50).
Employee responsibility 	To attract, develop, and retain highly competent employees, to promote a culture of openness and trust, and a sound workplace environment.	<ul style="list-style-type: none"> • The scope of the global employee survey was expanded. In October 2012, it was conducted in eight countries in seven different languages, and a total of 88 percent of all employees participated.
Supplier responsibility 	To work closely with the Company's suppliers in order to maintain adherence to Swedish Match's high standards of conduct and to support efforts to ensure that suppliers work responsibly in terms of economic, environmental, and social issues.	<ul style="list-style-type: none"> • All significant suppliers of tobacco signed and returned the <i>Social commitment for Swedish Match suppliers</i> document, including certain requirements and recommendations on business ethics, basic human rights as well as on health and safety. A significant supplier refers to a supplier of tobacco, from whom the Company purchases more than 100,000 USD per year.
Consumer and marketplace responsibility 	To bring high-quality tobacco and lights products to consumers as well as take a lead in keeping high standards of corporate conduct within the Company's marketplace.	<ul style="list-style-type: none"> • Swedish Match announced that it had reached a milestone for snus on compliance with World Health Organization (WHO) recommendations. All Swedish Match snus is manufactured according to the GOTHIA TEK[®] quality standard, and complies with the recommendations set forth by the WHO with regard to acceptable limits of undesired elements in smokeless tobacco.
Societal responsibility 	To build and strengthen relationships with society at large, such as with the regulatory and scientific community as well as in local communities where the Company operates.	<ul style="list-style-type: none"> • To slow the flow of illicit trade, Swedish Match employed a special label on cans sold on Baltic Sea ferries, which assists retailers and the authorities to easily spot irregularities. This was a voluntary measure which received acknowledgement by responsible authorities including the Swedish Custom Authority and the Ministry for Social Affairs.
Environmental responsibility 	To consciously and actively reduce the negative impacts the Company has on the environment.	<ul style="list-style-type: none"> • Swedish Match implemented a new sustainability data management software to enable more reliable reporting on sustainability data globally. • Swedish Match introduced an internal online environmental training program via the Swedish Match intranet. • Improved disclosure score in the Carbon Disclosure Project (CDP).

¹⁰ Operating profit from Swedish Match's product areas, which excludes share of net profit in STG and larger one time items.

¹¹ Operating profit for the Group includes share of net profit in STG and larger one time items.

Sustainability organization

The Swedish Match Board of Directors has the overall responsibility for overseeing the Company’s Corporate Sustainability efforts and reviews sustainability issues annually.

Due to the importance of sustainability issues, it has been decided that all Board members are jointly responsible for monitoring and guiding sustainability initiatives and efforts.

The SVP Corporate Communications and Sustainability is responsible for the Corporate Sustainability function and for communicating sustainability issues internally and externally. The SVP Corporate Communications and Sustainability, who reports to the CEO, is a member of the Group Management Team (GMT) and provides status updates to the Board of Directors and to the GMT on a periodic basis.

Topics brought up for decisions and discussions during these board and GMT meetings include reviews of certain Group policies (such as the Code of Conduct, the Corporate Communications Policy, and the Group Environmental Policy), updates on performance concerning KPIs and targets, general achievements, as well as status on prioritized sustainability projects.

The Corporate Sustainability team within Swedish Match AB is responsible for ensuring that Swedish Match’s sustainability efforts align with the Company’s vision and strategy. The team coordinates and compiles information of key performance indicators and other aspects and communicates sustainability related information to internal and external stakeholders through relevant communication channels. The team is also responsible for ensuring continuous stakeholder dialogue with the Group’s identified priority stakeholders.

While there is not a formal sustainability committee, the Corporate Sustainability team is represented in the Environmental Council and works closely with other functions and individuals across the Company, such as Group Finance, Group Human Resource, Legal Affairs, Manufacturing (both Supply Chain and R&D), Marketing/Sales, Public Affairs, and Procurement.

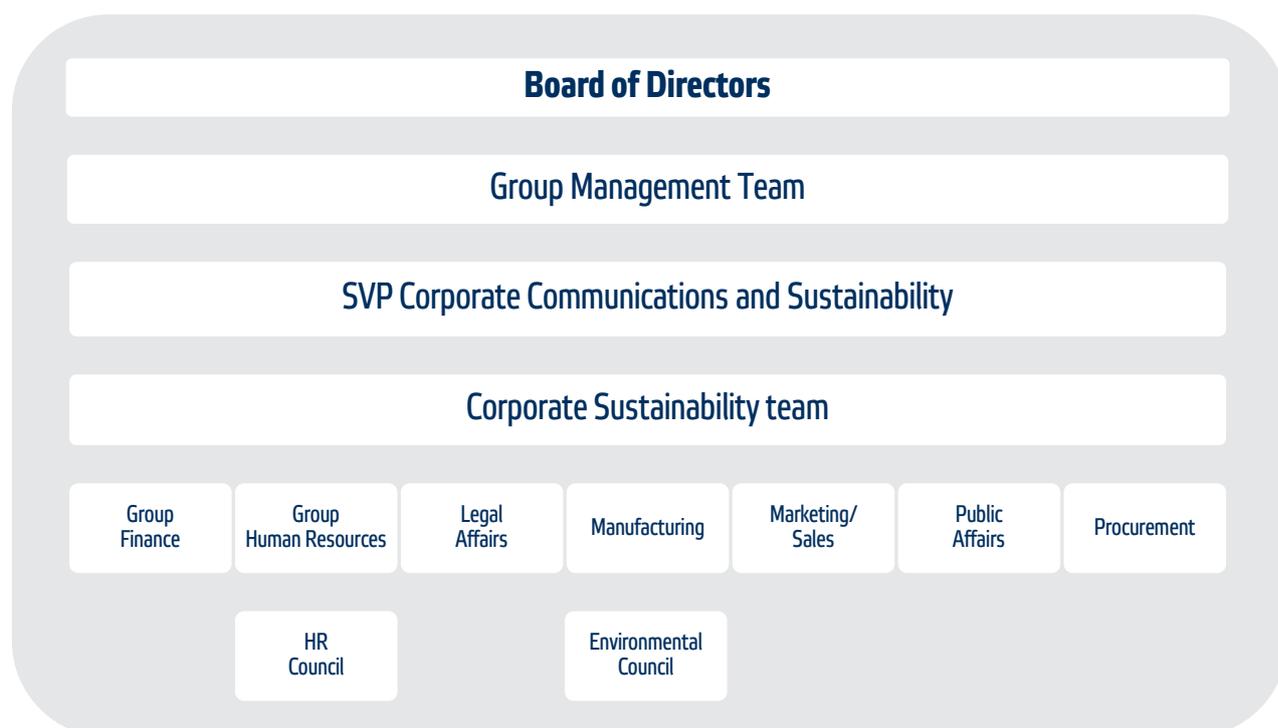
For environmental issues, the Corporate Sustainability team works very closely with the Environmental Council, which consists of managers trained in environmental and quality systems and reporting for the various production units. The Council is chaired by the SVP Corporate Communications and Sustainability.

For employee related issues, the team works closely with the Human Resources (HR) Council, consisting of the heads of HR of the various operating units.

Both the Environmental and the HR councils are comprised of individuals representing all product areas and local production units.



Swedish Match employees in Stockholm, Sweden.



Stakeholder identification

In 2010, the Company conducted an internal stakeholder identification analysis in order to identify key stakeholder groups to the organization. Based on an analysis of which stakeholder groups strongly influence Swedish Match, and whether the stakeholder group is strongly influenced by Swedish Match, the following groups were recognized as prioritized stakeholder groups: consumers, customers/retailers, employees, government/regulators, the scientific-health community, shareholders, and suppliers.

During 2012, the shareholder group was broadened to include financial analysts. This revised stakeholder group is denoted “investors/ financial analysts”.

Consumers

Swedish Match’s target consumers are adults who use smokeless tobacco products, cigars, matches, and/or lighters. The Company’s consumers of smokeless tobacco products are mainly found in Scandinavia and the US, but the Company increasingly reaches consumers worldwide through its joint venture SMPM International. Consumers of Swedish Match cigars are primarily located in the US. Consumers of matches and lighters can be found worldwide – in Europe, Latin America, Australia, as well as parts of the Middle East, Africa, and Asia.

Customers/retailers

Swedish Match’s primary customers are wholesalers and selected retailers of tobacco and lights products. The Company’s products are sold through convenience stores, gas stations, supermarkets, as well as in high end specialty cigar and tobacco stores and travel retail/duty free outlets. Matches and lighters are widely available wherever tobacco products are sold. Wholesalers and retailers of tobacco products are mainly situated in Scandinavia and the US, whereas matches and lighters are sold worldwide.

Employees¹²

In 2012, Swedish Match employed 4,299 people, of whom 38 percent were women. The largest number of employees was employed in the US and the Dominican Republic followed by Sweden and Norway, Brazil, the Philippines, and the Netherlands.

Government/regulators and the scientific-health community

Swedish Match’s primary business is tobacco, a highly regulated industry with specific rules and regulations. Swedish Match strives to uphold an open dialogue with regulatory authorities, policy-makers, and the scientific-health community. A vital part of regulatory relations is to share knowledge and insights and thereby stimulate a mutual dialogue and understanding of products and business operations at large.

Investors/financial analysts

The majority of Swedish Match’s shareholders are located in the US, Sweden, and the UK. At year-end 2012, ownership outside of Sweden corresponded to 76.4 percent of total share capital. Swedish ownership interests, totaling 23.6 percent, were distributed among institutions, mutual funds, and private individuals.¹³ In 2012, there were more than 20 sell side financial analysts regularly covering Swedish Match.

Suppliers

The largest suppliers to Swedish Match are involved in the purchase of tobacco. The Company buys tobacco from a small number of large global independent leaf tobacco suppliers. The Company sources forestry and paper products for its match production from a small number of suppliers, increasingly from Forest Stewardship CouncilTM (FSCTM) certified sources. For indirect materials, the supplier base is larger and more local.

¹² Due to differences in methodologies, the total workforce presented in this Sustainability Report does not always correspond to workforce breakouts in the Annual Report. In the Annual Report 2012, the average number of employees in the Group was 3,848.

¹³ SIS Ägarservice AB, data derived from Euroclear Sweden AB. Number excludes shares held in treasury by Swedish Match AB, which corresponded to 3.20 percent of the total number of shares as per December 31, 2012.

Stakeholder dialogue

Swedish Match maintains an active dialogue with its various stakeholder groups. The frequency of engagement differs by type and stakeholder group. It also varies in different parts of the Swedish Match organization. Some activities during 2012 were:

Stakeholder group	Examples of activities
Consumers	<ul style="list-style-type: none"> • Consumer surveys • Focus groups
Customers/retailers	<ul style="list-style-type: none"> • Customer surveys • Direct dialogue in meetings and ongoing contact
Employees	<ul style="list-style-type: none"> • Global employee satisfaction survey • Performance reviews • Dialogue and close cooperation with labor unions
Government/regulators	<ul style="list-style-type: none"> • Dialogue and updates on various activities
The scientific-health community	<ul style="list-style-type: none"> • Dialogue and updates on various activities
Investors/financial analysts	<ul style="list-style-type: none"> • Regular Board meetings • Annual General Meeting • Teleconferences • Surveys from SRI-analysts based on the Group • Regular meetings with investors and analysts
Suppliers	<ul style="list-style-type: none"> • Purchasing negotiations with prioritized suppliers based on the Group Procurement Policy • Supplier surveys

During stakeholder meetings in 2012, sustainability topics that were discussed were aligned with the content issues of the stakeholder survey. Many questions were related to the Company’s product quality and health aspects, human rights issues, supply chain issues, marketing practices, corporate governance, as well as emissions to air and water.

In the sustainability stakeholder survey, certain stakeholders specifically identified tobacco farming and environmental certifications as areas where the Company could seek to improve its practices. Stakeholders also commented on the type of tobacco Swedish Match sources claiming that more ecologically grown tobacco could be used in production of the Company’s products. In addition, some stakeholders addressed an increased focus on how consumers dispose of Swedish Match products after usage while other stakeholders highlighted customer/retailer relationships as an important key to success for the Company.

Stakeholder survey

For the past three years, Swedish Match has conducted a sustainability stakeholder survey among prioritized stakeholder groups. This methodical engagement helps the Company to consider the views of stakeholders and to examine whether (and to reaffirm that) the Company is focusing on sustainability activities that are material to stakeholders.

Survey content

The majority of the sustainability issues included in the survey have been chosen in accordance with the GRI framework, while a few additional issues have been added based on further internal considerations. In 2012, the following changes were made to the survey:

- The issue *Supply chain management (working with leaf suppliers and tobacco farmers)* was added based on a review of Swedish Match's industry peers' material issues as well as input from stakeholder meetings.
- The issue *Tobacco regulation and engagement with regulators, scientific community* was included instead of *Public affairs and lobbying* to clarify.
- The issue *Open and honest communication* was deleted as it was already included in the issue *Corporate governance and transparency*.

Survey scope

In 2012, the scope of the sustainability stakeholder survey was increased to include close to 200 respondents from Scandinavia and the US. In line with previous years' data collection, it was difficult to receive responses from the stakeholder group government/regulators as well as the scientific-health community. Since these groups are very important, Swedish Match will look into the cause of this to ensure that the Company will receive responses and feedback from this group as well.

Survey process

Most stakeholders completed the survey (anonymously) through an online survey link which was sent out to stakeholders directly via Swedish Match contacts. A few respondents chose to complete a paper survey instead.

All stakeholders were asked to assess *the importance* of various sustainability issues while chosen internal stakeholders – the Group Management Team as well as members of the Environmental Council and the Human Resources Council – were asked to assess *the impact* of these sustainability issues on Swedish Match's operations in 3-5 years.

Materiality analysis and matrix

The results from the 2012 sustainability stakeholder survey are presented in the stakeholder materiality matrix on page 17. These results were used as a base when the Corporate Sustainability team internally performed a materiality analysis and decided on which sustainability issues to select for reporting as well as target and activity setting.

Material issues are those ranking high on both importance and impact (refer to the upper right square in the materiality matrix). These issues are the ones that Swedish Match prioritizes when reporting and communicating on sustainability issues.

Issues ranking high on either importance or impact (refer to the upper left and bottom right square in the materiality matrix) are also considered to be important to report on.

Based on internal considerations, a few additional issues were chosen for reporting beyond the level indicated by stakeholder assessments for the reasons outlined below (refer to the bottom left square in the materiality matrix):

- The issue *Community engagement/relations* as it is important to local Swedish Match operations.
- The issue *Environmental management (environmental certifications, quality systems)* as it is the foundation for working with environmental responsibility.
- The issue *Freedom of association and collective bargaining* as it is one of ILO's core conventions on human rights.

Results for 2012 are very analogous to those in previous years. In most cases the results illustrate that there is a high match between importance and impact assessment, i.e. issues that stakeholders deem to be important are also deemed by Swedish Match to have a high impact on the Company's operations.

Compared to 2011, the following changes can be seen in the 2012 materiality matrix:

- The issues *Occupational health and safety* and *Workforce diversity and non-discrimination* were in 2012 ranked as having a higher impact on Swedish Match.
- The issue *Water use* increased in importance, reflecting an increasing general level of awareness of this issue.
- The issue *Market presence (local priority on employees, suppliers)* decreased in importance and is no longer seen as being of high importance to stakeholders.

Swedish Match’s sustainability materiality matrix 2012*
 (Issues below presented in alphabetical order)



* Issue ranks lower than medium impact in the stakeholder survey results, but is included in the matrix as Swedish Match’s management believes it still needs to be recognized:

- The issue *Biodiversity and land use* is important as Swedish Match sources raw tobacco and also has forest plantations.
- The issue *Water use* as it is an important global sustainability issue.

Code of Conduct and other policies

Swedish Match has a number of Company policies covering basic principles and guiding statements that are designed to ensure that the Company operates in a way that meets or exceeds the stakeholders' requirements.

Some of the policies are published externally on the Company's website while some are only available internally for Swedish Match's employees. Externally available policies include the Code of Conduct, the Corporate Communications Policy, the Group Policy on Fraud Response, and the Group Environmental Policy.

The Code of Conduct

The Swedish Match Code of Conduct, established in 2004, is the foundation for the Company's position in areas related to Corporate Sustainability. The Group's commitment to Corporate Sustainability and responsibility ties directly to its core values: communication, teamwork, trust, innovation, recognition, and growth (see fact box below). The core values are central in Swedish Match's vision of how the Company wants to conduct its business. All values are reflected with regard to conduct internally among employees and externally in relation to business partners as well as other stakeholders in the Company's business environment. Each core value is accompanied by a statement describing how Swedish Match's employees can live the core values.

The Swedish Match Code of Conduct reflects the position of the Swedish Match Group with regard to Corporate Sustainability issues, when interacting with employees (including workplace practices, business ethics, and communication), suppliers (supplier contracts), customers and marketplace (issues specific to tobacco products), general

society (including human rights and child labor), and the environment (the Group's Environmental Management Systems and the Group Environmental Policy). These areas of the Code of Conduct comply with international conventions and guidelines on human rights and labor conditions.¹⁴

The Code of Conduct is available on the Company website, http://www.swedishmatch.com/Documents/Policies/CodeOfConduct_EN.pdf.

Compliance with the Code of Conduct

Since Swedish Match is an international group of companies, it must comply with the national laws and regulations of the countries in which it operates. The Group also demonstrates respect for indigenous cultures and traditions in these countries. The Swedish Match Code of Conduct is applicable to all employees within the Group, regardless of position and geographical location.

Every employee has a personal responsibility to make sure that actions taken comply not only with the words but the spirit of the Code of Conduct. Management has an additional responsibility to foster a culture in which compliance with the Code of Conduct is expected. Concerns about inappropriate conduct must be promptly addressed.

Ongoing communication on matters

¹⁴ The international conventions and guidelines referred to here are the UN Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, the eight ILO Core Conventions (Nos. 87, 98, 29, 105, 100, 111, 138, and 182), and the OECD Guidelines for Multinational Corporations.

referred to in the Code of Conduct is communicated to employees primarily through the Company's intranet and also in conjunction with performance reviews and development discussions. Contents of the Code of Conduct document are communicated yearly (following reviews/updates) to all employees. Every manager in the Group has an obligation to ensure that all subordinated employees are informed about the Code of Conduct. Managers have to confirm that they have read, understood, and implemented the policy.

No specific training with regards to interpretation of the Code of Conduct is carried out, but new employees should read and discuss any concerns regarding the content of the policy with the respective manager.

Individual company policies in all business units must always conform to the principles stated in the Code of Conduct. Violations of the Code of Conduct lead to disciplinary actions. Such action may include reprimand, reimbursement of any loss or damage suffered by the Group, termination of employment, referral for civil action or criminal prosecution, or any other disciplinary action deemed appropriate by the Group.

To further secure sound business ethics within the Company, consistent with the Code of Conduct, Swedish Match has established a whistleblower function that provides every employee with the opportunity to report any suspicion of infringement of Group policies. Such

Swedish Match's core values

- **Communication** - Strive for an active, open, and honest dialogue.
- **Teamwork** - Develop better solutions by working together, using collective experience.
- **Trust** - Demonstrate trust in fellow employees and encourage an open and trusting environment where we all work to do things that are in the long term best interest of Swedish Match.
- **Innovation** - Nurture an environment that, in all respects, encourages new ideas and a willingness to implement them.
- **Recognition** - Demonstrate an ongoing interest in people and their activities, and recognize their contributions.
- **Growth** - Commit to the development of our people and the long term growth of Swedish Match.



suspicions can be submitted – anonymously – to an appropriate manager, or to the Chairman of the Audit Committee. The whistleblower function can easily be accessed through the Swedish Match intranet. In 2012, there were no reported infringements of Group policies using the whistleblower function.

Reviews of the Code of Conduct

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

The Code of Conduct is reviewed internally and approved annually by the Swedish Match Board of Directors. In addition, reviews are conducted by the external partner AON (an international risk management company) who examines the Group's operating units at least once every two years at the factory level. These reviews include implementation of the Code of Conduct as such, with evaluations within the areas of social responsibility, workplace practices, business ethics, communication, and the environment. Topics include human rights, child labor, forced labor, supplier contracts, as well as health and safety matters. AON identifies improvement areas (which are re-evaluated the following year) and reports conclusions to operating units' management teams and to the Corporate Communications and Sustainability function.

The operating units' management teams have operational responsibility for ensuring compliance with the Code of Conduct while the SVP Corporate Communications and Sustainability is responsible for proposing further development and revision of the Code of Conduct.

Corporate Communications Policy

Communication plays a critical role within Swedish Match. As a listed company, Swedish Match must comply with relevant legislation, regulations, and

standards concerning securities markets and financial reporting.

The Swedish Match Corporate Communications Policy is an important aspect of the Company's continual efforts to build up global trust in the corporate brand. It has been adopted by Swedish Match's Board of Directors to provide guidelines for how communication should be conducted to ensure that it is in accordance with the Swedish Match Group's interests. In today's global information society, however, requirements and standards are constantly changing, and accordingly, Swedish Match's Corporate Communications Policy will be scrutinized and revised on an ongoing basis.

The Corporate Communications Policy provides guidelines for how Swedish Match's managers should act in their daily communications with employees and external stakeholders. The policy primarily covers objectives, division of responsibilities, and general guidelines for communicating with various target groups. It also provides guidelines with regard to who can act as a spokesperson for the Group and addresses the rights of employees to state their opinions. Detailed guidelines for communications are provided in appendices.

The main purpose of Swedish Match's Corporate Communications Policy is to establish guidelines for presenting the Company to current and potential stakeholders, both internally and externally. Furthermore, the policy is aimed at increasing the level of understanding among all employees as to how Swedish Match communicates with its stakeholders.

The Corporate Communications Policy is available on the Company website, http://www.swedishmatch.com/Documents/Policies/CorporateCommunicationsPolicy_EN.pdf.

Group Policy on Fraud Response

Swedish Match is committed to the highest possible standards of openness, probity, and accountability in all its

affairs. No type of fraud or corruption will be tolerated.

Swedish Match is committed to taking prompt action to investigate and address any allegations or indications of fraud and corruption. The Group Policy on Fraud Response clearly explains how to act if fraud or corruption is discovered within the Company. To support the reporting employee and to facilitate the reporting of any possible irregularities, the Company undertakes to protect the reporting employee and his/her identity as far as possible, and will not tolerate harassment or victimization.

The Group Policy on Fraud Response is established to reinforce the Swedish Match approach and to aid in the prevention and detection of fraud and corruption. The policy applies to all Board members and employees within the Swedish Match Group.

The head of each operating unit shall establish and communicate appropriate responsibilities and procedures aimed at reducing both the opportunity and scope of fraud and corruption. No such management control structure can however fully prevent fraud or corruption. Employees are encouraged to raise concerns about any instance of malpractice at the earliest possible stage. Employees are encouraged to approach, in the first place, their immediate supervisor or the head of their operating unit. Employees may, however, not wish to express their concerns with management because of fear of reprisal, harassment or victimization. Employees are therefore offered the possibility to raise concerns through the Swedish Match whistleblowing function.

Details on the whistleblowing function are provided on the Swedish Match intranet by accessing the link *Whistleblower*. The SVP Legal Affairs or the Chairman of the Audit Committee can be contacted via telephone, e-mail or letter.

The Group Policy on Fraud Response is available on the Company website, http://www.swedishmatch.com/Documents/Policies/FraudResponse_EN.pdf.

Group Environmental Policy

Swedish Match has adopted a Group Environmental Policy, designed to ensure that Swedish Match achieves a balance whereby the Group consistently reaches its commercial objectives while addressing the environmental requirements of the Company as well as its stakeholders. The policy is based on the principles of the environmental management standard ISO 14001 and is available on the Group's website and intranet. Due to the diversity of Swedish Match activities, subordinated environmental policies are formulated for each operating unit.

The main purpose of the Group Environmental Policy is to ensure that the Group commits itself to continuous environmental improvement with the aim of preventing and reducing negative environmental impacts in its activities.

Other rationales of the policy are to ensure that:

- The Company operates an Environmental Management System (EMS), applicable on a corporate, operating unit, and factory level, which will safeguard that commitment is continuously maintained. Through the EMS, the Group has the tools to identify, track, and target its environmental objectives and targets.
- The Company commits to comply with all relevant environmental legislation, regulations, and other requirements to which it subscribes.
- The Company develops and communicates priority Key Performance Indicators (KPIs) for environmental factors, which are deemed to be of high importance by both

Swedish Match and its stakeholders.

- The Company commits to continual documentation and communication of any changes of environmental impact due to its activities, products, and services.
- The Company undertakes appropriate remedial actions and improvements based on financial and environmental criteria.

Swedish Match's environmental policy also includes the topics of biodiversity and eco efficiency, thus helping to broaden the scope from the forest, through the factory, to the office.

The Group Environmental Policy is available on the Company website, http://www.swedishmatch.com/Documents/Policies/EnvironmentalPolicy_EN.pdf.



Economic responsibility



Employee at the match factory in Tidaholm, Sweden.

Swedish Match's operations, goals, and strategies impact and affect the society in which the Company operates. Swedish Match's overall ambition is to deliver sustainable and growing long term profits to shareholders, while maintaining strong cash flows, thus helping to create economic prosperity among the Company's stakeholder groups.

ECONOMIC RESPONSIBILITY:

Ambition: To deliver sustainable and growing long term profits to shareholders, while maintaining strong cash flows, thus helping to create economic prosperity among the Company's stakeholder groups.

This implies working to achieve long term shareholder/stakeholder buy-in of the business model through high levels of transparency and corporate governance, as well as efficient operations.



Improved profitability and a greater value generation and distribution are fundamental in creating a foundation for long term sustainable development.

From a financial perspective, in order to ensure long term economic sustainability and financial performance, Swedish Match will follow strategies toward positioning the Company to be the global smokefree leader, leveraging the strengths of its operations and product areas to help to achieve this vision. The Company will also play an active role in working with its partners and associated companies for future organic growth.

Financial performance¹⁵

Group results full year 2012

Sales increased by 7 percent to 12,486 MSEK (11,666). In local currencies, sales increased by 6 percent.

Operating profit from product areas¹⁶ increased by 9 percent to 3,666 MSEK (3,365). In local currencies, operating

¹⁵ To read more about Swedish Match's financial performance, please refer to the Annual Report at <http://www.swedishmatch.com/en/Investors/Publications/Annual-reports/>.

¹⁶ Operating profit from Swedish Match's product areas, which excludes share of net profit in STG and larger one time items.

profit from product areas increased by 8 percent. Operating profit amounted to 4,062 MSEK (3,702) including share of net profit in STG, and larger one time items.

Profit before income tax amounted to 3,511 MSEK (3,180). Profit for the period amounted to 2,907 MSEK (2,538).

EPS (basic) increased by 18 percent to 14.33 SEK (12.14).

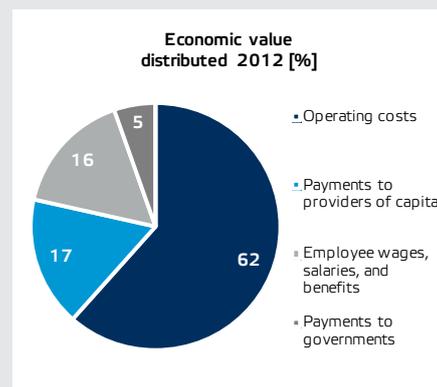
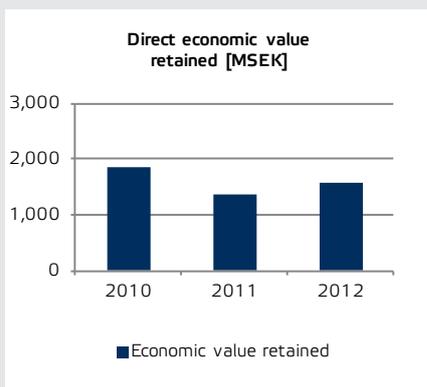
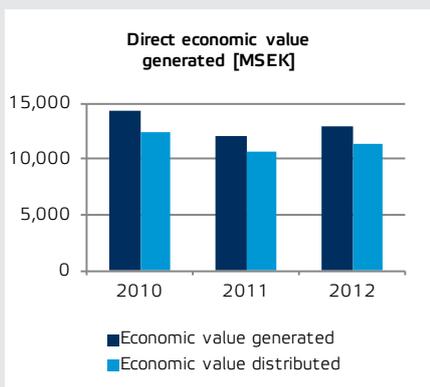
Creating value for stakeholders¹⁷

Swedish Match develops, manufactures, and sells products across the globe and is a part of many communities all around the world. By conducting its business operations in a responsible way, Swedish Match contributes to economic development in these communities. It also benefits Swedish Match who has an economic interest in supporting these communities who in turn can help Swedish Match achieve its long term goals.

¹⁷ Certain figures for economic performance using the GRI methodology do not correspond to figures reported in Swedish Match's Annual Report due to definitions set forth by GRI which may differ from Swedish Match's reporting under the IFRS methodology. Economic performance for 2010 presented in this document include those businesses transferred to STG on October 1, 2010. As a result, certain figures are not comparable between 2010 and the following years.

Swedish Match contributes to economic prosperity and development among its stakeholders, both directly and indirectly. The economic value generated and distributed by Swedish Match benefits the Company's stakeholders in many different ways:

- Employees receive wages, salaries, and other benefits, enabling them to improve their standard of living.
- Suppliers benefit from payments for delivered goods and services.
- Governments benefit from tax revenues as well as Swedish Match's involvement and investments in community projects, which support their national or local economies.
- Customers are given the opportunity to work in true partnership with Swedish Match to build their own businesses by optimizing their selling of Swedish Match's products to consumers.
- Consumers benefit from the high quality products offered by Swedish Match.
- Shareholders benefit through sustainable returns from both dividends and share repurchases, in addition to any share price appreciation.



The total direct economic value that Swedish Match generated in 2012 amounted to 12,891 MSEK, up 7 percent from 2011. The total economic value distributed amounted to 11,318 MSEK in 2012, up 6 percent from 2011. Economic value retained amounted to 1,573 MSEK in 2012, up 14 percent from 2011.

Operating costs accounted for 62 percent of total economic value distributed in 2012, followed by payments to providers of capital, which accounted for 17 percent, and employee wages, salaries, and benefits with 16 percent.

Payments to governments accounted for 5 percent of total economic value distributed. Payments to governments by country are more relevant locally and

Swedish Match does not collate global data on it.

Payments to providers of capital increased by 12 percent in 2012 compared to 2011, employee wages, salaries, and benefits by 4 percent while payments to governments decreased by 6 percent. Community investments increased by 30 percent, from 3 to 4 MSEK.

Corporate Governance and transparency

Swedish Match AB (publ) is a public Swedish limited liability company listed on NASDAQ OMX Stockholm. The objective of the Company's operations, as stated in the Company's Articles of association, is to directly or indirectly

conduct business relating to the development and manufacture of and trade in tobacco products, matches, and lighters and to carry out other activities that are related to these businesses.

To read more about Swedish Match and Corporate Governance, please refer to the website

<http://www.swedishmatch.com/en/Corporate-Governance/>.

Also refer to the Governance report in the Annual Report 2012

<http://www.swedishmatch.com/en/Investors/Publications/Annual-reports/>.

Measuring openness and transparency

Swedish Match strives to be an open and transparent company. To track its performance in this area, Swedish Match participates in an annual study conducted by *Regi*, a Swedish consulting agency, evaluating Nordic companies' investor relations functions.

In the study, financial analysts covering Nordic listed companies are asked to assess the companies they cover based on several different criteria relating to openness and level of transparency. Topics include matters such as information frequency and content as well as availability, openness, and trustworthiness of top management. The companies included in the study are then ranked in relation to each other based on the results.

Some key results for Swedish Match in the 2012 study:

- Swedish Match's IR function was ranked as the best of all large cap companies in Sweden, both in terms of competence and relationship management.
- Top managements' openness and trustworthiness was ranked as the second best of all large cap companies in Sweden.



Employee responsibility



Snus production at the Gothenburg factory in Sweden.

One of Swedish Match’s success factors is the ability to attract, develop, and retain highly competent employees while simultaneously pursuing efforts to motivate them in order to build a strong and sustainable company.

EMPLOYEE RESPONSIBILITY:

Ambition: To attract, develop, and retain highly competent employees, to promote a culture of openness and trust, and a sound workplace environment.

This implies addressing issues such as ethical business practices, workforce diversity, talent management, training and development, as well as workplace health and safety.



The Company’s employee focus and the prioritized work with performance, talent, and employee processes was strengthened even further in 2012. A key objective is to continuously develop both leadership and employee skills in order to strengthen the result oriented culture while contributing to the improvement and growth of the Company.

In 2012, Swedish Match had 4,299 employees, including temporary workers (8 percent). In total, 38 percent were women. Most employees were employed in the US and the Dominican Republic (47 percent), followed by Sweden/Norway (28 percent), Brazil (17 percent), the Philippines (6 percent), and the Netherlands (2 percent).¹⁸

Human resources organization

The majority of the Group’s HR activities are handled locally within the Company’s operating units. Local units are represented by dedicated HR professionals, who are members of the HR Council. The HR Council ensures clear communication and coordination of efforts

¹⁸ Due to differences in methodologies, the total workforce presented in the Sustainability Report does not always correspond to workforce breakouts in the Annual Report. In the Annual Report, the average number of employees in the Group was 3,848 for 2012, 3,880 for 2011, and 3,908 for 2010.

relating to the Company’s employees. On a group wide level, HR issues are managed by the CFO & SVP Group Finance & IT, who is a member of the Group Management Team, and reports to the CEO.

The HR organization supports the Company’s efforts in managing talent and leadership development, works to provide clear and consistent documentation of activities, and upholds employee practices consistent with the Code of Conduct and local laws and regulations, among other tasks.

The HR organization annually coordinates and conducts a global employee survey to identify common improvement areas. In October 2012, the survey was conducted in eight countries in seven different languages, and a total of 88 percent of all employees participated. The survey measured levels of employee engagement, satisfaction, and employer attractiveness. It also evaluated communication effectiveness and other areas critical to the performance of the Company, such as leadership and management capabilities. The results were presented to employees at year-end.

HR-related KPIs and targets

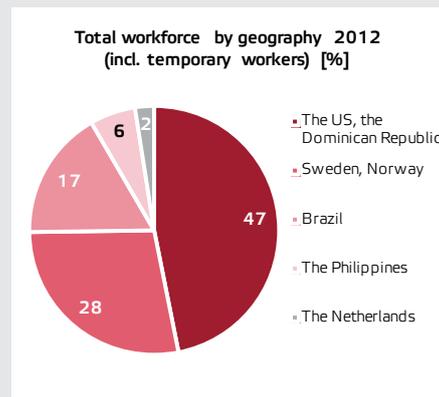
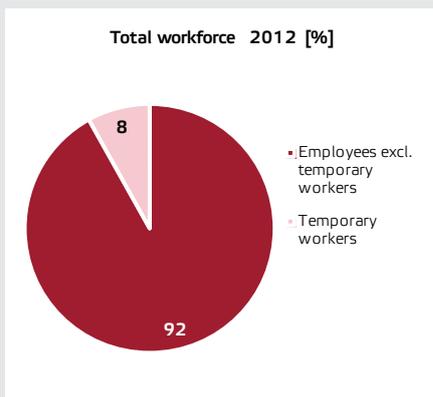
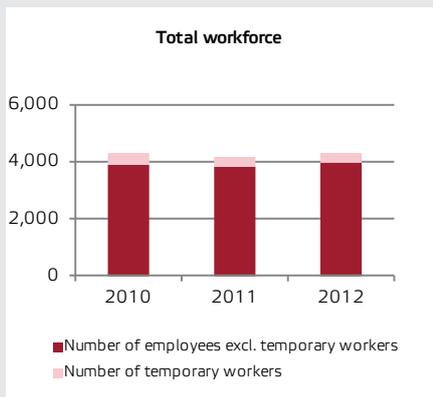
As HR is handled locally within the Company’s operating units, each local unit is responsible for setting and monitoring its own KPIs and targets.

In the Swedish organization for example, some KPIs and targets that are used concern attendance rates, external staff turnover, internal staff mobility, equality/diversity, as well as key results from the employee survey (e.g. Net Promoter Score, Leadership Index, and Employee Satisfaction Index). Each year the results are compared to targets set, and activities are chosen based on the results.

Ethical business practices (corruption and fraud)

All Swedish Match employees are required to maintain a culture of honesty and opposition to fraud and corruption.

To read more about Swedish Match’s two policies which address corruption and fraud (the Code of Conduct and the Group Policy on Fraud Response), see pages 18-19.



Freedom of association and collective bargaining

Swedish Match supports the ILO Core Conventions¹⁹ regarding labor rights and believes that all employees should be free to form associations and to engage in collective bargaining.

According to the Company’s Code of Conduct, all employees should be free to join or form (non-violent) assembly or associations.

Occupational health and safety

Swedish Match is dedicated to providing ergonomically sound workplaces that are free from health and safety hazards. Health and safety committees and structures are in place in all manufacturing facilities and many proactive actions, including safety training and wellness programs, are taken at the Company’s various workplaces. Potential safety issues are identified through regular factory audits conducted by AON, an international risk management company.

¹⁹ Swedish Match complies with the eight International Labour Organization (ILO) Core Conventions (Nos. 87, 98, 29, 105, 100, 111, 138, and 182). Within the area of freedom of association and collective bargaining, the Company specifically complies with convention number 87 (Freedom of Association and Protection of the Right to Organise Convention) and number 98 (Right to Organise and Collective Bargaining Convention).

Read more about this audit process on page 19 as well as in the fact box on page 29.

The total number of injuries/accidents (excluding minor first-aid level injuries/accidents) within Swedish Match increased from 63 cases in 2011 to 77 cases in 2012. The total number of occupational illnesses decreased from 19 in 2011 to 8 in 2012. The total number of lost days due to occupational illnesses or injuries/accidents increased from 2,862 to 3,280.

Workplace practices

Recruitment and talent attraction

Swedish Match focuses on Employer Branding efforts in order to maintain its position as an attractive employer as well as to retain and attract a strong employee base. During 2012, efforts to recruit talents, both internally and externally, continued to secure the Company’s competence base for both short and long term challenges.

Empowerment is a key component of the Swedish Match culture and leadership style. Initiatives and result oriented actions are encouraged in a professional and informal atmosphere. As a global

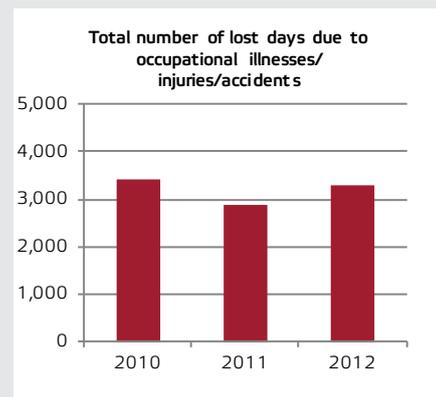
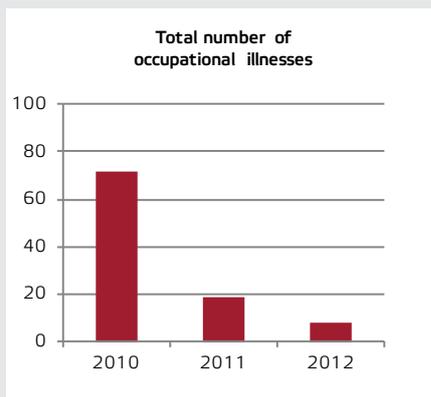
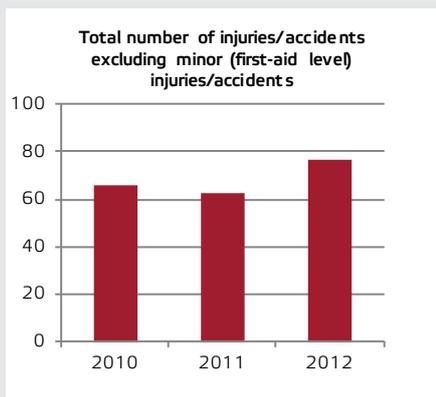
player, the organization strives to create a working climate that rewards the sharing of information and competence, while encouraging behavior that promotes high performance across all markets.

The Group Policy on Recruitment, Introduction and Termination comprises the recruitment, introduction, and termination processes within Swedish Match and is designed to facilitate and secure these HR processes.

Leadership and talent pipeline

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

This process, which starts locally, enables Swedish Match to gain an overall profile of the requirements and of the potential available within the Company as well as to identify management capabilities, potential future internal careers, and successors.

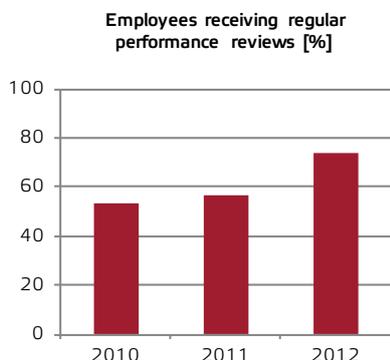


Workforce training and development

In order to meet current and future competence needs and business objectives, Swedish Match focuses on strengthening and reinforcing an overall performance oriented culture by continuing to develop leadership and employee skills.

Managers and employees have ongoing open discussions regarding individual targets and plans as well as the overall objectives of the Company. Managers must demonstrate good leadership by setting clear targets, providing ongoing coaching and counseling, conducting reviews, and delegating tasks and assignments.

The Company continuously evaluates adequate training and development efforts to promote professional growth and career enhancement. The annual performance evaluation is an instrumental part in this career development as the tool helps to identify individual goals, targets, and development needs.



An important part of the Company culture is to recruit internally. The ambition is to take advantage of internal competence by providing development opportunities so that employees can accept more responsibilities in the organization during the course of their careers. All members of the Swedish

Match Group Management Team have been recruited internally and during this past year, most management vacancies were recruited internally as well. External recruitment is mainly carried out when a particular competence cannot be found internally.

In terms of transition assistance programs to support employees who are retiring or who have been terminated, Swedish Match in most cases provides severance pay and job placement services. Also, pre-retirement planning for intended retirees is used, as well as retraining for those intending to continue working. In some cases, the Company provides assistance on transitioning to a non-working life.

The Group Policy on Employee Development includes guidelines focusing on the Company's performance management process, global and operating unit follow-up activities, and how responsibilities are distributed in these processes.

Workforce diversity and non-discrimination

In accordance with the Code of Conduct and the Company's internally available Group Policy on Recruitment, Introduction and Termination of Employees, Swedish Match is committed to equal opportunity in all of its employment practices, policies, and procedures.

The Code of Conduct specifically states that all positions within the Company are to be filled with skilled and competent personnel regardless of the person's race, color, nationality, ethnic origin, age, religion, political views, gender, sexual orientation, marital status, disability, or other status.

Diversity and gender equality work is conducted within the Company's operating units in accordance with local laws and regulations.

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

Examples of results from factory audits concerning occupational health and safety

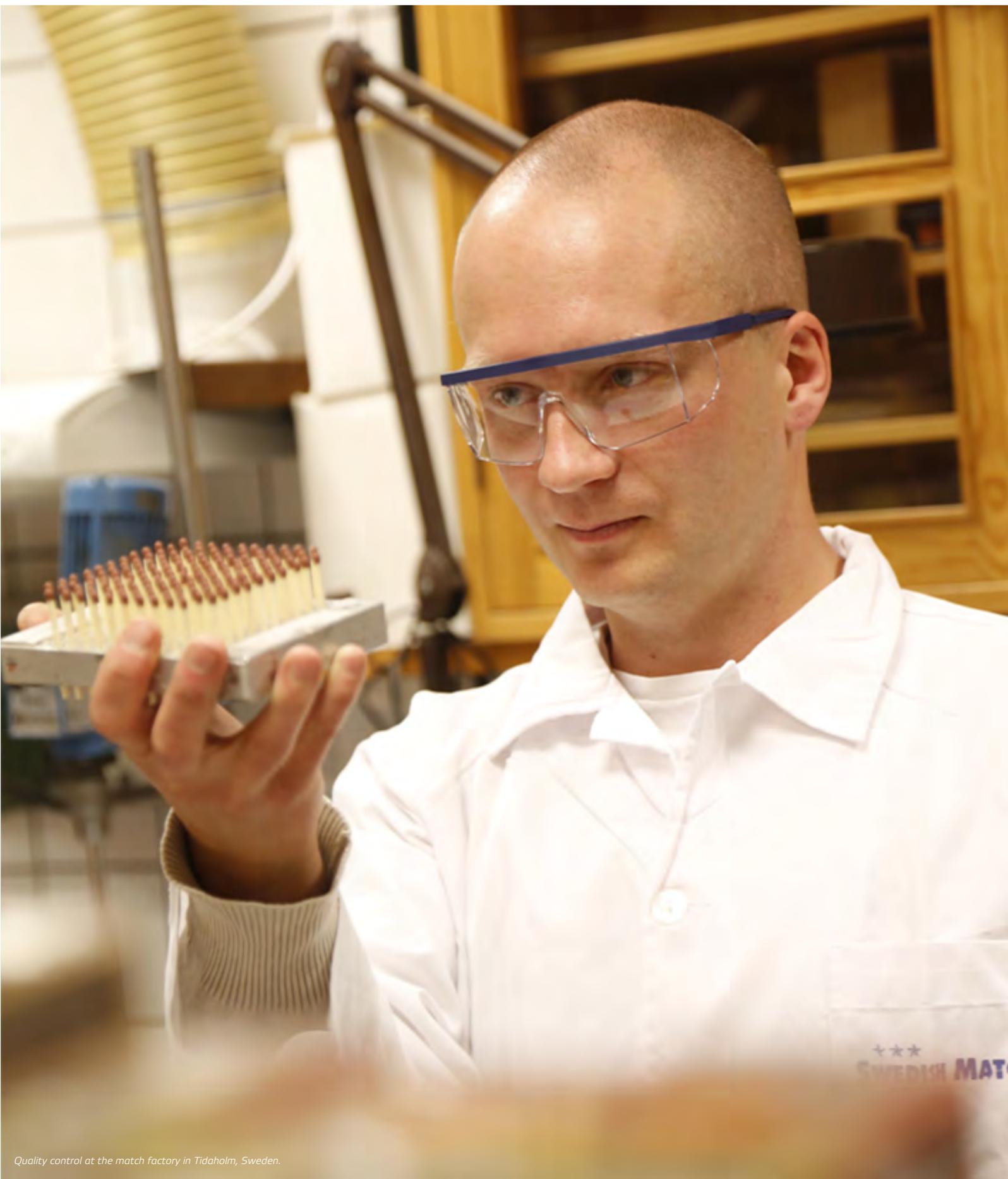
At least once every second year, AON – an international risk management company – performs audits of compliance with the Code of Conduct and the Group Environmental Policy at Swedish Match's manufacturing facilities. One important area that is audited concerns compliance to the Company's workplace practices, specifically regarding occupational health and safety. AON inspects to make sure that factory workplaces are free from health and safety hazards.

During 2012, examples of recommendations regarding health and safety risks that were identified for improvement include the installation of improved noise reduction as well as safety measures such as sound barriers, collision protection, and fire walls.



Employees at the match factory in Tidaholm, Sweden.

Social responsibility



Quality control at the match factory in Tidaholm, Sweden.

Social responsibility is broad and multifaceted, and for Swedish Match this implies working conscientiously and responsibly in relation to stakeholders external to the Company.

For Swedish Match, social responsibility is about working towards the interests of stakeholder groups outside of the Company. Value creation derived from working tightly with these stakeholders can have positive direct benefits on the Group as well as on the stakeholders themselves. Swedish Match has chosen to structure its social responsibility communication around responsibility towards three stakeholder groups/areas external to the Company: supplier responsibility, consumer and marketplace responsibility, and societal responsibility (responsibility towards regulators, the scientific community, and local communities).

Social responsibility organization

Issues with regard to social responsibility are managed across the Company's operating units and Corporate functions.

Employees working within the Swedish Match internal functions of HR, Legal, Marketing/Sales, Public Affairs, Procurement, R&D, as well as Supply Chain are all involved in addition to the Corporate Sustainability function.

Community involvement projects are managed locally in the respective operating units. Dedicated resources are provided at the Corporate level to monitor and guide activities with regard to community involvement.

SUPPLIER RESPONSIBILITY:

Ambition: To work closely with the Company's suppliers in order to maintain adherence to Swedish Match's high standards of conduct and to support efforts to ensure that suppliers work responsibly in terms of economic, environmental, and social issues.

This implies working closely with major suppliers, addressing issues related to human rights and working conditions, child labor and tobacco farming, as well as making sure honest and ethical business practices are conducted in the supply chain.



Supplier responsibility

Swedish Match seeks to treat its suppliers and business contacts fairly and impartially. In accordance with the Group Procurement Policy, the Company strives to work with suppliers who have a healthy long term financial situation. Swedish Match seeks stable long term relations with suppliers with whom the Company can develop goods and services through mutual collaboration.

Supplier base

The largest suppliers to Swedish Match are involved in the purchase of tobacco. Swedish Match buys tobacco for its production of smokefree products and cigars from a small number of large global independent leaf tobacco suppliers, who are all major international organizations with their own regulatory

frameworks and controls of ethical, social, and environmental issues. These suppliers, in turn, source tobacco from farmers in countries such as Brazil, the Dominican Republic, India, Indonesia, and the US, and process the tobacco according to Swedish Match's requirements.

Swedish Match sources forestry and paper products for its match production from a small number of suppliers, increasingly from Forest Stewardship Council™ (FSC™) certified sources (license code: FSC-C037294). In the Company's match production in Brazil, the supplier base is small as more than 95 percent of the wood used in the manufacturing process is sourced from the Company's own plantations.

The supplier base for indirect materials within the Company's operating units is larger and more local.

According to the Group Procurement Policy, when making the choice of supplier, all negotiations shall be carried out on a competitive basis, involving collection of at least three offers from selected qualified suppliers. The Procurement department primarily chooses suppliers who support Swedish Match's long term requirements regarding quality, service, economy, ethics, and environmental approach.



Harvesting of tobacco leaves.



The timber yard in Vetlanda, Sweden, with wood logs to be used in the production of matches.

Supplier commitment and ethics

Swedish Match endeavors to support and promote ongoing efforts with regard to ethical, social, and environmental issues within its tobacco supply chain.

The Company’s tobacco purchasers visit suppliers and each tobacco market on a yearly basis to proactively discuss social issues such as child labor, human rights, and other important matters. These tobacco suppliers are informed about the Swedish Match Code of Conduct and significant tobacco suppliers²⁰ are required to sign and return a “social commitment document” with certain requirements and recommendations on business ethics, basic human rights as well as on health and safety.

Significant tobacco suppliers are also required to complete an agronomy questionnaire regarding the way that the tobacco has been grown (including sourcing of seeds, use of fertilizers and agrochemicals on the tobacco crops). This process enables Swedish Match to keep track of and evaluate how these suppliers deal with ethical, social, and environmental issues.

In accordance with the Swedish Match Code of Conduct, the Group shall encourage its suppliers to establish and fulfill their own Codes of Conduct

²⁰ A significant supplier is defined as a supplier of tobacco, from whom Swedish Match purchases more than 100,000 USD per year.

regulating the basic rights of their employees, occupational health and safety, the prevention of child labor, ethical business conduct, and environmental issues. Should a supplier fail to comply with the Company’s recommendations, Swedish Match shall strive to resolve the situation through cooperation and information or, if deemed necessary, terminate the relationship.

Swedish Match does not perform social audits at the tobacco farm level. Swedish Match is a small purchaser in the global tobacco market; the Company buys less than one percent of the world’s total tobacco supply. The Company’s tobacco leaf suppliers are all audited by other large international tobacco companies. The suppliers also have own strict policies with regard to human rights, child labor, and farming practices.

At least once every two years, the Company’s business units are evaluated on the basis of supplier contracts and other areas such as human rights, child labor, forced labor, as well as health and safety matters. The reviews are conducted by the external partner AON (an international risk management company). Read more about this process on page 19.

Supplier screening

During 2012, 19 out of the Company’s 19 significant suppliers (100 percent)

completed the *Social commitment for Swedish Match suppliers* document. Swedish Match has defined a significant supplier as a supplier of tobacco, from whom the Company purchases more than 100,000 USD of tobacco per year. Please refer to the table below for results during the past three years.

No significant supplier or contractor has been declined or imposed performance conditions or other actions as a result of the responses to the *Social commitment for Swedish Match suppliers* document.



Harvesting of tobacco leaves.

Supplier screening

Supplier screening	2012	2011	2010
Total number of significant suppliers*	19	20	18
Number of significant suppliers* completing the "social commitment document"	19	19	15
Percentage of significant suppliers* completing the "social commitment document" [%]	100	95	83

* A significant supplier is defined as a supplier of tobacco, from whom Swedish Match purchases more than 100,000 USD per year.

CONSUMER AND MARKETPLACE RESPONSIBILITY:

Ambition: To bring high-quality tobacco and lights products to consumers as well as take a lead in keeping high standards of corporate conduct within the Company's marketplace.

This implies the labeling and marketing of all products in a responsible manner, and working closely with customers/retailers in order to promote high standards of conduct in the tobacco marketplace.



Consumer and marketplace responsibility

Swedish Match's portfolio of tobacco and lights products is intended to be used by adults. Consumer and marketplace responsibility implies working closely with customers/retailers to maintain high standards of corporate conduct in the marketplace – to prevent the underage sale of tobacco as well as to market both tobacco and lights products to adults only. It also implies to continuously work to reduce or eliminate undesired components in the Company's tobacco products and to increase knowledge about its potential impact on consumers.

Product quality and safety

Basic precautionary requirements are covered in the Group Environmental Policy, which ensures that the Group commits itself to continuous environmental improvement with the aim of preventing and reducing negative environmental impacts in its activities. This is applied for example in conjunction with the implementation of the Group's environmental targets. Read more about the Group Environmental Policy on page 20.

Harm reduction

Swedish Match is convinced that smokeless tobacco products, such as Swedish snus manufactured according to Swedish Match's quality standard GOTHIA TEK[®], play an important role to achieve harm reduction.

The adverse health effects of tobacco use are primarily related to inhalation of smoke. Data from both Scandinavia and

the US show that smokeless tobacco is used by many smokers for smoking cessation purposes.

The availability of snus in Sweden has contributed to fewer people taking up smoking, often referred to as "the Swedish experience". Swedish males have very low rates of tobacco-related diseases although their overall rate of any tobacco use is comparable to that of other countries.

Snus and health

Scientific data clearly demonstrate that the health risks associated with smokeless products in the Western world are significantly lower than those of cigarettes.

Smokeless tobacco provides a sensible alternative to cigarettes and other smoking products, foremost because it does not deliver toxic compounds due to combustion. In addition, environmental tobacco smoke is not an issue with smokeless tobacco.

Swedish Match does not claim that the Company's smokeless products could not have any adverse health effects. Swedish Match recognizes that tobacco use raises valid questions about nicotine dependence, and the role of nicotine in specific groups of the population such as during pregnancy and among patients with certain pre-existing medical conditions.

Substantial research conducted by independent (mostly university-based) research groups has been conducted with regard to Swedish snus and health. Some of the findings of this research indicate:

- Snus and oral cancer – there is no evidence of a link between snus and an increased risk of oral cancer.
- Snus and myocardial infarction – there is no evidence of a link between snus and an increased risk of myocardial infarction.
- Snus and stroke – there is no evidence of a link between snus and an increased risk of stroke.
- Snus and gastrointestinal disorders – there is no evidence of a link between

snus and an increased risk of gastrointestinal disorders.

- Snus and smoking cessation – a large number of studies show that availability of snus contributes to low smoking rates.

For more information on snus and health, please refer to <http://www.swedishmatch.com/en/Snus-and-health/>.

Product quality and GOTHIA TEK[®]

Swedish Match's production of snus is aligned with the World Health Organization's (WHO) scientific recommendations about permitted acceptable limits of undesired elements in smokeless tobacco. The Swedish Match GOTHIA TEK[®] quality standard provides a guarantee assuring consumers that Swedish Match's Swedish snus undergoes controls while maintaining the highest quality, from tobacco plant to the end consumers. This includes requirements on maximum permitted levels of undesired elements that occur naturally in tobacco, as well as requirements on raw material, the manufacturing process, and high quality product information to consumers.

Today, GOTHIA TEK[®] is adopted as an industry standard in the manufacturing process of Swedish snus.

GOTHIA TEK[®] sets the standard for:

- The Company's internal requirements for maximum permitted levels of suspected substances found naturally in the tobacco plant.
- Raw material quality requirements.
- Manufacturing process requirements.
- Consumer product information requirements.

The starting point for GOTHIA TEK[®] is the requirement for maximum allowable levels – limits – of certain undesirable substances in Swedish snus. These substances are found or produced in nature and can occur in various types of crops. The GOTHIA TEK[®] standard guarantees that the finished product never exceeds the limits.

In Sweden, snus and chewing tobacco are regulated by the Swedish National Food Agency Directive of snus and chewing tobacco (LIVSFS 2012:6). This directive regulates e.g. the content of undesired components and comprises limits for lead and aflatoxins. Besides this directive, Swedish Match also comply with the recommendation by WHO on maximum limits for NNN plus NNK, which are two tobacco specific nitrosamines (TSNA) and one polycyclic aromatic hydrocarbon, Benzo(a)pyrene (B(a)P) (WHO Technical Report Series No 955).

For more information about GOTHIA TEK[®], including limits and average contents, refer to <http://www.swedishmatch.com/en/Snus-and-health/GOTHIA TEK/>.

A declaration of contents in accordance with food labeling shall be publicly available for all GOTHIA TEK[®] products. Substances that are used in the manufacturing of each product shall be listed in declining order of weight. Flavor additives shall be listed as a common group. A list of flavor additives used in Swedish snus by GOTHIA TEK[®], is available at <http://www.swedishmatch.com/Ingredients-in-snus>.

The GOTHIA TEK[®] standard requirements stipulate that the manufacturing process must comply with Swedish law on food production, and meet the requirements of quality standard ISO 9001:2000 and environmental standard 14001:1996. In addition, Swedish Match has added its own objectives for quality and content beyond what is required by law.

By consistently complying with the GOTHIA TEK[®] standard, Swedish Match can guarantee all consumers that the products maintain the highest quality. The GOTHIA TEK[®] standard entails the consumers' natural right to feel secure when using snus by learning what Swedish Match knows about snus.

Each can of snus will taste as it always has and always maintain the highest standard. Sanitation, proper handling,

rigorous quality tests, and a manufacturing process in which each step is monitored and documented according to fixed procedures, ensures an excellent product.

GOTHIA TEK[®] shall for consumers not only be a standard but also a symbol for trust in the Company's ambition always to use production methods that are based on the best available knowledge regarding selection of raw materials and manufacturing practices.

Match and lighter safety

Most of Swedish Match's matches are safety matches which means that the match only will be ignited when struck against a specially treated, chemically active friction surface on the side of the box. The most important properties of safety matches are that they strike easily, do not split or drop burning debris, do not easily break, do not continue to glow after the flame is extinguished, do not contain toxic heavy metals, and are environmentally friendly. Matches do not self-ignite during normal handling.

Regarding lighter safety, Swedish Match's largest lighter brand *Cricket* is one of the world's safest lighters. It is manufactured in self-extinguishing nylon, which cannot burn when the ignition source is removed. With *Cricket*, the "fixed flame technology" was invented to provide the best safety for

consumers; a proprietary patented system where the flame is fixed and creates a uniform and reliable flame during the entire lifetime of the product. Innovative, advanced technology and quality ensure that *Cricket's* child-resistant lighters comply with very high demands.

All *Cricket* pocket lighters are manufactured according to the quality standard ISO 9994:2006 and undergo more than 60 tests prior to being released on the market.



Quality assurance of snus in the snus factory in Kungälv, Sweden.

Responsible product labeling

Swedish Match complies with all regulations concerning labeling of tobacco products. Compliance with these requirements is reviewed continuously and no incidents of non-compliance were reported during 2012.

In addition to complying with the mandated requirements, the Company is transparent with regards to the content of its snus products. Ingredients are listed on the Company’s website and are disclosed to the relevant public health authorities. Certain laws and regulations concern labeling of tobacco products and Swedish Match’s compliance with these laws and requirements is reviewed continuously.

Scandinavia (snus)

With respect to product labeling for snus in Sweden and Norway, Swedish Match must comply with the regulations concerning labeling of tobacco products. The legislation requires placement of a health warning on the most visible side of the snus packaging which shall comprise 30 percent of the area of the display panel.

In Sweden, there are also requirements to print the designated name of the product, weight, date of manufacture (which from September 1, 2013, replaces the statement of “best before” date), storage requirements and name and place of business of

the manufacturer on the packaging. As of March 8, 2012, the requirement on ingredient listing in snus products has been revoked. Swedish Match has however decided to continue with listing of ingredients on its products as well as the statement of “best before” date by reason of transparency towards consumers.

Norway does not have corresponding requirements for the labeling of snus products, but Swedish Match applies the same standard for labeling on the Norwegian market.

Compliance with these requirements is reviewed and safeguarded by the Brands & Marketing Department and the Chemical Analysis Department of the appropriate operating unit.

Beginning in 2011, Swedish Match’s snus packaging was modified to contain nicotine percentage on product labels. This modification to product labeling was made in order to provide increased transparency with regard to nicotine content, and is above and beyond any local standard or regulation. Swedish Match is the first and, as far as the Company believes, the only major tobacco company to provide such transparent consumer labeling information in Sweden.

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

With respect to product labeling for snus, moist snuff, and chewing tobacco in the US, Swedish Match must comply with the provisions of the Family Smoking Prevention and Tobacco Control Act which is enforced by the Food and Drug Administration (FDA). The act requires that Swedish Match place certain health warnings on the two principal display panels on all packaging. The health warnings shall comprise 30 percent of the area of the display panels. Swedish Match is also required to put the designated name of the product, the weight, the percentage of domestic tobacco, the name and place of business of the manufacturer as well as the following statement “Sale only allowed in the United States” on the packaging.

With respect to product labeling for cigars in the US, Swedish Match must comply with the provisions of a consent decree it signed with the Federal Trade Commission. This requires that the Company place certain health warnings on all products and the size of labeling depends upon the packaging size. In addition, Swedish Match is required to put the name and place of business of the manufacturer, the number of cigars, and the country of origin on the packaging.



Snus cooler at a customer/retailer in Sweden.



Warning text on a can of General snus in Sweden.



Game cigars in FoilFresh® packaging, sold in the US.

Compliance with these mandated requirements are continuously reviewed via the Company’s marketing approval policy. A marketing approval sheet is attached to all product labeling and is circulated to all persons required for final approval of the piece. The purpose of this approval process is to ensure that all legal requirements are met and that the brand teams and factory are satisfied with the product labeling.

International (matches and lighters)

Swedish Match manufactures its lighters to be in compliance with ISO 9994 (safety specification) and EN 13869 (child resistance). This is mandatory in the EEC. In many other countries outside the EEC, local regulations are comparable with ISO 9994 and EN 13869. In the USA, Japan, Canada, Australia, and New Zealand, child resistance is also mandatory. Both standards are unique for lighters.

Swedish Match imports its utility lighters to be in compliance with ISO 22702 (safety specification) and local child resistance regulations for countries outside the EEC where needed. Section 6

of the ISO 9994 or ISO 22702 standard describes the instructions and warnings. Local regulations on how to label differ by country, and all *Cricket* lighters and utility lighters sold in a country have labeling that complies with local regulations. While EN13869 prescribes no warning labeling, *Cricket* voluntarily applies the “Child resistance logo” on the packaging. Compliance with these requirements is reviewed and safeguarded internally, through the methodology of ISO reporting systems, and through the Product and Process Integrity department located in Assen, the Netherlands, as well as externally, through reviewing and certifying bodies for ISO 9994, ISO 22702, ISO 9001, and ISO 14001.

Matches produced in Sweden comply with the voluntary EN 1783:1997 match standard. This standard covers performance, safety, and classification requirements. For matches exported to some countries outside of EU, compliance to the EN 1783:1997 standard is mandatory. Warning labels on pre-mix (pre-mix of dry chemicals for match head composition) bags are mandatory in the EU

according to the CLP-regulation (Regulation (EC) No 1272/2008). Compliance with the EN 1783:1997 match standard is reviewed through control and testing by a third party body (e.g. the National Standard Institute) in the country requesting fulfillment of the standard.

Latin America/Brazil (matches and lighters)

The Swedish Match procedures for product information and labeling require information about the sourcing of components if the products are imported (country of origin, producer), information about content in general (however no specific link to environmental or social impact), and information about safe use of the lighters and matches. Information about disposal of the lighters and matches is not required.

In 2012, Swedish Match Brazil started to import batteries for the local market. For batteries, information about the disposal of the product is required.



Employee in the Vetlanda factory (printing of outer match boxes), Sweden, showing two of the Company’s match brands: Swan (to the left) and Solstickan (to the right).

Responsible marketing communication

Swedish Match always seeks to market its products responsibly and in accordance with laws and regulations as well as the Company’s Code of Conduct. Compliance with these laws and requirements is reviewed continuously.

The “Under 18 No Tobacco” principle

Swedish Match has an “Under 18 No Tobacco” principle and believes that all tobacco products should only be sold to adults of legal tobacco age, and who are 18 years of age or over. To prevent the underage use of tobacco, Swedish Match works with retailers, distributors, and public officials. The Company does not direct its marketing, advertising, or promotion of tobacco products to people under the age of 18 and will continue to educate and inform tobacco retailers in order to prevent the underage sale of tobacco as well as provide support and leadership in any efforts they make to demonstrate their endorsement of the “Under 18 No Tobacco” principle.

This is for example accomplished together with trade organizations via information pamphlets which are handed out to retailers. Swedish Match also provides retailers with signage with the “Under 18 No Tobacco” message to be placed on or in connection to the snus coolers in the stores.

Scandinavia (snus)

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

The Tobacco Act prescribes warning labels and prohibits the use of names, trademarks and figures or other signs on the packaging of tobacco products, suggesting that a particular tobacco product is less harmful than others. It also contains an age limit of not below 18 years for purchases of tobacco products.

The Tobacco Act prescribes a general ban on advertising and marketing of tobacco products to consumers. This ban covers all kinds of advertising and marketing of tobacco products to consumers in Sweden, except for:

- Marketing which is not considered commercial advertising in medias protected by the Swedish Constitution.
- The mere sale of tobacco products.
- Moderate commercial messages at points of sale.

Moreover, the legislation contains a prohibition for manufacturers, wholesale traders and importers of tobacco products to sponsor events or activities that are open to the general public or which may have cross border effects, if the sponsoring could be considered to have the direct or indirect effect of promoting tobacco products.

Before publishing, all marketing communication shall be reviewed by the Legal department and thereafter approved by the Marketing department taking into account a written opinion from the Legal department.

With respect to marketing communication for snus in Norway, Swedish Match must comply with the provisions of the Norwegian Act on protection against harm or disease caused by smoking (“Lov om vern mot tobakksskader”) and a regulation on prohibition against marketing of tobacco which are enforced by the Norwegian Directorate of Health.

The Norwegian legislation prescribes warning labels and prohibits the use of names, trademarks, and figures or other signs suggesting that a particular tobacco product is less harmful than others on the packaging of tobacco products. It also contains an age limit of not below 18 years for purchases of tobacco products.



A customer/retailer in Gothenburg, Sweden, in front of a snus cooler.



A Swedish Match employee having a discussion with a customer/retailer in Gothenburg, Sweden.



A Swedish Match employee showing Swedish Match’s current product portfolio.

According to the legislation there is a general ban on marketing of tobacco products including a ban on visible exposure of tobacco products in stores. This means that only the sale of tobacco products is allowed and that the exposure of advertising material and other marketing activities related to tobacco products is generally banned. There are very few exceptions from this.

To the extent that marketing communication concerning snus in Norway is allowed at all, such communication shall be reviewed and approved by the Legal department before implementation.

Snus is not allowed to be sold within the European Union. In 1992, EU adopted Directive 92/41/EEC. Article 8 prohibits tobacco for oral use. Tobacco for oral use is defined as all products for oral use, except those intended to be smoked or chewed. As Swedish snus is neither smoked nor chewed, it is prohibited. Upon Sweden's entry into the EU in 1995, the country was granted a permanent exemption for the ban on snus in accordance with Article 151 of the Accession Act. In December 2012 the EU Commission presented a proposal for a new tobacco directive. This proposal still requires a ban on snus within the European Union, thus with Sweden exempted.

Incidents of non compliance during 2012

Sweden

In 2012, Swedish Match opened a snus store in central Stockholm. The store provides Swedish Match's snus products and certain clothes and other items branded with Swedish Match's snus trademarks. In December 2012, Swedish Match received a complaint from a civic inspector that the exposure of branded items was not in conformity with the Swedish Tobacco Act. Swedish Match is however of the opinion that the sale of branded items is admissible and in accordance with the legislation. The complaint has been forwarded by the inspector to the Swedish Consumer Agency for an assessment.

Norway

In 2012, the Directorate of Health issued a statement saying that Swedish Match's distribution of a newsletter with information and pictures on its snus products to Norwegian retailers is to be considered as illegal marketing of tobacco products as regards the printing of pictures. Swedish Match has informed the Directorate that pictures of snus products will not be printed in the newsletter in the future.

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

With respect to marketing communication for snus, moist snuff, and chewing tobacco, the Swedish Match US operations must comply with the provisions of the Family Smoking Prevention and Tobacco Control Act which is enforced by the Food and Drug Administration (FDA). The act requires that Swedish Match place certain health warnings on all of the Company's communications that comprise 20 percent of the total area of any of its communications. Swedish Match is also required to put the designated name of the product on the communication. In addition, the Company is prohibited from making health related claims and from making any false or deceptive statements. The Company's marketing communications are also subject to review by the Federal Trade Commission.

With respect to marketing communication for cigars, the Swedish Match US operations must comply with the provisions of a consent decree it signed with the Federal Trade Commission. The act requires that the Company place certain health warnings on all of its communications and the size depends upon the size of the communication. In addition, the Company is prohibited from making health related claims and from making any false or deceptive statements.

Compliance with these mandated requirements is continuously reviewed via the Company's marketing approval policy. A marketing approval sheet is attached to all

marketing communication and is circulated to all persons required for final approval of the piece. The purpose of this approval process is to ensure that all legal requirements are met.

During 2011, Swedish Match received an authority notification from FDA that a marketing program concerning the Company's Timber Wolf Cash Rewards was violating the law. Swedish Match did not share this view but stopped the program. In 2012, the FDA reversed their position and ruled that the program was not in violation of FDA regulations.

International (matches and lighters)

Swedish Match Lights products (matches and lighters) do not need to comply with any specific regulations/laws related to marketing communication other than the general legislation relating to the marketing of consumer products.

Latin America/Brazil (matches and lighters)

There is vast legislation applicable to the business activities (e.g. Consumer Code), however there are no specific marketing codes that must be adhered to for lights products. Any codes adhered to are voluntary. In terms of quality and metrology, the products (matches and lighters) also are subject of regulation from the government.

Customer satisfaction

Swedish Match works to maintain high levels of customer satisfaction.

Scandinavia (snus)

In Sweden, customer satisfaction is measured annually by the institute Handelsattityder. The survey contains 14 questions where, amongst other things, cooperation, sales support, contact persons, and the Company as a whole, are being evaluated. Swedish Match is measured within the group confectionary and tobacco, where all major tobacco companies are included. The survey is standardized on both store and chain-level at the two trade channels groceries and convenience.

In 2012, Swedish Match Sweden was once again ranked as number one in the group tobacco and confectionary suppliers, both at the store-level and at the chain-level. The results showed that customers overall are very happy with Swedish Match as a supplier. They are particularly impressed with the Company's product range. Also, the Company's contact persons are seen as having a high level of competence and professionalism. The chains further appreciate Swedish Match's content and clarity of information. Swedish Match also improved its ranking compared to all suppliers in all categories within groceries and convenience.

In some cases, the customer satisfaction survey is supplemented with in-depth, face-to-face interviews with purchasing and category managers to get a better understanding of their needs.

Customer support is handled mostly by phone or e-mail and customers always receive feedback on their comments or complaints.

In Norway, customer satisfaction is measured annually for one of the largest chains (Norgesgruppen) through a standardized survey process on store level. During 2012, the score for 2012 was higher than in 2011. On the grocery channel, the score was similar to other suppliers, but at kiosk and gas chains the score was well above the median.

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

In the US, a customer satisfaction survey was completed in 2012. The respondents, customers in the US, were asked to rate Swedish Match and its competitors on 21 questions regarding category management, customer service, representation, and product offering. The customer base consisted of regional and national top chains and distributors and the results showed that Swedish Match received the highest rating average on 17 of the 21 questions. The four questions where

Swedish Match was not ranked highest were on order fill, brand name equity, consumer demand, and POS materials presented. Following the 2012 customer survey, the survey will be conducted on an annual basis.

In addition to providing an unlimited product guarantee for all US products, a consumer complaint call center is available for consumers to phone or e-mail any concerns.

International (matches and lighters)

In Sweden, Lights International measures customer satisfaction among the main European distributors on a business to business level, and covers matches. A customer survey is conducted at least every second year, covering areas such as match product quality, customer service, and delivery performance. The results from the latest survey showed that the Company's customers are very satisfied. Regular business review meetings are conducted with most of the customers/distributors and customer satisfaction is an indirect handled topic in those meetings.

Concerning consumer feedback, each respective country distributor handles the direct contact with consumers. Assistance is provided when a distributor as a need for support and input.



A representative from Swedish Match's sales force demonstrating a can of snus to a retailer in Stockholm, Sweden.

In the Philippines, Swedish Match conducts a customer satisfaction survey twice a year through e-mail, covering both lighters and gas cartridges. The survey addresses the following factors: feedback to customer inquiries, order lead times, on-time and completeness of deliveries, product quality, and promptness to act on complaints, products, and services. For the first half of 2012, the Customer Satisfaction rate scored 4.12 on a scale of 1 to 5 (in 2011 the overall rating was 3.95). Consumer feedback is received by distributors and relayed to the factory by e-mail.

Latin America/Brazil (matches and lighters)

In Brazil, Swedish Match conducts an annual customer satisfaction survey through regular mail or e-mail. During 2012, a *Certificate of Quality NBR ISO 9001-2008* was received. The Quality Program of NBR ISO 9001-2008, suggests a goal of a satisfaction score of at least 88 percent, and the results of the Swedish Match 2012 survey showed a satisfaction score of 90 percent.

The end product users can use a special free line to talk directly to the Consumer Service or through an Internet form on www.swedishmatch.com.br.

Any comments, suggestions or claims are always submitted to the person responsible for the product segment.

Awards and recognitions 2012

- The Swedish Match customer web in Sweden was rewarded by the store chain Direkten.
- Swedish Match's Swedish operations were ranked as number one in the group tobacco- and confectionary suppliers in the 2012 survey by Handelsattityder.
- Swedish Match's Brazilian operations earned the *Certificate of Quality NBR ISO 9001-2008*.
- Swedish Match's US Category Management team was in a category advisor role for 400 customers.
- Swedish Match's US operations were awarded the *CSP Retailer Choice Best New Product Finalist* award for *White Owl FoilFresh® Silver* cigarillos.
- Swedish Match's US operations were announced as *Manufacturer of the Year* from Harold Levinson & Associates, a large wholesaler in New York.
- Swedish Match's Norwegian operations were awarded the *Supplier of the year stand* award from Statoil, the biggest gas chain.
- Swedish Match's Norwegian operations won the highest overall growth provider for Rema 1000 Sør. Rema is the second largest grocery chain in Norway.
- Swedish Match's Norwegian operations were nominated for the greatest innovation with *Nick and Johnny Radical Red* by the chain Reitan Convenience.

SOCIETAL RESPONSIBILITY:

Ambition: To build and strengthen relationships with society at large, such as with the regulatory and scientific community as well as in local communities where the Company operates.

In addition to addressing societal issues such as human rights and child labor, this implies continuous dialogue and engagement as well as contributing to local communities through projects and activities that are relevant to local business operations.



Societal responsibility

For Swedish Match, societal responsibility implies contributing to society in various ways: by partnering with suppliers to promote the respect of human rights and eliminating child labor in the supply chain, by promoting an active and transparent dialogue with regulators and the scientific community as well as by supporting the local communities connected with the Company’s business interests.

Human rights

The Company’s policy on human rights, included in Swedish Match’s Code of Conduct, is based on international laws and accepted practices and guidelines.²¹

²¹ The international conventions and guidelines referred to here are the UN Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, the eight ILO Core Conventions (Nos. 87, 98, 29, 105, 100, 111, 138, and 182), and the OECD Guidelines for Multinational Corporations.

Swedish Match respects and promotes issues with regard to human rights. This means that the Company:

- Does not accept any form of slavery, torture, or forced labor.
- Does not tolerate any kind of harassment or discrimination based on race, color, nationality, ethnic origin, age, religion, gender, sexual orientation, marital status, disability, or other status.
- Promotes freedom of opinion and expression.
- Believes that every employee should be free to join or form (non-violent) assembly or associations.

Child labor

Swedish Match does not tolerate child labor and the Company’s view on this issue follows the UN Convention on the Rights of the Child, Article 32.1.

The Company’s own factories are not considered by Swedish Match to have significant risk for incidents of child labor. In the Company’s supply chain however, among tobacco farmers, there is a higher risk for incidents of child labor. The Company therefore continuously works with its tobacco suppliers and

through industry collaboration to ensure that the issue of child labor is addressed.

Swedish Match is represented on the Board of the ECLT Foundation, Eliminating Child Labour in Tobacco-growing (see fact box highlighted below). The Company’s major tobacco suppliers are also members of ECLT, and in many cases have programs of their own to help enable young people to receive education.



Harvesting of tobacco leaves.

Swedish Match’s commitment against child labor

The ECLT (Eliminating Child Labour in Tobacco-growing) Foundation, established in 2001, is an international alliance of several parties active in different parts of the tobacco industry (trade unions, growers, and companies). The strength of ECLT is that members represent different parts of the tobacco industry and work together toward a common goal. ECLT has funded projects in seven countries: Kyrgyzstan, Malawi, Mozambique, the Philippines, Tanzania, Uganda, and Zambia. These projects have helped to remove 18,000 children from work in the tobacco industry and prevented even more from entering into child labor. Swedish Match has for several years been a member of ECLT.

Child labor is a symptom of a complex problem that derives from poverty, lack of education, and traditions. To permanently solve the problem of child labor, efforts must be focused directly on the causes. From an international perspective, Swedish Match is a small purchaser of tobacco and cannot resolve these issues on its own. ECLT is a unique opportunity for the tobacco industry with initiatives that can be supported by many partners and that can provide lasting results.

More information about ECLT and what the foundation does can be found on ECLT’s website, www.eclt.org.

Community engagement/relations

Swedish Match has a long history of social investments and community involvement. The Company’s approach is to conduct community projects that are relevant to local business operations and to make investments in other independent projects. These include providing support for children, the disabled, and people in need. Other important initiatives include safeguarding cultural heritage, enriching public community life (such as supporting the arts and educational institutions), and restoring public spaces. Swedish Match may also decide to provide emergency relief in the event of natural disasters.

During 2012, Swedish Match was involved in various social community projects, for example:

Sweden

- The Solstickan Foundation, Sweden, established in 1936, which primarily works to promote the interests of children and the elderly by granting project funds and scholarships as well as giving out an annual Solstickan Award. For every product sold under the Solstickan brand, a portion of sales goes to the foundation.

- “Städa Sverige”, an anti-littering campaign for a cleaner and safer Sweden.
- The Tobacco and Match Museum, established in 1938, which is the custodian of an important part of Swedish industrial culture, with its extensive collections cared for by Swedish Match.

Many of the Company’s employees in Sweden support the Chiredzi Orphanage in Zimbabwe by donating an amount of their salary each month. The orphanage was built by a former business partner in Zimbabwe and takes care of and provides education for children whose parents have died of AIDS.

The United States

In the US, generous charitable contributions are primarily made to organizations in those geographical areas where the employees live and work. Contributions focus on children, community service, arts/culture, food shelters, education, and the environment. Community involvement is strongly encouraged and nearly all employees participate through donations, volunteer work, and other activities.

The Dominican Republic

In the Dominican Republic, the Company continued its engagement with the local community. In 2012, Swedish Match helped the Company’s neighbors, a low income community with limited access to recreation activities, to renovate their basketball court and install lights to make the environment safer.

Brazil

- The “Bom Menino” project, Brazil, which is a skill building program that enables youths aged 14 to 18 from low income families to develop educational, employment, and social skills. Read more about this project in the case highlighted above.

The Philippines

- Developing talents from marginalized students in the Philippines. During an 18 months in-plant training program, scholars complete an electro mechanics technology training program. After completing the program, scholars are qualified for and have the opportunity to be full time employees as technicians at Swedish Match.

Case: The “Bom Menino” project in Brazil

Swedish Match began its involvement in the “Bom Menino” (Young Boy) project in the 1990’s. The project involves teenagers, aged 14–18 years, who come from poor communities. The aim is to introduce them to the corporate world and to develop professional capabilities in a broad perspective.

The participants are instructed and trained to perform administrative tasks and services and Swedish Match is always careful to reinforce the learning of behavioral aspects – both personal and professional – and make them feel professionally respected and valued. If there is an opportunity, Swedish Match will offer those participants who have demonstrated good performance, interest, and dedication, a position at Swedish Match.



Two past participants in the “Bom Menino” project who are now employed at Swedish Match..

Regulatory and scientific community engagement

Swedish Match believes that hundreds of millions of people around the world will continue to consume tobacco, the vast majority being cigarette smokers. This is a prediction for the foreseeable future that probably few would dispute.

Swedish Match also believes that tobacco regulation will continuously become globalized and increase in scope. It is the aspiration of Swedish Match that regulation of various tobacco categories should be differentiated to take into account the differences between the categories. Smokefree tobacco regulation should ultimately be based on product quality standards that ensure that consumers receive the highest possible product quality and consumer protection.

The awareness of the public health impact of smoking is growing at an increasing pace. Very few smokers, in the Western world at least, continue to smoke due to ignorance or lack of knowledge. All nicotine-containing products pose a risk for the development of addiction. Although products that contain nicotine vary significantly in terms of risk – with nicotine replacement products and Swedish snus at the lower end of the continuum of risk – Swedish Match recognizes the need and importance of transparent and firm statutory tobacco regulations as well as voluntarily restrictions.

Swedish Match constantly seeks to improve the Company's operating models and to develop new products and markets with the aim of maximizing long term shareholder value. While respect for and compliance with existing regulatory framework is a given, it is not necessarily always enough or efficient. Truly effective regulation needs to be evidence based and requires an exchange of knowledge and experience between governments and industry. The Company believes that better regulation is achieved by maintaining focus on the end users – those affected by regulation, such as consumers, customers, employees, producers, and other stakeholders – when determining which interventions

are chosen, developed, and delivered. Thus, Swedish Match is actively engaged with stakeholders in various ways, realizing that regulatory decisions will ultimately always be at the discretion of the lawmaker.

Beyond current tobacco regulations, one of the most important long-standing commitments Swedish Match has made is the far-reaching, self-imposed product quality standard for its snus – GOTHIA TEK[®]. The GOTHIA TEK[®] standard provides for continuous work toward eliminating or reducing controversial compounds that are found naturally in tobacco. Today, GOTHIA TEK[®] is adopted as an industry standard in the manufacturing process of Swedish snus. Swedish Match believes that product quality, and in turn product safety and consumer protection, should be a key regulatory objective for all products orally consumed regardless of whether it is food or smokefree tobacco.

Swedish Match monitors and evaluates emerging scientific data while interacting with the scientific community. It is the responsibility of Swedish Match to have a deep scientific understanding of the potential health consequences that possibly result from its products. It is also the responsibility of Swedish Match to communicate and address all stakeholders with the established science surrounding the Company's products or new scientific knowledge as well as relevant product information.

The US

The Family Smoking Prevention and Tobacco Control Act (the Act) that was signed into law June 2009, empowered the Food and Drug Administration (FDA) to regulate tobacco products such as cigarettes, roll-your-own tobacco and smokeless tobacco. Along with regulatory authority for the manufacture, sale and marketing of tobacco, the Act includes a provision that will enable a company to have one or more of its products classified as modified risk products. Products classified this way by the FDA Center for Tobacco Products

(CTP) may then have warning labels that better reflect the risk profile agreed to by the FDA and may allow a company to make appropriate harm reduction claims. In accordance with the Act, in April of 2012, CTP issued its guidance in consultation with the Institute of Medicine (IOM) setting forth the scientific studies and other elements necessary to submit a modified risk application. Among other things, the guidance contemplates that a party wishing to seek so-called modified risk product status for one or more of its products will have a series of meetings with CTP in order to agree upon specific elements of a modified risk product application to meet CTP's needs.

The Act also empowers the FDA to regulate other tobacco products such as cigars and pipe tobacco. The FDA has indicated that it intends to assert jurisdiction over cigars, but has not yet issued proposed regulations. Initial guidance and draft regulations could be issued in 2013, which would then be followed by a period of public comment before final guidance is issued.

The EU

Tobacco products for oral use, except those intended to be smoked or chewed, have been banned in the EU since 1992. As Swedish snus is neither smoked nor chewed, it is prohibited. Upon Sweden's entry into the EU 1995, the country was granted a permanent exemption from the ban on snus. Cigarettes and other types of traditional smokefree tobacco products, including Asian/African types, chewing tobacco and nasal snuff, are sold legally within the EU. The Tobacco Products Directive 2001/37/EC is currently being revised by the European Commission. The European Commission presented its proposal revising the Tobacco Products Directive in late December, 2012. While the proposal does not include an alternative for snus to be made commercially available in EU markets outside of Sweden, it seeks, among other things, stricter regulation of the content of tobacco products, including limitations

on the type of flavors one may add to them. Swedish snus is by tradition flavored and the availability of flavors has made the development of GOTHIA TEK® possible. The proposal is now being reviewed by the European Parliament and the governments of each member state. This is a process which can last a long time and much of its contents can be changed before a finished directive is implemented. Hence, the final outcome and time of adoption is therefore difficult to predict.

The Commission's proposal comes amid a period of political upheaval which saw the resignation and replacement of the EU Health Commissioner in an influence-peddling scandal reported to the Commission by Swedish Match. This is now part of a judicial process in Malta in which Swedish Match is not involved besides the fact that Swedish Match is committed to cooperate with full transparency and disclosure with the Maltese police authorities.

Scandinavia

Swedish Match and its customers are increasingly alarmed by fast-growing illicit trade of Swedish snus. One of the most significant measures to slow the flow of illicit trade during 2012 was a special label on cans sold on Baltic Sea ferries, which assists retailers and the authorities to easily spot irregularities. This was a voluntary measure which received acknowledgement by responsible authorities including the Swedish Custom Authority and the Ministry for Social Affairs.

The Company is also actively working to ensure that Swedish and Norwegian retailers properly understand and enforce required age-verification upon purchase in order to prevent the availability of tobacco products to minors. There is a mutual understanding between Swedish Match, leading retailers and their trade organizations of the necessity for commercial stakeholders to commit to reducing both the number of

actual underage purchases as well as cooperate in order to reduce the growing volume of illicit products that distort the development of the market.

Swedish Match is of the opinion that:

- The current EU ban on Swedish snus lacks a justified reasoning and is both discriminatory and disproportionate.
- The current EU ban on Swedish snus is a violation of the free trade principle and distorts the function of the internal market.
- The ban on snus denies adult European smokers access to a traditional and viable non-combustible tobacco alternative that is scientifically well documented to have significantly lower negative health effect.
- All smokeless tobacco products should be subject to consistent and competition neutral product regulation based on product quality and consumer protection.

Lobbying

Swedish Match has a Public Affairs team reporting to the SVP Corporate Legal Affairs. The main responsibility of the team is to maintain a dialogue with regulators and government officials. This team works closely with the Scientific Affairs team, which also has a dialogue with regulators as well as with the scientific community. The two teams are divided between Sweden, Norway, and the US, and Swedish Match also has a representation office in Brussels. According to the Corporate Communications Policy, individuals in these departments are authorized to speak on behalf of Swedish Match.

To promote integrity in lobbying practices within its operations, Swedish Match is committed to conduct its outreach with legislators and other stakeholders according to the highest standards. Company staff adheres to follow the Code of Conduct stipulated in each of the markets and it is requested that the Company's advisors do the same. Furthermore, all staff is introduced to the ethical standards of the Company when joining the company.

The United States

For the US, there are numerous registration and reporting requirements for lobbyists at the state and federal level to ensure the integrity of that practice. One example is the filing and registration requirements maintained by the Clerk of the House of Representatives and the Secretary of the United States Senate. Also, to ensure that the Company's state lobbyists understand clearly the scope of their responsibility, including a commitment to work in favor of reducing youth usage of tobacco products, Swedish Match has contracts with them.

The individuals within the Swedish Match organization who have contact with lobbyists, as with all of the Company's employees, are guided by the Business Conduct Policy, which mandates that all employees conduct themselves in a certain fashion in dealing with the Company's lobbyists and giving instructions to them. For the US state

program, the Company spends approximately 1.5 MUSD in lobbyists' retainers and an additional 200,000 USD in support of various state organizations who believe in a free market place for adult tobacco sales. Examples include groups such as the Ohio Grocers Association and the New York Association of Convenience Stores. For the federal program, Swedish Match pays a retainer of 100,000 USD per year to the Alpine Group and has no other corporate expenses.

As a general statement, Swedish Match is addressing issues that would interrupt or interfere with a fair and competitive marketplace for the sale of tobacco products to adult consumers. Examples of such issues are that Swedish Match:

- Opposes excessively high taxes, because they place an undue burden upon the Company's consumers. Thus Swedish Match would urge legislators to consider that tax rates beyond a certain level do not generate additional revenue but simply punish those who are purchasing from legal channels and drive many to unregulated black markets.
- Urges legislators not to adopt laws that provide a competitive advantage for one manufacturer versus another.
- Educates legislators about the industry so that, as issues do arise, they are more knowledgeable and will be able to use that knowledge as a basis to decide how to vote on a particular issue. Issues that the Company addresses are taxes, bans on flavors, restrictions on package sizes, and marketing restrictions, etc.

The European Union

With regard to activities directed to the policy makers of the European Union, the European Commission and the European Parliament have a voluntary lobbying register and a Code of Conduct (<http://europa.eu/transparency-register/>). Swedish Match is listed in this registry and adheres to the Code of Conduct. The Company is also a member of European Smokeless Tobacco Council

(ESTOC), which is also listed in the registry and adheres to the Code of Conduct.

In addition, the Company works with external advisors in different markets. The general rule and agreement the Company has with its external advisors is that they act as advisors and speaking partners. Advisors also monitor regulatory developments and processes for the Company.

The main objective of the outreach to EU stakeholders is to provide a foundation for policy makers when they address revisions to the Tobacco Products Directive, which is the legislation that currently bans snus from being sold in the EU, with the exception of Sweden. The outreach program is mainly based on the fact that the current scientific evidence does not support a ban on snus, as well as the fact that the current ban on snus violates the principles of the internal market. Swedish Match argues that all smokeless tobacco should be regulated equally and that the regulation should be founded on scientific evidence. The Company also strives towards increasing the consumer safety of using the Company's products.

Environmental responsibility



Harvesting of tobacco leaves.

For Swedish Match, environmental responsibility implies working consciously and actively to reduce and mitigate environmental impacts of the Company's business operations.

ENVIRONMENTAL RESPONSIBILITY

Ambition: To consciously and actively reduce the negative impacts the Company has on the environment.

This implies working efficiently with resource management, reducing waste and energy consumption, as well as maintaining sound environmental management processes.



Swedish Match's environmental responsibility extends across the value chain, from sustainable tobacco sourcing and forest management to efficient management of energy, waste, and water in manufacturing, to eco-efficiency measures in all facilities.

Although the production processes and raw materials used in the tobacco industry generally are considered to have limited environmental impact, improvements and savings from more efficient uses of resources can have positive direct benefits on the sustainability and profitability of the Company as well as on the environment itself.

Environmental organization

The SVP Corporate Communications and Sustainability, who reports to the CEO, is responsible for the Corporate Sustainability function and for communicating environmental issues. The SVP Corporate Communications and Sustainability also chairs the Group's Environmental Council, and presents findings and updates to the Board of Directors on a periodic basis.

The Group's Environmental Council, with representation from all Swedish Match factories, is an advisory and reporting body on matters relating to environmental issues and aids in reporting results internally in this area. The council's task is to safeguard compliance with Swedish Match's Group Environmental Policy and the Environmental Management System (EMS) throughout the organization. This is

achieved by regular meetings and by a structured information exchange between meetings.

At Swedish Match, each operating unit head appoints those responsible for implementing the EMS and for complying with, reporting, and contributing to the evaluation of environmental action programs and activities. The heads of the operating units must assure that the person(s) selected have appropriate education, training, or experience for the tasks. This group comprises members of the Environmental Council, supplemented by other members to ensure full coverage of the Swedish Match organization. Internal audits of the EMS are conducted in the operating units and reported to the Environmental Council.

Consistent with Swedish Match's commitment to compliance with applicable legislation or other requirements, the operations establish, implement, and maintain procedures for periodic evaluation of activities and their environmental impacts.

Swedish Match maintains the requisite records to demonstrate conformity to the requirements of the EMS. The appointed person(s) in the operating unit and at Group level are responsible for compiling material for external publication.

Environmental management (quality and standards)

In 2012, the majority of Swedish Match's production facilities, with products accounting for more than 90 percent of

Company sales of its own produced products, had been certified according to the environmental management standard ISO 14001 as well as the quality management systems standard ISO 9001. Of twelve production facilities, ten had ISO 9001 certification and nine had ISO 14001 certification.

In January 2013, the Manaus lighter factory in Brazil was certified for ISO 14001 bringing the total to ten manufacturing facilities with ISO 9001 certification and ten with ISO 14001 certification.

Basic environmental education is a requirement according to the environmental management standard ISO 14001 in those facilities that are certified according to the standard. The main purpose of the education is to promote environmental awareness among the staff and increased knowledge of the EMS and the Company's routines. During 2012, a new online environmental training program was initialized within specific parts of the organization.

Smokefree products (snus, moist snuff, and chewing tobacco)

Factory	Country	Products	Certification	Year of certification	Accreditor
Göteborg	Sweden	Snus	ISO 9001	2001	Det Norske Veritas
			ISO 14001	2003	Det Norske Veritas
Kungälv	Sweden	Snus	ISO 9001	2004	Det Norske Veritas
			ISO 14001	2004	Det Norske Veritas
Owensboro	The US	Moist snuff, chewing tobacco	ISO 9001	2003	SAI
			ISO 14001	2000	SAI

Cigars

Factory	Country	Products	Certification	Year of certification	Accreditor
Dothan	The US	Cigars	ISO 9001	2002	SAI
			ISO 14001	2003	SAI
Santiago	The Dominican Republic	Cigars	ISO 9001	2003	SAI
			ISO 14001	2003	SAI

Lights products (matches and lighters)

Factory	Country	Products	Certification	Year of certification	Accreditor
Assen	The Netherlands	Lighters	ISO 9001	1995	Lloyds
			ISO 14001	2000	Lloyds
Curitiba	Brazil	Matches	Not certified	n/a	n/a
Manaus	Brazil	Lighters	ISO 9001	1996	Lloyds
			ISO 14001	2013	TÜV Rheinland
Manila	The Philippines	Lighters	ISO 9001	1995	Lloyds
			ISO 14001	2001	Lloyds
Piraí do Sul	Brazil	Splint	Not certified	n/a	n/a
Tidaholm	Sweden	Matches	ISO 9001	2011	SFK Certifiering
			ISO 14001	2011	SFK Certifiering
Vetlanda	Sweden	Splint, print	ISO 9001	2011	SFK Certifiering
			ISO 14001	2011	SFK Certifiering

Case: ISO 14001 certification in Manaus

In January 2013, the Swedish Match lighter facility in Manaus, Brazil, was certified according to the environmental management standard ISO 14001. The certification has resulted in correct collection and treatment of waste, the establishment of goals and actions to reduce water consumption, energy, materials, and CO₂ emissions.

Apart from operating improvements which benefit Swedish Match, the certification also generates value for the community in general as the Amazon region is considered to be very important to the local and world environment. Better control of nature resource utilization, for example, leads to both operating improvements and contributes to the planet's sustainability.



Cricket lighters. Cricket is a well known brand of disposable lighters in many markets such as in Latin America.

Environmental KPIs and targets

Swedish Match is monitoring and reporting on the following six environmental KPIs: total energy consumption, electricity, greenhouse gas emissions (CO₂), total waste, hazardous waste, and water use.

During 2011, the Environmental Council set long term targets at the factory level (five year horizon to 2016) within each KPI, and 2012 has been the first year of tracking and follow-up. The baseline used for target setting was average data per manufacturing facility for 2010 and 2011. Targets were set based on

projections of future production volumes, cost considerations as well as alternative inputs or resources. For CO₂ emissions, baseline was data for 2008.

The Company measures all KPIs on a factory level, both in absolute numbers as well as per unit of output produced. Aggregated results are reported for each product area - per unit of output by weight for smokefree products (snus, moist snuff, and chewing tobacco) as well as per unit of output for cigars and lights products (matches and lighters).

Within the production of matches, aggregated results may differ slightly from individually reported targets due to methodology.

In 2012, the Environmental Council also initialized and implemented a new software for environmental data management with the goal to enable structured tracking of and reporting on the KPIs and targets over time.

In the table below, aggregated 2016 targets and 2012 results are listed per product area and per unit of output.

Topic	KPI	Product area	Target 2016	Result 2012 Unit	Increase/decrease vs. target
Energy consumption	Total energy consumption	Smokefree products	3.9	4.2 MWh/ metric tons produced	7%
		Cigars	13.0	9.0 MWh/ mn cigars produced	-31%
		Matches	813.4	852.1 MWh/ bn matches produced	5%
		Lighters	38.9	38.9 MWh/ mn lighters produced	0%
	Electricity	Smokefree products	1.5	1.7 MWh/ metric tons produced	14%
		Cigars	11.6	8.7 MWh/ mn cigars produced	-26%
		Matches	150.8	143.8 MWh/ bn matches produced	-5%
		Lighters	36.8	36.9 MWh/ mn lighters produced	0%
Waste	Total waste	Smokefree products	0.16	0.17 metric tons/ metric tons produced	7%
		Cigars	1.99	1.42 metric tons/ mn cigars produced	-29%
		Matches, <i>excluding biomass</i>	19.15	19.01 metric tons/ bn matches produced	-1%
		Lighters	0.86	0.78 metric tons/ mn lighters produced	-9%
	Hazardous waste	Smokefree products	0.001	0.001 metric tons/ metric tons produced	-5%
		Cigars	0.007	0.004 metric tons/ mn cigars produced	-48%
		Matches	8.912	9.626 metric tons/ bn matches produced	8%
		Lighters	0.045	0.043 metric tons/ mn lighters produced	-4%
Water use	Withdrawal and discharge of water	All product areas/ all factories	To have a level of zero in terms of the withdrawal and discharge of water affecting sensitive water bodies (using the GRI definition of sensitive water bodies).		
Greenhouse gas emissions	CO ₂ emissions	Total company	To stay at or below baseline for CDP Scope 1 (direct emissions) and Scope 2 (indirect emissions).		

Group Environmental Policy

Swedish Match has adopted a Group Environmental Policy, designed to ensure that Swedish Match achieves a balance whereby the Group consistently reaches its commercial objectives while addressing the environmental requirements of the Company as well as its stakeholders. The policy is based on the principles of the environmental management standard ISO 14001 and is available on the Group's website and intranet. Due to the diversity of Swedish Match activities, subordinated environmental policies are formulated for each operating unit.

Please refer to page 20 to read more details about the Group Environmental Policy.



Employee at the Vetlanda factory, transporting wood logs from the timber yard to the production of splint.

Energy consumption

Swedish Match works persistently on energy saving programs as well as programs to reduce electricity consumption for heating, cooling, and lighting. Measures taken include the installation of low energy lighting, insulation, heat recovery systems, and energy consumption controls.

Each Swedish Match factory has its own target and/or activities in order to limit its energy consumption per unit of output produced. As electricity constitutes the largest part of Swedish Match's total energy consumption, the Group tracks both total energy consumption in general as well as electricity consumption in specific. In Sweden, Swedish Match's suppliers of electricity undertake to produce and supply the amount of electricity that Swedish Match purchases and consumes without the use of fossil fuels.

Performance and initiatives 2012

Approximately 46 percent of Swedish Match's total energy consumption is sourced from intermediate energy sources (indirect energy consumption²²).

²² Indirect energy is defined as energy produced outside Swedish Match that is consumed to supply energy for the Company's intermediate energy needs (e.g. electricity, district heating or purchased steam).

Electricity constitutes approximately 81 percent of the total amount of indirect energy purchased and consumed, and 37 percent of total energy purchased and consumed. District heating and purchased steam constitutes 10 percent respectively of the total amount of indirect energy purchased and consumed, and 4 percent respectively of the total energy purchased and consumed.

Approximately 54 percent of the Company's energy consumption is sourced from primary energy sources used for the Company's own consumption (direct energy consumption²³). Approximately 59 percent of the direct energy comes from wood chips (32 percent of total energy), which is a renewable energy source. Natural gas constitutes 41 percent of the total direct energy purchased and consumed, and 22 percent of total energy purchased and consumed.

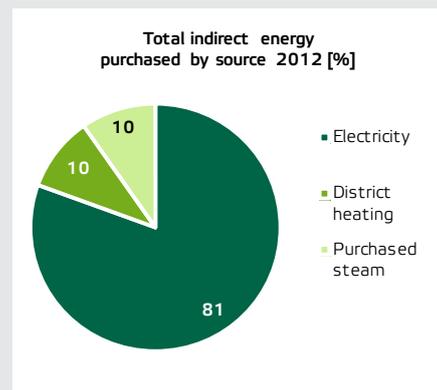
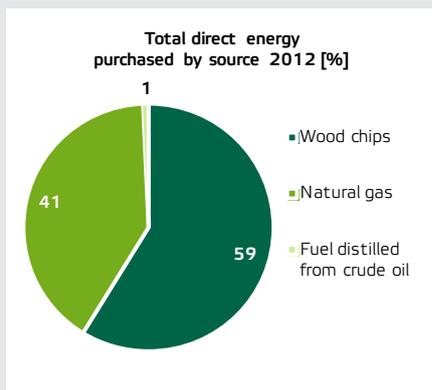
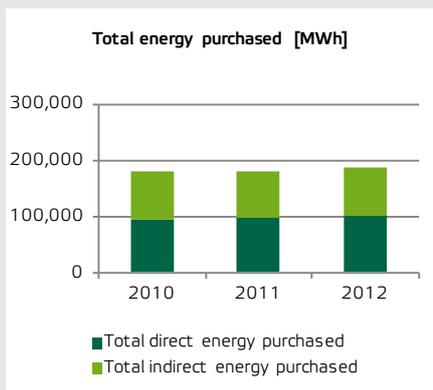
In 2012, several energy efficiency improvement projects were registered. In the production of smokefree products in Sweden, fluorescent lamps with lower wattages were installed. Also, compressed

air leakages were detected and handled, which led to energy and cost savings.

Within the production of lights products there were several initiatives resulting in energy and cost savings. Examples from the Company's lighter facilities include installing of LED (light emitting diode) lamps and fluorescent lamps with lower wattages, introducing energy efficient air conditioning, insulating molding machines, shutting off automatic compressed air blowing on specific machines, as well as replacing consumption of compressed air by water at a cleaning machine. In the Brazilian match factory, air conditioning was replaced with a ventilation/exhausting system to refrigerate the cabin where the match heads dry.

In 2012, Swedish Match registered efficiency projects that led to energy improvements of 789 MWh, corresponding to a cost saving of approximately 760,000 SEK.

²³ Direct energy is defined as energy sources purchased by Swedish Match for the Company's own consumption.



Greenhouse gas emissions (CO₂)

Swedish Match works persistently on improvement activities and projects in order to limit its emissions of greenhouse gas, specifically with regards to CO₂ emissions, and each factory has its own target and/or activities in order to limit its CO₂ emissions per unit of output.

The Company is participating in the Carbon Disclosure Project (CDP), which maps companies' CO₂ emissions. On an aggregate factory level, the Company's target is to stay at or below baseline for CDP Scope 1 (direct emissions) and Scope 2 (indirect emissions). During 2012, the Company improved its

disclosure score in the CDP (from 60 to 63) covering the 2011 calendar year.²⁴

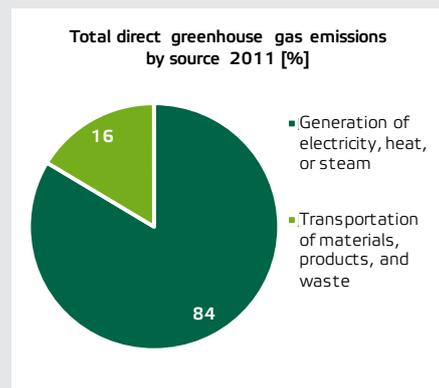
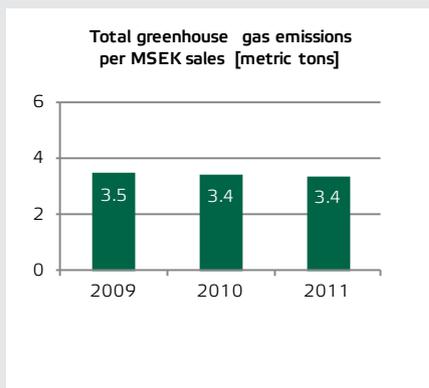
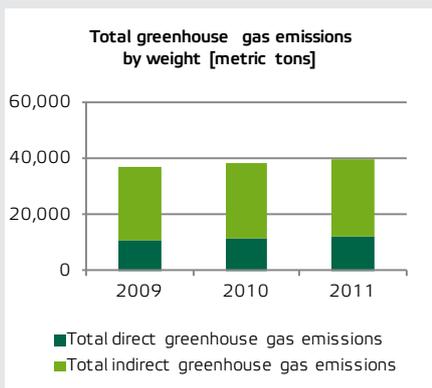
As the vast majority of production of the Company's primary products (snus and snuff as well as cigars and chewing tobacco) are produced and sold in the same geographic area (Scandinavia or the US/Dominican Republic), the need for air freight or long distance transports are reduced and thus third party emissions are avoided. In addition, matches and lighters for the Brazilian market are produced in Brazil.

²⁴ For more information regarding Swedish Match and CDP, refer to <https://www.cdproject.net/en-US/Results/Pages/Company-Responses.aspx?company=18095>.

Performance and initiatives 2011

In 2011, approximately 69 percent of Swedish Match's total CO₂-emissions (Scope 1 and Scope 2 as defined by CDP) were indirect, and 31 percent were defined as direct emissions.

The majority of the emissions were generated through electricity, heat, or steam (84 percent in 2011), while a smaller part was generated by transportation of materials, products, and waste (16 percent in 2011).



Waste

Swedish Match works systematically to reduce its production of waste, in total or per unit of output produced, as applicable. The majority of waste is non-hazardous and environmentally harmful substances (hazardous waste) are only handled to a limited extent during match production.

Several waste reduction projects were initialized across the factories during 2012, one successful example was the Kungälv snus factory where improved waste management processes resulted in environmental savings, reduced costs, and increased knowledge about recycling and the environment among factory employees (read case highlighted on page 54). Swedish Match also works to facilitate consumers' disposal of the Company's products after use.

For match production in Sweden, total waste *excluding biomass* (pure wooden waste from match splint) is tracked internally instead of total waste. Biomass is a "positive waste" as it is used for incineration to generate district heating (biofuel) for local communities, and waste *excluding biomass* is a more relevant performance indicator when setting reduction targets.

In 2012, approximately 78 percent of the Company's total waste referred to incinerated waste from the Company's match factories in Sweden. Landfill accounted for 10 percent of total waste while recovery/recycling/reuse accounted for 7 percent. Also, hazardous waste treatment and composting were treatment methods used.

In 2012, incinerated waste increased by 7 percent compared to 2011 while waste to landfill and recovery/recycling/reuse decreased by 8 and 9 percent respectively.

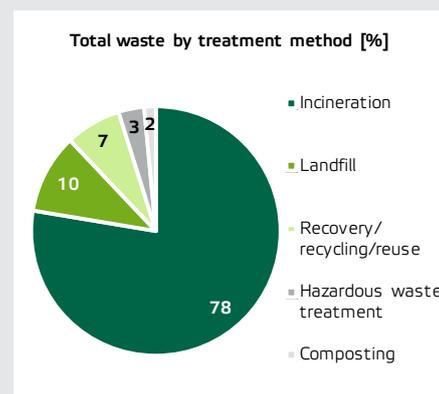
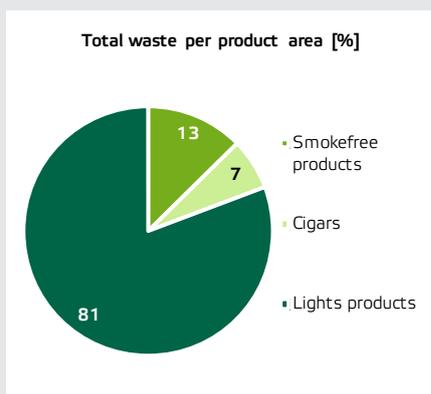
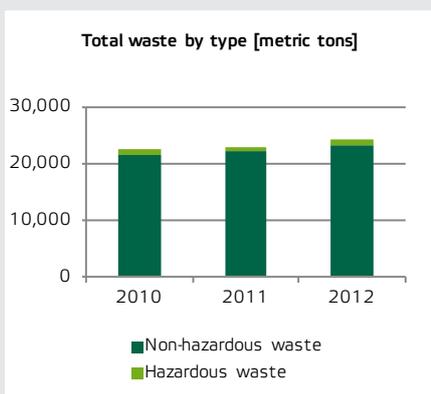
Hazardous waste²⁵

Environmentally harmful substances are only handled to a limited extent during production. In 2012, approximately 3 percent of Swedish Match's total waste was identified as hazardous.

Almost all hazardous waste is generated in the Company's match production facilities. Examples from the match production are scrapped match boxes (defect match boxes and matches from the production), slurry from the waste water treatment plant, as well as empty

bags from chemical handling. In the production of match splints, hazardous waste includes slurry from the waste water treatment plant, empty printing ink cans, as well as water contaminated with lacquer.

²⁵ In accordance with GRI, Swedish Match defines hazardous waste according to national legislation.





Water use

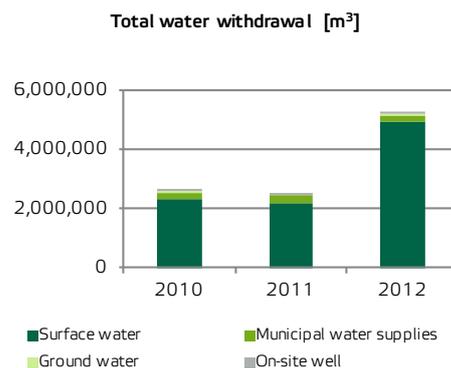
Swedish Match neither withdraws water from any water source that is significantly affected by the water withdrawal, nor discharges water into sensitive water bodies. The Company’s target for water use is therefore to maintain a level of zero in terms of the withdrawal or discharges of water affecting sensitive water bodies. Swedish Match’s water footprint in absolute terms is fairly low as the Company’s production processes require rather low water usage.

The one area where Swedish Match needs a higher water supply is for its poplar farms in Brazil (trees are planted to be used in the Brazilian match

production), where dryer climate in some years leads to a higher necessity of irrigation.

Most of Swedish Match’s water withdrawals are taken from surface water, followed by municipal water supplies or other water utilities. A small amount is withdrawn from ground water and on-site wells.

In 2012, due to dry climate in Brazil and a need for increased irrigation of the poplar plantations, the Company’s water use was significantly higher than the previous two years.



Irrigation of wood logs at the timber yard at the Vetlanda factory in Sweden.



Furrow irrigation system in the poplar plantation in Brazil.

Case: Environmentally sound waste management in Kungälv, Sweden

During 2012, an environment/waste project was initialized and implemented in the Kungälv snus factory in Sweden, originally as a thesis in cooperation with students from the *Chalmers University of Technology* in Sweden. Swedish Match wanted to develop its waste management processes with a focus on increasing its sorting, to become more environmentally friendly, as well as to reduce costs. It was also imperative to increase the understanding of waste management and recycling among staff. Many changes were accomplished, such as:

- The production spillage from pouches and cans is now separated at the production lines instead of being incinerated. The plastic is recycled into raw material and the pouches are bio-degraded.
- A new destruction shredder has been installed, used to grind the plastics to be recycled. The density of materials increases, which in turn reduces the number of transports.
- Transports have been reduced significantly due to online features on the waste compactor, which increases the efficiency of emptying the compactor as well as enabling the filling to be optimized.
- The container for “unsorted waste” has been removed as it was easy to just toss miscellaneous materials in it which in fact should be assorted as other fractions.
- New signs, decals etc. have been developed and standardized for Swedish Match’s own waste fractions in order to increase the level of clarity and understanding among staff in the factory. All employees have had basic training to increase awareness of recycling and why sorting of waste is necessary.

Environmentally adapted products and packaging

Swedish Match strives to deliver the best possible product with a minimum of waste. The Company works to minimize packaging while introducing continuous improvements that not only deliver high consumer value, but also reduce the negative environmental footprint, and adhere to standards of quality.

For snus, that means minimizing packaging and waste, while adhering to quality standards such as those set forth by GOTHIA TEK[®], as well as the ISO 14001 and ISO 9001 standards.

Swedish Match also strives to use environmentally adapted materials in its packaging. For both Swedish snus and US moist snuff, the plastic cans and lids are made from polypropylene. Rolls of cans are mostly shrink-wrapped in polyethylene. At complete combustion, only carbon dioxide and water remain from these plastics. All coloring agents in the plastic are approved for food packaging.

For cigars, the usage of FoilFresh[®] packaging has drastically reduced the number of returns from customers,

which in turn has reduced waste to the landfill. Also, the use of 100 percent recycled paperboard within certain packaging formats has increased significantly. All byproduct paper from the production of packaging material used in the Company's factory in Dothan (Alabama, the US) is returned to the supplier, who converts it to an energy source.

For matches, post-consumer recycled fibers are being used for the vast majority of the production of inner and outer match boxes. Forest Stewardship Council[™] (FSC[™]) certified materials are increasingly being used for match cardboard.

For more information about FSC[™], read the case below.



A box of Solstickan matches showing the FSC[™] label.

Case: Increased production of FSC[™] certified match boxes

Swedish Match Industries AB (SMI, the Company's entity which produces matches in Sweden) produce an increasing number of Forest Stewardship Council[™] (FSC[™]) certified match boxes, which implies that SMI not only strengthens its brands and the Company's own environmental profile, but also contributes to viable and sustainable management of the world's forests.

Swedish Match Industries AB is since 2009 certified according to the FSC[™] Chain of Custody standard and the standard for controlled wood (license code FSC-C037294). FSC[™] is an international, non-governmental organization dedicated to promoting environmentally appropriate, socially beneficial, and economically viable management of the world's forests. The rules of the organization, which are stricter than law, among other things protect threatened animals and plants, the soil's future ability to grow forests, safe and sound working conditions for those who work in the forests as well as rights of the original population. Swedish Match Industries AB acquires both FSC[™] certified wood and cardboard to use in the manufacturing of match boxes. Since 2010 the Company has a multi-site chain of custody system, which today includes 11 sales companies and agents around the world. In the multi-site system, agents are included in SMI's certificate and thus have the right to sell and advertise the Company's FSC[™] products. FSC[™] labeling ensures that the FSC[™] guidelines and requirements concerning sustainable forestry are adhered to.

The certification is a unique quality mark guaranteeing that the wood used to produce the match boxes comes from a certified forestry and other controlled sources.

Sustainable agriculture

Agricultural practices in tobacco farming

For its production of smokefree products and cigars, Swedish Match does not source tobacco directly from tobacco farms. Instead, the Company relies on large, reputable international leaf tobacco suppliers.

Significant tobacco suppliers must be able to provide Swedish Match with documentation of their own regulatory framework and activities related to social

and environmental issues, including their policies with regard to farming practices.

These suppliers are also encouraged to grow tobacco according to Good Agricultural Practice (GAP) guidelines which aim at ensuring responsible and economically viable production of usable tobacco. This implies producing a quality tobacco crop while protecting, sustaining

or enhancing the environment with regard to soil, water, and air as well as animal and plant life.

Agricultural practices in forestry

Timber sourcing and forestry is an important area for the Group as Swedish Match sources wood and maintains plantations for use in its match production.

Swedish Match uses aspen, pine, and poplar, and sourcing takes place near production, primarily from sources in Sweden and Brazil. All sourcing must be from timber that meets or exceeds the minimum requirements of government regulations.

Sweden

In Sweden, Swedish Match uses aspen wood for the manufacturing of matches. The wood is mainly sourced from the southern part of Sweden (Göteborg and Svealand, excluding the northwest of Dalarna).

The largest volumes are purchased through large wood suppliers, such as "Södra" and "Mellanskog". Smaller volumes of wood are sourced directly from individual forest owners.

The Company uses approximately 25,000 m³ of aspen wood per year. Aspen grows naturally together with other kinds of wood and the cutting is often done where spruce is planted. All cutting of wood must be performed according to the Swedish forestry law and all final cutting of wood above an area of 0.5 hectares must be reported to the Swedish Forest Agency.

Swedish Match Industries AB, the Company's entity which produces match products in Sweden, is since 2009 certified according to the FSCTM chain of custody standard and the standard for controlled wood. The main advantage of a multi-site chain of custody certificate is that the sales companies and agents will be allowed to promote FSCTM (see case on page 55).

During 2012, the production of FSCTM certified boxes increased significantly compared to 2011.

Brazil

In Brazil, more than 95 percent of Swedish Match's wood consumption comes from the Company's own plantations. The remaining small volume is bought from well reputed companies in Brazil.

Swedish Match owns approximately 5,800 hectares of planted forests in two different reforestation projects in Brazil:

- The pine reforestation project is scattered around five farms in the Paraná state in the south of Brazil. It covers approximately 3,300 hectares of *Pinus elliottii* forests and nearly 3.4 million trees. The forest has a 25 year rotation period.
- The poplar reforestation project is carried out in six farm groups in the south of the Paraná state and in the north of the Santa Catarina state.

Approximately 2,500 hectares are covered with 800,000 poplar trees, in places where the specie has shown good adaptation. The aim has been to obtain high quality matches by overcoming difficulties concerned within pine wood splint production and the use restraints imposed to Paraná pine wood. The poplar reforestation project is a pioneer project and Swedish Match has been working for 20 years to find out the best methods and forest management systems from nursery to harvest.

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

The Company harvests and plants close to 420 hectares annually, representing more than 300,000 seedlings every year. In the combined area of all the plantations, 20 percent of the area remains untouched for the preservation of native forest. This is in accordance with Brazilian legislation, which is extensive and rigorous. In addition, areas adjacent to rivers are protected in accordance with the *Permanent Protection law* of Brazil.

Some examples of environmental monitoring and control as well as biodiversity initiatives in Brazil:

- For all pest and disease controls, only materials approved by Brazilian authorities are used. Swedish Match

has constantly strived to replace traditional pesticides in favor of more environmentally friendly natural biological means of control.

- Birdlife as well as variety of mammals is frequently seen. A rich variety of different species can be found on the plantations.
- Water quality in rivers inside and adjacent to plantations is monitored upstream and downstream. Until now, no toxic residuals have been identified which confirms that there is no water contamination detected.
- In the control of weeds, the use of herbicides has been partially replaced by winter intercropping (*Lolium multiflorum*) as natural weed control. *Lolium multiflorum* is sown in the forest to obtain a dead vegetal

coverage on the soil at the beginning of summertime, which helps to avoid weed that compete with poplar for water and nutrients. It also promotes nutrient cycling, improves moisture and soil aeration, and protects from soil erosion. The most important benefit is the significant reduction of herbicide utilization, thus becoming an environmentally friendly practice.

- Swedish Match’s Brazilian operations are currently entering into a process of obtaining an Environmental Operational License to be issued by the State of Santa Catarina, where parts of the Company’s plantations are located. Swedish Match is one of the first companies to work towards obtaining this license. The Company expects to obtain this license, which

initially will be valid for a period of four years, during 2013.

Other improvements under implementation include mechanization of forest harvest and forest management in both the pine and poplar projects. Further, a new fertilization program is being developed for poplar forests, aiming to optimize forest growth while respecting the environment.



Swedish Match’s poplar plantation in Brazil. Poplar is used in the Company’s match production.

Eco efficiency

In addition to its efforts at the factory and sourcing levels, the Group encourages greater eco efficiency in all facilities under the following guidelines (as stated in the Group Environmental Policy):

- The Group actively encourages use of computers for data management whenever possible, and discourages the use of printed material. This encouragement shall be reinforced in all inter- and intra-company correspondence.
- All Group printed materials published in large quantities, should be using Forest Stewardship Council™ (FSC™) certified (or similar) paper. Suppliers of annual and interim report printing must have FSC™ certification (or similar). Electric devices which do not require constant power should be turned off when not used for extended periods of time. When appropriate, stand-

alone computers and lights should be turned off outside of business hours.

- The Group actively encourages the use of video, web, and telephone conferencing in lieu of travel, through proactive means. Train travel is encouraged over air travel, and public transport is encouraged over personal transports. Specific guidelines for employee travel are included in the Group’s Global Travel Policy (available to Swedish Match employees only), a policy with the purpose to accommodate the Company’s essential business needs for travelling safely and cost effectively to various destinations with as low an impact as possible on the environment.
- Offices are encouraged to facilitate recycling of materials.

builds new manufacturing facilities, environmental technologies and principles of design are taken into consideration as part of its ongoing efforts to both reduce energy use and improve on its environmental footprint.



The snus manufacturing facility in Kungälv, Sweden, opened in 2003 and was expanded in 2009 and 2010.

Green building policy

Swedish Match does not have a “green building policy” per se. However, when the Company expands, modernizes, or

Climate change

In the tables below (based on information reported to the Carbon Disclosure Project in 2012), those risks and opportunities that have potential to generate a substantive change in Swedish Match’s business operations, revenue or expenditure, are listed. The estimated financial impact from climate change is low, primarily being a negative impact from higher risk of flooding causing plant closure or relocation.

Risks driven by changes in regulations

Risk driver	Description	Potential impact	Timeframe	Magnitude of impact
Fuel/energy taxes and regulations	a) Limitation on availability of fuel. b) Significant price increases of fuel. With a global presence, transports of goods are an important factor for the Group. In Brazil there can be a risk of shortage of hydroelectric energy supply due to rain seasonality with a consequent increase of cost.	Increased operational cost (direct impact).	1-5 years	Low-medium
Other regulatory drivers	More difficult to receive the right quality of raw materials due to changes in EU chemical regulations (eg. REACH).	Increased cost of raw materials (direct impact).	1-5 years	Low-medium
Cap and trade schemes	Possible ending of antidumping regulation on flintlighters from China.	Reduced demand for goods/services (indirect impact).	1-5 years	Low-medium
Other regulatory drivers	Mandate against flavored cigars. Due to the intention of the FDA to regulate tobacco, certain flavorings may be eliminated.	Reduced demand for goods/services (direct impact).	Current	Medium

Risks driven by change in physical climate parameters

Risk driver	Description	Potential impact	Timeframe	Magnitude of impact
Sea level rise	Increased sea level and unpredictable weather in Europe may have implications on our localization of the factories.	Plant closure or relocation may be necessary (direct impact).	Unknown	High
Change in precipitation extremes and droughts	Extreme changes in weather conditions, especially in the regions where Swedish Match has tobacco and timber growing and production. Higher ambient temperature and humidity.	Supply disruption or higher cost of raw materials (direct impact).	Unknown	Medium-high
Change in mean (average) temperature	Increased temperature affects the number of storms and their intensity.	Reduction/disruption in production capacity. Could lead to difficulties in sourcing timber for match production, including supply disruption and higher cost of raw materials (direct impact).	Unknown	Medium
Tropical cyclones (hurricanes and typhoons)	Intensivity of tropical cyclones would increase due to changes in the physical climate parameters.	Reduction/disruption in production capacity. Could lead to difficulties in sourcing timber for match production, including supply disruption and higher cost of raw materials (direct impact).	Unknown	High

Risks driven by changes in other climate related developments

Risk driver	Description	Potential impact	Timeframe	Magnitude of impact
Changing consumer behaviour	Minimal risk is related to the nature of the business. Tobacco consumption as such is not likely to be affected by climate change, but is related to other factors, like commercial risks (brand, quality, market development, consumer trends, and regulatory restrictions). One future challenge may be the consumers preferences regarding packaging since the numbers of varieties have increased steadily. Various initiatives taken to investigate more efficient use of resources, especially raw material, related to product innovation and development.	Reduced demand for goods/services (direct impact).	1-5 years	Low

Opportunities driven by changes in regulations

Opportunity driver	Description	Potential impact	Timeframe	Magnitude of impact
Fuel/energy taxes and regulations	Reduced consumption of CO ₂ -emitting energy may provide opportunities for more efficient use of resources in terms of logistic and energy effectiveness of buildings.	Reduced operational costs (direct impact).	1-5 years	Low
Other regulatory drivers	Future Child Resistance (CR) regulation in more countries than currently required. <i>Cricket</i> lighters and multipurpose lighters have a consumer friendly CR mechanism.	Increased demand for existing products/services (indirect impact).	1-5 years	Low
International agreements	Phaseout of methyl bromide.	Because there is no alternative to the methyl bromide pre-shipment fumigation, integrity of products could be affected since fumigation cost would be increasing (direct impact).	1-5 years	Medium-High

Opportunities driven by change in physical climate parameters

Opportunity driver	Description	Potential impact	Timeframe	Magnitude of impact
Induced changes in natural resources	Crop yields and quality could increase.	Reduced operational costs.	Unknown	Medium

Opportunities driven by changes in other climate related developments

Opportunity driver	Description	Potential impact	Timeframe	Magnitude of impact
Changing consumer behavior	Consumers alarmed by climate change and caring for the environment may choose our products if they are regarded as less harmful to the environment than our competitors' products.	Increased demand for existing products/services (direct impact).	1-5 years	Low-medium

GRI index 2012

The following index shows where the GRI-requested information can be found in the Swedish Match Annual Report 2012 as well as in this Sustainability Report 2012. Apart from the profile- and corporate governance information requested by GRI, the table includes all GRI core indicators as well as those additional indicators that Swedish Match has selected to report. All additional indicators are marked in *italics*.

In the tables below, SR refers to this Sustainability Report 2012 while AR refers to the Company's Annual Report 2012. The symbols show whether each indicator is being reported, partially reported, or not reported.

- Reported: ●
- Partially reported: ◐
- Not reported: ○

In 2012, Swedish Match is fully reporting on 22 (19) performance indicators and partially reporting on 10 (15). Per category, the following number of indicators is being reported (2011 numbers in parenthesis):

Economic performance indicators

- Reported: 1 (1)
- Partially reported: 2 (4)

Environmental performance indicators

- Reported: 9 (8)
- Partially reported: 2 (3)

Social performance indicators

- Reported: 12 (10)
- Partially reported: 6 (8)

Indicators	Reference	Indicators	Reference
1 Strategy and analysis		4.2 The role of the Chairman of the Board	AR 93-94, 98 ●
1.1 CEO's comments	SR 4 AR 3 ●	4.3 Independent and/or non-executive Board members	AR 94 ●
1.2 Description of key impacts, risks, and opportunities	SR 4, 15-17, 58-59 AR 44, 97 ◐	4.4 Mechanisms for shareholders and employees to propose recommendations, etc. to the Board	SR 4, 14 AR 92-93 ●
2 Organizational profile		4.5 Linkage between compensation for Board members, senior managers, and executives, and the organization's performance	AR 59-61 ◐
2.1 Name of the organization	AR 76 ●	4.6 Processes in place for the Board to ensure conflicts of interest are avoided	AR 91-97 ●
2.2 Primary brands, products, and/or services	SR 6, 8 AR 1, 8-15 ●	4.7 Process for determining the qualifications and expertise of the Board members	AR 94 ◐
2.3 Operational structure	SR 6-7, AR infold ●	4.8 Mission, values, Code of Conduct, etc.	SR 7, 18-20 ●
2.4 Location of headquarters	SR 6, AR infold, 76 ●	4.9 The Board's procedures for overseeing the organization's sustainability performance	SR 14 ●
2.5 Countries where the organization operates	SR 6, 77 AR infold, 58 ●	4.10 Processes for evaluating the Board's own performance	AR 94 ◐
2.6 Nature of ownership and legal form	SR 6, 24, AR 34 ●	Commitments to external initiatives	
2.7 Markets served	SR 6, 8 AR 7-15 ●	4.11 Explanations of if and how the precautionary principle is applied	○
2.8 Size of the reporting organization	SR 5-7, 15, 77 AR infold, 34-35, 47-49, 58 ●	4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives	SR 18-20, 41-42, 56, AR 20 ●
2.9 Significant changes during the reporting period	SR 10-11 AR 34-35, 49, 75 ●	4.13 Memberships in associations and/or national/international advocacy organization	SR 41, 45, 56, AR 25 ●
2.10 Awards received in the reporting period	SR 40 ●	Stakeholder engagement	
3 Report parameters		4.14 List of stakeholder groups	SR 9, 12, 15 AR 19 ●
Report profile		4.15 Basis for identification and selection of stakeholders with whom to engage	SR 15 ●
3.1 Reporting period	SR 10 ●	4.16 Approaches to stakeholder engagement	SR 4, 15-17 ●
3.2 Date of most recent previous report	SR 9 ●	4.17 Key topics and concerns that have been raised through stakeholder engagement	SR 4, 15-17 ●
3.3 Reporting cycle	SR 2 ●		
3.4 Contact persons for questions regarding the report	SR 9 ●	5 Economic performance indicators	
Report scope & boundaries		Disclosure on management approach	SR 23-24, AR 2-3 ●
3.5 Process for defining report content	SR 10, 15-17 AR 19 ●	Economic performance	
3.6 Boundary of the report	SR 10-11 ●	EC1 Economic value generated and distributed	SR 5, 62 ●
3.7 Specific limitations on the scope or boundary of the report	SR 10-11 ●	EC2 Financial implications and other risks and opportunities due to climate change	SR 58-59 ◐
3.8 Basis for reporting on joint ventures, subsidiaries, etc.	SR 10 ●	EC3 Coverage of the organization's defined benefit plan obligations	SR 62 AR 88 ◐
3.9 Data measurement and calculation principles	SR 11, 71 ●	EC4 Financial assistance received from government	○
3.10 Comparability with previous reports	SR 10-11 ●	Market presence	
3.11 Significant changes from previous reporting periods regarding scope, boundaries etc.	SR 10-11 ●	EC6 Policy/practices regarding locally-based suppliers	○
GRI content index		EC7 Procedures for local hiring and proportion of senior management hired	○
3.12 Table identifying the location of the Standard Disclosures in the report	SR 60-61 ●	Indirect economic impacts	
3.13 Policy and current practice regarding external verification of the report	SR 2, 10 ●	EC8 Development and impact of infrastructure investments and services provided	○
4 Governance, commitments, and engagement			
Governance			
4.1 Governance structure for the organization	SR 14, AR 92-93 ●		

Indicators	Reference		Indicators	Reference	
6 Environmental performance indicators			HUMAN RIGHTS		
Disclosure on management approach	SR 47-49 AR 27-29	●	Disclosure on management approach	SR 18-19, 31-32, 41, AR 25	●
Materials			Investment and procurement practices		
EN1 Materials used by weight or volume	SR 63-64	●	HR1 Percentage and total number of significant investment agreements that have undergone human rights screening		○
EN2 Recycled input materials	SR 64	●	HR2 Percentage of significant suppliers undergone screening on human rights	SR 5, 32	●
Energy			Non-discrimination		
EN3 Direct energy consumption	SR 50, 65-66	●	HR4 Total number of incidents of discrimination and actions taken		○
EN4 Indirect energy consumption	SR 50, 66-67	●	Freedom of association and collective bargaining		
EN5 Energy saved due to conservation and efficiency improvements	SR 68-69	●	HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk		○
Water			Child labor		
EN8 Total water withdrawal by source	SR 54, 70	●	HR6 Operations identified as having significant risk for incidents of child labor	SR 41 AR 25	●
Biodiversity			Forced and compulsory labor		
EN11 Location/scope of land at organization's disposal in areas of biodiversity value		○	HR7 Operations identified as having significant risk for incidents of forced or compulsory labor		○
EN12 Impacts on biodiversity		○	SOCIETY		
Emissions, effluents, and waste			Disclosure on management approach		
EN16 Direct/indirect greenhouse gas emissions	SR 5, 51, 71-72	●	SR 41-45 AR 25-26	●	
EN17 Other relevant indirect greenhouse gas emissions	SR 72-73	●	Community		
EN19 Emissions of ozone-depleting substances	SR 73	●	SO1 Nature, scope and effectiveness of programs and practices that assess and manage impacts of operations on communities		○
EN20 NO _x , SO _x and other significant air emissions		○	Corruption		
EN21 Total water discharge		○	SO2 Percentage and total number of business units analyzed for risks related to corruption	SR 19, 27	●
EN22 Total weight of waste	SR 52, 74-75	●	SO3 Percentage of employees trained in anti-corruption policies	SR 18, 27	●
EN23 Total number and volume of significant spills	SR 76	●	SO4 Actions taken in response to incidents of corruption	SR 19, 27	●
Products and services			Public policy		
EN26 Initiatives to mitigate environmental impacts of products and services		○	SO5 Public policy positions and participation in public policy development and lobbying	SR 43-45 AR 30-31	●
EN27 Percentage of products sold and their packaging materials that are reclaimed by category		○	Compliance		
Compliance			SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		○
EN28 Fines and sanctions for non compliance with environmental laws and legislation		○	PRODUCT RESPONSIBILITY		
7 Social performance indicators			Disclosure on management approach		
LABOR PRACTICES AND DECENT WORK			SR 33-40 AR 24-25		
Disclosure on management approach			●		
Employment			Customer health and safety		
LA1 Total workforce	SR 5, 7, 15, 27, 77 AR 58	●	PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement		○
LA2 Number and rate of employee turnover		○	Product and service labeling		
Labor/management relations			PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	SR 35-36	●
LA4 Percentage of employees covered by collective bargaining agreements	SR 77-78	●	PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product or service information and labeling	SR 35	●
LA5 Minimum notice period(s) regarding operational changes		○	PR5 Practices related to customer satisfaction, including results of surveys	SR 39-40	●
Occupational health and safety			Marketing communications		
LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees	SR 78	●	PR6 Programs for adherence to laws, standards and voluntary codes related to marketing communications	SR 12, 37-38	●
LA7 Rates of injury, occupational diseases, lost days, absenteeism, work related fatalities	SR 5, 28, 78-80	●	PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	SR 38	●
LA8 Programs in place to assist workforce members, their families, or community members regarding serious diseases		○	Compliance		
Training and education			PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning products and services		○
LA10 Average hours of training per year per employee		○	LABOR PRACTICES AND DECENT WORK		
LA11 Programs for skills management and lifelong learning	SR 28-29	●	Disclosure on management approach		
LA12 Percentage of employees receiving regular performance reviews	SR 29, 81	●	SR 27-29 AR 21-22		
Diversity and equal opportunity			●		
LA13 Composition of governance bodies and breakdown of employees per category	SR 81	●	Employment		
LA14 Ratio of basic salary of men to women by employee category		○	LA1 Total workforce	SR 5, 7, 15, 27, 77 AR 58	●

Reporting on GRI indicators 2012

Economic performance indicators

Economic performance²⁶

Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments (EC1)

In 2012, the Company generated value of 12,891 MSEK, up 7 percent from 12,030 MSEK in 2011. Total economic value distributed amounted to 11,318 MSEK in 2012, up 6 percent from 10,645 MSEK in 2011. Economic value retained amounted to 1,573 MSEK in 2012, up 14 percent from 1,385 MSEK in 2011.

Operating costs accounted for 62 percent of total economic value distributed in 2012, followed by payments to providers of capital, which accounted for 17 percent, and employee wages and benefits with 16 percent. Payments to governments accounted for 5 percent of total economic value distributed. Payments to governments by country are more relevant locally and Swedish Match does not collate global data on it.

Operating costs increased by 6 percent in 2012 compared to in 2011, payments to providers of capital increased by 12 percent, employee wages, salaries, and benefits by 4 percent while payments to governments decreased by 6 percent. Community investments increased by 30 percent, from 3 to 4 MSEK.

Direct economic value generated [MSEK]		2012	2011	2010
Revenues		12,891	12,030	14,277
Economic value distributed [MSEK]	[%]			
Operating costs	62	6,964	6,539	7,751
Payments to providers of capital	17	1,923	1,712	1,679
Employee wages, salaries, and benefits	16	1,823	1,749	2,326
Payments to governments	5	604	642	649
Community investments	0	4	3	3
Total economic value distributed [MSEK]		11,318	10,645	12,408
Economic value retained [MSEK]		1,573	1,385	1,869

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

In 2012, the estimated value of benefit plan's liabilities met by Swedish Match's general resources amounted to 824 MSEK, down 12 percent from 933 MSEK in 2011. In 2012, 77 percent of the scheme's liabilities were estimated to be covered by the assets that have been set aside to meet them.

Estimated value of benefit plan's liabilities met by the organization's general resources [MSEK]	2012	2011	2010
Estimated value of benefit plan's liabilities met by the organization's general resources	824	933	811
Where a separate fund exists to pay the plan's pension liabilities [%]	2012	2011	2010
The extent to which the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them	77	81	91

The structure of retirement plans offered to Swedish Match employees are based on defined benefit plans and other types of benefits. For defined benefit plans, the employer's obligations to pay pensions under the plan are met – directly by the organization's general resources as well as through a fund held and maintained separately from the resources of the organization. For more information about how Swedish Match works with benefit plans, please refer to page 88 in the Annual Report 2012, note 24, Employee benefits.

Estimates have been arrived at on the basis of the Project Unit Credit Method (IAS 19) on December 31, 2012, December 31, 2011, and December 31, 2010.

²⁶ Certain figures for economic performance using the GRI methodology do not correspond to figures reported in Swedish Match's Annual Report due to definitions set forth by GRI which may differ from Swedish Match's reporting under the IFRS methodology. Economic performance for 2010 presented in this document include those businesses transferred to STG on October 1, 2010. As a result, certain figures are not comparable between 2010 and the following years.

Environmental performance indicators²⁷

Materials

Materials used by weight or volume (EN1)²⁸

In 2012, Swedish Match used 35,219 metric tons of materials plus 89,266 m³ of wood. In relation to total Company sales (MSEK), the total amount of materials *excluding wood*²⁹ amounted to 2.8 and in relation to total number of employees 9.2. Estimates for 2010 and 2011 are not available.

Total materials used excluding wood	2012
Total materials used [metric tons]	35,219
Total materials used [metric tons per MSEK sales]	2.8
Total materials used [metric tons per employee]	9.2

Excluding wood, tobacco leaf used in the production of Swedish Match's smokefree tobacco products as well as cigars, is the largest group of materials, with 31 percent of total usage in metric tons. Cardboard, used as packaging materials in the production of all products, accounted for 27 percent in 2012. Coated board and plastics, also used as packaging materials, accounted for 11 and 10 percent respectively. Nylon, used in the production of lighters, accounted for 8 percent. Film, used as packaging materials in the US production of smokefree products and cigars, accounted for 5 percent. Paraffin, used in the production of matches, accounted for 4 percent. Butane and propane gas, used in the production of lighters, accounted for 3 percent.

Total materials used excluding wood - by group [metric tons]	[%]	2012
Tobacco leaf	31	10,942
Cardboard	27	9,445
Coated board	11	3,924
Plastics	10	3,444
Nylon	8	2,779
Film (aluminium, metalized)	5	1,922
Paraffin	4	1,569
Gas (butane, propane)	3	1,193
Total materials used excluding wood [metric tons]	100	35,219
Wood [m³]		89,266

In total, 53 percent of total materials used (excluding wood) in 2012 refers to packaging materials such as cardboard, coated board, plastics, and film. Raw materials excluding wood, i.e. tobacco leaf and gas, accounted for 34 percent of all materials used. Semi-manufactured goods, i.e. nylon and paraffin, accounted for the remaining 12 percent of total materials used.

Total materials used excluding wood - by group [metric tons]	[%]	2012
Packaging materials	53	18,735
Raw materials	34	12,135
Semi-manufactured goods	12	4,348
Total materials used excluding wood [metric tons]	100	35,219
Raw materials, wood [m³]		89,266

²⁷ In 2012, Swedish Match implemented a sustainability data management software into which all historical environmental data was incorporated. As part of the project, all data was checked and in some cases revised. Numbers for 2010 and 2011 in this report have therefore, in some cases, been restated compared to numbers presented in the Sustainability reporting document published in 2011. When reporting environmental data in relation to total Company sales (MSEK), the sales numbers used as base refers to Comparable Group sales, excluding employees transferred to STG. When reporting environmental data in relation to the total number of employees, the number of employees used as base refers to what is presented in the Annual Report, excluding employees transferred to STG. Furthermore, the baseline used for setting environmental 2016 targets was average data per manufacturing facility for 2010 and 2011.

²⁸ Materials reported on EN1 refer to *the most significant* materials categories within each product area. The list of materials reported is therefore not exhaustive.

²⁹ Wood is reported in volume (m³) instead of weight (metric tons). Due to the inherent inaccuracies when using density conversion rates, wood is not converted into metric tons.

In 2012, 24,312 metric tons of materials used (69 percent of total materials used excluding wood) were renewable. Tobacco leaf accounted for 45 percent of renewable materials, followed by cardboard with 39 percent, and coated board with 16 percent. Wood is also a renewable material.

Total materials used excluding wood - renewable [metric tons]	[%]	2012
Tobacco leaf	45	10,942
Cardboard	39	9,445
Coated board	16	3,924
Total materials used excluding wood - renewable [metric tons]	100	24,312
Percentage of renewable materials excluding wood [%]		69

Per product area, 41 percent of total materials (excluding wood) was used within the production of smokefree products. Approximately 37 percent refers to materials used within the production of lights products while 22 percent refers to the production of cigars.

Total materials used excluding wood - by product area [metric tons]	[%]	2012
Smokefree products (snus, moist snuff, chewing tobacco)	41	14,419
Cigars	22	7,668
Lights products (matches, lighters)	37	13,132
Total materials used excluding wood [metric tons]	100	35,219

In relation to unit of output, materials used in relation to total weight of smokefree products amounted to 0.8 metric tons in 2012. Within the production of cigars, 6.8 metric tons of materials were used per million cigars. Within match production, total materials used were 44.7 metric tons plus 468.8 m³ of wood per billion matches. For lighters, 11.6 metric tons of materials were used per million lighters.

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

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

In total, 13,369 metric tons, or 38 percent of input materials, were recycled in 2012. The largest part refers to cardboard, which accounted for 71 percent of all recycled input materials, followed by coated board which accounted for the remaining 29 percent.

Total materials used - recycled input materials [metric tons]	[%]	2012
Cardboard	71	9,445
Coated board	29	3,924
Total materials used - recycled input materials [metric tons]	100	13,369
Percentage of recycled input materials [%]		38

Energy³⁰*Direct energy consumption by primary energy source (EN3)³¹*

In 2012, Swedish Match purchased 100,249 MWh of direct energy, an increase of 2,952 MWh (3 percent) compared to 2011. In relation to total Company sales (MSEK), the total amount of direct energy purchased was reduced by 4 percent to 8.0 in 2012 compared to 2011. In relation to total number of employees, total direct energy purchased increased by 4 percent to 26.1.

Total direct energy purchased	2012	2011	2010
Total direct energy purchased [MWh]	100,249	97,297	95,905
Total direct energy purchased [MWh per MSEK sales]	8.0	8.3	8.6
Total direct energy purchased [MWh per employee]	26.1	25.1	24.5

The primary energy sources purchased for the Company's consumption include wood chips (which is a renewable energy source) and natural gas. Wood chips accounted for 59 percent of all direct energy purchased in 2012, natural gas accounted for 41 percent and fuel distilled from crude oil accounted for 1 percent.

In 2012, the use of wood chips in the Brazilian match production increased by 18 percent compared to 2011. This is due to improved quality of skillets, which necessitated more steam and consequently a higher consumption of wood chips. The total amount of natural gas decreased by 12 percent compared to 2011, largely due to mild weather conditions in Owensboro, the US, as well as production modifications in the US production of smokefree products. The use of fuel distilled from crude oil decreased by 17 percent, largely due to significantly reduced power outages in Santiago, the Dominican Republic, requiring less use of backup generators, as well as a milder climate in Dothan, the US, which resulted in less usage of the boiler in the factory.

Total direct energy purchased by source [MWh]	[%]	2012	2011	2010
Wood chips	59	58,913	50,078	49,929
Natural gas	41	40,619	46,359	44,587
Fuel distilled from crude oil	1	717	860	1,389
Total direct energy purchased [MWh]	100	100,249	97,297	95,905
Percentage of renewable energy sources [%]		59	51	52

Per product area, the production of lights products accounted for approximately 60 percent of the total direct energy purchased in 2012, followed by the production of smokefree products which accounted for 40 percent. For smokefree products, total direct energy purchased decreased by 13 percent compared to 2011, largely due to mild weather conditions as well as production modifications in the US production of smokefree products. For cigars, total direct energy was reduced by 32 percent, largely due to the reduced use of fuels. Concerning lights products, total direct energy purchased increased by 18 percent compared to 2011 due to higher consumption of wood chips in the Brazilian match production.

Total direct energy purchased by product area [MWh]	[%]	2012	2011	2010
Smokefree products (snus, moist snuff, chewing tobacco)	40	39,602	45,564	43,491
Cigars	0	330	488	985
Lights products (matches, lighters)	60	60,317	51,245	51,429
Total direct energy purchased [MWh]	100	100,249	97,297	95,905

Per unit of output produced, total direct energy purchased decreased by 9 percent per unit of output by weight for smokefree products. For cigars, 2012 figures show a 48 percent decrease per unit of output due to increased output produced as well as the reduced use of fuels. For matches, total direct energy purchased per unit of output increased by 14 percent in 2012 compared to 2011 driven by the increased consumption of wood chips in the Brazilian match production. For lighters, total direct energy purchased per unit of output increased by 16 percent due to increased use of natural gas.

³⁰ Data for energy is presented in MWh. Gigajoules can be calculated by multiplying MWh-numbers with the factor 3.6.

³¹ Direct energy is defined as energy sources purchased Swedish Match for the Company's own consumption. Numbers for 2010 and 2011 have been restated in this report compared to the Sustainability reporting document published in 2011. Wood chips from the Brazilian match production, previously categorized as heating and cooling (indirect energy), is now categorized as a direct energy source as the wood chips are produced and used internally to heat the boilers within match production.

Total direct energy purchased by product area and unit of output produced [MWh]	2012	2011	2010
Smokefree products (snus, moist snuff, chewing tobacco) [MWh/metric tons]	2.2	2.4	2.2
Cigars [MWh/mn cigars]	0.3	0.6	1.5
Matches [MWh/bn matches]	312.5	274.7	264.4
Lighters [MWh/mn lighters]	2.1	1.8	2.8

Indirect energy consumption by primary energy source (EN4)³²

In 2012, Swedish Match purchased and consumed 86,136 MWh of indirect energy, an increase of 2,877 MWh (3 percent) compared to 2011. In relation to total Company sales (MSEK), the total amount of indirect energy purchased decreased by 3 percent to 6.9 in 2012 compared to 2011. In relation to total number of employees, total indirect energy purchased increased by 4 percent to 22.4.

Total indirect energy purchased	2012	2011	2010
Total indirect energy purchased [MWh]	86,136	83,259	84,384
Total indirect energy purchased [MWh per MSEK sales]	6.9	7.1	7.5
Total indirect energy purchased [MWh per employee]	22.4	21.5	21.6

Electricity accounted for 81 percent of total indirect energy purchased while district heating and purchased steam made up for 10 percent respectively. In 2012, the total amount of electricity purchased increased by 1,563 MWh (2 percent) compared to 2011. District heating increased by 5 percent while purchased steam increased by 13 percent.

In 2012, 19 percent of Swedish Match's indirect energy purchased and consumed was composed of renewable energy sources, up from 12 percent in 2011. This renewable energy refers to electricity purchases in Sweden, where the Company's suppliers undertake to produce and supply the amount of electricity that Swedish Match purchases and consumes without the use of fossil fuels.

Total indirect energy purchased by source [MWh]	[%]	2012	2011	2010
Electricity	81	69,398	67,835	67,263
District heating	10	8,370	8,003	9,481
Purchased steam	10	8,368	7,421	7,640
Total indirect energy purchased [MWh]	100	86,136	83,259	84,384
Percentage of renewable energy sources [%]		19	12	21

Per product area, 42 percent of total indirect energy and 46 percent of total electricity was purchased within the production of smokefree products. Approximately 11 percent of total indirect energy and 14 percent of total electricity was purchased within the production of cigars. Approximately 46 percent of total indirect energy purchased and 40 percent of total electricity was purchased within the production of lights products.

Within the production of smokefree products, total purchased indirect energy and electricity was basically unchanged in 2012 compared to 2011. For cigars, total purchased indirect energy (which only refers to purchases of electricity) increased by 8 percent due to increased production volumes and consequently higher purchases of electricity. Within the production of lights products, total indirect energy increased by 6 percent and total purchases of electricity by 4 percent.

Total indirect energy purchased by product area [MWh]	[%]	2012	2011	2010
Smokefree products (snus, moist snuff, chewing tobacco)	42	36,456	36,525	37,359
Cigars	11	9,748	9,004	8,144
Lights products (matches, lighters)	46	39,932	37,730	38,881
Total indirect energy purchased [MWh]	100	86,136	83,259	84,384

Total electricity purchased by product area [MWh]	[%]	2012	2011	2010
Smokefree products (snus, moist snuff, chewing tobacco)	46	31,836	32,043	32,247
Cigars	14	9,748	9,004	8,144
Lights products (matches, lighters)	40	27,815	26,788	26,872
Total electricity purchased [MWh]	100	69,398	67,835	67,263

³² Indirect energy is defined as energy produced outside Swedish Match that is consumed to supply energy for the Company's intermediate energy needs (e.g. electricity, district heating or purchased steam).

Per unit of output produced, total indirect energy purchased increased by 4 percent in 2012 compared to 2011 for smokefree products due to a decreased production volume by weight. For cigars, total indirect energy purchased decreased by 16 percent per unit of output produced due to higher levels of output produced which offset the increase in total indirect energy purchased. Within the production of matches, a 3 percent increase of total indirect energy purchased can be noted per unit of output due to higher output produced in 2012 compared to 2011. Within the production of lighters, total indirect energy purchased decreased by 7 percent per unit of output produced due to increased production volumes in 2012 compared to 2011.

Total indirect energy purchased by product area and unit of output produced [MWh]	2012	2011	2010
Smokefree products (snus, moist snuff, chewing tobacco) [MWh/metric tons]	2.0	1.9	1.9
Cigars [MWh/mn cigars]	8.7	10.3	12.5
Matches [MWh/bn matches]	132.5	128.5	131.5
Lighters [MWh/mn lighters]	36.9	39.6	42.0

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

In 2012, Swedish Match's total energy consumption amounted to 186,385 MWh, up 5,829 MWh (3 percent) from 2011. In relation to total Company sales (MSEK), the total amount of energy purchased decreased by 4 percent to 14.9. In relation to total number of employees, total indirect energy purchased increased by 4 percent to 48.4.

Total energy (direct and indirect) purchased	2012	2011	2010
Total energy (direct and indirect) purchased [MWh]	186,385	180,556	180,289
Total energy (direct and indirect) purchased [MWh per MSEK sales]	14.9	15.5	16.1
Total energy (direct and indirect) purchased [MWh per employee]	48.4	46.5	46.1

Direct energy accounted for 54 percent of total energy consumption while indirect energy accounted for the remaining 46 percent.

Total energy (direct and indirect) purchased [MWh]	[%]	2012	2011	2010
Total direct energy purchased	54	100,249	97,297	95,905
Total indirect energy purchased	46	86,136	83,259	84,384
Total energy (direct and indirect) purchased [MWh]	100	186,385	180,556	180,289

Electricity accounted for 37 percent of total energy consumed in 2012. Wood chips accounted for 32 percent while natural gas accounted for 22 percent. District heating and purchased steam accounted for 4 percent respectively.

Total energy (direct and indirect) purchased by source [MWh]	[%]	2012	2011	2010
Electricity	37	69,398	67,835	67,263
Wood chips	32	58,913	50,078	49,929
Natural gas	22	40,619	46,359	44,587
District heating	4	8,370	8,003	9,481
Purchased steam	4	8,368	7,421	7,640
Fuel distilled from crude oil	0	717	860	1,389
Total energy (direct and indirect) purchased [MWh]	100	186,385	180,556	180,289

Per product area, the production of smokefree products in 2012 accounted for 41 percent of total energy purchased. The production of cigars accounted for 5 percent of total energy purchased. Approximately 54 percent of total energy purchased and consumed was derived within the production of lights products.

Total energy (direct and indirect) purchased per product area [MWh]	[%]	2012	2011	2010
Smokefree products (snus, moist snuff, chewing tobacco)	41	76,058	82,089	80,850
Cigars	5	10,078	9,492	9,129
Lights products (matches, lighters)	54	100,250	88,975	90,310
Total energy (direct and indirect) purchased [MWh]	100	186,385	180,556	180,289

Performance against targets – total energy consumption

Per unit of output produced, total energy consumption in 2012 compared to 2011 decreased within all product areas except within matches. Within smokefree products, total energy purchased decreased by 3 percent. For cigars, the decrease amounted to nearly 18 percent. For lighters, total energy purchased decreased by 6 percent. Within the production of matches, total energy purchased increased by 7 percent.

In relation to the aggregated 2016 targets, results within smokefree products in 2012 were 7 percent higher than the target of 3.9 MWh per unit of output by weight. Within the production of cigars, total energy purchased per million cigars was 31 percent lower than the aggregated 2016 target of 13.0 MWh per million cigars. With regards to matches, total energy per billion matches was 5 percent higher than the aggregated 2016 target of 813.4 MWh per billion matches. Total energy per million lighters was in line with the aggregated target of 38.9 MWh per million cigars.

Total energy (direct and indirect) purchased by product area and unit of output produced [MWh]	Target 2016	2012	2011	2010	Baseline
Smokefree products (snus, moist snuff, chewing tobacco) [MWh/metric tons]	3.9	4.2	4.3	4.1	4.2
Cigars [MWh/mn cigars]	13.0	9.0	10.9	14.0	12.5
Matches [MWh/bn matches]	813.4	852.1	793.6	776.1	784.8
Lighters [MWh/mn lighters]	38.9	38.9	41.4	44.8	43.1

Performance against targets – total electricity consumption

Per unit of output produced, total electricity purchased in 2012 compared to 2011 decreased within all product areas but smokefree products. For cigars, the decrease in electricity purchased amounted to 16 percent. For matches, total electricity purchased decreased slightly while for lighters the consumption decreased by 7 percent. Within the production of smokefree products, total electricity per unit of output increased by 4 percent.

In relation to the aggregated 2016 targets, results within smokefree products in 2012 were 14 percent higher than the aggregated target of 1.5 MWh per unit of output by weight. Within cigars, total electricity per million cigars was 26 percent lower than the aggregated 2016 target of 11.6. With regards to matches, total electricity per billion matches was 5 percent ahead of the aggregated 2016 target of 150.8. Total electricity per million lighters was in line with the aggregated 2016 target of 36.8.

Total electricity purchased by product area and unit of output produced [MWh]	Target 2016	2012	2011	2010	Baseline
Smokefree products (snus, moist snuff, chewing tobacco) [MWh/metric tons]	1.5	1.7	1.7	1.6	1.7
Cigars [MWh/mn cigars]	11.6	8.7	10.3	12.5	11.4
Matches [MWh/bn matches]	150.8	143.8	144.0	142.1	143.0
Lighters [MWh/mn lighters]	36.8	36.9	39.6	42.0	40.8

Energy saved due to conservation and efficiency improvements (EN5)

In 2012, several energy efficiency improvement projects were registered. Within the production of smokefree products in Sweden, fluorescent lamps with lower wattages were installed. Also, compressed air leakages were detected and handled, which led to energy and cost savings.

Within the production of lights products there were several initiatives resulting in energy and cost savings. Examples from the Company's lighter facilities include installing of LED (light emitting diode) lamps and fluorescent lamps with lower wattages, introducing energy efficient air conditioning, insulating molding machines, shutting off automatic compressed air blowing on specific machines, as well as replacing consumption of compressed air by water at a cleaning machine. In the Brazilian match factory, air conditioning was replaced with a ventilation/exhausting system to refrigerate the cabin where the match heads dry.

Within the production of cigars, there were no significant initiatives reported.

In total, Swedish Match registered projects that led to energy improvements of 789 MWh in 2012, of which improvements within the lights production accounted for 82 percent, followed by smokefree products with 12 percent, and cigars with 6 percent. Energy savings for 2010 and 2011 are not available.

Total energy saved per product area [MWh]	[%]	2012
Smokefree products (snus, moist snuff, chewing tobacco)	12	95
Cigars	6	44
Lights products (matches, lighters)	82	650
Total energy saved [MWh]	100	789

In terms of total cost savings, these registered projects led to cost savings of 759,082 SEK in 2012 (using average 2012 currency rates from the *Swedish Riksbank*). Savings within the production of lights accounted for 90 percent, smokefree products for 6 percent, and cigars for 3 percent. Energy savings for 2010 and 2011 are not available.

Total cost saved per product area [SEK]	[%]	2012
Smokefree products (snus, moist snuff, chewing tobacco)	6	47,500
Cigars	3	24,865
Lights products (matches, lighters)	90	686,716
Total cost saved [SEK]	100	759,082

Water

Total water withdrawal by source (EN8)

In 2012, Swedish Match withdrew 5,218,276 m³ water, an increase of 2,735,290 m³ (110 percent) compared to 2011. This large increase refers to the water withdrawn for the Company's irrigation of poplar farms in Brazil. The amount of water used for irrigation was significantly higher for 2012 than previous years due to natural difference in climate behavior. Less rain in 2012 resulted in a higher water demand by Swedish Match forests compared to in 2011 and 2010. In relation to total Company sales (MSEK), total water withdrawals increased by 96 percent to 417.9. In relation to total number of employees, total water withdrawals increased by 112 percent to 1,356.1.

Total water withdrawal [m ³]	2012	2011	2010
Total water withdrawal	5,218,276	2,482,986	2,583,184
Total water withdrawal per MSEK sales	417.9	212.8	230.2
Total water withdrawal per employee	1,356.1	639.9	661.0

In 2012, 95 percent of Swedish Match's total water withdrawals were taken from surface water, followed by municipal water supplies or other water utilities (4 percent). One percent was withdrawn from ground water. Nearly all water withdrawals from surface water took place in the Company's poplar farms in Brazil.

Total water withdrawal by source [m ³]	[%]	2012	2011	2010
Surface water	95	4,946,216	2,195,118	2,294,810
Municipal water supplies or other water utilities	4	219,128	250,115	250,927
Ground water	1	49,779	34,219	33,491
On-site well	0	3,153	3,534	3,956
Total water withdrawal [m³]	100	5,218,276	2,482,986	2,583,184

In 2012, 97 percent of the Company's total water withdrawal took place within the production of lights products, a result of water withdrawals taking place in the Company's poplar farms in Brazil. Approximately 2 percent took place within the production of smokefree products while production of cigars accounted for 1 percent of total water withdrawals.

Within the production of smokefree products, total water withdrawals decreased by 6 percent when comparing the 2012 figures with 2011. As for production of cigars, total water withdrawals decreased by 47 percent due to more efficient faucet systems as well as the installing of a closed loop system to recirculate water in Santiago, the Dominican Republic. Also, in Dothan, the US, changed product mix resulted in less rinsing of certain machines. Within manufacturing of lights products, water withdrawals increased by 121 percent due to the increase of water withdrawals in the poplar farms in Brazil.

Total water withdrawal by product area [m ³]	[%]	2012	2011	2010
Smokefree products (snus, moist snuff, chewing tobacco)	2	125,734	133,186	142,418
Cigars	1	33,298	63,156	55,467
Lights products (matches, lighters)	97	5,059,243	2,286,644	2,385,299
Total water withdrawal [m³]	100	5,218,276	2,482,986	2,583,184

Per unit of output produced, production of smokefree products, cigars, and lighters show a reduction in water withdrawals in 2012 compared to 2011. Within the production of smokefree products, water withdrawals decreased by 1 percent. Within cigar production, water withdrawals decreased by 59 percent due to both production volume increases as well as the reasons outlined above. Within lighters, water withdrawals decreased by 3 percent. For matches, total water withdrawals per unit of output increased significantly, by 115 percent, due to increased irrigation within the Company's poplar farms in Brazil.

Total water withdrawal by product area and unit of output produced	2012	2011	2010
Smokefree products (snus, moist snuff, chewing tobacco) [m ³ /metric tons]	6.9	7.0	7.2
Cigars [m ³ /mn cigars]	29.6	72.3	85.3
Matches [m ³ /bn matches]	26,436.8	12,284.7	12,370.8
Lighters [m ³ /mn lighters]	62.1	64.3	68.1

Emissions, effluents, and waste

All calculations with regards to indicators EN16 and EN17 are based on site specific data, and conversion methodologies based on the Greenhouse Gas Protocol are used in order to calculate the amount of greenhouse gas emissions per source. The conversion methodologies that have been used are listed in the left table below. References for emission factors include The Swedish Environmental Protection Agency (Naturvårdsverket), the International Energy Agency, World statistics 2008, as well as Swedish Match agreed calculation factors based on statistics from suppliers (specific to country and energy type). Substances and the respective Global Warming Potential (GWP) are listed in the right column below.

Fuel/material/energy	Emission factor
Petrol	2.3 metric tons CO ₂ /m ³
Diesel/gas oil	2.7 metric tons CO ₂ /m ³
Fuel oil #1	2.7 metric tons CO ₂ /m ³
Fuel oil #2-5	3.0 metric tons CO ₂ /m ³
Charcoal	2.4 metric tons CO ₂ /m ³
Natural gas	0.0002 metric tons CO ₂ /m ³
Butane	3.0 metric tons CO ₂ /m ³
Gas works gas	0.00 metric tons CO ₂ /m ³
Peat	1.4 metric tons CO ₂ /metric tons
Wood or wood waste	0 metric tons CO ₂ /metric tons
Other: household waste	0.2 metric tons CO ₂ /metric tons
Other: electricity	<i>Specific to country and energy type, received from vendor</i>
Other: electricity (from hydro, nuclear, wind)	0 kg CO ₂ /MWh
Other: electricity (from coal)	960 kg CO ₂ /MWh
Other: electricity (from petrol)	870 kg CO ₂ /MWh

Substance	Global Warming Potential (GWP)
Methane CH ₄	23
Carbon Dioxide CO ₂	1
HydroFluoroCarbon HFC	1,300
Nitrous Oxide N ₂ O	310
PerFlouratedCarbon PFC	5,600
SulfurHexaFlourid SF ₆	22,200

Total direct and indirect greenhouse gas emissions by weight (EN16)³³

In 2011, Swedish Match emitted 39,602 metric tons of greenhouse gas emissions, an increase of 1,085 metric tons (3 percent) compared to 2010. In relation to total Company sales (MSEK), total greenhouse gas emissions decreased by 1 percent to 3.4 from 2010 to 2011. Per employee, total greenhouse gas emissions increased by 4 percent to 10.2.

Total greenhouse gas emissions by weight [metric tons]	2011	2010	2009
Total greenhouse gas emissions	39,602	38,517	37,060
Total greenhouse gas emissions per MSEK sales	3.4	3.4	3.5
Total greenhouse gas emissions per employee	10.2	9.9	9.7

Approximately 31percent of the greenhouse gas emissions were identified as direct emissions, i.e. gases from all sources owned or controlled sources. In 2011, emissions of total direct greenhouse gases increased by 5 percent. Emissions of total indirect greenhouse gas emissions increased by 2 percent compared to 2010.

Total greenhouse gas emissions by weight [metric tons]	[%]	2011	2010	2009
Total direct greenhouse gas emissions	31	12,158	11,573	10,615
Total indirect greenhouse gas emissions	69	27,444	26,944	26,445
Total greenhouse gas emissions [metric tons]	100	39,602	38,517	37,060

Of the Company's emissions of direct greenhouse gas, generation of electricity, heat, or steam accounted for 84 percent in 2011. Transportation of materials, products, and waste accounted for the remaining 16 percent. Comparable figures for 2009 and 2010 are not available.

³³ All numbers presented refer to what has been reported to the Carbon Disclosure Project (CDP) in 2012. All CO₂/Greenhouse gas reporting is according to CDP protocols, Scope 1 and Scope 2. Data for 2012 will be available from mid 2013, following the reporting to the CDP, and will be published as a supplement document to this 2012 Sustainability Report.

Total direct greenhouse gas emissions by weight and source [metric tons]	[%]	2011
Generation of electricity, heat, or steam	84	10,173
Transportation of materials, products, and waste	16	1,985
Total direct greenhouse gas emissions [metric tons]	100	12,158

The US and the Dominican Republic accounted for 72 percent of all *direct* greenhouse gas emissions in 2011, followed by Brazil with 18 percent, and Sweden with 10 percent. A very small amount was emitted in the Philippines. Comparable figures for 2009 and 2010 are not available by geographic area.

Total direct greenhouse gas emissions by geographic area [metric tons]	[%]	2011
The US, the Dominican Republic	72	8,736
The Philippines	0	13
The Netherlands	0	0
Sweden	10	1,199
Brazil	18	2,210
Total direct greenhouse gas emissions [metric tons]	100	12,158

The US and the Dominican Republic accounted for 71 percent of all *indirect* greenhouse gas emissions in 2011, followed by the Philippines with 12 percent, and the Netherlands with 9 percent. Small amounts were emitted in Sweden and Brazil. Comparable figures for 2009 and 2010 are not available by geographic area.

Total indirect greenhouse gas emissions by geographic area [metric tons]	[%]	2011
The US, the Dominican Republic	71	19,533
The Philippines	12	3,367
The Netherlands	9	2,392
Sweden	5	1,501
Brazil	2	651
Total indirect greenhouse gas emissions [metric tons]	100	27,444

The US and the Dominican Republic accounted for 71 percent of all *direct and indirect* greenhouse gas emissions in 2011, followed by the Philippines with 9 percent, Brazil and Sweden with 7 percent respectively, and the Netherlands with 6 percent. Comparable figures for 2009 and 2010 are not available by geographic area.

Total greenhouse gas emissions by geographic area [metric tons]	[%]	2011
The US, the Dominican Republic	71	28,269
The Philippines	9	3,380
The Netherlands	6	2,392
Sweden	7	2,700
Brazil	7	2,861
Total greenhouse gas emissions [metric tons]	100	39,602

Other relevant indirect greenhouse gas emissions by weight (EN17)³⁴

In 2011, Swedish Match emitted 15,431 metric tons of other relevant indirect greenhouse gas emissions, an increase of 599 metric tons (4 percent) compared to 2010. In relation to total Company sales, other relevant greenhouse gas emissions were unchanged compared to 2010. In relation to the number of employees, emissions increased by 5 percent to 4.0. All calculations are based on site specific data, and conversion methodologies based on the Greenhouse Gas Protocol (see page 71).

Other relevant indirect greenhouse gas emissions by weight [metric tons]	2011	2010	2009
Other relevant indirect greenhouse gas emissions	15,431	14,832	14,600
Other relevant indirect greenhouse gas emissions per MSEK sales	1.3	1.3	1.4
Other relevant indirect greenhouse gas emissions per employee	4.0	3.8	3.8

³⁴ All numbers presented refer to what has been reported to the Carbon Disclosure Project (CDP) in 2012. All CO₂/Greenhouse gas reporting is according to CDP protocols, Scope 3. Data for 2012 will be available from mid 2013, following the reporting to the CDP, and will be published as a supplement document to this 2012 Sustainability Report.

Business travel (including data from travel agency and mileage from company and private cars) accounted for 56 percent of total other relevant indirect greenhouse gas emissions. Transportation and distribution (including purchased transports of goods to and from facilities) accounted for 44 percent. Figures for 2009 and 2010 are not available.

Other relevant indirect greenhouse gas emissions by weight [metric tons]	[%]	2011
Business travel	56	8,570
Transportation and distribution	44	6,861
Other relevant indirect greenhouse gas emissions by weight [metric tons]	100	15,431

Emissions of ozone-depleting substances by weight (EN19)

Swedish Match has a very small amount of emissions of ozone-depleting substances. In 2012, the emissions decreased by 18 percent in CFC-11 equivalent. The emissions originate in the Company's cigars factories in Dothan, the US, Santiago, the Dominican Republic, as well as in Manaus, Brazil and Manila, the Philippines.

In 2012, the substances consisted of methyl bromide (93 percent of total CFC-11 equivalent emissions), R22 (4 percent of total CFC-11 equivalent emissions) and CFC-11 (3 percent of total CFC-11 equivalent emissions).

Total emissions of ozone-depleting substances	2012	2011	2010
Total emissions of ozone-depleting substances [metric tons]	0.93	1.22	1.07
Total emissions of ozone-depleting substances [CFC-11 equivalent]	0.41	0.50	0.48

Emissions of ozone-depleting substances by type [metric tons, CFC-11 equivalent]	[%]	2012	2011	2010
Methyl bromide	93	0.38	0.48	0.47
R22	4	0.02	0.02	0.02
CFC-11	3	0.01	-	-
Emissions of ozone-depleting substances by type [metric tons, CFC-11 equivalent]	100	0.41	0.50	0.48

Total weight of waste by type and disposal method (EN22)³⁵

In 2012, Swedish Match generated a total waste of 24,063 metric tons, an increase of 1,115 metric tons (5 percent) compared to 2011. In relation to total Company sales (MSEK), total waste was reduced by 2 percent to 1.9 metric tons, and in relation to total number of employees, it increased by approximately 6 percent to 6.3 metric tons.

Total waste [metric tons]	2012	2011	2010
Total waste	24,063	22,948	22,363
Total waste per MSEK sales	1.9	2.0	2.0
Total waste per employee	6.3	5.9	5.7

In 2012, 81 percent of Swedish Match's total waste was generated in the production of lights products while waste from production of smokefree products accounted for approximately 13 percent. Waste generated in the production of cigars accounted for approximately 7 percent. The vast majority of the waste according to definitions by GRI is generated in the production of matches in Sweden, where pure wooden waste from match splint is used for incineration to generate district heating for local communities.

In 2012, total waste generated in the production of smokefree products increased by 3 percent compared to 2011. Within the production of cigars, total waste increased by 2 percent and within the production of lights products by 5 percent.

Total waste per product area [metric tons]	[%]	2012	2011	2010
Smokefree products (snus, moist snuff, chewing tobacco)	13	3,036	2,940	3,421
Cigars	7	1,601	1,572	1,577
Lights products (matches, lighters)	81	19,426	18,436	17,365
Total waste [metric tons]	100	24,063	22,948	22,363

Of the total waste produced, 97 percent was identified as being non-hazardous in 2012. Approximately 3 percent of total waste was identified as being hazardous.³⁶ Compared to 2011, the Company's total weight of hazardous waste increased by 1 percent.

Total waste by type [metric tons]	[%]	2012	2011	2010
Hazardous waste	3	800	790	850
Non-hazardous waste	97	23,262	22,158	21,513
Total waste [metric tons]	100	24,063	22,948	22,363

The majority of the Company's hazardous waste is generated in the Company's match production facilities in Sweden and Brazil. In 2012, production of lights products accounted for 97 percent of all hazardous waste produced. Examples of hazardous waste from the match production are scrapped match boxes (defect match boxes and matches from the production), slurry from the waste water treatment plant, as well as empty bags from chemical handling. In the production of match splints, hazardous waste includes slurry from the waste water treatment plant, empty printing ink cans, as well as water contaminated with lacquer.

Total hazardous waste per product area [metric tons]	[%]	2012	2011	2010
Smokefree products (snus, moist snuff, chewing tobacco)	2	17	20	15
Cigars	0	4	8	3
Lights products (matches, lighters)	97	779	762	831
Total hazardous waste [metric tons]	100	800	790	850

Incineration is the one waste disposal method most commonly used followed by landfill and recovery/recycling/reuse. In 2012, approximately 78 percent of the Company's total waste referred to incinerated waste, mainly from the Company's match factories in Sweden. Almost the entire waste produced in the splint factories in Vetlanda refers to pure wooden waste used for incineration to generate district heating for the local community, and approximately 42 percent of all waste produced in the Tidaholm match factories. Approximately 10 percent of the total waste was treated as landfill, followed by 7 percent treated as recovery/recycling/reuse. Hazardous waste, 3 percent, was treated as hazardous waste. Approximately 2 percent was composted.

³⁵ Numbers for 2010 and 2011 have been restated in this report compared to the Sustainability reporting document published in 2011. Wood chips from the Brazilian match production, previously categorized as incinerated biomass waste, is no longer seen as waste as the wood chips are produced and used internally to heat the boilers within match production.

³⁶ In accordance with GRI, Swedish Match defines hazardous waste according to national legislation.

In 2012, incinerated waste increased by 7 percent compared to 2011, while landfill and recovery/recycling/reuse decreased by 8 and 9 percent respectively.

Total waste by treatment method [metric tons]	[%]	2012	2011	2010
Incineration	78	18,680	17,424	16,588
Landfill	10	2,483	2,707	2,927
Recovery/recycling/reuse	7	1,736	1,899	1,998
Hazardous waste treatment	3	800	790	850
Composting	2	363	129	0
Total waste [metric tons]	100	24,063	22,948	22,363

The method of disposal has primarily been determined by information provided by the local waste disposal contractors, and in some cases also what is disposed directly by Swedish Match.

Performance against targets - total waste³⁷

Per unit of output produced, total waste in 2012 compared to 2011 decreased within cigars and lighters and increased for smokefree products and matches, *excluding biomass*. Within cigars, waste per million cigars produced decreased by 21 percent and for lighters total waste per million lighters produced decreased by 28 percent. Within the production of smokefree products, waste increased by 8 percent per unit of output by weight. Within match production, waste *excluding biomass* increased by 10 percent per billion matches produced.

In relation to the aggregated 2016 targets, results within smokefree products in 2012 were 7 percent higher than the aggregated target of 0.16 metric tons. Within the production of cigars, total waste per million cigars was 29 percent lower than the 2016 target of 1.99 metric tons. Regarding matches, total waste *excluding biomass* per billion matches was 1 percent lower than the aggregated 2016 target of 19.15, and total waste per million lighters was 9 percent ahead of the aggregated 2016 target of 0.86 metric tons.

Total waste by product area and unit of output produced [metric tons]	Target 2016	2012	2011	2010	Baseline
Smokefree products (snus, moist snuff, chewing tobacco) [metric tons/metric tons]	0.16	0.17	0.15	0.17	0.16
Cigars [metric tons/mn cigars]	1.99	1.42	1.80	2.43	2.11
Matches [metric tons/bn matches]	-	191.57	210.98	198.40	204.69
Matches, <i>excluding biomass</i> [metric tons/bn matches]	19.15	19.01	17.28	18.98	18.13
Lighters [metric tons/mn lighters]	0.86	0.78	1.09	1.15	1.12

Performance against targets - hazardous waste

Per unit of output produced, total hazardous waste in 2012 compared to 2011 decreased within the production of smokefree products and cigars and increased within the production of matches and lighters. Within smokefree products, hazardous waste decreased by 9 percent per unit of output by weight. In the production of cigars, hazardous waste per million cigars decreased by 63 percent due to both an increase in production volumes as well as the use of longer lasting light bulbs and less use of backup generators in Santiago, the Dominican Republic. Within the production of matches, hazardous waste increased by 4 percent. For lighters, total waste per million lighters produced increased by 8 percent.

In relation to aggregated 2016 targets, results within smokefree products were 5 percent ahead of the aggregated target of 0.001 metric tons. Total hazardous waste per million cigars was 48 percent lower than the aggregated 2016 target of 0.007 metric tons. With regard to matches, total hazardous waste per billion matches was 8 percent higher than the aggregated 2016 target of 8.912 metric tons, and total hazardous waste per million lighters was 4 percent ahead of the aggregated 2016 target of 0.045 metric tons.

Total hazardous waste by product area and unit of output produced [metric tons]	Target 2016	2012	2011	2010	Baseline
Smokefree products (snus, moist snuff, chewing tobacco) [metric tons/metric tons]	0.001	0.001	0.001	0.001	0.001
Cigars [metric tons/mn cigars]	0.007	0.004	0.009	0.005	0.007
Matches [metric tons/bn matches]	8.912	9.626	9.239	9.581	9.410
Lighters [metric tons/mn lighters]	0.045	0.043	0.040	0.046	0.043

³⁷ For match production in Sweden, total waste *excluding biomass* (pure wooden waste from match splint) is tracked internally instead of total waste. Biomass is a "positive waste" as it is used for incineration to generate district heating (biofuel) for local communities, and waste excluding biomass is a more relevant performance indicator when setting reduction targets.

Total number and volume of significant spills (EN23)

During 2010 to 2012, six significant spills were recorded within Swedish Match's manufacturing facilities. In 2010, two small cases concerned spills of gas, oil, and paste within the cigar production facility in the Dominican Republic. In 2011, two minor cases concerned gas spills in the Dominican Republic factory while one case of 1.00 metric tons refers to a spill of caustic soda from the Gothenburg snus factory, which was notified to the authorities. In 2012, one oil spill in the Dominican Republic was recorded. The environmental impact of these spills was considered to be insignificant and did not require any legal action.

Total weight of significant spills [metric tons]	2012	2011	2010
Chemicals	-	1.00	-
Fuel	0.07	0.17	-
Oil	-	-	0.02
Total weight of significant spills [metric tons]	0.07	1.17	0.02
Total number of significant spills	1	3	2

Employee related performance indicators³⁸

Labor practices and decent work³⁹

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

At the end of the reporting period, December 31, 2012, Swedish Match employed 4,299 people, an increase of 125 employees (3 percent) compared to 2011. The number of employees/supervised workers, excluding temporary workers, increased by 110 people (3 percent) while the number of temporary workers increased by 15 people (5 percent). Temporary workers accounted for 8 percent of the total workforce.

Total workforce	[%]	2012	2011	2010
Number of employees excluding temporary workers	92	3,951	3,841	3,859
Number of temporary workers	8	348	333	413
Total workforce (employees + temporary workers)	100	4,299	4,174	4,272

In 2012, 93 percent of the total workforce worked full-time while 2 percent worked part time. Approximately 4 percent of the total workforce was not classified as full-time or part-time employees (temporary workers in the US).

Employment type	[%]	2012	2011	2010
Number of employees working full-time	93	4,015	3,868	3,896
Number of employees working part-time*	2	99	133	122
Number of employees not classified as working full-time or part-time (temporary workers in the US)	4	186	173	254
Total workforce (employees + temporary workers)	100	4,299	4,174	4,272

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

In 2012, 3,951 people, or 92 percent of the total workforce, had an indefinite/permanent contract. In 2012, 348 people (8 percent) of the total workforce had a fixed term/temporary contract.⁴⁰

Employment contract	[%]	2012	2011	2010
Number of employees with an indefinite/permanent contract	92	3,951	3,837	3,856
Number of employees with a fixed term/temporary contract	8	348	337	416
Total workforce (employees + temporary workers)	100	4,299	4,174	4,272

In terms of the geographical spread of Swedish Match's workforce, 47 percent of all employees in 2012 worked in the US/the Dominican Republic. Approximately 28 percent worked in Sweden and Norway, 17 percent in Brazil, 6 percent in the Philippines, and 2 percent in the Netherlands.

Total workforce by geography	[%]	2012	2011	2010
The US, the Dominican Republic	47	2,015	1,960	2,019
Sweden, Norway	28	1,200	1,152	1,169
Brazil	17	724	709	721
The Philippines	6	254	248	258
The Netherlands	2	106	105	105
Total workforce (employees + temporary workers)	100	4,299	4,174	4,272

Percentage of employees covered by collective bargaining agreements (LA4)

In total, 2,195 employees, or 51 percent of Swedish Match's total workforce (including temporary workers), were covered by collective bargaining agreements in 2012. Per geography, results for 2012 show that 11 percent were covered by collective bargaining

³⁸ Due to differences in methodologies, the total workforce presented in the Sustainability Report does not always correspond to workforce breakouts in the Annual Report. In the Annual Report, the average number of employees in the Group was 3,848 for 2012, 3,880 for 2011 and 3,908 for 2010. Also, numbers for 2010 and 2011 in this report have in some cases have been restated compared to numbers presented in the Sustainability reporting document published in 2011.

³⁹ Numbers for 2010 and 2011 concerning the total workforce (both number of employees excluding temporary workers and number of temporary workers) in the Philippines, Sweden, and Norway have been restated in this report compared to the Sustainability reporting document published in 2011.

⁴⁰ Numbers for 2010 and 2011 have been restated in this report compared to numbers presented in the Sustainability reporting document published in 2011. Employees previously defined as not being under contract (temporary workers in the US) are now categorized as employees with a fixed term/temporary contract.

agreements in the US and the Dominican Republic, 90 percent in Sweden and Norway, 99 percent in Brazil, 35 percent in the Philippines, and 85 percent in the Netherlands.

Employees covered by collective bargaining agreements by geography	2012	2011	2010
The US, the Dominican Republic	217	221	232
Sweden, Norway	1,081	1,045	1,121
Brazil	719	701	714
The Philippines	88	83	82
The Netherlands	90	93	93
Employees covered by collective bargaining agreements (employees + temporary workers)	2,195	2,143	2,242

Percentage of employees covered by collective bargaining agreements by geography [%]	2012	2011	2010
The US, the Dominican Republic	11	11	11
Sweden, Norway	90	91	96
Brazil	99	99	99
The Philippines	35	33	32
The Netherlands	85	89	89
Percentage of employees covered by collective bargaining agreements by geography [%]	51	51	52

Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs (LA6)

In 2012, 83 percent of the Swedish Match total workforce (including temporary workers) was represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs. The committees operate at different levels: company, regional, divisional, function, or facility level.

In Sweden, Norway, and the Netherlands, all employees are, by law, represented in formal joint management worker health and safety committees. In the US and the Dominican Republic, 72 percent of the total workforce was represented in formal committees, in Brazil 76 percent, and in the Philippines 100 percent.

Percentage of total workforce represented in formal joint management-worker health and safety committees by geography [%]	2012	2011	2010
The US, the Dominican Republic	72	75	73
Sweden, Norway	100	100	100
Brazil	76	75	76
The Philippines	100	50	63
The Netherlands	100	100	100
Percentage of total workforce represented in formal joint management-worker health and safety committees by geography [%]	83	81	81

Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region (LA7)

In accordance with the GRI guidelines, the rates of injury, occupational diseases, lost days, and absenteeism presented below are related to the number of employees, not the number of hours. The factor 200,000 is derived from 50 working weeks at 40 hours per week, per 100 employees.

To calculate the total number of working hours and working days per year, the following calculations have been used:

A. Working hours per year = Average number of employees per year * Average numbers of hours worked per year

B. Calculated working days per year = Total working hours per year / 8

The systems of rules are applied from national law in different countries.

All geographies⁴¹

	2012	2011	2010
A. Total number of working hours per year	8,696,129	7,991,220	8,231,923
B. Calculated number of total working days per year	1,087,016	998,903	1,028,990
	2012	2011	2010
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	77	63	66
D. Total number of occupational illnesses	8	19	72
E. Total number of lost days due to occupational illnesses/injuries/accidents	3,280	2,862	3,431
F. Total number of absentee days	35,404	33,176	34,089
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	0
	2012	2011	2010
Injury rate [per 100 employees per year] = C / A * 200 000	1.77	1.58	1.60
Occupational diseases rate [per 100 employees per year] = D / A * 200 000	0.18	0.48	1.75
Lost days rate [per 100 employees per year] = E / A * 200 000	75.42	71.63	83.36
Absentee rate [% of days per year] = F / B	3.3	3.3	3.3

The US and the Dominican Republic

	2012	2011	2010
A. Total number of working hours per year	4,570,000	4,210,000	4,260,000
B. Calculated number of total working days per year	571,250	526,250	532,500
	2012	2011	2010
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	53	39	37
D. Total number of occupational illnesses	0	0	2
E. Total number of lost days due to occupational illnesses/injuries/accidents	447	94	407
F. Total number of absentee days	6,956	7,322	4,472
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	0
	2012	2011	2010
Injury rate [per 100 employees per year] = C / A * 200 000	2.32	1.85	1.74
Occupational diseases rate [per 100 employees per year] = D / A * 200 000	0.00	0.00	0.09
Lost days rate [per 100 employees per year] = E / A * 200 000	19.56	4.47	19.11
Absentee rate [% of days per year] = F / B	1.2	1.4	0.8

Sweden and Norway

	2012	2011	2010
A. Total number of working hours per year	1,886,532	1,623,129	1,880,292
B. Calculated number of total working days per year	235,817	202,891	235,037
	2012	2011	2010
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	12	14	15
D. Total number of occupational illnesses	7	18	69
E. Total number of lost days due to occupational illnesses/injuries/accidents	1,225	1,222	1,249
F. Total number of absentee days	19,954	17,679	22,630
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	0
	2012	2011	2010
Injury rate [per 100 employees per year] = C / A * 200 000	1.27	1.73	1.60
Occupational diseases rate [per 100 employees per year] = D / A * 200 000	0.74	2.22	7.34
Lost days rate [per 100 employees per year] = E / A * 200 000	129.87	150.57	132.85
Absentee rate [% of days per year] = F / B	8.5	8.7	9.6

⁴¹ Numbers for 2010 and 2011 concerning the total number of working hours and working days in the Philippines have been restated in this report compared to the Sustainability reporting document published in 2011.

Brazil

	2012	2011	2010
A. Total number of working hours per year	1,416,287	1,435,141	1,433,199
B. Calculated number of total working days per year	177,036	179,393	179,150
	2012	2011	2010
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	10	10	11
D. Total number of occupational illnesses	1	1	1
E. Total number of lost days due to occupational illnesses/injuries/accidents	1,580	1,546	1,761
F. Total number of absentee days	7,322	6,459	5,505
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	0
	2012	2011	2010
Injury rate [per 100 employees per year] = C / A * 200 000	1.41	1.39	1.54
Occupational diseases rate [per 100 employees per year] = D / A * 200 000	0.14	0.14	0.14
Lost days rate [per 100 employees per year] = E / A * 200 000	223.12	215.45	245.74
Absentee rate [% of days per year] = F / B	4.1	3.6	3.1

The Philippines⁴²

	2012	2011	2010
A. Total number of working hours per year	618,936	523,776	474,720
B. Calculated number of total working days per year	77,367	65,472	59,340
	2012	2011	2010
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	2	0	0
D. Total number of occupational illnesses	0	0	0
E. Total number of lost days due to occupational illnesses/injuries/accidents	13	0	0
F. Total number of absentee days	223	223	223
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	0
	2012	2011	2010
Injury rate [per 100 employees per year] = C / A * 200 000	0.65	0.00	0.00
Occupational diseases rate [per 100 employees per year] = D / A * 200 000	0.00	0.00	0.00
Lost days rate [per 100 employees per year] = E / A * 200 000	4.04	0.00	0.00
Absentee rate [% of days per year] = F / B	0.3	0.3	0.4

The Netherlands

	2012	2011	2010
A. Total number of working hours per year	204,374	199,174	183,712
B. Calculated number of total working days per year	25,547	24,897	22,964
	2012	2011	2010
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	0	0	3
D. Total number of occupational illnesses	0	0	0
E. Total number of lost days due to occupational illnesses/injuries/accidents	15	0	14
F. Total number of absentee days	949	1,493	1,259
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	0
	2012	2011	2010
Injury rate [per 100 employees per year] = C / A * 200 000	0.00	0.00	3.27
Occupational diseases rate [per 100 employees per year] = D / A * 200 000	0.00	0.00	0.00
Lost days rate [per 100 employees per year] = E / A * 200 000	14.68	0.00	15.24
Absentee rate [% of days per year] = F / B	3.7	6.0	5.5

⁴² Numbers for 2010 and 2011 concerning the total number of working hours and working days in the Philippines have been restated in this report compared to the Sustainability reporting document published in 2011.

Percentage of employees receiving regular performance and career development reviews (LA12)

During 2012, 74 percent of the total workforce (including temporary workers) received a formal performance evaluation, an increase from 57 percent in 2011. In Sweden, Norway, the Philippines, and the Netherlands, nearly all employees received a formal performance evaluation in 2012. In Sweden and Norway, 96 percent received a performance review in 2012. In the US and the Dominican Republic, 80 percent received a formal performance evaluation in 2012 compared to 42 percent in 2011. This large increase is due to the fact that Swedish Match introduced mandated appraisals within the cigar production in the US and the Dominican Republic. In Brazil, 8 percent of the Company's employees received a formal performance evaluation.

Employees receiving regular performance reviews by geography	[%]	2012	2011	2010
The US, the Dominican Republic	51	1,612	820	809
Sweden, Norway	36	1,156	1,128	1,028
Brazil	2	58	59	65
The Philippines	8	254	248	258
The Netherlands	3	102	105	105
Employees receiving regular performance reviews (employees + temporary workers)	100	3,182	2,360	2,265

Percentage of employees receiving regular performance reviews by geography [%]	2012	2011	2010
The US, the Dominican Republic	80	42	40
Sweden, Norway	96	98	88
Brazil	8	8	9
The Philippines	100	100	100
The Netherlands	96	100	100
Percentage of employees receiving regular performance reviews [%]	74	57	53

Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group memberships, and other indicators of diversity (LA13)

Of Swedish Match's total workforce in 2012, 38 percent were female employees. Swedish Match does not collate global data per age groups or minority groups.

Employees by gender	[%]	2012	2011	2010
Total number of female employees	38	1,629	1,585	1,614
Total number of male employees	62	2,670	2,589	2,658
Total workforce (employees + temporary workers)	100	4,299	4,174	4,272

In terms of gender per geography, 40 percent of the total US and Dominican Republic workforce were female in 2012. In Sweden and Norway, 39 percent of the total workforce were female, in Brazil 34 percent, and in the Philippines 42 percent were female. In the Netherlands, 7 percent were female.

Percentage of female employees by geography [%]	2012	2011	2010
The US, the Dominican Republic	40	40	39
Sweden, Norway	39	39	41
Brazil	34	33	31
The Philippines	42	43	43
The Netherlands	7	7	7
Percentage of female employees (employees + temporary workers) [%]	38	38	38

In 2012, three members (33 percent) of the Company's Board of Directors were female, including employee representatives but not deputy employee representatives.

Board members by gender	[%]	2012	2011	2010
Total number of female board members	33	3	3	4
Total number of male board members	67	6	6	6
Total number of board members	100	9	9	10



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