

2012 Responsibility Report

Part 1



This is Systembolaget	Tab
The year in brief Strategic key performance indicators	1
Systembolaget	
The President's Statement	2
Our mandate	6
Corporate Social Responsibility	8
Stakeholders	10
 Society	12
 Customers	20
 Employees	32
 Suppliers	40
 Owners	46
The Board of Directors and the management	
The Board of Directors	54
Company management	56
Organisation	57
Systembolaget in figures	58
Ten years in brief	59
GRI index	60
Definitions	62

Systembolaget's 2012 Responsibility Report

Responsible selling is at the heart of Systembolaget's mandate. This Responsibility Report integrates our annual accounts and our Corporate Governance Report with our Sustainability Report.

The 2012 Sustainability Report is published in two complementary parts:

Part 1. Presenting...

- the issues we have identified as being of importance for our operations and our stakeholders

Part 2. Presenting...

- a comprehensive financial report including the Corporate Governance Report (formal annual accounts)
- in-depth information about our reporting in accordance with the Global Reporting Initiative, GRI

About the Sustainability Report

The financial reporting refers to Systembolaget AB. The GRI Report refers to the Parent Company, Systembolaget AB, and the wholly-owned subsidiary companies, IQ-initiativet AB, AB K14, Näckströmsgatan and Gamla Distribution i Jordbro 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 60–61.

Our mandate

Systembolaget's operations are based on a clearly defined social responsibility. This responsibility constitutes an important difference between Systembolaget and other companies, whose goal is often to maximise their profits. Our mandate is more complicated: we shall help improve public health by limiting the harmful effects of alcohol. The starting point for this is our sole right to conduct retail sales of strong beer, wine and spirits in Sweden. 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.

We make a difference

Reducing the availability of alcohol by limiting the number of retail outlets and their opening hours is one effective means of reducing consumption. Systembolaget has an important part to play in achieving this goal. And unlike other companies, we never advertise our products with the aim of boosting sales.



Our meeting places

A total of just over 118 million customer visits to our stores were recorded in 2012, and our website reported 21 million visits. Our Customer Service Department, which can answer pretty much any question you put to them, answered over 130,000 emails and phone calls. We have Twitter and Facebook accounts and our Sök & hitta (Search & Find) app enables customers to find details of our product range, the nearest store, etc. 2012 also saw the launch of the Promillekoll blood alcohol level app that helps people who want to make sure they don't drink too much. Our in-store tasting sessions are very popular and, through our subsidiary company, IQ-initiativet, we are conducting a dialogue on a smarter approach to alcohol.



Our customer promise

Systembolaget is there for everyone. And we make a difference. Everyone should be able to rely on us to sell responsibly. 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.



The year in brief

- Net sales: SEK 25.1 billion
- 5,032 employees
- 530 active drinks suppliers
- Just over 13,650 items
 - approx. 2,400 in the fixed range
 - approx. 11,250 in the available-for-order range
- Just over 118 million customer visits to the stores and 21 million visits to systembolaget.se
- The app Search & find was used 7,000,000 times
- Customer service answered 130,000 emails and phone calls

Strategic key performance indicators

Stakeholders	Strategic orientation		Goal 2012	Result 2012	Goal 2013
Society	We shall actively contribute to the realisation of a public health-orientated alcohol policy and achieve strong popular support.	OPI, %	68	71	70
		Proof of age checks, %	94	95	95
Customers	We shall develop a cutting edge offering and shall invite participation in a dialogue on alcohol and health.	CSI	80	81	81
Employees	We shall have skilled and committed employees and managers who carry out and communicate our mandate.	Short sick leave, %	* 2.3	78.6 2.4	79.0 2.3
Suppliers	We shall be professional and transparent and, in dialogue with our suppliers, live up to our customers' expectations.	QSI	*	92.7	93.0
Owners	We shall be sustainable and cost-effective in every process and decision.	Trading margin, %	22.5	21.3	22.5
		Return on shareholders' equity**	5.6	12.8	–

* New strategic key performance indicator, as of 2012.

** The owners' goals will be revised in 2013, as Systembolaget no longer prepares Consolidated Accounts.

For definitions of the key performance indicators, see Definitions on page 62.

Swedes like Systembolaget

Systembolaget's sales increased slightly in 2012, measured both in kronor and in litres of alcohol. But at the same time, alcohol consumption in Sweden¹ is falling. That's what I call a good result, because it means that an increasingly large percentage of alcohol purchases are being made via Systembolaget.

Our operations are conducted in line with our strategic key performance indicators – indicators that have remained consistently high during the past year. Three of them, the Customer Satisfaction Index (CSI), the Opinion Index (OPI), and the Proof of Age checks, have improved from already high levels, while the short sick leave index has remained on a par with the level in 2011. The Employee Satisfaction Index (ESI) and Quality Supplier Index (QSI) have been revised and goals have now been set for 2013.

The support for Systembolaget's monopoly reached its highest ever level – 71 per cent – corresponding to a year-on-year increase of 3 percentage points. This shows that Swedes value us for the social value we provide, for our product range, and for our high quality service. The CSI also shows a rising trend and is now at 81 – the highest figure ever. This is good news and shows that Systembolaget has managed to maintain its good service without reducing its adherence to the selling rules. The effectiveness of our proof of age checks, which are the method we use to ensure that we do not sell to minors, increased in comparison with last year, and we checked proof of age ID in 95 per cent of the approximately 5,700 control purchases made.

The number of customer visits to our stores increased to just over 118 million in 2012, while our website, systembolaget.se, reported 21 million visits and the number of customer orders placed via the site increased by 22 per cent.

Systembolaget's financial value trend has been healthy in recent years, the gradual fall in trading margins since 2000 notwithstanding. The operating profit for 2012 totalled SEK 270 million and the net profit for the year exceeds the owner's

requirements. It is proposed that 50 per cent of the net profit for the year be disbursed to the owner in the form of dividends.

Systembolaget's role

Systembolaget's role is to sell strong beer, wine and spirits responsibly. Our mandate also includes responsibility for providing a broad product range and countering the damage caused by alcohol. We are also responsible for providing high quality service and ensuring that our staff are knowledgeable, our stores are well planned, for offering advice on food-drink combinations and health, and for improving the opportunities for ordering online. We do not sell to anyone under the age of 20, or who is noticeably intoxicated, or to anyone whom we suspect will resell the alcohol they buy. We never tempt anyone to buy more than they had originally intended to buy and we never offer discount prices. We also share our knowledge of the links between alcohol and health. We carry out campaigns to counter the illicit resale of alcohol and support alcohol research through Systembolaget's Alcohol Research Council. We also encourage people to think about their own alcohol consumption through our subsidiary company, IQ, not by lecturing people but by encouraging them to think, e.g. through our "Having a friend" campaign and the "Fyllefilter" [Drunk Filter] app.

We work to promote sustainable development, both within our own operations and by making demands of our suppliers. We are keen to ensure that the beverages we sell are not only of a high quality, but are produced in a socially, environmentally and economically sustainable

1. According to SoRAD, the Centre for Social Research on Alcohol and Drugs

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More and more people are choosing lower alcohol drinks, such as beer and wine, rather than spirits.

way. Systembolaget has a number of different labelling systems designed to make it easier for our customers to make informed choices.

Developing our service

Our customer promise guides us as we develop the service we provide through a range of channels – from the stores, to the website, mobile phones, and the Customer Service Department: 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. One of the keys to Systembolaget's responsible selling and customer satisfaction is having employees who believe they have the tools they need to do a good job and to develop their skills to a high level. Our three keywords – knowledge, consideration and inspiration – are fundamental for Systembolaget's 5,000 employees, and our focus this year has been on “Good customer

interaction”. Many of Systembolaget's staff have extensive experience of combining food and drink and this is something we are passionate about. We share this expertise with the customers via our in-store staff, on our website and in our app via our “What goes with...?” service. The advice we provide via Twitter has also quickly proved to be a popular service.

Systembolaget has offered the option of ordering goods online from our available for order range and collection in the store of your choice for some time now. We are now offering, on a trial basis in parts of the country, the option of ordering via systembolaget.se and having the goods delivered to your home for a fee within three days. We do not believe that home deliveries will increase alcohol consumption in Sweden and, as with everything we do to improve our service, it is a balancing act. Alcohol researchers have been tasked with evaluating the trial.

“
If we are to live up to our mandate, we must offer good service at the same time as we work to counter the harmful effects of alcohol.

Alcohol-free, local and small-scale

Systembolaget's sales are changing. More and more people are choosing lower alcohol drinks, such as beer and wine, rather than spirits, a long-standing trend that has probably been reinforced by the increased interest in health and in food-drink combinations.

Here at Systembolaget, we are keen to ensure our ability to offer a broad and quality-orientated range of alcohol-free drinks. We have expanded our displays of these products in-store and will continue to launch more totally alcohol-free drinks. We will be reviewing the way in which we present our products in order to make it easier for those who only want to buy 0.0 per cent alcohol drinks to find them at Systembolaget. This is an issue that is close to my heart, in that it is one of the keys to reducing the damage caused by alcohol.

Another trend is increasing numbers of customers asking for local, small-scale produced drinks and in the spring and summer of 2012, Systembolaget worked hard to improve the opportunities to buy these drinks at any store across Sweden, at no extra cost. We have also simplified the search function on systembolaget.se in order to make it easier to find these drinks there, too.

Zero tolerance of corruption

A dispute between Systembolaget and Philipson Söderberg, who, at the beginning of the new millennium, bribed a number of Systembolaget's store managers in order to gain a competitive advantage, was resolved in the autumn. The judgement, which was in Systembolaget's favour, is pleasing and strengthens us in our work against corruption, both internally and with our suppliers. In early 2012, Systembolaget lost a legal dispute with Pernod Ricard (formerly Vin och Sprit). The matter in dispute was whether Systembolaget was entitled to terminate a number of purchasing agreements as a result of store managers having been bribed. Systembolaget has submitted an appeal to have this judgement ruled invalid and overturned to the Svea Court of Appeal.

The Swedish alcohol culture is changing

Young adult Swedes are drinking less and less,

and more and more people are abstaining from alcohol². At the same time, however, approximately one million people in Sweden are estimated to be consuming at levels that pose a risk to their health and almost 400,000 children are growing up with one or both of their parents drinking to excess. Sweden has also seen a tangible change in public opinion when it comes to alcohol. The annual trend analyses carried out by the SOM Institute has shown that the percentage of people who want the tax on alcohol to be lowered has fallen from 49 per cent to 22 per cent in seven years³. The support for retaining Systembolaget's sole right on the sale of strong beer, wine and spirits has also increasingly swung in favour of retention.

An understanding of the negative effects of alcohol on public health, society and the economy is growing in more and more countries. Alcohol, which has long been mainly an agricultural issue within the EU, is slowly becoming a public health issue and according to the World Health Organisation's latest report on alcohol, Sweden, together with the other Nordic countries, has the lowest total consumption levels by adults (aged 15-64) of any country in Europe. The report does, however, also state that consumption patterns in Sweden are thought to entail a greater risk of ill health than those in other regions within the EU.

One issue that has been widely debated in Sweden is the question of so-called farm-shop sales. In a recent interview⁴, the Swedish Minister for Children and the Elderly, Maria Larsson, discussed the Government's decision to prohibit farm-shop sales of alcohol in accordance with the Government Committee proposal published two years ago. The Government argues that it is impossible to combine the Committee's proposals with Systembolaget's monopoly, in that the proposal would allow Swedish and foreign operators to sell alcohol in both densely populated and rural areas.

If commercial parties were allowed to operate alongside Systembolaget it would, in my opinion, be impossible to say that Sweden maintains a systematic and unified restrictive approach to alcohol legislation which would, in the long-term jeopardise the very existence of the monopoly and hence pose a threat to public health.

2. The national public health survey, "Health on equal terms", the Swedish National Institute of Public Health.

3. The national SOM (Society - Opinion - Media at Gothenburg University) surveys, 2001-2011, http://www.som.gu.se/digitalAssets/1419/1419405_alkoholopinion-lw.pdf (in Swedish)

4. sverigesradio.se/sida/artikel.aspx?programid=83&artikel=5272027 (transcript in Swedish)

Sustainable development

On 1 January 2012, Systembolaget, in partnership with the other Nordic retail monopolies, incorporated a Code of Conduct into our purchasing terms for alcoholic drinks. The Code imposes a number of responsibility-related requirements with regard to human rights, good working conditions, anti-corruption, and the environment within both our own operations and those of our supplier chains. The Code is based on the principles of the UN Global Compact. Systembolaget is a major player with significant influence and we must act as a driving force when it comes to pushing the global drinks industry towards sustainable and ethical development.

An internal review carried out in 2011 showed that Systembolaget's sales have a considerable impact on the climate and biological diversity and it is against this background that we have established long-term environmental goals as part of a plan that runs until 2020. Our goals entail a significant reduction in environmental impact, a significant reduction in the use of pesticides, making 80 per cent of our packagings eco-friendly, and 10 per cent of sales organic.

Worrying e-commerce and improper marketing of alcohol

The Government has established seven long-term goals in its combined national strategy for alcohol, narcotics, doping and tobacco policy (the ANDT strategy). One of these goals is to prevent "all harmful consumption of alcohol". The strategy makes it clear that Systembolaget's monopoly is the cornerstone of Sweden's restrictive alcohol policy. The emergence of a large number of e-commerce players, who often market their products in an aggressive, promotional and enticing manner, is promoting increased sales. Statistics from SoRAD's Monitor project show that online purchases of alcohol increased in 2011 and 2012. The marketing often involves direct mail, advertising, telephone sales, exploitation of known brands, and offers such as discounts and "big packs" – tactics which, in Systembolaget's opinion, constitute breaches of applicable legislation.

The law states that private individuals are entitled to import alcoholic drinks from abroad. This does not, however, mean that companies may agent or retail alcoholic drinks in Sweden. We welcome the Government Committee set up in May and which has been tasked with ensuring effective supervision of marketing and e-commerce when it comes to alcohol and home deliveries of alcoholic drinks.

A value-based company

We are a value-based company that is constantly developing in order to meet the expectations the outside world and our customers have of Systembolaget. Some debaters believe that the retail monopoly has had its day, and Systembolaget will obviously not be able to survive long-term unless we adapt our operations in line with changes in the world. To live up to our mandate, we must offer good service while we at the same time work to counter the harmful effects of alcohol. Our mandate is not to maximise our sales.

Research⁵ has shown that pricing and restricted availability are effective means of reducing alcohol consumption. Scientific studies show that abolishing the retail monopoly would result in median⁶ increase in sales of 44 per cent.

Alcohol policy control is exerted in Sweden via the alcohol tax, and because profit maximisation is not our goal, we have no reason to try to increase sales or to charge higher prices than necessary. Our agreement with the State also makes it clear that Systembolaget must offer its customers good service. I am passionate about offering an outstanding customer interaction – as is every other individual Systembolaget employee. For us, it is about exceeding people's expectations of us. We are driven by the fact that we are appreciated – both for our service and for our role in society.



Magdalena Gerger, President

5. Anderson et al. The Lancet, vol. 373, 2009

6. Hahn et al. Effects of alcohol retail privatization on excessive alcohol consumption and related harms: a community guide systematic review. Am J Prev Med. 2012 Apr;42(4):418-27.

We play an important part

Systembolaget's operations are based on a clearly defined social responsibility. We are not just there for the people who visit our stores: we are there for everyone in Sweden. This is an important difference between Systembolaget and other companies, whose goal is to boost sales and maximise their profits.

The majority of those of us who appreciate beer, wine and spirits, drink in moderation, but we must, at the same time, be aware that alcohol is one of our biggest public health problems. The connection is plain to see: the more alcohol is consumed, the bigger the negative consequences in the form of deaths, disease, violence and misuse. The goal of Swedish alcohol policy, as laid down by Parliament, is, therefore, to reduce the total consumption of alcohol in society.

Restrictions are effective

Research (*Alcohol in the European Union. Consumption, harm and policy approaches*) shows that the most effective ways of limiting alcohol consumption and the damage it can cause are higher prices and restricted availability. Prices are regulated partly through taxes set by our politicians. Availability is restricted through opening hours and the number of retail outlets, and it is here that Systembolaget has an important part to play. We work hard to live up to the Swedish Alcohol Act's rules on sales, and our role also includes informing people about the risks associated with alcohol in a variety of different ways and using different channels, to ensure we reach out to as many people as possible.



A clear mandate

Systembolaget's mandate is to help improve public health by limiting the harmful effects of alcohol. Under the provisions of the Swedish Alcohol Act, Systembolaget has the exclusive right to conduct retail sales of spirits, wine and strong beer in Sweden and we differ from other retail companies in that we do not endeavour

to maximise either our sales or our profits. We do not tempt customers to buy more than they had intended, and by refraining from the use of discount prices, volume discounts or product displays that encourage extra sales, we limit our sales and hence alcohol-related problems.



A far-reaching 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. This is, in practice, a zero tolerance vision when it comes to alcohol-induced harm, and might seem rather utopian. The point of the vision is, however, that it clearly states what we are striving to achieve. The vision entails a far-reaching responsibility and it covers every single person in Sweden.

A different business concept

Systembolaget's business concept is based on making it easier and more enjoyable to make informed choices and to drink in moderation. This is why we do everything we can to offer a high standard of service, high quality products, and high quality services that can help people who drink alcohol to enjoy it with moderation. We want to be a source of know-how and inspiration – and our customers should always feel that we welcome them and that they can learn something from us.



We make a difference

Systembolaget's ability to carry out its mandate relies on Swedes having confidence in us and in the way we conduct our operations. If you shop at Systembolaget, you should see that we are proactive and that we share our expertise with you, both when it comes to food and drink, and with regard to establishing a healthier relationship with alcohol. Even if you don't shop at our stores, you should still feel that we make an important difference and that we accept our

responsibility for public health. According to the international group of researchers behind the Holder report, we Swedes would increase our alcohol consumption by almost 40 per cent if alcoholic drinks were sold in food shops, which would, in turn, increase levels of alcohol-related harm in society. We have an important part to play for everyone in Sweden, in other words, not least from a medical and crime-prevention viewpoint.

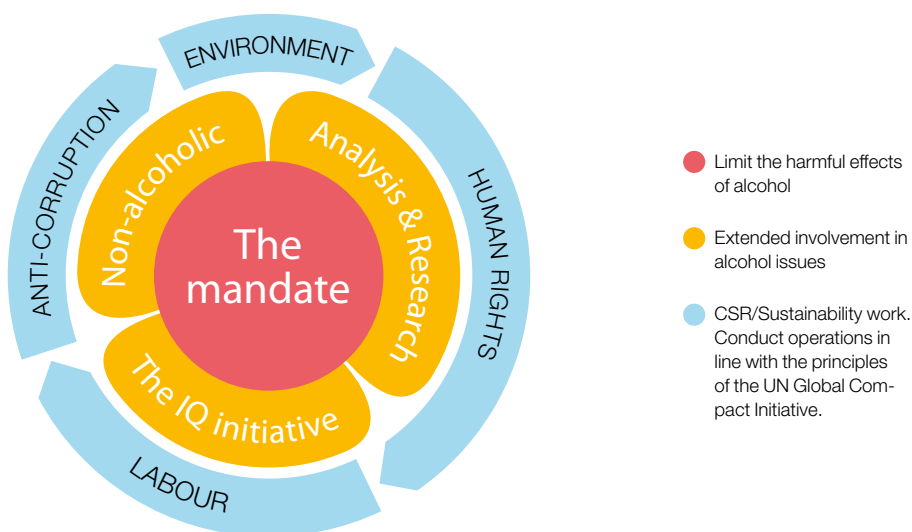
Our responsibility goes beyond

Systembolaget’s role is to help limit the harmful effects of alcohol in society. We do this mainly by being a company that focuses on public health, which is why we never offer discount prices or volume discounts or advertise our products. We do not sell to anyone under the age of 20, or to anyone who is noticeably intoxicated, or to anyone whom we suspect will resell the products. We also take responsibility for working conditions, human rights, environmental issues and anti-corruption, not just within our own operations but throughout our drinks supplier chain.

Human rights and working conditions at the producer stage of the chain have come increasingly under society’s spotlight in recent years. Poor working conditions, deficient health and safety routines, child labour and various kinds of discrimination have been discussed, as has the question of corruption. There is also an increased societal interest in environmental and climate change issues.

Risk and opportunities

The risk of encountering corruption in the course of our operations is relatively substantial, as is the risk of unacceptable working conditions occurring somewhere in our worldwide supply chain. When it comes to environmental issues, there is a particular focus within the drinks industry on water concerns, the effect on the climate of cultivation, production and



We divide our social responsibility into three working areas: our alcohol policy mandate, our commitment to the alcohol issue and our CSR work. Our alcohol policy mandate lies at the heart of our business operations.

transportation, and the development of more eco-friendly packaging. These factors together explain Systembolaget's focus on CSR-related issues and are the reason why we ranked them as the most important risk factors in our company-wide risk mapping process.

The focus of our CSR work

The Board of Directors and company management of Systembolaget have agreed the following focus areas for the period from 2010 to 2013, based on the findings of our work charting the company's most important CSR areas: human rights, working conditions, anti-corruption, environment/climate, integrated CSR management, skill development in the CSR sector, transparent communication and sustainable purchasing. We are prioritising these focus areas in order to ensure a sustainable value chain.

The majority of these issues arise in the supplier stage of the drinks chain and it is here, too, that we have the greatest potential for making a difference and influencing developments in the right direction. We will also continue our internal work with business ethics issues in order to ensure that we live up to the standards we demand of our suppliers.

Nordic partnership

Systembolaget works in close partnership with the alcohol retail monopolies in Norway, Finland, Iceland and the Faeroes in order to increase our suppliers' sense of responsibility and commitment as well as identify ways of establishing a sustainable drinks supplier chain. Together, we are a sizeable and significant purchaser with substantial potential for achieving our goal – a sustainable drinks supplier chain.

To this end, we have drawn up a joint Nordic platform for our work. In 2011, the monopolies decided to adopt a shared Code of Conduct produced by BSCI (the Business Social Compliance Initiative – the CSR members' association). The Code is an undertaking to conduct our operations in an ethical and responsible way and Systembolaget intends, on the basis of this Code, to promote development and improvement where it is deemed necessary. The Code of Conduct shows our suppliers what our values are and when they enter into an agreement with us, they undertake to pass our requirements on to their subcontractors at every stage of the chain.

Systembolaget's purchases of other goods and services

Systembolaget's purchasing also includes everything from gift-wraps to the tools of the trade, from construction contracts to external services. The Code of Conduct applies equally to these purchasing agreements, e.g. in connection with the procurement of new workwear, where we checked carefully to ensure that all of the subcontractors live up to the standards we demand in terms of the environment, working conditions and human rights.

Systembolaget's environmental plan

In 2011, Systembolaget adopted a long-term environmental plan that extends until 2020. Work during the past year has focused on setting environmental goals within prioritised areas and on following up on compliance with them. Our prioritised goals are to increase the percentage of products and packagings with a lower environmental impact and to increase the extent to which our packaging is recycled.

Open dialogue with stakeholders

Systembolaget's various stakeholders make demands on our operations in line with their respective perspectives, and we maintain an open dialogue with them in order to ensure we are up to date with their views, requirements and expectations. This dialogue takes the form of meetings and seminars, and we also employ surveys, business intelligence, and analyses in order to monitor trends and expectations. We are keen to build and strengthen a mutual, long-term and transparent relationship with all of our stakeholders.



Widespread interest in CSR issues

We have noted widespread interest on the part of the media, researchers and decision-makers in Systembolaget and the way in which we are working to ensure a sustainable drinks supplier chain. There have also been instances when the

media has reported on irregularities, principally amongst harvest workers in high-risk countries.

We are conducting dialogues with a range of stakeholder groups on topics such as this in order to further develop our CSR work.



Society

Systembolaget's operations shall be conducted in a socially, ethically and environmentally sustainable way. We also have an extended responsibility for our alcohol policy mandate in the form of alcohol-prevention collaborations and the dissemination of clear information on the harmful effects of alcohol.

We monitor Swedes' attitudes towards Systembolaget and our monopoly on retail sales of alcohol constantly (OPI). The IQ alcohol index is measured once a year and shows people's attitudes towards alcohol and alcohol consumption. We also work continuously with proof of age checks and control purchases to ensure compliance with selling regulations.



Customers

Systembolaget is responsible for ensuring that we provide a first rate service, a broad product range, and a high quality across the broad offering. We work actively to counteract the negative effects of alcohol by offering our expertise in a way that makes it easier for our customers to make informed choices and drink with moderation. All of our sales are conducted in a responsible way.

We measure customer satisfaction levels continuously through the Customer Satisfaction Index, in order to improve and develop the service we provide.



Employees

Highly trained and committed employees are vital to responsible selling and satisfied customers. Systembolaget works proactively with diversity, equal opportunities, working conditions, and the work environment. The Employee Satisfaction Index is measured once a year and shows how employees rate their ability, given their working conditions, to carry out their duties.



Suppliers

Systembolaget is a major purchasing player, which entails a special responsibility when it comes to the requirement for neutrality in our choice of products. It also offers a unique opportunity to influence the drinks industry towards a sustainable approach. The Quality Supplier Index is measured once a month and shows how our drinks suppliers help provide customer value.



Owners

The alcohol policy-based mandate is the foundation of our very existence. We shall help limit the harmful effects of alcohol by selling alcoholic drinks responsibly. Systembolaget shall, furthermore, work continuously to increase its operational efficiency and thereby generate scope for operational development and renewal. Responsibility issues shall be integrated into our corporate culture and the way we manage our operations.

Awards

Golden Egg

At this year's "Golden Egg" gala, which is organised by the Swedish Association of Communication Agencies, Systembolaget was awarded a Silver Egg for its film, "Sanningen" [The Truth].

Service Score Prize

In February, Systembolaget won the Service Score Prize, which is awarded to companies which, in the opinion of consumers, have offered them a level of service that exceeded their expectations by far.

Great Payroll Prize

Systembolaget's payroll department won the 2012 Great Payroll Prize, which is the sector's prize for outstanding work in the payroll sphere.

Bronze Lion

Our subsidiary company, IQ, received a Bronze Lion at the Cannes Lion Festival for its film, "Smoothness".

Best HBT workplace

Our store in Uddevalla City was named "Sweden's best HBT workplace" by the TCO/Unionen trade union HBT group, in conjunction with the Pride Festival.





Society

Systembolaget's operations are based on a clearly defined social responsibility. Our care doesn't stop with our customers: we are keen to help in the creation of a healthier approach to alcohol through information and dialogue. Ultimately, it is Swedes' view of us, of the way in which we offer service and expertise, and the way in which we live up to our social responsibility mandate that will determine how successful we are. And it is clear that we continue to enjoy strong public support.

The downsides of alcohol	14
Costs to society	14
Total consumption must be limited	14
Massive support for Systembolaget	16
Scrupulous proof of age checks	17
Countering illicit supply	17
A far-reaching commitment	18
Support for alcohol research	18



The downsides of alcohol

Alcohol is often associated with socialising, parties and meals. Many newspapers and blogs describe the best ways to combine food and drink. But at the same time, we cannot close our eyes to the fact that alcohol causes problems. At work, in traffic, in bars and in the home. Alcohol also causes massive indirect problems – approximately 400,000 Swedish children have a father or mother who drinks too much alcohol (*Public health in Sweden, 2012 yearly report, the Swedish National Institute of Public Health*).

SEK
66
billion

The cost to society of alcohol misuse is estimated at SEK 66 billion per year.

Costs to society

Alcohol costs society around SEK 66 billion per year, according to the Swedish Government's Special Commissioner, Gerhard Larsson. The expenditure on problems caused by alcohol far exceeds the tax income generated by sales of alcohol. Several thousand Swedes die every year from diseases or injuries related to alcohol consumption and approximately one fifth of all patients admitted to A&E have alcohol problems. The percentage of alcohol-related cases in the mental health care sector is around 40 per cent.

Global health

In late 2012, the medical publication, The Lancet, published combined statistics from 187 countries on global health issues. The figures showed that high blood pressure, tobacco and alcohol are the three main causes of ill health and premature death. The causes of high blood pressure include alcohol. Generally speaking, global health has improved considerably and between 1990 and 2010, we have become healthier overall, although many challenges remain. Alcohol consumption is heavier in Europe than anywhere else in the world and it is in Europe where the most cases of alcohol-related harm are to be found. WHO Europe accordingly drew up an action programme in 2012, aimed at reducing harmful alcohol consumption, with recommendations that include reducing access to alcohol, maintaining alcohol monopolies in those countries that have them, workplace activities, action against the marketing of alcoholic drinks, higher prices, and better supervision.

Total consumption must be limited

Alcohol researchers worldwide have demonstrated that there is a clear link between the amount of alcohol consumed by a population and the scale of alcohol-related injuries and disease. The risk of suffering a problem is naturally less for those who drink less alcohol, but even moderate consumption can increase the risk of disease and injury. A large percentage of the harmful effects caused by alcohol can be found in the large group of people who over-consume alcohol without ever becoming alcohol abusers or alcoholics, which is why it is important to try and reduce consumption in all groups in society, not just the heavy drinkers who have become problem drinkers.



400,000
*children
have a parent
who drinks
too much*

According to the Swedish National Institute of Public Health, 400,000 children have a parent who drinks alcohol in a risky way.

Deregulation increases consumption

Deregulation of alcohol retail leads to increased alcohol consumption. This was one of the findings of a new report published by the US Department of Health during the year.

The report is based on 17 studies that have evaluated the effects of privatising alcohol sales. The combined results show that alcohol sales increased by a median of 44 per cent in places where the retail monopoly was abolished. (*Hahn et al. Effects of Alcohol Retail Privatization on Excessive Alcohol Consumption and Related Harms, American Journal of Preventive Medicine*).



Massive support for Systembolaget

71%

support
Systembolaget

The strong support for our monopoly shows that we are working on the right lines.

The support for our monopoly has never been greater, with seven out of ten Swedes supporting the retention of Systembolaget’s monopoly. Controlling sales, selling alcohol responsibly and protecting young people are important to them. The Opinion Index is one of our strategic key performance indicators and is measured every month by the TNS Sifo survey organisation, which asks a representative sample of the population; “Do you think that Systembolaget and the monopoly on the sale of strong beer, wine and spirits should be retained, or would you like strong beer, wine and spirits to be sold in other stores?” The massive support we enjoy shows that we are working on the right lines and the year ahead will see us focusing on taking even more clearly defined responsibility in the field of alcohol and health.

It can sometimes be difficult, as a parent of teenagers, to know what to say when your teenager asks for alcohol. Systembolaget offers advice and supports parents in their role as boundary setters by producing films and other printed and online information

material. And a lot of parents want to talk about it, as was clear when we organised an online chat about young people and alcohol in the run up to the usual festivities at the end of the school year. Over 5,000 people visited the chat room.



Scrupulous proof of age checks

One of the cornerstones of Systembolaget's operations is irreproachable compliance with the selling rules: we do not sell to anyone under the age of 20, to anyone who is noticeably intoxicated, or to anyone who will, we suspect, illicitly resell the alcohol they buy. This is why we always ask for proof of age from anyone we believe to be under the age of 25 and refuse to sell to anyone who cannot provide proof of age.

We commission an independent company that tasks young people with making control purchases in our stores, in order to monitor continuously how we are doing with regard to proof of age checks. The measurements are carried out daily by subjects aged between 20 and 24. A total of 6,300 attempted control purchases were made during the year, including 600 from our agents, and 2012 saw us achieve our best results ever in this respect, with 95 per cent of the test subjects asked for proof of age. The corresponding figure for our agents was 94 per cent.

Countering illicit supply

One of Systembolaget's most important tasks is countering illicit supply, which is why we target parents and adults in an effort to support them in their role as boundary setters. The anti-illicit supply film, "Yes/No" produced during the year shows how difficult it can be to come up with a good answer when teenagers ask you to buy, offer or give them alcohol. The film was shown on TV at various times, including in the run-up to the celebrations in conjunction with Walpurgis Night, the end of the school year, and Midsummer's Eve.

The IQ Inspirers...

...is the name we give to a collaboration between Systembolaget and our subsidiary company, IQ-initiativet, and which has been conducted on a trial basis during the year. The Inspirers are Systembolaget employees who, over and above their regular duties, are tasked with meeting a range of people in society at large and inspiring them to prevent alcohol-related problems. We had 9 Inspirers during the year and this number will be increased in 2013.



Per Aili, Store Manager in Piteå and IQ Inspirer

"Absolutely fantastic! There's a huge amount of interest in the part of schools, the police, associations, municipal boards, and other Systembolaget stores. It's really good – everyone wants to help out."

Promillekoll

an app that keeps track of blood alcohol levels

Approximately one million people in Sweden are thought to have alcohol consumption habits that put them at risk and almost half of them want to reduce their consumption (*Swedish National Institute of Public Health*). Risky consumption levels are particularly pronounced amongst the young adults group, and as part of our efforts to reduce the harmful effects of alcohol, we launched the Promillekoll app in the autumn of 2012. The app helps people who want to drink to ensure that they don't drink too much. The app was downloaded 600,000 times between its launch in September and the new year, which is remarkable. One in every four people who downloaded the app has, on at least



one occasion, drunk less than they would otherwise have done, and six out of ten people who have used the app or tried it out say that Promillekoll has made them think about the way in which different drinks affect them (*You-Gov 2012*).



A far-reaching commitment

Support for alcohol research

Systembolaget's independent Alcohol Research Council provides annual subsidies of SEK 3 million for socio-scientific and medical research into alcohol in order to promote a long-term, interdisciplinary approach to the work.

Research into preventative work in relation to alcohol-induced harm is prioritised. In June, we held our annual alcohol research conference, which was attended by almost 70 researchers and representatives of various authorities and organisations to study and discuss research findings, guidelines and recommendations, and the relevance of alcohol research in society.

Systembolaget is involved in a number of preventative activities and partnerships as part of our social responsibility. These activities and partnerships include supporting research, identifying smarter approaches to alcohol via our IQ-initiativet subsidiary company, and a nationwide programme of cooperation with the police, the Swedish National Institute of Public Health, IOGT-NTO, and a large number of local authorities with regard to illicit supply. In 2012, we invested SEK 30.0 million (SEK 29.9 m) in the IQ subsidiary to support alcohol research.

SEK
3
million

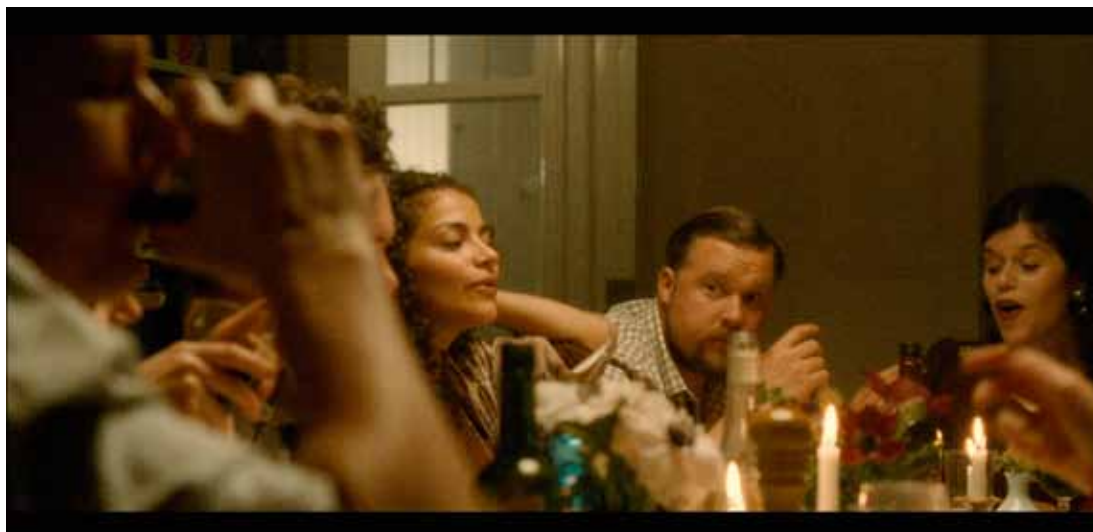
in support for alcohol research.

THINK AGAIN. Systembolaget, in partnership with the Swedish National Institute of Public Health (FHI), IOGT-NTO, the police and local county coordinators, is involved in the "THINK AGAIN" campaign to counter the illicit supply of alcohol. The goal of the campaign is to ensure parents of teenagers understand the risks associated with an early alcohol debut and the importance of setting clear boundaries, norms and values in relation to alcohol, and that they are aware that teenagers mainly obtain alcohol from friends and friends' siblings, but that they also obtain it from their own siblings. Activities are organised outside Systembolaget's stores in many towns and cities in order to draw attention to the issue of illicit supply.



"Tonårsparlören"

"Tonårsparlören" [The Teenage Phrasebook] is a guide for parents of teenagers, offering facts, arguments and tips on how to talk about alcohol, amongst other things, with their teenager. The guide is sent out to all parents with children in grade 7 and in the spring of last year, 200,000 copies were also handed out in all Systembolaget stores – an activity that was very much appreciated. The book was previously published by the Swedish National Institute of Public Health but will, as of 2013, be published by IQ.



IQ Alkohol Index

The IQ Alcohol Index provides a unique measurement of Swedes' attitudes to alcohol. The higher the index, the more moderate the attitude. The index in 2012 was 62.2, while the corresponding figures for 2011 and 2010 were 62.3 and 61.7, respectively.

Friendship and alcohol



You'd do pretty much anything for a friend, right? But why is it so difficult to talk to someone who drinks too much? According to a survey carried out by IQ, a lot of people would like to see the subject addressed in the media and other contexts, so to support people who are worried about a friend who drinks too much, IQ produced a film entitled "Having a friend". The film was shown on TV and at cinemas etc.

For a smarter attitude to alcohol
 IQ-initiativet is an independent, wholly-owned subsidiary of Systembolaget. IQ works to build a smarter attitude towards alcohol by establishing moderation as something that is valued by society, e.g. through a range of different activities aimed at young adults.

"Alcohol profile" – Sweden's biggest online self-assessment
 "Alcohol profile" is an online, scientifically produced tool that enables people to evaluate their drinking habits and compare them with those of other people. New features were added during the year, namely the ability to tell people about "Alcohol Profile" and to share it. Six short films were shown on TV and online, targeting the 18-35 age group. The self-assessment test has proved to be something of a success, and in 2012, over 129,000 people reviewed their alcohol habits with the help of the tool (the goal was 100,000).

Inspired by networks and good examples
 IQ collects good examples in society and turns them into IQ projects, and as of 2012, IQ collects not only projects but the people behind them, adding them to networks. IQ Networks is a forum for committed individuals who are working to prevent alcohol-related problems. IQ invites people to network meetings held across Sweden to allow them to meet up, share experiences, and inspire each other to new efforts. The IQ projects comprise good examples of activities conducted by many people and groups in society and there are now almost 1,000 IQ projects taking place nationwide. The one thing they all have in common is that they are initiatives driven by people who are passionate about what they do, and taken as a whole, they have had a significant impact on Swedes' attitudes and behaviour when it comes to alcohol.





Customers

Systembolaget stands for selling alcohol responsibly all over Sweden. And we are here for everyone in Sweden, not just for those who visit our stores. It is our responsibility to ensure we provide good service, a broad product range, and high quality goods. We are also tasked with helping to counter the negative effects of alcohol and we offer our expertise in order to help our customers make informed choices and to drink with moderation.

Satisfied customers	22
Increased know-how and informed choices	22
Better service	23
The store – one of many meeting places	24
Developing our service through new channels	26
More alcohol-free, more locally produced	28
Environmental responsibility in word and deed	30



Satisfied customers

75

*in the Swedish
Quality index*

We received a top ranking of 75 in the retail category of the industry's measurement of customer satisfaction, the Swedish Quality Index.

Systembolaget's role is to ensure it provides good service, a broad product range, and high quality goods, and to help counter the negative effects of alcohol. We have a responsibility to constantly develop and improve our service in line with customer and external expectations. We are conducting an extensive internal programme of work between 2010 and 2013 with the aim of further enhancing our interaction with our customers. The work is based on our customer promise:

- *You should always feel welcome*
- *You should always feel you can learn something from us*
- *You should always be able to rely on us to sell responsibly*

Increased know-how and informed choices

We never attempt to entice people into our stores, but anyone who chooses to visit us should feel welcome. We shall provide a high quality service without tempting the customer to buy more. As a customer, you should always feel that you can come to us with questions about food and drink and about how to consume alcohol healthily. We are happy to share our expertise and the advice you receive will be impartial and professional. For us, it's about helping increase your know-how and helping you make informed choices. Our goal is to exceed our customers' expectations and to continuously improve.



Our in-store personnel changed to new uniforms in December in order to emphasise our customer-orientated focus. The new uniforms are designed to promote our values, our expertise and our service-mindedness, and to ensure that we are more visible in-store. We want to be there for our customers.



Better service

According to our customers, we are doing a good job, doing it responsibly, and getting better and better at doing it. Our Customer Satisfaction Index (CSI) survey tells us what is important to our customers and shows us how well we are living up to their expectations. The CSI survey shows that it is important to our customers that Systembolaget retains its sole right on retail sales of alcoholic drinks. They think that by making our in-store staff more accessible, we are continuously improving our service. People feel welcome and many rate Systembolaget highly when ranking companies that give good service. But we can still see room for improvement, despite this high rating, when it comes to the proactivity of our in-store personnel. Find out more about the survey results in Part 2, pages 3 and 62.

We work continuously to improve the quality of the customer interaction in every single store. We conduct continuous customer interaction surveys throughout the year with the aid of “mystery shoppers” and the results are fed back directly to the stores in question. The number of times the survey is carried out varies in line with the number of stores, but every store is surveyed a minimum of five times every year. The aspects we monitor in the customer interaction surveys include the shopper’s perception of their interaction with us, the expertise we shared with them, the interaction at the checkout, and how they rated their overall experience during the visit. A total 4,600 customer interaction surveys were carried out in 2012

81

Customer Satisfaction Index

The Customer Satisfaction Index is one of our strategic key performance indicators, and is measured and reported every quarter by CFI. A total of 32,000 randomly chosen respondents across all of our stores were surveyed.



The store – one of many meeting places

Most of our customer interactions take place in our stores, and just over 118 million such customer visits were made in 2012.

Systembolaget has 421 stores all over Sweden and as of 2013, there will be a Systembolaget store in every single local authority area in the land, with the opening of a store in Knivsta in Uppland. Slightly over 500 agents complement the service we provide in rural areas.

The stores shall live up to our customers' expectations and shall house Systembolaget's

offering in a customised way. The precise layout of each store, the products offered and the themes that the stores communicate are determined centrally. Every store is, however, also adapted in line with local conditions. There are two types of specialist store: our wine cellar stores – one each in Stockholm, Gothenburg and Malmö – and the two Food Hall stores in Stockholm. In 2012, the décor of the Food Hall stores was redesigned to emphasise the link between food and drink.

- *Service*
- *Expertise*
- *Responsibility*

Wherever and however you meet us – in a store or on systembolaget.se, via your mobile, an agent or our Customer Service Department, the interaction shall be characterised by service, expertise and responsibility.



Tasting sessions inspire and educate about food and drink

Our in-store tasting sessions are popular. 11,000 customers have taken part in approximately 750 tasting sessions in 27 stores after hours. Customers can now also learn more about the interaction between food and drink by organising their own tasting session at home. Pick up our tasting session package at systembolaget.se.

Drinks auctions make collectibles accessible to an interested group of consumers and give owners an opportunity to sell. Traditional physical auctions were replaced, during the year, by online auctions. This modernisation makes the service accessible to a greater number of people and allows more auctions to be held. Seven auctions were held during the year at which a total of 3,068 items were sold.



Per-Arne Forsberg
Tullinge

“I’ve noticed the development of Systembolaget’s service, both in-store, online and now, most recently, in the form of the home delivery trial. The Search & Find app means I have access to information at all times, but I’d like to see the ability to order items from the available for order range via the app.”

Customers want to see something new in any store, and that’s no less true when it comes to us. Our messages are always about food/drink combinations and the specific theme will reflect the season of the year. We share recipes in the store and show examples of the sort of drinks that will go well with these recipes. We never use our communication to entice customers into the stores.

Systembolaget’s Customer Service Department

Systembolaget also has, in addition to our knowledgeable in-store staff, a Customer Service Department that offers free, professional advice. The Customer Service Department staff conduct dialogues with customers, stores and agents and share their expertise on food, drink and health. Most of the questions that come into the Department relate to the product range and to ways of combining food and drink. The Customer Service Department also provides support in conjunction with orders, for example.



Developing our service through new channels

21

million visits to the website

an increase of 4 million visits over 2011

Buying patterns change and we are keen to make sure that we nevertheless, live up to our customers' expectations and to offer advice and service via our digital channels. We do not believe that this will increase alcohol consumption in Sweden and see it more as a way of keeping pace with changes in customer behaviour. When we take steps to improve our service, we must always weigh up the balance between improving service and increasing sales. The systembolaget.se website had 21 mil-

lion visits in 2012, corresponding to a year-on-year increase of 4 million. Systembolaget's Search & Find app was also used seven million times (find out more about the app on page 27) and our Customer Service Department answered 37,000 emails. Overall, this means that the digital customer interactions have increased by 65 per cent since 2011, with mobile phone users accounting for the biggest percentage increase at 94%. The development of a mobile-friendly version of systembolaget.se will begin in 2013.

systembolaget.se allows our customers to access our food and drink expertise in a variety of ways.



Tips from Systembolaget's experts

This section is where visitors to systembolaget.se can find advice on food and drink combinations under various themes, with recipes, related articles, and tips on how to approach choosing drinks to go with food.

Twitter

Advice via Twitter was launched at the end of the year. The unique feature of Systembolaget's Twitter account is that user questions are answered by store staff from all over Sweden.



What goes with this?

“What goes with this?” is an advice service launched during the year. It provides drinks tips based on the dish you are intending to cook, and hence offers our customers access to our expertise in a digital form.



35 000
likes

Systembolaget's Facebook page attracts a lot of visitors who chat, discuss and ask questions about everything from opening hours and food & drink combinations to alcohol and health.

Home delivery – part of our focus on service

The first phase of a home delivery trial was launched in the autumn as part of our efforts to keep pace with changes in customers' buying patterns. Customers have to pay an extra charge to have their purchases delivered to their homes and the lead-time is at least three days. The size of the charge depends on the size of the order. The goods are delivered by specially trained and certified delivery firms in order to ensure compliance with selling regulations, including proof of age checks. The trial is being conducted on a limited scale and evaluated by alcohol researchers and once the trial comes to an end, a decision will be taken on whether home deliveries will be incorporated into Systembolaget's regular service. The experience from Norway, where Vinmonopolet has been offering home delivery (at an extra charge) for the last ten years is that alcohol consumption has not increased. This is a redistribution and a new purchasing pattern, not an increase in consumption.



Search & Find

Search & Find is an app that was released at the end of 2011 that allows the user to search Systembolaget's range and locate the nearest store. The app has been downloaded 900,000 times during the past year and used 7 million times. The app was also updated at the end of the year with functions allowing the user to assign ratings and write notes. The iPhone version was also adapted for use by blind and visually disabled users. Search & Find has been highly rated by users and was nominated for the “Golden Mobile” category in the Useful Service of the Year awards.



More alcohol-free, more locally produced

Our product range is structured to offer customers a wide selection and is constantly being developed in order to live up to our customers' expectations. The Customer Satisfaction Index shows that customers rate Systembolaget's product range highly. The range is one of the most important quality areas in terms of customer satisfaction, so high ratings notwithstanding there is, in our opinion, still more to be done.

We are currently developing a more customer-orientated product range that differentiates not only in line with store size, but also in line with local demand and hence might

mean, for example, a higher percentage of wine or beer or of products in higher or lower price classes. The goal is to ensure that the product range can be adapted more readily in line with actual customer demand.

Our product classifications will also change when the changes come into force in full in September 2013, making it easier for customers to find what they want in our stores. Wine will, for example, be classified by country and spirits by sphere of use. If a product is not carried in-store, it can be ordered and then picked up later from the store.

- *Organically cultivated*
- *Ethical*
- *Eco-friendly*

We use these three supplementary classifications alongside the standard information we provide to make it easier for our in-store customers to find what they are looking for. Products must, amongst other things, be third party-certified before they can be classified in these ways. Find out more about the criteria in the in-depth GRI report, Part 2, page 52.

Organically produced and ethical items

We continued to launch organically produced items during the year, but at the same time, removed other items from our shelves due to declining customer demand. As a result, we carried a total of 130 organic items by the end of the year and consequently did not achieve our goal of 140 organic items in-store. The stagnating trend for organic products is also apparent elsewhere in the retail sector (*Statistics Sweden and the KRAV eco-labelling market report*). On the ethically produced front, the number of items we carry rose to 18 and we consequently did not achieve our goal of 20 such items in store. We will continue to focus hard on both organically produced and ethical items and our ambition is to increase the number of ethically or organically produced items that we carry in-store.

Locally produced products

Customer interest in locally, small-scale produced goods continues to increase and we have launched an option that allows locally produced and locally popular products to be ordered for delivery to all stores. Locally popular products comprise a number of small-scale produced items in the available for order range which, thanks to local demand, are kept in stock in local stores, and

there are currently around 485 such items carried by 70 stores. We have improved our locally produced products service during the year, making it easier to find and order these products, whether via systembolaget.se or in-store, and our store personnel have also received training designed to increase their expertise when it comes to locally produced products.



Alcohol-free purchases up

Systembolaget offers a wide range of alcohol-free drinks to ensure we can offer suitable drinks with an adult flavour for people who either cannot or do not want to drink alcohol. The alcohol-free range has increased steadily for a number of years now and sales of this range rose by 31.8 per cent during the year. The increase is due to the ongoing high levels of interest in health, the desire to be a good host, and higher quality products. The alcohol-free range is now displayed more prominently and over a larger area in our stores to make it easier for customers to find and choose alcohol-free drinks. The number of alcohol-free products that we carry has increased since last year to its current level of around 40. We are keen to promote product development in the alcohol-free sector and to encourage innovation.

Our goal, in 2013, is to make it easier and more straightforward to find items with a 0.0 per cent alcohol content and we will also be launching more 0.0 per cent items. We recommend nothing but 0.0 per cent alternatives for pregnant women. The alcohol-free range is a priority area for Systembolaget and we are constantly reviewing it to ensure we can offer our customers a world-class alcohol-free range.



What does alcohol-free mean?

When we say, alcohol-free, we mean drinks with an alcohol content of between 0.0 and 0.5 per cent. The relevant market legislation for foodstuffs states that the alcohol content of a product must be displayed on its label if it exceeds 1.2 per cent, but Systembolaget has set its own lower limit – a product's alcohol content may not exceed 0.5 per cent if we are to classify it as alcohol-free. Our requirements are, in other words, stricter than those required by law. 0.5 per cent is regarded as negligible for drivers, for example, or for those who want a healthy lifestyle. The reason that we sell drinks that contain up to 0.5 per cent alcohol is that alcohol is a flavour carrier and that even a very small amount of alcohol intensifies the flavour. This is why we did not set an across the board limit of 0.0 per cent.



Environmental responsibility in word and deed

Systembolaget's stakeholders, not least our customers, demand a great deal of our environmental work, and we are actively working to improve in this sphere. In 2012, we increased the percentage of products and packagings with a small environmental footprint, and we also increased our product recycling.

Collaboration with Returpack

Systembolaget has been collaborating with Returpack since the autumn of 2011 in order to increase our packaging recycling. If people are to be encouraged to use bottle deposit or return systems, they need to understand how the environment will benefit, and it is important that using bottle deposit or return systems is easy. One important target group in this respect is young people between the ages of 18 and 30 and in September, Returpack conducted an information campaign in the university city of Umeå, siting a number of recycling

containers around the campus. Systembolaget conducted a parallel deposit or return activity in three Umeå stores. The effect of the campaigns will be evaluated during the spring of 2013.



Packaging is a priority area

The environmental audit carried out in 2011 showed that packaging accounts for approximately one third of the product's climate impact. Lifecycle analyses have shown that when it comes to the various different types of packaging we use boxes, liquid packaging board, bags, returnable glass bottles and aluminium cans have a lower environmental impact than single-use glass bottles. PET bottles come between single-use glass bottles and other types of packaging, including returnable glass bottles.

The biggest environmental impact, and hence the biggest potential for improvement, comes in the manufacturing phase. The weight of the packaging is very significant and we are therefore working to reduce the weight, particularly when it comes to single-use glass bottles. By the end of 2012, the number of items in PET packaging had risen to 44 which was close to our goal of 45. Our goal is to increase this number further, but there are also other aspects to consider when choosing packaging, i.e. alcohol policy and quality aspects.

Electricity consumption

We have registered electricity consumption per m² during the year and recorded a fall for electricity consumption per m² in our stores during the year from 126.41 kWh/m² in 2011 to 125.62 kWh/m² in 2012, corresponding to a total reduction of 112 MWh. The reduction can be linked to a number of activities, including the installation of a program in all stores and offices that sets our computers to sleep mode (minimum energy consumption) when they are not in use, based on opening hours and use patterns. LED lighting has been introduced in a further 22 stores. LED lighting is 100 per cent recyclable and more than halves the energy requirement for in-store shelf lighting. By the turn of the year, 60 stores had installed LED fittings, resulting in an annual energy saving of 1,485 MWh. In 2013, we will be including transports in our energy work.

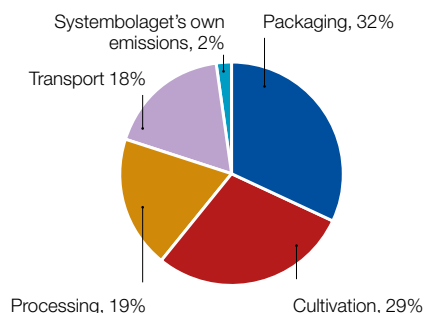
1,485
MWh

Energy-saving LED lighting yields an annual energy saving of 1,485 MWh.

Turning returns into biogas

We are working proactively to reduce the number of returns and the percentage of returned goods has consequently fallen in recent years. The goods that are returned due to age or defects are transported to our returns warehouse. Aluminium cans are recycled and turned into new cans. Other returns are sent to biogas plant, Gladö kvarn, where the packaging is crushed and the sludge collected up. Energy is recycled from the packaging waste in a district heating plant. The sludge is mixed with food waste and forms e.g. biogas which is used as fuel in power plants and as automotive fuel. The material that is not broken down is used to improve soil quality in agricultural land. A total of 379,870 items were returned during the year, yielding the potential to produce approximately 23,000m³ biogas, corresponding to approximately 25,000 litres of petrol.

Systembolaget's total climate impact 360,000 tonnes CO₂



Total emissions of greenhouse gas emissions recalculated as carbon dioxide equivalents. This includes not only Systembolaget's own operations within Sweden, it also includes the impact of cultivation, manufacturing (processing) and the transport of our products, together with the impact caused by all forms of packaging.





Employees

Systembolaget is here for everyone in Sweden and we make a difference. Our customer promise summarises this. But if we are to keep our promise to our customers, we must ensure our employees have the tools they need to do the job: the right training, a good work environment, and a coaching leadership style that encourages development and personal responsibility. We have chosen to work on leadership as a strategy for promoting customer satisfaction. We develop our managers who, in turn, inspire employees to develop themselves and the operations. This is how we build a sustainable workplace in which our employees have the tools they need to perform well and feel good – today and tomorrow.

Better and better for the customer	34
Our keywords	34
Shared structures and methodologies	36
Ethics – our everyday compass	37
New health strategy benefits staff and customers alike	38



Our strategy – being better and better for the customer

Our vision is of a society in which alcoholic drinks are enjoyed with due regard to health considerations so that no one is harmed. Between 2010 and 2012, we have worked intensively on the development of our customer interaction in all channels. Our goal is a customer interaction that impresses and the work is based on 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. Our keywords – knowledge, consideration and inspiration – guide us in our day-to-day work. Our “Good Customer Interaction” and “Good Management” programmes will continue in 2013, this time within the line organisation.

Staff Meeting – an important phase

All employees have continued to develop their expertise in relation to Good Customer Interaction. They have practiced service, customer interaction, and the scope for curiosity and personal improvement, and for continuous operational improvements. The staff meeting in September was an important phase in the process and involved the majority of Systembolaget employees getting together at 27 different locations across Sweden to share their experiences and to work together on our vision, our customer promise and our keywords. This was also part of our managerial development programme and 480 managers worked together to structure and implement this large-scale learning activity.

We take a “before, during and after” view of all of our training activities. Before the Staff Meeting, we worked with local improvement programmes in our workplaces that were followed up after the Meeting and which are still ongoing. We also launched an internal blog during the year where our employees share tips and know-how on ways of improving customer interaction. The blog is very popular and has been widely used to provide tips on matters large and small. It is also used to comment on training and other internal activities. 2,366 posts and 2,231 comments were published on the blog in 2012.

*Knowledge
Consideration
Inspiration*

Our keywords guide us in our day-to-day work.

Our strategy

Our strategy in the employee sphere is closely linked to our customers and requires us to:

- *help one another to be as good as we can so that we can be better and better for the customer*
- *build a sustainable workplace where employees have the tools they need to perform well and feel good, in both the short and the long term.*



Ongoing focus on managerial development

We have chosen to work on leadership as a strategy for developing an outstanding customer interaction. To achieve this, we need managers with curiosity and desire. Good management should be characterised by passion and personal responsibility. Our managerial development programme continued in 2012, and focused on store and group managers. The managers in question have, amongst other things, worked on developing their ability to inspire, support and lead their employees. A number of practical exercises have been carried out as part of the day-to-day operations in-store.



Ongoing skill development and role profiles

Our skill development work is both ongoing and long-term and is vital if we are to live up to our customer promise. Individual action plans are drawn up and every employee is offered support and access to a wide range of learning activities.

Curiosity, continuous improvement, personal leadership, service and hospitality are the most important skills that we have

identified when it comes to a successful customer interaction. The various role profiles within the operations have been updated to focus on the categories that directly support Good Customer Interaction. It should be clear to every employee what is expected of them in their respective roles and how each and every one of them contributes to us achieving our goal – an outstanding customer interaction.



Katarina Dahlgren
Store Manager, Burlövs center

“If we are to take the next step towards outstanding customer interaction, we need continuously developing leadership. Choosing to want is the key to success.”

Shared structures and methodologies

Changes in customer behaviour and the outside world demand that we work as an efficient team within Systembolaget. We need to react more quickly to changes in the outside world and ensure we continuously improve. Documenting and building support for our shared structures and target methodology is a key piece of the puzzle if we are to be successful.

New tools to develop our operations and employees

A tool designed to facilitate good performance and continuous improvement was implemented in 2012. The tool is based on a development process whose strength lies in the fact that it helps to break down our overall goals into actual improvement processes. Dialogues are used to create a sense of participation and involvement and at the same time, the process has positive effects on health and the work environment. Each working group is given a metric for the performance capability and can gradually increase it by implementing measures jointly agreed by the group.

The evaluations are primarily conducted locally and managers and working groups receive rapid feedback on whether the improvement work is moving in the right direction. The evaluation is carried out once a year and replaces the previous Employee Satisfaction Index metric. The metric is new for 2012 and there are hence no comparison figures available.

Results

The results of the first evaluation show that employees feel that they are well supplied with the tools they need to perform well in every significant area of our operations. They view their duties as being important to the organisation as a whole, they feel their work gives them responsibility, and that it is clear what is expected of them in their roles. The sense of being able to plan their own work, decide how to carry it out, or to influence the most important decisions that relate to their personal duties is rated less highly. Individual performance is rated more highly than the working group's efficiency and ability to conduct improvement work as a team, which indicates that the potential exists for developing our teamwork.

The feeling of enjoying one's work and of feeling a sense of loyalty to the company, are rated highly, which is a sign that employees identify both with the company and with Systembolaget as a brand.

Performance reviews

We monitor and evaluate individual goals and skills through our annual employee performance reviews. 82 per cent of all employees had performance reviews with their managers at which the focus was on the skills we have identified as being crucial if we are to achieve our goal of outstanding customer interaction. Our employee performance reviews in 2013 will follow up on the measurement of these skills.



Ethics – our everyday compass

Systembolaget's mandate and our monopoly on retail sales of strong beer, wine and spirits demands a great deal of us in terms both of our ethics and of the way we conduct ourselves on a day-to-day basis. Which means that working to prevent improprieties and corruption is a given. It is also just as much of a given that our responsibility covers everyone in our country as it is that all suppliers should be treated equally. To this end, we implemented a policy in 2012 that clarifies our business ethics responsibility. The policy reflects the Business Social Compliance Initiative's Code of Conduct, and means that making the same demands of ourselves as we make of our suppliers must be a given for us too.

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. Ethical issues are also followed up in the annual employee performance reviews. In short, our internal rules state that no one supplier shall be given precedence over another. The rules also include regulations governing acceptance of gifts.

Managers' ethics dialogue

All of Systembolaget's managers, from the store managers to the company management team, met up in their respective management groups during the year to discuss ethical issues and management. All management groups are obliged to hold ethics dialogues like these twice yearly.

Ethics Advisor

Systembolaget has had an Ethics Advisor for a number of years. In 2012, the CSR Council actively worked to promote our Ethics Advisor within the company. The Ethics Advisor, an experienced store manager who enjoys a high level of confidence within the company, gives advice on ethical issues and acts as someone to whom employees can turn to with information on any deviations from the company's guidelines.

Ethics in social media

The ongoing discussion about Systembolaget and our mandate in social media is extremely important in terms of society's view of us and what we do. And because our employees have a very real responsibility in terms of their activity on Facebook, Twitter and blogs, for example, we hold internal discussions on the subject of ethics in these media.





New health strategy benefits staff and customers alike

Systembolaget exists to promote public health, but our duty of care does not stop at the sale of alcohol. Working to increase understanding of the ways in which alcohol affects health and to provide the knowledge and tools that enable everyone to make healthier choices is also important to us. 2013 will see the implementation of a new health strategy with both an internal and an external perspective. Our employees will through different activities learn more about alcohol and health, the harmful effects of alcohol, and about what risky or abusive levels of alcohol consumption actually mean. A new health survey will also give employees the opportunity to think about their own health and lifestyle. The occupational health service will carry out follow-up work and a range of related activities.



Safety, threats and violence

The incident statistics show that a large percentage of the incidents reported involve threats and/or violence, which is why we are currently working to safety-certify all of our stores. The certification is based on a 13-point programme drawn up by the union of Commercial Employees' work environment committee.

Actively working for better health

We are actively working within Systembolaget to promote health and to reduce the risks of ill health, and we regard our entire managerial and employee development programme as part of our health-related work, over and above the new health strategy that comprises customers and employees alike. Personal leadership also means taking responsibility for health and well-being. Performance and health are closely linked and a manager who can create a good work and development environment – anything from encouraging personal development to countering stress in the workplace – makes a major contribution to staff health.

Sick leave levels have risen within Systembolaget in comparison with 2011. Short-term sick leave is 2.4 per cent (the target figure is 2.3%), and are hence on a par with levels in December 2011. Overall absence due to sickness has increased from 4.6 per cent to 5.3 per cent during the same period, largely due to the general increase in long-term sick leave (15 days +) within the group of employees aged 50 and in women in particular. Systembolaget has a clearly defined rehabilitation routine that describes what managers should do during the different phases of individual cases of absence due to sickness.

2.4%
*short-term
sick leave*

Levels have, in other words, remained on a par with those in 2011.

Key performance ratios, employees

	2012	2011
Number of employees*	5,032	4,834
Sales personnel		
Women, %	68	69
Men, %	32	31
Store managers		
Women, %	55	54
Men, %	45	46
Staff turnover, %	16	17
Sick leave		
Short-term %	2.4	2.4
Long-term %	5.3	4.6

* Refers to all Systembolaget employees, as of 31 December.





Suppliers

The drinks that we sell must live up to our customers' demands in terms of quality, product range and value for money. Our globally sourced product range is chosen on the basis of analyses and customer surveys, and ultimately, it is taste and quality that decide. The drinks must also be produced under conditions of responsibility for both people and the environment and we work closely with our drinks suppliers in order to achieve our goals. Together, we create the conditions for an optimum customer offering.

Responsibility throughout the chain	42
Code of Conduct	42
Monitoring our producers	42
Nordic field trips are an important incentive	43
A global product range	44



Responsibility throughout the chain

We work to increase our suppliers' sense of commitment and responsibility in order to create a sustainable drinks supplier chain, and we also work in close partnership with the alcoholic beverage monopolies in Norway, Finland, Iceland and the Faeroes. Together, we are a sizeable purchaser with extensive influence and substantial potential for influencing development in a sustainable direction through dialogue and systematic programmes of work.



Since 2011, Systembolaget is a member of the CSR membership organization Business Social Compliance Initiative (BSCI). It gives us access to the tools and databases to monitor our CSR work, where the code of conduct is an important part.

Code of Conduct

In 2011, Systembolaget adopted a Code of Conduct produced by BSCI. Since 2012, the Code of Conduct has been included in our general purchasing terms and conditions for alcoholic beverages and it applies to all suppliers of the same. The suppliers were registered in a database before the contracts were updated and this database is now an important tool in monitoring compliance with the Code. Suppliers whose products form part of our fixed range also register their subcontractors. The information is updated and monitored continuously. In conjunction with the registration process, BSCI provided a course of training in the Code of Conduct as well as compliance and monitoring thereof. Almost 90 suppliers took part in this workshop, which was held at our head office. The dialogue with our suppliers on these issues will continue in 2013.

Further meetings with the reference group form another part of our efforts to ensure a sustainable drinks supplier chain. The reference group includes representatives of the Swedish Spirits & Wine Suppliers Association (SVL) and the Brewers' of Sweden Association industry associations, and a number of independent suppliers, amongst others. These meetings are an important part of our efforts to achieve a sustainable drinks supplier chain.

Monitoring our producers

As a BSCI member, Systembolaget has undertaken to monitor its supplier chain through internal checks and audits. 2013 and 2014 will see just over 20 audits of the producers who collectively account for two thirds of our sales by volume from countries defined by BSCI as high-risk countries, namely South Africa, Chile, Argentina and Bulgaria.

Additional audits may be required if we identify irregularities on the part of our subcontractors. The audits are carried out by an external company and if they reveal any deviations from the Code of Conduct, an action plan is drawn up.

Systembolaget's intention throughout is to promote development and improvement, rather than to dictate rules and terms for establishing and terminating partnership agreements.



Nordic field trip an important incentive

A joint CSR study trip with the Nordic alcohol retail monopolies was held for the fourth year in succession, this time to California. The aim was partly to learn more about this region, which produces substantial volumes for the Nordic market, and partly to tell suppliers there about the Nordic partnership on CSR issues and our shared Code of Conduct. Meetings were held with industry organisations, research institutes, CSR auditors and wine producers. California's

wine industry has, for many years now, been conducting far-reaching work in the sustainability sphere, with the primary focus on the environment, but the social aspects still pose a challenge, due to the illegal immigrant situation. It is apparent from the feedback received that the Nordic alcohol retail monopolies' field trips provide an important incentive for the drinks industry to act in a socially, environmentally and ethically sustainable way.



Global product range

7,069

product samples

Blind testing is used to decide the products that we will buy in. The products' sensoric qualities are evaluated in relation to the taste description provided in the request for tender. The product with the highest rating is bought in.

Systembolaget has a world class product range chosen on the basis of extensive analyses and customer surveys. Ultimately, it is quality and flavour that determine the products we offer our customers.

The product range strategy that forms the basis of Systembolaget's launch plan is drawn up every year, and sets strategic key performance goals, such as the percentage of organic products sold and the percentage of eco-friendly packagings used. The plan also provides advance notice of the fixed range launches planned for the coming year and is made available to all registered suppliers. Systembolaget specifies its requirements in its requests for tender which are published on our supplier portal, and in 2012, we received 16,096 quotes from 457 different suppliers.



Customer demand is the key

Products in the available for order range that achieve high levels of customer demand and sales figures can qualify for sale as part of the fixed range. 112 products have qualified for inclusion in the fixed range in this way in 2012.

The introduction of a new product range model in 2013 will see products with high levels of customer demand in the available for order range becoming available on the shelves of stores where demand is high even more quickly than before.

Quality monitoring

Suppliers must be able to have confidence in Systembolaget's purchasing process. One important step in ensuring that this is the case is the quality and style monitoring in both the long and the short term of the products that have won the request for tender process. The monitoring is a multi-stage process involving both sensoric and chemical testing and takes place both before and after launch. A total of eight launches were terminated during the year because the product delivered failed to meet the requirements of the request for tender. The chemical monitoring is carried out in Systembolaget's laboratory in Jordbro, which also checks to ensure that the products are compatible with all applicable legal requirements, such as alcohol, sulphur dioxide, methanol and sorbic acid content.



Cooperation with suppliers and producers

Close cooperation with the drinks suppliers is a prerequisite of Systembolaget's ability to provide and develop a product range that meets our customers' expectations. Meetings with suppliers, trade fairs and trips to producers all over the world are, therefore, an important part of the day-to-day work of our purchasing staff and category managers. Systembolaget has drawn up a number of supplier-specific key performance ratios during the year which will ensure that all suppliers can now monitor their own performance trends and, in particular, the variables that are most critical for customer benefit: product availability, compliance with delivery schedules, and the percentage of quality and packaging complaints.

Systembolaget's supplier meetings during the past year have focused on the new product range model that will be implemented in 2013. Two theme meetings have been held, at which we presented customer surveys, market analyses and future trends for exclusive wines and whiskies. In-depth knowledge of our customers is vital to establishing our future product range.

Developing logistics

Our purchases include delivery of the goods to the stores. We also have our own logistics flow for customer-packaged orders placed with our agents and customer orders of goods not carried in-store in our smaller outlets. These orders are delivered from our depots in Örebro and Sundsvall, where eight million bottles are packed every year. And the numbers are rising. The home delivery trial, and our goal of offering our entire range for order via the systembolaget.se website, will impose additional demands on our logistics in 2013.

8
million

In our depots, eight million bottles are picked and packed annually for extradition in our stores and at our representatives.

Strict brand neutrality

Under EU law, Systembolaget must act in a non-discriminatory way in relation to our suppliers. The Swedish Competition Authority, which is one of the bodies responsible for monitoring us, has not identified a single instance in which Systembolaget has operated in a discriminatory way since monitoring began in 1995. Drinks suppliers can appeal our decisions to reject a tender or to de-list a product from our range via the Swedish National Alcoholic Beverages Product Range Board, which is a government supervisory body authorised to review such cases. 13 decisions were appealed in 2012, 6 of which were resolved during the past year. In only one case did the Product Range Board grant the appeal.



Maria Larsson, Minister for Children and the Elderly



Owners

Systembolaget's operations are an important part of Swedish alcohol policy. We are tasked with helping improve public health by limiting the harmful effects of alcohol consumption. Our mandate gives us a sole right on retail sales of strong beer, wines and spirits in Sweden and we differ from other retail companies in that our owner's instructions mean that we must never endeavour to maximise either our sales or our profits. Our role also includes informing the public about the risks associated with alcohol. We do this in a variety of different ways and through a variety of different channels in order to reach out to as many people as possible. We stand for responsible selling and good service.

Our mandate	48
Important issues for the future	50
Key performance indicators and management	52



Our mandate – triple responsibility and service

Our role is to handle all sales of strong beer, wine and spirits in a responsible way. The role includes responsibility for the product range that we sell and for countering alcohol-induced harm, but it also includes providing a good service. Neutrality in relation to products and suppliers is an important part of our responsibility. We do not favour Swedish products and base our selection, instead, on quality, the risk of harmful effects, demand, and other commercial considerations. Our purchasing process is open and transparent to guarantee top quality products for our customers and predictability and equal treatment for our suppliers.

Strong support and satisfied customers

We measure our performance on a regular basis. Customer perceptions of Systembolaget are measured by means of a Customer Satisfaction Index (CSI) conducted by the survey company, CFI. Four such surveys were carried out in 2012, yielding an average index of 81 – the highest value ever for Systembolaget – and an increase of 2 per cent since 2011.

We also monitor public attitudes towards Systembolaget. The Opinion Index, OPI, which is measured every month, is one of our strategic key performance indicators. The public is asked whether they wish to retain Systembolaget and its monopoly, or whether they would like strong beer, wine and spirits to be sold in other stores. The support for Systembolaget’s monopoly was stronger than ever in 2012 at 71 per cent.

71%

Opinion Index

The Opinion Index, OPI, which is measured by the survey company SIFO, shows that the support for Systembolaget’s monopoly has never been higher.

Steering documents

Our operations are primarily conducted on the basis of Systembolaget’s agreement with the State, the Swedish Alcohol Act, and other relevant legislation, which formulate the requirements with which we must comply, namely that we must prevent harm, provide good service for our customers, ensure that our product selection is brand-neutral, and conduct our operations rationally and with effective cost control without maximising our profits.

Sustainable operational goals

Systembolaget’s alcohol policy mandate entails a social responsibility – a responsibility that permeates our day-to-day operations. We also have the responsibility to conduct our operations in an ethical and eco-friendly manner. In 2012, the Government announced more ambitious objectives in the sustainability sphere for the State-owned companies and tasked the Boards of these companies with establishing relevant sustainability goals for their operations in 2013 and strategies for realising them.



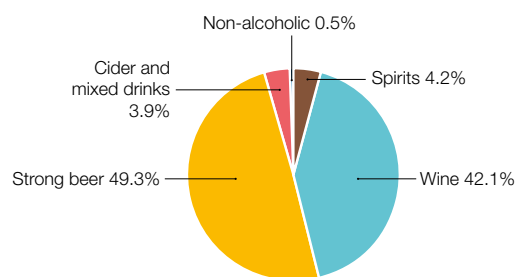
In-store work experience for politicians

An ongoing dialogue with politicians is a natural part of our day-to-day operations. In 2012, we invited politicians from the various parliamentary political parties to do work experience in our stores in order to demonstrate more clearly to them precisely how we work and in order to create a better understanding of the problems we face. Here, Christer Engelhardt (S), gains some work experience in the Visby store.

Falling alcohol consumption

Total alcohol consumption in Sweden has fallen slightly in the last few years, according to SoRAD (the Centre for Social Research on Alcohol and Drugs). This fall should, however, be viewed in the light of the dramatic increase that occurred in the late 1990s and early part of the 21st century. In 2004, annual consumption reached a record high 10.5 litres of pure alcohol per head of population aged 15 and above. SoRAD calculated the equivalent amount for 2012 at 9.2 litres. This is a positive trend, in other words, but Swedes are still drinking almost 20 per cent more than they did in the mid-1990s. The percentage of total alcohol consumed that is bought at Systembolaget has increased slightly to 60%, according to SoRAD, which is a positive trend because it means that the alcohol is being sold in a controlled way. The remaining 40 per cent of total alcohol consumed is mainly bought in restaurants and bars or is bought in by people returning from other countries, but some is also the result of smuggling, etc.

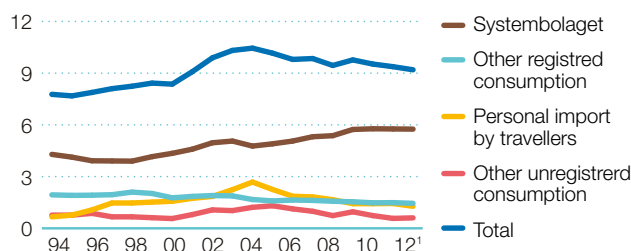
Sales by product group, volume, %



Sales of wine and alcohol-free beverages increased. Sales of other product groups fell or remained on a par with last year.

Alcohol consumption, 1994–2012¹

(litres of 100 per cent pure alcohol per head of population aged 15 and above)



Total alcohol consumption in Sweden has fallen in recent years.

Source: SoRAD

¹The figures for 2012 are preliminary.



Important issues for the future

No to farm shop sales

The question of allowing producers to sell their products directly to visitors to the farm has been the subject of a number of investigative commissions set up by the Government. Their findings have indicated that a licence to conduct farm shop sales would breach Systembolaget's monopoly on retail sales of alcohol. Systembolaget's monopoly is a cornerstone of Swedish alcohol policy so the Government decided, during the autumn, that it would not proceed with Committee Proposal no. SOU 2010:98 on farm shop sales.

Marketing and illegal e-commerce

Commercial operators have challenged alcohol policy regulations in recent years, e.g. in the form of alcohol marketing that targets young people in social media, and of e-commerce in alcohol. We are of the opinion that some of these operators are in breach of applicable laws and regulations. A preliminary investigation of a number of e-commerce operators is currently taking place in response to a complaint submitted to the police by IOGTNTÖ in the autumn of 2011. 2011 also saw a seizure in Sundsvall by Swedish Customs of large quantities of alcohol that had been imported into Sweden by so-called discount price operators and which resulted, in 2012, in several people being convicted of criminal activity. The Alcohol Suppliers' Scrutineer (AGM) has found several operators guilty of illegal marketing and the Swedish Consumer Agency has also criticised a number of marketing activities. A ruling by the European

Court in 2007, known as the Rosengren ruling, confirmed that Swedes are allowed to use independent shippers to import alcohol into Sweden from other EU member states. The ruling does not, however, mean that companies other than Systembolaget are entitled to act as agents for the sale of alcohol or to conduct retail sales of alcohol in Sweden. The problem, however, has been a lack of clarity with regard to supervisory responsibility and in 2012, the Government accordingly set up a Commission – the Commission for the supervision of marketing and e-commerce with regard to alcoholic beverages etc., – in order to clarify the rules that apply and with whom responsibility for supervision lies. An expert from Systembolaget and one from our subsidiary company, IQ-initiativet, are involved in the Commission's work, which is scheduled to be completed by the summer of 2013.

Locally produced products and products in local demand

Demand for small-scale, locally produced items has increased in Sweden. Systembolaget continued its efforts to improve its service in relation to these products in 2012 and it is now possible to find and order them via our website and in-store. Customers can order these products for collection at the store of their choice, nationwide, at no extra cost. The same is true for products for which there is a strong local demand, irrespective of their origin.



Home delivery trials

In the autumn of 2012, the Government allowed Systembolaget to conduct a home delivery trial. The trial began in certain selected towns and local authority areas in 2012, to be followed by additional locations in a total of 6 counties. The aim is both to improve the service we offer for those who, for example, find it difficult to get to a store, and to see whether the home delivery option can be provided in a way that improves the

service we offer without increasing consumption. Vinmonopolet in Norway has been offering home deliveries for ten years now and there is no evidence that alcohol consumption has increased. A group of researchers are monitoring the trial and we will decide, on the basis of their findings, whether to make a home delivery option part of Systembolaget's standard service offering.



Key performance indicators and management

SEK
180
million
profit

Systembolaget posted a profit of SEK 180 million for 2012. Year-on-year sales increased and the total volume of drinks sold was 461.8 million litres.

Systembolaget's operations shall generate sufficient economic scope to cover the company's costs, including investments in operational development and renewal. The Owner's Directive states that we shall aim to achieve a return on shareholders' equity that exceeds the average ten-year government bond interest rate by 4 per cent, and that we shall not attempt to maximise our profits.

Positive OPI trend

The monthly Opinion Index (OPI), which measures public support for Systembolaget, shows that approximately seven out of every ten Swedes currently wish to retain Systembolaget's monopoly. This is a clear increase in support levels from the 49 per cent reported in 2001 when measurements began.

Cost control

In order to comply with the owner's requirement that our operations be conducted in a rational way, we work with a number of key performance indicators, including:

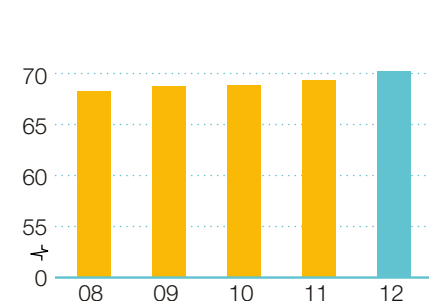
- **Work productivity** – efficiency in-store, based on the number of units handled per day's work.
- **Cost productivity** – the number of units sold over the costs that the store can influence.
- **Wastage**

The key performance indicators are followed up in the stores. Work and cost productivity both improved, year-on-year, in 2012, while wastage increased slightly. Sales costs fell during the year to SEK 2,428 million, mainly due to non-recurring costs in 2011 arising from arbitration proceedings and write-downs of intangible assets. Administrative costs rose by 8 per cent to SEK 523 million.

Lower consumption – less harm

Researchers are essentially unanimous that the more alcohol that is consumed in a society, the higher the level of alcohol-induced harm will be – a total consumption model that is an important starting point for Swedish alcohol policy. Alcohol research in recent years has complemented this model with increased awareness of the importance of young people's binge drinking and of the importance of reaching this group. And it is still true to say that the lower total consumption levels are, the lower the alcohol-induced harm levels will also be.

Opinion Index, 2008–2012, %



The percentage of Swedes wishing to retain Systembolaget and the monopoly on retail sales of alcohol. (TNS Sifo)



Strategic key performance indicators

Systembolaget's strategic planning is based on the Balanced Scorecard method and the strategic management work is based on five perspectives, namely Society, Customers, Personnel, Suppliers and Owners. Several of the key performance indicators are monitored all the way down to store level. We endeavour, wherever possible, to balance our strategic management in line with these perspectives, with no one perspective being more important than the other. Our most important strategic key performance indicators are:

- **Opinion Index (OPI)** – measured every month and showing levels of support for Systembolaget.
- **Age verification checks** – carried out every day and showing how well we are living up to the proof of age check requirement.
- **Sick leave** – measured annually.
- **Quality Supplier Index (QSI)** – measured once a month and showing the contribution our drinks suppliers make to customer value.
- **Customer Satisfaction Index (CSI)** – measured quarterly and showing how satisfied customers are with Systembolaget.
- **Employee Satisfaction Index (ESI)** – measured once a year and showing how well equipped employees think they are to carry out their duties.
- **Trading margin** – gross profit as a percentage of income excluding alcohol tax.
- **Return on shareholders' equity** – net profit for the year as a percentage of the average shareholders' equity.

Key performance indicators 2012

	2012	Goal 2012	2011	2010	2009	2008
Strategic key performance indicators						
Opinion Index	71	68	68	66	66	64
Age verification checks, %	95	94	94	94	93	90
Customer Satisfaction Index (CSI)	81	80	79	78	78	77
Employee Satisfaction Index (ESI) *	78.6	–**	–	–	–	–
Short term sick leave, %	2.4	2,3	2.4	2.6	2.6	2,5
Quality Supplier Index (QSI)*	92.7	–**	–	–	–	–
Trading margin excluding alcohol tax, %	21.3	22.5	21.7	21.8	22.2	22.6
Return on shareholders' equity, %***	12.8	5.6	15.6	14.6	27.3	46.3
Operative key performance indicators						
Work productivity	839	835	836	833	838	798
Cost productivity	0.42	0.49	0.37	0.38	0.4	0.46
Wastage, %****	1.48	1.24	1.36	1.22	1.33	1.28
Sick Leave, %	5.3	–**	4.6	4.9	5.1	5.9
Inventory turnover	24.7	–**	24.5	25.7	25.4	23.2

*New method as of 2012 **no target established ***The owner's goal will be revised in 2013 because Systembolaget no longer prepares consolidated financial statements ****Compared to losses in retail the wastage is very low

The Board of Directors



**Cecilia Schelin
Seidegård**



**Kerstin
Wigzell**



**Thord
Andersson**



**Sven
Andréasson**



**Crister
Fritzon**

	Cecilia Schelin Seidegård	Kerstin Wigzell	Thord Andersson	Sven Andréasson	Crister Fritzon
Board function	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
Born	1954	1945	1961	1952	1961
Principal education	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.
Other positions held	Chairperson of the Vårdal Foundation – for Health Care Sciences and Allergy Research, and of ClinTrials Skåne AB. Member of the Board of Fouriertransform AB.	Chairperson of the Board of the Stockholm Academy of Dramatic Arts. Member of the Boards of the Press Council, the National Swedish Police Board's Ethics Council, the Swedish Society for Medical Research, and Vice Chairperson of the Swedish Pensions Agency and Vice Chairperson of the Board of the Swedish Agency for Health and Care Services Analysis	Unit Manager for the Örebro Regional Development Council. Member of the Board of ALMI Invest.	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.
Elected/ Appointed	Chairperson since 2008	2009	2011	2007	2012
Positions previously held	Hospital Director at Karolinska University Hospital, 2003–2007, Member of the Board of Karolinska Development AB, 2003–2008, President of Huddinge University Hospital, 2003. Member of the Board of Getinge AB, 2003. Vice President in charge of Global R&D Operations at AstraZeneca R&D, 1999–2003, Head of Clinical Research and other managerial positions within Astra Draco, 1989–1999.	Director General of the Government Offices of Sweden, Assistant Undersecretary 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, and the Swedish National Council on Medical Ethics. Chairperson of the Swedish Council for Working Life and Social Research.	Chairperson of Örebro promotion, Chairperson of 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.
Board meetings	11 11	10 11	11 11	8 11	8 9
Meetings with the Audit Committee		5 5	3 3		3 3
Meetings with the remuneration committee	4 4	4 4			
Remuneration	215 TSEK	126 TSEK	116 TSEK	96 TSEK	93 TSEK
	Independent	Independent	Independent	Independent	Independent



Johan Gernandt	Carl B Hamilton	Mona Sahlin	Anna Holgersson	Karin Larsson	Berit Morén
Member of the Board	Member of the Board	Member of the Board	Employee representative	Employee representative Deputy Member	Employee representative
1943	1946	1957	1977	1958	1957
LL.B.	FPhD (Economics).	Social sciences programme, upper secondary school.	M.A. in Human Rights.	Nursing auxiliary, occupational therapy auxiliary and chiropodist.	Two-year upper secondary school course, Staff Nurse.
Lawyer and consultant at Advokatfirman Vinge. Chairperson of the Board of Governors of the Bank of Sweden. Chairperson of the Board of the Stockholm Chamber of Commerce Arbitration Institute. Chairperson of the Board of the Svenska Dagbladet Foundation.	Professor of International Economics at Stockholm University and the Stockholm School of Economics, 1991–2005, Member of Parliament, 2002–, 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 Systembolaget'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, Chairperson of the Salespersons' Club, Jönköping, Member of the Board of the Pension Foundation, Coordinating Work Environment Representative (SAMO) for Systembolaget.	Contact Representative, Chairperson of the Stockholm Managers' Club.
2007	2007	2012	2010	2012	2011
Lawyer and joint owner of Gernandt & Danielsson Advokatbyrå 1992–February 2009. Expert, Limited Companies Committee 1990–2000.	Undersecretary of State at the Ministry of Finance, Member of Parliament, 1991–93 and 1997–98, special commissioner, etc. Chief Economist, Handelsbanken, 1995–1999.	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 Confederation.	—	—	—
10 11	8 11	3 9	10 11	4 4	9 11
96 TSEK	96 TSEK	66 TSEK	—	—	—
Independent	Independent	Independent	Employee representative	Employee representative	Employee representative

Company management



Magdalena Gerger

President

Born: 1964

Education: B.Sc. Economics and Business Administration and MBA, Stockholm School of Economics

Employed: 2009



Marie Nygren

Vice President, Purchasing & Supply Chain Director, Acting Communications Director

Born: 1965

Education: B.Sc. Economics and Business Administration

Employed: 2007



Mikael Wallteg

Vice President, Sales Director

Born: 1957

Education: Internally trained at executive level

Employed: 2001



Ulrika Bennich

CFO

Born: 1970

Education: B.Sc. Economics and Business Administration

Employed: 2011



Mattias Forsberg

IT Director

Born: 1972

Education: : B.Sc. Economics and Business Administration, B.Sc. Civil Engineering

Employed: 2011



Tobias Frohm

HR Director

Born: 1965

Education: Human Resources Specialist

Employed: 2011



Håkan Johansson

Real Estate Director

Born: 1957

Education: Market Economist

Employed: 2001



Malin Sandquist

Senior Legal Counsel

Born: 1972

Education: LL.B.

Employed: 2012

Organisation

Systembolaget's organisation is process-orientated, with responsibility for the principal processes lying with the Sales Operations Area and Purchasing and Supply Chain Management.

Purchasing and Supply Chain Management is responsible for:

- product range development
- the supply of goods from the supplier to the stores' shelves and the customers.

The Sales Operations Area is responsible for:

- operations and sales in the stores. Systembolaget's 421 stores are organised into 27 areas with between 10 and 17 stores in each area. Each area

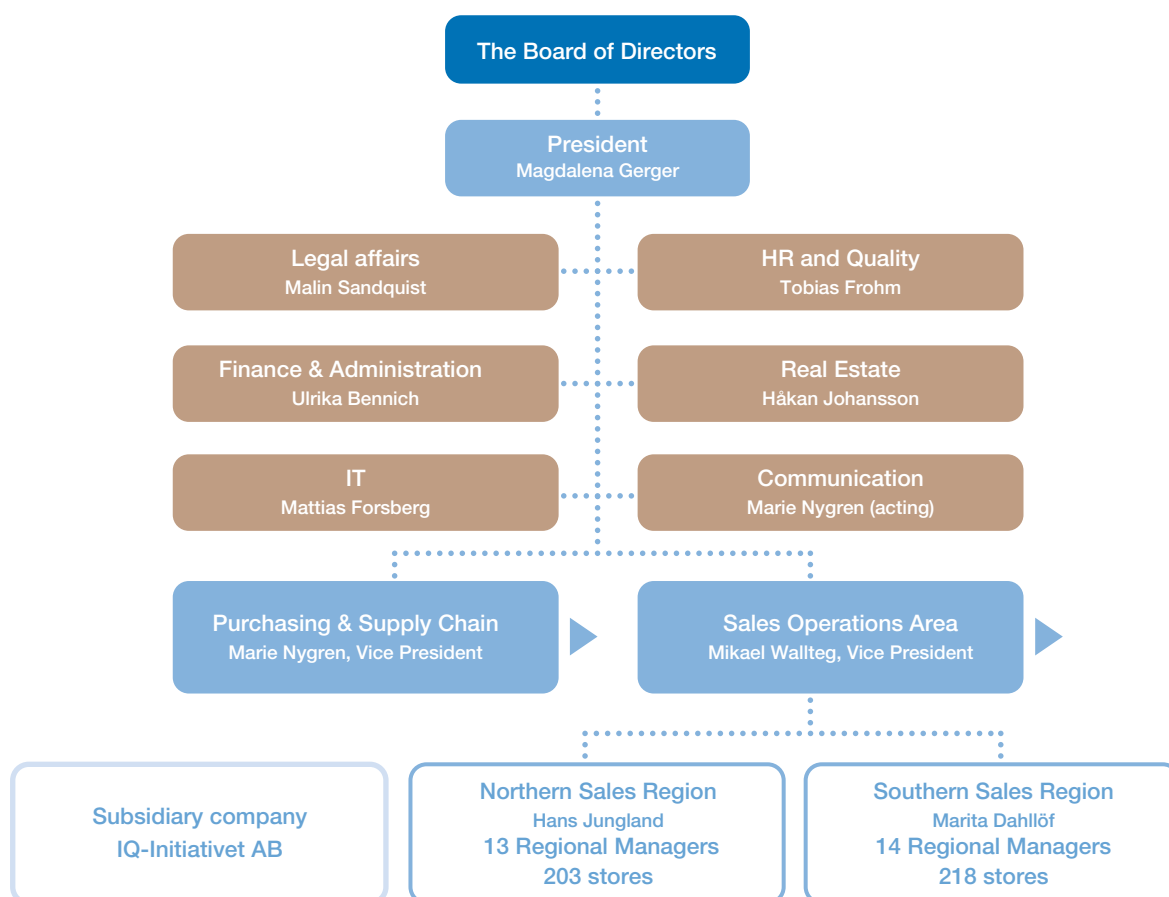
has a Regional Manager who is responsible for the day-to-day contacts between his or her store managers and Systembolaget's Head Office.

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



Systembolaget in figures

Summary of financial reporting and in-depth GRI Report

The financial section and the in-depth GRI Report are presented in Part 2 of Systembolaget's Responsibility Report. Systembolaget has ceased, as of 2012, to prepare any Consolidated Accounts, as the subsidiary companies are not of material importance, financially, in relation to Systembolaget as a whole. The GRI Report is not limited solely to Systembolaget AB and also covers its subsidiary companies.

SEK
25,099
million

Systembolaget's net sales totalled just over SEK 25 billion in 2012.

The financial year in brief

- Net sales totalled SEK 25,099 million, corresponding to a year-on-year increase of 2.8 per cent.
- The operating profit also increased in 2012, to SEK 270 million. The pre-tax profit totalled SEK 248 million, corresponding to a year-on-year decrease of SEK 30 million.
- The cash flow from operating activities totalled SEK 574 million, corresponding to a year-on-year decrease of 67.3 per cent.
- The return on shareholders' equity was 12.8 per cent and hence exceeded the owner's target by 7.2 percentage points. The substantial difference between the result and the goal is due to the fact that, starting in 2012, Systembolaget has ceased

to prepare Consolidated Accounts and the result has been calculated for Systembolaget AB alone, while the goal was set for the Group.

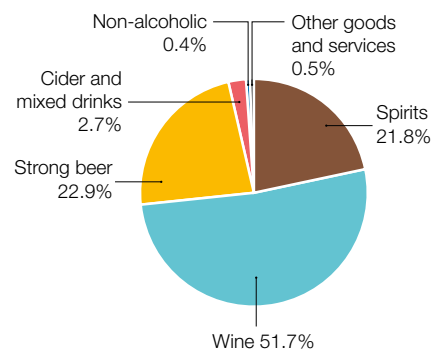
- The Board of Directors proposes that a dividend of SEK 90 million be paid to the owner.
- Systembolaget's assets totalled SEK 5,143 million, of which Cash and cash equivalents and Financial assets were the largest items.
- Liabilities totalled SEK 3,571 million, 89.9 per cent of which comprised accounts payable.
- The equity/assets ratio for the year was 27.4 per cent. The owner's target figure is approximately 35 per cent. Here too, the difference is due to the fact that Systembolaget no longer prepares any Consolidated Accounts.

In-depth GRI Report in brief

Systembolaget has, in accordance with the environmental plan adopted in 2011, focused on an internal programme of work aimed at reducing our negative climate impact. The emphasis of the work during the year was on the handling of packaging, on waste management, and on reducing Systembolaget's own energy consumption.

In 2011, Systembolaget adopted a Code of Conduct produced by BSCI. The Code of Conduct has been included in our General Purchasing Terms & Conditions for alcoholic beverages since 1 January 2012 and applies to all suppliers of alcoholic beverages. Work during 2012 has focused on registering suppliers in BSCI's database and on providing Code of Conduct training for our suppliers.

Systembolagets income 2012



Ten years in brief

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Sales per capita 15 years and over, divided per product group (liters)										
Spirits	2.4	2.4	2.6	2.6	2.5	2.5	2.5	2.5	2.6	3.0
Wine	24.5	24.2	24.1	23.3	21.6	20.9	19.9	19.1	18.7	19.2
Strong beer	2.6	28.7	28.9	29.0	27.5	27.1	25.9	23.9	23.3	24.3
Cider and mixed drinks	2.3	2.4	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.5
Alcohol-free	0.3	0.2	0.2	0.13	0.11	0.11	0.10	0.10	0.09	0.07
A total of 100% alcohol	5.8	5.8	5.8	5.8	5.4	5.3	5.1	4.9	4.8	5.1
Sales in million liters, broken down per product group										
Spirits	19.3	19.4	20.0	20.1	19.1	19.3	18.9	18.8	19.2	22.1
Wine	194.5	191.0	187.9	181.4	166.5	159.5	150.5	143.0	138.7	141.8
Strong beer	227.6	227.1	225.8	226.9	212.4	207.1	195.7	179.0	172.9	179.1
Cider and mixed drinks	18.2	19.1	19.3	19.4	18.5	18.1	18.3	17.0	16.8	18.7
Alcohol-free	2.2	1.7	1.3	1.0	0.9	0.8	0.7	0.7	0.7	0.5
A total of 100% alcohol	46.0	45.6	45.5	44.8	41.6	40.5	38.4	36.4	35.6	37.4

Annual General Meeting

The Annual General Meeting will be held in Stockholm on 25th April 2013.

Financial calendar, 2013

27th April 2013	Interim Report, January–March 2013
15th August 2013	Interim Report, January–June 2013
30th October 2013	Interim Report, January–September 2013
14th February 2014	2013 Preliminary Financial Statement

Contact persons at Systembolaget, tel. (exchange): +46 (0) 8 503 300 00
 Ulrika Bennich, CFO
 Lennart Agén, Press Director

GRI index

Systembolaget reports in accordance with the Global Reporting Initiatives (GRI) guidelines at level B+, as verified by Ernst & Young AB. The report for the 2012 financial year comprises the Parent Company, Systembolaget AB, and the wholly-owned subsidiary companies, IQ-initiativet AB Gamla Distribution i Jordbro and AB K14 Näckströmsgatan, and comprises the operations over which Systembolaget exercises control with regard to financial and operating policies. The basic principle of the reporting is that all of these units are

represented in each indicator. Any deviations from and comments on the GRI indicators are reported here.

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	45–46
2	Organisational profile			
2.1	The name of the organisation	R		2, 43
2.2	Primary brands, products and services	R	6	
2.3	Operational structure of the organisation	R	57	
2.4	Location of head office	R		30
2.5	Countries in which the organisation operates	R		2
2.6	Nature of ownership and legal form	R		30
2.7	Markets served	R	24–26	
2.8	Scale of the reporting organisation	R	1, 52, 58	1
2.9	Significant changes during the reporting period	R	52	
2.10	Awards received during the reporting period	R	11	
3	Report parameters			
Report profile				
3.1	Reporting period	R		43
3.2	Most recent previous report			41
3.3	Reporting cycle	R		43
3.4	Contact person for the report	R	59	
Scope and boundary of the report				
3.5	Process for defining report content	R	9	42–43
3.6	Boundary of the report	R		43
3.7	Limitation of scope or boundary of report	R		43
3.8	Reporting principles for jointly owned companies, subsidiaries, etc.	R		43
3.9	Data measurement techniques and bases for calculation	R		43
3.10	Explanation of effect of re-statements of information provided in earlier reports	R		43
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	R		43
GRI content index				
3.12	Table identifying the location of the Standard Disclosures in the report	R	60–61	
Assurance				
3.13	Policy and current practice for external assurance	R		15, 40
4	Governance, commitments, and engagement			
Governance				
4.1	Governance structure	R		7, 8, 45
4.2	The role of the Chairperson of the Board	R		9, 45
4.3	Independent or non-executive Board Member	R	54–55	7–8
4.4	Mechanisms for shareholders' and employees' to provide recommendations etc., for the Board	R		7
4.5	Remuneration to senior executives	R		10
4.6	Avoiding conflicts of interest within the Board	R		10
4.7	Process for determining the qualifications of Board Members	R		8, 11
4.8	Mission or value statements, code of conduct, etc.	R	8, 9, 37, 42	
4.9	The Board's monitoring of sustainability work	R		10, 17
4.10	Processes for evaluating the work of the Board	R		11

			Part 1	Part 2
Commitments to external initiatives				
4.11	Application of the precautionary approach or principle	R		42
4.12	Externally developed statutes, principles and initiatives	R	42	46
4.13	Membership of organisations	R		42
Stakeholder engagement				
4.14	Stakeholder group	R	10, 11	
4.15	Identification and selection of stakeholders	R	11	42
4.16	Approaches to stakeholder engagement	R	16, 17, 18, 23, 34, 38, 42, 43, 44, 45, 49	42
4.17	Key topics and concerns arising through stakeholder engagement	R	16, 23, 28, 34, 36, 43, 44, 45	

PERFORMANCE INDICATORS

5 Economic Performance Indicators

<i>Sustainability management disclosure</i>			48, 52–53	
Economic performance				
EC1.	Generated and distributed direct economic value	N		
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		31, 33, 49
EC4.	Significant financial assistance received from government	N		
Market presence				
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		
Indirect economic impacts				
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	P		49

6 Environmental indicators

<i>Sustainability management disclosure</i>			28, 30–31	50, 51, 52
Material				
EN1.	Materials used by weight or volume	N		
EN2.	Percentage of materials used that are recycled input materials	N		
Energy				
EN3.	Direct energy consumption by primary energy source	N		
EN4.	Indirect energy consumption by primary source	P		50
EN5.	Energy saved due to conservation and efficiency improvements	R		31
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		

	Part 1	Part 2
EN7. Initiatives to reduce indirect energy consumption and reductions achieved	N	
Water		
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	
Biodiversity		
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	
Emissions, effluents, and waste		
EN16. Total direct and indirect greenhouse gas emissions by weight	N	
EN17. Other relevant indirect greenhouse gas emissions by weight	P	50
EN18. Initiatives to reduce greenhouse gas emissions and reductions achieved	R	51
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	51
EN23. Total number and volume of significant spills	N	
Products and services		
EN26. Initiatives to mitigate environmental of products and services, and extent of impact mitigation	R	28 52
EN27. Percentage of products sold and their packaging materials that are reclaimed by category	N	
Compliance		
EN28. Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	N	
7 Societal impact		
Labour practices and decent work		
<i>Sustainability management disclosure</i>	33–38	53, 54, 55, 56, 57, 58
LA1. Total workforce by employment type, employment contract and region	R	52
LA2. Total number and rate of employee turnover by age group, gender and region	R	53–54
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	54
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	39 54
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	35 55
LA12. Percentage of employees receiving regular performance and career development reviews	R	36 55
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	56–57

	Part 1	Part 2
LA14. Ratio of basic salary of men to women by employee category	P	58
Human rights		
<i>Sustainability management disclosure</i>		42–43 59
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	42 59
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	60
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	
Local community		
<i>Sustainability management disclosure</i>		16–19, 6–7 61
SO1. Nature and scope of the routines that assess the impacts of operations on communities, including entering, operating and exiting	R	7, 14, 16, 17 60
SO2. Percentage and total number of business units analysed for risks related to corruption	R	6, 61
SO3. Percentage of employees trained in organisation's anti-corruption policies and procedures	R	37 61
SO4. Actions taken in response to incidents of corruption	R	62
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	
Product responsibility		
<i>Sustainability management disclosure</i>		21–23, 28–29
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	22, 23 62
PR6. Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	R	62
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	R	62
PR9. Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	N	

Definitions

Age verification

Age verification measures the number of occasions when proof of age has been requested as a percentage of control purchases. The control purchases are made by people in the 20–24 age group. Systembolaget engages an external consultancy company to conduct the purchases. A total of over 6,000 control purchases are made per year in stores and at agents, whereof approximately 600 at agents. Age verification is measured and reported every month.

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.

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 to conduct the survey. The survey base comprises a total of approximately 32,000 randomly selected customers, spread over all of the stores. The CSI is measured and reported quarterly.

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.

Excellent Service

The "Excellent Service" rating is not given in conjunction with normal good service. It is only given for service that has been extraordinary, i.e. when the service has been so good that the customer cannot refrain from telling friends and associates about what happened. The feeling persists long after the visit is completed and the customer is already looking forward to the next visit. Wow! What Excellent Service!

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.

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 owner, to be regarded as independent in relation to the company and the company management.

IQ Alcohol Index

Measured once a year and shows people's attitudes to alcohol and alcohol consumption.

Operating margin

Operating profit/loss as a percentage of income.

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, promille 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 2012) 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.

Supplier Quality Index, SQI

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

Wastage

Wastage, as established during stocktaking, promille 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).

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*Systembolaget is there for everyone.
And we make a difference. Everyone should
be able to rely on us to sell responsibly. 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.*