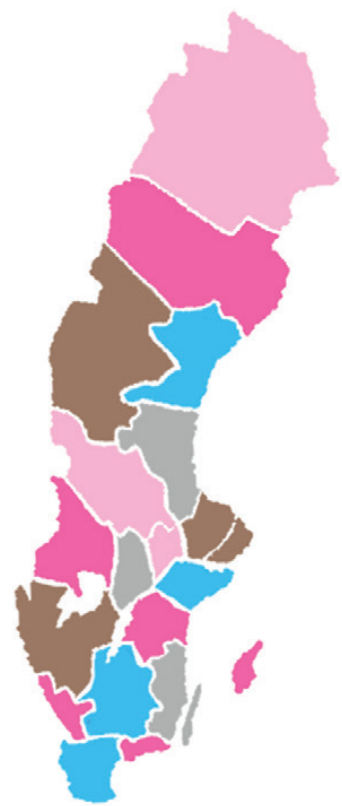
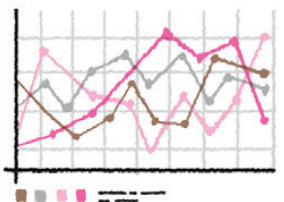
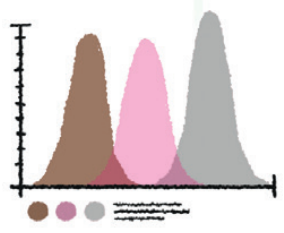


# 2013 Responsibility Report

Part 2 Financial reports and in-depth sustainability report



Systembolaget is there for everyone. We make a difference. Everyone should be able to rely on us to sell responsibly and that our aim is to protect public health. We have summarised our approach in our customer promise: *you should always feel welcome, you should always feel that you can learn something from us, and you should always be able to rely on us to sell responsibly. This customer promise summarises what Systembolaget is all about.*



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# Systembolaget's 2013 Responsibility Report

Our mandate is to sell responsibly, to offer a high quality service, and to provide information on the risks associated with alcohol.

This Responsibility Report integrates our annual accounts and our Corporate Governance Report with our Sustainability Report.

The 2013 Sustainability Report is published in two complementary parts:



### ► Part 1

*Presenting...*

- a general description of our mandate, vision, customer promise, and responsibility
- an in-depth look at our work from a variety of perspectives: society, customers, employees, suppliers and owners



### ► Part 2

*Presenting...*

- a comprehensive financial report, including the Corporate Governance Report (formal Annual Report)
- an in-depth sustainability report including details of our reporting in accordance with the Global Reporting Initiative, GRI

#### About the Sustainability Report

The financial reporting refers to Systembolaget AB. The in-depth sustainability report includes the Parent Company, Systembolaget AB, and the wholly-owned subsidiary company, IQ-initiativet AB. Global Reporting Initiatives (GRI) guidelines are applied in the report for level B+. A review of the GRI Report has been carried out by Ernst & Young AB. For a full list of contents, see pages 72–73.

## Significant events 2013

- We implemented a new product range control system in the autumn of 2013 that will result in a localised and faster adaptation in line with customer demand. It will also mean that our in-store shelving for wine is now sorted first by country of origin and then by price bracket.
- Home delivery trials were expanded during the year to include the available-for-order range, and the ability to order for home delivery was also extended to additional post code areas and counties. The trial is being evaluated by independent alcohol researchers.
- Systembolaget introduced two new strategic key ratios, namely the Alcohol

Index and the Operating margin excluding alcohol tax. The Alcohol Index measures Swedes' attitudes towards alcohol in different situations, while the operating margin ratio shows the operating profit as a percentage of income, excluding alcohol tax.

- Swedwatch conducted a review of Systembolaget's sustainability work and Code of Conduct, producing a report detailing their findings in December. The review highlights the challenges faced within the wine-producing industry and expands our knowledge of the field, while simultaneously helping to boost Systembolaget's work and strengthen its commitment in this area.

## The year in figures

### Financial key performance indicators

	2013	2012	2011
Net sales, SEK m	25,709	25,099	24,416
Trading margin incl. alcohol tax, %	12.8	12.8	12.8
Trading margin, excl. alcohol tax, %	21.2	21.3	21.7
Operating margin incl. alcohol tax, %	0.7	1.1	0.7
Net profit for the year, SEK m	287	180	223
Return on shareholders' equity, %	18.0	12.6	15.6
Equity/assets ratio, %	31.5	28.6	27.6

### Net sales, SEK m

	2013	2012	2011
Spirits	5,402	5,471	5,458
Wine	13,452	12,988	12,557
Strong beer	5,951	5,740	5,510
Cider and mixed drinks	674	687	704
Alcohol-free	111	94	67
Total drinks sales	25,590	24,980	24,296
of which organic	984	944	938
Other goods and services	119	119	120
Total	25,709	25,099	24,416

# Directors' Report including Corporate Governance Report

The Board of Directors and the President of Systembolaget AB, corporate ID number 556059-9473, hereby present the annual accounts, including the Corporate Governance Report, for the 2013 financial year.

**18%**  
*return on  
adjusted  
share-  
holders'  
equity*

## THE OPERATIONS

### The company's mandate

Systembolaget AB is a limited company that is wholly-owned by the Swedish State and which has a monopoly on retail sales of strong beer, wine and spirituous drinks in Sweden. Systembolaget's mandate – to help improve public health by limiting the harmful effects of alcohol – is achieved in a number of different ways. The implementation of clear selling rules to ensure that sales are conducted responsibly is an important part of Systembolaget's mandate. The interaction with the customer also incorporates clear customer promises and the company's role also includes sharing its knowledge of how to make informed choices.

Limiting the availability of alcohol by controlling the number of retail outlets and opening hours is another important part of the company's mandate. The opening hours that are permitted in different local authority areas are decided by Parliament. Systembolaget's operations are based on a clearly defined social responsibility and the aim is not to maximise the company's profits. This constitutes an important difference between Systembolaget and other retail sector companies, whose goal is often to maximise their profits wherever possible.

### Organisation

The operations are conducted via 426 retail outlets in Sweden. One store was closed and six new ones opened in 2013 and we now have a presence in all of Sweden's local authority areas. There are also, in addition to the stores, around 500 agents throughout Sweden from whom the customers can order goods for collection. The operations are conducted via Systembolaget AB

and the wholly-owned subsidiary companies, IQ-initiativet AB and AB K14 Näckströmsgatan. IQ-initiativet works to provide information in order to prevent and reduce alcohol-related harm. K14 Näckströmsgatan manages Systembolaget's operating properties. K14 Näckströmsgatan has sold one of its subsidiaries, Fastighetsbolaget Armaturvägen i Jordbro KB during the year. Gamla Distribution i Jordbro AB, which has been dormant for some years now, was merged with Systembolaget AB during the year.

Systembolaget AB is wholly-owned by the Swedish State and there are a total of 360,000 shares in the company.

### Significant events, 2013

2013 has been an eventful year.

The home delivery trial was expanded to include the available-for-order range and by the end of the year, the trial had been extended to 40 per cent of Sweden's population, both in major conurbations and in rural areas. The deliveries are made in the same responsible way as our in-store sales to ensure compliance with our selling rules and in order to counter illicit resupply. The trial has been structured in consultation with alcohol researchers and their evaluation indicates that, to date, there has been no increase in total sales of alcohol.

Two new strategic key performance indicators have been introduced in 2013, namely the Alcohol Index and the Operating margin excluding alcohol tax. The Alcohol Index, which is presented by IQ-initiativet, is a combined measurement of people's attitudes to alcohol in different situations, and the higher the index, the more moderate the attitude. In 2013, the

Alcohol Index rose, year-on-year, from 62 to 66. The Operating margin excluding alcohol tax shows the operating profit as a percentage of income excluding alcohol tax. The figure for 2012 was 1.8 per cent, falling to 1.1 per cent in 2013.

In the summer of 2013, the food retail chain, Citygross, working in partnership with the Winefinder company, began sales of wine together with pre-packaged meal-making kit bags. Systembolaget has a monopoly in Sweden on retail sales of spirituous drinks, wine and strong beer and Systembolaget consequently reported the companies to the police for a breach of the Swedish Alcohol Act, but in the autumn, the Office of the Public Prosecutor chose to drop the preliminary enquiry. The current regulations result in difficulties in interpretation and the decision by the Office of the Public Prosecutor is clear proof of this fact. Private individuals have been allowed to buy alcohol from other EEA countries and to make use of independent transporters to Sweden ever since the so-called Rosengren judgement in 2007. There are currently commercial operators who exploit the regulations surrounding private imports to circumvent Systembolaget's monopoly by acting as agents to sell alcohol from stocks held abroad with the intention of making a profit and, at the same time, handling most of the stages of the sale process – such as transport, payment and advertising, etc., – in Sweden. The Government Commission report that was presented during the summer and which had investigated online sales and marketing of alcohol (SOU 2013:50), stated that there is a need to review the regulations in order to clarify where the limits on what is permitted lie. In January 2014, the Government decided to appoint a Commission which will be tasked with investigating what needs to be done to clarify the Swedish Alcohol Act to ensure it cannot be exploited in a way that contravenes the original intention of the Act.

On 23 October, the Court of Appeal rejected Systembolaget's petition that an arbitration ruling from 2012 should be quashed or reversed. Systembolaget shall compensate the counterparty, The Absolut Company Aktiebolag, for their legal costs. Systembolaget has appealed the Court of Appeal ruling.

In December 2013, Systembolaget changed the form of guarantee used for non-active persons, i.e.

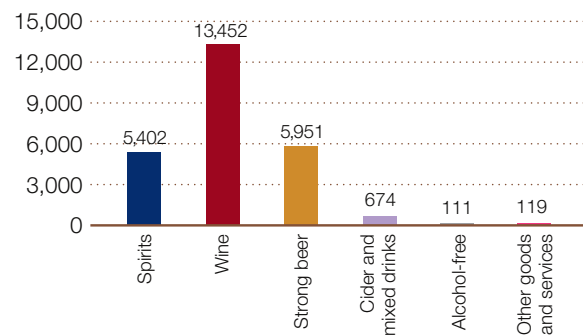
holders of life annuities and pensioners, from guarantees via pension funds to taking out pension insurance. The result of this change is that it is the insurance company that bears the actuarial risk. The insurance premium has been financed by means of a donation from Systembolaget's Pension Fund in December.

### Customers

The number of customer visits to Systembolaget's stores increased by 1.3 per cent in 2013 to 119.9 million. The number of visits to the systembolaget.se website also increased by just over 14 per cent to 24 million, while the Search & Find app has been downloaded 1.2 million times since 2011. The interaction with customers in stores plays a large part in determining customers' views of Systembolaget and the Customer Satisfaction Index (CSI) is measured and reported quarterly. The CSI in 2013 was 82 – our highest value ever yearly figure – on a scale of 0–100. Systembolaget is constantly endeavouring to improve its interaction with its customers, whether that interaction occurs in stores, in the digital channels, or via our Customer Service Department. A new product range management tool that gives every store a product range that is more closely adapted to local customer demand was implemented on 2 September. The goal is for the store shelves to carry the items that are in demand with each store's specific customer base.

Interest in the alcohol-free range continues to grow and this is a trend that Systembolaget is keen to promote still further. To this end, Systembolaget can currently offer a range that includes 48 (37) alcohol-free items in its fixed range.

Sales by product group, Million SEK



Sales of organic products fell by 2.4 per cent in 2013 and accounted for 3.1 per cent of total sales by litre. At the year end, Systembolaget's fixed range included 134 (130) organic items.

### Sales

Systembolaget's sales in 2013 totalled SEK 25,709 million (SEK 25,099 m), corresponding to a year-on-year increase of 2.4 per cent. Wine sales totalled SEK 13,452 million, corresponding to an increase of 3.6 per cent that was due to, amongst other things, a shift in the range towards more expensive products. Strong beer sales increased by 3.7 per cent to SEK 5,951 million, but sales of spirituous drinks fell by 1.3 per cent to SEK 5,402 million. Sales of cider and mixed drinks also fell by 1.9 per cent to SEK 674 million. Sales of alcohol-free products rose, however, by 17.9 per cent to SEK 111 million. Recalculated as pure alcohol, total sales increased by 1.0 per cent to 46.4 million litres. One partial explanation for this increase may be that, according to Statistics Sweden, the population of Sweden had increased by 0.9 per cent, as of November 2013.

### Operating profit

Systembolaget posted an operating profit for 2013 of SEK 168 million (SEK 270 m). On 1 January 2013, the Swedish Financial Supervisory Board cut the discount rate that forms the basis for calculations of pension liabilities, and the estimated pension undertakings consequently increased. Systembolaget made a provision of SEK 162 million to the company's pension fund during the first quarter. Selling costs increased to SEK 2,607 million (SEK 2,428 m), primarily due to increased pension costs and increased in-store staffing levels. The same reason was responsible for the increase of SEK 221 million in personnel costs. Administrative costs increased to SEK 2,607 million (SEK 2,428 m). The operating margin including alcohol tax fell to 0.7 per cent (1.1%).

### Net financial items and pre-tax profit

The pre-tax profit totalled SEK 317 million (SEK 248 m). Net financial items totalled SEK 208 million (SEK 58 m). Systembolaget has, in conjunction with the preparation of the year-end accounts, anticipated a dividend of SEK 171 million from K14 Näckströmsgatan. Net financial items from the interest portfolio and

cash and cash equivalents totalled SEK 37 million (SEK 58 m). The reduction is primarily due to unrealised changes in the market value of the financial investments and to falling interest rates.

### Cash flow

The cash flow from operating activities totalled SEK 456 million (SEK 574 m). The cash flow from investment activities totalled SEK -520 million (SEK -318 m), and comprised net investments in financial assets of SEK -442 million (SEK -186 m) and investments in tangible fixed assets totalling SEK -105 million (SEK -132 m). The investment in tangible fixed assets was primarily in respect of store fixtures and fittings. SEK 18 million in funds resulting from a merger is also included in this sum.

### Financial position

Shareholders' equity on 31 December 2013 totalled SEK 1,610 million, corresponding to an increase of SEK 199 million since 31 December 2012. The change was caused by the reduction in the net profit for the year resulting from the dividend payment to the owner, which in 2013, totalled SEK 90 million. A merger profit of SEK 2 million resulting from the merger of Gamla Distribution i Jordbro is also included in this figure.

### The owner's target figure and trading margin

The return on shareholders' equity was 18.0 per cent (12.6%). The Owner's Directive states that the long-term profit shall correspond to a return on shareholders' equity that exceeds the average ten-year government bond interest rate by 4 percentage points. The required return for 2013 was 6.1 per cent. The owner's target figure is calculated on the basis of the Group's Balance Sheet and Income Statement.

Systembolaget does not, as a company, attempt to maximise its profit and if the long-term return exceeds the owner's requirement, it shall benefit the customers in the form of a reduced trading margin. The trading margin, excluding alcohol tax, has gradually been reduced since 2000 and has never been as low as it was in 2013, when it was 21.2 per cent. The Board of Directors endeavours at all times to balance the trading margin such that the resources needed for the company's development are secured,

at the same time, ensuring that the customers benefit from increases in efficiency. The Owner's Directive states that the equity/assets ratio shall be approximately 35 per cent. The result for 2013 was 31.5 per cent (28.6%).

## Sustainability

In May, Systembolaget, along with 20 other major Swedish companies, was invited by SIDA to take part in the "Leadership for sustainable development" initiative. The aim is to work together to further the role of the business sector when it comes to working more sustainably by means of, amongst other things, reducing environmental impact, generating good working conditions, and combating corruption.

Swedwatch, a non-profit and politically unaffiliated research organisation has conducted a review of Systembolaget's sustainability work in 2013. The focus of the review was on how well Systembolaget monitors compliance with its Code of Conduct. Swedwatch stated, in its report, that Systembolaget has demonstrated that it has a comprehensive programme of sustainability work and that it has been a model of transparency and adopts a positive approach to such openness. The report contains seven recommendations for Systembolaget, including the suggestion that Systembolaget increases the extent to which it incorporates sustainability issues into the purchasing process, that it increase its contacts with local trade union and stakeholder organisations, and that it improves the way in which it communicates information about the sustainable product range to its customers. All of these areas where there is scope for improvement had already been identified by Systembolaget and several of the suggestions had already been included in our action plans.

Systembolaget's waste management programme has been reviewed and improved during the year.

Our goal is to have an efficient waste sorting system that recycles the maximum possible amount of the waste material generated.

## Sustainability work in the supplier chain

Ongoing producer audits are conducted as part of the undertaking to monitor the drinks supplier chain that derives from our membership of BSCI. Producers who account for two thirds of the purchase volume from the high-risk countries of South Africa, Chile, Argentina, Mexico and Bulgaria must have been audited by 2015. Nine audits of production facilities in South Africa and three audits of facilities in Chile were carried out in 2013. None of the producers "passed" the audit and in all cases, an action plan was drawn up and will be followed up on in 2014.

Systembolaget, in partnership with the other Nordic alcohol retail monopolies, is implementing a new Nordic sustainability strategy that extends until 2018 and which will focus more heavily on environmental issues than before. The overall goal is for our products, wherever they are produced, to be manufactured under conditions that are good for both people and the environment. The Nordic monopolies are, in addition to the general work involved in the plan, also planning to implement targeted measures that focus on specific sustainability problems in high-risk countries. The monopolies are also working on a revision of the Code of Conduct, based on new international guidelines and the goal is for work on the sustainability strategy and the revised Code of Conduct to be completed during the first half of 2014. Representatives of Systembolaget and the other Nordic monopolies visited Bulgaria and Poland in September 2013. Representatives of the monopoly have previously visited South Africa, southern Europe, South America, and the USA.

## Financial position in relation to the Owner's Directive and financial requirements

%	2013	2012	2011	2010	2009
Return on shareholders' equity	18.0	12.6	15.6	14.6	27.3
Target figure, as per the Owner's Directive <sup>1</sup>	6.1	5.6	6.6	6.9	7.2
Equity/assets ratio	31.5	28.6	27.6	28.4	31.1
Target figure, as per the Owner's Directive <sup>1</sup>	35	35	35	35	35
Dividend as a percentage of the profit after tax <sup>2</sup>	100	50	71	135	85
Target figure, as per the Owner's Directive, minimum	50	50	50	50	50

1 The financial target figures of the Owner's directive is currently being revised.

2 Dividend of the 2013 results according to the Board proposals.

## RISKS AND UNCERTAINTY FACTORS

Systembolaget's risk management work is based on an annual risk analysis carried out for the operations as a whole. Operating risks have, in addition to the financial risks, been identified and prioritised on the basis of significance and probability. The result of this process is four identified key risks.

### Financial risks

The financial risks, such as interest, credit and liquidity risks are limited. Systembolaget is self-financing, thanks to a high rate of stock turnover that matches payment and purchasing terms.

Systembolaget has no interest-bearing liabilities. All sales are made for payments in cash or by credit card and Systembolaget hence has no significant accounts receivable. The drinks suppliers are responsible for the import of alcoholic drinks and reporting alcohol tax. Systembolaget's product purchases are largely made in Swedish kronor.

The company, equally, has very little exposure to currency and exchange rate risks.

The financial risk management is steered by Systembolaget's investment regulations.

For additional information on the management of financial risks, see Note 13, Financial instruments.

### Operating risks

A general operating risks analysis is carried out every year within Systembolaget. Identification and valuation are carried out every other year and a revaluation only is carried out every other year. Risk is defined as "events or activities that prevent Systembolaget from achieving its goals". The risk analysis identifies risks in relation to Systembolaget's goals, the most important of which relates to our social responsibility. Systembolaget accepts not only its social responsibility, but its responsibility for human rights, working conditions, the environment and anti-corruption work, and sustainability-related risks are, therefore, also included in the operating risks analysis.

The 2013 risk analysis identified twenty or so significant risks that have been prioritised with regard to significance and probability. Significance refers to the effect on our ability to achieve existing

goals. Four of the risks identified have been classified as key risks, which means they have a relatively high significance and probability level, and they are, therefore, adjudged to be critical. The four key risks fall within a single category, namely external risks, i.e. risks that arise through changes in the world outside Systembolaget. Systembolaget has no control over these risks but must adapt its behaviour in line with them as well as manage them. The risks identified are: unclear legislation with regard to private imports of alcohol, aggressive marketing of alcohol, inadequate supervisory measures, and the allowing of additional selling channels.

### Risk management work

Overall responsibility for the risk management work lies with the Finance & Administration Department. The operations have a clearly defined responsibility for the ongoing risk monitoring work. Responsibility for managing the key risks identified was allocated to the various parts of the operations in conjunction with the business planning for 2013. Many of the company's risks are otherwise prevented and managed during the course of the company's day-to-day routines. The Risk controller unit carries out systematic and analytical reviews of the stores' risks every year with the aid of self-assessment forms and the stores' key performance indicators. This work forms the basis for targeted reviews of stores and other units and, where relevant, for other types of monitoring, such as control inventories. The internal audit, which is conducted by an external company, reviews and evaluates Systembolaget's operations, including the ways in which identified risks are managed.

*Risk = events that prevent the monopoly to achieve their targets*



## THE CORPORATE GOVERNANCE REPORT

Systembolaget AB is wholly-owned by the Swedish State. The ownership is administered by the Government through the Ministry of Health and Social Affairs and the responsibility for Systembolaget's management and control is shared between the owner, the Board of Directors and the President.

### The owner

Systembolaget's agreement with the State and the Owner's Directive, in which the owner's requirements of the company are specified, constitute the starting point for the work and responsibilities of the Board of Directors. The agreement and the Owner's Directive specify the bases for the company's operations with regard to the social mandate, the requirement for financial efficiency, and any other requirements with regard to the company's activities. The owner determines the objective of the company's operations through the Articles of Association.

Systembolaget's mandate is to contribute to the reduction of the harmful effects of alcohol. Systembolaget holds a monopoly on retail sales of strong beer, wine and spirituous drinks in Sweden. Find out more about Systembolaget's mandate and the owner's objectives on pages 8–9 and 53–59 of Part 1 of the Responsibility Report.

Meetings are held on a rolling basis (approximately once a month) between the owner and Systembolaget's Chairman of the Board. Systembolaget's President also attends some of these meetings. Areas addressed during these meetings over the past year include the work of the Board of Directors, operational monitoring and follow-ups, the Annual General Meeting, strategic

work, the home delivery trial, the Commission for the supervision of marketing and e-commerce with regard to alcoholic beverages, etc., the ongoing review of the Owner's Directive and Systembolaget's economic goals, and the ongoing review of Systembolaget's pension plans. The owner exercises its rights as a shareholder at the Annual General Meeting.

### Corporate governance principles

Systembolaget's corporate governance is conducted principally on the basis of:

- the Swedish Companies Act
- other applicable Swedish legislation
- the Swedish Corporate Governance Code (the Code)
- the State's ownership policy, which also includes guidelines for external reporting and guidelines for conditions of employment for senior executives
- the agreement between Systembolaget and the State
- the State's ownership directive for Systembolaget (the Owner's Directive)
- the Articles of Association
- the formal work plan for the Board of Directors
- the instructions for the President
- internal steering documents

### For additional information

Swedish Corporate Governance Code: [bolagsstyrning.se](http://bolagsstyrning.se)

The State's ownership policy: [regeringen.se](http://regeringen.se)

The agreement between Systembolaget and the State, the Owner's Directive, and the Articles of Association: [systembolaget.se](http://systembolaget.se)



www

### Deviations from the Code

Systembolaget applies those sections of the Swedish Corporate Governance Code that are relevant to the company with the following deviations:

Code regulation	Deviation	Explanation/Comments
1.1 Publication of information on the shareholder's right of initiation.	Not published.	The aim of this regulation is to give the shareholders plenty of time to prepare for the Annual General Meeting and to have issues included in the notice convening the Annual General Meeting. There is no reason to observe this regulation, in a wholly State-owned company.
2 The company shall establish a Nomination committee to represent the company's shareholders in conjunction with the election and determination of remuneration of the Board of Directors and Auditors of the company.	No Nomination Committee has been established.	The preparation of nomination Committee issues in State-owned companies is carried out by the Government in the manner detailed in the State's ownership policy.
10.2 The reporting of the independence of Members of the Board in relation to major shareholders.	Not reported.	The Code Regulation in question is primarily intended to protect minority shareholders in companies with diverse ownership, and hence is not relevant for a wholly State-owned company.

### The Annual General Meeting

The Annual General Meeting shall, under the terms of the State's ownership policy, be held no later than 30th April every year. Members of Parliament are entitled, upon application, to attend the Annual General Meeting and the general public shall also be afforded the opportunity to attend. The Board of Directors is responsible for issuing a notice convening the Annual General Meeting to the shareholder no later than four weeks and no earlier than six weeks before the Meeting.

### The 2013 Annual General Meeting

The 2013 Annual General Meeting was held on 25 April 2013 in Stockholm and was open to the public. The owner was represented by First Secretary, Pia Fagerström, from the Ministry of Health and Social Affairs. The owner was also represented by Undersecretary of State, Ragnwi Marcelind, from the Ministry of Health and Social Affairs and the Director General for Legal Affairs, Lars Hedengran, from the Ministry of Health and Social Affairs.

The resolutions taken by the shareholder at the Annual General Meeting included the following:

- re-election of Cecilia Schelin Seidegård as Chairperson of the Board
- re-election of the following Members of the Board: Thord Andersson, Sven Andréasson, Crister Fritzon, Johan Gernandt, Carl B Hamilton, Mona Sahlin and Kerstin Wigzell
- Directors' fees payable, and fees payable to members of the company's Board-appointed committees and Auditors
- approval of the "Guidelines for terms of employment for senior executives of Systembolaget AB" proposed by the Board of Directors

- adoption of the Income Statement and the Balance Sheet
- allocation of the company's profits
- granting of discharge from liability for the Board of Directors and the President.

The Minutes of the Annual General Meeting are available on Systembolaget's website.

### The 2014 Annual General Meeting

The 2014 Annual General Meeting will be held on 24 April 2014 in Stockholm. Notices convening the Annual General Meeting will be issued in March of that year.

### The nomination process for the Board of Directors

The appointment of the Board complies with the nomination process described in the State's ownership policy. The nomination process is coordinated by the State Ownership unit of the Ministry of Finance. A working group analyses the skills requirement on the basis of the company's operations, situation and future challenges, and the existing composition of the Board and Board Member evaluations carried out during the year. To be considered for a seat on the Board, individuals must not only possess high-level competence in the relevant commercial sphere, expertise in commercial development, industry know-how, and extensive familiarity with financial issues or other relevant areas, they must also display a strong sense of integrity and the ability to work in the best interests of the company. The selection is made from a broad recruitment base.

### The Board of Directors

Systembolaget's Board of Directors is responsible, under the provisions of the Swedish Companies Act,

### Responsibility for corporate governance within Systembolaget



for the organisation of the company and the administration of the company's affairs. According to the State's ownership policy, the Board of Directors in companies where the State has an ownership interest shall ensure that the companies are operated in a model way within the scope of the legislation, the company's Articles of Association, the owner's instructions and the State's ownership policy. Some of the work involved in ensuring public confidence in the operations entails drawing up operationally necessary policy documents, such as the Code of Conduct, and conducting annual evaluations of existing policies.

#### **Composition of the Board**

The Articles of Association prescribe that the Board of Directors shall comprise a minimum of six and a maximum of eight Members appointed by the General Meeting. The employee organisations are also entitled to appoint Members of the Board. The State's ownership policy states that the composition of the Board shall be such that the Board at all times possesses the industry know-how or other expertise that is directly relevant to the company, including the know-how and expertise required when the company develops or the outside world changes. The Board must also possess the ability to work strategically with issues relating to corporate social responsibility (CSR). The composition of the Board shall be such that a balance is achieved with regard to background, areas of expertise, experience and gender breakdown. The State's ownership policy states that the goal with regard to gender breakdown shall be at least 40 per cent of both sexes.

Systembolaget's Board of Directors in 2013 comprised eight Members elected by the Annual General Meeting. Three of these Members were women and five were men. The Board also includes two employee representatives with two Deputy Members appointed by the employee organisations. None of the Members of the Board are part of the company's management. For further information on the Members of the Board and their attendance at Board Meetings, see pages 11, 16 and 17.

Systembolaget's Board of Directors has a broad composition with regard to industry know-how and insight into the external issues that influence the company's development.

The President, Vice Presidents and CFO attend Board Meetings. The remaining members of the company's management also attend certain meetings

as required. Systembolaget's Senior Legal Counsel, who is a member of the management, is the Secretary to the Board.

#### **The Chairperson of the Board**

The Chairperson shall, pursuant to the provisions of the Swedish Companies Act, lead the work of the Board and ensure that the Board carries out its duties. The Code states that the Chairperson of the Board shall also be responsible for ensuring that the work of the Board is well organised and efficient, for contacts on ownership-related issues, for ensuring that the Board receives sufficient information and source data on which to base its decision-making work, for working with the President to set the agenda for the Board Meetings, for checking that the Board's decisions are implemented, and for ensuring that the work of the Board is evaluated annually.

The Chairperson consults with the President on strategic issues as they arise, and represents the company on issues relating to corporate governance. The Chairperson also has certain additional obligations which are specified in the rules of procedure for the Board of Directors.

#### **The work of the Board**

The Board has adopted a formal work plan which specifies how the work is to be divided between the Board, the owner, the committees and the President. The work plan is reviewed annually and was adjusted and adopted in 2013 at the Meeting held by the newly formed Board in April. The work plan states that the Board, as a rule, shall hold at least five meetings per financial year in addition to the Board Meeting that is held following elections.

The Board should, in accordance with the work plan, coordinate its position with representatives of the owner with regard both to critical issues, such as major strategic operational changes, major acquisitions, mergers or disposals, and to decisions that entail a significant change to the Balance sheet or risk scenario for Systembolaget. There is no division of the Board's work between the Members of the Board, other than that of the two Committees presented in more detail on pages 12–13.

The Board is ultimately responsible for the administration of the company and draws up the strategic plan, business plan, budget, etc. The Board also adopts a number of company-wide policy

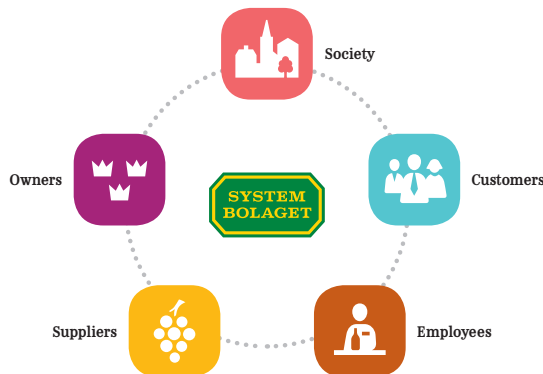
documents based on, amongst other things, legislative and regulatory requirements and the Owner's Directive.

A collection of documents ("Laws, steering documents etc., for Systembolaget AB") has been prepared to support the Board in its work. The collection includes certain legislative texts pertaining to the operations, documents issued by the EU, company-related documentation, owner-related documentation and agreements, investment regulations, the strategic plan, Systembolaget's Code of Conduct, policies, internal guidelines and regulations, and information on Systembolaget's subsidiaries. Conflicts of interest within the Board are avoided in accordance with the requirements specified in the Swedish Companies Act (ABL 8:23).

All Members of Systembolaget's Board of Directors work actively with the issues that it is incumbent upon the Board to address and otherwise with issues referred to it for consideration. The Board meets annually with the company's auditors. For further information on the contacts of the Board of Directors and the Chairperson of the Board with the company's auditors, see "Monitoring" on page 15.

The structure of the Board's work is laid down in the Board's work plan, which is adopted annually. The work plan forms the basis for the planning of the Board's work and stipulates the point during the financial year when special areas of responsibility shall be addressed by the Board.

The Board establishes the long-term orientation of Systembolaget in the strategic plan. The strategic plan extends four years forward in time and is revised every third year. The strategic plan in force in 2013 was finally adopted at the Board Meeting held in September 2009 and refers to the years from 2010 to 2013.



The strategic plan also contains long-term goals which are based on the perspectives contained in Systembolaget's balanced scorecard, which forms an important basis for the management of Systembolaget. The scorecard's five perspectives are:

- Society
- Customers
- Employees
- Suppliers
- Owners (and financial)

A number of key performance indicators within each perspective constitute quantitative goals for the four-year period in question and are also broken down by year in the business plan. The Board of Directors receives regular feedback on the strategic key performance indicators. The annual business plans are designed to provide a clear link to the strategic plan and to facilitate the management of various projects and activities on the basis of strategic goals.

An extensive programme of work on the drawing up of a new strategic plan for Systembolaget took place in the autumn of 2012 and the spring of 2013. The new strategic plan, which has been produced after an extensive and in-depth analysis of both the outside world and Systembolaget's own situation, was finally adopted at the Board Meeting held in June 2013 and will apply to the period from 2014 to 2017.

*The work of the Board in 2013*

The Board held a total of ten Board Meetings in 2013, two of which were extraordinary Board Meetings. The Members' presence at the Meetings is shown in the table on page 11. The usual follow-up work, both on the company's economic performance and on the social and environmental aspects that arose during the course of the operations has been carried out on an ongoing basis by the Board. This follow-up work is reported by means of a number of strategic key performance indicators, such as the Opinion Index (OPI), Age Verification Checks, the Customer Satisfaction Index (CSI), and the operating margin, as well as Board memoranda on topical issues.

In February, the Board met with the company's auditors, without the presence of the management, as prescribed by the Code. Collectively, this information has afforded the Board the opportunity to monitor the operations' results on an ongoing basis, as well as its results in the field of sustainable development.

Aside from the ongoing monitoring of strategic key performance indicators, the issues addressed by the Board included:

- following up the work on risk reporting and internal audits
- the Responsibility Report
- real estate issues
- the ongoing review of Systembolaget's pension plan solution
- external analyses
- the new strategic plan for 2014-2017
- response to a report referred for comment regarding the Commission for the supervision of marketing and e-commerce with regard to alcoholic beverages, etc. (SOU 2013:50)
- the new product range management tool
- the home delivery trial
- frameworks for support for alcohol research
- ongoing litigation
- issues relating to the revision of the Owner's Directive and the economic goals for Systembolaget
- overall sustainability goals
- sustainability-related issues (including sustainability training for the Board)

#### Directors' fees and fees for work on the Board-appointed committees

Directors' fees and fees for work in committees specially established by the Board are approved by

the Annual General Meeting. The fees shall, under the terms of the State's ownership policy, be competitive but not market-leading.

#### Evaluation of the work of the Board

The Code, the State's ownership policy and the formal work place for the Board of Directors all mandate that the Board shall, by means of a systematic and structured process, carry out an annual evaluation of the work of the Board. It shall be incumbent upon the Chairperson of the Board to ensure that such evaluation work is carried out. The evaluation addresses both the processes employed in the Board's work and the performance of the Board itself with regard to a variety of issues, including the way in which the Board handles relevant themes and issues, such as financial, environmental and social issues.

This year's evaluation was carried out both by means of questionnaires answered by the Members of the Board, and by means of a more comprehensive evaluation conducted with the aid of consultants and which included personal interviews with the Members of the Board and the President and Vice Presidents. To summarise, it was clear that the work of the Board, the Chairperson of the Board and the President is extremely efficient and that it has improved in virtually all areas since 2010. The Board has, however, identified some developmental areas where work is required.

#### Present at Board Meetings and committee meetings in 2013

Name	Board function	Board meetings <sup>1</sup>	Audit Committee <sup>2</sup>	Remuneration <sup>2</sup>
Cecilia Schelin Seidegård <sup>3</sup>	Chairperson	10/10		5/5
Kerstin Wigzell <sup>4</sup>	Member/Deputy Chairperson	10/10	4/4	5/5
Sven Andréasson	Member	8/10		
Johan Gernandt	Member	8/10		
Carl B Hamilton	Member	8/10		
Thord Andersson	Member	10/10	4/4	
Mona Sahlin	Member	8/10		
Crister Fritzson <sup>5</sup>	Member	9/10	4/4	
Anna Holgersson	Employee representative	9/10		
Berit Morén	Employee representative	9/10		
Karin Larsson	Employee representative, Deputy	9/10		
Jenny Svensson <sup>6</sup>	Employee representative, Deputy	4/6		

1 Eight ordinary and two extraordinary Board Meetings were held in 2013.

2 Four meetings of the Audit Committee and five meetings of the Remuneration Committee were held in 2013.

3 Chairperson of the Remuneration Committee.

4 Member of the Audit Committee and the Remuneration Committee.

5 Chairperson of the Audit Committee.

6 Elected as a Deputy Member as of May 2013.

In the autumn of 2013, the Chairperson of the Board notified the Government Offices of Sweden of the results of the evaluation, in accordance with the State's ownership policy. In addition to the Board's own evaluation, evaluations of the Boards in State-owned companies are conducted on an ongoing basis as part of the Government Offices of Sweden's internal work on the nomination process.

### **Audit Committee**

#### *Composition*

The 2013 Audit Committee comprised the Deputy Chairperson of the Board, Kerstin Wigzell, and Board Members Crister Fritzson (Chairperson of the committee) and Thord Andersson. None of the members of the Audit Committee are part of the company's management. Systembolaget's President and its CFO, however, participate in the Audit Committee's meetings, as does Systembolaget's Senior Legal Counsel, who is also the Secretary to the Committee, and, when necessary, the company's auditors.

#### *Responsibilities*

The Audit Committee is a drafting body for the Board and does not otherwise assume or influence the responsibilities and duties of the Board, nor does the work of the Committee reduce the requirement for communication by the Auditors to the Board as a whole. The Audit Committee is responsible for preparing the work of the Board with regard to the quality control of Systembolaget's financial and operational reporting. The Audit Committee is, furthermore, tasked with monitoring the financial reporting and the effectiveness of Systembolaget's internal controls, internal auditing and risk management. The Audit Committee is also tasked with, amongst other things, familiarising itself with the auditing of the annual accounts, and with reviewing and monitoring the impartiality and independence of the Auditors and with paying particular attention, in this context, to whether the Auditors perform any other services for the company, over and above auditing engagements.

#### *The work of the committee in 2013*

The Audit Committee has held four meetings during the year. The members' attendance at the committee's meetings is shown in the table on page 11. The Committee carried out ongoing follow-up work on the company's financial performance and a number of

strategic key performance indicators of its operations. Systembolaget's auditors have also presented significant accounting and audit issues, as well as internal control and process issues. Issues in connection with such subjects as internal audits, risk analysis, GRI indicators, policies, the responsibility report, the continuity plan for IT, and the ongoing review of the pension plan solution have also been addressed by the Committee. The Committee's Chairperson provided the Board of Directors with regular information on the Committee's work.

### **Remuneration Committee**

#### *Composition*

The Remuneration Committee consisted in 2013 of the Chairperson of the Board, Cecilia Schelin Seidegård, and the Deputy Chairperson of the Board, Kerstin Wigzell. None of the members of the Remuneration Committee are part of the company's management. Systembolaget's President attends the Committee's meetings and the HR Director attends, as necessary.

#### *Responsibilities*

The Remuneration Committee is tasked with preparing issues relating to remuneration and other terms of employment for senior executives. The Committee may, within the framework of the guidelines adopted by the Annual General Meeting, independently negotiate with the President and the Vice Presidents with regard to remuneration and other conditions of employment. Decisions on remuneration and other terms of employment for the President and the two Vice Presidents are, however, the preserve of the Board of Directors after preparation by the Remuneration Committee. The Remuneration Committee is also entitled, in cooperation with the President, to independently recruit and negotiate remuneration and other terms of employment for senior executives other than the Vice Presidents. Decisions on contracts of employment for senior executives (with the exception of the President and the Vice Presidents) shall ultimately be taken by the Remuneration Committee.

#### *The work of the committee in 2013*

The Audit Committee has held five meetings during the year. The members' attendance at the committee's meetings is shown in the table on page 11. The Committee has conducted an evaluation of

the implementation of applicable guidelines for terms of employment for senior executives and other employees of Systembolaget and was able to confirm that the guidelines are being followed. The Committee has also drawn up draft guidelines for terms of employment for senior executives of Systembolaget AB and addressed, amongst other things, issues relating to pay reviews, compensation strategies for senior executives, benchmarking of remuneration, a new policy on equality, and the annual updating of policies.

### The President and senior executives

The President is responsible for the ongoing administration of the company's operations and leads the operations pursuant to the provisions of the Swedish Companies Act, other legislation and regulations, Government guidelines and the Owner's Directive, the Code, the Articles of Association and within the framework laid down by the Board of Directors, in particular in the instructions for the President. The President, in consultation with the Chairperson, prepares information and documentation to support the work by the Board and to enable the Board to take well-founded decisions. The President also reports to the Board on the company's performance.

### Systembolaget's management and steering structure

Systembolaget's management has comprised, in addition to the President, seven persons appointed by the President in consultation with the Board of Directors. For additional information on the company management and organization structure, see pages 18 and 19.

The company management meets regularly (approximately twice a month) and the work is

headed up by the President who, in consultation with the management, takes decisions in relation to the operating activities.

The decisions by the President and the management are based on the guidelines and instructions adopted by the Board of Directors and it is on this basis that the President and management compile, amongst other things, source data for the various managers within Systembolaget. These source data delimit the scope of the operating activities and take the form of internal steering documents, such as guidelines, internal regulations, and process and information models, etc.

### Guidelines for senior executives' terms of employment

Systembolaget follows the Government's guidelines on terms of employment for senior executives in State-owned companies. Systembolaget also complies with the normative provisions in the Code on remuneration for senior executives, which stipulate that the company shall have formalised and published processes for deciding on the remuneration payable to senior executives.

### Assessment of the President

The Board shall, under the provisions of the Code, carry out a continual assessment of the President's performance. The assessment of the President's performance took place during the winter of 2013 under the leadership of the Chairperson of the Board and with the assistance of an external consultancy firm, and examined the following components of the President's performance, amongst others: achievements of targets, media analyses, internal and external relationships with the President, methodology and



### The President: Magdalena Gerger

**Born:** 1964. Magdalena Gerger took over as President of Systembolaget in May 2009. Her previous positions include those of Marketing Director at Arla Foods, Divisional Manager within Nestlé Ltd., and Marketing Director of ICI Paints Ltd.

**Other directorships:** Member of Husqvarna AB and the Research Institute of Industrial Economics.

**Principal education:** Graduate in Business Administration, MBA, Stockholm School of Economics, and leadership and management training.

**Independence:** Neither the President nor any persons closely associated with her has any significant shareholding in or ownership of companies with which Systembolaget has significant commercial links.

personal characteristics, and interviews. The assessment revealed that the President works expediently and that she now has excellent command of her role in the complex reality in which Systembolaget operates. The results of the assessment also showed that the Board of Directors has considerable confidence in the President.

### **Corporate Social Responsibility**

The State's ownership policy states that the corporate governance of the state-owned companies shall act as a role model in the CSR sphere. This sphere includes areas such as human rights, labour conditions, the environment, anti-corruption and business ethics, and equal opportunities and diversity. See pages 8–9 of Part 1 and the In-depth GRI Report for details of Systembolaget's work with these issues.

### **External audit**

The auditor shall, under the provisions of the Swedish Companies Act, audit Systembolaget's annual accounts and bookkeeping, and the administration by the Board of Directors and the President. The auditor is engaged by and reports to the General Meeting and may not allow him or herself to be guided by the management or the Board.

The current firm of auditors – Ernst & Young AB – was appointed as the auditors of Systembolaget at the Annual General Meeting, with Public Authorised Accountant, Åsa Lundvall, as the auditor in charge for the period up to and including the 2014 Annual General Meeting. The Annual General Meeting also approved the payment of auditors' fees to the current firm of auditors, Ernst & Young, in accordance with a separate agreement.

It was also announced at the Annual General Meeting that the Swedish National Audit Office has, in accordance with a resolution dated 20 March 2013, appointed three Lay Auditors namely, Hans Backman, Christina Oskarsson and Maria Plass, together with three Deputy Lay Auditors, for Systembolaget for the period up to and including the next Annual General Meeting (all re-elections). It was further announced at the Annual General Meeting that the Riksdag Board had, in accordance with a resolution dated 13th March 2013, decided not to appoint any Auditors or Deputy Auditors for the period from the Annual General Meeting up to and including the 2014 Annual General Meeting.

### **Internal control**

The basis for Systembolaget's internal control comprises the routines and control activities within the context of the day-to-day operations. The annual risk analysis forms the basis for both the proactive risk management work and for the verification work. Systembolaget has established formalised processes for internal and external reporting in order to achieve and maintain a high standard of internal control, with the aim, thereby, of enabling optimum monitoring of the operations.

Systembolaget has produced manuals and descriptions of all important procedures to ensure that the administration is carried out to a high standard. The Board and management monitor compliance with steering documents, process descriptions and guidelines, and the efficiency of the procedures for control. The internal risk management activities are followed up by means of an externally procured internal audit, which reports directly to the Board. An internal review plan, based on the risk analysis, is set up every year by the Board of Directors. The areas reviewed in 2013 were the aspects of the purchasing, sustainability and HR processes. No serious deficiencies were identified. The results of the reviews are reported continuously to the company management and the Board of Directors and the observations are evaluated. Measures have been implemented or planned where necessary.

### **Description of the internal control of financial reporting**

Systembolaget uses formalised processes for financial reporting and follow-up work. These processes are important in ensuring that the company develops in the right direction in relation to the goals and guidelines adopted by the Board of Directors and management. The objective of the internal reporting is to ensure the existence of an appropriate, quick and correct system for follow-up and reporting of the way in which the operations have developed in relation to the agreed business plan and budget.

Reports on the company's development are submitted regularly to a number of internal stakeholder groups. Systembolaget's external reporting is designed to provide regular reports on the company's development for a number of external stakeholder groups. The reporting complies with applicable legislative requirements and the requirements imposed by the owner.



The basis for internal control is the so-called control environment, which comprises the corporate culture communicated by the Board of Directors and the management and on which they base their activities. A good control environment generates the structure for the other components of the process, such as risk assessment, control activities, information and communication and monitoring.

#### **Risk assessment**

The assessment of the risk of errors in the financial reporting is carried out both by the Board of Directors and the management, and as a part of day-to-day operations. The assessment of risk in connection with financial reporting is also influenced by the general control environment within Systembolaget. A risk analysis was also carried out in 2012 with regard to the quality of the financial reporting based on the risk of errors and their significance and probability. The risk analysis examined every item in the Balance Sheet and the Income Statement with regard to specific criteria, namely materiality, complexity, previous errors, and the potential for fraud.

Three significant risk areas were identified with regard to financial reporting:

- Inventories – risks have been identified in relation both to the inventorying of stocks and the adjustment of prices for the “Finished goods and goods for resale” item.
- Personnel-related items – Balance Sheet and Income Statement items in connection with staff overheads, such as holiday pay liabilities and pensions, as the items involve complex and subjective assessments.
- Changes in the value of financial assets – Balance Sheet and Income Statement items associated with financial assets entail risks related to the incorrect calculation and classification of changes in value. The Board of Directors has established a set of Investment Regulations in which permitted investments, risk management organisation, measurement of investment risks, approved counterparties and procedures for monitoring risks are clearly specified. The regulations are reviewed annually.

No revisions of the analysis have been carried out in 2013 as it is adjudged to still be up to date.

#### **Control activities**

The risks are managed via the company's control structures, which have been documented in process and internal control descriptions. One example of an important control structure is the strict application of the duality principle, whereby no one person alone shall administer the entire processing chain and two mutually independent institutions shall be used in conjunction with the valuation of financial assets.

#### **Information and communication**

Considerable emphasis has been placed on the implementation and quality control of the internal communication process, with the aim of ensuring that information is disseminated in a structured way throughout the organisation. Established information and communication channels are designed to promote completeness and accuracy in the financial reporting. Steering documents in the form of internal policies, guidelines, manuals and codes for financial reporting are known to the relevant personnel and are available on Systembolaget's intranet.

#### **Monitoring**

The Board receives ongoing reports on the way in which the operations have developed in relation to the business plan, budget and established targets. The Board regularly monitors the results of the established internal control programmes.

The accounts department continuously monitors the administrative processes within the organisation, including processes relating to VAT and tax accounting, internal and external entertainment, and compliance with authorisation and delegation regulations. Financial reporting is also monitored continuously. The Chairperson of the Board meets with the auditors in conjunction with the closing audit and when otherwise necessary. The entire Board meets with the auditors at the Board Meeting that addresses the annual accounts and in conjunction with the Annual General Meeting.

# The Board of Directors



**Cecilia Schelin Seidegård**

**Kerstin Wigzell**

**Thord Andersson**

**Sven Andréasson**

**Crister Fritzon**

**Johan Gernandt**

<b>Board function</b>	Chairperson Chairperson of the Remuneration Committee	Deputy Chairperson Member of the Remuneration and the Audit Committees	Member of the Board Member of the Audit Committee	Member of the Board	Member of the Board Chairperson of the Audit Committee	Member of the Board
<b>Born</b>	1954	1945	1961	1952	1961	1943
<b>Principal education</b>	PhD in biochemistry.	Behavioural and Social Sciences.	Sociologist and Market Economist.	Doctor of Medical Science, Professor of Social Medicine at the Karolinska Institute.	Market economist.	LL.B.
<b>Other positions held</b>	Chairman of the Boards of the University of Gothenburg, Almi and Gotland AB. Member of the Board of Global Health Partner AB.	Chairperson of the Board of the Stockholm Academy of Dramatic Arts. Member of the Boards of the University of Linköping, the Press Council, and the National Swedish Police Board's Ethics Council, Vice Chairperson of the Swedish Pensions Agency.	CEO of and consultant for own company (APeL AB).	Senior Physician, Addiction Centre, Stockholm. Expert in alcohol and narcotics issues, Swedish National Institute of Public Health, Scientific Council for Abuse Issues at the National Board of Health and Welfare.	President of SJ. Member of the board of Net Insight AB.	Lawyer and consultant at Advokatfirman Vinge, Chairperson of the Board of Governors of the Bank of Sweden, Chairperson of the Board of the Svenska Dagbladet Foundation.
<b>Elected/Appointed</b>	Chairperson since 2008	2009	2011	2007	2012	2007
<b>Positions previously held</b>	Chairperson of the Board of the Royal Institute of Technology, Hospital Director at Karolinska University Hospital, Member of the Board of Karolinska Development AB, President of Huddinge University Hospital, Member of the Board of Getinge AB, Vice President in charge of Global R&D Operations at AstraZeneca R&D, clinical research and a range of managerial positions within Astra Draco.	Director General of the Government Offices of Sweden, Assistant Undersecretary of State at the Ministry of Health and Social Affairs, Director General of the Swedish National Board for Youth Affairs and the National Board of Health and Welfare, Director General of the National Swedish Social Insurance Board, Member of the Boards of WHO, the Swedish Council for Working Life and Social Research, the Swedish National Council on Medical Ethics, Chairperson of the Swedish Council for Working Life and Social Research, Deputy Chairperson of the Swedish Agency for Health and Care Services Analysis.	Unit Manager for the Örebro Regional Development Council, Information Manager for the EoN corporate Group, Marketing Manager for the Capio corporate Group, Chairman of the Boards of the Örebro Promotion cooperative economic association and the Örebro District Marketing Association, Member of the Board of Svensk Kärnbränslehantering AB.	—	President and Member of the Board of Teracom Group, Chairman of the Board of MTB, President of Boxer AB, Chairman of the Board of Boxer AB.	Lawyer and joint owner of Gernandt & Danielsson Advokatbyrå, Chairman of the Board of the Stockholm Chamber of Commerce Arbitration Institute, Advisor to the Swedish Company Law Committee (Ju 1990:46).
<b>Board meetings</b>	10   10	10   10	10   10	8   10	9   10	8   10
<b>Meetings with the Audit Committee</b>		4   4	4   4		4   4	
<b>Meetings with the remuneration committee</b>	5   5	5   5				
<b>Remuneration</b>	228 TSEK	130 TSEK	130 TSEK	100 TSEK	140 TSEK	100 TSEK
	Independent	Independent	Independent	Independent	Independent	Independent



**Carl B  
Hamilton**

**Mona  
Sahlin**

**Anna  
Holgersson**

**Karin  
Larsson**

**Berit  
Morén**

**Jenny  
Svensson**

Member of the Board

Member of the Board

Employee representative

Employee representative  
Deputy Member

Employee representative

Employee representative  
Deputy Member

1946

1957

1977

1958

1957

1974

FPhD (Economics).

Social sciences programme,  
upper secondary school.

M.A. in Human Rights.

Nursing auxiliary,  
occupational therapy  
Auxiliary and chiroprapist.

Two-year upper secondary  
school course, Staff Nurse.

Hotel and restaurant training  
and a Chef's Diploma.

Professor of International  
Economics at Stockholm  
University and the Stockholm  
School of Economics,  
Member of Parliament,  
Chairperson of the  
Parliamentary EU Council  
and Member of its Finance  
Committee, Member of the  
national party executive and  
party leadership group of  
the Swedish Liberal Party.

Member of the Board of  
the EXPO Foundation and  
Chairperson of the Anna  
Lindh Memorial Fund.

Employed as a member of  
the sales team since 2001.  
Chairperson of System-  
bolaget's Staff Association,  
Member of the Unionen  
trade union (for white collar  
workers in the private  
sector) delegation to the  
South Western Regional  
Board of Handels (Union  
of Commercial Employees)  
and Unionen.

Employed as a salesperson  
since 1989. Member of the  
Board of Systembolaget's  
Staff Association, Chair-  
person of the Salespersons'  
Club, Jönköping, Member  
of the Board of the Pension  
Foundation, Coordinating  
Work Environment  
Representative (SAMO) for  
Systembolaget.

Employed as a salesperson  
since 1979. Store Manager  
since 2002, Personnel and  
Consultation Contact,  
Chairperson of the  
Stockholm Managers' Club.

Employed since 1997 in  
a variety of roles within  
Systembolaget. Store  
Manager since 2005.  
Chairperson of the Skövde  
Managers' Club and  
member of the central  
salaries group.

2007

2012

2010

2012

2011

2013

Undersecretary of State at  
the Ministry of Finance,  
Member of Parliament,  
special commissioner,  
Chief Economist, Handels-  
banken.

Chairperson of the Social  
Democratic Party, Member  
of Parliament, Secretary of  
State for the Ministry of  
Enterprise, Energy and  
Communications, the  
Ministry of Justice, and the  
Ministry of the Environment.  
Member of the Board of the  
Swedish Sports Confedera-  
tion.

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8|10

8|10

9|10

9|10

9|10

4|6

100 TSEK

100 TSEK

—

—

—

—

Independent

Independent

Employee representative

Employee representative

Employee representative

Employee representative

# Company Management



## Magdalena Gerger

**President**  
**Born:** 1964  
**Employed:** 2009  
**Education and previous positions:**  
B.Sc. Economics and Business Administration and MBA, Stockholm School of Economics

Mrs Gerger's previous positions include those of Marketing Director at Arla Foods, Divisional Manager at Nestlé Ltd., and Marketing Director at ICI Paints Ltd.



## Marie Nygren

**Vice President, Communication and Purchasing Director**  
**Born:** 1965  
**Employed:** 2007  
**Education and previous positions:**  
B.Sc. Economics and Business Administration

Mrs Nygren's previous positions include those of CEO of Adara (subsidiary of Apoteket AB), Purchasing & Supply Chain Director at Coop Sweden and CEO at Stor & Liten.



## Mikael Wallteg

**Vice President, Sales Director**  
**Born:** 1957  
**Employed:** 2001  
**Education and previous positions:**  
Internally trained at executive level

Mr Wallteg's previous positions include those of Sales Manager at Coop Konsum Sverige and Regional Manager for Coop Konsum Stockholm.



## Ulrika Bennich

**CFO**  
**Born:** 1970  
**Employed:** 2011  
**Education and previous positions:**  
B.Sc. Economics and Business Administration

Mrs Bennich's previous positions include those of Strategy Director at KF, CEO of KF Shared Services AB, and various other positions within KF and Stora Enso.



## Mattias Forsberg

**IT Director**  
**Born:** 1972  
**Employed:** 2011  
**Education and previous positions:**  
B.Sc. Economics and Business Administration, B.Sc. Civil Engineering

Mr Forsberg's previous positions include those of Management Consultant and Senior Manager at Accenture, and most recently that of IT Director at B&B Tools.



## Tobias Frohm

**HR Director**  
**Born:** 1965  
**Employed:** 2011  
**Education and previous positions:**  
Human Resources Specialist

Mr Frohm's previous positions include those of HR Director at Lernia AB, HR Lead Sweden at Accenture, and a Manager at Consultus Leadership Partner AB.



## Håkan Johansson

**Real Estate Director**  
**Born:** 1957  
**Employed:** 2001  
**Education and previous positions:**  
Market Economist

Mr Johansson's previous positions include those of Logistics Director at Systembolaget AB, Sales Director at Systembolaget AB, and Sales Manager and Deputy CEO at RBS AB.



## Malin Sandquist

**Senior Legal Counsel**  
**Born:** 1972  
**Employed:** 2012  
**Education and previous positions:**  
LL.B.

Mrs Sandquist has previously worked as a lawyer, most recently as a joint owner of Advokatfirman Hammarskiöld & Co.

# Organisation

Systembolaget's organisation is process-orientated, with responsibility for the principal processes lying with the Sales Operations Area and C,B,P,S – Communication, Brand planning, Purchasing, and Supply Chain.

C,B,P,S Operations Area:

- Communication,
- Brand planning,
- Purchasing,
- Supply Chain.

The Sales Operations Area is responsible for:

- operations and sales in the stores. Systembolaget's 426 stores are organised into 27 areas with between 10 and 17 stores in each area. Each area has a

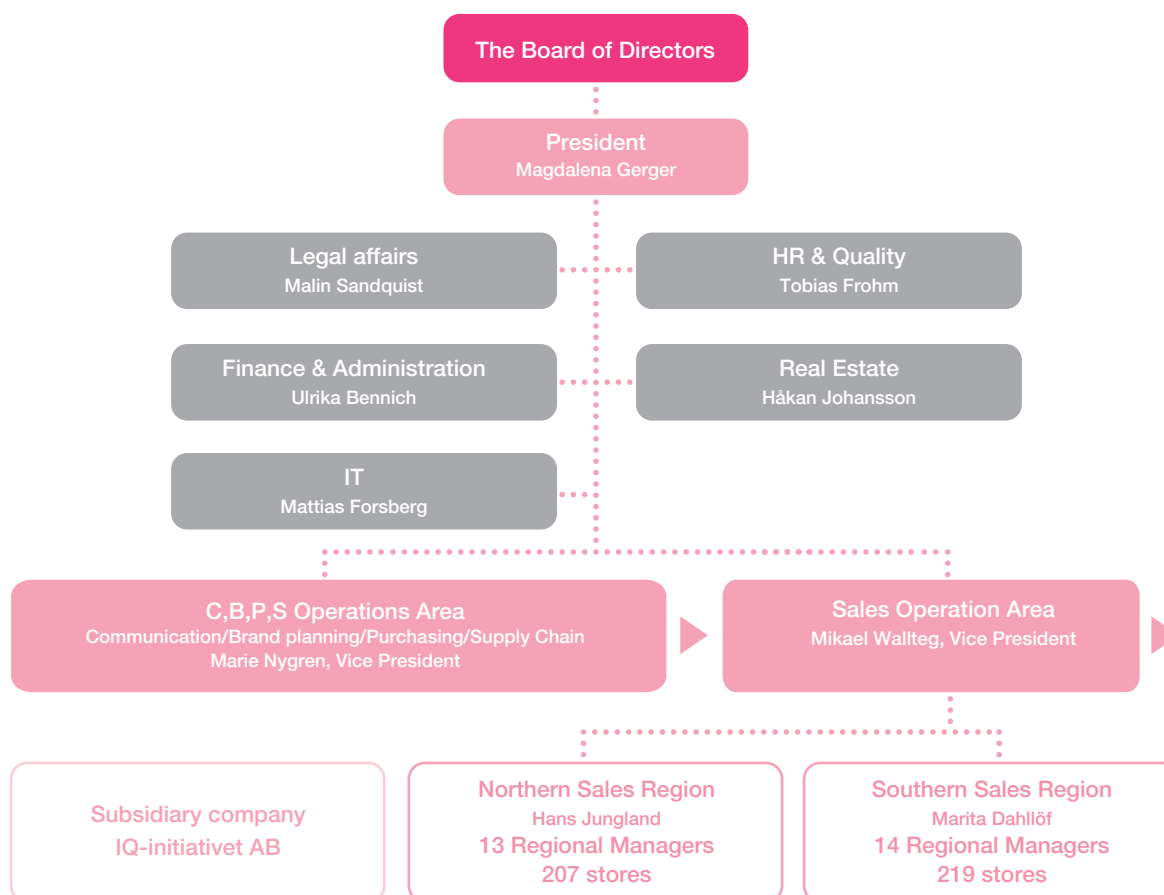
Regional Manager who is responsible for the day-to-day contacts between his or her store managers and Systembolaget's Head Office.

The other central departments act as support units for the primary process and are responsible for:

- developing and administering the network of stores and the IT systems
- communication and recruiting and developing employees
- legal issues and accounting flows.

The President and the corporate management team are responsible for:

- the management process.



# Ten-year overview

SEK  
796  
per  
share in  
earnings  
2013

	2013	2012	2011	2010	2009	2008
<b>Profit/loss (SEK m)</b>						
Net sales (incl. alcohol tax)	25,709	25,099	24,416	24,111	23,360	21,296
Net sales (excl. alcohol tax)	15,589	15,003	14,368	14,004	13,337	11,905
Gross profit/loss	3,303	3,201	3,115	3,051	2,961	2,699
Operating profit/loss	168	270	159	339	424	9
Net financial items	208	58	119	-24	109	714
Profit before tax	317	248	278	315	533	723
Net profit/loss for the year	287	180	223	223	406	687
<b>Financial position (SEK m)</b>						
Fixed asset	2,258	1,921	1,697	1,916	2,296	2,213
Current assets	3,205	3,222	3,339	3,257	2,823	2,398
Shareholders' equity	1,610	1,411	1,390	1,469	1,591	1,386
Liabilities	3,853	3,732	3,646	3,704	3,528	3,225
Balance Sheet total	5,463	5,143	5,036	5,173	5,119	4,611
<b>Cash flow Statement (SEK m)</b>						
Cash flow from operating activities	456	574	343	537	762	184
Cash flow from investment activities	-530	-318	138	-204	34	446
Cash flow from financing activities	-90	-159	-332	-345	-201	-868
Cash flow for the year	-164	97	149	-12	595	-238
<b>Key performance indicators</b>						
Trading margin, incl. alcohol tax, %	12.8	12.8	12.8	12.7	12.7	12.7
Trading margin, excl. alcohol tax, %	21.2	21.3	21.7	21.8	22.2	22.6
Operating margin, incl. alcohol tax, %	0.7	1.1	0.7	1.4	1.8	0.0
Return on shareholders' equity, %	18.0	12.6	15.6	14.6	27.3	46.3
Return on capital employed, %	24.1	23.0	20.0	24.9	35.9	48.9
Equity/assets ratio, %	31.5	28.6	27.6	28.4	31.1	30.1
Basic and diluted earnings per share, SEK	796	500	619	619	1,128	1,908
Equity per share, SEK	4,472	3,919	3,861	4,081	4,419	3,850
Cash flow per share, SEK	1,267	1,594	953	1,492	2,117	511
Dividend per share, SEK <sup>2</sup>	796	250	442	839	958	2,151
Work productivity	845	839	836	833	838	798
Stock turnover rate, multiple	23.9	24.7	24.5	25.7	25.4	23.2
Product wastage, SEK m	32	30	27	22	25	23
Wastage, ‰	1.6	1.5	1.4	1.2	1.3	1.3
Opinion index, %	72	71	68	66	66	64
Age verification checks, %	96	95	94	94	93	90
Average number of employees	3,280	3,172	3,192	3,127	3,043	3,013

1 As per IFRS, but not adjusted for IAS 39 Financial instruments

2 2013 dividend per share, as proposed by the Board of Directors

2007	2006	2005	2004 <sup>1</sup>
20,211	19,039	18,083	17,708
11,143	10,345	9,697	9,393
2,567	2,525	2,461	2,371
83	298	262	9
250	54	199	185
333	352	889	208
295	259	635	154
2,350	1,889	1,317	1,530
2,458	2,616	3,348	2,289
1,581	1,489	1,567	1,022
3,227	3,016	3,098	2,797
4,808	4,505	4,665	3,819
779	476	1 007	126
-501	-751	-283	-122
-210	-330	-90	-76
68	-605	634	-72
12.7	13.3	13.7	13.4
23.1	24.3	25.5	25.2
0.4	1.6	1.4	0.1
19.2	17.0	49.1	13.5
21.8	23.2	35.8	17.1
32.9	33.1	33.6	34.8
819	719	1,764	428
4,392	4,136	4,353	2,839
2,164	1,322	2,797	350
821	583	917	250
775	766	743	708
22.3	21.3	20.5	19.9
19	16	18	18
1.3	1.1	1.4	1.0
61	57	55	53
85	88	89	84
2,834	2,842	2,793	2,976

## Comments on the ten-year overview

**2013** – *The Opinion Index reached 72 per cent – the highest yearly figure ever.*

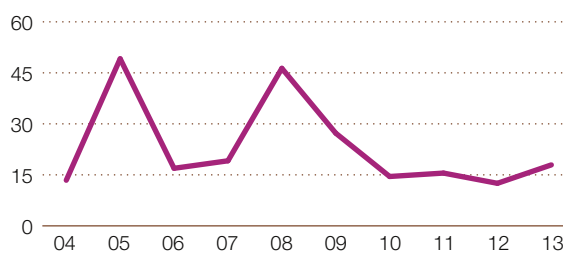
**2010** – The dividend paid to the owner in 2010 comprised 135 per cent of the net profit for the year.

**2008** – Systembolaget sold its subsidiary company, Systembolaget Fastigheter AB, and received a dividend payment of SEK 600 million. Systembolaget approved an extra dividend payment to the owner of SEK 573 million.

**2007** – Net sales including alcohol tax exceeded SEK 20 billion for the first time ever.

**2005** – The net profit for the year included a reversed tax allocation reserve of SEK 428 million.

### Return on shareholders' equity, %



Net income as a percentage of average adjusted equity.

# Income Statement

SEK  
**287**  
 million  
 profit of  
 the year

SEK m	2013	2012
Net sales	25,709	25,099
Cost of goods sold	-22,406	-21,898
<b>Gross profit/loss</b>	<b>3,303</b>	<b>3,201</b>
Selling expenses	-2,607	-2,428
Administrative costs	-542	-523
Other operating income	14	20
Other operating expenses	0	0
<b>Operating profit/loss</b>	<b>168</b>	<b>270</b>
Income from participations in Group companies	171	—
Income from other securities and receivables classified as fixed assets	41	50
Interest income	5	8
Interest income from Group companies	0	1
Interest expenses from Group companies	-1	0
Interest expenses and other similar P/L item	-8	-1
<b>Profit/loss after financial items</b>	<b>376</b>	<b>328</b>
Tax allocation reserve	-59	-80
<b>Profit/loss before tax</b>	<b>317</b>	<b>248</b>
Tax	-30	-68
<b>Net profit/loss for the year</b>	<b>287</b>	<b>180</b>



# Statement of Comprehensive Income

SEK m	2013	2012
Net profit/loss for the year	287	180
Other comprehensive income	—	—
<b>Total comprehensive income for the year</b>	<b>287</b>	<b>180</b>
Basic and diluted earnings per share, SEK <sup>1</sup>	796	500
Number of shares at the period end	360,000	360,000
Average number of shares during the period	360,000	360,000
Total proposed dividend, SEK m	287	90
Proposed dividend per share, SEK	796	250
Dividend approved and disbursed during the year, SEK m	90	159

There are no minority interests, and hence 100 per cent of the net profit/loss accrues to the Parent Company's shareholders.

<sup>1</sup> Systembolaget has no convertible instruments, options or warrants, and hence no dilution effect occurs.

## Income statement

Net sales increased by SEK 610 million in 2013 to 25,709 million, an increase of 2.4 per cent. The increase in net sales is due both to an increase in validity and volumes paramount of beer and wine.

The trading margin, including alcohol tax, totalled 12.8 per cent.

The operating profit decreased during the year by SEK 102 million to SEK 168 million. In the beginning of 2013 the Swedish Financial Supervisory Authority, Finansinspektionen, reduced the discount rates

that form the basis for calculating pension liabilities, which resulted in Systembolaget's calculated pension obligation increased. SEK 162 million were allocated to Systembolaget's Pension Fund in the beginning of the year. Net financial items include an anticipated dividend of SEK 171 million from K14 Näckströmsgatan, since one of its subsidiaries was sold during 2013.

# Balance Sheet, assets

SEK m	2013-12-31	2012-12-31
<b>ASSETS</b>		
<b>Fixed assets</b>		
Intangible fixed assets		
IT systems	20	44
<b>Total intangible fixed assets</b>	<b>20</b>	<b>44</b>
Tangible fixed assets		
Buildings and land	36	38
Equipment, fixtures & fittings	649	774
Construction work in progress	45	56
<b>Total tangible fixed assets</b>	<b>730</b>	<b>868</b>
Financial fixed assets		
Participations in Group companies	0	15
Receivables from Group companies	—	28
Deferred tax receivables	27	20
Other long-term securities holdings	1,470	934
Other long-term receivables	11	12
<b>Total financial fixed assets</b>	<b>1,508</b>	<b>1,009</b>
<b>Total fixed assets</b>	<b>2,258</b>	<b>1,921</b>
<b>Current assets</b>		
Inventory	987	955
Receivables		
Accounts receivable	8	6
Receivables from Group companies	171	—
Other receivables	1	2
Prepaid costs and accrued income, Group companies	7	8
Prepaid costs and accrued income	118	115
<b>Total receivables</b>	<b>305</b>	<b>131</b>
Short-term investments	81	140
Cash and bank balances	1,832	1,996
<b>Total current assets</b>	<b>3,205</b>	<b>3,222</b>
<b>TOTAL ASSETS</b>	<b>5,463</b>	<b>5,143</b>

## Assets

Financial investments have increased by a total of SEK 477 million in 2013 and mainly consists of interest-bearing bonds with variable coupon.

Systembolaget has anticipated a dividend from K14 Näckströmsgatan as a result of the sale of real estate company Armaturvägen in Haninge on June 30, 2013.

# Balance Sheet, shareholders' equity and liabilities

SEK m	2013-12-31	2012-12-31
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
Restricted equity		
Share capital	360	360
Statutory reserve	72	72
<b>Total restricted equity</b>	<b>432</b>	<b>432</b>
Non-restricted equity		
Profit/loss carried forward	891	799
Net profit/loss for the year	287	180
<b>Total non-restricted equity</b>	<b>1,178</b>	<b>979</b>
<b>Total shareholders' equity</b>	<b>1,610</b>	<b>1,411</b>
<b>Untaxed reserves</b>		
Tax allocation reserve	139	80
<b>Total untaxed reserves</b>	<b>139</b>	<b>80</b>
<b>Provisions</b>		
Pensions Provisions	7	7
Long-term Provisions	84	74
Current Provisions	2	—
<b>Total Provisions</b>	<b>93</b>	<b>81</b>
<b>Long-term liabilities</b>		
Long-term liabilities to Group companies	31	20
Other liabilities	24	18
Deferred tax liabilities	1	3
<b>Total long-term liabilities</b>	<b>56</b>	<b>41</b>
<b>Current liabilities</b>		
Accounts payable	3,262	3,209
Tax liabilities	16	16
Current liabilities to Group companies	1	—
<b>Total liabilities</b>	<b>122</b>	<b>136</b>
Accrued costs and prepaid income	164	169
<b>Total current liabilities</b>	<b>3,565</b>	<b>3,530</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>5,463</b>	<b>5,143</b>
<b>MEMORANDUM ITEMS</b>		
<b>Pledged assets and contingent liabilities</b>		
Pledged assets	8	7
Contingent liabilities	0	0

## Shareholders' equity

The change in shareholders' equity totalled SEK 199 million consist of net profit of SEK 287 million plus the fusion result from Gamla Distribution in Jordbro of SEK 2 million and reduced by the dividend for the year of SEK 90 million. The equity/assets ratio, which according to current Owner's Directive should amount to approximately 35 per cent, was totalled in 2013 to 31.5 per cent.

The return on adjusted equity was 18 per cent. The Owner's current goal is totalled 6.1 per cent for 2013.

## Liabilities

An allocation of SEK 59 million was made to the tax allocation reserve during the year.

Accounts payable correspond to 85 per cent of Systembolaget's total liabilities.

# Change in shareholders' equity

SEK m  
**1,610**  
 total share-  
 holders'  
 equity

SEK m	Share Capital	Statutory reserve	Captlised profit/loss for the year	Net profit/loss for the year	Total share-holders' equity
<b>Opening balance, 1 Jan. 2012</b>	<b>360</b>	<b>72</b>	<b>735</b>	<b>223</b>	<b>1,390</b>
Transfer to non-restricted reserves			223	-223	—
Net profit/loss for the year				180	180
Dividend paid to owner			-159		-159
<b>Closing balance, 31 Dec. 2012</b>	<b>360</b>	<b>72</b>	<b>799</b>	<b>180</b>	<b>1,411</b>
<b>Change in shareholders' equity, 2013</b>					
Transfer to non-restricted reserves			180	-180	—
Fusion Results			2		2
Net profit/loss for the year				287	287
Dividend paid to owner			-90		-90
<b>Closing balance, 31 Dec. 2013</b>	<b>360</b>	<b>72</b>	<b>891</b>	<b>287</b>	<b>1,610</b>

Gamla Distribution in Jordbro was merged with Systembolaget, Dec. 16 2013. The fusion result amounted to SEK 2 million.

# Cash Flow Statement

SEK m	2013	2012
<b>Operating activities</b>		
Profit/loss before tax	317	248
Adjustments for items not included in the cash flow		
Depreciation and write-downs	267	270
Capital profit/loss	-6	-1
Other	254	48
Cash flow from changes in operating capital		
Change in inventory	-31	-13
Change in receivables	-160	-10
Change in liabilities	33	-13
Change in financial receivables/liabilities from/to subsidiaries	-131	37
<b>Cash flow from operating activities after changes in operating capital</b>	<b>543</b>	<b>566</b>
Tax paid	-87	8
<b>Cash flow from operating activities</b>	<b>456</b>	<b>574</b>
<b>Investment activities</b>		
Acquisition of tangible fixed assets	-105	-132
Acquisition/sale of financial fixed assets	-443	-186
Merged funds from subsidiaries	18	-
<b>Cash flow from investment activities</b>	<b>-530</b>	<b>-318</b>
<b>Financing activities</b>		
Dividend to owner	-90	-159
<b>Cash flow from financing activities</b>	<b>-90</b>	<b>-159</b>
<b>Cash flow for the year</b>	<b>-164</b>	<b>97</b>
Liquid assets at the beginning of the year	1,996	1,899
<b>Liquid assets at the end of the year</b>	<b>1,832</b>	<b>1,996</b>

## Cash flow from operating activities

The cash flow from operating activities reduced by SEK 118 million to SEK 456 million. The capital loss include realized changes in value of financial assets. Others consists primarily of the anticipated dividend of SEK 171 million from K14 Näckströmsgatan.

## Cash flow from investment activities

Investments in tangebles assets concerns new- and redevelopment of stores. Six new stores has been established during the year.

Change of net in the financial fixed assets related to new acquisition of SEK -1,129 million, divestments of SEK 648 million and received interest of SEK 37 million.

The merger of Gamla Distribution in Jordbro resulted infusion funds of SEK 18 million.

## Cash flow from financing activities

The cashflow from financing activities refers, SEK -90 million, in its entirety, to dividends.

# Supplementary information

## Note 1 Accounting principles

The following is a presentation of the significant accounting principles applied during the preparation of the annual accounts.

### General

The Parent Company, Systembolaget AB, is a wholly-government owned company whose registered offices are in Stockholm and which is registered in Sweden. The address of the head office is Kungsträdgårdsgatan 14, SE-103 84 Stockholm, Sweden.

The annual accounts for the 2013 financial year were approved for publication by the Board of Directors and the President on 20 February 2014 and will be submitted to the Annual General Meeting on 24 April 2014.

Systembolaget does not, as of 1 January 2012, prepare any consolidated accounts in accordance with chapt. 7, §3a of the Swedish Companies Act. Systembolaget conducts operations that are related to the retail sector operations, but which are not captive, via two separate, wholly-owned subsidiaries – IQ-initiativet AB and AB K14 Näckströmmsgatan.

K14 Näckströmmsgatan has sold one of its property companies, Fastighetsbolaget Armaturvägen I Haninge KB, during the year. Systembolaget's wholly-owned subsidiary, Gamla Distribution i Jordbro AB, was merged with Systembolaget on 16 December. Systembolaget's remaining subsidiaries are not of material financial significance in relation to Systembolaget as a whole.

### Bases for preparation

#### Amounts

The functional currency, i.e. the currency of the primary economic environment in which the Parent Company conducts its operations, is the Swedish krona. The Swedish krona is the reporting currency. The amounts in the financial reports have been rounded off to the nearest million Swedish kronor (SEK m), unless otherwise stated, and the amounts in parentheses constitute values for the comparison year.

#### Dates

Income Statement-related items refer to the period from 1st January to 31st December and Balance Sheet items refer to 31st December.

#### Annual Accounts

The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and recommendation RFR 2 issued by the Swedish Financial Reporting Board. RFR 2 entails the application by Systembolaget AB of all standards and statements issued by IASB and IFRIC, as approved by the European Commission for application within the EU. This shall be done to the extent possible within the framework of the Swedish Annual Accounts Act and with reference to the link between accounting and taxation.

#### Exemptions from IFRS

##### Pensions

The company's pension undertakings have, in accordance with RFR 2, been calculated and reported on the basis of the provisions of the Swedish Pension Obligations Vesting Act, which deviate from the provisions of IAS 19.

#### Untaxed reserves

The amounts allocated to untaxed reserves comprise taxable temporary differences. The deferred tax liability attributable to the untaxed reserves in the company is not reported separately due to the link between accounting and taxation.

#### Amended accounting principles

The Group applies the same accounting principles as those applied in the 2012 annual accounts with the following exceptions that are due to new or revised standards, interpretations and improvements adopted by the EU and which have been applied as of 1st January 2013. Systembolaget has elected to comment solely on those innovations that have had or that may have an effect on the company's accounts.

#### Standards, amendments and interpretations that came into force in 2013

##### IFRS 13 – Fair Value Measurement

The standard contains uniform rules governing the calculation of fair values and where other standards require reporting of or disclosure of fair value. New types of disclosures shall be made in order to clarify the valuation models applied and the data used in the same. The new standard has had no effect on Systembolaget's financial reports, other than in the form of augmented disclosures.

##### IAS 1 – Presentation of Financial Statements – amendment: presentation of Other comprehensive income

The amendment will entail a change to the way in which transactions reported under Other comprehensive income are reported. Items to be reversed to the Income Statement shall be reported separately. The proposal does not alter the actual content of Other comprehensive income – only the presentation form.

##### UFR 9 – Reporting

Policyholder tax levied on provisions in the Balance Sheet shall be reported on an ongoing basis as a cost in the profit/loss for the period to which the tax refers. The policyholder tax shall hence not be included in the liability calculation with regard to defined benefit pension plans.

#### Future standards, amendments and interpretations in 2014 or thereafter which will or which may affect the accounts

The following standards shall be applied from 2014, or thereafter.

##### IFRIC 21 – Levies (not yet EU-approved)

Property tax is levied from the person who owns a property as of 1 January, and the entire tax liability should consequently be booked on that date.

##### IFRS 12 – Disclosure of Interests in Other Entities

Augmented disclosure requirements with regard to subsidiary companies, associated companies, and joint ventures, have been grouped together in a single standard. Significant qualitative and quantitative disclosures shall be made concerning the respective holdings, in the form both of financial information in respect of subsidiary companies and of disclosures of the assessments and estimates applied when adjudging whether to consolidate the company.

### Future standards, amendments and interpretations that will probably not affect the accounts

#### *IFRS 10 – Consolidated Financial Statements*

The standard addresses the preparation of consolidated accounts and regulations governing the approach to be taken by a company in determining whether a controlling influence exists. Systembolaget does not, as of 1 January 2012, prepare consolidated accounts.

### Important estimates and assessments

Systembolaget makes estimates and assumptions with regard to the future, based on the latest available and most reliable information and on historic experience. Changes to preconditions may entail adjustments to the reported amounts for assets and liabilities in the next financial year due to the fact that the actual results can differ from the reported amounts.

#### *Important assessments*

When applying the company's accounting principles, the company management makes various assessments that can have an effect on the reported amounts in the Income Statement and the Balance Sheet.

### Foreign currencies

Transactions in foreign currencies are converted to the functional currency at the exchange rate applicable on the transaction date. Monetary assets and liabilities expressed in foreign currencies are reported in the Balance Sheet after conversion at the rate applicable on the closing date. Exchange rate differences arising in conjunction with conversion are reported in the Income Statement.

### Segment reporting

An industry segment comprises a financially identifiable part of the company that supplies products or services and which is exposed to risks and opportunities that differ from those applicable to other industry segments. Geographical areas supply products or services within a financial environment that is exposed to risks and opportunities that differ from those applicable to other financial environments.

Systembolaget operates within one industry segment and one geographic market, and hence segment reporting is not relevant.

### Revenue recognition

Systembolaget has, pursuant to the provisions of the Swedish Alcohol Act, a monopoly on the retail of alcoholic drinks in Sweden. This monopoly has a socio-political purpose and entails restricting the availability of alcohol. In these circumstances, Systembolaget's retail sales are reported as its primary activity. Other operations – which are not critical to Systembolaget's retail operations and which could be conducted by another business – are reported separately (in accordance with the requirements of the owner's directive) and are regarded as non-operating income and expenses. This classification has been adjudged to provide the most accurate picture of Systembolaget's primary activity.

Revenue is recognised when the income can be reliably calculated and when it is likely that the economic benefit associated with the transaction will accrue to the company. Income is valued at the fair value of goods and services sold, excluding VAT.

Income is generated, in every significant respect, by the sale of drinks to consumers. Sales are reported as income in conjunction with the sale of the goods to the customer. Sales are paid for in cash or by credit card.

Interest income is recognised as revenue over a relevant period, applying the effective interest method. Effective interest is the interest that discounts the estimated future cash flows exactly over the anticipated term of the financial instrument to the instrument's reported value.

### State subsidies

Subsidies are reported at fair value when a reasonable certainty exists that the subsidy will be received and that the Group will comply with the terms and conditions associated with the subsidy.

Subsidies intended to cover costs – in Systembolaget's case, wage subsidies of minor value only – are reported net in the Income Statement presentation of staff overheads.

### Cost accounting

The Income Statement is presented by function and costs are accordingly classified on the basis of their function.

The cost of goods sold primarily comprises the purchase of goods for resale.

Selling expenses include costs arising from the store operations, largely comprising personnel- and premises-related costs.

Administrative expenses include costs arising from the central administrative functions at the head office.

### Leasing

Leasing agreements where the lessor, in every significant respect, retains the economic risks and benefits associated with ownership, are classified as operational leasing. The company's leasing agreements are almost exclusively operational leasing agreements.

### Lessees

The company has signed leasing agreements that, in every significant respect, relate to rental payments for premises. The leasing charge is carried as an expense linearly over the leasing period, which is the period for which Systembolaget has contractually agreed to lease an asset.

### Income tax

Reported tax comprises the combined sum of current and deferred tax calculated on the basis of the profit/loss for the period. Current tax is the tax that is payable or receivable during the current period, including adjustments to current tax for previous periods. Current tax is calculated on the basis of the taxable result for a period, including adjustments to the current tax for previous periods. Current tax is calculated and valued on the basis of the tax rules and tax rates approved, or approved in practice, on the closing day.

Deferred tax is calculated using the Balance Sheet method whereby temporary differences, i.e. differences between the reported and fiscal values of assets and liabilities, give rise to deferred tax liabilities or tax receivables. Deferred tax liabilities are calculated on the basis of all fiscal temporary differences while deferred tax receivables are reported to the extent that it is likely that a future fiscal surplus will exist, against which the temporary differences can be offset.

Deferred tax is calculated and valued in accordance with the tax rules and at the tax rates approved or announced on the closing day and which are expected to apply when the tax receivable in question is realised or the tax liability is settled. The tax rate is 22 per cent since the reduction of the corporation tax rate that came into effect as of 1 January 2013.

On every closing day, the reported value of the deferred tax receivables is reassessed and reduced to the extent that it is no longer probable that sufficiently large fiscal surpluses will be available. The reduction is reversed to the extent that it is subsequently deemed likely that sufficient fiscal surpluses will be available.

Current tax and deferred tax are reported in the Income Statement with the exception of fiscal effects attributable to transactions or events reported directly to equity.

Deferred tax liabilities are not reported for legal entities, due to the link between accounting and taxation and are, instead, reported as part of the untaxed reserves to which they are attributable.

*Cont. Note 1 / Accounting principles*

Untaxed reserves are reported in the Balance Sheet and the change is reported as transfers to/from untaxed reserves in the Income Statement. Untaxed reserves and transfers to/from untaxed reserves are consequently both reported in gross amounts in the Balance Sheet and the Income Statement.

**Information on related parties**

Systembolaget defines related parties as Group companies, pension funds, State-owned companies in which the State has a controlling influence, and senior executives, Members of the Board and close family members of the same. Systembolaget applies IAS 24, Related Party Disclosures, and disclosures regarding transactions with State-owned companies hence only need to be made if the value of the transactions is substantial.

Information is provided when transactions have occurred with a related party, irrespective of whether remuneration was disbursed.

The term, transactions, refers to the transfer of resources, services or undertakings. Transactions with related parties are conducted on an arm's length basis.

**Tangible fixed assets**

A tangible fixed asset is reported as an asset in the Balance Sheet when the acquisition value can be reliably calculated and when it is likely that the future economic benefits associated with the asset will accrue to Systembolaget.

Tangible fixed assets are valued using the cost method at the acquisition value less accumulated depreciation and any accumulated write-downs. Expenses attributable to the improvement of the assets' performance, over and above its original level, increase the reported value of the asset. Expenses attributable to repairs and maintenance are capitalised on a rolling basis.

**Intangible assets**

Expenses for the development are reported as intangible assets when the following criteria are met:

- the intangible asset is identifiable;
- Systembolaget has control over the asset;
- the asset generates future financial gains; and
- the asset's acquisition value can be reliably calculated.

The reported value includes expenditure arising from the purchase of services and materials. Intangible assets are valued using the acquisition method at their acquisition value, less any accumulated depreciation and any accumulated write-downs.

The expenses that do not meet the above criteria are capitalised as they arise.

**Depreciation**

Tangible fixed assets and intangible assets are depreciated linearly over the useful life of the asset, which is the period during which Systembolaget expects to make use of the asset for its designated purpose. Depreciation is based on the acquisition value after deductions for any residual values. The depreciation is based on the following useful life periods:

Asset	Useful life
Buildings	17–33 years
Machinery, fixtures & fittings	3–5 years
Rebuilding in store	7 years
Intangible assets	5 years

Expenses attributable to improvements in another party's premises are depreciated over a period of between 7 and 20 years. Land is not depreciated.

The residual value and useful life of each asset is reviewed as of every closing day and adjustments are made, if necessary.

**Write-downs**

An impairment test is carried out, as of every closing day, to determine whether there is any indication of a write-down requirement with regard to the reported values of the Group's assets. If such indications do exist, the recoverable amount is calculated, namely whichever is the higher of the fair value less selling expenses and the useful value of the asset, i.e. the current value of the estimated future cash flows that the asset is expected to generate. A write-down is effected when the reported value exceeds the recoverable value for an asset and is capitalised immediately in the Income Statement.

A calculation is carried out on every closing day to determine whether there is any indication that a previous write-down, either wholly or in part, is no longer justified, and in such cases, the recoverable value of the asset is calculated and a reversal occurs. The reversal increases the reported value of the asset. The reported value may not exceed the value that would have been reported, after depreciation, if no write-down had ever occurred.

**Remuneration to employees**

Remuneration in the form of salaries and pensions are reported as operating expenses during the period when the employee performs the services to which the remuneration refers. The expense is classified as a selling expense or administrative expense, depending on the nature of the employee's duties.

**Defined benefit pension plans**

The company has collective agreement-based defined benefit pension plans, which means that the company has an undertaking to disburse the agreed remuneration to current and former employees and that the company, in every significant respect, carries the actuarial risk and the investment risk. The actuarial risk is the risk that the remuneration will cost more than expected and the investment risk is the risk that the assets invested will prove insufficient to provide the expected remuneration. Pensions to employees who have retired and former employees (annuity holders) were formerly secured within the pension fund. An insurance-based solution has, as of 1 December 2013, been agreed for these inactive persons with KPA Pensionsförsäkring AB, whereby KPA Pensionsförsäkring AB have taken over the administration and disbursement of pensions for these groups. The defined benefit pension plans are mainly secured within pension funds, but are also through provisions made in the Balance Sheet and, to a limited extent, through insurance premiums.

The Parent Company's pension undertakings are reported and calculated in accordance with the Swedish Securing Pension Commitments Act and directives issued by the Swedish Financial Supervisory Authority. Application of the provisions of the Swedish Securing Pension Commitments Act is a prerequisite for fiscal deductibility.

The provisions reported in the Parent Company's Balance Sheet refer to non-vesting pension undertakings, i.e. they are contingent on continued employment. They are not covered by the provisions of the Swedish Securing Pension Commitments Act and hence may not be secured via pension funds, nor may they be reported in the Balance Sheet under the Pension Provisions heading, and are, instead, reported under the "Long-term provisions" heading.



**Defined contribution pension plans**

The company also has defined contribution pension plans. In defined contribution pension plans, the company's undertaking is limited to the amount that the company has agreed to contribute, which means that the employee carries the actuarial risk and the investment risk. Fees payable to defined contribution pension plans are reported as an expense over the period during which the employee performs those duties.

**Severance payments**

Severance payments are reported when Systembolaget is demonstrably obliged either to terminate an employment before the normal date, in accordance with a detailed formal plan without any realistic possibility of a recall, or to pay compensation in conjunction with an offer designed to encourage voluntary redundancy.

**Financial instruments**

Financial instruments comprise every type of agreement that gives rise to a financial asset in a company, or to a financial liability or equity instrument in another company. They include liquid assets, accounts receivable, accounts payable and financial investments.

**Recognition in and elimination from the Balance Sheet**

Financial instruments, i.e. financial assets and financial liabilities, are reported in the Balance Sheet when Systembolaget becomes a party to the instrument's contractual terms and conditions.

Financial assets are eliminated, either wholly or in part, from the Balance Sheet when the contractual rights to the cash flows cease or when virtually all risks and benefits associated with the ownership of the financial asset have been transferred.

Financial liabilities are eliminated, either wholly or in part, from the Balance Sheet when the financial liability is ended, i.e. when the commitment is fulfilled, cancelled or ceases.

**Valuation**

When financial instruments are reported for the first time, they are valued at fair value. Transaction costs directly attributable to the acquisition of the financial asset or liability are added to the fair value for those financial instruments that do not come under the heading of financial assets and liabilities valued at fair value via the Income Statement.

Settlement date accounting is applied for those financial assets classified as financial assets valued at fair value via the Income Statement and financial assets that can be sold. Transaction date accounting is applied for other categories of financial assets and liabilities.

Subsequent valuation is effected either at the fair value or at the amortised cost by application of the effective interest method. The valuation method used is determined by the category to which the respective instruments belong.

The fair value is the amount at which an asset could be transferred or a liability settled between knowledgeable and independent parties who have an interest in completing the transaction.

The amortised cost is the acquisition value less repayment of the nominal amount and reduction due to write-downs and less or plus accumulated depreciation. An impairment test is carried out on every closing day to determine whether objective grounds exist to demonstrate the existence of a write-down requirement. The write-down is calculated as the difference between the reported value and the current value of the estimated cash flows and is reported in the Income Statement.

**Classification**

Financial instruments are classified in accordance with the table below. The Group classifies its financial instruments into one of the following categories: loan receivables and accounts receivable, financial assets valued at their fair value via the Income Statement, or financial liabilities valued at their amortised cost, which are described below. The classification is based on the purpose for which the instrument has been acquired.

**Financial assets valued at fair value via the Income Statement**

The category, financial assets valued at fair value via the Income Statement, has two sub-groups, namely financial assets held for trading purposes and financial assets identified in conjunction with the first reporting instance as an instrument valued at its fair value via the Income Statement. A financial asset is classified in this category if the expectation is that it will be sold in the short term or if the company management classifies it as such. Remaining financial assets are identified in this category when reported for the first time. Changes in the value of financial assets valued at fair value via the Income Statement are reported in the Income Statement.

**Loan receivables and accounts receivable**

Loan receivables and accounts receivable are financial assets that have fixed or fixable payments and which are not quoted on an active market. Loan receivables and accounts receivable are valued, in conjunction with subsequent valuations, at the amortised cost through the application of the effective interest method.

Changes in the value of loan receivables and accounts receivable are reported in the Income Statement when the financial asset is eliminated from the Balance Sheet, in conjunction with write-downs and through periodisation.

The category also includes accounts receivable and other receivables, which are reported in the Balance Sheet when the invoice has been issued. Receivables have, after individual valuation, been booked in the amount that they are expected to yield.

**Financial liabilities valued at amortised cost**

This category includes accounts payable, which are reported in the Balance Sheet when the counterparty has performed as agreed and a contractual obligation to pay exists, even if an invoice has not been received. Financial liabilities are valued on an ongoing basis after being recognised for the first time at the amortised cost, using the effective interest method.

**Liquid assets**

Liquid assets comprise cash and bank balances and short-term liquid investments with a maximum term from the acquisition date of 90 days and which can easily be converted to a known sum and which are only exposed to an insignificant risk of fluctuations in value.

**Net profit and net loss**

The result of financial assets valued at fair value in the Income Statement is recognised under Net financial items. The result of financial assets and liabilities reported at amortised cost are reported in the Income Statement when the asset or liability is eliminated from the Balance Sheet or written down.

**Inventory**

The inventory has been valued at whichever is the lower of the acquisition value and the net sales value. The acquisition value is calculated using the first in, first out method (FIFO) and the net sales value is the estimated

*Cont. Note 1 / Accounting principles*

sale price less selling expenses attributable to the sale. The inventory comprises goods for resale. The reported value of goods held in stock that are sold is capitalised in the period when the corresponding income is recognised. Adjustments of goods held in stock to their net sales value, together with losses on goods held in stock, are reported in the Income Statement in the period when the adjustment or loss occurs.

**Fixed assets held for sale and liquidated operations**

A fixed asset or a disposal group is classified as a fixed asset held for sale if their reported value will primarily be recovered through sale and not through ongoing use. To be classified as an asset held for sale, the asset must be available for immediate sale in its current condition and it must be very likely that a sale will be made.

A fixed asset or disposal group shall be reclassified when an assessment made indicates that the sale is very probable, which means that a decision shall have been taken at management level, there shall be an active programme aimed at completing the sale, the sale price shall have been set at a reasonable level in relation to the fair value, and the sale shall normally take place within one year of the decision having been made.

The fixed asset or the disposal group is valued at whichever is the lower of the reported value and the fair value, less selling expenses. Assets and liabilities attributable to the fixed asset are reported separately in the Balance Sheet. A fixed asset is not depreciated as long as it is classified as being held for sale.

**Provisions**

A provision is defined as a liability that is uncertain with regard to the due date or the amount. Provisions are reported in the Balance Sheet when the Group has an existing legal or informal undertaking as a result of an event that has occurred, and for which it is likely that a disbursement of resources will be required to clear the commitment and the amount can be reliably estimated. Provisions are valued at the amount that is the best estimate of the amount, which, on the closing day, is required to clear the existing commitment. When the effect of the point in time at which payment is made is significant, the current

value of anticipated future cash flows is calculated. Provisions are reviewed as of every closing day and, if necessary, adjusted to reflect the current best estimate.

**Contingent liabilities**

A contingent liability is reported when a possible commitment exists deriving from events that have occurred and whose incidence is only confirmed by one or more uncertain future events, or when there is an existing commitment that is not reported as a liability or provision because it is not likely that a disbursement of resources will be required, or because the size of the commitment cannot be calculated with sufficient reliability.

**Cash Flow Statement**

The Cash Flow Statement demonstrates the inflow and outflow of monies attributable to the operating activities, investment activities and financing activities, and which has occurred during the period. The Cash Flow Statement is prepared using the indirect method, whereby the result is adjusted for:

- transactions that have not entailed the inflow or outflow of monies,
- accrued or prepaid items that refer to previous or future periods; and
- any income and expenses where the effects on the cash flow are attributable to investment or financing activities.

**Events after the closing day**

Events after the closing day are defined as events that occur during the period from the closing day to the day when the financial reports are approved for publication.

Systembolaget adjusts the amounts in the financial reports as instructed by the Board of Directors for events, positive or negative, that confirm the circumstances that existed on the closing day. If, however, events occur that indicate circumstances that arose after the closing day, the financial reports are not adjusted. Information on the events that are so significant that the publication of the information could affect the financial decisions that users take on the basis of the financial reports is, however, provided.

**Categories**

Types	Category	Valuation
<b>Financial assets</b>		
Other long-term securities holding	Financial assets valued at fair value via the Income Statement	Fair value
Other long-term receivables	Loan receivables and accounts receivable	Accrued acquisition value
Accounts receivable and accrued income	Loan receivables and accounts receivable	Accrued acquisition value
Short-term investments	Financial assets valued at fair value via the Income Statement	Fair value
Liquid assets	Financial assets valued at fair value via the Income Statement	Fair value
<b>Financial liabilities</b>		
Accounts payable and accrued costs	Financial liabilities valued at accrued acquisition value	Accrued acquisition value

# Proposed appropriation of profits

The Board of Directors proposes that the profits available for allocation, comprising SEK 1,177,397,582, be allocated as follows:

Dividend (SEK 796,07 per share) SEK	286,584,896
Carried forward SEK	890,812,686
<b>Total SEK</b>	<b>1,177,397,582</b>

It is proposed that the dividend be disbursed on 2nd of May 2014.

The Board of Directors is of the opinion that the proposed dividend payment is justifiable with reference to the requirements laid down in chapt. 17:3, §§ 2 and 3 of the Swedish Companies Act, and with reference to the requirements that the nature of the operations, their scope and their inherent risks make of the shareholders' equity in the company.

The dividend payment is also deemed justifiable from the point of view of the company's consolidation requirements, liquidity and position in general, and is compatible with the owner's requirements and expectations.

The Board of Directors and the President hereby affirm that the annual accounts have been prepared in accordance with generally accepted accounting principles and that they provide a true and fair view of the company's position and result. The undersigned also affirm that the accounts have been prepared on the basis of the IFRS international accounting standards referred to in the European Parliament and European Council ordinance (EC) no.1606/2002, dated 19th July 2002, and that they provide a true and fair view of the performance of the company operations, their position and their result, and that they describe significant risks and uncertainty factors faced by the company.

Stockholm 20th of February 2014

Cecilia Schelin Seidegård  
*Chairperson*

Kerstin Wigzell  
*Deputy chairperson*

Thord Andersson  
*Member*

Sven Andréasson  
*Member*

Crister Fritzon  
*Member*

Johan Gernandt  
*Member*

Carl B Hamilton  
*Member*

Mona Sahlin  
*Member*

Anna Holgersson  
*Employee representative*

Berit Morén  
*Employee representative*

Magdalena Gerger  
*President*

Our audit report was submitted 20th of February 2014

Ernst & Young AB

Åsa Lundvall

# Audit report

To the Annual General Meeting of Systembolaget AB, corporate identity number 556059-9473.

## REPORT ON THE ANNUAL ACCOUNTS

We have audited the annual accounts of Systembolaget AB for the 2013 financial year. The annual accounts of the company are included in the printed version of this document on pages 2–33.

### Responsibilities of the Board of Directors and the President for the Annual Accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of annual accounts in accordance with the Swedish Annual Accounts Act and that give a true and fair view in accordance with the international financial reporting standards, IFRS, as adopted by the EU, and the Swedish Annual Accounts Act, and for the internal controls that the Board of Directors and the President consider are necessary for preparing annual accounts that are free of material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audits. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with professional ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and other disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls. An audit also includes evaluating the appropriateness of accounting principles applied and the reasonableness of the accounting estimates made by the Board of Directors and the President as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material

respects, the financial position of Systembolaget as of 31 December 2013 and of its financial performance and its cash flows for the year in accordance with the Annual Accounts Act. A corporate governance report was prepared in accordance with the "Government's ownership policy and guidelines for state-owned companies". The statutory administration report and corporate governance report are consistent with the other parts of the annual accounts. We therefore recommend that the Annual General Meeting adopt the income statement and balance sheet for Systembolaget AB.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Systembolaget AB for the 2013 financial year.

### Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

### Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration, based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act. As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any Member of the Board of Directors or the President is liable to the company. We also examined whether any Member of the Board of Directors or the President have, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act, or the Articles of Association. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Opinions

We recommend to the Annual General Meeting that the profit be appropriated in accordance with the proposal in the Statutory Administration Report and that the Members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm 20th of February 2014

Ernst & Young AB

Åsa Lundvall  
Authorised Public Accountant

# Review Report in respect of the Annual Accounts

**To the Annual General Meeting of Systembolaget AB, corporate identity number 556059-9473.**

On behalf of the Swedish Parliament's Board of Administration, we have examined the administration and internal controls of Systembolaget AB in the 2013 financial year.

We have examined significant decisions, actions taken and circumstances in the company in order to be able to determine whether the company has been managed in an appropriate and

financially acceptable manner and whether the company's internal controls are adequate. Our examination did not reveal any circumstances giving cause for objection.

We have also examined whether the company, its management and Board observed the guidelines laid down by the government with specific reference to Systembolaget AB and to State-owned enterprises in general. This examination also failed to reveal any circumstances giving cause for objection.

Stockholm 20th of February 2014

Christina Oskarsson

Hans Backman

Maria Plass

# The Board of Directors on the Sustainability Report

The Sustainability Report, which includes all of the sustainability related information provided in Systembolaget's 2013 Responsibility Report, together with the in-depth information about our reporting in accordance

with the Global Reporting Initiative; GRI, as presented on pages 38–71 have been approved for publication by the Board of Directors on 20 of February 2014.

Stockholm 20th of February 2014

Cecilia Schelin Seidegård  
*Chairperson*

Kerstin Wigzell  
*Deputy chairperson*

Thord Andersson  
*Member*

Sven Andréasson  
*Member*

Crister Fritzson  
*Member*

Johan Gernandt  
*Member*

Carl B Hamilton  
*Member*

Mona Sahlin  
*Member*

Anna Holgersson  
*Employee representative*

Berit Morén  
*Employee representative*

Magdalena Gerger  
*President*

# Auditors' Report in respect of the limited assurance engagement of Systembolaget AB's Sustainability Report

## To the readers of Systembolaget AB's Sustainability Report

### Introduction

We have been engaged by the Board of Directors of Systembolaget AB to perform a limited assurance engagement related to Systembolaget AB's Sustainability Report for 2013. The company has defined the scope of the Sustainability Report on pages 66–67 of Part 1 and pages 72–73 of Part 2 (FRI Index) in the Sustainability Report.

### Responsibilities of the Board of Directors and the executive company management for the Sustainability Report

The Board of Directors and the executive company management are responsible for the ongoing activities with regard to the environment, the work environment, quality, social responsibility and sustainable development, and for the preparation and presentation of the Sustainability Report in accordance with applicable criteria, which are specified on pages 38–39 of Part 2 of the Sustainability Report and which comprise both those sections of the Sustainability Reporting Guidelines G3 (issued by The Global Reporting Initiative (GRI)) applicable to the Sustainability Report, and the specific reporting and measurement principles developed and issued by the company.

### Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report, based on our review.

Our limited assurance engagement has been performed in accordance with the FAR SRS (the institute for the accountancy profession in Sweden) draft recommendation, "RevR 6 Assurance of Sustainability Reports". A limited assurance engagement consists of making enquiries,

primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other review procedures. The orientation and scope of a limited assurance engagement differs from and is considerably less than the orientation and scope of an audit engagement conducted in accordance with the IAASB standards for auditing and quality control and with generally accepted auditing practices. The review activities conducted in conjunction with a limited assurance engagement do not enable us to state with the same level of assurance that we were made aware of all of the important circumstances that could have been identified in conjunction with an audit, and the conclusion based on our limited assurance engagement consequently does not provide the same level of assurance as a conclusion based on an audit.

The criteria used in the course of performing our limited assurance engagement are based on the parts of the Sustainability Reporting Guidelines G3, issued by The Global Reporting Initiative (GRI), and which are applicable to the Sustainability Report, and on the specific reporting and measurement principles developed and issued by the company. These principles are presented on page 38–39 of Part 2. We consider these criteria to be suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained during our limited assurance engagement is sufficient and appropriate to enable us to provide a basis for the opinion expressed below.

### Opinion

Based on our review, nothing has come to our attention that causes us to believe that the Sustainability Report has not, in all material respects, been prepared in accordance with the above-mentioned criteria.

Stockholm 20th of February 2014  
Ernst & Young AB

Åsa Lundvall  
Authorised Public Accountant

Håkan Ulrichs  
Partner, Climate Change and Sustainability Services

# About the in-depth GRI Report

Systembolaget shall, as a State-owned company, and in accordance with the Government-issued guidelines for external reporting, prepare a sustainability report in accordance with GRI (Global Reporting Initiative). GRI is a global network that provides a framework of guidelines for sustainability reports.

This is the sixth year in succession that Systembolaget has published a report in accordance with the GRI 3.0 guidelines. The previous report was published in 25 March 2013. This report has been reviewed by Systembolaget's external auditors – see Auditors' Report in respect of the Sustainability Report on page 37. This

in-depth GRI Report explains the scope, boundaries and material issues that form the basis for the content of this Sustainability Report. It contains complementary information on and in-depth details of a number of areas and issues that are mentioned elsewhere in the Responsibility Report. It is our

hope that you, the reader, will gain a clearer picture of the way in which Systembolaget works to take responsibility for our impact on people and the environment, and the way in which we endeavour to integrate this sustainability work into our operations.

*Systembolaget  
has reported in  
accordance with  
GRI since 2008*

## Application level

This report has been prepared in accordance with GRI level B+ and has been reviewed by an external reviewer.

Application level	C	B	A
GRI reporting requirements	C+ = with certifying report	B+ = with certifying report	A+ = with certifying report
Descriptions of the organisation profile.	Report criteria. 1.1 2.1 – 2.10 3.1 – 3.8, 3.10 – 3.12 4.1 – 4.4, 4.14 – 4.15	Report all criteria.	Report all criteria.
Descriptions of approaches to every category.	Not required.	Required for every indicator category.	Required for every indicator category.
Reporting core indicators.	Report at least 10 indicators, including at least one from each of the following categories: social, economy and environment.	Report at least 20 indicators, including at least one from each of the following categories: economy, environment, human rights, labour, society and product responsibility.	Report all core indicators or explain why they are not reported with reference to the importance of every indicator.



# The Report's scope and boundaries

The financial reports for 2013 refer exclusively to Systembolaget AB, while the Sustainability Report for the 2013 financial year comprises Systembolaget AB and the operations of the wholly-owned subsidiary company, IQ-initiativet AB, which is of material importance from a sustainability viewpoint. Sustainability data that falls outside of IQ-initiativet AB's information provision mandate is not, however, reported nor is the data for Systembolaget's other subsidiary companies<sup>1</sup> in that they are not of material significance in relation to Systembolaget as a whole. This constitutes a change from previous years, when all subsidiary companies were included in the report. The lack of materiality on the part of the subsidiary companies in this respect also means, however, that this change has had no significant effect on this year's results. Comparison figures from previous years have been amended in this year's report. Systembolaget now conducts its measurements and monitoring work on sustainability matters at company level. In cases where the GRI guidelines encourage reporting on a

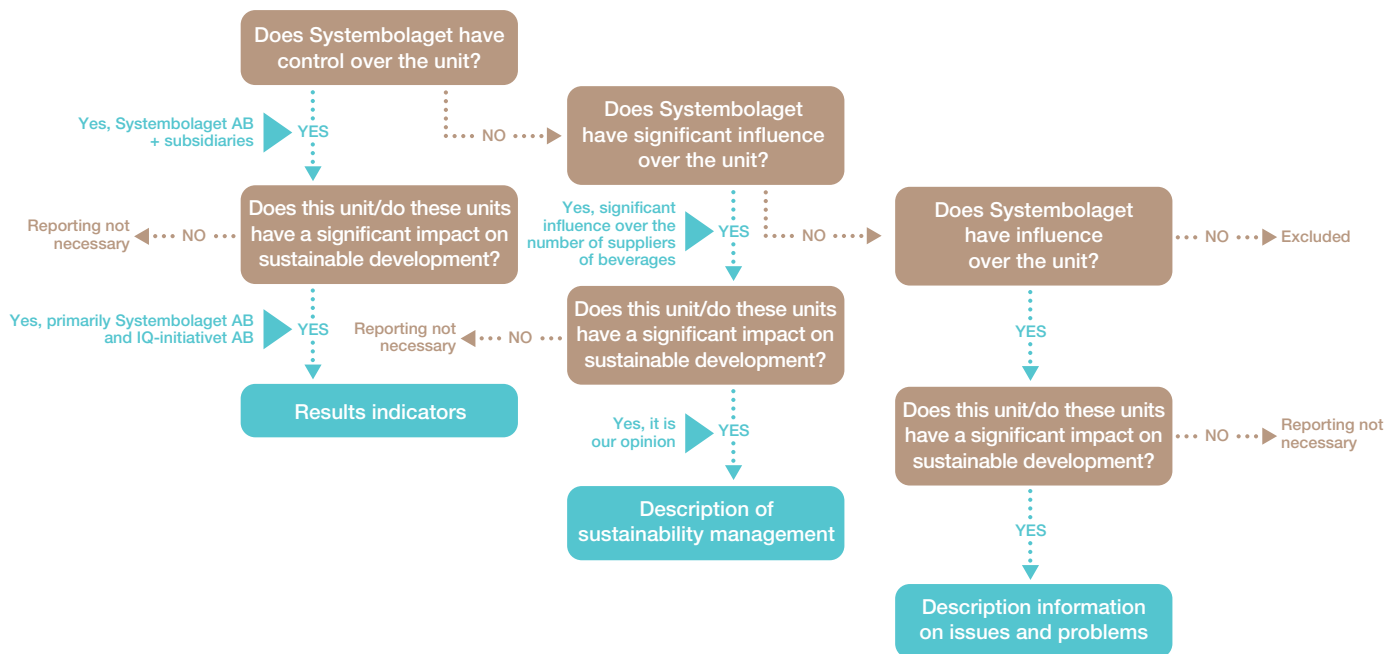
per region basis, the region used is Sweden as a whole. We have reported 25 indicators and measurement and calculation methods are described, where relevant, in conjunction with the respective indicators. The compilation and quality assurance of the indicators was performed by Systembolaget's GRI Coordinators. Target figures and comparison figures are presented, where relevant. Where comparison figures from previous years' accounts have been amended, the amendment is noted under the indicators in question on pages 54–71.

The report also contains a description of how our sustainability CSR work is governed within the supplier chain, in that we are very likely to have a significant influence<sup>2</sup> on many of our drinks suppliers.

<sup>1</sup> AB K14 Näckströmsgatan corporate group. The wholly-owned subsidiary company, Gamla Distribution i Jordbro AB (the Company) was dormant in 2011, 2012 and 2013. On 16 December 2013, the Company was taken over by Systembolaget AB by means of a merger.

<sup>2</sup> Significant influence based on the GRI Boundary Protocol and the assumption that Systembolaget has purchasing agreements that account for a large percentage of our drinks suppliers' sales.

## Sustainability management



# Stakeholder dialogue

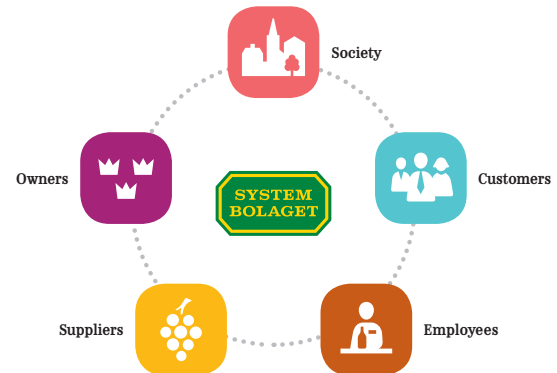
Our choice of stakeholder groups is based both on our strategic planning and on the various perspectives of the Balanced Scorecard. These perspectives have changed over the years and now correspond to the presentation in our Responsibility Report. We anticipate that stakeholders from all five categories will read our Responsibility Report.

We maintain an ongoing dialogue with our stakeholders, whether they be owners, customers, employees or suppliers and carry out questionnaire-based surveys at least once a year. We also conduct roundtable discussions and surveys based on specific requirements and in specific subject areas. We usually conduct some form of stakeholder mapping process as well, in order to ensure that we target the right stakeholders on the respective occasions, and the aim of the particular dialogue determines the stakeholders who will, we believe, be able to contribute on the occasion in question. A mapping process of this kind was carried out ahead of the 2013 stakeholder dialogue, where the focus was on sustainability. The results of the questionnaire-based surveys and dialogues are used in the context of, amongst other things, Systembolaget's strategic work and also provide input data for our strategic key performance indicators.

## In-depth dialogue focusing on sustainability in 2013

Systembolaget's knowledge of what our stakeholders think about our sustainability work has been augmented during the year thanks to a stakeholder dialogue in the form of a roundtable discussion with customers, suppliers, stakeholder organisations, owners and employees. A total of sixteen people from the various stakeholder groups took part in the dialogue, the aim of which was to find out what stakeholders think about Systembolaget's prioritised sustainability areas and to give them the opportunity to influence our sustainability work. We regard the stakeholders as a focus group and their opinions provide us with an important insight into whether Systembolaget is on the right track in its strategic and operational sustainability work, and into the sort of material issues that must be included in our

## The Balanced Scorecard's various perspectives



### The following stakeholders were identified ahead of the 2013 stakeholder dialogue:

#### Owners

- Two younger politicians

#### Society

- The Swedish Society for Nature Conservation
- The Swedish Municipal Workers' Union

#### Customers

- Younger man and woman, aged 25–35
- Older man and woman, aged 45–55

#### Employees

- Representative of the Unionen private sector salaried workers trade union
- Representative of the Akademikerföreningen (SACO) Union for Professionals

#### Suppliers

- Sprit och Vinleverantörsföreningen (Swedish Spirits & Wine Suppliers Association)
- Granen Fastighetsutveckling AB

GRI reporting. The dialogue was planned and conducted internally by our GRI and sustainability managers, together with a selected subgroup who were appointed to the Sustainability Council. The subgroup comprised employees with expertise in our prioritised sustainability areas and they were tasked with drafting questions in dialogue form and with ensuring that the stakeholder mapping resulted in the identification of significant stakeholders. An external firm of consultants was engaged to act as a moderator and sounding board when it came to choose the questions and the dialogue format. The stakeholders were selected on the basis of parameters such as their knowledge of the sustainability area in question, their interest in sustainability issues, and their attitude towards Systembolaget.

It became clear, through the dialogue that issues relating to the supplier chain and corruption are of the greatest importance to our stakeholders. All felt that Systembolaget should improve the way it communicates its sustainability work, e.g. what labelling a product as organic or Fair Trade actually means, and that Systembolaget should become more transparent.

The roundtable discussion was the first step towards a more in-depth dialogue that will take place in 2014. The 2013 dialogue has given us an insight into issue management and dialogue formats that will be of great use to us in the year ahead.



## Dialogue with society

Systembolaget supports alcohol research in order to further our knowledge of the link between alcohol and ill health. We make a yearly financial contribution in order to help prioritise research into alcohol-related issues. The results of this research give us evidence-based source data that helps us provide information on the harmful effects of alcohol.

### Opinion Index shows support

The Opinion Index (OPI) is one of Systembolaget's strategic key performance indicators and measures Swedes' support for Systembolaget and the retail monopoly.

The question asked every month is "Do you think that Systembolaget and the monopoly in sales of strong beer, wine and spirits should be retained, or do you want strong beer, wine and spirits to be sold in other retail outlets?"

The question is put to a representative sample of 1,500 members of the Swedish public aged from 15 and upwards. This corresponds, on an annual basis, to 18,000 interviews. Once every quarter – a total of 6,000 interviews per year – we also ask "Why would you like to retain Systembolaget and the monopoly? Or alternatively, "Why would you like strong beer, wine and spirits to be sold in other retail outlets?" The answers give us an idea of the arguments and reasoning behind a desire to retain or abolish our monopoly and we take the results into account when formulating strategies to explain our mandate. To find out more about the OPI, see page 31 of Part 1.

### Monitoring home deliveries

Home deliveries of alcoholic beverages to private individuals began on a trial basis in November 2012. We are monitoring the trial closely, e.g. by contacting all of the customers who take advantage of the trial to find out what they think about the service and to ask them how it has affected their alcohol consumption. The results – in terms of purchasing patterns and consumption – are being followed up by alcohol researchers with the aid of an online survey that is sent out to customers who have used the service during the preceding month. The results from phase 1 of the trial (Nov 2012 – July 2013) formed the basis for the Government's decision to allow the trial to continue. See page 57 of Part 1 to find out more about home deliveries.

### Alcohol Index reveals attitudes to alcohol

Systembolaget's subsidiary company, IQ-initiativet, measures the Alcohol Index, which has been used to track Swedes' attitudes to alcohol since 2010, on a yearly basis. A total of 2,000 people aged 16 and above are repeatedly interviewed over the phone during the last two weeks in May. The Alcohol Index is based on an overall appraisal of the answers to nine questions on what people think is right or wrong

in a number of different situations. The answers are then collectively appraised to produce an index figure. The higher the index, the more restrained the attitude. This is an index that reflects “everything” that is being done and which is happening in the alcohol sphere in Sweden, and hence is not directly linked to either Systembolaget’s or IQ-initiativets operations, even though the work aimed at limiting the harmful effects of alcohol is part of what influences the index trend. See page 19 of Part 1 to find out more about the Alcohol Index.



### Dialogue with customers

We have been studying levels of satisfaction amongst our customers since 2001 and the combined results of these investigations make up our key performance indicator, the Customer Satisfaction Index (CSI). Data is gathered in all of our stores, four times a year, by recruiting customers at random and then asking them to answer questions, via an online survey, on such areas as product range and offering, store design and accessibility, social responsibility, and levels of staff expertise and the way they, the staff, interact with the customers. 32,908 such interviews were carried out in 2013.

The measurement shows that our product range and offering is one area where considerable potential exists for further boosting our CSI. Customers’ expectations of Systembolaget increase in tandem with the growth in their interest in and knowledge of the drinks we sell. The customer rating of our product range has remained unchanged for several years now, and over the past year, we have introduced a new product range management tool that will improve the way in which we live up to customer expectations. In the stores where we have tested the new model, customer perceptions of the product range have improved to above average levels for comparable stores, and we believe, therefore, that there is every chance that we will be better able to meet customer requirements in the future. See pages 26–27 of Part 1 to find out more about the CSI.

### Increased knowledge required

There is probably also a leverage effect in play when it comes to our development of the social responsibility area. Individual local stores are highly rated by customers when it comes to “the store’s social responsibility”, which addresses the way in which the store works with our selling rules. But when it comes to social responsibility in a wider, company-wide sense, the rating is not as high. It was clear from a number of surveys that we carried out in the spring that not everyone understands why Systembolaget exists and the benefits generated by our monopoly in terms of promoting public health. One of the main tasks outlined in the new strategic plan for the next four years will, therefore, be to increase people’s knowledge both of the benefits offered by Systembolaget and of the ways in which alcohol affects health. Other strategically important initiatives include continuing to improve our customer interaction and the continued development of our product range in a sustainable way.

In the autumn of 2012, we conducted a quantitative survey in which 1,526 people aged 18 and over were interviewed via an online survey. We asked a number of questions about sociodemographics, wine/spirits/beer consumption, behaviour, attitudes to alcoholic beverages, attitudes to Systembolaget, general attitudes and interests, and media habits. The aim was to identify customer groups who, in a way of relevance to us, resemble one another and differ from other groups. Eight such segments were identified.

Over the past year, we have furthered our knowledge of these segments, partly by identifying and tracking them via the Customer Satisfaction Index (CSI), and partly in dialogues with a total of sixteen focus groups. The dialogues were conducted in the three customer groups prioritised by the company management in the 2014–2017 strategic plan. The surveys suggested, amongst other things, that there are substantial gaps in people’s knowledge of alcohol-related social problems and the role of Systembolaget. A more widespread knowledge across society of the problems associated with alcohol

would make it easier for us to explain our role and the reasons for regulating sales through restricted availability, restriction of the private sector's for profit interests, pricing control, and strict regulations governing marketing. The company management has consequently decided to increase both the number of activities implemented during the 2014–2017 strategy period and the level of proactivity when it comes to ensuring more people understand the benefits of Systembolaget and its monopoly.



### Dialogue with employees

In 2012, we implemented a tool to support our work on developing high quality performances and continuous improvement. The tool is based on a development process whose strength lies in its ability to break down our overall goals into concrete improvement processes. Dialogue is used to create a sense of participation and commitment on the part of employees while simultaneously giving rise to positive effects on health and the working environment. The new tool permits locally initiated follow-up measurements and involves an employee satisfaction survey in the form of an online questionnaire, the results of which are subsequently discussed in groups. The findings will help Systembolaget to identify the areas on which we need to focus in order to ensure that our employees feel they have the tools they need to carry out their duties to the highest possible standard. See page 38 of Part 1 to find out more about the Employee Satisfaction Survey.

#### Performance reviews and ethics dialogues

All Systembolaget employees shall have annual performance reviews that include follow-ups on and assessments of both individual goals and the skills on which Systembolaget has chosen to focus. The performance reviews are important tools in enabling us to realise our vision and achieve our goals.

We also conduct annual ethics dialogues, both between managers, and between managers and employees, at which the subjects discussed are

based on events during the previous year. The ethics dialogues are an important tool in Systembolaget's anti-corruption work. Systembolaget has also included equal opportunity issues in the dialogues conducted during the past year.

#### Work environment dialogues

Systembolaget has a work environment committee that meets four times a year, at which time employer and personnel representatives (from various trade unions) meet to address strategic work environment issues and during which both parties have a responsibility to highlight important issues. Systembolaget is careful to ensure that the trade unions are kept informed of ongoing developments in the work environment sphere. It is equally important, given the importance of the unions' contributions in terms of the end result, that the unions pass on information and sound the alarm when something is not working. This enables the company to act to rectify the situation.

#### HR support vital

The HR Department has conducted interviews throughout the organisation during the year in order to develop a picture of the way in which the department is perceived, opinions of the support the department provides, and anticipated future requirements when it comes to HR support. The results of these interviews will be combined with other source data and will influence the formulation of Systembolaget's HR strategy.



### Dialogue with suppliers

Good cooperation with our suppliers is a prerequisite of our ability to develop our product range and to live up to our customers' expectations and meet their requirements. Systembolaget has a special reference group for sustainability issues that meets three or four times a year. The group comprises representatives from the Swedish Spirits & Wine Suppliers Association (SVL) and the Brewers of Sweden Association, and representatives of independent suppliers. This group

discusses issues under development and those where Systembolaget needs to learn the industry's perspective on matters. Systembolaget has also held five supplier meetings to which all suppliers were invited during the year. The focus of these meetings was on the new product range model implemented in 2013 and on the sustainability work conducted in partnership with our suppliers. The supplier meetings give Systembolaget the opportunity to describe our development work and gives suppliers the chance to present suggestions as to the sort of

changes they would like to see. The proposal that Systembolaget should offer special support for ethical products such as Fairtrade- or Fair for Life-labelled items, by applying a different trading margin for these products than for others was just one of the many suggestions made.

Before any such suggestion can be implemented, however, we need to investigate whether this is possible within the framework of the requirement for equal treatment of all suppliers under which Systembolaget operates. A theme meeting has also been organised, at which we presented the results of the Customer Satisfaction Survey, market analyses, and analyses of purchasing patterns in young adults. In-depth knowledge of our customers is vital in establishing our future product range.

#### **Nordic collaboration trips yield results**

The Nordic collaboration between the alcohol retail monopolies includes a joint trip to a producer country. The aim of these trips is to learn more about conditions in the country in question and to inform producers about the Nordic collaboration on sustainability issues and about our common Code of Conduct. The things we learn during the trips form feedback for our own organisations and are part of our work with risk analyses and monitoring of the

outside world. The feedback we have received from our stakeholders indicates that the visits by the Nordic alcohol retail monopolies are important – the fact that five different countries visit them jointly makes a powerful impression and provides an incentive for the drinks industry to act in a socially, environmentally and ethically sustainable way. Since the Nordic monopolies began working together to improve working conditions, South Africa and Chile have adopted ethical industry codes and Systembolaget's explicit interest in sustainability was cited as a contributory factor.

#### **Dialogue with critics**

The "Rättvis Vinhandel" [Fair Wine Trade] campaign works to persuade Systembolaget and Swedish wine importers to take greater responsibility for agricultural workers' situation in vineyards in countries such as South Africa, Chile and Argentina. The institutions behind this campaign include the "Afrikagrupperna" African solidarity organisation, the "Latinamerikagrupperna" Latin America solidarity organisation, and the Central Organisation of the Workers of Sweden (SAC). They also work with agricultural workers' organisations in the countries in question, such as Sikhula Sonke in South Africa and ANAMURI in Chile. The campaign has criticised the lack of participation by agricultural workers' organisations and trade unions in the formulation of the BSCI's Code of Conduct applied by Systembolaget and the fact that the Code of Conduct does not demand higher wages for employees working in cultivation and production. We hold regular meetings with the "Rättvis Vinhandel" campaign in order to build a constructive dialogue based on both their perspectives and those of Systembolaget. We have met on two occasions in 2013 to discuss the course of events in South Africa and Chile, at which time we have shared information, discussed problems and solutions, and sought acceptance for and understanding of our various starting points. The dialogues have, in our opinion, helped increase mutual understanding.

*Our responsibility for a sustainable value chain extends further because Systembolaget has monopoly on sales of alcoholic beverages*



## Dialogue with the owners

Systembolaget is an alcohol policy tool. Our aim is a socio-political one. We have been mandated to handle all retail sales of strong beer, wine and spirits to private persons via a monopoly and to provide information on the risks associated with consuming alcohol while simultaneously providing a high quality service.

### The owner's expectations

Our owners demand that we not only fulfil our alcohol policy mandate, but that we, as a state-owned company, act as a role model in all areas, including that of sustainability work.

We conduct an ongoing dialogue with our owner in order to ensure that we live up to the owner's expectations and requirements. This dialogue primarily takes the form of the so-called owner dialogues conducted by the Chairperson of Systembolaget's Board of Directors. These dialogues include both a presentation of current events and follow-up work on strategic goals. It is important that Systembolaget's maintains an ongoing dialogue with its owners in order to ensure its responsiveness to and compliance with expectations and requirements and thereby ensure that we, as a company, can take the correct decisions and achieve our long-term goals.

### Work experience for politicians

As part of our day-to-day work, we invite parliamentary representatives to do a couple of hours' work experience at one of our stores, somewhere in Sweden. Around ten parliamentary politicians have accepted this invitation during the year. The aim of this programme is to give the politicians a deeper insight into our work in the store environment, covering everything from how we conduct proof of age checks to how we build the stores in such a way that the customer is not tempted to buy more than he or she had originally planned. The programme is also a way for us to learn about and hear comments from a local perspective, as many of the politicians

elect to do their work experience in their own constituencies. Systembolaget intends to continue offering in-store work experience in the years ahead. See page 55 of Part 1 to find out more about work experience for politicians.

# Material issues

Systembolaget’s aim is to limit the harmful effects of alcohol. Systembolaget’s governance approach can be described, in brief, as follows (see also the inside cover of Part 1):

**Our Mandate:** The starting point for the mandate Systembolaget has received from the State is that we have a sole right on retail sale of alcohol in Sweden, offering a high quality service and providing information about the risks associated with alcohol. This sole right limits availability, which is one of the most effective ways of reducing the harmful effects of alcohol.

**Our Values:** Our values permeate the entire company and everything we do. We shall be considerate, knowledgeable and inspirational.

**Our Vision:** Our vision is of a society in which alcoholic drinks can be enjoyed with due regard for health considerations so that no one is harmed.

**Our business concept:** To sell alcoholic beverages responsibly while offering a first class standard of service and sharing our knowledge of alcohol and health.

**Our customer promise:** You should always feel welcome, you should always feel that you can learn something from us, and you should always be able to rely on us to sell responsibly.





Systembolaget's mandate entails a social responsibility that permeates every aspect of our day-to-day operations. We have also chosen, over and above the mandate we have received from our owners, to take responsibility for conducting our operations in an ethically and environmentally sound way and for working to ensure that our products are manufactured under conditions that are good for both people and the environment. Our social responsibility is, therefore, divided into three working areas: our alcohol policy mandate, our commitment to alcohol issues, and our sustainability work, which includes issues in such areas as human rights, working conditions, anti-corruption, the environment, and equality.

The selection of areas and sustainability goals is a permanent and ongoing process and is influenced by identified risks, trends and events in the outside world, and by the requirements raised by and results emerging from our stakeholder dialogues.



## Sustainability governance

The executive company management and the Board of Directors have ultimate responsibility for the sustainability work within Systembolaget. This work is headed by the Sustainability Managers who are aided in their work by a multidisciplinary Sustainability Council. The Council is tasked with strategic planning, monitoring, coordination and case handling. The goal is for sustainability to comprise part of all of the company's existing processes. Responsibility for monitoring the drinks supplier chain and for imposing sustainability requirements in conjunction with the procurement of services and indirect materials has been transferred to the respective purchasing units. Issues relating to the work environment and employees' opportunities to engage in a dialogue with the company management are handled by the Work Environment Committee and the Collaboration Council, both of which bodies include representatives of the company management and trade unions. The Work Environment Committee and the Collaboration Council both include six members representing the employees' side. The company also has an environmental group based on voluntary commitment and which acts as a reference group on environmental issues and picks up on and disseminates ideas from committed individuals within the company.

Systembolaget's sustainability work is based on: an overall risk analysis for the company, the Nordic alcohol monopolies' risk analysis for the supplier chain, Systembolaget's environmental review, analyses of trends and the outside world, stakeholder dialogues, and Systembolaget's BSCI undertakings. These elements form the basis for our long-term planning, including the annual focus areas for our work on the environment, on human rights and working conditions in the supplier chain, and on anti-corruption and equality.

An overall risk analysis is conducted for the company as a whole every year, as well as a materiality analysis in accordance with GRI, and these analyses sometimes trigger an adjustment to the focus areas for the year laid down in the long-term plans. The annual operational plan for the sustainability work is based on the risk analyses,

Systembolaget's strategy, and the long-term sustainability plan.

The sustainability impact of Systembolaget's operations, over and above that linked to the consumption of alcohol, is closely associated with the fact that we sell agricultural produce. The working conditions of agricultural workers is one of the areas in which development sometimes seems to have stagnated. Problems in this area include working hours and wages below those mandated in national law or international conventions, the right to a safe

working environment (such as the provision of personal protection equipment when handling chemicals), the right to organise in trade unions, the right to negotiate collectively, and the right

to suitable housing and sanitation. Agricultural production also has a substantial impact in the environmental sphere, primarily in terms of the impact on the climate, access to clean water, and biological diversity. Our products are cultivated and produced worldwide and the precise nature of the risks varies from one geographical area to another. Other parts of the value chain, such as packaging and transportation, can also have a substantial environmental impact.

Taken as a whole, these areas pose significant challenges for our industry. One challenge, when it comes to both working conditions and the environment, is that much of the impact occurs several stages along the supplier chain, with operators with whom Systembolaget has no direct commercial link. Traceability is a problem for many products – there is no information on where the raw material for a given product was cultivated. Another challenge lies in the need to promote sustainable development while simultaneously being obliged, as a monopoly, to act objectively and in a non-discriminatory manner in our dealings with our suppliers. We do, however, in our capacity as a significant operator in the international market, have the opportunity to get involved and to push development in the direction

of sustainable production within the drinks supply chain, e.g. by monitoring compliance with our Code of Conduct and by requesting organic and sustainable products and eco-friendly packaging.

#### **Nordic collaboration**

We have been working in partnership with the other Nordic alcohol monopolies since 2008 with the aim of achieving a sustainable supplier chain. We now have a shared Code of Conduct that is included in purchasing agreements with our suppliers. The agreement binds the suppliers to pass our requirements on to their subcontractors at every stage of the chain. We also monitor compliance with the Code of Conduct by means of drinks producer audits. The location of these audits is planned on a yearly basis in line with the results of the risk analysis for the supplier chain. The producers who collectively account for two thirds of sales from the high risk countries are being audited in 2013 and 2014 as part of our BSCI undertaking. Deficiencies in compliance were noted at all 14 producers who were audited by Systembolaget in 2013. We regard the fact that we have now implemented a system that identifies deficiencies as progress in our work with the supplier chain as proof that we have chosen a good method and committed partners. We have also increased the percentage of ethically labelled products that we sell by 0.5 percentage points in comparison with 2012, and the number of ethically labelled items in the fixed range has increased to 32 from 18 in 2012. This progress is due to our single-minded efforts to develop our range. We are generally achieving our goals when it comes to our sustainability key performance indicators (see the table on pages 52 – 53), but have failed to achieve the goals with regard to the percentage of organic products sold.

*Risk and materiality analysis is conducted annually to determine focus areas to work on*

*Systembolaget is working together with the other Nordic alcohol monopolies in order to achieve a sustainable supply chain*

This is mainly due to the fact that the weather has made it difficult for certain existing organic products to retain their organic certification.

Our Code of Conduct sets a minimum standard based on internationally accepted guidelines (such as the UN Declaration on Human Rights, the ILO conventions, and national legislation). Our ambition is to ensure the continuous development and improvement of the collaboration in the supplier chain through our monitoring work. We have already seen the contribution made by the Nordic alcohol monopolies' shared focus on sustainability to industry initiatives in South Africa and Chile, and to the fact that vineyards have achieved accreditation in line with these initiatives. Our ongoing work involving the setting and monitoring of goals via our key performance indicators is developing as the work progresses and is extending further and further down the supplier chain. This process helps us to identify any deviations from the goals and, depending on the nature of the deviation, to draw up an action plan. For details of how we handle deviations from the Code of Conduct, see the section entitled "A sustainable drinks supplier chain" on page 45 of Part 1.

### **Trends in the outside world**

Systembolaget believes, with regard to sustainability, that our responsibility for the entire value chain and, in particular, for human rights in high risk countries – with a special emphasis on such issues as living wage, food, water and children's rights – comprise the main outside world trends on which we must adopt a stance. Other such trends we have noted include anti-corruption work, an increased focus on recycling, and a growing interest in sustainability information, including quantification of and compensation for CO<sub>2</sub> emissions. We are also seeing a trend towards increased awareness of health and well-being and towards supporting value-based companies. These trends are naturally considered when we define and prioritise the company's risks, which is why "Deficient sustainability in the supplier chain" and "Increased concerns about employees taking bribes" are amongst the ten most important risks for Systembolaget. The perspectives on which

we base our prioritisation work are monetary, concern for the brand, and consideration for our customers and employees. To find out more about risks and prioritisation, see the section entitled "Risks and uncertainty factors" on page 6.

These trends are, of course, also associated with opportunities. As a major operator, we have, for example, the opportunity to encourage sustainability work along the supplier chain. Turning social and sustainability responsibility into customer benefit is also, in our eyes, an opportunity. An action programme and internal audits that review the various risks we face have been implemented in order to manage our prioritised risks. To find out more about this work, see the section entitled "Risks and uncertainty factors" on page 6. Our identification and governance of the opportunities generated by these trends is conducted within the framework of the annual operational planning process.

### **Financial consequences**

Systembolaget's sustainability work also has financial consequences. The implementation of the Code of Conduct throughout the supplier chain can, for example, result in increased production costs. The longer term effect of these consequences for Systembolaget, which is a State-owned company that does not seek to maximise its profits, is difficult to predict. Increasingly eco-friendly production can result in increased production costs, but can also result in cost saving when it comes to production and transportation, due to the reduction in energy consumption that this will entail. Predicting the financial consequences of any climate change that occurs, and the resultant rise in average temperatures and changes in water availability, is also difficult, nor do we know the financial consequences of including or excluding products from our product range in the countries in which they are manufactured.

Systembolaget does not apply the prudence concept as a management concept, but we do, in many cases, work in accordance with this concept. The risk analyses and follow-up work conducted on these analyses are one example of this approach.

Systembolaget is, from a strategic viewpoint, a member of the Business Social Compliance Initiative (BSCI), the Swedish Trade Federation, the Swedish Public Relations Association, the Royal Swedish Academy of Engineering Sciences (IVA), and the Association of Swedish Advertisers.

## Materiality analysis

We have conducted a materiality analysis during the year in order to ensure that our sustainability work and our Responsibility Report are focusing on the proper areas. Our intention is for this process to become an integral part of the company's overall strategy and operational planning process.

The materiality analysis lists relevant areas with an impact on sustainability and prioritises them on the basis of the risks posed, the effect on sustainability, Systembolaget's values and strategy, factors for success, and areas of importance to the industry (the retail trade and the drinks industry). We have evaluated the scale/importance of these criteria using a points allocation ranking from 1 to 3, where 3 are the most material areas and the ones we highlight in the Responsibility Report. We have been assisted in this work by the input from stakeholders and by analyses such as the 2011 environmental review. We have also made use of the GRI Technical Protocol in our work.

The materiality analysis confirms the relevance of the areas on which we had previously elected to focus. These areas are presented in tables showing our sustainability management work on pages 52 – 53.

## New key performance indicators for the sustainability work

Systembolaget has strategic goals and follow-up methods for the following areas – reduction in the harmful effects of alcohol, human rights and working conditions, anti-corruption, the environment, and equality – and presents them in the sustainability governance tables on pages 52 – 53. Performance is expected to increase as a result of the measurement and following up of these areas.

The strategic key performance indicators are followed up by the Board of Directors, while the tactical ones are followed up by the company's executive management and the operational ones are followed up on at departmental level.

The results indicators presented in the Sustainability Report have been selected on the basis of this year's materiality analysis.

## Change in indicators from last year

This year's Responsibility Report once again reports:

### EC1. Generated and distributed direct economic value

This indicator has been reported in previous years, other than in 2012. This indicator is reported in order to illustrate the importance of the financial perspective in the Responsibility Report.

The following indicators are not reported in this year's Responsibility Report:

### PR7. Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communication, including advertising, promotion, and sponsorship by types of outcome

This indicator addresses an important area, but we have reported zero such cases since 2009. We intend to decide on whether to report this indicator in conjunction with our yearly review.

No other material changes have occurred in the scope, boundaries or measurement methods used in previous years' sustainability reporting.

## What is the strategy for the future?

Systembolaget has adopted a strategic plan for 2014–2017 during the year. The plan will entail a stronger focus on sustainability and an increase in the number of key performance indicators used to measure and follow up on our sustainability work.

In November, Systembolaget's Board of Directors approved the adoption of two overall sustainability goals for Systembolaget:

1. We shall help reduce the harmful effects of alcohol in society.
2. By 2020, our climate impact, in terms of CO<sub>2</sub>e (carbon dioxide equivalents) shall be reduced by 14,000 tonnes from levels on 2014.

These goals shall be measured and followed up on using the following key performance indicators: the Alcohol Index, the average weight of packaging, energy consumption per m<sup>2</sup> in stores, the volume of materials recycled, and CO<sub>2</sub> emissions from our business trips.

Systembolaget intends, as of the 2014 financial year, to begin the transition to reporting in accordance with the GRI G4 (Global Reporting Initiative) guidelines, and has begun the requisite preparatory work.

A new sustainability strategy will be drawn up in 2014 and will be based on Systembolaget's 2014–2017 strategic plan, a new risk analysis for the supplier chain, and the GRI G4 guidelines.

The past year has seen Systembolaget draw up plans, in cooperation with the other Nordic alcohol monopolies, for the direction to be taken by the ongoing collaboration over the coming five-year period. The idea is to expand the collaboration to include additional sustainability areas and we are currently investigating whether there are any key performance indicators that are comparable between all of the countries concerned, with a view to learning more and progressing the development work.

# Sustainability Management

Systembolaget's success factors 2014–2017

1

Develop our offering in a sustainable way

2

Support a more aware consumption of alcohol

3

Explain and take responsibility for Systembolaget's role in society

4

Develop processes, leadership and collaboration – internally and externally

Stakeholders	Sustainability area	Key Ratio <sup>1</sup>	Result 2013	Goal 2013
 <b>Society</b>	Mandate	OPI, %	72	70
		Age verification checking, %	96	95
	Alcohol-free	Alcohol-free sales, %	0.5	–
	IQ-initiativet	Alcohol Index, Swedes <sup>1</sup> attitudes to alcohol <sup>2</sup>	66	62
	Research	Liking of IQ, % of those who know <sup>3</sup>	79	80
 <b>Customers</b>	Communication	Customer Satisfaction Index, CSI	82	81
	Climate – energy <sup>4</sup>	Electricity consumption in stores, kWh/m <sup>2</sup>	118	–
	Climate – packaging <sup>4</sup>	Average weight packaging, grams liter	323	–
	Climate – cultivation <sup>4</sup>	Organic sales, %	3.1	5.0
		Organic products in fixed range, number	134	145
 <b>Employees</b>	Work environment & Health	ES <sup>5</sup>	79	79
		Short-term absence due to sickness, %	2.1	2.3
		Total absence due to sickness, %	5.4	–
		Staff turnover, %	13	–
	Ethics/anti-corruption <sup>4</sup>	Ethics dialogues between managers, number	63	74
	Equal opportunity	Gender equality, the percentage of women/men	66/34	60/40
	Skill development, CSR <sup>5</sup>			
 <b>Suppliers</b>	Sustainable purchasing/Code of Conduct <sup>6</sup>	Quality Supplier Index, QSI	93	93
		Ethically labelled sales, %	1.1	–
		Ethically labelling products in fixed range, number	32	30
	Climate – transports	Internal travelling, kg CO <sub>2</sub> /km	0.13	–
	Climate – water			
 <b>Owners</b>	Financial result	Gross margin, %	21.2	22.5
		Operating margin excl. alcohol tax, %	1.1	1.5

1 May have links to several sustainability goals.

2 Overall index measuring how restrained Swedes attitudes are to alcohol. For more information, see page 19 Part 1.

3 At least 500 people a month are asked to answer the following

question: "IQ is an initiative designed to help establish a smarter approach to alcohol, to boost Swedes IQ when it comes to drinking. What do you think about this?". The goal figure is the percentage of those answering the question with Very good och Fairly good.

Goal		Comments	GRI indicators
2014	2016–2020		
72	73 (2017)	The increased support shows that the Swedish population values Systembolaget for the benefits we provide to the community, our product range and our excellent service.	SO1, EC9
95	95 (2017)	A continued focus on the age verification checking has contributed to an increased result by 1 percentage point.	
–	–	The proportion has increased from last year. We believe that the increased interest in alcohol-free products partially derives from a continued focus on health and because the quality of the product range keeps getting better and better.	
62	63 (2017)	The result is already above the longterm goals. It may call for a review of the previously set goals, but additional analysis are required.	
80	82 (2017)	The results have remained on a constant high level during several years and is level with the goal.	
82	82 (2017)	The fact that we succeed to increase our CSI, from a already high level, clearly shows that the costumers notice and appreciates the effort that we make every single day in our organisation.	PR5, PR6
–	–	The electricity consumption has decreased with 8 kWh/m <sup>2</sup> from last years level. One reason for this is energy saving IT-equipment in stores and at HQ.	EN4, EN5
–	–	New value for the year.	EN22
5.5	10 (2020)	The fact that we were unable to reach our previously set goal derives from several reasons, for example there has been a difficulty for some of our producers to maintain there certification due to poor weather conditions and that Systembolaget has failed to purchase a sufficient number of products to be able to reach our goal.	EN26
>150	210 (2016)	We have not yet reached our goal, but our ambitions i still high.	
–	–	The high level shows that a great number of our employees consider themselves to have good conditions to be able to perform there duty. During 2014 we will introduce a new key performance indicator.	LA1, LA4, LA11, LA12, EC3
–	–	We believe that an increased focus on the shortterm absence due to sickness pending over severel years have started to pay of, which shows on the results.	LA7
5.0	4.3 (2017)	The development in the long-term absence due to sickness explains the increase in the total absence due to sickness.	
–	–	No target is set for the index. The outcome largely depends on the great number of temporary employees during the summer period.	LA2
–	–	The number of ethics dialogues being held increased due to adressed actions to remind the managers to perform ethics dialogues.	SO2, SO3, SO4
60/40	60/40	A positive development compared to 2012, when the distribution was 67/33.	LA13, LA14
			HR3
93	94 (2017)	With an increased QSI we are given better opportunities to reach the goal of an impressed customer.	HR2
–	–	Part of sales has increased by 0.5 percentage points since 2012, due to launches of a number of new products with ethically labelling during the year.	
30	40 (2016)	Systembolaget has released 15 new ethically labelled products which enabled us to reach the goal.	
–	–	New value for the year.	EN17, EN18
21.0	21.0 (2017)	The discrepancy derives from a modification in the productmix.	EC1
1.0	1.0 (2017)	The operating margin is less than the predetermined goal depending essentially on a pension provision of a total of SEK 162 million.	

## Connection to risks and challenges

The factors for success and goal areas within sustainability for Systembolaget is closely connected to Systembolaget's risks and challenges. Systembolaget's four keyrisks are:

- vague laws refering to private imports of alcohol
- aggressive marketing of alcohol
- insufficient supervision efforts that may result in questioning of the monopoly
- additional distribution channels are granted

These keyrisks are mainly connected to the factors for success concerning the contribution to a more aware consumption of alcohol and to explain the value of Systembolaget.

They can also be connected to the sustainable area our mandate, IQ-initiativet and research.

Additional risks and challenges that are connected to the goals include the risk of lacking sustainability in the supply chain, the risk of corruption, the challenge of responding to the costumers increasing expectations and the challenge of providing information on the risks associated with alcohol.

These are connected to all of the factors of success like the goal areas within climate, the mandate, ethics/anti-corruption and sustainable purchases.

4 These key ratio indicators are intended to contribute to the Board of Directors and the owners long-term climate goals of reducing the environmental emissions by 14,000 tonnes CO<sub>2</sub>e by 2020.

5 Key ratio indicators are being drawn up.

6 Sustainable purchases/Code of conduct including human rights, working conditions and environmental issues.

# Result indicators

## ECONOMIC PERFORMANCE INDICATORS

The governance in respect of economic results is described in the Directors' Report on page 4 and the "Owners" section on page 58 of Part 1. The indirect economic impact of which Systembolaget has the greatest knowledge is linked to alcohol-related harm in society, our involvement in alcohol research, and the benefits of the monopoly as a sales channel for alcoholic drinks. We do not currently conduct any direct monitoring of the socioeconomic consequences of our

operations, but we do monitor our key performance indicators, such as the Alcohol Index and OPI, on a rolling basis and these will reveal any indication of a societal change in attitudes to alcohol. This could, in turn, have socioeconomic consequences. Our mandate to inform of the risks associated with alcohol would, in a situation of this kind, become even more important. See pages 8–9 of Part 1 for further details of our sustainability governance.

## EC1 Generated and distributed direct economic value

Systembolaget's day-to-day operations contribute to the creation of economic value for the company's various stakeholders. Systembolaget buys in beverages from suppliers (94 per cent of the operating costs) and these beverages are then sold to our customers. Much of the value generated comprises alcohol tax which accrues to society.

Salaries are paid to employees, the owner – the State – receives a dividend, society receives the taxes, and the banks receive interest income. Systembolaget's contribution to alcohol research benefits society. The Operating costs item includes investments totalling SEK 25 million (SEK 25 m) in IQ-initiativet's operations.

### Economic value broken down by stakeholder<sup>1</sup>

SEK million	Main Stakeholder	2013	2012	2011
<b>Created value</b>				
Income (net income and financial income)	Customer (primary)	25,930	25,177	24,543
<b>Shared value</b>				
Operating expenses (goods, services, depreciation and other operating expenses)	Suppliers	-23,840	-23,357	-22,847
Salary and social expenses (incl. other staff overheads as internal training and pension)	Employees	-1,709	-1,486	-1,412
Dividend and interest expenses (relates to dividends paid to shareholders)	Owners (primary)	-91	-160	-303
Taxes (not deferred)	Society	-39	-61	-59
Society investments (contribution to research, IQ-initiativet)	Society	-6	-5	-5
<b>Remaining in Systembolaget</b>		<b>246</b>	<b>108</b>	<b>-83</b>

<sup>1</sup> The Economic value are only based on Systembolaget's income statement and cash flow statement. 2011 figures are adjusted and include only Systembolaget's figures (not the Group).



## EC3 Coverage of the organisation's defined benefit plan obligations

All employees of Systembolaget, with the exception of the President and caretakers, are covered by the collective agreement pension plan for salaried employees, PA 91 (pension agreement 1991). The pension is a defined benefit plan and is secured through a foundation. The complementary defined contribution plan, Kåpan, is paid out between the ages of 65 and 70. Provision is made in the sum of 1.7 per cent of the pensionable salary. The President has a defined contribution solution whereby 30 per cent of the salary is allocated to the pension. Caretakers have a defined contribution pension plan with AMF Pension. Employees of the IQ-initiativet AB subsidiary are covered by a collective agreement pension with Alecta. Members of the company management appointed after 1 January 2003 also receive a defined contribution pension with a

premium comprising 10, 16 or 19 per cent of their monthly salary. Members of the company management appointed before 1 January 2003 can retire at the age of 60. Pensions received between the ages of 60 and 65 are disbursed in the sum of 70 per cent of the pensionable salary.

Pensions payable to employees who have retired and to former employees (annuities) were formerly secured in the pension fund. An insurance-based solution for these inactive employees has, as of 1 December 2013, been agreed with KPA Pensionsförsäkring AB and they have consequently taken over the administration and disbursement of pensions for these groups.

## EC9 Description of significant indirect economic impacts, including the extent of impacts

Systembolaget is mandated by the State to operate a monopoly in Sweden, in order to limit the harmful effects of alcohol, and we consequently examine the indirect economic impacts at national level. We believe, however, that the impacts we report are also felt at both regional and local levels.

There are a number of different research reports showing the indirect economic effects of alcohol consumption and the way in which alcohol is sold. We provide examples here and elsewhere in the Responsibility Report.

An international group of researchers, headed by Harold Holder at the Prevention Research Center in California, in response to a request by the Swedish National Institute of Public Health, studied what the effects would be if Systembolaget's monopoly were to be abolished. The group comprised experts from seven different research institutions in a range of countries and the starting point for the report was that Systembolaget's stores were replaced, either by sales in licensed stores that only sell alcoholic drinks, or by sales in food stores. It is calculated that a scenario in which Systembolaget's 400 or so stores were to be replaced with 800 licensed stores would lead to an increase of approximately 17 per cent in alcohol consumption. It involves that the alcohol consumption would increase from 9.2 to 10.8 liters per person, which is an increase with 1.6 liters per person.

This is, in turn, expected to lead to:

- 770 more deaths per year
- 8,500 more cases of violence reported to the police
- 2,700 more cases of DUI (driving under the influence)
- 4.5 million more days of sick leave per year.

If alcohol were, instead, to be sold in all of Sweden's 8,000 food stores, the experts anticipate an increase in consumption of 37 per cent. The corresponding increase in harmful effects would entail:

- 2,000 more deaths per year
- 20,000 more cases of violence reported to the police
- 6,600 more cases of DUI (driving under the influence)
- 11 million more days of sick leave per year.

## ENVIRONMENTAL IMPACT

We work on a number of fronts in parallel when it comes to environmental issues, in that our impact is felt in a number of different areas. Our environmental review in 2011 resulted in a long-term environmental plan that extends to 2020, and a five-year action plan in which priorities have been set on the basis of environmental impact and Systembolaget's estimated ability to act.

The goals of the long-term environmental plan are:

- All stakeholders shall know what we do and what we want to do on the environmental front
- A significant reduction in our climate impact
- A significant reduction in the use of pesticides
- 80 per cent of our packaging shall be eco-friendly
- 10 per cent of our sales shall comprise organic products

Packaging is the part of the value chain that has the greatest climate impact and is, simultaneously, one that it is relatively easy for Systembolaget to influence towards greater sustainability by buying in more eco-friendly packaging types, such as lightweight glass and PET. Our work in this area consequently began some considerable time ago. Cultivation has a substantial environmental impact, but is an area in which it is considerably more difficult for Systembolaget to exert any influence, and is, consequently, scheduled further forward in our long-term plan with the exception of our current and active work to increase the percentage of organic products that we sell. Internally, within Systembolaget, the focus of our environmental work is on increasing the efficiency of our energy usage, transportation and waste management. Our "ecoladder" illustration shows what we have been working on and where our focus will be in the next few years. See pages 20–21, 33, 49 and 51 of Part 1 to find out more about our sustainability governance.

2016 Systematic Environmental work, internally and in the supplier chain

2015 Organic/Transportation/Production/Cultivation

2014 Organic/Transportation/Production

2013 Our stores/Packaging, lightweight glass/Organic/Transportation

2012 Our stores, waste management & energy consumption/Packaging, lightweight glass/Organic

## EN4 Indirect energy consumption by primary source

Energy consumption, the Group <sup>1</sup>	2013	2012	2011
	Indirect energy consumption, Electricity (MWh) Stores	Indirect energy consumption, Electricity (MWh) Stores	Indirect energy consumption, Electricity (MWh) Stores
<b>Source (non-renewable)</b>			
Coal	0	0	0
Natural gas	0	0	0
Fuel from crude oil (e.g. diesel, petrol)	0	0	0
Nuclear power	0	0	0
<b>Source (renewable)</b>			
Solar power	0	0	0
Wind power	0	449	452
Hydroelectricity	20,626	17,069	17,176
Biofuels	0	449	452
Source cannot be identified	0	0	0
<b>Total MWh consumed indirect energy</b>	<b>20,626</b>	<b>17,967</b>	<b>18,080</b>
<b>Total GJ</b>	<b>74,254</b>	<b>64,683</b>	<b>65,088</b>

1 Refers to electricity consumed (indirect energy consumption) and energy consumption from fuel consumption (direct energy consumption).

2 The figures refer to stores that we regard as "set to zero", i.e. stores where we have the electricity consumption figures for the full year and no renovation work has been carried out. The figures for 2012 and 2011 include electricity consumption by 229 stores, while the 2013 figures include electricity consumption by 279 stores.

Electricity consumption in 2013 totalled 118 (126) kWh/m<sup>2</sup>, corresponding to 424 (452) MJ/m<sup>2</sup>. This constitutes a year-on-year reduction of 8 kWh/m<sup>2</sup>, corresponding to 28 MJ/m<sup>2</sup>. Our electricity supplier is currently unable to supply the data required to calculate the energy output required to produce energy for our "set to zero" stores. We will have scheduled discussions of this issue with our supplier and hope, in future, to be able to generate the relevant data in this respect. We are unable, at present, to provide reporting data for heating and cooling.

## EN5 Energy saved due to conservation and efficiency improvements

25 stores have installed LED fittings during the year and these fittings had consequently been installed in a total of 85 stores by the end of the year. The switch to LED fittings in 25 stores is expected to yield an annual saving of almost 619 MWh, corresponding to 2,228 GJ. 30 additional stores are scheduled to switch to LED fittings in 2014. Guideline values for electricity consumption per m<sup>2</sup> have been drawn up for the different store formats during the year. Electricity metering

is being introduced in more and more stores and the aim is for it to have been introduced in all of our stores by 2016. The installation of energy-saving software in stores and offices was completed during the year and has yielded an energy saving of 1,196 MWh, corresponding to 4,307 GJ. The total energy saving made in 2013 should, therefore, be 1,815 MWh, corresponding to 6,535 GJ.

## EN17 Other relevant indirect greenhouse gas emissions by weight

The choice of means of transport for our products, all the way from cultivation to manufacturing and our stores, is of great significance in terms of the climate impact of the transport. Transport has been one of the focal areas of our environmental work in 2013 in accordance with the long-term environmental plan drawn up in the wake of the 2011 environmental review.

### Goods transportation

This includes the transportation of goods from our depots to our stores and agents, and between stores. Our net sales and the number of transports used have increased in recent years due to the increase in the number of orders for goods not carried in stores. The level of service has increased, for example, as a result of the option, as of 2012, to order small-scale produced beverages that are only carried in store in a few local stores.

In 2013, Systembolaget introduced a new product range model that ensures a better correspondence between the range carried in a given store and the demand from customers who use that store. This reduces the need for extra transports as a consequence of customer orders. We will measure the effects of this model in 2014.

Systembolaget is participating in a project designed to identify effective environmental requirements that can be made in conjunction with transport procurement. The project is being driven by Region Örebro and involves purchasers, hauliers, distributors and end-users such as Systembolaget. Systembolaget will, in partnership with our distributor and within the framework of this project, test the measurement of the distributor's emissions per km driven in order then, if possible, to enable the formulation of emission ceiling requirements. The problem with today's commonest environmental requirements – that the distributor must have an environmental management system, vehicles powered by eco-friendly fuel, and training in fuel-saving driving styles for its drivers – is that there is no certainty that they encourage change. They can even result in more emissions being generated if "cleaner" vehicles are relocated to a particular customer's transports and, as a consequence, more kilometres are driven in total by the distributor.

### Personnel transportation

Travel entails substantial carbon dioxide emissions if it involves modes of transport that are powered by fossil fuels. The majority of the climate impact of this travel arises in connection with the trips that Systembolaget's purchasing staff have to make to keep themselves up to date with developments in the industry and in order to develop Systembolaget's product range.

As the knowledge-based company that Systembolaget is, we offer a comprehensive programme of internal training activities, and with over 5,000 employees spread all over the country, this, too, entails numerous journeys. We have a travel policy which clearly states that when travelling on business, employees shall choose the option that has the smallest environmental impact. This has been identified as an area with scope for improvement and we have held discussions with our travel agency in order to monitor compliance with Systembolaget's travel policy. The travel policy specifies that rail travel shall be preferred to air and road travel over shorter distances. Eco-friendly cars shall, wherever possible, be chosen when using hire cars. Climate compensation guidelines for personnel transportation have been adopted during the year and climate compensation certificates have been purchased. The system will be applied as of 1 January 2014.

We will be conducting internal information activities in 2014 to ensure compliance with the travel policy.

We have changed the method we use to calculate the CO<sub>2</sub> emissions of our transports in 2013 and now use the NTM calculation model. The figures for 2012 have been converted to the NTM calculation model, but there is insufficient data to enable a conversion of the 2011 figures.

The reporting refers to the transports over which we believe we have control, i.e. personnel transportation, but also includes the transportation of goods between our product depots, stores and agents. Other transports are beyond Systembolaget's control.

Greenhouse gas emissions, the Group	2013		2012		2011	
	Km	CO <sub>2</sub> , ton	Km	CO <sub>2</sub> , ton	Km	CO <sub>2</sub> , ton
Indirect greenhouse gas emissions. (Personal transportation) <sup>1</sup>	8,124,905	1,049	7,643,372	1,190	7,000,384	918
Indirect greenhouse gas emissions. (Systembolaget, depot-store, depot-agent, store-store) <sup>2</sup>		2,004		1,758	–	1,433
<b>Total indirect emissions</b>		<b>3,053</b>		<b>2,948</b>		<b>2,351</b>

1 The travels within Sweden and Europe have decreased in 2013 compared to 2012 and journeys by train have increased strongly. Travel outside Europe have increased in 2013 compared to 2012, due to revisions in risk countries and management's trip to South-africa. In addition, three overseas trips were made to producers directly adjacent to quote testing to ensure the quality of the biggest launches.

2 The increase in 2012 was mainly due to the fact that Systembolaget began transporting locally produced and small-scale goods between stores. (This was decided in April 2012). The increase in 2013 is because it is the first year that we have results for a full year in respect of these transports.

## EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved

The company took the decision to tighten up its environmental requirements for company cars during the year. The new requirements entail:

- A restriction on carbon dioxide (CO<sub>2</sub>) emissions:
  - Petrol- and diesel-powered vehicles: max. 120 g CO<sub>2</sub>/km (equivalent of ca. 5.0 litres of petrol or 4.5 litres of diesel per 100 km).
  - Ethanol E85-powered vehicles: max. 9.2 litres of ethanol per 100 km.
  - Biogas/natural gas-powered vehicles: max. consumption, 9.7m<sup>3</sup> of gas per 100 km.
  - Electrically-powered vehicles: max. 37 kWh per 100 km.
  - The levels will be revised once per year.
- Other emissions to air. The vehicle shall, at a minimum comply with EURO 5 emission class requirements.

The number of grams emitted per kilometre has fallen this year in comparison with previous years. The effect of the policy will become clearer in the next few years as the leased vehicles are replaced.

The tighter environmental requirements we introduced for the company cars had a tangible effect during the year, in the form of a reduction of 17 tonnes in CO<sub>2</sub> emissions. A number of company cars were replaced during the year and the fleet consequently now includes a higher number of cars classified as eco-cars. The number of company cars has increased from 48 in 2012 to 71 in 2013. The majority of the company cars are diesel-powered.

The number of kilogram emissions per kilometre per car fell in 2013 in comparison with previous years, from 171 gram CO<sub>2</sub>/km to 167 gram CO<sub>2</sub>/km.

Greenhouse gas emissions, the Group	2013		2012		2011	
	Km	CO <sub>2</sub> , ton	Km	CO <sub>2</sub> , ton	Km	CO <sub>2</sub> , ton
Company cars <sup>1</sup>	1,922,330	321	1,979,000	338	1,714,090	316
Decrease/increase ton CO <sub>2</sub>		-17		22		

<sup>1</sup> From 2013, we have started to make use of NTM's methodology for calculating the CO<sub>2</sub> emissions of our internal travel. The data of 2012 is converted to the new calculation method, due to substandard data is the 2011 figures not converted to the new method.

*Delimitation: The report is limited to the company's leased company cars. At present we can not measure the reduction achieved by our other initiatives.*

## EN22 Total weight of waste by type and disposal method

The material used should not become waste: it should, instead, be recycled as far as possible in order to avoid the need to extract new raw materials and to manufacture new materials. All of Systembolaget's stores have, as part of our efforts to reduce the environmental impact of our packaging and of our own operations (which are two of the focal areas of the environmental plan) reviewed and improved their management of waste products during the year. All of Systembolaget's stores, along with its laboratories, returns and product depots, now sort their waste at source into nine fractions:

- Corrugated cardboard
- Soft plastic
- Paper (stationery, newspapers, receipts)
- Coloured glass packaging
- Uncoloured glass packaging
- Metal scrap

- Deposit or return packaging
- Hazardous waste (light sources, individual fluorescent tubes, batteries)
- Household waste/combustible

Each fraction is sent for material recycling, with the exception of hazardous waste and household waste. Hazardous waste is handled by specialised facilities, in order to minimise the environmental impact. Household waste is sent for energy recycling. Returned goods are sent to a composting facility where they are turned into soil fertiliser and biogas.

The waste management figures are provided by our waste management supplier.

The majority of stores now sort at source into more fractions than before, and more material is recycled.

Waste product management, the Group	2013		2012		2011	
	Hazardous waste tonnes	Other waste tonnes	Hazardous waste tonnes	Other waste tonnes	Hazardous waste tonnes	Other waste tonnes
<b>Pumping in bedrock</b>	0	0	0	0	0	0
<b>Composted</b>	0	0	0	0	0	0
<b>Recycled</b>	0	0	0	0	0	0
<b>Corrugated cardboard</b>						
Wellpapp	0	6,703	0	5,465	0	5,429
Paper	0	179	0	134	0	122
Glass	0	238	0	86	0	82
Plastic	0	430	0	249	0	256
Metal	0	16	0	14	0	13
Other, for example electronics	6		4		4	0
<b>Total recycled</b>	<b>6</b>	<b>7,565</b>	<b>4</b>	<b>5,948</b>	<b>4</b>	<b>5,902</b>
Incineration	0	98	0	116	0	93
Landfill	0	0	0	0	0	0
Storage on site	0	0	0	0	0	0
Other, unspecified disposal method <sup>1</sup>	0	20	0	2	0	4
<b>Total waste in tonnes</b>	<b>6</b>	<b>7,682</b>	<b>4</b>	<b>6,066</b>	<b>4</b>	<b>5,999</b>

1 Refers to mixed waste that is recycled, from which energy is extracted, or which is sent to landfill.

Recycling has increased by approximately 27 per cent compared with last year. Due to investments made within the area. The largest increases can be seen in the fractions glass, plastic and electronics. There has also been an increase in the fractions of corrugated

cardboard, paper and metal. Product management is moreover increased from 2 to 20 tons. This was due to Systembolaget requesting additional recycling collections in respect of this item this year.

## EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.

The main measures that Systembolaget takes on a rolling basis with the aim of reducing the environmental impact of the products it sells are to offer beverages made from organically cultivated raw materials, which have been organically or ethically produced, or which have a low climate impact lifecycle. These are also the measures for which we set goals and which we monitor. See below for other measures. Measures initiated during the year are marked as such.

Before a product can display supplementary labelling information, such as ethical, organically cultivated, or eco-friendly, it must, amongst other things, have been certified by a third party. Compliance with various EU-mandated criteria is required before products can be labelled as organic, e.g. in order to comply with the EU's organic cultivation requirements, cultivation must have occurred without the use of chemical additives and pesticides, and without the use of artificial fertilisers. Some use of copper sulphate and sulphur dioxide is, however, permitted for wine cultivation. This reduces the impact on both the climate and biological diversity in comparison with conventional cultivation. Ethical labelling requires fair working conditions for all those involved in the production process. Fairtrade and Fair for Life are examples of this type of certification. The requirements for Eco-friendly labelling demand that the producer works actively with the environmental problems currently associated with the beverage industry, such as climate impact, biodiversity and water usage. Carbon Neutral is one such certification. We are now also, in addition to these types of supplementary labelling information, working to highlight various packaging alternatives and have, for example, introduced a PET labelling system.

Organic products only accounted for 3.1 per cent (3.2%) of our total sales, in spite of our focus on launching organic volume products, and we consequently failed to achieve our goal of 5 per cent of total sales. Sales of organic wines have remained constant and sales of organic spirits have increased, but shares of sales by organic cider, beer and non-alcoholic drinks have fallen. Wine sales in this category fell during the first quarter, but increased markedly during the fourth quarter – a trend that may be linked to the TV feature broadcast in November and which discussed the use of pesticides in wine production and the residues they leave.

Ethically labelled products' sales shares increased to 1.1 per cent (0.55%), with the increase primarily due to the growth in the number of product launches in this category in 2013. The fixed product range contained 32 (18) ethically labelled products at the year end.

Systembolaget's ambition is to continue the growth in the number both of products that are ethically and organically certified and of products that have eco-friendly packaging.

### Packaging

The environmental review conducted in 2011 showed that packaging accounts for approximately one third of a product's climate impact and is consequently the single biggest influencing factor in this context. The greatest environmental impact – and the greatest potential for improvement – lies in the manufacturing phase, and the weight of the packaging is very significant in that the amount of materials used is crucial. Packaging weight is also crucial in conjunction with transportation, in that heavier packaging results in higher CO<sub>2</sub> emissions.

Lifecycle analyses show that single-use glass bottles are the packaging type with the greatest climate impact and we have, therefore, been investigating the potential for requiring lightweight glass during the year. In terms of the global market, lightweight glass is available for use in the most common bottle types, but for the more uncommon types, it is quite simply not available to all of our producers worldwide. Our goal is also to increase the number of products that use PET

packaging. Glass bottles do offer advantages from a quality viewpoint with regard to products that are intended for laying down or long-term storage and it is consequently not currently possible to replace them completely with other types of packaging.

Systembolaget is mandated to limit the harmful effects of alcohol and we are not, therefore, working to increase the number of large volume packaging. What we are increasingly doing is demanding more eco-friendly packaging alternatives for specific products in which we are interested.

### Turning returns into biogas

We are working proactively to reduce the number of returns, e.g. by means of our product monitoring programmes that involve the systematic monitoring of the 150 most commonly returned items and providing feedback to the suppliers. We continued to train our in-store staff in handling returns during the year with the aim of freeing up time for the customer. This training took the form of participation in store manager meetings, continuous dialogues in relation to incidents, and of telephone conversations. The products that are, nonetheless, returned due to age or defects are transported to our returns depot. Aluminium cans are recycled and turned into new cans. Other returned products are sent to the biogas facility, Gladö kvarn, where the packaging is crushed and the liquid collected. Energy is recovered from the packaging waste at a heating plant, while the liquid is mixed with food waste to form, amongst other things, biogas that is used as fuel in power plants and as vehicular fuel. Any material that is not broken down is used to improve the soil quality of agricultural land. A total of 196,645 items were returned during the year, generating the potential for the production of ca. 30,000 Nm<sub>3</sub> of biogas, which is the equivalent of ca. 33,000 litres of petrol.

### Our carrier bags

Systembolaget's carrier bags are made from recycled plastic. According to the supplier's lifecycle analysis, this results in a ca. 60 per cent reduction in greenhouse gas emissions (carbon dioxide, methane and other substances) in comparison with plastic carrier bags made from new raw materials. We use water-based print dyes, which are better, from an environmental viewpoint, than dyes based on organic solvents.

A comparison of our plastic carrier bags with carrier bags made from cloth shows, if the product's entire lifecycle is taken into account, that our carrier bags have a smaller environmental impact than cloth carrier bags if the cloth bags are used fewer than 80 times. This is due to the fact that the manufacture of cotton cloth requires large amounts of water and energy. We encourage people to use as few carrier bags as possible, whatever the material from which they are made.

This advice is linked to material use, emissions and discharges to air and water, and waste management. We are currently not actively working to reduce water consumption – this is something for the future as part of our environmental plan. The noise produced by our products is not significant from an environmental viewpoint and we have consequently not implemented any measures in this area.

## SOCIETAL IMPACT

### Labour practices and decent work

We work, with regard to staff turnover, at an overall level that uses the staff turnover for the year as a statistic, not as a key performance indicator for which goals are set.

The Board of Directors approved a new equal opportunities policy in 2013 and, at the same time, adopted a set of internal regulations governing equal opportunities (Systembolaget's Equal Opportunities Plan) and another set of internal regulations designed to counter and handle discrimination and harassment. Implementation of these documents began in the autumn in tandem with a dialogue package on the theme of attitudes and prejudices. The activities that make up the equal opportunities plan were initiated in the autumn and will continue in the year ahead. Systembolaget has also elected, in parallel with these activities, to highlight three focal processes that are of particular significance in the context of this work.

1. Systembolaget's brand shall be linked to our mandate, our vision, and our customer promise in that we are both an employer and a retail company.
2. A quality-assured and skill-based recruitment process.
3. A target-orientated skill development programme in which competence in the field of discrimination is ensured by means of the skill development process.

The past year has also seen us implement a programme designed to generate key performance indicators in the equal opportunities area. The new key performance indicators, which we will develop with the assistance of Nyckeltalsinstitutet (the Institute of Human Resource Indicators), focus on equality and foreign backgrounds.

See pages 35–41 of Part 1 to find out more about our sustainability governance with regard to conditions of employment and working conditions.

## LA1 Total workforce by employment type, employment contract and region

We have a high number of fixed term and part-time employees due to the fact that we have sales peaks at the end of the week and cannot occupy the number of staff needed to meet weekend staffing level requirements throughout the week. This is a common state of affairs within the retail sector.

Systembolaget reports its total number of employees, as of 31 December, i.e. the number of permanent employees, fixed term

employees, probationary employees, locums and contractors. We have also, as of 2013, begun including agency personnel. Agency personnel are reported on the basis of an assumption that the person in question is employed for a fixed term and works full-time. We assume a standard amount per hour in order to calculate the number of agency personnel employed. The calculation refers to the agency personnel employed in December.

#### Conditions of employment<sup>1</sup>

	Total number	Permanent employees		Fixed period employees		Full-time employees		Part-time employees		Permanent employees			
		Number	%	Number	%	Number	%	Number	%	Full-time employees	%	Part-time employees	%
<b>2013</b>													
<b>Systembolaget</b>	5,087	4,400	86	687	14	1,443	28	3,644	72	1,407	32	2,993	68
Sales Staff	4,237	3,565	84	672	16	639	15	3,598	85	615	17	2,950	83
Store managers	442	440	100	2	0	438	99	4	1	436	99	4	1
Caretakers	29	27	93	2	7	0	0	29	100	0	0	27	100
HQ	379	368	97	11	3	366	97	13	3	356	97	12	3
Agency personnel	64	0	0	64	100	64	100	0	0	0	0	0	0
<b>Total, the Group</b>	<b>5,151</b>	<b>4,400</b>	<b>85</b>	<b>751</b>	<b>15</b>	<b>1,507</b>	<b>29</b>	<b>3,644</b>	<b>71</b>	<b>1,407</b>	<b>32</b>	<b>2,993</b>	<b>68</b>

	Total number	Permanent employees		Fixed period employees		Full-time employees		Part-time employees		Permanent employees			
		Number	%	Number	%	Number	%	Number	%	Full-time employees	%	Part-time employees	%
<b>2012</b>													
<b>Systembolaget</b>	5,032	4,293	85	739	15	1,382	27	3,650	73	1,355	32	2,938	68
Sales Staff	4,182	3,458	83	724	17	595	14	3,587	86	578	17	2,880	83
Store managers	444	444	100	0	0	438	99	6	1	438	99	6	1
Caretakers	37	32	86	5	14	0	0	37	100	0	0	32	100
HQ	369	359	97	10	3	349	95	20	5	339	94	20	6
Agency personnel	71	0	0	71	100	71	100	0	0	0	0	0	0
<b>Total, the Group</b>	<b>5,103</b>	<b>4,293</b>	<b>84</b>	<b>810</b>	<b>16</b>	<b>1,453</b>	<b>28</b>	<b>3,650</b>	<b>72</b>	<b>1,355</b>	<b>32</b>	<b>2,938</b>	<b>68</b>

<sup>1</sup> Refers to all employees as per 31 Dec. 2013. Agency personnel refers to the number in December.



	Total number	Permanent employees		Fixed period employees		Full-time employees		Part-time employees		Permanent employees			
		Number	%	Number	%	Number	%	Number	%	Full-time employees	%	Part-time employees	%
<b>2011</b>													
<b>Systembolaget</b>	4,834	4,121	85	713	15	1,249	26	3,585	74	1,224	30	2,837	69
Sales Staff	3,986	3,298	83	688	17	466	12	3,520	88	461	14	2,837	86
Store managers	434	431	99	3	1	426	98	8	2	423	98	8	2
Caretakers	39	35	90	4	10	0	0	39	100	0	0	35	100
HQ	375	357	95	18	5	357	95	18	5	340	95	17	5
Agency personnel	55	0	0	55	100	55	100	0	0	0	0	0	0
<b>Total, the Group</b>	<b>4,889</b>	<b>4,121</b>	<b>84</b>	<b>768</b>	<b>16</b>	<b>1,304</b>	<b>27</b>	<b>3,585</b>	<b>73</b>	<b>1,224</b>	<b>30</b>	<b>2,837</b>	<b>69</b>

Delimitation: As agency personnel we report agency personnel or consultants to replace permanent employees. We do not report consultants used for advice or investigations. We report nor personnel in outsourced IT operations.

## LA2 Total number and rate of employee turnover by age group, gender and region

577 (660) employees left Systembolaget during the year, yielding a staff turnover rate of 13 per cent (16%). The decreased turnover occurs generally in all categories (sex, age and contract of employment). However, the staff turnover for store managers remained the same as last year,

while it increased for the group of caretakers. The biggest turnover occurs still in sales personnel under the age of 30, which may be due to the fact that many of them are students who are doing extra jobs alongside their studies.

### Staff turnover<sup>1</sup>

2013	Number of employees	Number who have left		Women		Men		Full time		Part time		Aged <30		Aged 30–50		Aged >50	
		Number	%	Left	%	Left	%	Left	%	Left	%	Left	%	Left	%	Left	%
Sales Staff	3,493	527	15	327	14	200	18	27	6	500	17	288	25	161	10	78	10
Store managers	445	19	4	7	3	12	6	19	4	0	0	0	0	11	3	8	8
Caretakers	31	4	13	4	14	0	0	0	0	4	13	0	0	2	20	2	10
HQ	364	27	7	13	6	14	9	25	7	2	13	0	0	20	8	7	8
<b>Total, the Group</b>	<b>4,333</b>	<b>577</b>	<b>13</b>	<b>351</b>	<b>12</b>	<b>226</b>	<b>16</b>	<b>71</b>	<b>6</b>	<b>506</b>	<b>17</b>	<b>288</b>	<b>24</b>	<b>194</b>	<b>9</b>	<b>95</b>	<b>10</b>

2012	Number of employees	Number who have left		Women		Men		Full time		Part time		Aged <30		Aged 30–50		Aged >50	
		Number	%	Left	%	Left	%	Left	%	Left	%	Left	%	Left	%	Left	%
Sales Staff	3,330	600	18	392	17	208	20	29	6	571	20	299	29	194	13	107	14
Store managers	434	19	4	9	4	10	5	19	4	0	0	0	0	15	5	4	4
Caretakers	34	1	3	1	3	0	0	0	0	1	3	0	0	0	0	1	5
HQ	355	39	11	22	10	17	12	33	10	6	33	3	27	23	9	13	14
<b>Total, the Group</b>	<b>4,156</b>	<b>660</b>	<b>16</b>	<b>424</b>	<b>15</b>	<b>236</b>	<b>17</b>	<b>82</b>	<b>7</b>	<b>578</b>	<b>20</b>	<b>302</b>	<b>28</b>	<b>233</b>	<b>11</b>	<b>125</b>	<b>13</b>

<sup>1</sup> Staff turnover is calculated on the number of permanent and probationary employees who left during the year divided by the number of permanent and probationary employees of January 1.

Cont. LA2 / Total number and rate of employee turnover by age group, gender and region

2011	Number of employees	Number who have left		Women		Men		Full time		Part time		Aged <30		Aged 30-50		Aged >50	
		Number	%	Left	%	Left	%	Left	%	Left	%	Left	%	Left	%	Left	%
Sales Staff	3,231	620	19	407	18	213	22	30	7	590	21	306	31	211	14	103	13
Store managers	431	14	3	8	3	6	3	14	3	0	0	0	0	13	4	1	1
Caretakers	50	13	26	13	29	0	0	0	0	13	26	0	0	5	28	8	27
HQ	342	33	10	20	10	13	9	32	10	1	8	1	17	21	9	11	11
<b>Total, the Group</b>	<b>4,054</b>	<b>680</b>	<b>17</b>	<b>448</b>	<b>16</b>	<b>232</b>	<b>18</b>	<b>76</b>	<b>7</b>	<b>604</b>	<b>21</b>	<b>307</b>	<b>31</b>	<b>250</b>	<b>12</b>	<b>123</b>	<b>12</b>

## LA4 Percentage of employees covered by collective bargaining agreements

All employees are covered by Collective bargaining agreements. See LA1 for the number of employees.

*Delimitation: we do not currently have access to data on collective agreements for extra staff hired. We hope to be able to report this data in the 2015 Responsibility Report.*

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

Absence due to sickness	2013		2012		2011	
	Number of employees	Absence due to sickness %	Number of employees	Absence due to sickness %	Number of employees	Absence due to sickness %
Sales Staff	4,237	5.9	4,182	5.7	3,986	5.1
Store managers	442	4.3	444	5.0	434	3.5
Caretakers	29	10.9	37	12.3	39	10.2
HQ	379	3.4	369	2.9	375	2.7
<b>Total, the Group</b>	<b>5,087</b>	<b>5.4</b>	<b>5,032</b>	<b>5.3</b>	<b>4,834</b>	<b>4.6</b>

The employee categories included in the absence due to sickness calculations are permanent employees, fixed term employees, probationary employees, and locums.

The table shows absence due to sickness calculated by dividing the number of hours lost due to sickness by the actual number of hours worked, as this is the method used in our internal monitoring work. GRI requires the absence due to sickness rate to be calculated as the absentee rate, and to do so, we have used lost hours and hours worked, recalculated as working days. The absentee rates for 2013, 2012 and 2011 were, therefore, 10,875, 10,700 and 9,296, respectively.

The injury rate for the period from July 2012 to 2013, inclusive, was 2.8. The corresponding figure for the period from July 2011 to June 2012, inclusive, was 2.5. The data are based on employees' self-reported injuries.

No fatalities were registered.

Our minimum level of registration and reporting of accident statistics complies with the requirements of the Swedish Work Environment Act (1977:1160) and the Swedish Work Environment Ordinance (1977:1166).

*Delimitation: Systembolaget only reports absence due to sickness for employees of Systembolaget. No statistics are currently maintained either for agency personnel or for the occupational disease rate and lost days rate categories. We currently have no plan to begin measuring these categories.*

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

Systembolaget has a structured and well-established method of working with skill development. All employees shall be covered by a common methodology, from recruitment until the time when they leave the company. We have identified the skills that are key to us achieving our vision and ensure, on the basis thereof, that our employees are offered the individual skill development that they need in order to carry out their day-to-day duties and within the framework of their position. We have a number of tools that we train our managers to use and which we use in the course of our day-to-day operations to ensure that we have the right skills in the right place at the right time.

These tools include role profiles for every role within the organisation, interview questions linked to the role for use in conjunction with recruitment interviews, a skills library that describes the skills individual employees should possess, and training activities (internal and external) linked to the development of the various skills. We believe it is important that every individual employee is responsible for their own

learning. The role of the managers is to lead and coach in such a way that our employees achieve their maximum possible competence in relation to their role.

When an employee leaves Systembolaget on the company's initiative, we can, in certain cases, offer external help in finding new employment outside Systembolaget. In cases where employees are given notice of termination due to lack of work, they are covered by the transition agreement and are hence entitled to support from the Swedish Employment Security Council. The Swedish Employment Security Council works with what is known as transition assistance, which entails the provision of advice, support and guidance in conjunction with termination of employment due to lack of work. Those whose employment has been terminated due to lack of work can, in some cases, receive income protection in the form of severance pay (AGE). There are no special programmes for planning, assistance and support in conjunction with retirement.

## LA12 Percentage of employees receiving regular performance and career development reviews

For the number of employees, please see LA1. The figure for the number of performance and career development reviews is based on Systembolaget's Agerus survey. It is, in other words, the employees themselves who have been asked to say whether they have had a performance and career development review with their manager during

the year. 82 per cent (81 per cent) of our employees have completed performance reviews with their respective managers during the year. The review discussions follow up on and evaluate individual goals and skills.

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

The diversity indicators that Systembolaget uses for internal monitoring are gender, age and foreign background. A person is defined as having a foreign background if either they themselves were born abroad or if both parents were born abroad, either in the Nordic region, Europe, or outside Europe. If the parents were born in different areas, e.g. the Nordic region and outside Europe – the determining basis is where the person in question was born. Systembolaget sends data to Statistics Sweden, which runs our lists jointly with the population register to determine the foreign backgrounds of our employees. The data is completely depersonalised. We have begun following up on foreign background during the year on the basis of a number of variables in order to ensure that we do not discriminate against employees with

foreign backgrounds. This work has been carried out with the aid of Nyckeltalsinstitutet (the Institute of Human Resource Indicators) which, in turn, works in partnership with Statistics Sweden. The key performance indicator for foreign background has been amended from that of previous years in conjunction with the production of new key performance indicators in the equal opportunities sphere, and there are consequently no comparison figures this year.

We have not, to date, actively worked to attract employees with a foreign background, either in order to attract new employees or as part of our customer-aimed campaigns (given that customers are, after all, prospective employees). The new equal opportunities plan that we have drawn up does, however, contain activities that focus on this area.

Cont. LA13 / Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity

**Breakdown of employees by gender, age group ethnic origin**

2013	Number of employees	Percentage women, %	Percentage men, %	Percentage aged < 30, %	Percentage aged 30–50, %	Percentage aged > 50, %
Sales Staff	4,237	68	32	42	40	18
Store managers	442	56	44	5	77	18
Caretakers	29	86	14	0	31	69
HQ	379	60	40	5	72	23
<b>Total, the Group</b>	<b>5,087</b>	<b>66</b>	<b>34</b>	<b>35</b>	<b>46</b>	<b>19</b>

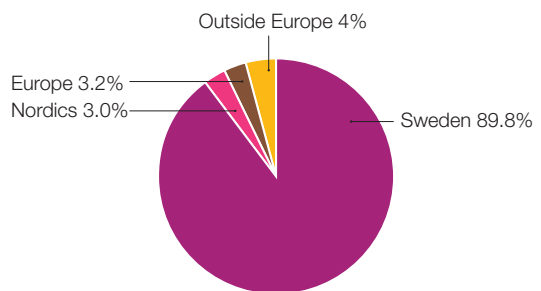
2012	Number of employees	Percentage women, %	Percentage men, %	Percentage aged < 30, %	Percentage aged 30–50, %	Percentage aged > 50, %
Sales Staff	4,182	68	32	43	39	18
Store managers	444	55	45	5	76	19
Caretakers	37	86	14	3	43	54
HQ	369	59	41	5	72	23
<b>Total, the Group</b>	<b>5,032</b>	<b>67</b>	<b>33</b>	<b>36</b>	<b>45</b>	<b>19</b>

2011	Number of employees	Percentage women, %	Percentage men, %	Percentage aged < 30, %	Percentage aged 30–50, %	Percentage aged > 50, %
Sales Staff	3,986	69	31	41	40	19
Store managers	434	54	46	5	76	19
Caretakers	39	82	18	8	38	54
HQ	375	60	40	5	71	24
<b>Total, the Group</b>	<b>4,834</b>	<b>67</b>	<b>33</b>	<b>34</b>	<b>46</b>	<b>20</b>

The board and management (included in the category of HQ employees) included 11 women and 9 men (55/45 per cent). No persons in the Board or Management is in the age group <30 years, 40 per cent are 30–50 years old and 60 per cent are >50 years.

*Delimitation: We do not map diversity indicators for agency staff since it is hard to be anonymous in this role. This is also the fact regarding foreign origin of the board and management.*

**Share of employees of the respective background**  
6 291 employees



Refers to all employed during the period october 1st 2012 to september 30 2013.

## LA14 Ratio of basic salary of men to women by employee category

Systembolaget applies individual and differentiated wage determination and has clear criteria for doing so. The wage determination principles require, amongst other things, that men and women shall receive equal pay for equal or equivalent work, and that unreasonable wage differences shall be eliminated. Employees on parental leave are always offered wage reviews in conjunction with company-wide wage reviews and their pay is set as if they were actively working.

A third assessment of equal work will be carried out in 2014 with the aid of the job evaluation system implemented in 2012. The two previous

assessments resulted in a handful of employees' wages being adjusted. The work of the salary group, which comprises representatives of the company and the local trade union branches, continues and its agenda also include unreasonable wage differences.

There is a considerable difference between men and women in the store manager category due to the fact that more of the store managers for the major stores are men and pay structures are set, in part, in line with the size of the area for which individuals are responsible.

Pay conditions <sup>1</sup>	2013		2012		2011	
	Women	Men	Women	Men	Women	Men
Sales Staff	101	99	101	99	103	97
Store managers	92	108	90	110	90	110
Caretakers	107	93	106	94	109	91
HQ <sup>2</sup>	-	-	-	-	-	-
<b>Total, the Group<sup>2</sup></b>	-	-	-	-	-	-

1 Refer to the median salary for the group/median salary for both groups key performance indicator. The calculation method was changed in 2013, so were also the comparative figures for 2012 and 2011.

2 Not reported as HQ comprises far too large a variation in positions for the reporting to be meaningful.

Wage ratios are based on the median basic salary (monthly salary calculated as full-time) in each category. Median is what Systembolaget uses in all types of salary comparisons and that we believe is customary. See indicator LA13 for details of the number of employees and gender breakdown.

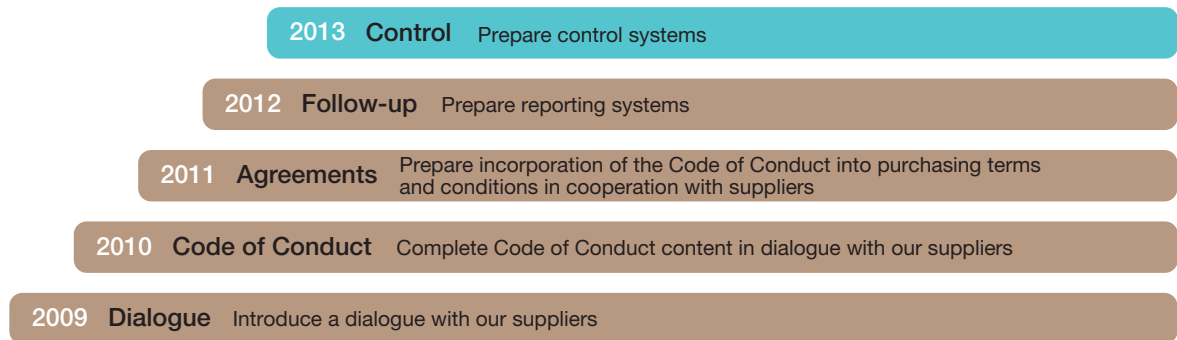
*Delimitation: We do not map salary for agency personnel since it is hard to be anonymous in this role.*

## Human rights

### The five Nordic monopolies' plan for labour conditions and human rights

Systembolaget has been working closely in partnership with the alcohol retail monopolies in Norway, Finland, Iceland and the Faroe Islands on CSR issues since 2008. The partnership is based on a shared, 5-year

Nordic development strategy. The work is conducted in phases over time. Read more about our Sustainability Management on page 44–47 in Part 1.



The CSR platform, including the Code of Conduct, is the basis of the Nordic CSR partnership.

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

Systembolaget divides its suppliers into two groups: one for drinks suppliers (wet products) and one for other suppliers (dry goods). Systembolaget currently has twenty-two drinks suppliers who account for approximately 80 per cent of sales volumes. These twenty-two suppliers should be regarded as the most significant. We currently have no comprehensive picture of whether any of our subcontractors are significant. The likelihood is, however, that none of our subcontractors can be regarded as significant and this indicator is consequently only reported on the basis of significant suppliers. The 2013–2014 audits include – in line with Systembolaget's BSCI undertakings – those producers who account for at least two thirds of sales volumes from high risk countries. In 2013, Systembolaget commissioned 14 audits of production facilities in Chile, South Africa and Bulgaria. 9 of Systembolaget's 22 significant suppliers, corresponding to ca. 41 per cent of the total, received "fails" in conjunction with the audits.

Deviations from Systembolaget's Code of Conduct, including excess overtime per week, too many consecutive working days without a break, basic rates of pay that failed to meet the statutory minimum wage, sub-standard workers' housing, a lack of policies and routines to ensure compliance with BSCI requirements, and a lack of two-way communication between employer and employees, were identified in conjunction with all of the audits carried out. All of the producers were issued with action plans and a follow-up audit of each producer will be carried out to ensure that the action plan has been implemented. In 2014, 12 audits of beverage producers will be carried out in Chile and Argentina, together with a further 4 audits of non-beverage product suppliers. Additional audits may also be conducted in response to individual incidents or if there are other indications that an audit is necessary.

## HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained

Systembolaget's purchasing staff for both beverages and indirect materials and services have completed a two-day practical and risk-based training course, addressing social responsibility in the supplier chain. The course was also taken by a representative of the Legal Affairs Department and a representative of the Finance & Administration Department. We have provided a total of 160 hours of training in human rights for 0.2 per cent of our employees. A total of 53 per cent of the purchasing staff took the course as this is the group that will, in our opinion, reap the greatest benefit from this training in their day-to-day work. Systembolaget's purchasing staff participate in the audits

carried out and can benefit from studying the various cases raised during the training course. The indirect materials and services purchasing staff have initiated a risk assessment process with regard to their suppliers and Systembolaget also intends to begin auditing these suppliers in future. Training in BSCI's new Code of Conduct and BSCI's requirements for primary production will begin in 2014 for both Systembolaget's purchasing staff and its suppliers. An online training course addressing Systembolaget's sustainability and CSR issues has been drawn up and will be completed by all employees in early 2014.

### *The organisation's role in society*

Find out more about the organisation's role in society, the inside cover and on page 31 of Part 1.

## SO1 Nature and scope of the routines that assess the impacts of operations on communities, including entering, operating and exiting

Systembolaget has a monopoly from the State to conduct retail sales of strong beer, wine and spirits in Sweden and to inform people of the harmful effects of alcohol. This is how the harmful effects of alcohol are limited in Sweden. For the purposes of this indicator, we have defined society as the whole of Sweden. Systembolaget's entering, operating in and exiting Sweden is subject to a Parliamentary decision. We evaluate our operations on a continuous basis, including the results of Systembolaget's mandate, in order to assess the impact of our operations in Sweden. This is done by such means as the Alcohol Index and the Opinion Index (OPI).

The researchers behind the Holder Report have also assessed the potential consequences of abolishing Systembolaget (for further information, see indicator EC9). The Holder Report addresses the potential consequences to society of the abolition of the monopoly and Systembolaget believes that it is important that knowledge of these consequences becomes more widespread in society.

The Opinion Index (OPI) is one of Systembolaget's strategic key performance indicators and is measured every month in order to monitor Swedes' support for Systembolaget and the retail monopoly. The Alcohol Index metric shows Swedes' attitudes to alcohol in different situations and the survey upon which the Alcohol Index is based is carried out once every year with the aim of tracking levels of moderation or permissiveness in attitudes towards alcohol over time. The results

of these evaluations have helped Systembolaget gain an indication of Swedes' attitudes to both Systembolaget and alcohol. We have also gained an understanding of the primary reason why the OPI is higher than ever before, namely the fact that Swedes believe it is important that alcohol sales are controlled, that it is sold responsibly, and that our young people are protected by means of restricted availability. The statutory proof of age checks are consequently extremely important, and Systembolaget works continuously to tighten up these checks by means of, amongst other things, ongoing control purchases.

The Holder Report addresses the potential social costs that would result from an abolition of the monopoly and Systembolaget believes that it is consequently important that we increase our knowledge in this area. To this end, we provide annual subsidies for alcohol research that will expand the knowledge base available to customers, decision-makers and society's representatives. Research into preventative work in the context of alcohol-induced harm is prioritised. The results of the OPI and Alcohol Index give us an indication of Swedes' attitudes towards alcohol and our subsidiary company, IQ-initiativet AB, consequently works to encourage these attitudes, persuading people to adopt a smarter approach to alcohol. Information campaigns are used to encourage people to think twice and to increase awareness of the risks associated with alcohol.

## S02 Percentage and total number of business units analysed for risks related to corruption

The company management established the annual risk analysis in May 2013. The risk analysis covers the entire sphere of operations and hence comprises the entire Systembolaget corporate group, including subsidiary companies. Systembolaget's organisation consists of eight operation areas. A review programme has been set up, based on the risk analysis carried out in 2013, in which the risks adjudged to be most significant have been reviewed in greater depth in 2013. Two risks; negative formation of opinion and the risk of bribes has been closely

examined by Systembolaget's external internal auditors, particularly in the area of corruption.

The process reviewed is responsible for 100 per cent of all drinks purchases, for 94 per cent of Systembolaget's total purchases and 50 per cent of business. No area was judged to require significant improvement. In addition to these also has internal audits conducted by Systembolaget's risk control functions.

## S03 Percentage of employees trained in organisation's anti-corruption policies and procedures

All new recruits to Systembolaget receive information on the rules governing external contacts and must sign a statement that they have been familiarised with the rules. Managers must confirm on an annual basis that they were familiarised with the rules governing external contacts in conjunction with their performance review discussions. All employees are systematically questioned on the rules governing external contacts during their performance reviews. In brief, these rules state that no one drinks supplier may be treated preferentially in relation to another supplier. The rules also govern the criteria governing acceptance of gifts.

The sales organisation, which mainly comprises our 421 stores nationwide, has an established routine for maintaining employees' and managers' know-how when it comes to ethical issues. Every manager is responsible for conducting a twice-yearly dialogue on ethical issues

and the regulations governing external contacts. The issues addressed include setting limits in conjunction with improper pressure from suppliers. All managers work with a common body of information and training material that have been produced centrally.

In 2013 a total of 63 (45) ethics dialogues were held, which is 87 (58) per cent of our target figure of 76.

We are currently unable to obtain data on the total number of managers who had ethics dialogues but only the number of dialogues.

Contacts with suppliers of alcoholic drinks are primarily via Systembolaget's Product Supply Chain business area personnel. The store personnel are only permitted to accept in-store field trips from suppliers or to visit suppliers for training purposes under controlled forms. Contact with store personnel by suppliers in an attempt to influence them in a variety of ways to favour individual products is not permitted.

### Percentage of employees who have had a dialogue<sup>1</sup>

	2013	2012	2011
	Percentage of employees who have had a dialogue, %	Percentage of employees who have had a dialogue, %	Percentage of employees who have had a dialogue, %
<b>Systembolaget<sup>1</sup></b>	81	82	81
Sales Staff <sup>2</sup>	–	–	–
Store managers <sup>2</sup>	–	–	–
Caretakers <sup>2</sup>	–	–	–
HQ <sup>2</sup>	–	–	–

<sup>1</sup> Total number of employees, see LA1. In 2013 was the loss of 1,024 employees, 2012, 1,074 employees and 2011, 1,217 employees. The 2012 percentage was wrong in Whose Responsibility Reporting 2012, in the we reported 94 per cent, but this was the response rate for those who answered that they had focused conversation during the year and not the percentage who actually has focused talks in 2012.

<sup>2</sup> Not reported separately.

*The table shows the share of the Systembolaget's total employee who answered the question whether they have evaluation conversations during the year. In the review discussion there is a checklist which states that managers need to have a dialogue with their employees about the organisation's policies regarding contact with external parties. In previous years we have reported this indicator wrong when we reported the percentage rate related to the total number of employees. This is wrong, the percent number should be related to the total number of employee who answered the question about the evaluation conversation.*



## SO4 Actions taken in response to incidents of corruption

Any and all suspicions that an employee may be breaching rules or guidelines shall be reported to the individual's immediate superior and, if necessary, to the Controller Unit, for investigation. The HR Department is also informed and together, these parties decide on the sanctions to be imposed in line with the company's documented sanctions model. Any and all suspicions that an employee may be breaking the law are reported to the police.

Systembolaget does not, however, limit its definition of the term, corruption, to corruption in the criminal law sense: we take a broader perspective that also includes integrity, insight and responsibility. Based on this broader view, Systembolaget has noted 11 incidents that have resulted in disciplinary measures such as discussions and warnings. None of these cases have been reported to the police.

### *Product responsibility*

Product responsibility is, for us, about providing a high quality service, about conveying information, and about selling responsibly in every customer interaction. It is about not favouring any one product or supplier but, rather, about working entirely on the basis both of what the customer wants and of our expertise with regard to the beverage. Our responsibility also includes age verification checks – we do not

sell to anyone under the age of 20. It is important to us that we help the customer make an informed choice and that we contribute our knowledge of the ways in which alcohol affects health. See pages 24–25 and 31–33 of Part 1 to find out more about our sustainability governance with regard to product responsibility.

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

We conduct detailed and ongoing monitoring of customers' expectations and their opinions and of whether they think we live up to these expectations with regard to responsibility, expertise and service. We carry out CSI (Customer Satisfaction Index) and OPI (Opinion Index). These surveys show that customers regard Systembolaget's monopoly on retail sales as important and that they think our service undertaking is improving continuously thanks to the presence of additional available personnel in store.

Customers feel more welcome, and the total CSI has risen to 82. The Customer Interaction Survey shows customers' perceptions of the welcome they receive, our expertise and the responsibility we demonstrate in conjunction with individual visits to our stores. The excellent service rating has depreciated from 5.6 per cent to 5.1 per cent. The Customer Interaction Survey is carried out by an independent survey company that visits Systembolaget's stores in order to gain an impression of customers' impressions of the store in question. The individual stores receive feedback on the findings.

## PR6 Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship

Systembolaget's internal guidelines prohibit the use of active marketing designed to promote additional sales of Systembolaget's alcoholic drinks products. Providing information on the risks associated with alcohol is an important part of Systembolaget's mandate. We do this by means of, amongst other things, in-store information, Systembolaget's website, our Customer Services department, communication activities by the IQ subsidiary company and TV advertising.

Systembolaget's compliance with the relevant regulations in this area is ensured by reconciling all market communication against applicable standards and codes before publication. Checks are also made to ensure that we do not promote additional sales in our stores. Customers are asked, in conjunction with our customer interaction surveys, whether it was the customer's perception that the sales staff

attempted to sell more than the customer had intended to buy. The customer interaction surveys are carried out continuously and summarised monthly. We also carry out checks of product displays to ensure that no product is overexposed or favoured in comparison with other items. These store visits are made as required and 59 stores were checked at 59 occasions in 2013. If it appears that a customer at a customer interaction survey have experienced that a staff of ours has attempted to sell more, or if a shop on several occasions violates the merchandising law, Systembolaget takes different actions depending on the degree of violation of the internal guidelines. It can be anything from a verbal warning to a report of an offense in cases where it would also be about violations of the laws.

We do not follow standards and voluntary codes related to marketing.

# GRI index

Systembolaget reports in accordance with the Global Reporting Initiatives (GRI) guidelines at level B+, as verified by Ernst & Young AB. In accordance with level B Systembolaget reports all profile indicators and 20 performance indicators. The report for the 2013 financial year comprises the Parent Company, Systembolaget AB, and the wholly-owned subsidiary company, IQ-initiativet AB.

The list of contents contains all of the core indicators and the supplementary indicators that Systembolaget has adjudged relevant to its operations on the basis of the company's most important sustainability issues. The table below shows the page references for the various indicators.

**R** = Reported wholly    **P** = Reported in part    **N** = Not reported

## PROFILE

1	Strategy and analysis		Part 1	Part 2
1.1	President's Statement	R	2–5	
1.2	Description of key impacts, risks and opportunities	R	8–9	47–49 52–53
2	Organisational profile			
2.1	The name of the organisation	R		2
2.2	Primary brands, products and services	R	54	2
2.3	Operational structure of the organisation	R	63	
2.4	Location of head office	R	54	28
2.5	Countries in which the organisation operates	R		2
2.6	Nature of ownership and legal form	R		28
2.7	Markets served	R	23	28–29
2.8	Scale of the reporting organisation	R	64–65	24–25
2.9	Significant changes during the reporting period	R		2–3, 39
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3	Report parameters			
<b>Report profile</b>				
3.1	Reporting period	R		39
3.2	Most recent previous report			38
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3.4	Contact person for the report	R		Backside of the AR
<b>Scope and boundary of the report</b>				
3.5	Process for defining report content	R	8, 9	40, 50
3.6	Boundary of the report	R		39
3.7	Limitation of scope or boundary of report	R		39
3.8	Reporting principles for jointly owned companies, subsidiaries, etc.	R		39
3.9	Data measurement techniques and bases for calculation	R		39
3.10	Explanation of effect of re-statements of information provided in earlier reports	R		39
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	R		39
<b>GRI content index</b>				
3.12	Table identifying the location of the Standard Disclosures in the report	R	9, 66–67	72–73
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3.13	Policy and current practice for external assurance	R		14, 37
4	Governance, commitments, and engagement			
<b>Governance</b>				
4.1	Governance structure	R		7–8
4.2	The role of the Chairperson of the Board	R		9
4.3	Independent or non-executive Board Member	R	60–61	7
4.4	Mechanisms for shareholders' and employees' to provide recommendations etc., for the Board	R	54	7, 43
4.5	Remuneration to senior executives	R		See the Swedish edition on systembolaget.se part 2, pages 35–36
4.6	Avoiding conflicts of interest within the Board	R		10
4.7	Process for determining the qualifications of Board Members	R	8, 11–12	
4.8	Mission or value statements, code of conduct, etc.	R	8–9	
4.9	The Board's monitoring of sustainability work	R		10–11, 15
4.10	Processes for evaluating the work of the Board	R		11

			Part 1	Part 2
<b>Commitments to external initiatives</b>				
4.11	Application of the precautionary approach or principle	R		50
4.12	Externally developed statutes, principles and initiatives	R	44	
4.13	Membership of organisations	R		50
<b>Stakeholder engagement</b>				
4.14	Stakeholder group	R	10–11	40
4.15	Identification and selection of stakeholders	R		40–41
4.16	Approaches to stakeholder engagement	R	31	40–45
4.17	Key topics and concerns arising through stakeholder engagement	R	31	40–45
<b>PERFORMANCE INDICATORS</b>				
5	Economic Performance Indicators			
<i>Sustainability management disclosure</i>			14–15, 58–59	4, 54
<b>Economic performance</b>				
EC1.	Generated and distributed direct economic value	R		54
EC2.	Financial implications and other risks and opportunities for the organization's activities due to climate change	N		
EC3.	Coverage of the organization's defined benefit plan obligations	R		Swedish edition on systembolaget.se part 2, p. 30, 37, 43 and p. 55 this edition
EC4.	Significant financial assistance received from government	N		
<b>Market presence</b>				
EC6.	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	N		
EC7.	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	N		
<b>Indirect economic impacts</b>				
EC8.	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement	N		
EC9.	Description of significant indirect economic impacts, including the extent of impacts	R	14–15	55
6	Environmental indicators			
<i>Sustainability management disclosure</i>			20–21, 33, 49, 51	56, 58–60
<b>Material</b>				
EN1.	Materials used by weight or volume	N		
EN2.	Percentage of materials used that are recycled input materials	N		
<b>Energy</b>				
EN3.	Direct energy consumption by primary energy source	N		
EN4.	Indirect energy consumption by primary source	P	20	57
EN5.	Energy saved due to conservation and efficiency improvements	R		57
EN6.	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	N		
EN7.	Initiatives to reduce indirect energy consumption and reductions achieved	N		

	Part 1	Part 2
<b>Water</b>		
EN8. Total water withdrawal by source	N	
EN9. Water sources significantly affected by withdrawal of water	N	
EN10. Percentage and total volume of water recycled and reused	N	
<b>Biodiversity</b>		
EN11. Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N	
EN12. Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	N	
<b>Emissions, effluents, and waste</b>		
EN16. Total direct and indirect greenhouse gas emissions by weight	N	
EN17. Other relevant indirect greenhouse gas emissions by weight	R	51 58
EN18. Initiatives to reduce greenhouse gas emissions and reductions achieved	R	59
EN19. Emissions of ozone-depleting substances by weight	N	
EN20. NO, SO, and other significant air emissions by type and weight	N	
EN21. Total water discharge by quality and destination	N	
EN22. Total weight of waste by type and disposal method	R	21 60
EN23. Total number and volume of significant spills	N	
<b>Products and services</b>		
EN26. Initiatives to mitigate environmental of products and services, and extent of impact mitigation	P	21,33 61
EN27. Percentage of products sold and their packaging materials that are reclaimed by category	N	
<b>Compliance</b>		
EN28. Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	N	
<b>7 Societal impact</b>		
<b>Labour practices and decent work</b>		
<i>Sustainability management disclosure</i>	35–41	62,65–66
LA1. Total workforce by employment type, employment contract and region	R	62–63
LA2. Total number and rate of employee turnover by age group, gender and region	R	63–64
LA3. Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	N	
LA4. Percentage of employees covered by collective bargaining agreements	R	64
LA5. Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	N	
LA7. Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	P	41 64
LA8. Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	N	
LA10. Average hours of training per year per employee by gender, and by employee category	N	
LA11. Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	R	37 65
LA12. Percentage of employees receiving regular performance and career development reviews	R	38 65
LA13. Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	R	65–66
LA14. Ratio of basic salary of men to women by employee category	P	67

	Part 1	Part 2
<b>Human rights</b>		
<i>Sustainability management disclosure</i>	43–47	68
HR1. Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening	N	
HR2. Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	R	68
HR3. Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	R	46 69
HR4. Total number of incidents of discrimination and actions taken	N	
HR5. Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	N	
HR6. Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	N	
HR7. Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	N	
<b>Local community</b>		
<i>Sustainability management disclosure</i>	Inside front cover, 31	70–71
SO1. Nature and scope of the routines that assess the impacts of operations on communities, including entering, operating and exiting	R	69
SO2. Percentage and total number of business units analysed for risks related to corruption	R	6,70
SO3. Percentage of employees trained in organisation's anti-corruption policies and procedures	P	39 70
SO4. Actions taken in response to incidents of corruption	R	71
SO5. Public policy positions and participation in public policy development and lobbying	N	
SO8. Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	N	
<b>Product responsibility</b>		
<i>Sustainability management disclosure</i>	24–25, 32–33	71
PR1. Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	N	
PR3. Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	N	
PR4. Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcome		
PR5. Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	R	26–27 71
PR6. Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	R	Inside front cover 71
PR7. Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communication, including advertising, promotion, and sponsorship by types of outcome	N	
PR9. Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	N	

# Definitions – Part 2

## Age verification checks

The age verification checks measure how often proof of age was requested as a percentage of the total number of control purchases. The control purchases are carried out by people aged between 20 and 24. Systembolaget commissions Better Business to carry out these checks. A total of just over 6,300 control purchases are made every year in stores and from agents, with approximately 600 of these purchases made from agents. Age verification checks are carried out daily and are reported every month.

## Alcohol Index

The Alcohol Index is a combined measurement of people's attitudes to alcohol in different situations. The higher the index, the more moderate the attitude to alcohol. The Alcohol Index is generated using the responses to nine questions on what people think is right and wrong when it comes to alcohol. The questions are put to 2,000 people aged 16 and above once a year. Data collection is carried out by Novus.

## Alcohol Research Council

Systembolaget's Alcohol Research Council is an independent council that provides support for both socio-scientific and biomedical alcohol research. Research that is of particular importance in terms of the preventative work in relation to alcohol-related damage and harm is prioritised.

## Average number of employees

The number of hours worked divided by the normal number of hours worked per year.

## Average number of shares

Weighted average of the number of outstanding shares during the year.

## ANDT – the ANDT Council

The Government's Council on alcohol, narcotics, doping and tobacco issues acts in an advisory role to the Government and provides information on research and survey results etc., of relevance for the implementation, monitoring and evaluation of the strategy.

## Bright Index

Systembolaget monitors and quantifies levels of service, quality and efficiency by our Customer Services Department with the aid of the Bright Index tool, which also compares the most important key performance indicators with other Nordic customer contact centres that face the same challenges.

## BSCI

Business Social Compliance Initiative.

## CAN

The Swedish Council for Information on Alcohol and Other Drugs.

## Capital employed

The Balance Sheet total less noninterest-bearing liabilities including deferred tax liabilities.

## Cash flow per share

Cash flow from operating activities divided by the average number of shares.

## CIS – Customer Interaction Survey

We carry out Customer Interaction Surveys on a rolling basis throughout the year with the aid of "mystery shoppers" and feed the results back directly to the stores in question.

## CSR – Corporate Social responsibility

A company's responsibility for its environmental and societal impact on the world in which it operates (both people and the environment), over and above that required by law.

## Customer Satisfaction Index - CSI

The CSI measures how satisfied customers are with Systembolaget. The total index is an average value obtained from responses to the following three questions:

- How satisfied or dissatisfied are you with the Systembolaget store, overall?
- How well does the Systembolaget store live up to your expectations?
- How close to or far from ideal do you think that the Systembolaget store is?

The customers' answers, which are given on a scale from 1 to 10, are converted to a figure between 10 and 100. Systembolaget engages an external consultancy company, CFI Group, to conduct the survey. The survey base comprises a total of approximately 46,000 randomly selected customers, spread over all of the stores. The CSI is measured and reported once every three months.

## Dividend per share

Proposed/distributed dividend divided by the average number of shares

## Earnings per share

The net profit/loss for the year divided by the average number of shares.

## Employee Satisfaction Index (ESI)

Measured once a year and shows how employees perceive the potential that their workplace offers for them to carry out their duties.

## Ethical labelling

The product requirements are designed to ensure fair working conditions for the people involved in all stages of the product's entire manufacturing chain. Ethical certification bodies include Fairtrade and Fair for Life.

## Global Compact

A UN initiative and framework for sustainable enterprise. Global Compact is based around ten principles within the following four areas: human rights, labour conditions, the environment, and anti-corruption.

## GRI – Global Reporting Initiative

A global network that issues a framework with guidelines for sustainability reporting.

## Gross margin excluding alcohol tax

Gross profit as a percentage of income excluding alcohol tax. Measured and reported every month.

## Gross margin including alcohol tax

Gross profit as a percentage of income including alcohol tax. Measured and reported every month.

## The Holder Report

An international group of researchers headed by Harold Holder at the Prevention Research Center at Berkeley, California, was commissioned by the Swedish National Institute of Public Health to study the effects if Systembolaget's monopoly on retail sales of alcohol were to be abolished. Source: Alcohol Monopoly and Public Health: Potential effects of privatization of the Swedish alcohol retail monopoly. Harold Holder et al. Swedish National Institute of Public Health, 2007, updated by Thor Norström with figures for 2006.

## Independent

A Member of the Board who is, according to the Nomination Committee, to be regarded as independent in relation to the company and the company management.

## Operating margin including alcohol tax

Operating profit/loss as a percentage of income including alcohol tax.

## Operating margin excluding alcohol tax

Operating profit/loss as a percentage of income excluding alcohol tax.

## Opinion index – OPI

The Opinion Index measures the percentage of the Swedish population who wish to retain Systembolaget and the monopoly on retail sales of strong beer, wines and spirits. The survey base is asked to respond to the following question:

- Do you think that Systembolaget and the monopoly on the sale of strong beer, wines and spirits should be retained, or would you prefer strong beer, wines and spirits to be sold in other stores? Systembolaget engages an external consultancy company to conduct the survey. A total of 1,500 randomly selected individuals aged between 15 and 74 are interviewed every month. The Opinion Index is measured and reported every month.

## Product wastage

Wastage of goods, as established during stocktaking, pro mille of income.

## Return on shareholders' equity

The net profit for the year as a percentage of average shareholders' equity.

## Return on capital employed

Operating profit plus financial income as a percentage of the average capital employed.

## Shareholders' equity per share

Shareholders' equity divided by the number of shares on the closing day.

## Short-term sick leave

All hours lost to sickness during the current rolling 12-month period (Jan–Dec 2013) that lasted between 1 and 14 days in relation to the total number of hours worked during the same period.

## Solidity

Equity as a percentage of total assets.

## SoRAD

The Centre for Social Research on Alcohol and Drugs, at Stockholm University.

## Stock turnover rate

Income divided by the average stock value at sale price.

## Superb Service

"Superb Service" is not a description applied to run-of-the-mill good service. It applies exclusively to service that has been truly extraordinary. In cases, in other words, when the service has been so good that the customer cannot help telling friends and acquaintances about what happened. It's a feeling that lingers long after the visit is over and ensures that when they leave, the customer is already looking forward to the next visit.

## Supplier Quality Index

Supplier Quality index is measured on a monthly basis and shows how our beverage suppliers contribute to customer value.

## Value chain

The activities involved in creating value for Systembolaget's customers – from the creation of raw materials such as grapes, grain and packaging to meet the end consumer to enable conscious consumption.

## Wastage

Wastage, as established during stocktaking, pro mille of income, including both product and cash wastage.

## Work productivity

The number of work units processed (packs after weighting per product group) per day's work (8 hours).

# Annual General Meeting

The Annual General Meeting of the company's shareholders will be held in Stockholm on the 24th of April 2014

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## Financial calendar 2013

30th of April 2014..... Interim Report, January–March 2014  
15th of August 2014 ..... Interim Report, January–June 2014  
30th of October 2014..... Interim Report, January–September 2014  
13th of February 2015 ..... 2014, Financial Statement

**Contact person at Systembolaget,**  
**tel. (exchange): +46 8 503 300 00**  
Lennart Agén, Press Director

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*Please contact us!*

We gladly accept  
feedback and  
comments on our  
Responsibility Report.

*ansvarsredovisning@  
systembolaget.se*