

2011 Swedish Match and Sustainability

Date of issue: March 30, 2012

Swedish Match reports its sustainability information according to the standards set forth by the Global Reporting Initiative (GRI) G3 guidelines. Swedish Match currently reports according to the GRI guidelines for level C (self-declared level).

A sustainability reporting document is completed annually, and the next complete report will be published prior to May 31st 2013. The document is only available as a soft copy. Any revisions to this reporting document will be provided in supplements.

Information provided in this document is aimed at stakeholders with an interest in the Company's sustainability efforts. The document is to be used as a complement to the annual report.

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.

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CEO statement

TO OUR SHAREHOLDERS AND OTHER STAKEHOLDERS:

Corporate sustainability means conducting business in a way that provides long term benefits for the Company, mindful of the world around us. It means listening to our stakeholders and adapting how we work and what we do, to be a sustainable and profitable company recognizing the changing needs of all our stakeholders. While the economic, social, and environmental issues the Company faces may change, the foundations of our sustainability work remain constant. During 2011, we worked to improve our communications efforts with regard to activities concerning our employees, our products, the environment, and our community efforts.

We also embarked on a more detailed target setting process, with a focus on energy consumption, and worked to reduce the use of materials in both our production facilities and offices. Not only does this improve our long term environmental footprint but it also helps to reduce costs. We continued our important efforts to engage with and contribute to the communities in which we operate, and to maintain dialogue with our most important suppliers and partners with regard to social, economic, and environmental matters.

Vision and strategy

Swedish Match's vision is to position the Company as the global smokefree leader, leveraging our strong platforms to maximize long term profitability in Other tobacco products, with operational excellence and profitability in Lights.

Sustainability activities make Swedish Match more competitive and help to reduce long term costs and risks. Much of the focus is on the manufacturing, purchasing, transport, and distribution level, as Swedish Match sees these areas as having some of the greatest impacts on the Group's business, cost structure, flexibility, and competitiveness.

The Swedish Match sustainability strategy involves using a systematic approach, in order to provide improved transparency and a focus on business operations. We will maintain a focus on efficiently producing and selling products that consumers desire, with a high quality and value relationship, mindful of our responsibilities in terms of social, economic, and environmental issues. For us, sustainability is a journey, an ongoing process that provides benefits for all of us.

Sincerely,

Lars Dahlgren
President and CEO

Swedish Match at a glance

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

The Group sells products across the globe, with production units in six countries - Brazil, the Dominican Republic, the Netherlands, the Philippines, Sweden, and the US. The Group also has an independent distribution company in Sweden. In addition, Swedish Match holds a 49 percent ownership interest in Scandinavian Tobacco Group (STG). Swedish Match also owns 50 percent of SMPM International (a joint venture with Philip Morris International). Snus and snuff account for more than a third of total company sales and more than half of the operating profit. The Swedish Match share is listed on the NASDAQ OMX Stockholm.

Operational structure

The Swedish Match head office, where the CEO and Group staff 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 and Sustainability. Swedish Match products are produced, marketed, distributed, and sold through the Company's six operating units: Smokefree Products Division, US Division, Scandinavia Division, Lights International, Lights Latin America, and Swedish Match Distribution AB. The total workforce in the Group during the year 2011 was 4,134 (including temporary workers).¹



Ownership structure

At year-end 2011, ownership outside of Sweden corresponded to 76.2 percent of total share capital, an increase of 3.4 percentage points compared with 2010.² Swedish ownership interests, totaling 23.8 percent, were distributed among institutions, with 6.4 percent of the share capital, mutual funds, with 7.6 percent, and private individuals, with 9.9 percent.

¹ Due to differences in methodologies, the total workforce presented in this reporting document does not correspond to workforce breakouts in the annual report. The 2011 average number of employees reported in the annual report 2011 amounts to 3,880.

² Excluding shares held in treasury by Swedish Match AB, which corresponded to 4.14 percent of the total number of shares.

The Group vision and strategy

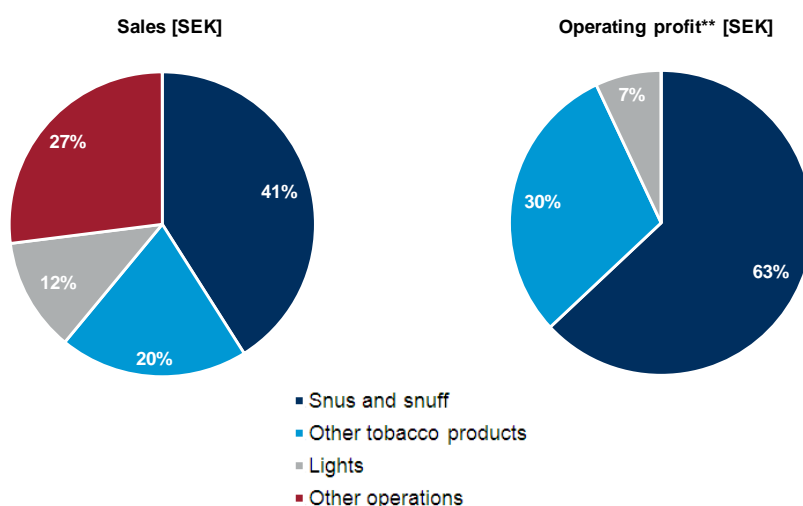
Swedish Match's vision is to position the Company as the global smokefree leader, to leverage strong platforms and maximize long term profitability in Other tobacco products, and continue to focus on operational excellence in Lights products. Through an active ownership in STG, Swedish Match will contribute to realizing the full potential of that company.

- Position the Company as the global smokefree leader
 - Leverage Swedish Match's unique heritage, technological lead, talented organization, and strong brand portfolio
 - Pursue growth opportunities on a global basis through SMPM International
 - Be the preferred choice by consumers
 - Be the most valued partner to the trade
 - Remain the industry authority for regulators and opinion makers
- Leverage strong platforms to maximize long term profitability in Other tobacco products
 - Drive profitable growth in US mass market cigars through consumer-driven innovation and strong sales execution
 - Capitalize on the Company's leading position in the US chewing tobacco category and continuously drive productivity improvements
- Continue to focus on operational excellence and profitability in Lights, through
 - Strong market positions
 - Efficient supply chain
- Realize the potential of STG through active ownership
 - Leverage brand portfolio and scale to drive profitable growth
 - Decisively pursue synergy opportunities

Comparable sales and operating profit 2011

The world market for snus and snuff has grown significantly in value terms over the past several years, led by volume growth in the US. Markets for other product categories have been stable or declining. Swedish Match generates more than a third of its sales and more than half of its operating profit from snus and snuff.

Full year 2011*



* Excludes share of net profit from STG (profit of 337 MSEK in 2011) and larger one time items.

** Excluding Other operations and share of net profit from STG.

Product areas

Swedish Match operates in three main product areas: Snus and snuff, Other tobacco products (US mass market cigars and chewing tobacco), and Lights (matches and lighters).

Snus and snuff

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

Strategy – Snus and snuff

Swedish Match endeavors to be the global smokefree leader. 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.

Swedish Match's strength in smokefree products lies in its high quality products and well established brands in combination with deep consumer insight. Swedish Match will continue to innovate and develop new and improved products while leveraging its brands' strengths in order to meet the ever-changing desires of the market.

The Group will pursue organic growth opportunities in its home markets, while also exploring growth opportunities (outside Scandinavia and the US) through SMPM International.

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

Other tobacco products (US mass market cigars and chewing tobacco)

Swedish Match maintains a significant presence for US mass market cigars. Swedish Match is the largest manufacturer of US chewing tobacco with market leading brands. Nearly all the products are sold exclusively on the US market.

Strategy – Other tobacco products

In the product area Other tobacco products, Swedish Match will leverage its strong platforms in order to maximize long term profitability. For US mass market cigars, the Company will drive profitable growth through consumer-driven innovation and strong sales execution. The Company will continue to innovate, delivering high quality products in segments where Swedish Match already has a strong market position as well as in the mass market cigar segments where the Company currently is underrepresented.

For chewing tobacco, Swedish Match will capitalize on its leading position in the category and continuously drive productivity improvements. Chewing tobacco holds a unique position in the Company's portfolio as a genuine American product. 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 sustaining profits over time.

Lights (matches and lighters)

Swedish Match maintains a leading position in a number of markets for matches. The brands are mostly local and hold a strong position in their respective markets. Swedish Match is a key player in the international market for disposable lighters.

Strategy – Lights

With its portfolio of well known brands and strong market positions, Swedish Match works for continuous operational excellence in its lights business. The Group is committed to maintaining and improving its already efficient manufacturing operations and to tightly manage its supply chain 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	Sw eden	General, Göteborgs Rapé, Ettan, Grovsnus, Catch, Kronan
	Norw ay	General, Nick and Johnny, The Lab Series, Catch, Göteborgs Rapé
	The US	Longhorn, Timber Wolf, Red Man, General
Other tobacco products	The US	<i>Mass market cigars</i> : White Owl, Garcia y Vega, Game by Garcia y Vega
		<i>Chewing tobacco</i> : Red Man, Southern Pride, J.D.'s Blend, Granger Select
Lights (matches and lighters)	Brazil	Fiat Lux, Cricket
	Sw eden, France, the UK, Australia, Spain, Russia	Solstickan (Sw eden), Sw an (UK), Tres Estrellas (Spain), Feudor (France), Redheads (Australia), Cricket (globally)

About this document

Successful sustainability activities require a methodical approach to reporting. Following the approach set in 2010, the Company continues to report its sustainability information according to the standards set forth by the Global Reporting Initiative (GRI) G3 guidelines, in order to reach measurable, transparent, clear, and comparable results. The framework has helped to structure the content by enabling to report on the economic, environmental, and social performance.

The 2011 sustainability reporting document follows the 2010 GRI-reporting document published on Swedish Match's website. Information from this document is to be used as a complement to the annual report. While the annual report includes general information about how Swedish Match works with sustainability, this sustainability document includes profile and corporate governance information requested by GRI, as well as facts about Swedish Match's GRI process. This includes information about the Company's materiality analysis, stakeholder dialogues, and detailed reporting on prioritized performance indicators.

Information provided in this reporting document is aimed at stakeholders with an interest in the Company's sustainability performance. Prioritized stakeholder groups include consumers, customers, employees, regulators and scientists, shareholders, and suppliers.

Swedish Match currently reports according to the GRI guidelines for level C (self-declared level).

Data collection and measurement

Environmental performance data in this document is gathered from internal reporting procedures through the Company's Environmental Council. Similarly, employee related performance data is accumulated through the Human Resources (HR) Council. Information pertaining to marketing communication and product responsibility is collected through Swedish Match Legal departments, community information through the Company's local units, customer and consumer information through the Marketing/Sales departments, and supplier information from the Purchasing functions. Economic/Financial information is provided by the Corporate Control function using data supplied by the operating units.

All data in this report has been collected over the calendar years 2009, 2010, and 2011.

There is no change in the reporting procedure from 2010.

Reporting details

All data reported covers the fully owned manufacturing facilities of Swedish Match, located in six countries:

- Brazil
- The Dominican Republic
- The Netherlands
- The Philippines
- Sweden
- The US

Sales and administrative offices are also covered for economic, social, and some environmental aspects. 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.

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.

Economic reporting details

Economic data for 2010 and 2009 includes those businesses transferred to STG on October 1, 2010. Economic data for 2011 does not cover the new STG. As a result, certain figures are not comparable between 2011 and the previous years.

Economic data for 2009, 2010, and 2011 includes the SM Plam Bulgaria business, divested in June, 2011.

Economic data using GRI methodology does not always correspond to figures reported in the annual report. This is due to definitions set forth by GRI which may differ from Swedish Match reporting under the IFRS methodology.

Environmental reporting details

Environmental data for 2009, 2010, and 2011 does not include those businesses transferred to STG on October 1, 2010.

Environmental data for 2009, 2010, and 2011 does not cover the divested Plam manufacturing facility in Bulgaria.³ Numbers for 2009 and 2010 have been restated in this report compared to the GRI report published in 2010 to reflect the divestment of the Plam factory.

Environmental data covers all fully owned manufacturing facilities as well as transportation and logistics of its products. Data is reported in total as well as per unit of output by weight for smokefree products (snus, moist snuff, and chewing tobacco), as well as per unit of output for mass market cigars and lights products (matches and lighters):

- Smokefree products (snus, moist snuff, and chewing tobacco), which covers the manufacturing facilities in Kungälv and Göteborg (Sweden), as well as Owensboro (the US). Output is measured by weight, in metric tons produced.
- Mass market cigars, which covers manufacturing facilities in Dothan (the US) and Santiago (the Dominican Republic). Output is measured in millions of cigars produced.
- Lights products (lighters and matches), which covers match manufacturing facilities in Tidaholm and Vetlanda (Sweden), Curitiba and Pirai do Sul (Brazil) as well as lighter manufacturing facilities in Assen (the Netherlands), Manaus (Brazil), and Manila (the Philippines). Output is measured in billions of matches or millions of lighters produced.

Environmental data is also reported in relation to total Company sales (MSEK) and per employee. 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 for 2011 and 2010, excluding employees transferred to STG.

Employee related reporting details

Employee related data for 2009 includes those businesses transferred to STG on October 1, 2010. Employee related data for 2010 and 2011 does not cover the new STG. As a result, certain figures are not comparable between 2009 and the following years.

Employee related data for 2009, 2010, and 2011 does not cover the divested Plam manufacturing facility in Bulgaria. Numbers for 2009 and 2010 have been restated in this report compared to the GRI report published in 2010 to reflect the divestment of the Plam factory.

Employee related data covers all fully owned facilities as well as sales and administrative offices, and is reported in total as well as 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.

³ In terms of CO₂ reporting, numbers for 2008-2010 have not been restated in this document to reflect the divestment of the Plam factory as the numbers presented refer to what has been reported to the Carbon Disclosure Project (CDP) in 2011, prior to the divestment.

- The US and the Dominican Republic, which covers the organizations within the operating units US Division (moist snuff, chewing tobacco, mass market cigars produced in the US as well as mass market cigars produced in 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 mass market cigars.
- Brazil, which covers the organizations within the operating unit Lights Latin America (matches and lighters).
- The Philippines, which covers the Philippine part of operating unit Lights International (lighters).
- The Netherlands, which covers the Dutch part of the operating unit Lights International (lighters).

Employee related data using GRI methodology does not correspond to figures reported in the annual report due to differences in methodologies. In the annual report, the average number of employees in the Group was 3,880 for 2011, 3,908 for 2010, and 3,826 for 2009 (excluding employees transferred to STG).

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/.

The Senior Vice President Corporate Communications and Sustainability, Emmett Harrison, is responsible for the publishing of the Swedish Match annual report as well as this sustainability reporting document.

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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.

Key figures⁴

Economic performance	2011	2010	2009
Comparable Group sales [MSEK]*	11,666	11,222	10,678
Comparable Group operating profit [MSEK]*	3,365	3,158	2,900
Economic value distributed [MSEK]**	10,645	12,408	12,962
Economic value retained [MSEK]**	1,385	1,869	1,368

* 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 2009 and 2010 include businesses transferred to STG on Oct 1, 2010.

Environmental performance	2011	2010	2009
Total number of ISO 14001 certified manufacturing facilities	9	7	7
Total energy (direct and indirect) purchased [MWh]	180,552	180,280	175,448
Total energy (direct and indirect) purchased [MWh per MSEK sales]	55.7	57.8	59.2
Total electricity purchased [MWh]	67,833	67,256	66,688
Total waste [metric tons]	56,084	63,711	59,696
Total waste [metric tons per MSEK sales]	4.8	5.7	5.6
Hazardous waste [metric tons]	884	929	882
	2010	2009	2008
Total direct and indirect greenhouse gas emissions [metric tons]	38,234	37,037	38,079
Total direct and indirect greenhouse gas emissions [metric tons per MSEK sales]	3.4	3.5	4.0

Employee and Social performance	2011	2010	2009
Total workforce (including temporary workers)*	4,134	4,244	8,865
Gender distribution within total workforce [% of females]*	38	38	45
Injury rate [per 100 employees per year]*	1.57	1.61	0.80
Occupational diseases rate [per 100 employees per year]*	0.47	1.76	0.91
Lost days rate [per 100 employees per year]*	71.33	83.88	44.69
Absentee rate [% of working days per year]*	3.3	3.3	1.6
Employees (including temporary workers) receiving a formal performance review [%]*	56	53	29
Gender distribution in board [% of females]**	33	40	40
Suppliers undergone screening on social commitment [%]	95	83	n/a

* Numbers for 2009 include businesses transferred to STG on Oct 1, 2010.

** Including employee representatives but not deputy employee representatives.

A few highlights in 2011

- Improved disclosure score in the Carbon Disclosure Project (CDP).
- Continued sustainability reporting according to the Global Reporting Initiative (GRI).
- New packaging for Scandinavian mini portion snus, using approximately 21 percent less plastic.
- Employee survey conducted - for the first time on a global basis.
- Brazilian Environmental Institute: Biosfera award for performance tied to good environmental practices/sustainable development in Brazilian operations.
- Employer branding prize "New thinker of the Year" received from Universum, recognizing the Swedish operations' employer branding efforts.
- Eco efficiency measures expanded throughout the organization, resulting in ongoing cost savings.
- Environmental target setting process initiated within the Environmental Council.
- The Company is listed on the OMX GES Sustainability Sweden Index.

⁴ Certain figures for economic data using GRI methodology do not 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. Certain figures for employee related data using GRI methodology do not correspond to workforce breakouts in the annual report due to differences in methodologies.

Swedish Match and sustainability

Sustainability is an important part of the Group's strategy for growth and value creation. Sustainability activities make Swedish Match more competitive and help to reduce long term costs and risks. Much of the focus centers around manufacturing, purchasing, transport, and distribution, as Swedish Match sees these areas as having some of the greatest impacts on the Group's business, cost structure, flexibility, and competitiveness.

For Swedish Match, corporate sustainability means conducting business in a way that provides long term benefits for the Company, mindful of the world around us. It means listening to the Company's stakeholders and adapting how we work and what we do, to be a sustainable and profitable company recognizing the changing needs of all stakeholders. While the economic, environmental, and social issues the Company faces may change, the foundation of the Company's sustainability work remain constant.

Sustainability strategy

The Swedish Match sustainability strategy involves using a systematic approach, in order to provide improved transparency and a focus on business operations. Swedish Match will maintain a focus on efficiently producing and selling products that consumers desire, with a high quality and value relationship, mindful of the Company's responsibilities in terms of economic, environmental, and social issues. Swedish Match will continue to engage in an open dialogue with its principal stakeholders, in order to help ensure a long term, sustainable business model as the global smokefree leader.

Sustainability organization

The SVP Corporate Communications and Sustainability, who reports to the CEO, is responsible for the Corporate Sustainability function and for communicating sustainability issues internally and externally. The SVP Corporate Communications and Sustainability provides status updates to the Group Management Team (GMT) on a periodic basis as well as to the Swedish Match Board of Directors at least once per year.

The corporate sustainability team within Swedish Match AB is responsible for compiling information of key performance indicators and other aspects and communicating that information to relevant personnel within Swedish Match, and, on a selected basis, to stakeholders outside the Company. The team is also responsible for ensuring continuous stakeholder dialogue with the Group's identified priority stakeholders.

The corporate sustainability team works very closely with two active, ongoing decision making bodies: the Environmental Council, which consists of managers trained in environmental and quality systems and reporting for the various production units, and the Human Resources (HR) Council, consisting of the heads of Human Resources of the various operating units. Both these councils are comprised of individuals representing all product areas and local production units.

The corporate sustainability team also works very closely with other functions and individuals across the Company, such as Finance, Legal, Marketing/Sales, Public Affairs, Purchasing, R&D, as well as Supply Chain.

Stakeholder engagement

Swedish Match maintains an active dialogue with its various stakeholders. In 2010, the Company conducted an internal stakeholder identification analysis in order to identify and prioritize key stakeholders to the organization. Consumers, customers, employees, regulators/the scientific community, shareholders, and suppliers were recognized as prioritized stakeholders.

Consumers

Swedish Match consumers are adults who use smokeless tobacco products, cigars, matches, and 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 partnership with 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 Middle East, Africa, and Asia.

Customers

Swedish Match's primary customers are wholesalers and selected retailers of tobacco and fire related 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.

Employees⁵

In 2011, Swedish Match employed 4,134 people, of whom 38 percent were women, with the largest number of employees in the US and the Dominican Republic followed by Sweden and Norway, Brazil, the Philippines, and the Netherlands.

Regulators/scientific community

Swedish Match's primary business is tobacco, a high regulated industry with specific rules and regulations. Swedish Match strives to uphold an open dialogue with regulatory authorities, policymakers, and the scientific 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.

Shareholders

The majority of Swedish Match's shareholders are located in the US, the UK, and Sweden. At year-end 2011, ownership outside of Sweden corresponded to approximately 76 percent of total share capital. Swedish ownership interests, totaling approximately 24 percent, were distributed among institutions, mutual funds, and private individuals.

Suppliers

The largest suppliers to Swedish Match are involved in the purchase of tobacco. The Company buys tobacco for its production of smokefree products from a small number of suppliers, who are all major international organizations. The Company sources forestry and paper products for its match production from a small number of suppliers, increasingly from Forest Stewardship Council (FSC) certified sources. For indirect materials, the supplier base is larger and more local.

Materiality analysis

In 2011, the Company repeated its 2010 efforts and sent out a sustainability survey to prioritized stakeholders, with the goal to determine which aspects of sustainability are the most important and/or have the most impact on Swedish Match today, and in the future. The majority of the sustainability issues included in the survey was chosen in accordance with the Global Reporting Initiative while a few additional issues were added based on further internal considerations.

All stakeholders were asked to assess *the importance* of various sustainability issues while chosen internal stakeholders – the General Management Team (GMT) as well as members of the Environmental Council and the Human Resources (HR) Council – were asked to assess *the impact* of the sustainability issues on Swedish Match's operations in 3-5 years. The input from this stakeholder dialogue was used when performing the materiality analysis, which was carried out internally within the corporate sustainability team. A number of issues were selected for target and activity setting as well as reporting. Selection was based on the stakeholder survey results with stakeholders' assessment of importance and impact of sustainability issues (see matrix), as well as on the feasibility and reliability of data collection.

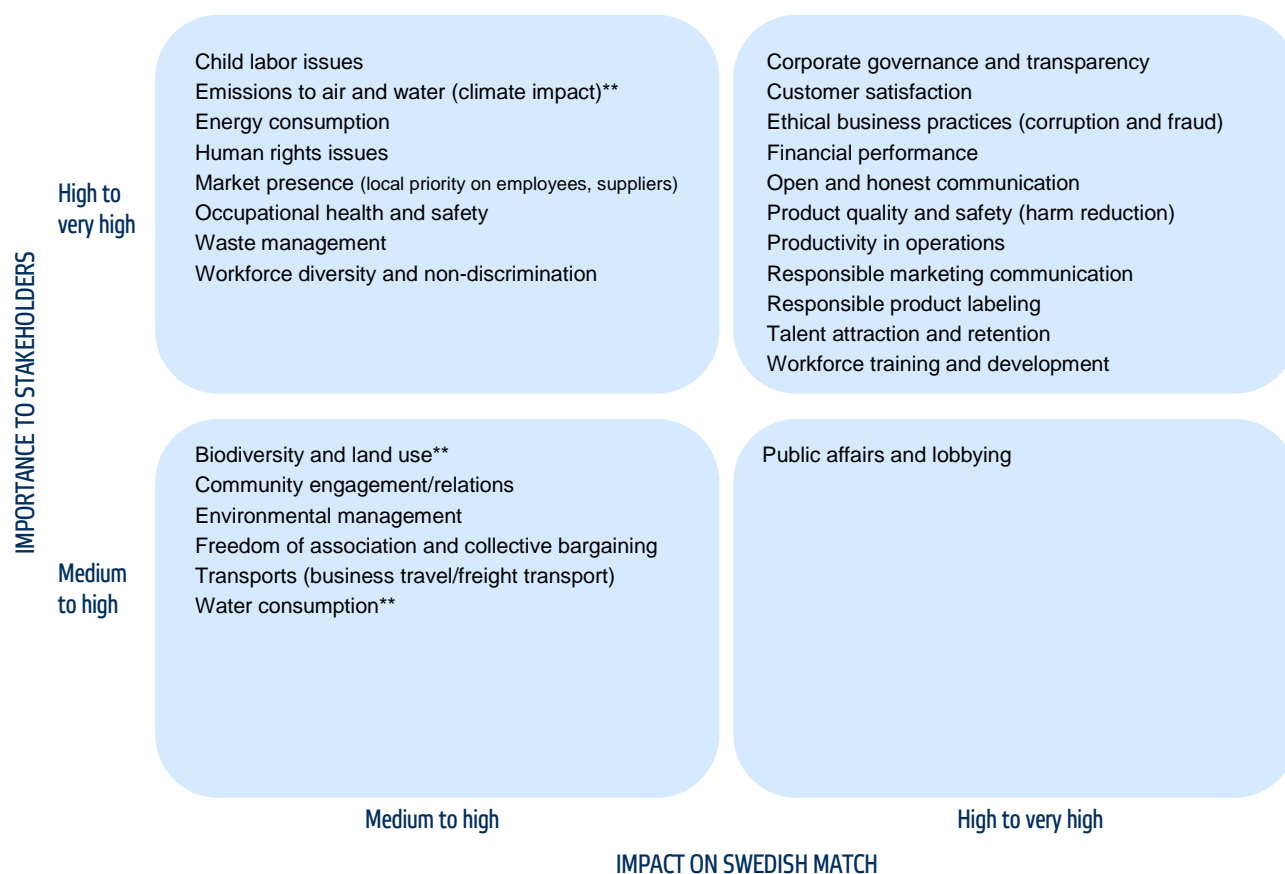
Results for 2011 are very analogous to those in 2010. In most cases the results illustrate that there is a high match between importance and impact assessment, i.e. issues that stakeholders deem important are also deemed by Swedish Match to have a high impact on the Company's operations.

⁵ Due to differences in methodologies, the total workforce presented in this reporting document does not correspond to workforce breakouts in the annual report. In the annual report 2011, the average number of employees in the Group was 3,880 for 2011.

Issues ranking high on both importance and impact are essential input when selecting issues for reporting. Within economic responsibility, *Financial performance* and *Productivity in operations* scored highest. For social responsibility, *Customer satisfaction*, *Product quality and safety (harm reduction)*, *Responsible marketing communication*, and *Responsible product labeling* are ranking high. Within employee responsibility, high ranking factors include *Ethical business practices (corruption and fraud)*, *Talent attraction and retention* as well as *Workforce training and development*. Also, the issues of *Corporate governance and transparency* and *Open and honest communication* were ranked as having a high score.⁶

In 2011, the issue *Market presence* was ranked as having a higher importance and less impact compared to 2010 and thus moved from the bottom right square to the upper left square in the four square matrix below. Also, the three issues of *Biodiversity*, *Emissions to air and water*, and *Water consumption* were ranked as having lower impact on the Company's operations compared to 2010. Even though they are included in the matrix, the issues do currently not hit the standard for medium impact. The reason for keeping these three issues in the matrix is that Swedish Match's management believes that the issues still need to be tracked and recognized.

Swedish Match sustainability materiality matrix 2011*



* Issues within each square are presented in alphabetical order.

** Issue ranks lower than medium on the impact-axis, but is included in the matrix as Swedish Match's management believes it still needs to be tracked and recognized.

⁶ The issues *Corporate governance and transparency* and *Open and honest communication* are not discussed in this document. To read more about Swedish Match and Corporate Governance, please refer to <http://www.swedishmatch.com/en/Corporate-Governance/>, as well as the annual report 2011 at <http://www.swedishmatch.com/en/Investors/Publications/Annual-reports/>.

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. Some policies are only available internally for Swedish Match's employees. Externally available policies are:

- The Code of Conduct
- Corporate Communications Policy
- Group Policy on Fraud Response
- Group Environmental Policy

During 2011, an internal "policy program" was initiated in terms of communicating the policies to all employees. Shortened versions of Swedish Match's policies have been published on the Company's Intranet in order to facilitate understanding and to remind employees of the importance and content of the policies.

The Code of Conduct

The Swedish Match *Code of Conduct*, established in 2004, is the foundation for the Group's position in areas related to corporate sustainability. The Group's commitment to social responsibility and environmental issues is supported by its core values – innovation, recognition, growth, communication, teamwork, and trust. These values are central to Swedish Match's business ethics and, as such, they are demonstrated in all relations with stakeholders and are a natural part of the way the Company conducts business.

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

The *Code of Conduct* consists of a number of policies related to workplace practices and employees, social responsibility, and the environment.

Workplace practices and employees

- Workplace practices (including health and safety, recruitment, and remuneration)
- Business ethics (including corruption and fraud, gifts, loans, related party transactions, honest and ethical conduct, conflict of interest, and compliance with laws)
- Communication (including designated spokespersons, public reporting and communication, and internal reporting of critical information)

Social responsibility

- Society at large (including human rights, child labor)
- Suppliers (including supplier commitment, the *Group Procurement Policy*)
- Customers and marketplace (including the Company's tobacco policy)
- Joint ventures, partnerships, and associated companies

Environment

- Guidelines and policy to ensure continuous environmental improvement and prevention/education of reducing the potential negative environmental impact resulting from the Group's activities

The Company policies comply with international conventions and guidelines on human rights and labor conditions. The international conventions and guidelines referred to here are the UN's Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, the central ILO conventions, and OECD's Guidelines for Multinational Enterprises.

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 and demonstrates respect for indigenous cultures and traditions in these countries.

The *Code of Conduct* is applicable to all Group employees, regardless of position. All Swedish Match companies and employees shall comply with the *Code of Conduct* even if it stipulates a higher standard than required by national laws or regulations. Every employee has a personal responsibility to make sure that actions taken comply with both the words and the spirit of the *Code of Conduct*. Management has an additional responsibility to foster a culture of compliance with the Code. Every manager in the Group has an obligation to ensure that employees are informed about the *Code of Conduct*.

Individual company policies in the business must always conform to the principles stated in the Code. Violations of the *Code of Conduct* will lead to disciplinary actions.

Reviews

To ensure an ongoing high level of business ethics within the Group, the *Code of Conduct* is reviewed and approved annually by the Board of Directors. 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 and other stakeholders affected by the *Code of Conduct* are aware of, understand, and comply with its content.

Reviews, which are conducted by the external partner AON (an international risk management company), primarily comprise an examination of the Group's operating units. Facilities are reviewed at least once every second year according to an established schedule. The reviews include implementation of the Code as such, with evaluations in the areas of social responsibility, workplace practices, business ethics, communication, and the environment. Topic areas include human rights, child labor, forced labor, supplier contracts, as well as health and safety matters. Based on the results, the external partner presents recommendations if needed. Possible identified areas for improvement are re-evaluated the following year.

The conclusions of the reviews are reported to the 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. The SVP Corporate Communications and Sustainability is responsible for further development and revision of the Code.

Whistleblower function

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 in the Group with the opportunity to report any suspicion of infringement of Group policies. Such suspicions can be submitted – anonymously – to an appropriate manager, or the Chairman of the Audit Committee. The "whistleblower" function can easily be accessed through the Swedish Match Intranet site.

In 2011, there were no reported infringements of Group policies using the "whistleblower" function.

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 the 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 employees are required to maintain a culture of honesty and opposition to 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 employee and to facilitate the reporting of any possible irregularities, the Company undertakes to protect the 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 *Group Policy on Fraud Response* ensures a safe process to “blow the whistle” and enables staff to raise any serious concerns they may have. When an employee is faced with a tough ethical decision or whenever they have any doubts as to the right thing to do, they should talk to someone else such as their manager, another manager, or the SVP of Legal Affairs. Employees are required to report concerns about suspected fraud, corruption or violation of laws, rules and regulations to an appropriate manager. Fraud or violation may also be reported, anonymously, to the Chairman of the Audit Committee.

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

Group Environmental Policy

The environmental ambition of Swedish Match is to strike a balance whereby the Group consistently achieves its commercial objectives while recognizing the requirements of investors, customers, and other stakeholders concerning environmental issues. To help to fulfill its ambition, Swedish Match has adopted an environmental policy that applies to all aspects of the Group's operations. The purpose of the policy is to ensure that Swedish Match commits itself to continual environmental improvement and reduces the potential negative environmental impacts in its activities, products and services. The Group operates an Environmental Management System (EMS), applicable to corporate, operating unit, and factory levels, which will safeguard that, commitment is continuously maintained. The Group is committed to compliance with all relevant environmental legislation, regulation, and other requirements to which it subscribes.

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

Economic responsibility



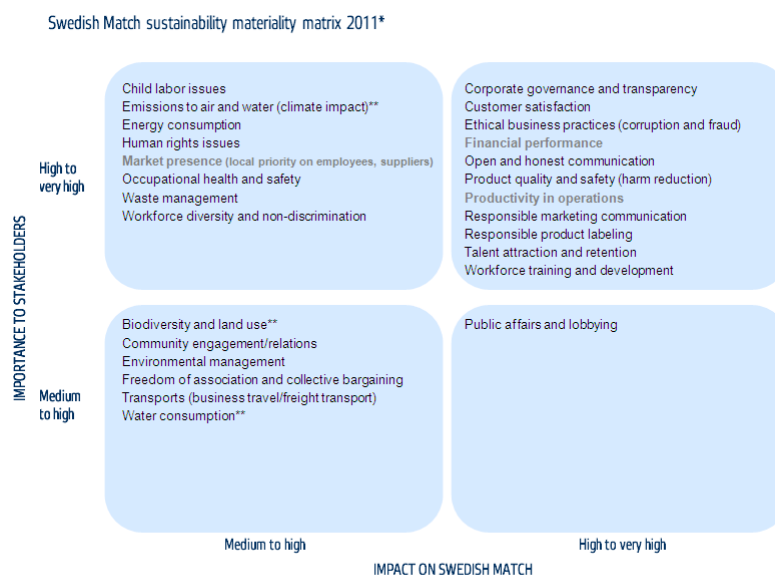
Swedish Match and economic responsibility

The economic dimension of sustainability at Swedish Match concerns the Company's impacts on the economic conditions of its stakeholders and on economic systems at local, national, and worldwide levels.

Improved profitability and a greater value generation and distribution are fundamentals when creating conditions for long term sustainable development. From a financial perspective, in order to ensuring long term economic sustainability and financial performance, Swedish Match will follow strategies toward positioning the Company to become the global smokefree leader, leveraging strong platforms to maximize long term profitability in Other tobacco products, while continuing to focus on operational excellence and profitability in Lights. The Company will also play an active role in working with its partners and associated companies for future organic growth.

Economic performance indicators

During 2011, as part of its ongoing stakeholder dialogue, Swedish Match's prioritized sustainability stakeholders were asked to provide input into economic/financial areas that they believed to be the most important for Swedish Match. Results show that Swedish Match's stakeholders believed that *Financial performance* and *Productivity in operations* are areas of high importance. *Market presence (local priority on employees, suppliers)* is also ranked as having a high importance.



* Issues within each square are presented in alphabetical order.

** Issue ranks lower than medium on the impact-axis, but is included in the matrix as Swedish Match's management believes it still needs to be tracked and recognized.

Swedish Match's (the General Management Team) view is also that the two issues having the highest impact on the Company's operations are *Financial performance* and *Productivity in operations*. *Market presence (local priority on employees, suppliers)* is ranked as having a medium impact on the Company's operations.

With input from this stakeholder assessment, Swedish Match has decided to track and report on the following environmental topics:

- Financial performance
- Market presence

Financial performance⁷Group results full year 2011⁸

Comparable sales amounted to 11,666 MSEK (11,222). In local currencies, sales increased by 8 percent. Comparable operating profit amounted to 3,365 MSEK (3,158). In local currencies, comparable operating profit increased by 11 percent. Operating profit was 3,702 MSEK (4,169) including businesses transferred to STG, share of net profit from STG, and larger one time items*. Profit before income tax amounted to 3,180 MSEK (3,607). Profit for the period amounted to 2,538 MSEK (2,958). EPS (basic) was 12.14 SEK (9.92, or 13.12 including larger one time items).

*Larger one time items include reversals of amortizations and depreciations relating to assets held for sale in 2010, as well as a net gain from pension settlements, and a capital gain from the transfer of businesses to STG.



¹⁾ Operating profit adjusted for depreciation, amortization and write-downs of tangible and intangible assets.

²⁾ Operating profit adjusted for amortization and write-downs of intangible assets.

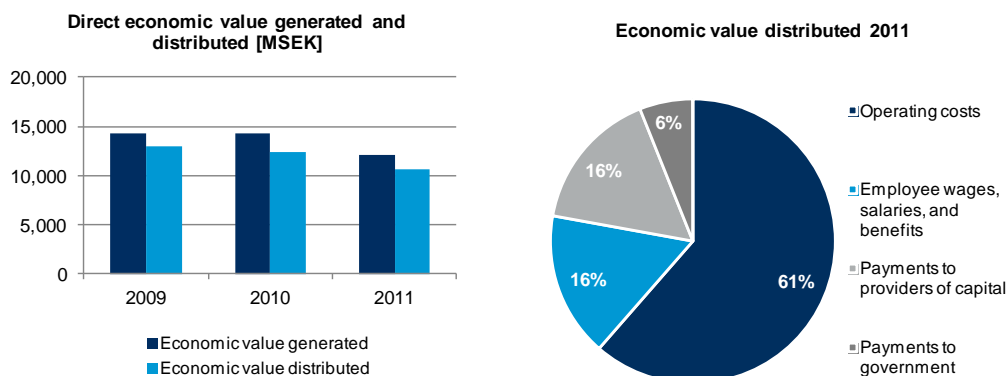
³⁾ Including investments in forest plantations of 24 MSEK (24).

⁷ To download Swedish Match's financial fact sheet, please refer to <http://www.swedishmatch.com/en/Our-company/Financial-fact-sheet/>. 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/>.

⁸ Earnings per share, as presented in one of the charts, include larger one time items.

Creating value for stakeholders⁹

Swedish Match helps to create economic prosperity in society and economic development among its stakeholders, both directly and indirectly. The economic value generated and distributed by Swedish Match benefits the Company's stakeholders. Employees receive wages, salaries, and other benefits; suppliers benefit from payments for delivered goods and services; the governments benefit from tax revenues; customers and consumers benefit from high-quality products; and shareholders benefit in the form of dividends. Swedish Match's involvement in community projects contributes to local economies.



By paying taxes in the countries in which the Company is active, Swedish Match contributes to national economies and to economic prosperity.

Market presence

Locally-based suppliers

In accordance with the *Group Procurement Policy*, Swedish Match treats all its suppliers and business contacts fairly and impartially. The Company seeks to work with suppliers who have a healthy long term financial situation, and seeks stable long term relations with suppliers with whom the Company can develop goods and services through mutual collaboration. Procurement primarily chooses suppliers who support Swedish Match's long term requirements regarding quality, service, economy, ethics, and environmental approach. Although Swedish Match is an important contributor to the business life in the regions in which the Company operates, local suppliers are not favored exclusively on the basis of being local.

Local workforce and recruitment

According to the *Swedish Match Code of Conduct*, Swedish Match is committed to equality of opportunity in all of its employment practices, policies, and procedures. In accordance with the *Group Policy on Recruitment, Introduction and Termination of Employees*, all positions in the Group shall be filled with skilled and competent personnel irrespective of race, color, nationality, ethnic origin, age, religion, political view, gender, sexual orientation, marital status, disability, or other status. In countries where Swedish Match operates, local residents represent the recruiting base from which the Company recruits. Swedish Match is in favor of local management in each country since these people are deemed to have the best knowledge of local conditions.

⁹ Certain figures for economic data using GRI methodology do not correspond to figures reported in the annual report. This is due to definitions set forth by GRI which may differ from Swedish Match's reporting under the IFRS methodology. Also, economic data for 2009 and 2010 presented in this document include those businesses transferred to STG on October 1, 2010. As a result, certain figures are not comparable between 2011 and the prior years.

Environmental responsibility



Swedish Match and environmental responsibility

For Swedish Match, environmental responsibility implies working conscientiously and responsibly to reduce the Group's negative environmental impacts.

Although the production processes and raw materials used in the tobacco industry generally 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 Group as well as cut down on the Group's potential negative impacts on the environment. Approximately 80 percent of the raw materials used within the Group are renewable, and environmentally harmful substances are only handled to a limited extent during production.

Swedish Match welcomes the development of increased environmental awareness and sees it as an incentive for the Group to continuously improve and find new ways to reduce its negative environmental impact.

Group Environmental Policy

The *Group Environmental Policy* is designed to ensure that Swedish Match achieves a balance whereby the Group consistently reaches its commercial objectives while addressing the environmental requirements of shareholders, customers, and other stakeholders. The main purpose of the *Group Environmental Policy* is to ensure that the Group commits itself to continuous environmental improvement with the aim of prevention/reduction of negative environmental impacts in its activities. The policy also ensures that the Group operates an Environmental Management System (EMS), applicable on corporate, operating unit, and factory levels, which will safeguard that commitment is continuously maintained. Through the EMS, the Group has the tools to identify, track, and target its environmental indicators. Also, the environmental policy provides for monitoring and communicating key performance indicators (KPIs) for environmental factors, which are deemed to be of high importance by both Swedish Match and its stakeholders. Ongoing measurement and reporting of these KPIs will facilitate continuous improvements.

The environmental policy demonstrates commitment by the Group to comply with all relevant environmental legislation, regulations, and other requirements to which it subscribes. The policy also ensures that the Group commits itself to continual correspondence and documentation of any changes of environmental impact due to its activities, products, and services. Under the environmental policy, the Group will undertake 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.

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 Environmental Council, and presents environmental 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 EMS throughout the organization.

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 performance indicators

During 2011, as part of its ongoing stakeholder dialogue, Swedish Match's prioritized sustainability stakeholders were asked to provide input into environmental areas that they believed to be the most important for Swedish Match. Results show that Swedish Match's stakeholders believe that *Emissions to air and water (climate impact)*, *Energy consumption*, and *Waste management* are issues of high importance.

Swedish Match (the General Management Team as well as members of the Environmental Council) is of the view that the two issues having the highest impact on the Company's operations are *Energy consumption* and *Waste management*. Other issues having a moderate impact to the Company's operations are *Transports (business travel/freight transport)* and *Environmental management*. *Biodiversity and land use*, *Emissions to air and water (climate impact)*, and *Water consumption* are assessed as having less impact on the Company's operations.

With input from this stakeholder assessment, Swedish Match has decided to track and report on the following environmental topics/key performance indicators (KPIs):

- Environmental management (ISO 14001 certifications)
- Energy consumption (total energy, electricity)
- Greenhouse gas emissions (CO₂)
- Waste management (total waste, total waste *excluding biomass*, hazardous waste)
- Water use (withdrawals and discharges)



The Company measures prioritized KPIs on a factory level – both in absolute numbers as well as per unit of output produced. Results are reported per unit of output by weight for smokefree products (snus, moist snuff, and chewing tobacco), as well as per unit of output for mass market cigars and lights products (lighters and matches). Where applicable, totals are presented in relation to total Company sales as well as per employee.

Environmental targets

Swedish Match continuously works to improve upon its environmental footprints. Efforts should be carried out locally and targets should be formulated based on identified environmental impacts. All targets should be clear, measurable, and consistent with the Swedish Match *Group Environmental Policy*.

During 2011, an environmental target setting process was initiated by the Environmental Council, whereby long term targets within the prioritized environmental areas – energy consumption, greenhouse gas emissions, waste management, and water use – were set for 2016 (five year horizon) on a factory level and per unit of output. Through the Environmental Council, representatives from all operating units set their own factory level targets and activities for the following six KPIs, per unit of output produced:

- Total energy consumption [MWh/unit of output produced]
- Electricity [MWh/unit of output produced]
- CO₂ emissions
- Total waste [metric tons/unit of output produced]¹⁰
- Hazardous waste [metric tons/unit of output produced]
- Withdrawal and discharge of water from and to sensitive areas

The baseline used for setting 2016 targets within energy consumption, electricity, total waste, and hazardous waste, was average data per manufacturing facility for 2010 and 2011. For CO₂ emissions, baseline was data for 2008.

Environmental KPI targets and results are reported per unit of output produced on an aggregate product level:

- Smokefree products (snus, moist snuff, and chewing tobacco), which covers the manufacturing facilities in Kungälv and Göteborg (Sweden), as well as Owensboro (the US). Output is measured by weight, in metric tons produced.¹¹
- Mass market cigars, which covers manufacturing facilities in Dothan (the US) as well as Santiago (the Dominican Republic). Output is measured in millions of cigars produced.¹²
- Lights products (lighters and matches), which covers match manufacturing facilities in Tidaholm and Vetlanda (Sweden), Curitiba and Pirai do Sul (Brazil) as well as lighter manufacturing facilities in Assen (the Netherlands), Manaus (Brazil), and Manila (the Philippines). Output is measured in billions of matches or millions of lighters produced.¹³

¹⁰ For match production, total waste is tracked *excluding biomass*, as this is a “positive waste” - used for incineration to generate district heating (biofuel) for local communities.

¹¹ By weight, production of smokefree tobacco (snus, moist snuff, chewing tobacco) has declined slightly from 2009 to 2011. Production of snus and moist snuff has been affected by a product mix shift toward lighter weight products as well as toward pouch products instead of loose products, resulting in a lower total output. Production of chewing tobacco has declined in line with a declining market.

¹² Production of mass market cigars has increased significantly from 2009 to 2011.

¹³ Production of lighters has increased from 2009 to 2011, while production of matches has declined.

In the table below, all targets for 2016 are listed per product area and per unit of output.

Topic	KPI	Product area	Target 2016	Unit
Energy consumption	Total energy consumption	Smokefree products	3.9	MWh/ metric tons produced
		Mass market cigars	12.9	MWh/ Mio cigars produced
		Matches	937.0	MWh/ Bio matches produced
		Lighters	39.6	MWh/ Mio lighters produced
	Electricity	Smokefree products	1.5	MWh/ metric tons produced
		Mass market cigars	11.5	MWh/ Mio cigars produced
		Matches	152.3	MWh/ Bio matches produced
		Lighters	37.4	MWh/ Mio lighters produced
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)	
Waste	Total waste	Smokefree products	0.16	metric tons/ metric tons produced
		Mass market cigars	2.03	metric tons/ Mio cigars produced
		Matches, <i>excluding biomass</i>	31.90	metric tons/ Bio matches produced
		Lighters	0.92	metric tons/ Mio lighters produced
	Hazardous waste	Smokefree products	0.001	metric tons/ metric tons produced
		Mass market cigars	0.008	metric tons/ Mio cigars produced
		Matches	11.075	metric tons/ Bio matches produced
		Lighters	0.046	metric tons/ Mio lighters produced
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)	

Environmental management

Swedish Match works systematically on environmental and quality issues in operations that have an environmental impact. Swedish Match has adopted a *Group Environmental Policy* that encompasses all aspects of its operations. The policy is based on the principles of the environmental standard ISO 14001 and is available to both external and internal stakeholders on the Group's website and Intranet. Due to diversity of Swedish Match activities, subordinated environmental policies are formulated for each operating unit.

The majority of Swedish Match's production facilities, with products accounting for more than 90 percent of Company sales of its own produced products, are certified according to the environmental management standard ISO 14001 as well as the quality management systems standard of ISO 9001. Of 12 production facilities, ten have ISO 9001 certification and nine have ISO 14001 certification. In December 2011, Swedish Match's match factories in Tidaholm and Vetlanda were certified according to ISO 9001 and ISO 14001.

Basic environmental education is a requirement according to the environmental management standard ISO 14001. The main purpose of the education provided at Swedish Match is to promote environmental awareness among the staff and to meet the ISO 14001 standard's requirement which states that the employees should have knowledge of EMS and the Company's routines.

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

Mass market cigars

Factory	Country	Products	Certification	Year of certification	Accreditor
Dothan	The US	Mass market cigars	ISO 9001	2002	SAI
			ISO 14001	2003	SAI
Santiago	The Dominican Republic	Mass market 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
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 Certifying
			ISO 14001	2011	SFK Certifying
Vetlanda	Sweden	Splint, print	ISO 9001	2011	SFK Certifying
			ISO 14001	2011	SFK Certifying

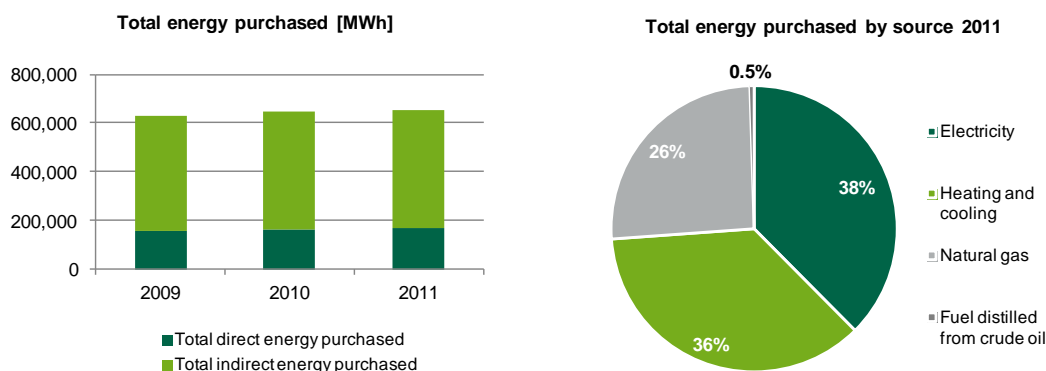
Energy consumption

Approximately 74 percent of Swedish Match's total energy consumption is sourced from intermediate energy sources (indirect energy consumption¹⁴). Electricity constitutes around 51 percent of the total amount of indirect energy purchased and consumed, and 38 percent of total energy purchased and consumed. In Sweden, all electricity purchased and consumed by Swedish Match is "green"/environmentally friendly. Heating and cooling constitutes around 49 percent of the total amount of indirect energy purchased and consumed, and 36 percent of total energy purchased and consumed.

Approximately 26 percent of the Company's energy consumption is sourced from primary energy sources used for the Company's own consumption (direct energy consumption¹⁵). All direct energy comes from natural gas and oil, i.e. non-renewable energy sources. Natural gas constitutes around 98 percent of total indirect energy purchased and consumed, and 26 percent of total energy purchased and consumed.

¹⁴ Indirect energy is defined as energy produced outside the Company that is consumed to supply energy for the Company's intermediate energy needs (e.g. electricity or heating and cooling).

¹⁵ Direct energy is defined as energy sources purchased by the reporting organization for its own 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.

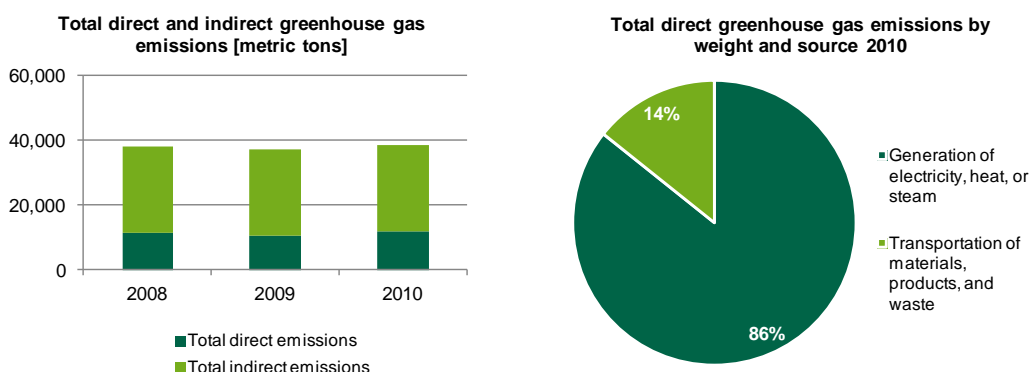
During 2010 and 2011 the following initiatives were completed in the Company’s factories: in Manila, all fluorescent bulbs have been replaced with LED lamps (light emitting diodes); in Assen, all light bulbs in the warehouse and molding department have been changed. In Owensboro, linkage boiler burner controls are planned to be replaced with Servo controls during 2012.

Greenhouse gas emissions (CO₂)

Swedish Match works purposefully on various improvement activities and projects in order to limit its emissions of greenhouse gas. Emission reduction programs are in place for all business units certified according to ISO 14001, and systematic reduction programs have been in place since 1999. Emission reduction programs pertain mainly to energy consumption in production facilities and to fuel consumption related to transports. The Company is participating in the Carbon Disclosure Project (CDP), which maps companies’ CO₂ emissions. During 2011, the Company improved its disclosure score in this project covering the 2010 calendar year.

Every factory has its own target and/or activities in order to limit its greenhouse gas emissions per unit of output produced. On an aggregate factory level, the Company’s KPI target is to stay at or below baseline for CDP Scope 1 (direct emissions) and Scope 2 (indirect emissions).

In 2010, approximately 70 percent of Swedish Match’s total CO₂-emissions (Scope 1 and Scope 2 as defined by CDP) were indirect, and 30 percent was defined as direct emissions. The majority of the emissions are generated through electricity, heat, or steam (86 percent in 2010), while a smaller part was generated by transportation of materials, products, and waste (14 percent in 2010).



As the vast majority of production of the Company’s primary products (Snus and snuff as well as Other tobacco products) are produced and sold in the same geographic area (Scandinavia or the US/the 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.

*Examples of recent emission reduction initiatives**

Activity	Activity type	Location	Payback period
Educate employees about the importance to act responsibly towards the environment	Behavioral change	All ISO certified factories	>3 years
Replace all fluorescent bulbs with LED lamps (light emitting diodes)	Energy efficiency	Manila	1-3 years
Change light bulbs in warehouse and molding department	Energy efficiency	Assen	1-3 years
Replace linkage boiler burner controls with Servo controls	Energy efficiency	Owensboro	<1 year
Install new global video conference equipment and global support & education in order to facilitate the use of video conference.	Behavioral change	Global	

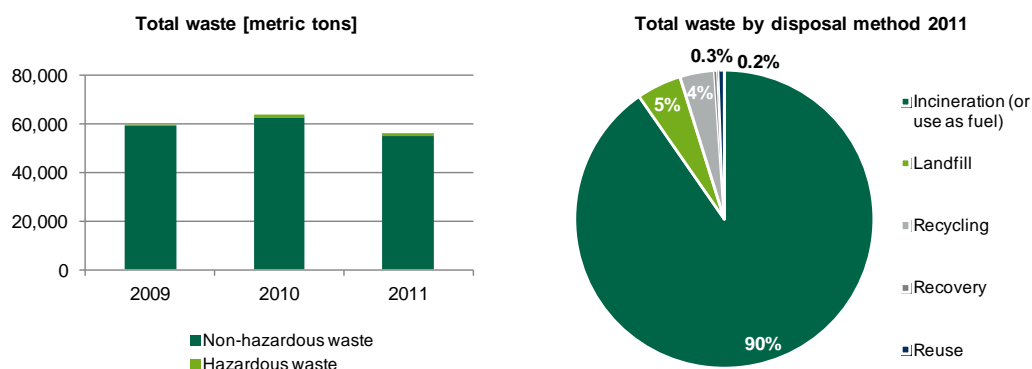
*As reported to CDP in 2011 for the calendar year 2010.

Waste

Swedish Match continuously works to reduce its production of waste, in total or per unit of output produced, as applicable. Swedish Match measures its waste production and disposal method, and reports on waste for each major product area for which Swedish Match has wholly owned production.

For match production, 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.

Around 90 percent of the Company’s total waste refers to incinerated waste from the Company’s match factories in Sweden and Brazil. In 2011, incinerated waste as well as waste used as landfill has been reduced compared to 2010. The reduction of waste used as landfill is the result of increasing efforts in recycling within the US production facility of mass market cigars.



Hazardous waste¹⁶

Environmentally harmful substances are only handled to a limited extent during production. Around 2 percent of Swedish Match waste has been identified as hazardous in 2011, a reduction of 5 percent compared to 2010. Almost all hazardous waste is generated in the Company’s match production facilities.

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.

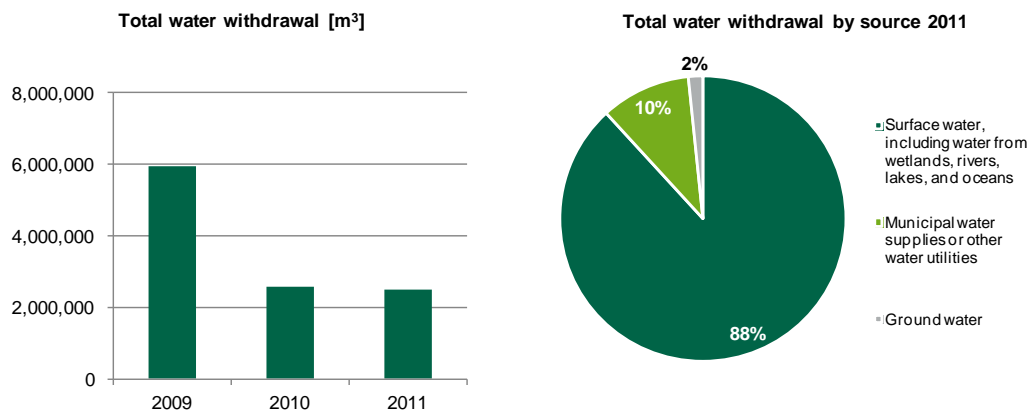
Water use

The Group neither withdraws water from any water source that is significantly affected by the water withdrawal, nor discharges water into sensitive water bodies. The Company’s target for water use is to have

¹⁶ In accordance with GRI, Swedish Match defines hazardous waste according to national legislation.

a level of zero in terms of the withdrawal or discharges of water affecting sensitive water bodies (using the GRI description of sensitive water bodies).

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. Nearly all water withdrawals from surface water take place in the Company's poplar farms in Brazil.



Sustainable products and packaging

For Swedish Match, sustainable product responsibility means delivering the best possible product with a minimum of waste. The Group works to minimize packaging while introducing continuous improvements that not only deliver outstanding consumer value, but also reduce the negative environmental footprint, and adhere to standards of quality. For Swedish snus, that means minimizing packaging and waste, while adhering to standards such as the **GOTHIA TEK**[®] quality standard, as well as the ISO 14001 and ISO 9001 standards.

Swedish Match strives to use environmentally friendly materials in its packaging. For both Swedish snus and US moist snuff, the plastic cans and lids are made from polypropylene (PP), recycling symbol #5. 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.

Examples of recent sustainable product and packaging initiatives

One example of the Company's environmental product/packaging improvement activities is the launch of the *Eco Cricket* lighter in June 2011 in certain European markets. The *Eco Cricket* is made with a minimum of 25 percent recycled colored nylon. It uses as little as possible of paints or inks and has no added color pigments in the body, resulting in unpredictable body color range. It has a nickel plated windshield (top cap) and no phosphate is used during the plating process (normal *Cricket* top cap is painted black). The *Cricket* logo is embossed in windshield instead of painted logo (white). Consumer packaging is minimized with less plastic and more recycled cardboard. For example, recycled cardboard is used for the trays holding the lighters. The energy consumption during the production process has also been reduced by 10 percent and no waste of nylon is generated.

Another example of more environmentally friendly packaging is the 2011 launch of a new snus can for mini white portion products. Compared with the earlier mini can, it contains about 21 percent less plastic, which leads to both a lighter weight product and the product taking up less space, thus reducing both packaging and transport costs.

Moreover, the Company has also launched the snus *General Green Harvest* in 2011, a limited edition snus that uses ecologically grown tobacco from certified farmers that grow their crops in line with organic principles. This means that no fertilizers or pesticides have been used.

Within the production of US mass market 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 Dothan is returned to the supplier, who then converts this 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.

Forestry and biodiversity

Timber sourcing and forestry is an important area for the Group in its environmental sustainability efforts. Swedish Match sources wood and maintains plantations for use in 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.

Timber sourcing and FSC in Sweden

In Sweden, Swedish Match uses aspen wood for the manufacturing of matches. The wood is mainly sourced from the southern part of Sweden (Götaland and Svealand, excluding the northwest of Dalarna). The largest volumes are purchased through large timber suppliers, such as from bigger wood companies like “Södra” and “Mellanskog”. Lower volumes of wood are sourced directly from individual forest owners. The Company uses approximately 25,000 m³ of aspen wood per year. Aspen is growing 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 (SMIAB, the Company’s entity which produces match products in Sweden) is since 2009 certified according to the FSC chain of custody standard and the standard for controlled wood. Post consumer recycled fibers in the cardboard for inner and outer match boxes together with FSC certified wood can be used for the production of match boxes with FSC claims. During 2011, the production of FSC certified boxes has more than doubled compared to 2010. The supply of FSC certified wood is increasing since several big forest companies are certifying their forest. Right now, SMIAB is introducing a multi-site chain of custody system, including 10 sales companies and agents in its certificate. The main advantage of a multisite chain of custody certificate is that the sales companies and agents will be allowed to promote FSC.

Timber sourcing and forest plantations in 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. The wood species that are planted are pine and poplar. The Company complies with all Brazilian regulations and legislations, which are extensive and rigorous.

The Company plants close to 500 hectares annually, representing more than 300,000 seedlings planted 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. In addition, areas adjacent to rivers are protected in accordance with the “Permanent Protection law” of Brazil.

Some examples of environmental monitoring and control in Brazil:

- For all pest and disease controls, only materials approved by Brazilian authorities are used. Furthermore, the Company has through the years 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 constantly monitored. A rich variety of different species can be found on the plantations.
- Water quality in rivers inside and adjacent to plantations is monitored, upstream as well as downstream. Until now, no toxic residuals have been identified which confirms that there is no water contamination.
- In the control of weeds, the use of herbicides has been replaced by winter intercropping (Lolium multiflorum) as natural weed control.

Swedish Match Brazil is 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 2012.

Swedish Match sources a very small percentage of global tobacco production (less than one percent), and, as such, relies on large, reputable international suppliers of tobacco. These 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.

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). FSC is a body which certifies that the paper comes from well managed forests and other controlled sources.
- 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.

During 2011, a project to install new global video conference equipment and global support and education was initiated in order to facilitate the use of video conference. Also, an internal communications sustainability project, using both Intranet and printed communications materials, was initiated during 2011. As an example, posters were developed and distributed to all offices and factories, which highlighted eco efficiency facts and smart environmental suggestions.

Green building policy

Swedish Match does not have a "green building policy" per se. However, when the Company expands, modernizes, or builds new manufacturing facilities, environmental technologies and principles of design are taken into consideration as part of its ongoing efforts to both reduce energy use and improve on its environmental footprint.

Climate change

In the tables below, those risks and opportunities that have potential to generate a substantive change in the Company's business operations, revenue or expenditure, are listed.

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 consequently 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

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. This could lead to difficulties in sourcing timber for match production.	Reduction/disruption in production capacity. Could lead to difficulties in sourcing timber for match production, including supply disruption and higher cost for raw materials (direct impact)	Unknown	Medium

Risks driven by changes in other climate related developments

Risk driver	Description	Potential impact	Timeframe	Magnitude of impact
Changing consumer behaviour	Minimal risk is related to the nature of the business. Tobacco consumption as such is not likely to be affected by climate change, but is related to other factors, like commercial risks (brand, quality, market development, consumer trends, and regulatory restrictions). One future challenge may be the consumers preferences regarding packaging since the numbers of varieties have increased steadily. Various initiatives 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 change in physical climate parameters

The Company does not anticipate any physical opportunities as a result of climate change because of few, if any, opportunities related to the tobacco industry as such. Opportunities are related to the development of the market, consumer trends, and regulatory restrictions. The Group's ability to adapt to market trends will determine the Company's success. Improvement of products image, by divulgation to the consumers of the effort that the Company has been doing to make products ecologically appropriate, with minimal negative impact on the environment, making Swedish Match's products preferable compared to the competitors.

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 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

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)	1-5 years	Low -medium

Employee responsibility

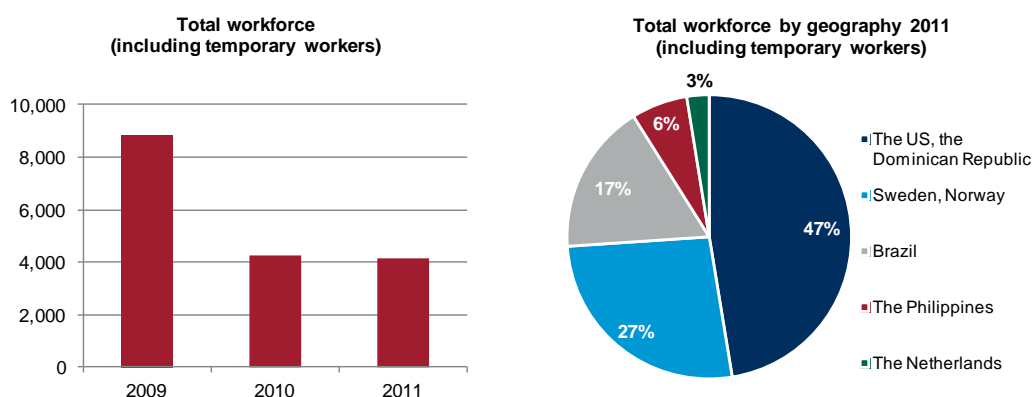


Swedish Match and employee responsibility

One of Swedish Match's success factors is the ability to attract, develop, and retain competent employees and simultaneously and successfully pursue efforts to motivate employees in Swedish Match for a strong and sustainable development of the Group. This is an ongoing priority in Swedish Match and was also a focus during 2011. A key objective is to continuously develop the competence of both employees and managers in order to strengthen the result oriented culture while contributing to the improvement and growth of the Group.

The Group is continuously dedicated to maintaining its employee focus and the prioritized work with performance, talent, and employee processes were strengthened even further in 2011. Swedish Match employees are dedicated to upholding the highest standards of ethics, improving their work, and producing and selling high quality products. Employees are also well versed in the Company's *Code of Conduct*, based on Company values, and are expected to work consistently within its framework.

In 2011, Swedish Match employed 4,134 people, of whom 38 percent were women, with the largest number of employees in the US and the Dominican Republic, followed by Sweden and Norway, Brazil, the Philippines, and the Netherlands.¹⁷



Employee related policies

The Code of Conduct

Workplace practices and employees is included as a separate section in the Company's *Code of Conduct*. Topics covered include:

- Workplace practices (health and safety, recruitment, and remuneration)
- Business ethics (corruption and fraud, gifts, loans, related party transactions, honest and ethical conduct, conflict of interest, and compliance with laws)
- Communication (designated spokespersons, public reporting and communication, and internal reporting of critical information)

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

Other Human Resources related policies

Swedish Match has a small number of policies concerning HR issues which are only available internally – i.e. to Swedish Match employees.

¹⁷ Due to differences in methodologies, the total workforce presented in this document does not correspond to workforce breakouts in the annual report. In the annual report, the average number of employees in the Group was 3,880 for 2011, 3,908 for 2010, and 3,826 for 2009 (excluding employees transferred to STG). In this document, employee related figures for 2009 include all employees transferred to STG on October 1, 2010 while employee related figures for 2010 and 2011 do not cover the new STG. As a result, certain figures are not comparable between 2009 and the following years.

One such policy is the *Group Policy on Compensation and Benefits*, which provides a framework that the Company believes ensures common behavior concerning remuneration issues and ensures appropriate governance processes.

Another HR related policy is the *Group Policy on Employee Development*, which 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.

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.

Human resources organization

The human resources organization supports the Group's efforts in managing talent and management development. The human resources organization continuously works to provide clear and consistent documentation of activities, while upholding employee practices consistent with the *Code of Conduct* and local laws and regulations, among other tasks.

The head of Group Human Resources, SVP Group Human Resources, is a member of the Group Management Team, and reports to the CEO. Local units are represented by dedicated HR professionals, who are members of the Human Resources (HR) Council, a council that ensures clear communication and coordination of efforts relating to the Group's employees.

Employee related performance indicators

During 2011, as part of its ongoing stakeholder dialogue, Swedish Match's prioritized stakeholders were asked to provide input into HR areas that they believed to be the most important for Swedish Match. Results show that Swedish Match's stakeholders believe that *Ethical business practices (corruption and fraud)*, *Occupational health and safety*, *Talent attraction and retention*, *Workforce diversity and non-discrimination*, as well as *Workforce training and development* are issues of high importance.

In line with stakeholders' views, Swedish Match (the General Management Team as well as members of the HR Council) is of the view that the three issues having the highest impact on the Company's operations are *Ethical business practices (corruption and fraud)*, *Talent attraction and retention*, and *Workforce training and development*.

With input from this stakeholder assessment, Swedish Match has decided to track and externally report on the following employee related topics:

- Talent attraction and retention
- Workforce training and development
- Ethical business practices (corruption and fraud)
- Occupational health and safety



Talent attraction and retention

Recruitment and talent attraction

Swedish Match is an organization that focuses on Employer Branding in order to maintain its position as an attractive employer and retain and attract a strong employee base. During 2011, efforts to recruit talents, both internally and externally, continued to secure the Company's competence base for both short and long term challenges. Swedish Match offers employees opportunities to grow and develop within the Group as well as international career opportunities. Empowerment is a key component of the Swedish Match culture and leadership style. Initiatives and result oriented actions are always 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.

Leadership and talent development

Successful leadership is a focus area for the Group. During the past year, some 100 leaders in the Group have been monitored closely by the Group management, the objective being to secure appropriate staffing of senior management and key personnel, and to identify and develop high potential employees in order to meet long term business objectives. This work starts locally, where the various management teams in the Group's operating units review the required current and future competencies and also identify key positions, high performers, and future talents. At Group level, the CEO, heads of operating units, and the SVP Group HR review the results and a summary is prepared for the Board of Directors. The process enables the organization to gain an overall profile of the requirements and of the potential available in the Group. This process is also used to identify management capabilities, potential future internal careers, and successors.

An employee survey is conducted every year. In September 2011, the survey was conducted on a global scale for the first time, enabling the Group to identify common improvement areas. The survey was conducted in seven countries in six different languages. The results of the survey were shared with all employees in November 2011.

Workforce training and development

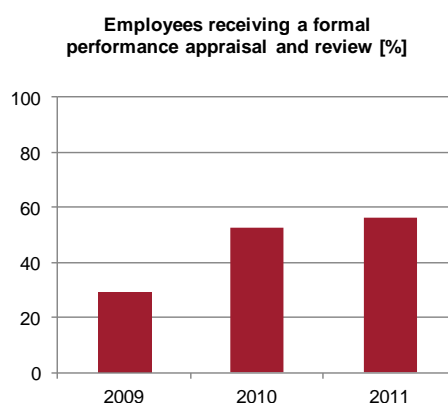
Swedish Match is diligent in its work to adapt a performance oriented culture in order to attract, develop, and retain high performers. This is why the Group focuses on ongoing efforts to strengthen and reinforce an overall performance culture by continuing to develop leadership and employee skills. This continues to be a priority for the Group in its efforts to meet current and future competence needs and business objectives.

Swedish Match works to ensure that managers and employees have ongoing and open discussions regarding individual targets and plans as well as the overall objectives of the Company. Managers at

Swedish Match must demonstrate good leadership by setting clear targets, providing ongoing coaching and counseling, conducting reviews, and delegating tasks and assignments.

The single most important tool in this process, and in order to identify individual targets, is the annual employee performance evaluation, of which career development is an instrumental part. For example, employee training is catered to match the needs of the Group and the individual employee. Employees are offered opportunities for both on and offsite education and training, dependent on the future needs of the Group, thus helping to ensure workforce sustainability.

In 2011, 56 percent of all Swedish Match employees received a formal performance review, an increase of 3 percentage points from 2010. In Sweden, Norway, the Philippines, and the Netherlands, nearly all employees received a formal performance evaluation in 2011. In the US/the Dominican Republic and Brazil, a lower share of the total workforce received a formal performance review.



The Group's competence development efforts are carried out in the operating units and are matched to various business objectives. All development and training programs are designed to provide Swedish Match's employees with competences necessary to achieve outstanding individual and group performance. The Company continuously evaluates adequate training and development efforts to promote professional growth and career enhancement.

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. Seven out of eight members of the Swedish Match Group Management Team have been recruited internally. During 2011, most management vacancies were filled through internal recruitments. External recruitments are mainly carried out when a particular competence cannot be found internally.

Ethical business practices (corruption and fraud)

Swedish Match's *Code of Conduct* is addressing corruption and fraud within the Code's chapter on business ethics (*Group Policy on Fraud Response*). All Swedish Match employees are required to maintain a culture of honesty and opposition to fraud and corruption. Any concerns about suspected fraud, corruption or violation of laws, rules and regulations are to be reported to an appropriate manager. Fraud or violation may also be reported, anonymously, to the Chairman of the Audit Committee ("whistleblower").

Monitoring of ethical business practices

Various procedures are in place for monitoring and reviewing the policies stated in the *Code of Conduct*, including the Code's chapter on business ethics. The *Code of Conduct* is monitored and reviewed in the business units every other year. The reviews are intended to ensure that employees and other stakeholders affected by the *Code of Conduct* are aware of, understand, and comply with its content.

Reviews, which are conducted by the external partner AON (an international risk management company) primarily comprise an examination of all the Group's operating units. Facilities are reviewed at least once every second year according to an established schedule. The reviews include implementation of the Code as such, with evaluations in the areas of social responsibility, workplace practices, business ethics, communication, and the environment.

Based on the results, the external partner presents recommendations if needed. Possible identified areas for improvement are re-evaluated the following year. The conclusions of the reviews are reported to the 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. The SVP Corporate Communications and Sustainability is responsible for further development and revision of the Code.

Communication of ethical business practices

The *Code of Conduct* is applicable to all Group employees and the implementation phase covers communication to all employees. Every employee has a personal responsibility to make sure that actions taken comply with both the words and the spirit of the *Code of Conduct*. Management has an additional responsibility to foster a culture of compliance with the Code. Every manager in the Group has an obligation to ensure that employees are informed about the *Code of Conduct*. The managers have to confirm that they have read, understood, and implemented the policies.

The *Code of Conduct* is widely distributed throughout the organization. Key elements of the Code are communicated continuously throughout the year.

Compliance within ethical business practices

All Swedish Match companies and employees shall comply with the *Code of Conduct* even if it stipulates a higher standard than required by national laws or regulations.

According to the Swedish Match *Code of Conduct*, any concerns about suspected fraud, corruption or violation of laws, rules, and regulations may be reported through the Company's "whistleblower".

The "whistleblower" function provides every employee in the Group with the opportunity to report any suspicion of infringement of Group policies. Such suspicions can be submitted – anonymously – to an appropriate manager, or the Chairman of the Audit Committee. The "whistleblower" function can easily be accessed through the Swedish Match Intranet site.

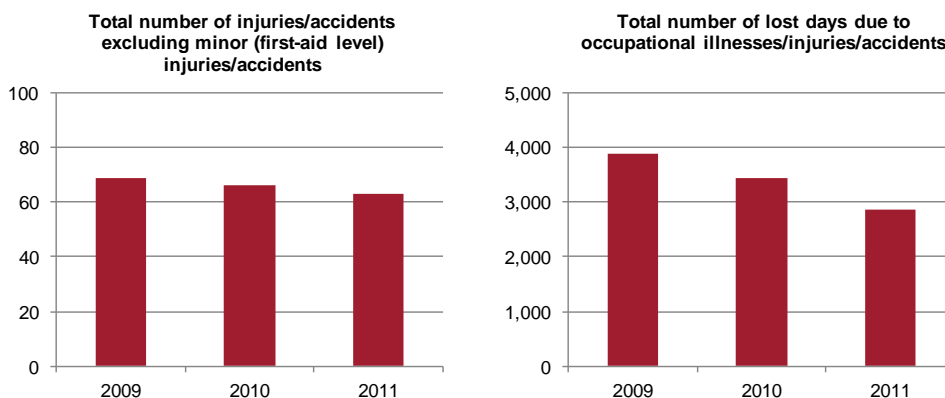
In 2011, there were no reported infringements of Group policies using the "whistleblower" function.

Occupational health and safety

A good work environment fosters well-being and effective job performance and thereby supports Swedish Match's business targets. A good work environment is not only safe and secure; ideally, it should also lead to personal enhancement and job satisfaction. Swedish Match will not tolerate working conditions or treatment of employees that are in conflict with international laws and practices.

Because Swedish Match is dedicated to providing a workplace for its employees that is free from health and safety hazards, many proactive actions are taken at the Group's various workplaces. In addition to mandatory safety training, the Group continuously strives to identify and address potential safety issues, offers a wide range of wellness programs, and ensures that the workplace is ergonomically sound. Health and safety committees and structures are in place in all manufacturing facilities to ensure a safe working environment. Potential safety issues are identified through regular facility audits conducted by AON, an international risk management company. AON conducts reviews every other year. Based on the results, the external partner presents recommendations if needed. Areas for improvement are followed up the next year.

The total number of injuries/accidents (excluding minor first-aid level injuries/accidents) within Swedish Match decreased by 5 percent from 66 cases in 2010 to 63 cases in 2011. Also, the total number of lost days decreased by 17 percent to approximately 2,900 lost days during 2011.



Workforce diversity and non-discrimination

Swedish Match is committed to equal opportunity in all of its employment practices, policies, and procedures. All positions within the Company are to be filled with skilled and competent personnel regardless of the persons 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, Swedish Match's *Code of Conduct* as well as Swedish Match's *Group Policy on Recruitment, Introduction and Termination of Employees*. This policy states that recruitment of staff should be based on objective criteria such as skills, qualifications, and experience. Race, color, nationality, ethnic origin, age, religion, political views, gender, sexual orientation, marital status, disability, or other legally protected status shall not affect the selection and nomination to a position.

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

Freedom of association and collective bargaining

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).

Social responsibility



Swedish Match and social responsibility

Corporate social responsibility is embedded in the Swedish Match corporate culture. Building longstanding relations with stakeholders, maintaining sound workplace practices and upholding high business ethics are critically important for corporate sustainability and long term growth.

For Swedish Match, social responsibility implies working conscientiously and responsibly in relation to stakeholders within the supply chain – from suppliers to customers and consumers – as well as to other stakeholders, such as regulators, scientists, and local communities.

Social responsibility related policies

The Code of Conduct

Social responsibility is included as a separate section in the Company's *Code of Conduct*. Topics covered include:

- Society at large (human rights, child labor)
- Suppliers (supplier commitment, the *Group Procurement Policy*)
- Customers and marketplace (tobacco policy)
- Joint ventures, partnerships, and associated companies

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

The Group Procurement Policy

The overall aim of Swedish Match's procurement operations is to maintain control of the Group's buying of goods and services and to contribute to the Group's increased profitability in the form of improved terms for all types of purchases. Procurement shall furthermore seek to improve the quality of goods and services procured and to minimize risks through the strategically correct choice of suppliers and alternative means of providing goods.

Swedish Match's *Group Procurement Policy* shall be read by all employees who are involved in or influence the Group's procurement processes, and it is the duty of all such employees to adhere to purchase agreements and strategies entered into. Any departures from the policy, strategies, or agreements entered into must always be approved by VP Strategic Procurement or the Group CFO. VP Strategic Procurement is the head of the Group's procurement operations, and responsible for the group-wide implementation and follow-up of the *Group Procurement Policy*, as well as the introduction of, creating understanding of and adherence to procurement systems and procurement procedures.

All procurement shall be carried out in accordance with Swedish Match's *Code of Conduct*, the *Group Policy on Fraud Response*, and the *Group Policy on Related Party Transactions*. All business relations shall be characterized by an ethical and moral approach and shall adhere to current legislation and standards.

Social responsibility organization

There is no separate organization working with social responsibility. Employees working within the Swedish Match internal functions of Legal, Marketing/Sales, Public Affairs, Purchasing, 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.

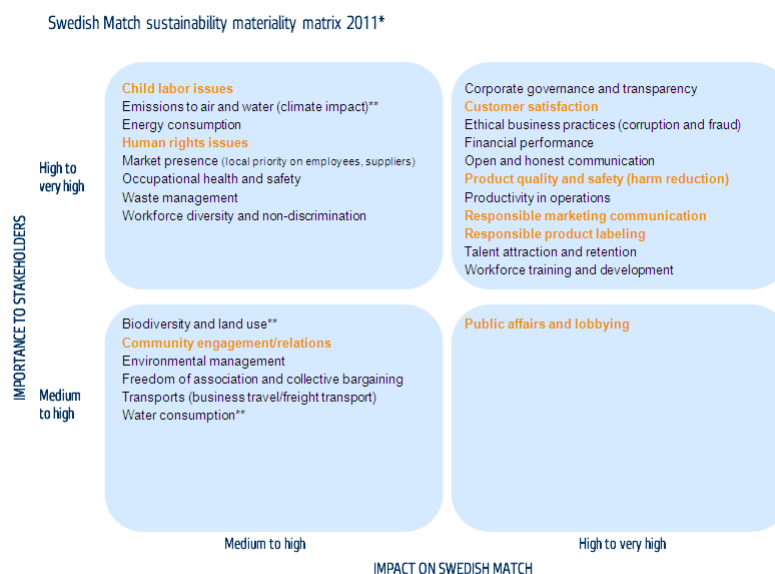
Social responsibility related performance indicators

During 2011, as part of its ongoing stakeholder dialogue, Swedish Match's prioritized stakeholders were asked to provide input into social responsibility areas that they believed to be the most important for Swedish Match. Results show that Swedish Match's stakeholders believe that *Child labor issues*, *Customer satisfaction*, *Human rights issues*, *Product quality and safety (harm reduction)*, *Responsible marketing communication*, as well as *Responsible product labeling* are issues of high importance.

Principally in line with stakeholders' views, Swedish Match (the General Management Team as well as members of the Human Resources Council) is of the view that the five issues having the highest impact on the Company's operations are *Customer satisfaction*, *Product quality and safety (harm reduction)*, *Public affairs and lobbying*, *Responsible marketing communication*, and *Responsible product labeling*.

With input from this stakeholder assessment, Swedish Match has decided to track and externally report on the following social responsibility related topics:

- Society at large: human rights, child labor, community involvement, public affairs and lobbying
- Suppliers: supplier screening, supplier ethics, supplier commitment
- Customers and consumers/marketplace: customer satisfaction, product quality and safety (harm reduction), product labeling, marketing communication



* Issues within each square are presented in alphabetical order.

** Issue ranks lower than medium on the impact-axis, but is included in the matrix as Swedish Match's management believes it still needs to be tracked and recognized.

Society responsibility

Human rights

According to the Swedish Match *Code of Conduct*, the Company's policy on human rights is based on accepted international laws and practices. Swedish Match will respect and promote human rights including 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 (nonviolent) 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 operations are not considered to have significant risk for incidents of child labor. Swedish Match continuously works with tobacco suppliers 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. ECLT is a foundation that works together with tobacco-buying companies and professional representatives with the aim of eliminating child labor on tobacco fields. The Group'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.

For more information on the ECLT Foundation, please refer to <http://www.eclt.org/>.

Community involvement

Swedish Match has a long record of social investments and community involvement. The Company's approach is to conduct community projects that are relevant to local business environments 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 also provides emergency relief in cases of natural disasters. In December 2011, for instance, the Philippine island of Mindanao suffered a tragic event when severe flooding killed at least 900 persons and thousands more were made homeless. Fortunately, no one from Swedish Match was affected by this tragedy. Swedish Match helped the relief efforts by making a donation, with funding coordinated by Swedish Match Philippines.

Sweden

Since 1936, Swedish Match has supported The Solstickan Foundation through its sales of certain lights products in Sweden. For every product sold under the Solstickan brand, a portion of sales goes to the Solstickan Foundation. The Foundation works primarily to promote the interests of children and the elderly. The Foundation celebrated its 75th anniversary in 2011.

Swedish Match supports the Tobacco and Match Museum in Stockholm, 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 have chosen to support the Chiredzi Orphanage in Zimbabwe by donating a small 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.

During the year, the Company also supported an anti-littering campaign, a project involving work to prevent youth criminality and a project to counter bullying in schools. The Company has also continued its support to a project that provides information to school children in Sweden about drugs and the effects of drug abuse.

The United States

In the US, Swedish Match has a long history of making charitable contributions to various community organizations, supporting people in need, and preventing child abuse. Community involvement is strongly encouraged. Nearly all employees participate through donations, volunteer work, and other activities. Donations are also made to organizations supporting the arts and continued education.

The Dominican Republic

In the Dominican Republic, the Company has supported non-profit organizations in charity events to raise funds.

Brazil

Swedish Match continues its community involvement in Brazil by supporting the “Bom Menino” (Young Boy) project. This is a skill building program that enables youths aged 14 to 18 from low income families to develop educational, employment, and social skills.

The Philippines

For the past three years, the Company has made donations to a children’s organization in the Philippines. The organization aims to provide marginalized children a better life. Swedish Match has also supported housing projects for families in need. Each year, funds are also provided to a Disaster Foundation, which are earmarked for severe natural disasters.

Employee programs

The Company’s employee programs focus mainly on health, education, and other opportunities to help employees and their families develop. Projects include scholarships and various forms of training. They may also comprise financial donations and loans. Social initiatives vary among countries and are closely linked to the social framework in which Swedish Match operates as an employer. In some countries, education and health are managed by social frameworks, while in others these needs are addressed and provided for by the socially responsible employer.

The United States

In the US, Swedish Match maintains a “Sons and Daughters” scholarship program whereby the Company has contracted Scholarship America, a non-profit organization, to administer this program. Scholarships are awarded annually to 12 eligible dependents of current Swedish Match employees. The awards can be utilized for undergraduate programs or to cover vocational/technical expenses based on criteria including grade point average, volunteerism, leadership, work experience, school activity participation, and goals for the future.

The Dominican Republic

Swedish Match provides small emergency loans to employees for medical, educational, and/or relocation purposes. The Company also makes donations to employees and their families for reasons such as natural disasters, terminal illness, or other traumatic occasions.

Brazil

During the year, Swedish Match in Brazil continued its Digital Space project aimed at familiarizing factory workers with the digital world by introducing open computer areas. During 2011, the empowerment projects in Brazil also included “Projeto Semear,” a project aimed at providing basic education for employees who previously had not had this opportunity.

Public policy positions and regulatory affairs

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.

At an increasing pace, the awareness of the public health impact of smoking is growing and 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 employees, consumers, businesses, customers, 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 – **GOTHIATEK**[®]. The **GOTHIATEK**[®] standard provides for continuous work toward eliminating or reducing controversial compounds that are found naturally in tobacco. Today, **GOTHIATEK**[®] 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.

Regulatory affairs - 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. CTP is required to issue guidance to the industry regarding the scientific studies necessary to submit a comprehensive modified risk application. The Act calls for the guidance to be issued by April 2012 and to be developed in consultation with the Institute of Medicine (IOM) and with input from other scientific and medical experts. In late 2010, the IOM established the Committee on Scientific Standards for Studies on Modified Risk Tobacco Products (MRTP), which was charged with producing a report, providing detailed guidance on the quality and nature of the evidence that should be required in order to grant a product modified risk status.

The report was released in December 2011. FDA is likely to use the report as a basis for their final guidance on MRTP applications which is expected to be released in April, 2012. 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 2012, which would then be followed by a period of public comment before final guidance is issued.

Regulatory affairs - the European Union

Tobacco for oral use, except those intended to be smoked or chewed, has 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.

EU regulation and the access to the internal market it provides, gives substantial benefits to EU member states. At times, this regulation can become burdensome, which may explain why the Commission President

Barroso intends to make “smart regulation” a key priority in his second term of office. This “smart regulation” should improve European policy making by strengthening the standards of both impact assessments (cost/benefit analyses) and of external consultations, while emphasizing evidence based assessments. The European Commission is currently undertaking a revision of the Tobacco Products Directive 2001/37/ EC, with the aim of improving the functioning of the internal market and the health of the EU population. Swedish Match hopes that the ambition of “smart regulation” prevails during the revision of the Tobacco Products Directive. During summer 2011, the European Commission’s Directorate General for Health and Consumers published the results of the public consultation on the current revision of the directive that took place at the end of 2010. The public consultation generated an unprecedented 85,000 responses, which is by far the highest number that any consultation has ever generated. The vast majority of contributions came from individual citizens, illustrating the considerable interest in EU tobacco control policy. The great interest that the current revision has attracted, together with strengthened standards of policy making and the complexity of the issues, possibly explains why the legislative proposal is being delayed by at least six months. A new legislative proposal by the European Commission is expected prior to the end of 2012.

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
- All smokeless tobacco products should be subject to consistent and non-competitive product regulation based on product quality and consumer protection

Lobbying

Lobbying practices – the US

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.

For the US, 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 around 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 would include groups such as the Ohio Grocers Association, the New York Association of Convenience Stores, etc. 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.

Lobbying practices – Europe

The Commission and the Parliament in Brussels have a voluntary lobbying register, which the European Smokeless Tobacco Council (ESTOC) has signed. Swedish Match works through ESTOC in Brussels. In addition, the Company works with Kreab (in Norway, Sweden, Denmark, Finland and Brussels). The general rule and agreement is that Kreab does not lobby on Swedish Match’s behalf. Kreab is an advisor and a speaking partner to the Company. In addition, Kreab monitors developments and regulatory processes for the Company. In Europe, Swedish Match does keep Kreab on a small retainer, mostly for advisory services.

Internally at Swedish Match, the Public Affairs team, reporting to the SVP Corporate Legal Affairs, is responsible for maintaining a dialogue with regulators, government officials, while the Scientific Affairs team is responsible for maintaining a dialogue with the scientific community.

Supplier responsibility

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

The largest suppliers to Swedish Match are involved in the purchase of tobacco. The Company buys tobacco for its production of smokefree products from a small number of suppliers, who are all major international organizations with their own regulatory frameworks and controls of social and environmental issues. These groups have strict policies with regard to human rights, child labor, and farming practices. The purchased tobacco comes from many parts of the world, from countries such as Brazil, the Dominican Republic, India, Indonesia, and the US.

The Company sources forestry and paper products for its match production from a small number of suppliers, increasingly from Forest Stewardship Council (FSC) certified sources. For indirect materials, the supplier base is larger and more local.

Supplier screening

Swedish Match is a small purchaser of tobacco, buying less than one percent of the world's production. The Company does not perform social audits, but all suppliers of tobacco are informed about the Group's *Code of Conduct* and are requested to sign and return the contract – "Social commitment for suppliers to Swedish Match" – and to complete an agronomy questionnaire. Although no social audits are performed by the Company, tobacco purchasers visit suppliers each year to show that social commitment is of great importance to the Group and to proactively discuss social issues, such as child labor, human rights, and other important matters.

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, and in accordance with ethical and legal standards. Procurement primarily chooses suppliers who support Swedish Match's long term requirements regarding quality, service, economy, ethics, and environmental approach.

Supplier commitment

During 2011, 19 out of the Company's 20 significant suppliers have completed the "Social commitment for Swedish Match suppliers" document. This means that 95 percent of the Company's significant suppliers have completed the commitment document, a significant increase compared to 2010. 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.

Supplier screening	2011	2010
Number of suppliers	20	18
Number of suppliers undergone screening	19	15
Percentage of suppliers undergone screening [%]	95	83

Supplier ethics

According to the Swedish Match *Code of Conduct*, the Company shall encourage its suppliers to establish and fulfill their own codes of conduct regulating the basic rights of their employees, occupational health and safety, the prevention of child labor, ethical business conduct, and environmental issues. Should a supplier fail to comply with the Company's recommendations, Swedish Match shall strive to resolve the situation through cooperation and information or to terminate the relationship.

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.

Consumer and marketplace responsibility

Consumer health and safety

Harm reduction and the "Swedish experience"

The Swedish Match philosophy of tobacco harm reduction entails that smokeless tobacco products, such as snus manufactured according to Swedish Match's quality standards, play an important role in reducing tobacco harm.

The health risks associated with cigarette smoking are well known and the associated costs are enormous. The harmful effects of cigarette smoking arise mainly through the burning of tobacco. Based on observations from the "Swedish experience", it has commonly been accepted among researchers that the use of snus is less harmful than smoking. The harm reduction approach is based on the recognition that the health hazards of cigarette smoking can largely be avoided by switching to smokefree sources of nicotine. There is some evidence that smokers are more likely to accept alternative tobacco products, and thus have greater success in quitting smoking, than to accept nicotine replacement products.

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

GOTHIATEK® and product requirements

Swedish Match continuously works to reduce or eliminate the alleged harmful components in its snus and to increase knowledge about snus products and its impact on consumers. The Swedish Match's quality standard, **GOTHIATEK®**, provides a guarantee assuring consumers that all of Swedish Match's Swedish snus products undergo controls while maintaining the highest quality, from tobacco plant to the end consumers.

GOTHIATEK® 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 **GOTHIATEK®** 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 **GOTHIATEK®** standard guarantees that the finished product never exceeds the limits.

The substances covered by the **GOTHIATEK®** standard along with the maximum allowable levels are listed at <http://www.swedishmatch.com/Ingredients-in-snus>.¹⁸

The **GOTHIATEK®** 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.

This is the Company's description of Swedish Match's **GOTHIATEK®** standard:

- **Raw material:** The tobacco in Swedish snus is selected to ensure that Swedish Match's standards regarding internal limits for undesirable substances are met in each individual product. The **GOTHIATEK®** standard stipulates that Swedish snus may not contain genetically modified tobacco.
- **Ingredients:** All ingredients must comply with the requirements specified in Swedish Match's ingredients policy. The policy stipulates that all ingredients must be approved according to the rules and regulations that apply in the countries in which the products are sold.

¹⁸ This information is being updated at the publication of this document, and is expected to be available on the website from the end of April, 2012.

- **Packaging:** Material used in packaging must be approved for food packaging. Purchased packaging materials that come in direct contact with the snus must be produced and transported to Swedish Match factories in accordance with established specifications, to prevent contamination of the materials the Company uses. Packages must be checked for cleanliness and hygiene standards according to a schedule.
- **Process requirements:** Swedish snus must be heat-treated to ensure that the majority of the natural microbial flora of the tobacco is rendered inert. The tobacco is finely screened in a carefully controlled process so that foreign particles can be identified and removed. The heat treatment process is performed in a closed system to prevent contamination of the product by external sources of bacteria or foreign substances. Packaged Swedish snus must be transferred to cold storage (max. 8 °C) immediately after packaging.
- **Sanitation requirements in manufacturing:** All open handling, such as filling of product into cans, must be performed in premises that satisfy national sanitation requirements for food facilities. Process equipment must be cleaned according to a defined schedule at least once per production cycle, at least once daily. The same strict procedures apply to the packaging machinery. Sanitation control of packaging machinery carried out and finished products are monitored for water activity, bacteria content, and shelf life stability (bacterial growth) according to clear procedures.



SNUS – FROM SEED TO CAN
The entire production process for the Company's snus adheres to the Swedish Match quality standard, **GothiaTek®**. **GothiaTek®** is adopted as an industry standard in the manufacturing process of Swedish snus.

TOBACCO Swedish snus is produced using the highest quality air-dried tobacco. Systematic control of the composition of the tobacco is required in order to meet the **GothiaTek®** specifications. Swedish Match has developed special methods for cultivating and drying tobacco.

INGREDIENTS The main ingredients in the preparation of snus are ground tobacco, water, salt (ordinary cooking salt), and sodium carbonate. Additional ingredients are aromatic compounds and moisture preserving agents.

PRODUCTION There are three main stages in the production of Swedish snus in accordance with the **GothiaTek®** standard: grinding, preparation, and packing.

1. GRINDING The tobacco is broken up, dried and fed into a grinder, where it is ground. The ground tobacco is screened into coarse, intermediate and fine meal.

2. PREPARATION In the first stage of preparation, tobacco flour is weighed and transported to closed blenders. Water and salt are added while the mixture is stirred, after which the snus is heated. The temperature of the snus mixture and the stirring process is computer controlled. This part of the process can be compared with pasteurization. Thereafter, the snus is cooled and other ingredients are added. Samples are taken for quality control. If all measurement values are approved, the batch is ready for packing.

3. PACKING
Loose snus cans are filled in automatic packaging machines. After filling, the cans are closed with a lid, after which the cans are weighed and labeled.

Portion-packed snus requires a more complicated process. The portions are measured and inserted into a cellulose fiber tube. The portions are sealed and cut apart. The finished portion pouches are packed into a plastic can, which is then sealed with a lid, after which the cans are weighed and labeled.

Packaging materials: Loose snus is for the most part packaged in paraffin coated cardboard cans. When the cans are produced, two different grades of cardboard are used, one for the frame and one for the base of the can. The lid is made from polypropylene plastic. Polypropylene cans are used for portion-packed snus, which is more sensitive to drying out than loose snus. The use of plastic cans for portion-packed snus is primarily motivated by durability considerations.

COLD STORAGE All ready packaged snus is stored in cold storage rooms for a number of days before being released to retailers. Cold storage is important for allowing the snus to mature and acquire its characteristic aroma and flavor.



By consistently complying with the **GOTHIATEK®** standard, Swedish Match can guarantee all consumers that the products maintain the highest quality. The **GOTHIATEK®** 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.

The **GOTHIA TEK**[®] standard provides for continuous work toward eliminating or reducing controversial compounds that are found naturally in tobacco. The **GOTHIA TEK**[®] standard is adopted as an industry standard in the manufacturing process of Swedish snus.

GOTHIA TEK[®] shall for consumers be not only 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.

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 2011.

In addition to complying with the mandated requirements, the Group is fully transparent with regard to the content of its snus products. All ingredients are listed on the Company's website and are fully disclosed to the relevant public health authorities.

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 and the legislation concerning food stuffs. 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. There is also a requirement to print the designated name of the product, ingredients, weight, best before date, and name and place of business of the manufacturer on the packaging.

The compliance with these requirements are reviewed and safeguarded by the Brands & Marketing Department and the Chemical Analysis Department of the appropriate operating unit.

Beginning in 2011, snus packaging in Sweden was modified to contain nicotine percentage on product labels. This modification to product labeling has been 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 US (snus, moist snuff, chewing tobacco, mass market cigars)

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

Compliance with these mandated requirements 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.

Furthermore, 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 about 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 are reviewed and safeguarded internally, through the methodology of ISO reporting systems, and through the Product and Process Integrity department of *Cricket* (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 to the EN 1783:1997 match standard is reviewed through control and testing at 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); information about safe use of the lighters and matches. Information about disposal of the products is not required.

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.

“Under 18 No Tobacco” policy

Swedish Match has an “Under 18 No Tobacco” policy 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 will continue to partner 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” policy.

Scandinavia (snus)

With respect to marketing communications 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. Before publishing, all marketing communications 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 communications 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. According to the Norwegian 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 banned in general. There is a very few limited exceptions from this which concerns the communication of e.g. price lists. 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 (EU). 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.

The US (snus, moist snuff, chewing tobacco, mass market cigars)

With respect to marketing communications 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 places 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 communications for mass market 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 places certain health warnings on all of its communications the size of which depends upon the size of the communications. In addition, the Company is prohibited from making health related claims and from making any false or deceptive statements.

Compliance with these mandated requirements are continuously reviewed via the Company's marketing approval policy. A marketing approval sheet is attached to all marketing communications 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 are satisfied with the message of the piece.

During the year, Swedish Match received an authority notification that a marketing program in the United States was violating the law. Swedish Match does not share this view but has stopped the program.

International (matches and lighters)

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

Latin America/Brazil (matches and lighters)

There is a vast legislation applicable to the business activities (e.g. Consumer Code), however there are no specific marketing codes that must be adhered to for lights 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. In Sweden, customer satisfaction is measured every 18 months through a standardized survey process on store level. During 2011, the organization reached the goal of a customer satisfaction index (CSI) of 76. On a chain level, survey results from fall 2011 show that Swedish Match is the number one supplier in the tobacco category, an accomplishment reached in both Grocery and Convenience trade. In the US, measuring customer satisfaction has not been a standardized process but in December 2011, a project was initiated to complete the first customer survey.

Awards and recognitions 2011

- Swedish Match's Swedish operations were awarded the "Supplier of the year" award from Statoil, a large gas station chain in Sweden.
- Swedish Match's Norwegian operations were awarded the "Supplier of the year" award from 7-Eleven in the class wholesale distribution provider.
- Swedish Match's US operations were announced as the recipient of the manufacturer "Visionary of the Year Award" at Smoker Friendly International's 10th annual tobacco festival and conference.
- Swedish Match's US operations were awarded the "Vendor of the Year" award from Stewart Candy Company, a large wholesaler in Florida.

GRI index 2011

The following index shows where the GRI-requested information can be found in the Swedish Match annual report 2011 as well as in this sustainability reporting document 2011. 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 italic.

The symbols show whether each indicator is being reported, partially reported, or not reported.

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

AR refers to the Company's annual report 2011. SR refers to this sustainability reporting document 2011, published on the Company's website:

<http://www.swedishmatch.com/en/Sustainability/>.

Indicators	Reference	
1 Strategy and analysis		
1.1 CEO's comments	AR 16, SR 3	●
1.2 Description of key impacts, risks, and opportunities		○
2 Organizational profile		
2.1 Name of the organization	AR 77	●
2.2 Primary brands, products, and/or services	AR 0-1, SR 4, 6-7	●
2.3 Operational structure	SR 4	●
2.4 Location of headquarters	AR 77, SR 4	●
2.5 Countries where the organization operates	AR 58, SR 77	●
2.6 Nature of ownership and legal form	AR 32, SR 4	●
2.7 Markets served	SR 6-7	●
2.8 Size of the reporting organization	AR Infold, 32-33, 47-48, 58, SR 76	●
2.9 Significant changes during the reporting period	AR 76-77, 32-33, SR 8-9	●
2.10 Awards received in the reporting period	AR 16, SR 11, 54	●
3 Report parameters		
Report profile		
3.1 Reporting period	SR 8	●
3.2 Date of most recent previous report	SR 8	●
3.3 Reporting cycle	SR 8	●
3.4 Contact persons for questions regarding the report	SR 10	●
Report scope & boundaries		
3.5 Process for defining report content	SR 12-14	●
3.6 Boundary of the report	SR 8-10	●
3.7 Specific limitations on the scope or boundary of the report	SR 8-10	●
3.8 Basis for reporting on joint ventures, subsidiaries, etc.	SR 8-10	●
3.9 Data measurement and calculation principles		○
3.10 Comparability with previous reports	SR 8-10	●
3.11 Significant changes from previous reporting periods regarding scope, boundaries etc.	SR 8-10	●
GRI content index		
3.12 Table identifying the location of the Standard Disclosures in the report	SR 55-56	●
3.13 Policy and current practice regarding external verification of the report	SR 8	●

In 2011, Swedish Match is fully reporting on 19 performance indicators and partially reporting on 15. Per category, the following number of indicators are being reported (2010 numbers in parenthesis):

Economic performance indicators:

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

Environmental performance indicators:

- Reported: 8 (6)
- Partially reported: 3 (1)

Social performance indicators:

- Reported: 10 (10)
- Partially reported: 8 (5)

Indicators	Reference	
4 Governance, commitments, and engagement		
Governance		
4.1 Governance structure for the organization	AR 92-97	●
4.2 The role of the Chairman of the Board	AR 93-94, 96	●
4.3 Independent and/or non-executive Board members	AR 96, 98	●
4.4 Mechanisms for shareholders and employees to propose recommendations, etc. to the Board	AR 92-93	●
4.5 Linkage between compensation for Board members, senior managers, and executives, and the organization's performance	AR 59-61	●
4.6 Processes in place for the Board to ensure conflicts of interest are avoided	AR 92-97	●
4.7 Process for determining the qualifications and expertise of the Board members	AR 92-93	●
4.8 Mission, values, Code of Conduct, etc.	AR 1, 16-17, SR 3, 12, 15-17	●
4.9 The Board's procedures for overseeing the organization's sustainability performance		○
4.10 Processes for evaluating the Board's own performance	AR 96	●
Commitments to external initiatives		
4.11 Explanations of if and how the precautionary principle is applied		○
4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives	AR 16-29, SR 15-17	●
4.13 Memberships in associations and/or national/international advocacy organization	AR 21, SR 45	●
Stakeholder engagement		
4.14 List of stakeholder groups	SR 12-13	●
4.15 Basis for identification and selection of stakeholders with whom to engage	SR 12	●
4.16 Approaches to stakeholder engagement	SR 12-14	●
4.17 Key topics and concerns that have been raised through stakeholder engagement	SR 13-14	●
5 Economic performance indicators		
Disclosure on management approach	AR 2-3, SR 19-21	●
Economic performance		
EC1 Economic value generated and distributed	SR 57	●
EC2 Financial implications and other risks and opportunities due to climate change	SR 33-34	◐
EC3 Coverage of the organization's defined benefit plan obligations	AR 89, SR 58	◐
EC4 Financial assistance received from government		○
Market presence		
EC6 Policy/practice regarding locally-based suppliers	SR 58	◐
EC7 Procedures for local hiring and proportion of senior management hired	SR 58	◐
Indirect economic impacts		
EC8 Development and impact of infrastructure investments and services provided primarily for public benefit		○

Indicators	Reference	
6 Environmental performance indicators		
Disclosure on management approach	AR 24-27, SR 23-34	●
Materials		
EN1 Materials used by weight or volume		○
EN2 Recycled input materials		○
Energy		
EN3 Direct energy consumption	SR 27-28, 59-60, 64-66	●
EN4 Indirect energy consumption	SR 27-28, 61-66	●
Water		
EN8 Total water withdrawal by source	SR 67-68	●
EN9 Water sources significantly affected by withdrawal of water	SR 29-30, 68	●
Biodiversity		
EN11 Location/scope of land at organization's disposal in areas of biodiversity value		○
EN12 Impacts on biodiversity		○
Emissions, effluents, and waste		
EN16 Direct/indirect greenhouse gas emissions	SR 28-29, 69-71	◀
EN17 Other relevant indirect greenhouse gas emissions	SR 71-72	◀
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved	SR 29, 72	◀
EN19 Emissions of ozone-depleting substances	SR 72	●
EN20 NO _x , SO _x and other significant air emissions		○
EN21 Total water discharge		○
EN22 Total weight of waste	SR 29, 72-75	●
EN23 Total number and volume of significant spills	SR 75	●
EN25 Water bodies and related habitats affected by discharges of water and runoff	SR 75	●
Products and services		
EN26 Initiatives to mitigate environmental impacts of products and services		○
EN27 Percentage of products sold and their packaging materials that are reclaimed by category		○
Compliance		
EN28 Fines and sanctions for non compliance with environmental laws and legislation		○
7 Social performance indicators		
LABOR PRACTICES AND DECENT WORK		
Disclosure on management approach	AR 18-20, SR 36-41	●
Employment		
LA1 Total workforce	SR 76-77	●
LA2 Number and rate of employee turnover		○
Labor/management relations		
LA4 Percentage of employees covered by collective bargaining agreements	SR 77-78	●
LA5 Minimum notice period(s) regarding operational changes		○
Occupational health and safety		
LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees	SR 78	●
LA7 Rates of injury, occupational diseases, lost days, absenteeism, work related fatalities	SR 40-41, 79-82	●
LA8 Programs in place to assist workforce members, their families, or community members regarding serious diseases		○
Training and education		
LA10 Average hours of training per year per employee		○
LA11 Programs for skills management and lifelong learning	SR 38-39, 82	●
LA12 Percentage of employees receiving regular performance reviews	SR 39, 82-83	●
Diversity and equal opportunity		
LA13 Composition of governance bodies and breakdown of employees per category	AR 58, SR 83-84	◀
LA14 Ratio of basic salary of men to women by employee category		○

Indicators	Reference	
HUMAN RIGHTS		
Disclosure on management approach	AR 17, SR 15-16, 43-45, 49, Swedish Match's Code of Conduct	●
Investment and procurement practices		
HR1 Percentage and total number of significant investment agreements that have undergone human rights screening		○
HR2 Percentage of significant suppliers undergone screening on human rights	SR 49	◀
Non-discrimination		
HR4 Total number of incidents of discrimination and actions taken		○
Freedom of association and collective bargaining		
HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk		○
Child labor		
HR6 Operations identified as having significant risk for incidents of child labor	AR 21, SR 45	●
Forced and compulsory labor		
HR7 Operations identified as having significant risk for incidents of forced or compulsory labor		○
SOCIETY		
Disclosure on management approach	AR 21-23, SR 43-46	●
Community		
SO1 Nature, scope and effectiveness of programs and practices that assess and manage impacts of operations on communities		○
Corruption		
SO2 Percentage and total number of business units analyzed for risks related to corruption	SR 39-40	◀
SO3 Percentage of employees trained in anti-corruption policies	SR 39-40	◀
SO4 Actions taken in response to incidents of corruption	SR 39-40	◀
Public policy		
SO5 Public policy positions and participation in public policy development and lobbying	SR 46-48	◀
Compliance		
SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		○
PRODUCT RESPONSIBILITY		
Disclosure on management approach	AR 22, SR 50-54	●
Customer health and safety		
PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement		○
Product and service labeling		
PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	SR 52-53	◀
PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product or service information and labeling	SR 52-53	●
PR5 Practices related to customer satisfaction, including results of surveys	AR 22, SR 54	◀
Marketing communications		
PR6 Programs for adherence to laws, standards and voluntary codes related to marketing communications	SR 53-54	●
PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	SR 85	●
Compliance		
PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning products and services		○

Reporting on GRI indicators 2011

Economic performance indicators

Economic performance¹⁹

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)²⁰

In 2011, the Company generated value of 12,030 MSEK, down from 14,277 MSEK in 2010. Total economic value distributed amounted to 10,645 MSEK in 2011, down from 12,408 in 2010. Economic value retained amounted to 1,385 MSEK in 2011, down from 1,869 in 2010.

Operating costs accounted for 61 percent of total economic value distributed in 2011, followed by employee wages and benefits and payments to providers of capital, 16 percent respectively. Payments to governments accounted for 6 percent of total economic value distributed. Employee wages, salaries, and benefits have decreased by 3 percentage points while payments to providers of capital have increased by 2 percentage points. Payments to government have increased by 1 percentage point.

Direct economic value generated [MSEK]	2011	2010	2009
Revenues	12,030	14,277	14,300
Economic value distributed [MSEK]			
Operating costs	6,539	7,751	8,287
Employee wages, salaries, and benefits	1,749	2,326	2,504
Payments to providers of capital	1,712	1,679	1,553
Payments to government	642	649	613
Community investments	3	3	5
Total economic value distributed [MSEK]	10,645	12,408	12,962
Economic value retained [MSEK]	1,385	1,869	1,338

Economic value distributed [%]	2011	2010	2009
Operating costs	61	62	64
Employee wages, salaries, and benefits	16	19	19
Payments to providers of capital	16	14	12
Payments to government	6	5	5
Community investments	0	0	0
Total economic value distributed [%]	100	100	100

Payments to government by country are more relevant locally and Swedish Match does not collate global data on it.

Financial implications and other risks and opportunities for the organization's activities due to climate change (EC2)

Please refer to pages 33-34 in this document, under the headline *Climate Change*.

¹⁹ Certain figures for economic data using GRI methodology do not correspond to figures reported in the annual report. This is due to definitions set forth by GRI which may differ from Swedish Match's reporting under the IFRS methodology. Also, economic data for 2009 and 2010 presented in this document include those businesses transferred to STG on October 1, 2010. As a result, certain figures are not comparable between 2011 and the prior years.

²⁰ Payments to government by country are more relevant locally and Swedish Match does not collate global data on it.

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

In 2011, the estimated value of benefit plan's liabilities met by Swedish Match's general resources amounted to 933 MSEK, up from 811 MSEK in 2010. In 2011, 81 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]	2011	2010	2009
Estimated value of benefit plan's liabilities met by the organization's general resources	933	811	814

Where a separate fund exists to pay the plan's pension liabilities... [%]	2011	2010	2009
The extent to which the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them	81	91	95

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.

Estimates have been arrived at on the basis of the Project Unit Credit Method (IAS 19) on December 31, 2011, December 31, 2010, and December 31, 2009.

For more information about how Swedish Match works with benefit plans, please refer to page 89 in the annual report 2011, note 26, Employee benefits.

Market presence*Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operations (EC6)*

In accordance with the *Group Procurement Policy*, Swedish Match treats its suppliers and business contacts fairly and impartially. The Company seeks to work with suppliers who have a healthy long term financial situation, and seeks stable long term relations with suppliers with whom the Company can develop goods and services through mutual collaboration. Procurement primarily chooses suppliers who support Swedish Match's long term requirements regarding quality, service, economy, ethics, and environmental approach. Although Swedish Match is an important contributor to the business life in the regions in which the Company operates, local suppliers are not favored exclusively on the basis of being local.

Swedish Match is a global business and has contracts with global suppliers. Although the delivery and invoicing often takes place locally, it is difficult to categorize spend as "global" or "local". When making the choice of a supplier, all negotiations shall be carried out on a competitive basis, involving collection of at least three offers from selected qualified suppliers, and in accordance with ethical and legal standards.

Procedures for local hiring and proportion of senior management hired from the local community at significant locations of significant operations (EC7)

According to the *Swedish Match Code of Conduct*, Swedish Match is committed to equality of opportunity in all of its employment practices, policies, and procedures. The *Group Policy on Recruitment, Introduction and Termination of Employees* states that all positions in the Group shall be filled with skilled and competent personnel irrespective of race, color, nationality, ethnic origin, age, religion, political view, gender, sexual orientation, marital status, disability or other status. The skills of all employees shall be optimally utilized, and whenever appropriate, vacant positions are filled through recruitment within the Group. All employees shall, whenever possible, be given rewarding career opportunities by means of internal job rotation throughout the Group. All vacant positions shall, when appropriate, be advertised on the Group Intranet. Swedish Match does not have a policy with regard to local hiring and proportion of senior management hired from the local community. However, in countries where Swedish Match operates, local residents naturally represent the recruiting base from which the Company recruits. Swedish Match is in favor of local management in each country since these people are deemed to have the best knowledge of local conditions.

Environmental performance indicators²¹

Energy²²

Direct energy consumption by primary energy source (EN3)²³

In 2011, Swedish Match purchased 169,981 gigajoules of direct energy, an increase of 4,472 gigajoules (nearly 3 percent) compared to 2010. The purchase and consumption of direct energy accounts for 26 percent of Swedish Match's total energy consumption.

In relation to total Company sales (MSEK), the total amount of direct energy purchased has been reduced by 1 percent in 2011 compared to 2010. In relation to total number of employees, total direct energy purchased has increased by approximately 3 percent.

Total direct energy purchased	2011	2010	2009
Total direct energy purchased [Gigajoules]	169,981	165,509	155,704
Total direct energy purchased [MWh]	47,217	45,975	43,251
Total direct energy purchased [MWh per MSEK sales]	14.6	14.7	14.6
Total direct energy purchased [MWh per employee]	12.2	11.8	11.3

The primary energy sources purchased for the Company's consumption is natural gas and fuels distilled from crude oil, both non-renewable energy sources. Natural gas accounted for 98 percent of all direct energy purchased in 2011 while fuel accounted for 2 percent. In 2011, the total amount of purchased natural gas has increased by 4 percent compared to 2010, largely due to changes in production volumes of moist snuff as well as modification of cleaning procedures in the US production of smokefree products. The total amount of fuel distilled from crude oil has decreased by 38 percent, largely due to changes in production process and assortment within the mass market cigars factories in the US and the Dominican Republic.

Total direct energy purchased by source [Gigajoules]	2011	2010	2009
Natural gas	166,892	160,525	150,764
Fuel distilled from crude oil	3,089	4,984	4,939
Total direct energy purchased [Gigajoules]	169,981	165,509	155,704

Total direct energy purchased by source [MWh]	2011	2010	2009
Natural gas	46,359	44,590	41,879
Fuel distilled from crude oil	858	1,384	1,372
Total direct energy purchased [MWh]	47,217	45,975	43,251

Total direct energy purchased by source [%]	2011	2010	2009
Natural gas	98	97	97
Fuel distilled from crude oil	2	3	3
Total direct energy purchased [%]	100	100	100

Production of smokefree products accounted for 96 percent of total direct energy purchased in 2011, followed by production of lights (2 percent) and mass market cigars (1 percent).

In 2011, direct energy purchased within the production of smokefree products has increased by nearly 5 percent compared to 2010, largely due to changes in production volumes of moist snuff as well as

²¹ Environmental data does not cover the divested Plam manufacturing facility in Bulgaria, with the exception of CO₂ reporting. Numbers for 2009 and 2010 have been restated in this report compared to the GRI report published in 2010 to reflect the divestment of the Plam factory. Also, 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 for 2011 and 2010, excluding employees transferred to STG.

²² Data for energy is presented in both Gigajoules and MWh. Targets for 2016 as well as data reported in relation to Company sales (MSEK) or per employee are only presented per MWh.

²³ Direct energy is defined as energy sources purchased by the reporting organization for its own consumption.

modification of cleaning procedures in the US production of smokefree products. For mass market cigars, total direct energy purchased has been reduced by 50 percent due to changes in production process and assortment. It takes less machinery and energy to produce small cigars compared to larger cigars. Production output of small cigars has grown significantly while volumes for large cigars have been declining.

Within the production of lights products, total direct energy purchased has been reduced by 22 percent largely as a result of reduced purchases of natural gas due to reduced heating of buildings in the Netherlands during the relatively warm weather in 2011.

Total direct energy purchased by product area [Gigajoules]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco)	164,030	156,575	147,229
Mass market cigars	1,757	3,538	1,847
Lights products (matches, lighters)	4,194	5,396	6,628
Total direct energy purchased [Gigajoules]	169,981	165,509	155,704

Total direct energy purchased by product area [MWh]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco)	45,564	43,493	40,897
Mass market cigars	488	983	513
Lights products (matches, lighters)	1,165	1,499	1,841
Total direct energy purchased [MWh]	47,217	45,975	43,251

Total direct energy purchased by product area [%]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco)	96	95	95
Mass market cigars	1	2	1
Lights products (matches, lighters)	2	3	4
Total direct energy purchased [%]	100	100	100

Total direct energy purchased has increased by 9 percent per unit of output by weight produced for smokefree products, impacted by a reduction in the output produced by weight. Within mass market cigars, figures for 2011 show a 63 percent decrease per unit of output due to increased output produced as well as changes in production methods and product mix.

For matches, total direct energy purchased per unit of output is unchanged in 2011 compared to 2010 despite reduction in the output produced. For lighters, total direct energy purchased per unit of output has decreased by 37 percent due to reductions of purchased natural gas as well as increased output.

Total direct energy purchased by product area and unit of output produced [Gigajoules]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco) [Gigajoules/metric tons]	8.6	7.9	7.5
Mass market cigars [Gigajoules/Mio cigars]	2.0	5.5	3.8
Matches [Gigajoules/Bio matches]	22.3	22.3	37.7
Lighters [Gigajoules/Mio lighters]	6.4	10.2	9.5

Total direct energy purchased by product area and unit of output produced [MWh]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco) [MWh/metric tons]	2.4	2.2	2.1
Mass market cigars [MWh/Mio cigars]	0.6	1.5	1.0
Matches [MWh/Bio matches]	6.2	6.2	10.5
Lighters [MWh/Mio lighters]	1.8	2.8	2.6

Indirect energy consumption by primary energy source (EN4)²⁴

In 2011, Swedish Match has purchased and consumed 480,006 gigajoules of indirect energy, a reduction of 3,492 gigajoules (nearly 1 percent) compared to 2010. The purchase and consumption of indirect energy accounts for 74 percent of Swedish Match's total energy consumption.

In relation to total Company sales (MSEK), the total amount of indirect energy purchased has been reduced by nearly 5 percent in 2011 compared to 2010. In relation to total number of employees, total indirect energy purchased is unchanged.

Total indirect energy purchased	2011	2010	2009
Total indirect energy purchased [Gigajoules]	480,006	483,498	475,909
Total indirect energy purchased [MWh]	133,335	134,305	132,197
Total indirect energy purchased [MWh per MSEK sales]	41.1	43.1	44.6
Total indirect energy purchased [MWh per employee]	34.4	34.4	34.6

Electricity accounts for around half of the amount of indirect energy purchased, 51 percent in 2011. Heating and cooling make up for the remaining half. In 2011, the total amount of electricity purchased has increased by nearly 1 percent compared to 2010. The total amount of heating and cooling purchased has decreased by nearly 2 percent.

Total indirect energy purchased by source [Gigajoules]	2011	2010	2009
Electricity	244,199	242,122	240,077
Heating and cooling	235,807	241,376	235,832
Total indirect energy purchased [Gigajoules]	480,006	483,498	475,909

Total indirect energy purchased by source [MWh]	2011	2010	2009
Electricity	67,833	67,256	66,688
Heating and cooling	65,502	67,049	65,509
Total indirect energy purchased [MWh]	133,335	134,305	132,197

Total indirect energy purchased by source [%]	2011	2010	2009
Electricity	51	50	50
Heating and cooling	49	50	50
Total indirect energy purchased [%]	100	100	100

Production of smokefree products accounted for 27 percent of total indirect energy purchased and 47 percent of total electricity purchased. Production of mass market cigars accounted for 7 percent of total indirect energy purchased, and 13 percent of total electricity purchased. Production of lights products accounted for 66 percent of total indirect energy purchased in 2011 and 39 percent of total electricity purchased.

Figures for 2011 show a 2 percent reduction in total indirect energy purchased within smokefree products. For mass market cigars, total purchases of indirect energy purchased increased by nearly 11 percent due to increased production volumes resulting in increased purchases of electricity. Within the production of lights products, total indirect energy was reduced by 1 percent.

²⁴ Indirect energy is defined as energy produced outside the Company that is consumed to supply energy for the Company's intermediate energy needs (e.g. electricity or heating and cooling).

Total indirect energy purchased by product area [Gigajoules]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco)	131,486	134,485	123,235
Mass market cigars	32,414	29,318	31,824
Lights products (matches, lighters)	316,105	319,694	320,850
Total indirect energy purchased [Gigajoules]	480,006	483,498	475,909

Total indirect energy purchased by product area [MWh]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco)	36,524	37,357	34,232
Mass market cigars	9,004	8,144	8,840
Lights products (matches, lighters)	87,807	88,804	89,125
Total indirect energy purchased [MWh]	133,335	134,305	132,197

Total indirect energy purchased by product area [%]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco)	27	28	26
Mass market cigars	7	6	7
Lights products (matches, lighters)	66	66	67
Total indirect energy purchased [%]	100	100	100

Total electricity purchased by product area [Gigajoules]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco)	115,355	116,089	112,576
Mass market cigars	32,414	29,318	31,824
Lights products (matches, lighters)	96,430	96,714	95,677
Total electricity purchased [Gigajoules]	244,199	242,122	240,077

Total electricity purchased by product area [MWh]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco)	32,043	32,247	31,271
Mass market cigars	9,004	8,144	8,840
Lights products (matches, lighters)	26,786	26,865	26,577
Total electricity purchased [MWh]	67,833	67,256	66,688

Total electricity purchased by product area [%]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco)	47	48	47
Mass market cigars	13	12	13
Lights products (matches, lighters)	39	40	40
Total electricity purchased [%]	100	100	100

Per unit of output produced, total indirect energy purchased has increased by 2 percent for smokefree products due to a decreased production volume by weight. For the same reason, total electricity purchased has increased by 3 percent per unit of output produced.

For mass market cigars, an 18 percent decrease in both total indirect energy and electricity purchases per unit of output produced can be noted due to higher levels of output produced.

For production of matches, a 4 percent increase of total indirect energy purchased can be noted per unit of output produced due to a lower output produced in 2011 compared to 2010. With the same reasoning, total purchases of electricity have increased by 3 percent per unit of output produced even though total purchases of electricity have been reduced.

For production of lighters, a 5 percent reduction in total indirect energy purchased as well as electricity purchased can be noted per unit of output produced due to increased production in 2011 compared to 2010.

Total indirect energy purchased by product area and unit of output produced [Gigajoules]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco) [Gigajoules/metric tons]	6.9	6.8	6.3
Mass market cigars [Gigajoules/Mio cigars]	37.1	45.2	65.1
Matches [Gigajoules/Bio matches]	3,052.1	2,936.5	2,830.4
Lighters [Gigajoules/Mio lighters]	143.3	151.5	155.0

Total indirect energy purchased by product area and unit of output produced [MWh]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco) [MWh/metric tons]	1.9	1.9	1.8
Mass market cigars [MWh/Mio cigars]	10.3	12.5	18.1
Matches [MWh/Bio matches]	847.8	815.7	786.2
Lighters [MWh/Mio lighters]	39.8	42.1	43.1

Total electricity purchased by product area and unit of output produced [Gigajoules]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco) [Gigajoules/metric tons]	6.1	5.9	5.8
Mass market cigars [Gigajoules/Mio cigars]	37.1	45.2	65.1
Matches [Gigajoules/Bio matches]	527.0	512.8	484.9
Lighters [Gigajoules/Mio lighters]	143.3	151.5	155.0

Total electricity purchased by product area and unit of output produced [MWh]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco) [MWh/metric tons]	1.7	1.6	1.6
Mass market cigars [MWh/Mio cigars]	10.3	12.5	18.1
Matches [MWh/Bio matches]	146.4	142.4	134.7
Lighters [MWh/Mio lighters]	39.8	42.1	43.1

Internal target: Electricity

Concerning internal targets for total electricity purchased in 2016, per unit of output produced, aggregate figures show that for smokefree products and lighters, targets are set below the two year average 2010-2011 baseline. For production of smokefree products, the aggregate target implies a total reduction of nearly 7 percent compared to the two year average 2010-2011. For production of lighters, the target implies a reduction in electricity purchased of nearly 9 percent.

For mass market cigars, the 2016 target is set slightly higher than the two year average 2010-2011 baseline, impacted by baseline adjustments. Concerning matches, the 2016 target is set 5 percent higher than the two year average 2010-2011. Even though the target is higher than the two year average baseline, it implies a reduction in the growth rate from 2009 to 2011.

Total electricity purchased by product area and unit of output produced [MWh]	Target 2016	Average 2010-2011	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco) [MWh/metric tons]	1.5	1.7	1.7	1.6	1.6
Mass market cigars [MWh/Mio cigars]	11.5	11.4	10.3	12.5	18.1
Matches [MWh/Bio matches]	152.3	144.4	146.4	142.4	134.7
Lighters [MWh/Mio lighters]	37.4	40.9	39.8	42.1	43.1

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

Swedish Match's total energy consumption amounts to 649,987 gigajoules, up slightly from 2010. In relation to total Company sales (MSEK), the total amount of energy purchased has been reduced by approximately 4 percent in 2011 compared to 2010. In relation to total number of employees, total indirect energy purchased has increased by nearly 1 percent.

Total energy (direct and indirect) purchased	2011	2010	2009
Total energy (direct and indirect) purchased [Gigajoules]	649,987	649,007	631,613
Total energy (direct and indirect) purchased [MWh]	180,552	180,280	175,448
Total energy (direct and indirect) purchased [MWh per MSEK sales]	55.7	57.8	59.2
Total energy (direct and indirect) purchased [MWh per employee]	46.5	46.1	45.9

Direct energy accounts for 26 percent of total energy consumption while indirect energy accounts for the remaining 74 percent.

Total energy (direct and indirect) purchased [Gigajoules]	2011	2010	2009
Total direct energy purchased	169,981	165,509	155,704
Total indirect energy purchased	480,006	483,498	475,909
Total energy (direct and indirect) purchased [Gigajoules]	649,987	649,007	631,613

Total energy (direct and indirect) purchased [MWh]	2011	2010	2009
Total direct energy purchased	47,217	45,975	43,251
Total indirect energy purchased	133,335	134,305	132,197
Total energy (direct and indirect) purchased [MWh]	180,552	180,280	175,448

Total energy (direct and indirect) purchased [%]	2011	2010	2009
Total direct energy purchased	26	26	25
Total indirect energy purchased	74	74	75
Total energy (direct and indirect) purchased [%]	100	100	100

The energy source accounting for most of the total energy is electricity, with 38 percent of total energy consumed in 2011. Heating and cooling account for 36 percent, and 26 percent of total energy purchased is sourced from natural gas.

Total energy (direct and indirect) purchased by source [Gigajoules]	2011	2010	2009
Electricity	244,199	242,122	240,077
Heating and cooling	235,807	241,376	235,832
Natural gas	166,892	160,525	150,764
Fuel distilled from crude oil	3,089	4,984	4,939
Total energy (direct and indirect) purchased [Gigajoules]	649,987	649,007	631,613

Total energy (direct and indirect) purchased by source [MWh]	2011	2010	2009
Electricity	67,833	67,256	66,688
Heating and cooling	65,502	67,049	65,509
Natural gas	46,359	44,590	41,879
Fuel distilled from crude oil	858	1,384	1,372
Total energy (direct and indirect) purchased [MWh]	180,552	180,280	175,448

Total energy (direct and indirect) purchased by source [%]	2011	2010	2009
Electricity	38	37	38
Heating and cooling	36	37	37
Natural gas	26	25	24
Fuel distilled from crude oil	0.5	1	1
Total energy (direct and indirect) purchased [%]	100	100	100

In 2011, production of smokefree products accounted for 45 percent of total energy, while production of mass market cigars accounted for approximately 5 percent of total energy. Approximately 49 percent of total energy purchased and consumed was derived from the production of lights products.

Total energy (direct and indirect) purchased per product area [Gigajoules]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco)	295,517	291,061	270,464
Mass market cigars	34,171	32,856	33,671
Lights products (matches, lighters)	320,299	325,091	327,478
Total energy (direct and indirect) purchased [Gigajoules]	649,987	649,007	631,613

Total energy (direct and indirect) purchased per product area [MWh]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco)	82,088	80,850	75,129
Mass market cigars	9,492	9,127	9,353
Lights products (matches, lighters)	88,972	90,303	90,966
Total energy (direct and indirect) purchased [MWh]	180,552	180,280	175,448

Total energy (direct and indirect) purchased per product area [%]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco)	45	45	43
Mass market cigars	5	5	5
Lights products (matches, lighters)	49	50	52
Total energy (direct and indirect) purchased [%]	100	100	100

Per unit of output produced, total energy consumption in 2011 compared to 2010 has decreased within the production of mass market cigars and lighters, while the production of smokefree products and matches have increased their consumption of total energy per unit of output produced.

For mass market cigars, the decrease in total energy purchased amounts to nearly 23 percent. For lighters, total energy purchased has decreased by 7 percent. Total energy purchased has increased by nearly 6 percent within production of smokefree products, and within production of matches by nearly 4 percent.

Total energy (direct and indirect) purchased by product area and unit of output produced [Gigajoules]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco) [Gigajoules/metric tons]	15.5	14.7	13.8
Mass market cigars [Gigajoules/Mio cigars]	39.1	50.6	68.9
Matches [Gigajoules/Bio matches]	3,074.3	2,958.8	2,868.1
Lighters [Gigajoules/Mio lighters]	149.7	161.7	164.5

Total energy (direct and indirect) purchased by product area and unit of output produced [MWh]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco) [MWh/metric tons]	4.3	4.1	3.8
Mass market cigars [MWh/Mio cigars]	10.9	14.1	19.1
Matches [MWh/Bio matches]	854.0	821.9	796.7
Lighters [MWh/Mio lighters]	41.6	44.9	45.7

Internal target: Total energy

Concerning 2016 targets for the total amount of energy purchased, aggregate figures show that for smokefree products and lighters, targets are set below the two year average 2010-2011 baseline.

Within production of smokefree products, the aggregate target implies a total reduction of 7 percent per unit of output produced compared to the two year average 2010-2011. For lighters, the reduction is set to 8 percent lower than the 2010-2011 baseline.

For production of mass market cigars, the target is set to a 4 percent increase in total energy purchases per unit of output produced impacted by baseline adjustments.

For production of matches, the target implies a 12 percent increase of total energy purchased per unit of output produced. This is a reduction in the growth rate from 2009 to 2011.

Total energy (direct and indirect) purchased by product area and unit of output produced [MWh]	Target	Average	2011	2010	2009
	2016	2010-2011			
Smokefree products (snus, moist snuff, chewing tobacco) [MWh/metric tons]	3.9	4.2	4.3	4.1	3.8
Mass market cigars [MWh/Mio cigars]	12.9	12.5	10.9	14.1	19.1
Matches [MWh/Bio matches]	937.0	837.9	854.0	821.9	796.7
Lighters [MWh/Mio lighters]	39.6	43.2	41.6	44.9	45.7

Water²⁵*Total water withdrawal by source (EN8)*

In 2011, Swedish Match has withdrawn a total amount of water of 2,488,764 m³, a reduction of 100,615 m³ (4 percent) compared to 2010. In relation to total Company sales (MSEK), total water withdrawals have been reduced by nearly 8 percent. In relation to total number of employees, total water withdrawals have decreased by approximately 3 percent.

Total water withdrawal [m³]	2011	2010	2009
Total water withdrawal	2,488,764	2,589,379	5,932,354
Total water withdrawal per MSEK sales	213.3	230.7	555.6
Total water withdrawal per employee	641.4	662.6	1,550.5

In 2011, 88 percent of Swedish Match's water withdrawals were taken from surface water, followed by municipal water supplies or other water utilities (10 percent of the Company's water withdrawals). Two percent was withdrawn from ground water. Nearly all water withdrawals from surface water takes place in the Company's poplar farms in Brazil.

The big drop in water withdrawal from 2009 and 2010 refers to the water withdrawn for the poplar farms; in 2010 the amount of surface water used for irrigation was significantly lower than 2009 due to natural differences in climate behavior. More rain in 2010 resulted in a lower water demand by Swedish Match forests than in 2009.

Total water withdrawal by source [m³]	2011	2010	2009
Surface water, including water from wetlands, rivers, lakes, and oceans	2,195,118	2,294,810	5,640,617
Municipal water supplies or other water utilities	253,096	254,890	257,940
Ground water	40,550	39,679	33,797
Rainwater collected directly and stored by the reporting organization	0	0	0
Waste water from another organization	0	0	0
Total water withdrawal [m³]	2,488,764	2,589,379	5,932,354

Total water withdrawal by source [%]	2011	2010	2009
Surface water, including water from wetlands, rivers, lakes, and oceans	88	89	95
Municipal water supplies or other water utilities	10	10	4
Ground water	2	2	1
Rainwater collected directly and stored by the reporting organization	0	0	0
Waste water from another organization	0	0	0
Total water withdrawal [%]	100	100	100

In 2011, approximately 5 percent of total water withdrawals took place within the production of smokefree products. Production of mass market cigars accounted for 3 percent of total water withdrawals in 2011. Production of lights products accounted for 92 percent of Swedish Match's total water withdrawal, a result of water withdrawals taking place in the Company's poplar farms in Brazil.

Within the production of smokefree products, total water withdrawals have been reduced by approximately 6 percent when comparing the 2011 figures with 2010. Within manufacturing of lights products, the withdrawals have been reduced by 4 percent. As for production of mass market cigars, total water withdrawals have increased by 13 percent due to increased production.

²⁵ Numbers for 2009 and 2010 have been restated in this report compared to the GRI report published in 2010 to reflect the divestment of the Plam factory. Also, a part of what was reported as ground water within the Company's lighter factories in Brazil and the Philippines in 2010 and 2009 has been redefined as municipal water.

Total water withdrawal by product area [m³]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco)	133,186	142,419	135,970
Mass market cigars	62,724	55,465	57,043
Lights products (matches, lighters)	2,292,854	2,391,495	5,739,341
Total water withdrawal by product area [m³]	2,488,764	2,589,379	5,932,354

Total water withdrawal by product area [%]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco)	5	6	2
Mass market cigars	3	2	1
Lights products (matches, lighters)	92	92	97
Total water withdrawal by product area [%]	100	100	100

Per unit of output produced, production of smokefree products, mass market cigars, and lighters show a reduction in water withdrawal in 2011 compared to 2010.

For match production, despite anticipated reductions in total water withdrawals, total water withdrawal per unit of output has increased as the produced output has declined from 2011 to 2010.

Total water withdrawal by product area and unit of output produced	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco) [m ³ /metric tons]	7.0	7.2	7.0
Mass market cigars [m ³ /Mio cigars]	71.8	85.5	116.7
Matches [m ³ /Bio matches]	26,092.6	25,751.8	59,549.4
Lighters [m ³ /Mio lighters]	64.6	68.3	71.3

Water sources significantly affected by withdrawal of water (EN9)

Swedish Match does not use water from any water source that is significantly affected by the water withdrawal, according to definitions provided by GRI.

Emissions, effluents, and waste²⁶*Total direct and indirect greenhouse gas emissions by weight (EN16)²⁷*

In 2010, Swedish Match emitted 38,234 metric tons of greenhouse gas emissions, an increase of 1,197 metric tons (3 percent) compared to 2009. Around one third of the greenhouse gas emissions were identified as direct emissions, i.e. gases from all sources owned or controlled sources.

In relation to total Company sales (MSEK), total greenhouse gas emissions decreased by approximately 2 percent from 2009 to 2010. Per employee, total greenhouse gas emissions increased by 1 percent.

Total greenhouse gas emissions by weight [metric tons]	2010	2009	2008
Total greenhouse gas emissions	38,234	37,037	38,079
Total greenhouse gas emissions per MSEK sales	3.4	3.5	4.0
Total greenhouse gas emissions per employee	9.8	9.7	9.8

In 2010, emissions of total direct greenhouse gases increased by 9 percent. Emissions of total indirect greenhouse gas emissions increased by 1 percent compared to 2009.

Total greenhouse gas emissions by weight and direct/indirect [metric tons]	2010	2009	2008
Total direct greenhouse gas emissions	11,627	10,672	11,542
Total indirect greenhouse gas emissions	26,607	26,365	26,537
Total direct and indirect greenhouse gas emissions [metric tons]	38,234	37,037	38,079

Total greenhouse gas emissions by weight and direct/indirect [%]	2010	2009	2008
Total direct greenhouse gas emissions	30	29	30
Total indirect greenhouse gas emissions	70	71	70
Total direct and indirect greenhouse gas emissions [%]	100	100	100

Of the Company's emissions of direct greenhouse gas, generation of electricity, heat, or steam accounted for 86 percent in 2010, followed by transportation of materials, products, and waste, which accounted for 14 percent. In 2010, the generation of electricity, heat, or steam increased by 6 percent compared to 2009. Transportation of materials, products, and waste increased by 34 percent.

Total direct greenhouse gas emissions by weight and source [metric tons]	2010	2009	2008
Generation of electricity, heat, or steam	9,968	9,431	9,346
Transportation of materials, products, and waste	1,659	1,241	2,196
Other combustion processes such as flaring	0	0	0
Physical or chemical processing	0	0	0
Venting	0	0	0
Fugitive emissions	0	0	0
Total direct greenhouse gas emissions by weight and source [metric tons]	11,627	10,672	11,542

²⁶ In terms of CO₂ reporting, numbers for 2008-2010 have not been restated in this document to reflect the divestment of the Plam factory as the numbers presented refer to what has been reported to the Carbon Disclosure Project (CDP) in 2011, prior to the divestment.

²⁷ All CO₂/Greenhouse gas reporting is according to CDP protocols, Scope 1 and Scope 2. Data for 2011 will be available from mid-2012. While actual energy consumed has not changed, the conversion factors provided by one of the Company's suppliers has changed significantly which will affect reported 2009-2010 CO₂ emission levels presented here. Restated numbers will be reported to the CDP in 2012, and presented in the sustainability reporting document that will be published in 2013. The number of employees used as a base for total greenhouse gas emissions per employee in 2008 is based on a proforma estimate.

Total direct greenhouse gas emissions by weight and source [%]	2010	2009	2008
Generation of electricity, heat, or steam	86	88	81
Transportation of materials, products, and waste	14	12	19
Other combustion processes such as flaring	0	0	0
Physical or chemical processing	0	0	0
Venting	0	0	0
Fugitive emissions	0	0	0
Total direct greenhouse gas emissions by weight and source [%]	100	100	100

The US and the Dominican Republic accounted for 73 percent of all direct greenhouse gas emissions in 2010, followed by Brazil with 16 percent, and Sweden with 10 percent. A very small amount was emitted in Bulgaria and the Philippines. Figures for 2008 and 2009 are not available by geographic area.

Total direct greenhouse gas emissions by geographic area	2010 [metric tons]	2010 [%]
The US, the Dominican Republic	8,511	73
Brazil	1,866	16
Sweden	1,178	10
Bulgaria	54	0.5
The Philippines	17	0.1
The Netherlands	0	0
Total direct greenhouse gas emissions by geographic area	11,626	100

The US and the Dominican Republic accounted for 71 percent of all indirect greenhouse gas emissions in 2010, followed by the Philippines with 12 percent, and the Netherlands with 9 percent. Small amounts were emitted in Sweden, Brazil, and Bulgaria. Figures for 2008 and 2009 are not available by geographic area.

Total indirect greenhouse gas emissions by geographic area	2010 [metric tons]	2010 [%]
The US, the Dominican Republic	18,982	71
The Philippines	3,176	12
The Netherlands	2,485	9
Sweden	688	3
Brazil	673	3
Bulgaria	603	2
Total direct greenhouse gas emissions by geographic area	26,607	100

The US and the Dominican Republic accounted for 72 percent of all direct and indirect greenhouse gas emissions in 2010, followed by the Philippines with 8 percent, Brazil with 7 percent, the Netherlands with 6 percent, Sweden with 5 percent, and Bulgaria with 2 percent. Figures for 2008 and 2009 are not available by geographic area.

	2010 [metric tons]	2010 [%]
Total direct + indirect greenhouse gas emissions by geographic area		
The US, the Dominican Republic	27,493	72
The Philippines	3,193	8
Brazil	2,539	7
The Netherlands	2,485	6
Sweden	1,866	5
Bulgaria	657	2
Total direct greenhouse gas emissions by geographic area	38,233	100

All calculations are based on site specific data, and conversion methodologies based on the Greenhouse Gas Protocol (GHG) Initiative are used in order to calculate the amount of greenhouse gas emissions per source. The following conversion methodologies have been used:

Fuel type	Conversion factors	Fuel type	Conversion factors
Petrol	2,3 ton CO ₂ /m ³	Natural Gas	0,0022 ton CO ₂ /m ³
	72,6 g/MJ		2,9 ton CO ₂ /ton
Diesel	2,7 ton CO ₂ /m ³	Butane, LPG	56,5 g/MJ
	75,3 g/MJ		3,0 ton CO ₂ /m ³
Fuel oil #1	2,7 ton CO ₂ /m ³	City gas	65,1 g/MJ
	3,2 ton CO ₂ /ton		0,0013 ton CO ₂ /m ³
Fuel oil #2-5	7,3 g/MJ	Peat	2,2 ton CO ₂ /ton
	3,0 ton CO ₂ /m ³		77,5 g/MJ
Coal	3,1 ton CO ₂ /ton	Pellet	1,4 ton CO ₂ /ton
	76,2 g/MJ		115,5 g/MJ
Coal	2,4 ton CO ₂ /ton	Household waste	0 g CO ₂ /ton
	90,7 g/MJ		0,20 ton CO ₂ /ton
			26,2 g/MJ

Other relevant indirect greenhouse gas emissions by weight (EN17)²⁸

In 2010, Swedish Match emitted 15,186 metric tons of other relevant indirect greenhouse gas emissions, an increase of 226 metric tons (nearly 2 percent) compared to 2009. In relation to total Company sales, other relevant greenhouse gas emissions have decreased by 3 percent in 2010 compared to 2009. In relation to the number of employees, emissions have decreased by nearly 1 percent.

Other relevant indirect greenhouse gas emissions by weight [metric tons]	2010	2009	2008
Other relevant indirect greenhouse gas emissions	15,186	14,960	14,925
Other relevant indirect greenhouse gas emissions per MSEK sales	1.4	1.4	1.6
Other relevant indirect greenhouse gas emissions per employee	3.9	3.9	3.8

All calculations are based on site specific data, and conversion methodologies based on the Greenhouse Gas Protocol (GHG) Initiative, see above.

²⁸ All CO₂/Greenhouse gas reporting is according to CDP protocols, Scope 3. Data for 2011 data will be available from mid 2012, following the reporting to the CDP.

Business travel accounted for 55 percent of total other relevant indirect greenhouse gas emissions. Transportation and distribution accounted for 45 percent. Figures for 2008 and 2009 are not available.

	2010 [metric tons]	2010 [%]
Other relevant indirect greenhouse gas emissions by weight		
Business travel	8,281	55
Transportation and distribution	6,905	45
Other relevant indirect greenhouse gas emissions by weight	15,186	100

*Initiatives to reduce greenhouse gas emissions and reductions achieved (EN18)**

Below are some examples of recent emission reduction initiatives within the Company.

Activity	Activity type	Location	Payback period
Educate employees about the importance to act responsibly towards the environment	Behavioral change	All ISO certified factories	>3 years
Replace all fluorescent bulbs with LED lamps (light emitting diodes)	Energy efficiency	Manila	1-3 years
Change light bulbs in warehouse and molding department	Energy efficiency	Assen	1-3 years
Replace linkage boiler burner controls with Servo controls	Energy efficiency	Owensboro	<1 year
Install new global video conference equipment and global support & education in order to facilitate the use of video conference.	Behavioral change	Global	

*As reported to CDP in 2011 for the calendar year 2010.

Emissions of ozone-depleting substances by weight (EN19)

Swedish Match has a very small amount of emissions of ozone-depleting substances. The emissions originate in the Company's mass market cigars factories in Dothan, the US, and Santiago, the Dominican Republic.

Swedish Match does not have any emissions of specific ozone-depleting substances of CFC-11 equivalent.

Total emissions of ozone-depleting substances [metric tons]	2011	2010	2009
Total emissions of ozone-depleting substances	1.16	0.96	0.90

Total weight of waste by type and disposal method (EN22)²⁹

In 2011, Swedish Match generated a total waste of 56,084 metric tons, a reduction of 7,627 metric tons (12 percent) compared to 2010. In relation to total Company sales (MSEK), total waste has been reduced by 15 percent, and in relation to total number of employees, it has been reduced by approximately 11 percent.

Total waste [metric tons]	2011	2010	2009
Total waste	56,084	63,711	59,696
Total waste per MSEK sales	4.8	5.7	5.6
Total waste per employee	14.5	16.3	15.6

The vast majority of the Company's waste according to definitions by GRI is generated in the production of matches and lighters, particularly in the production of matches in Sweden and Brazil. In 2011, 92 percent of total waste was generated in the production of matches and lighters while waste from smokefree products production accounted for around 5 percent. Waste generated in production of mass market cigars accounted for around 3 percent.

²⁹ Numbers for 2009 and 2010 have been restated in this report compared to the GRI report published in 2010 to reflect the divestment of the Plam factory. Also, all data reported has been restated to include incinerated waste from the match factory in Brazil. Moreover, small adjustments has been made to make the data more accurate.

In 2011, total waste generated in the production of smokefree products was reduced 14 percent,³⁰ and for lights products by 12 percent. Waste generated within the production of mass market cigars was stable compared to 2010.

Total waste per product area [metric tons]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco)	2,938	3,421	3,098
Mass market cigars	1,571	1,578	1,063
Lights products (matches, lighters)	51,574	58,712	55,536
Total waste [metric tons]	56,084	63,711	59,696

Total waste per product area [%]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco)	5	5	5
Mass market cigars	3	2	2
Lights products (matches, lighters)	92	92	93
Total waste [%]	100	100	100

Looking at total waste per unit of output produced, results for 2011 show a reduction within all product areas compared to 2010. Within production of smokefree products, waste has been reduced by 11 percent per unit of output by weight. Within match production, a reduction of 7 percent has been noted. For lighters, total waste has been reduced by nearly 6 percent. In the Company's mass market cigars production, waste per million cigars produced has been reduced by 26 percent.

Total waste by product area and unit of output produced [metric tons]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco) [metric tons/metric tons]	0.15	0.17	0.16
Mass market cigars [metric tons/Mio cigars]	1.80	2.43	2.17
Matches [metric tons/Bio matches]	588.54	634.22	574.79
Lighters [metric tons/Mio lighters]	1.05	1.11	1.12

Internal target: Total waste

Concerning 2016 targets for total waste, aggregate figures show that all targets are at or below the two year average 2010-2011 baseline. Within smokefree products and mass market cigars, the aggregate targets imply a total reduction of 4 percent compared to the two year average 2010-2011. For matches, the target for total waste *excluding biomass* is virtually unchanged compared to the two year average 2010-2011. Concerning lighters, the aggregate target implies a 15 percent reduction compared to the two year average 2010-2011.

Total waste by product area and unit of output produced [metric tons]	Target		2011	2010	2009
	2016	Average 2010-2011			
Smokefree products (snus, moist snuff, chewing tobacco) [metric tons/metric tons]	0.16	0.16	0.15	0.17	0.16
Mass market cigars [metric tons/Mio cigars]	2.03	2.12	1.80	2.43	2.17
Matches [metric tons/Bio matches]	-	611.38	588.54	634.22	574.79
Matches, <i>excluding biomass</i> [metric tons/Bio matches]	31.90	31.91	33.48	30.34	27.43
Lighters [metric tons/Mio lighters]	0.92	1.08	1.05	1.11	1.12

Incineration is the one waste disposal method most commonly used followed by landfill and recycling. Small amounts of waste are being reused. Around 90 percent of the Company's total waste refers to incinerated waste from the Company's match factories in Sweden and Brazil. Splint waste (pure wooden waste) is used for incineration to generate district heating for the local community, i.e. biofuel. Almost the entire waste produced in the splint factories in Vetlanda and Pirai do Sul refers such biofuel, and approximately 40 percent of all waste produced in the Tidaholm and Curitiba match factories.

³⁰ Part of the weight reduction within the production of smokefree products is due to timing effects of disposal and will be reversed for 2012. Also, data for one month of 2011 is missing due to incomplete information from a supplier.

In 2011, incinerated waste as well as waste used as landfill have been reduced compared to 2010. The reduction of waste used as landfill is the result of increasing efforts of recycling within the US production facility of mass market cigars.

Total waste per disposal method [metric tons]	2011	2010	2009
Incineration (or use as fuel)	50,676	58,175	53,942
Landfill	2,717	2,943	2,375
Recycling	2,088	2,006	1,328
Recovery	189	226	224
Reuse	102	83	116
Composting	8	0	0
On-site storage	5	2	1
Deep well injection	0	0	0
Other or not defined disposal method*	299	276	1,710
Total waste [metric tons]	56,084	63,711	59,696

* In 2009, "Other or not defined disposal method" is significantly higher than the following years due to difficulties in allocating disposal methods in two factories.

Total waste per disposal method [%]	2011	2010	2009
Incineration (or use as fuel)	90	91	90
Landfill	5	5	4
Recycling	4	3	2
Recovery	0.34	0.35	0.38
Reuse	0.18	0.13	0.19
Composting	0.01	0.00	0.00
On-site storage	0.01	0.00	0.00
Deep well injection	0.00	0.00	0.00
Other or not defined disposal method	0.53	0.43	2.86
Total waste [%]	100	100	100

Of the total waste produced, 98 percent has been identified as being non-hazardous in 2011. Around 2 percent of total waste has been identified as being hazardous.³¹ Compared to 2010, the Company's total weight of hazardous waste has been reduced by 45 metric tons, a reduction of nearly 5 percent.

Total waste by type [metric tons]	2011	2010	2009
Non-hazardous waste	55,200	62,782	58,815
Hazardous waste	884	929	882
Total waste [metric tons]	56,084	63,711	59,696

Total waste by type [%]	2011	2010	2009
Non-hazardous waste	98	99	99
Hazardous waste	2	1	1
Total waste [%]	100	100	100

The majority of the Company's hazardous waste is generated in the Company's match production facilities in Sweden and Brazil. In 2011, 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.

³¹ In accordance with GRI, Swedish Match defines hazardous waste according to national legislation.

Total hazardous waste per product area [metric tons]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco)	20	15	17
Mass market cigars	8	4	5
Lights products (matches, lighters)	856	910	860
Total hazardous waste [metric tons]	884	929	882

Total hazardous waste per product area [%]	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco)	2	2	2
Mass market cigars	1	0	1
Lights products (matches, lighters)	97	98	98
Total hazardous waste [%]	100	100	100

Total hazardous waste by product area and unit of output produced	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco) [metric tons/metric tons]	0.001	0.001	0.001
Mass market cigars [metric tons/Mio cigars]	0.009	0.006	0.010
Matches [metric tons/Bio matches]	9.690	9.692	8.750
Lighters [metric tons/Mio lighters]	0.038	0.056	0.063

Internal target: Hazardous waste

Concerning 2016 targets for hazardous waste, aggregate figures show that targets are at or below the two year average 2010-2011 baseline for all product areas but matches.

Total hazardous waste by product area and unit of output produced [metric tons]	Target 2016	Average 2010-2011	2011	2010	2009
Smokefree products (snus, moist snuff, chewing tobacco) [metric tons/metric tons]	0.001	0.001	0.001	0.001	0.001
Mass market cigars [metric tons/Mio cigars]	0.008	0.008	0.009	0.006	0.010
Matches [metric tons/Bio matches]	11.075	9.691	9.690	9.692	8.750
Lighters [metric tons/Mio lighters]	0.046	0.047	0.038	0.056	0.063

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.

Total number and volume of significant spills (EN23)

During 2009 to 2011, nine significant spills have been recorded within Swedish Match's manufacturing facilities. Six cases (all cases recorded in 2009 and 2010), which concerned gas, oil, and paste, were located in the mass market cigars production facility in the Dominican Republic. In 2011, two cases refer to gas spills in the Dominican Republic factory. One case refers to a spill of caustic soda from the Göteborg snus factory.

Total number and volume of significant spills	2011	2010	2009
Number of significant spills	3	2	4
Volume of significant spills [metric tons]	1.17	0.02	0.09

Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff (EN25)

Swedish Match does not have any water bodies significantly affected by Swedish Match's water discharges, according to the GRI definitions.

Employee related performance indicators³²

Labor practices and decent work

Total workforce by employment type, employment contract, and region (LA1)³³

By the end of the reporting period 2011, Swedish Match employed 4,134 people, a reduction of 110 employees (3 percent) compared to 2010. The number of employees excluding temporary workers was reduced by 84 people (2 percent). The number of temporary workers was reduced by 26 people (7 percent). Temporary workers accounted for 8 percent of the total workforce.

On October 1, 2010, with the creation of the new Scandinavian Tobacco Group (STG), 6,461 employees, primarily producing hand rolled and machine made cigars, as well as local individuals in local sales companies, were transferred to STG. In the figures presented in this document, the total workforce in 2009 included approximately 4,000 employees working within the US and the Dominican Republic businesses which were transferred to STG in 2010.

Total workforce	2011	2010	2009
Number of employees excluding temporary workers*	3,785	3,869	7,893
Number of temporary workers	349	375	972
Total workforce (employees + temporary workers)	4,134	4,244	8,865

Total workforce [%]	2011	2010	2009
Percentage of employees excluding temporary workers	92	91	89
Percentage of temporary workers	8	9	11
Total workforce (employees + temporary workers) [%]	100	100	100

In 2011, 93 percent of the total workforce worked full-time while 3 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	2011	2010	2009
Number of employees working full-time	3,826	3,868	7,928
Number of employees working part-time*	135	122	117
Number of employees not classified as working full-time or part-time (temporary workers in the US)	173	254	820
Total workforce (employees + temporary workers)	4,134	4,244	8,865

Employment type [%]	2011	2010	2009
Percentage of employees working full-time	93	91	89
Percentage of employees working part-time*	3	3	1
Number of employees not classified as working full-time or part-time (temporary workers in the US)	4	6	9
Total workforce (employees + temporary workers) [%]	100	100	100

* 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).

³² Due to differences in methodologies, the total workforce presented in this document does not correspond to workforce breakouts in the annual report. In the annual report, the average number of employees in the Group was 3,880 for 2011, 3,908 for 2010, and 3,826 for 2009 (excluding employees transferred to STG). In this document, employee related figures for 2009 include all employees transferred to STG on October 1, 2010 while employee related figures for 2010 and 2011 do not cover the new STG. As a result, certain figures are not comparable between 2009 and the following years. Also, all workforce data for 2010 and 2009 has been restated in this report compared to the GRI report published in 2010 to reflect the divestment of the Plam factory. A minor correction of total workforce has been made for 2010 as one employee has been added to the workforce statistics in Brazil.

³³ Due to differences in reporting of number of employees, the total workforce excluding temporary workers does not exactly correspond to the total workforce with an indefinite/permanent contract.

In 2011, 3,781 people or 91 percent of the total workforce had an indefinite/permanent contract.³⁴ Four percent of the total workforce had a fixed term/temporary contract while 4 percent of the workforce were defined as not being under contract (temporary workers in the US).

Employment contract	2011	2010	2009
Number of employees with an indefinite/permanent contract	3,781	3,866	7,890
Number of employees with a fixed term/temporary contract	180	124	155
Number of employees not under contract (temporary workers in the US)	173	254	820
Total workforce (employees + temporary workers)	4,134	4,244	8,865

Employment contract [%]	2011	2010	2009
Percentage of employees with an indefinite/permanent contract	91	91	89
Percentage of employees with a fixed term/temporary contract	4	3	2
Percentage of employees not under contract (temporary workers in the US)	4	6	9
Total workforce (employees + temporary workers) [%]	100	100	100

In terms of the geographical spread of the Swedish Match workforce, most employees (47 percent in 2011) work in the US/the Dominican Republic. Approximately 27 percent work in Sweden and Norway, 17 percent in Brazil, 6 percent in the Philippines, and 3 percent in the Netherlands.

Total workforce by geography	2011	2010	2009
The US, the Dominican Republic	1,960	2,019	6,630
Sweden, Norway	1,096	1,169	1,178
Brazil	709	721	705
The Philippines	264	230	246
The Netherlands	105	105	106
Total workforce (employees + temporary workers)	4,134	4,244	8,865

Total workforce by geography [%]	2011	2010	2009
The US, the Dominican Republic	47	48	75
Sweden, Norway	27	28	13
Brazil	17	17	8
The Philippines	6	5	3
The Netherlands	3	2	1
Total workforce (employees + temporary workers) [%]	100	100	100

Percentage of employees covered by collective bargaining agreements (LA4)

In total, 2,143 employees or 52 percent of Swedish Match's total workforce were covered by collective bargaining agreements in 2011. Per geography, results for 2011 show that 11 percent are covered by collective bargaining agreements in the US and the Dominican Republic; 95 percent in Sweden and Norway; 99 percent in Brazil; 31 percent in the Philippines; and 89 percent in the Netherlands.

³⁴ In the US, Swedish Match employees who are not under contract, neither implied nor explicit, but who receive regular salary and benefits for an indefinite period of time are for the purpose of this document counted as being under an indefinite contract. In the prior GRI-report, employees falling under this definition were counted as not under contract. Thus, numbers for the US/Dominican Republic have been restated in 2009-2010; employees previously reported as under not contract have now been defined as having an indefinite/permanent contract.

Employees covered by collective bargaining agreements	2011	2010	2009
Number of employees covered by collective bargaining agreements	2,143	2,245	2,354
Percentage of total employees covered by collective bargaining agreements [%]	52	53	27
Percentage of total employees not covered by collective bargaining agreements [%]	48	47	73

Employees covered by collective bargaining agreements	2011	2010	2009
The US, the Dominican Republic	221	232	236
Sweden, Norway	1,045	1,121	1,127
Brazil	701	714	698
The Philippines	83	85	199
The Netherlands	93	93	94
Employees covered by collective bargaining agreements	2,143	2,245	2,354

Percentage of employees covered by collective bargaining agreements by geography [%]	2011	2010	2009
The US, the Dominican Republic	11	11	4
Sweden, Norway	95	96	96
Brazil	99	99	99
The Philippines	31	37	81
The Netherlands	89	89	89

Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs (LA6)³⁵

In 2011, 81 percent of the Swedish Match total workforce (including temporary workers) is represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs. The committees operate at different levels: company, regional, divisional, function, or facility level.

In Sweden, Norway, and the Netherlands, all employees are – by law – represented in formal joint management worker health and safety committees. In the US, 75 percent of the total workforce is represented in formal committees, in Brazil 75 percent, and in the Philippines 50 percent.

Employee representation in formal joint management-worker health and safety committees	2011	2010
Percentage of employees represented in formal joint management-worker health and safety committees [%]	81	81
Percentage of employees not represented in formal joint management-worker health and safety committees [%]	19	19

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

³⁵ Data for 2009 is not available. Reported numbers for 2010 have been restated compared to the GRI report published in 2010 due to adjustments in data reported from Brazil.

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

In accordance with the GRI protocol, 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 geographies³⁶

	2011	2010	2009
A. Total number of working hours per year	8,025,012	8,180,403	17,355,042
B. Calculated number of total working days per year	1,003,127	1,022,550	2,169,380
	2011	2010	2009
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	63	66	69
D. Total number of occupational illnesses	19	72	79
E. Total number of lost days due to occupational illnesses/injuries/accidents	2,862	3,431	3,878
F. Total number of absentee days	33,176	34,089	35,233
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	1
	2011	2010	2009
Injury rate [per 100 employees per year] = C / A * 200 000	1.57	1.61	0.80
Occupational diseases rate [per 100 employees per year] = D / A * 200 000	0.47	1.76	0.91
Lost days rate [per 100 employees per year] = E / A * 200 000	71.33	83.88	44.69
Absentee rate [% of days per year] = F / B	3.3	3.3	1.6

³⁶ Some numbers for 2009 and 2010 have been restated compared to the GRI report published in 2010, see detailed information per geography.

The US and the Dominican Republic

	2011	2010	2009
A. Total number of working hours per year	4,210,000	4,260,000	13,300,000
B. Calculated number of total working days per year	526,250	532,500	1,662,500
	2011	2010	2009
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	39	37	37
D. Total number of occupational illnesses	0	2	1
E. Total number of lost days due to occupational illnesses/injuries/accidents	94	407	109
F. Total number of absentee days	7,322	4,472	6,335
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	0
	2011	2010	2009
Injury rate [per 100 employees per year] = C / A * 200 000	1.85	1.74	0.56
Occupational diseases rate [per 100 employees per year] = D / A * 200 000	0.00	0.09	0.02
Lost days rate [per 100 employees per year] = E / A * 200 000	4.47	19.11	1.64
Absentee rate [% of days per year] = F / B	1.4	0.8	0.4

Sweden and Norway³⁷

	2011	2010	2009
A. Total number of working hours per year	1,623,129	1,880,292	1,909,158
B. Calculated number of total working days per year	202,891	235,037	238,645
	2011	2010	2009
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	14	15	17
D. Total number of occupational illnesses	18	69	77
E. Total number of lost days due to occupational illnesses/injuries/accidents	1,222	1,249	1,373
F. Total number of absentee days	17,679	22,630	20,904
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	0
	2011	2010	2009
Injury rate [per 100 employees per year] = C / A * 200 000	1.73	1.60	1.78
Occupational diseases rate [per 100 employees per year] = D / A * 200 000	2.22	7.34	8.07
Lost days rate [per 100 employees per year] = E / A * 200 000	150.57	132.85	143.83
Absentee rate [% of days per year] = F / B	8.7	9.6	8.8

³⁷ The reported 2010 number for "C. Total number of injuries/accidents" has been restated compared to the GRI report published in 2010, from 16 to 15. The reported 2009 number for "F. Total number of absentee days" has been restated from 19,960 to 20,904. The reported 2010 number for "G. Total number of fatalities" has been restated from 3 to 0.

Brazil³⁸

	2011	2010	2009
A. Total number of working hours per year	1,435,141	1,433,199	1,391,202
B. Calculated number of total working days per year	179,393	179,150	173,900
	2011	2010	2009
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	10	11	13
D. Total number of occupational illnesses	1	1	1
E. Total number of lost days due to occupational illnesses/injuries/accidents	1,546	1,761	2,386
F. Total number of absentee days	6,459	5,505	2,465
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	0
	2011	2010	2009
Injury rate [per 100 employees per year] = C / A * 200 000	1.39	1.54	1.87
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	215.45	245.74	343.01
Absentee rate [% of days per year] = F / B	3.6	3.1	1.4

The Philippines³⁹

	2011	2010	2009
A. Total number of working hours per year	557,568	423,200	572,688
B. Calculated number of total working days per year	69,696	52,900	71,586
	2011	2010	2009
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	0	0	1
D. Total number of occupational illnesses	0	0	0
E. Total number of lost days due to occupational illnesses/injuries/accidents	0	0	7
F. Total number of absentee days	223	223	565
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	1
	2011	2010	2009
Injury rate [per 100 employees per year] = C / A * 200 000	0.00	0.00	0.35
Occupational diseases rate [per 100 employees per year] = D / A * 200 000	0.00	0.00	0.00
Lost days rate [per 100 employees per year] = E / A * 200 000	0.00	0.00	2.44
Absentee rate [% of days per year] = F / B	0.3	0.4	0.8

³⁸ The reported 2010 number for "E. Total number of lost days" has been restated compared to the GRI report published in 2010, from 1,908 to 1,761.

³⁹ The reported injury rate for 2009 has been restated compared to the GRI report published in 2010.

The Netherlands

	2011	2010	2009
A. Total number of working hours per year	199,174	183,712	181,994
B. Calculated number of total working days per year	24,897	22,964	22,749
	2011	2010	2009
C. Total number of injuries/accidents excluding minor (first-aid level) injuries/accidents	0	3	1
D. Total number of occupational illnesses	0	0	0
E. Total number of lost days due to occupational illnesses/injuries/accidents	0	14	3
F. Total number of absentee days	1,493	1,259	4,964
G. Total number of fatalities due to occupational illnesses/injuries/accidents	0	0	0
	2011	2010	2009
Injury rate [per 100 employees per year] = C / A * 200 000	0.00	3.27	1.10
Occupational diseases rate [per 100 employees per year] = D / A * 200 000	0.00	0.00	0.00
Lost days rate [per 100 employees per year] = E / A * 200 000	0.00	15.24	3.30
Absentee rate [% of days per year] = F / B	6.0	5.5	21.8

Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings (LA11)

Employee training takes place at the local level, and is catered to the needs of the individual and to the organization. Employees are offered opportunities for both onsite and offsite education and training, dependent upon future needs of the Group, thus helping to ensure sustainability in its workforce. In some cases, the Company accepts the provision of sabbatical periods with guaranteed return to employment.

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.

Please refer to pages 38-39 in this document, under the headline *Workforce training and development*.

Percentage of employees receiving regular performance and career development reviews (LA12)⁴⁰

The Group promotes an active dialogue between managers and employees which helps to create an attractive and motivating workplace. The single most important tool in this process and in order to identify individual targets is the annual employee performance evaluation, of which career development is an instrumental part. For example, employee training is catered to match the needs of the Group and the individual employee.

During 2011, 56 percent of the total workforce received a formal performance evaluation, an increase from 53 percent in 2010.

In Sweden, Norway, the Philippines, and the Netherlands, nearly all employees received a formal performance evaluation in 2011. In Sweden and Norway, 98 percent received a performance review in 2011, an increase of 10 percentage points from 2010. In the US, 42 percent received a formal performance evaluation in 2011. In Brazil, 8 percent of the Company's employees received a formal performance evaluation.

⁴⁰ The reported number of female and male employees for 2010 has been restated compared to the GRI report published in 2010 due to adjustments in data reported for Brazil.

Employees receiving regular performance reviews	2011	2010	2009
Total number of employees (including temporary workers) receiving a formal performance appraisal and review	2,321	2,237	2,606
Percentage of employees (including temporary workers) receiving a formal performance appraisal and review [%]	56	53	29
Percentage of employees (including temporary workers) not receiving a formal performance appraisal and review [%]	44	47	71

Employees receiving regular performance reviews by geography	2011	2010	2009
The US, the Dominican Republic	820	809	1,203
Sweden, Norway	1,073	1,028	991
Brazil	59	65	60
The Philippines	264	230	246
The Netherlands	105	105	106
Employees receiving regular performance reviews	2,321	2,237	2,606

Percentage of employees receiving regular performance reviews by geography [%]	2011	2010	2009
The US, the Dominican Republic	42	40	18
Sweden, Norway	98	88	84
Brazil	8	9	9
The Philippines	100	100	100
The Netherlands	100	100	100

Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group memberships, and other indicators of diversity (LA13)⁴¹

Of Swedish Match's total workforce in 2011, 38 percent were female employees.

Employees by gender	2011	2010	2009
Total number of female employees	1,584	1,598	3,981
Total number of male employees	2,550	2,646	4,064
Total number of temporary employees for which gender classification is not available (the US)	0	0	820
Total workforce (employees + temporary workers)	4,134	4,244	8,865

Employees by gender [%]	2011	2010	2009
Percentage of female employees	38	38	45
Percentage of male employees	62	62	46
Total number of temporary employees for which gender classification is not available (the US)	0	0	9
Employees by gender [%]	100	100	100

Swedish Match does not collate global data per age groups or minority groups.

⁴¹ Full detail on gender classification for temporary employees was not available for the US in 2009.

In 2011, three members of the Company's Board of Directors were female (33 percent), including employee representatives but not deputy employee representatives.

Board members by gender	2011	2010	2009
Total number of female board members	3	4	4
Total number of male board members	6	6	6
Total number of board members	9	10	10

Board members by gender [%]	2011	2010	2009
Percentage of female board members	33	40	40
Percentage of male board members	67	60	60
Board members by gender [%]	100	100	100

The Swedish Match Board of Directors was composed of ten members (of which four were female) until the AGM 2011. Three members left the board at the AGM 2011, and two new members were selected.

Social responsibility related performance indicators

Human rights

Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken (HR2)

Please refer to page 49 in this document, under the headline *Supplier responsibility*.

Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor (HR6)

Please refer to page 45 in this document, under the headline *Child labor*.

Society

Percentage and total number of business units analyzed for risks related to corruption (SO2)

Please refer to pages 39-40 in this document, under the headline *Ethical business practices (corruption and fraud)*.

Percentage of employees trained in anti-corruption policies and procedures (SO3)

Please refer to pages 39-40 in this document, under the headline *Ethical business practices (corruption and fraud)*.

Actions taken in response to incidents of corruption (SO4)

Please refer to pages 39-40 in this document, under the headline *Ethical business practices (corruption and fraud)*.

Swedish Match has had no incidents of reported infringements of Group policies during the reporting period of 2011. Swedish Match has had no incidents of reported infringements when contracts with business partners were not renewed due to violations related to corruption during the reporting period of 2011.

Public policy positions and participation in public policy development and lobbying (SO5)

Please refer to pages 46-48 in this document, under the headline *Public policy positions and regulatory affairs*.

Product responsibility

Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements (PR3)

Please refer to pages 52-53 in this document, under the headline *Responsible product labeling*.

Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes (PR4)

Swedish Match has had no incidents of non-compliance during the reporting period of 2011.

Practices related to customer satisfaction, including results of surveys measuring customer satisfaction (PR5)

Please refer to page 54 in this document, under the headline *Customer satisfaction*.

Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship (PR6)

Please refer to pages 53-54 in this document, under the headline *Responsible marketing communications*.

Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by outcomes (PR7)

During the year, Swedish Match received an authority notification that a marketing program in the United States was violating the law. Swedish Match does not share this view but has stopped the program.



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