

# 2009 Responsibility Report

With financial reports



# Systembolaget's 2009 Responsibility Report

Responsible selling is at the heart of Systembolaget's mandate. The Responsibility Report comprises Systembolaget's sustainability report and includes a separate section containing our formal annual accounts and our Corporate Governance Report. The Responsibility Report, as approved by the Board of Directors, discusses the issues we have identified as being of importance for our operations and our stakeholders in 2009. Our work with environmental issues is also highlighted in the various stakeholder sections. We report in accordance with Global Reporting Initiatives (GRI) guidelines, and complementary information is available in the GRI appendix on Systembolaget's website.

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### About the Responsibility Report

The Report comprises the Parent Company, Systembolaget AB, the wholly-owned subsidiaries, Lagena Distribution AB, IQ-Initiativet AB, and AB K14 Näckströmsgatan. Level B Global Reporting Initiatives (GRI) guidelines are applied in the report.

The GRI reporting is certified by Ernst & Young. A full list of contents for GRI is presented on pages 114–115. Please contact Systembolaget on tel. +46 8 503 300 00 with any questions or comments you may have.



# This is Systembolaget

## Consideration for public health

Systembolaget's mandate is based on consideration for public health. Our vision is to create a society in which everyone can enjoy alcoholic drinks with due regard for health considerations and without harming either themselves or other people. Systembolaget shall use its expertise on its customers' behalf, both with regard to the taste characteristics of individual drinks and with regard to their effects on people's health, and shall thereby inspire our customers to make informed choices about drinks and to adopt a healthy approach to alcohol.



## Multi-dimensional responsibility

Our operations affect the world in which we live, both in Sweden and globally. It is consequently important to Systembolaget and only natural for us to act in a socially, environmentally and ethically responsible manner in our stakeholder relationships. We use CSR, Corporate Social Responsibility, as a collective term for this approach. Working towards the establishment of a socially and environmentally sustainable drinks supplier chain is an important part of this work.



## Knowledgeable staff

Responsible selling and satisfied customers are only possible with competent and committed staff. Our three core values – consideration, expertise and inspiration – act as guidelines that enable Systembolaget's 4,744 employees to fulfil their responsible mandate. Our employees receive top marks from our customers for their product expertise and the advice they provide.



### A wide product range

Systembolaget's stores offer a wide and quality-assured range of products. The standard range comprises a total of approximately 2,200 items. Our suppliers also carry ca. 7,000 items in stock that are available for order from any Systembolaget store. 1,725 new products were launched in 2009. The entire purchasing process is brand-neutral and quality certified.



### A nationwide service

Systembolaget has 412 stores and over 500 agents serving smaller communities. The agents do not carry items in stock, but the entire product range can be ordered through them.



*Our mandate:*

To help limit the harmful effects of alcohol.

*Our vision:*

A society in which everyone can enjoy alcoholic drinks with due regard for health considerations and without harming either themselves or other people.

*Our business concept:*

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

## New challenges

Systembolaget is a stable, well-run company. We are popular and our employees are committed. We have become more service-minded and more knowledgeable. We have strengthened our age verification checking, modernised our stores, and expanded the range. Systembolaget's foundations are, in other words, solid and stable. It would be easy for us to rest on our laurels, but nothing could be more foreign to us. And indeed, this is reflected in the new strategic plan that we have drawn up for the period from 2010 to 2013, whose theme, throughout, is development.

The new strategic plan, which has been adopted by the Board of Directors, is based on our owners' directive, the Swedish Alcohol Act, and on extensive analysis of the outside world. The plan has two dimensions: firstly, our customer service must improve even further, and secondly, we shall do even more to help limit the harmful effects of alcohol by helping to establish a more aware approach to alcohol.

### **An involving mandate**

We did not invent our own mandate. It was given to us by Sweden's Parliament. Systembolaget shall, within the framework of Swedish alcohol policy, be an efficient tool and shall help limit the harmful effects of alcohol in society. We do this by ensuring that our sales are not driven by a profit motive and by limiting the availability of alcohol. Superficially, we are a retail company that sells alcoholic beverages, but we also have a social responsibility that acts as a clear motivating force – and we must become even better at conveying that fact in future.

Our vision is of a society in which everyone can enjoy alcoholic drinks with due regard for health considerations and without harming either themselves or other people. A vision of a society in which no one is harmed by alcohol may seem audacious or utopian, but the point of the zero vision is that it clearly shows our goal.

### **Focusing on health**

Systembolaget's role is to help forge a more sensible approach to alcohol, irrespective of where it is bought and of who drinks it. Our responsibility

is a far-reaching one. It doesn't stop with our customers: it also includes teenagers, the children of adults who drink, and many others besides. Bearing in mind the people who suffer violence, accidents and diseases as a result of alcohol, working to reduce the harmful effects of alcohol is a must. At the same time, we cannot ignore the fact that alcohol is associated with pleasure: a good beer or a good wine, for example, can make a meal even more enjoyable.

### **A more proactive customer interaction**

If we are to live up to our new strategic plan, we must free up the time and energy needed to become even more closely involved with our customers. We must continue to provide good service and to develop our stores so that they support a good customer interaction. At the same time, we shall invite our customers to enter into a dialogue and become even clearer about the way we take responsibility for our public health mandate. We cannot simply focus on service and efficiency without simultaneously working with our social responsibility – and vice versa. Our customers are also citizens. We must interact with them in both of these roles.

### **Satisfied citizens and satisfied customers**

The SIFO survey company carries out monthly opinion surveys of a representative selection of the country's population. This gives us an indicator of how Swedes see us and of our role in society. The results show that people like Systembolaget more than ever before.

In 2009, Systembolaget had approximately 114



million customers. We naturally want our customers to like us, our service, and the fact that we take responsibility. The Customer Satisfaction Index survey for 2009 shows continued appreciation for what we do. The index figure has increased since last year and is now 78. Customers particularly appreciate our staff for their expertise and positive attitude.

#### **Responsibility for people and the environment**

There has been a considerable global focus on environmental and climate issues during the year. CSR issues are becoming increasingly important for all companies. For Systembolaget, this trend not only imposes a responsibility; it offers an opportunity.

We, in common with the other Nordic alcohol retail monopolies, are a key player when it comes to alcohol purchasing. This gives us the opportunity to be a catalyst for developing the sustainability work of the global drinks industry. In consequence, we have begun work on a Nordic CSR partnership over the past year, with the aim of forging a sustainable chain of drinks suppliers. We are conducting a dialogue with our drinks

suppliers, training both them and ourselves on human rights issues, working conditions, corruption and the environment. The work is based on the UN initiative, the Global Compact.

The Nordic CSR partnership offers all of the players involved – including Systembolaget – the preconditions needed to change the way we work so that we focus more on sustainability. In 2010, we will be adopting a joint code of conduct for the alcohol retail monopolies in Sweden, Norway, Finland, Iceland and the Faeroes. Our goal is to have achieved a clear, systematic approach to ensuring a sustainable drinks suppliers chain by 2013.

#### **Targets met**

Alcohol consumption in Sweden fell in 2009 for the fifth year in succession, according to SoRAD\*. One noteworthy aspect of this trend is that an increasingly large percentage of alcohol sales in Sweden are occurring through Systembolaget, at the expense of a lower percentage of imports by

\* Centre for Social Research on Alcohol and Drugs, SoRAD at Stockholm university.






travellers. The fact that alcohol consumption is falling is a positive trend and means one of the targets of the alcohol policy has been met. Systembolaget is part of this policy, due to its mandate to limit the harm caused by alcohol and thereby improve public health. At the same time, the change in our drinking habits that has been taking place over a number of years now gives grounds for thought: beer and wine are taking over the former primary role of spirits, and wine, in particular, has become more and more a part of everyday life in Sweden. This trend is a worrying one and the long-term consequences are, as yet, unclear.

Our operations have, in every other respect, continued to develop according to plan, and we have noted improvements in a number of spheres in 2009. Our cost control is good and our owners' return requirements have been met.

### Employee development

Considerable effort has been put into developing our employees' skills during the year. We have, amongst other things, developed the range of courses we offer internally and the way we teach them, and have launched an IT support system. In the autumn of 2009, Systembolaget's managers got together for a two-day meeting in order to begin work on realising the new strategic plan. Our aim, through this work, is to realise the plan so that it utilises our employees' commitment and generates new opportunities.

We measure our employees' satisfaction on a yearly basis in the form of an Employee Satisfaction Index. Last year's survey yielded an historically high value and one that is also high in comparison with other companies.

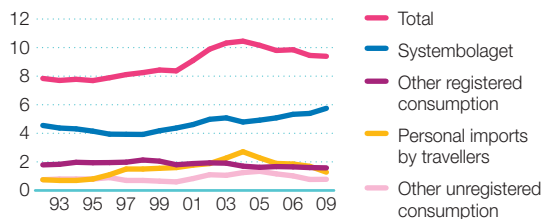
Stakeholder	Orientation		Result 2009	Goal 2010	Goal 2013
Society 	We must actively contribute to the realisation of a public health-orientated alcohol policy and achieve strong popular support.	OPI	66%	66%	66%
		Proof of age checks	93%	93%	94%
Customers 	We shall develop, through participation, a cutting edge offering and shall invite participation in a dialogue on alcohol and health.	CSI	78%	78%	80%
		Customer interaction checks	*	*	*
Employees 	We shall have skilled and committed employees and managers who carry out and communicate our mandate.	ESI	75%	75%	75%
		Short sick leave	*	*	*
Suppliers 	We shall be perceived as professional and transparent and, in dialogue with our suppliers, live up to our customers' expectations.	SSI	*	*	*
		Supplier survey	*	*	*
Owners 	We shall be sustainable and cost-effective in every process and decision.	Trading margin	22.2%	22.5%	22.5%
		Return on shareholders' equity	8.5%	8.0%	8.5%

\* Up to date key ratios are currently being compiled



**Alcohol consumption, 1993–2009**

(litres of 100% pure alcohol per head of population aged 15+)



Source: SoRAD

**Other events in 2009**

In early 2009, we began testing an online ordering service through our website that enables customers to order products on line and then choose a local store from which to collect them.

We have developed the store concept for our larger stores, with clearer department delineation, making it easier for customers to find what they are looking for.

We conducted a wide-ranging campaign designed to counter bootlegging. Countering bootlegging is part of our selling rules and we consequently put considerable effort and work into telling people about it. The campaign was primarily aimed at parents and gave them advice and tips on how to deal with teenagers who ask them to buy alcohol for them. It's about having the courage to say no, and about having the arguments at hand to be able to say no, and mean it.

Exchange rate fluctuations meant that some suppliers expressed their dissatisfaction about our failure to organise an extra round of price changes, over and above the two we already hold every year. Our monopoly means that predictability is important in the context of our commercial relationships with suppliers, which was why

we did not accede to their demands. The Swedish Competition Authority, which supervises our operations continuously, ruled that we had acted correctly.

Our subsidiary company, Lagenä, operates in a changing industry in a competitive market. Deficits and personnel who were now surplus to requirements meant that Lagenä was forced to lay off 33 employees in June. This resulted in the outbreak of a wildcat strike. After negotiations with the trade unions, a total of 26 employees were given notice.

**High ambitions**

Our new strategic plan has seen us set the bar for the next few years. It means thinking, in part, in a new way. It also means, fundamentally, that we must continue to live up to – and preferably exceed – the ambitious goals we have set in relation to our various stakeholders. We have undertaken to become more customer-orientated and active, and to be clearer in our dialogues with our customers in order to meet their expectations, including with regard to alcohol and health.

This will demand energy and commitment from every single member of our organisation. Our ability to change will be put to the test. But I am convinced that every Systembolaget employee will accept the challenge and roll up their sleeves. Is there really anything that is more stimulating than the chance to be part of working with what is, perhaps, the most important public health issue of our time?

Magdalena Gerger  
President

## The Swedish model

Many of us appreciate alcoholic drinks and drink them in moderation, but this does not mean that we can ignore the fact that alcohol is, at the same time, one of our greatest public health problems. The more alcohol the population of our country consumes, the more diseases, accidents and social problems we suffer as a direct consequence. The goal of the Swedish alcohol policy is, therefore, to reduce total alcohol consumption.

One of the ways in which alcohol consumption can be reduced is by limiting its availability. One of the most important tools in achieving this goal is Systembolaget. Systembolaget's monopoly ensures that the retail market for alcohol in Sweden is free from any profit-making interest, which is vital in terms of realising the alcohol policy approved by Sweden's Parliament.

### Health, not profit

In a competitive market, there is a constant battle between different companies who endeavour to win new customers and markets. This promotes sales and, hence, consumption. The owners' desire to maximise their profits is a strong driving force in this scenario.

Different rules need to apply for products such as alcohol, which can have significantly negative consequences. If the aim is to promote the overall goal of well-being and welfare, it is both rational and natural to eliminate the sales-boosting forces that free competition entails. As the sole player in the market, Systembolaget can conduct its opera-

tions with a view to public health, rather than endeavouring to maximise its profit.

### No ordinary monopoly

The aim of a monopoly is, in part, to protect domestic production of goods. This has, however, never been Systembolaget's objective. Quite the reverse, in fact. One of the fundamental preconditions of the compliance of Sweden's alcohol monopoly with EU rules on competition is that Systembolaget observes equality of treatment, objectivity and transparency requirements. This means, amongst other things, that Systembolaget may not favour Swedish products.

### Sweden as a role model

The Swedish model for alcohol sales is 160 years old (see below to follow the timeline). In the mid-1800s, Sweden had amongst the highest levels of alcohol consumption of any European country. Swedes drank almost four times as much alcohol per capita then as we do nowadays. So Systembolaget undeniably makes a difference.

*It all started in 1850 with the formation in the county of Dalarna of a company that was granted exclusive rights to operate outlets for the sale and serving of alcoholic drinks. This was the world's first ever alcohol monopoly and it worked so well that the model spread nationwide. In 1955, the various local monopolies were merged to form a single, nationwide one.*

**1850**

"Systembolaget" is formed by a group of mine-owners in Falun. Spirits would be sold "without taking into account profit or advantage" and the surplus would accrue to the town and be used for public good causes.

**1919**

Ration books are introduced nationwide after five years of trials in Stockholm. Only those who conducted themselves in an "appropriate" manner would receive a ration book. "Appropriateness" was often determined by the individual's wealth and position in society.

**1955**

The ration book was abolished and the 41 local Systembolaget companies were merged to form a single, national one – Nya Systemaktiebolaget.

Monopolies exist in one form or another in a number of different places worldwide. In the USA, for example, monopolies were established in several states during the 1930s, and most of them are still in place. Public health was one of the main reasons for establishing these monopolies. The financier, John D Rockefeller, commissioned a study in this context with the aim of determining the best way to sell alcohol with regard to public health. The answer was that the Swedish model was the best one.

### From an agricultural issue to a public health one

Our neighbouring countries of Finland and Norway have alcohol monopolies that essentially function in the same way as the Swedish one. As is the case in Iceland and the Faeroes. The Swedish model is, in other words and in many respects, a Nordic model.

The way in which alcohol products are viewed is gradually changing in the other European countries as well. Awareness of the harmful effects of alcohol has increased. There is increasing talk of regulation, rather than liberalisation. Minimum age limits for purchasing alcohol are being raised. Warning texts are being introduced on labels. Slowly but surely, what has always been an agricultural issue is becoming a public health one.

### Alcohol on the agenda

The current Swedish Alcohol Act came into force in 1995. A review of the Act was carried out in

2008 and the Government intends to place a new Bill before Parliament in the spring of 2010. Remote selling and farm shop sales are key issues for Systembolaget.

On the international front, the World Health Organisation (WHO) is currently working on drafting a global alcohol strategy, with the intention of presenting it at the World Health Meeting in 2010. The European Commission, meanwhile, published its first report on the implementation of the EU's alcohol strategy in September 2009. The alcohol and health issue is thus becoming an increasingly topical one from both a national and an international perspective.

The Swedish Government organised a meeting of experts on the subject of alcohol and health during Sweden's EU presidency. The theme of the meeting comprised two aspects of the EU's alcohol strategy, namely the ways in which we can protect children, young people and unborn babies from alcohol-related harm, and the ways in which alcohol-related illness and injuries in adults can be prevented, with particular reference to workplaces and the elderly. Systembolaget participated in the meeting, which included a presentation by Systembolaget's President of the importance of good age verification checks.



*In the mid-1800s, Swedes drank almost four times as much per capita as we do nowadays.*

#### 1965

Class II B mid-strength beer is introduced and sold in grocery stores. Mid-strength beer sales increased dramatically during the 1960s and the first half of the 1970s. The sale of mid-strength beer in grocery stores was banned in 1977.

#### 1991

Systembolaget opens the first self-service store in Filipstad.

#### 1995

Sweden joins the EU. All alcohol monopolies are abolished with the exception of Systembolaget's retail monopoly.

#### 1997

The European Court rules that Systembolaget's retail monopoly is compatible with EU law (the Franzén document).

#### 2007

The European Court rules that Sweden's ban on remote sales of alcohol contravenes EU law, which means that alcohol can be ordered from other countries, e.g. online, but that Swedish alcohol taxes will still be payable (the Rosengren ruling).

#### 2004

The Swedish exemption with regard to tax-free personal import quotas is abolished for travellers and the EU's indicative values for private consumption come fully into force.

## The downsides of alcohol

Alcoholic beverages are closely linked with culture, history and tradition. For the majority of consumers, alcohol is mainly associated with the positive sides of life – socialisation, parties and meals. But there are also a great many downsides to alcohol. Judgement, reactions and control deteriorate when a person drinks. And from the wider perspective, alcohol can cause serious problems, not only for the individual, but for those around them and society as a whole.

The consequences of alcohol for people other than the person drinking offer a very good reason for reducing the burden and the scope of alcohol-related problems. According to the Swedish National Institute of Public Health, approximately 400,000 Swedish children have a mother or father who drinks too much. Aggressiveness, abuse and social problems are often the result.

### High costs

Long-term alcohol abuse can cause dependence, sick leave, and chronic diseases such as cancer. Over 10,000 hospital beds are used by the social services and medical system to treat alcohol-related diseases and injuries. Between 5,000 and 7,000 Swedes die every year due to diseases or injuries linked with the consumption of alcohol. Almost one third of all drivers who die in a traffic accident are under the influence of alcohol.

It is difficult to calculate the total cost to society of alcohol, and opinions of different parties vary widely when it comes to how such a figure should be calculated. What is, however, clear is that we are talking about several tens of billions of kronor every year and that society's costs exceed its income from alcohol by a wide margin.

### Reduced consumption important

Researchers are agreed: there is a clear link between a population's average alcohol consumption and the number of heavy consumers. If average consumption increases, the number of heavy consumers also increases. The conclusion is that all Swedes have a shared and communal responsibility for our country's health status and that by

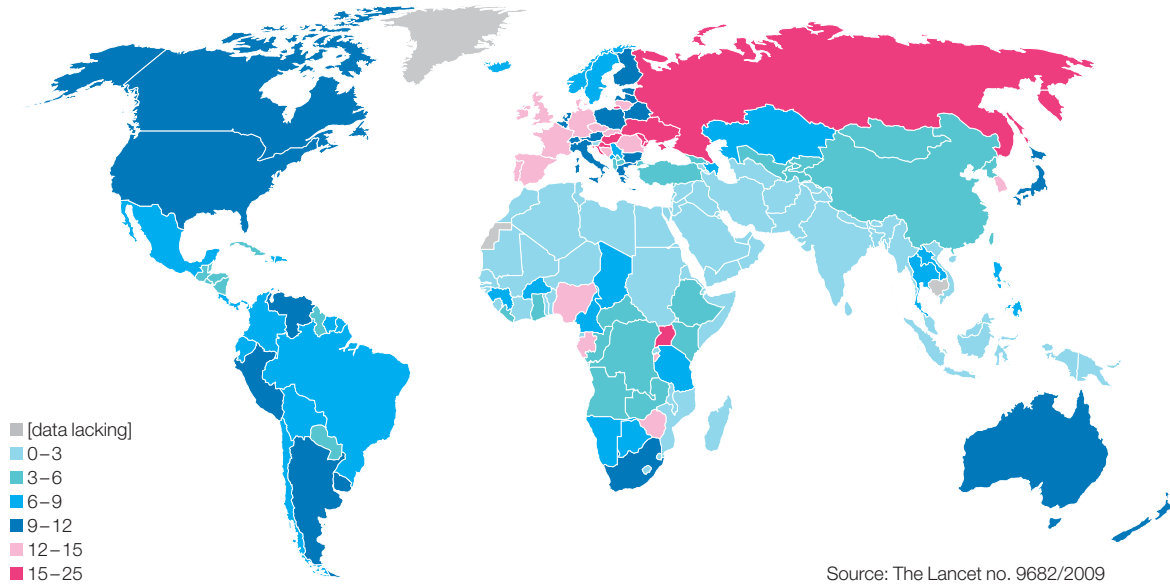
taking measures that reduce total consumption, we can also influence the heavy consumers.

But alcohol problems are not just related to the minority that consumes the largest amounts or are addicted. The majority of the problems that alcohol causes occur amongst the large group of low- and mid-level consumers. The risk of a given individual suffering problems is, of course, lower the less they consume, but because the group of low- and mid-level consumers is so large, the combined problem level for the population as a whole is high. These problems take the form of an increase in the number of cases of cancer, heart disease, mental problems, accidents, sick leave, reduced productivity, etc. This is a very important reason why consumption by the population as a whole must be reduced.

### Alcohol and global health

The British medical journal, The Lancet, published three articles containing reviews of alcohol and global health in 2009. The first article described the role of alcohol in disease and costs. Worldwide, alcohol accounted for 3.8 per cent of mortality and 4.6 per cent of the burden of disease in 2004, and is hence one of the biggest remediable risk factors. Alcohol's share of the burden of disease is estimated to have increased by 15 per cent since 2000.

Alcohol's costs are estimated at over one per cent of GNP in high and average income countries, and include not just the cost of treatment and care, but the cost of social consequences. The articles state that it is vital that efforts to reduce the burden and costs of alcohol are increased. Research findings show that making alcohol more



*Exposure to alcohol globally – registered and unregistered consumption, per country in 2003. (Litres of pure alcohol per adult). Sweden’s consumption is relatively low.*

expensive and less easily available are two very cost-effective measures.

### European consumption

The European Commission published its report on the implementation of the EU’s alcohol strategy in September 2009. The report states that alcohol is the third biggest factor for ill health in the EU and that it causes 195,000 deaths every year. Consumption levels have remained unchanged in most of the member states between 2002 and 2006, but in eight countries, it increased.

Most countries are endeavouring to raise the minimum age for the purchase of alcohol and to reduce the blood-alcohol level for DUI (driving under the influence) offences. The report states that work on the alcohol strategy has begun promisingly but that much remains to be done. The economic crisis has also led to a focusing on the role played by alcohol consumption in health inequalities.

## If Systembolaget didn't exist

Swedes have two roles in relation to Systembolaget – as citizens and as customers. Systembolaget must balance these roles at all times. As customers, Swedes demand availability and good service. As citizens, they demand that Systembolaget fulfils its responsible role when it comes to limiting alcohol consumption and thereby promoting public health.

It is, to some extent, a hypothetical question in that there is no basis for comparison, but it is still possible, with expert help, to produce a theoretical mapping of what Systembolaget means to public health in Sweden.

### The alternatives are frightening

An international group of researchers, headed by Harold Holder at the Prevention Research Center in California, in response to a request by the Swedish National Institute of Public Health, studied what the effects would be if Systembolaget's monopoly were to be abolished and replaced, either with sales in licensed stores that only sell alcoholic drinks, or sales in food stores.

The findings were deliberately cautious, but very clear: the average annual consumption per person (over the age of 15) would, according to the researchers, increase by 14 per cent (1.4 litres/person) if sales were limited to licensed specialist stores, or by 29 per cent (2.8 litres/person) if all alcoholic drinks were sold in food stores. This increase should be added to the estimated total consumption figure at that time of 9.7 litres/person/year.

From a public health viewpoint, increased total consumption always means increases in alcohol-related harm. According to the report, which shows the figures for 2005, a shift to licensed specialist stores would entail 700 more deaths, 6,700 more cases of abuse/violence, and 7.3 million more days off sick. The alternative, with a shift to allowing alcohol to be sold in food stores, would lead to 1,580 more deaths, 14,200 more cases of abuse/violence, and 16 million more days of sick leave. The increase



### Increase in certain alcohol-related harm and diseases if the alcohol monopoly is abolished

	Specialist stores	Food stores
Alcohol-related diseases, deaths	460	1,060
Fatal accidents	110	240
Suicide	130	290
Murder	10	30
Total deaths	720	1,620
Reported cases of violence/abuse	7,900	16,700
Days claiming sick leave	4,900,000	10,700,000

Source: If Retail Alcohol Sales in Sweden were Privatized, what would be the Potential Consequences? Harold Holder et al., Swedish National Institute of Public Health, 2007, updated by Thor Norström using the figures for 2006.

in harm due to days off sick would, under the food store scenario, result in a fall in production corresponding to SEK 12.7 billion.

The report's summary is clear: the consequences of introducing a system whereby alcohol was sold in licensed private stores would, in 2008, clearly be to the detriment of public health and safety in Sweden. These results are very much in line with the findings of alcohol research on which WHO, for example, bases its stance.

### Increased risk of accidents at work

Gunnar Wetterberg, who is the head of the Swedish Confederation of Professional Associations' socio-political issues department, has written a book focusing on the relationship between alcohol and working life. How much production is lost due to alcohol abuse? What is the role of alcohol in workplace accidents? What is the cost to society?

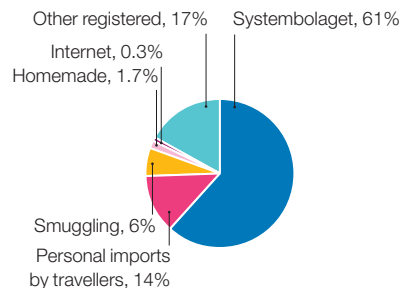
Gunnar Wetterberg refers, with regard to the loss of production, to the Swedish Social Insurance Agency's statistics which show that between 0.8 and 0.9 per cent of periods of sick leave in excess of 59 days can be linked to alcohol-related diagnoses (figures for 1999–2003). Between 2 and 4 per cent of those on long-term sick leave were alcohol, drug or pharmaceutical abusers. The author's conclusion is, however, that these figures are without doubt an underestimate in that alcohol problems are often hidden behind other forms of ill health.

The part that alcohol usage plays in increasing the risk of accidents in the workplace is clear, according to Gunnar Wetterberg, but opinions differ widely on the scale of the problem. The author cites a number of examples: German official statistics, for example, state that between 7 and 10 per cent of workplace accidents are alcohol-related. And the figure for workplace accidents with a fatal outcome is undoubtedly higher. American and British studies show that in between 4 and 11 per cent of cases, the accidents involved blood-alcohol concentrations in excess of 0.8 mg of alcohol per 100 ml of blood.



### Total alcohol consumption

Percentage of consumption, measured as pure alcohol per head of population aged 15 or more in 2009



## EU compliance

When Sweden became an EU member state, the EU approved Sweden's retention of its retail monopoly, noting that the fundamental purpose of Systembolaget was to protect public health from the harmful effects of alcohol. The approval was contingent upon Systembolaget complying with EU law, including the non-discrimination requirement.

Swedish products may not be favoured. Prices must be set in accordance with objective criteria that apply equally to domestic and foreign products. It must also be possible for Systembolaget's drinks suppliers to appeal decisions to reject tenders and decisions to remove a product from the range. This requirement led to the establishment of the Swedish Alcohol Product Range Board (part of the Alcohol & Pharmaceuticals Product Range Board).

The Alcohol Product Range Board has decided, amongst other things, that the sale of bag-in-box format wine and mixed drinks – "alcopops" – must be permitted in Sweden, after Systembolaget had rejected tenders for these types of products with reference to public health. Bag-in-box wines now account for over half of all wine sales in Sweden.

The agreement with the EU also stipulated that the Swedish Competition Authority shall monitor Systembolaget's operations to ensure they are non-discriminatory. The Swedish Competition Authority, which reports to the Commission twice yearly, has not found any evidence that Systembolaget's operations are conducted in a discriminatory way since it began reporting.

### Successive adaptation

A number of adaptations in line with EU law have been made since Sweden's accession. In 2006, the European Court ruled that Swedish alcohol tax must also be paid on imports for private use, the only exception being when the traveller personally transports the products across the border. As a result, the Swedish Alcohol Act was amended on 1st July 2008.

The European Commission was also of the opinion that the tax on beer, which is mainly manufactured in Sweden, was too low in com-

parison with the tax on wine, which is mainly manufactured in other member states. The Swedish Parliament decided, therefore to equalise the difference, as of 1st January 2008.

### Farm shop sales a hot topic

Swedish alcohol producers' option of selling alcoholic drinks at their place of manufacture, known as "farm shop sales", is a topic that has been the subject of much discussion. The key question is whether farm shop sales like this are compatible with the Swedish alcohol policy, the retail monopoly and EU law. The Alcohol Act Commission report, presented in the spring of 2008, came to the conclusion that farm shop sales are not compatible with EU law and should not, therefore, be





permitted. In January 2010, the Government presented a Council on Legislation report containing a proposal for a new Alcohol Act. The report states that the question of farm shop sales must be investigated further and that a proposal should be drawn up regarding ways in which farm shop sales could be permitted in a manner that complies with EU law and Systembolaget's retail monopoly, and without having negative consequences for public health.

Systembolaget can, however, see one way in which it would be possible to meet the wishes that have been expressed with regard to expanding the services provided by farms and their visitors as part of Systembolaget's operations and within the framework laid down by EU law. It would be done via the new, developed online ordering service. Customers would place their orders at the farm and then collect the products from a Systembolaget store. The producers are also able to stock their products in the Systembolaget store closest to the production facility.

### Falling alcohol prices

The real price index for spirits, wine and strong beer has fallen by 2 per cent, 3 per cent and 30 per cent, respectively in Sweden since her accession to the EU, while during the same period, households' disposable income has risen by over 30 per cent. This has been a contributory factor in the increase in Swedish alcohol consumption seen during the past decade.

Sweden has the sixth highest prices for alcoholic drinks in Europe, according to a comparison conducted by the EU's statistics organisation, Eurostat, in 2006. The highest prices were in Norway and Iceland.

### Liberal import rules

Free imports by travellers for their own use bring strong downwards pressure to bear on alcohol taxes when there are differences between adjacent countries' tax rates. Denmark and Finland have cut their alcohol taxes for precisely that reason. In Finland, this led to an increase in alcohol consumption, and as a result, the tax on alcohol was once again raised, most recently in the autumn of 2009.

The so-called indicative level should, according to EU regulations, act as a guideline for when a person's imports in conjunction with travel should be regarded as being for personal use. For alcoholic drinks, the indicative level is set at 10 litres of spirits, 20 litres of fortified wine, 90 litres of wine, and 110 litres of beer. This corresponds to approximately 2.5 years' consumption, according to the Swedish Institute of Public Health's maximum limit for moderate drinking.

### Price level index for alcoholic drinks

Norway	229
Iceland	226
Ireland	181
Finland	170
UK	152
Sweden	145
Denmark	128
EU-27	100
France	91
Germany	82
Spain	81
Bulgaria	69

Source: Eating, drinking, smoking – comparative price levels in 37 European countries for 2006, Eurostat

## Balancing responsibility and service

A high sales price for alcohol, due to high taxes, has been shown to be an effective way of limiting consumption and reducing harm. But this approach requires the support of the population and the restrictions must be perceived as reasonable. For Systembolaget, this means maintaining a careful balance between social responsibility and good service.

The ways in which Swedes regard alcohol and its effects, and their attitude to restrictions, are fundamental. They must be matched by expectations of what constitutes good service. But even if the external preconditions are constantly changing in these respects, it is vital that Systembolaget, at all times, is true to its mandate to limit the harmful effects of alcohol.



*Systembolaget does not sell to anyone under the age of 20. Surveys carried out in 2009 show that our age verification checking has never been better.*

### The mandate is clear

The retail monopoly exists for one reason and one reason only: alcohol-related problems are reduced if alcohol is sold in the absence of a profit motive. Systembolaget's mandate is to help limit the harmful effects of alcohol and thereby improve public health. Systembolaget's mandate is governed by the Swedish Alcohol Act, by Systembolaget's contract with the government, and by the directives issued by the government in its capacity as our owner.

Total alcohol consumption shall be reduced by limiting availability. This is achieved by controlling the retail outlet network and opening hours. Sales shall be handled in a way that prevents, wherever possible, the harm caused by alcohol. Systembolaget works actively to comply with the selling rules laid down in the Swedish Alcohol Act – not to sell to persons under the age of 20, not to sell to persons who are intoxicated, and to work to counter bootleg sales. The operations shall be conducted efficiently and Systembolaget shall also provide information on the risks associated with alcohol consumption in a clear and communicative manner.

### A balancing act

Parliament's decision to introduce Saturday opening of Systembolaget's stores is one example of the balancing act between availability and public

health. Systembolaget's decision to introduce self-service was another. This decision was taken after a long trial period and was designed to boost Systembolaget's legitimacy amongst Swedes. Surveys show that customers prefer self-service, the ability to choose for themselves, and that waiting times are perceived as shorter.

### Factors that affect sales

Thor Norström and Mats Ramstedt, both alcohol researchers at Stockholm University, have been commissioned by Systembolaget to study the ways in which factors such as price, income, opening hours and the number of retail outlets affect the sale of alcoholic drinks.

The starting point for the study was Systembolaget's sales trend between 1995 and 2007 – a period during which prices for spirits and wines fell marginally in real terms, while the price of beer fell by ca. 30 per cent and households' disposable income rose by over 30 per cent, in real terms. Systembolaget introduced Saturday opening in 2002 and the number of stores increased.

The researchers concluded that the increase in sales of strong beer and wine is only linked, to a minor degree, to increased retail outlet density and Saturday opening. What was, however, absolutely critical in terms of the increase in sales of these products, according to the researchers was the fact that households' disposable income rose by 30 per cent during the period from 1995 to 2007.

The researchers expected changes in price, income and availability to result in a ca. 40 per cent increase in spirit sales, but in fact, sales actually decreased by almost that amount. This may be due to Systembolaget's sales being replaced by imports by travellers or other unregistered sales.



*The ability to choose for themselves in-store is important to Systembolaget's customers. 357 of our 412 stores are now equipped to offer self-service.*

### **A good balance is key**

Systembolaget's mandate is based on a solidarity with and concern for people who risk suffering as a result of alcohol consumption. Our solidarity and concern are also reflected in our constant endeavours to develop our social, environmental and ethical responsibility.

Responsibility and service are the two con-

cepts upon which all our operations are based and we must achieve a good balance between them at all times. We cannot simply focus on service and efficiency: we must simultaneously work to fulfil our social responsibility.

## Key issues guide sustainability work

Systembolaget’s operations, including our sustainability work (CSR), are based on our mandate. In 2009, we integrated CSR into our new, four-year strategic plan and formulated a new ethical policy. We have chosen to employ the UN initiative, Global Compact and its four areas – human rights, labour, environment and anti-corruption – as the framework for our sustainability work.

All companies have a responsibility for issues relating to social responsibility and sustainable development, whether they are state-owned or private sector companies. The state-owned companies shall, under the terms of the government’s ownership policy, act as a role model in this and other respects.

### Responsibility part of the mandate

Systembolaget’s alcohol policy mandate means accepting a social responsibility. We are also tasked with implementing this responsibility in a way that is sustainable for both people and the environment. Our customer surveys show that our customers appreciate the fact that we accept this augmented social responsibility. Systembolaget, together with the other Nordic alcohol monopolies, are a significant global purchasing player, and we are hence uniquely positioned to exert a sustainable influence.

### A tripartite social responsibility

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.

Systembolaget also works with alcohol issues by supporting analysis of and research into alcohol, the communication of alcohol-free alternatives, and our IQ-initiativet AB subsidiary company, which highlights good examples of a smarter approach to alcohol.

Our social responsibility also includes the work we carry out with the aim of performing our mandate in a socially, ethically and environmentally responsible way. We use CSR as a collective

term to refer to this work, and employ the ten principles of the UN Global Compact initiative with reference to human rights, labour, environment and anti-corruption as our framework structure for this work.

### CSR – part of the strategic plan

Systembolaget’s CSR goals are expressed as follows: “Taking responsibility for human rights, labour conditions, anti-corruption and the environment within our own operations and our supply chain, in accordance with the principles of the Global Compact, by acting in a sustainable and cost-effective way in all our processes and decisions.”



- Limit the harmful effects of alcohol
- Extend involvement in alcohol issues
- Sustainability work/CSR  
Conduct operations in line with the principles of the UN Global Compact initiative

In 2008, Systembolaget drafted a platform describing the way in which we shall take responsibility for our impact on people and the environment, the proper objectives of the work, and the way in which it shall be conducted. The work was preceded, in 2007, by an intelligence survey of the world in which we live and operate, a risk analysis, and a stakeholder dialogue. Some of the platform is presented in this section. Systembolaget's CSR group produces an annual sustainability action plan, based on the goals set. The financial perspective has been expanded in the new strategic plan for 2010–2013 to include a requirement that we be sustainable and cost-effective in all our processes and decisions.

#### **Coordinated CSR work**

Systembolaget's CSR work is an integral part of its day-to-day operations and follows governmental sustainability guidelines. The Board of Directors, the company management in general, and the Marketing Director in particular, have previously had primary responsibility for this work. As of 2010, the Purchasing Director has primary responsibility for the work.

CSR issues have regularly been included on the agenda at company management group meetings in 2009. The company management is supported in this work by an interdisciplinary CSR group. The group, which is led by a CSR Coordinator, plays a general role in the strategic planning and operational coordination work. In 2009, we set up a CSR steering group whose principal role is to prepare issues for decisions by the company management.

The environmental and anti-corruption work is steered by an environmental and an ethics group. Issues relating to human rights and labour conditions in the drink supply chain are addressed within the framework of the Nordic CSR partnership.

#### **Our most important issues**

The CSR group has mapped and analysed our existing work and prioritised future activities in 2009 with the aim of achieving our overall CSR goals and living up to our stakeholders' expectations of sustainable operations. The mapping

work was based on monitoring of the external world intelligence survey and on Systembolaget's plans, policies and guidelines as they relate to sustainable development. It is also based on the numerous dialogues and surveys we have carried out over an extended period of time with our employees, suppliers and producers, and with voluntary organisations and owners.

Comments that emerged from the mapping process included the view that the goals of our work varied in different areas and with regard to how well we communicate our sustainability work to, amongst others, our employees. Our stakeholders expect us to take clear and specific responsibility for our impact on the environment and the climate, and for us to influence our supplier chain to enhance their sustainability.

Systembolaget's Board of Directors and company management have decided on five focus areas for our sustainability work between 2010 and 2013, based on the results of the mapping work. These are:

- integrated sustainability management
- skill development
- transparent communication
- climate
- sustainable purchasing

The ongoing anti-corruption work and efforts to develop internal working conditions will continue. The long-term environmental plan dictates that we shall focus on purchasing organic products, on using eco-friendly construction materials and transport solutions, on minimising energy consumption, and on processing waste in an environmentally friendly way.

Complementary information on our sustainability work can be found in the GRI appendix on Systembolaget's website.

## Our stakeholder sphere

Our stakeholders make demands on Systembolaget's operations on the basis of their individual stances on various issues and we maintain an ongoing and live dialogue with them in order to ensure we are up to date with their expectations, preferences and demands of us.

Dialogues with stakeholder groups take a variety of forms and include meetings, seminars, electronic monitoring of the outside world, and analyses. Examples include Systembolaget's Annual General Meeting, which is open to all and can also be followed online, and in 2009, our new President held a phone-in where everyone had the opportunity to convey their views on our operations.

### Ongoing dialogues

The Opinion Index (OPI), which is measured monthly, shows levels of satisfaction with Systembolaget, both generally amongst Swedes and specifically on the part of customers. Dialogues with suppliers and industry organisations are conducted on an ongoing basis and at several, recurring industry meetings. The most important dialogue with customers occurs on a daily basis in the stores, in the form of the over 100 million customer visits every year. Customers also encounter Systembolaget via the company's customer service department, by phone or by e-mail. The annual Customer Satisfaction index (CSI) gives around 60,000 customers the chance to rate both their own local Systembolaget store and Systembolaget as a company. Employees also have the opportunity to express their views on their duties, developmental opportunities and Systembolaget as a whole in an annual survey.

### Guided by the owner's mandate

The alcohol policy mandate is the foundation of our operations and lies at its very heart. Systembolaget is, moreover, tasked with constantly improving its operational efficiency in order to generate the scope for development and renewal. Responsibility issues shall be an integral part of the corporate culture and the way in which the operations are conducted.

### Society's requirements

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.

### Customer experience

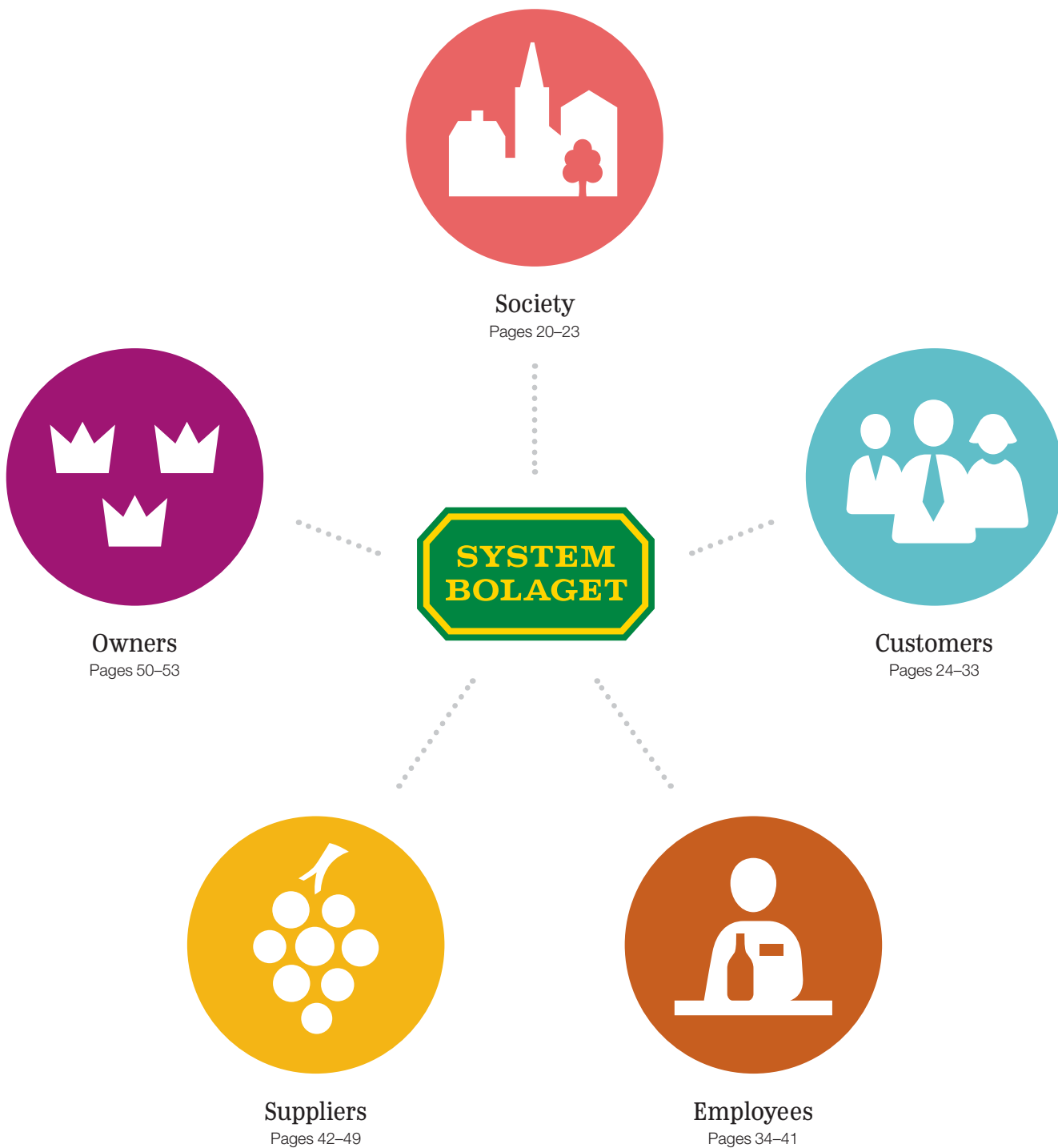
Systembolaget shall be perceived by its customers as a leading retail chain with regard to product range, expertise, service and responsibility. We work actively with issues such as organically produced products, alcohol-free alternatives, and eco-friendly transport solutions and waste product handling.

### Skilled employees

Highly trained and committed employees are vital to responsible selling and satisfied customers. Systembolaget works proactively with diversity, equal opportunities, working terms and conditions, and the work environment, in order to retain and recruit skilled employees and good ambassadors.

### Responsible 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 gives us a unique opportunity to influence the drinks industry in a positive, sustainable direction. We work in partnership with the Nordic alcohol monopolies, and with suppliers and producers in order to ensure that the alcoholic beverages sold in our stores are produced and handled in a way that takes responsibility for both people and the environment.





# Increased support for Systembolaget

There is majority support in Parliament for maintaining a retail monopoly for the sale of alcoholic beverages in Sweden, for public health reasons. And ultimately, Swedes' view of the way in which Systembolaget manages its mandate is crucial to public acceptance of the monopoly. The Opinion Index figure has risen to 66 per cent in 2009 – the highest value recorded since measurements began in 2001.

Systembolaget works continuously to develop its operations in a way that creates a clear balance between the two dimensions of good service and responsible selling. A successful balance is vital if Swedes are to accept the monopoly's role as an instrument of alcohol policy.

### From 49 per cent to 66 per cent in 8 years

The Opinion Index (OPI) is a strategic key performance indicator for Systembolaget. The survey is conducted on a monthly basis by the survey company, SIFO, who ask a representative selection of the Swedish public to respond to the following question: "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 survey was first conducted in 2001, when 49 per cent of Swedes answered that they wanted to retain Systembolaget. The trend ever since has been an upward one, and in 2009, 66 per cent answered yes to the same question, in what is a

remarkably positive change. It is notable that support is slightly higher amongst women than men, that it is also higher amongst both the younger age group (aged 15-29) and the older one (aged 65+), and in the northern parts of the country.

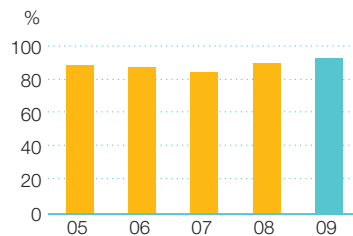
### Control and product range are positive factors

According to the OPI survey, there are two main reasons given by those in favour of retaining the monopoly: firstly, that it enables alcohol to be sold in a controlled way, which promotes public health and protects young people, and secondly, that they are satisfied with the product range.

An independent company conducts ongoing random testing of our efficiency when it comes to age verification checks. The goal in 2009 was for proof of age to be requested in 91 per cent of control purchases made by people aged between 20 and 25. The result was 93 per cent, so it is clear that our age verification checking has improved.

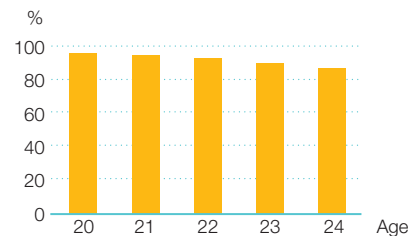
The main reasons given by the just under one third of people who believe that the monopoly

### Age verification checks, 2005–2009



### Age verification checks, 2009

Results by test purchasers' ages







*What do you do when your teenager asks for alcohol? Tips and advice are provided at [systembolaget.se](http://systembolaget.se).*

should be abolished were that they dislike monopolies on principle, and that they believe that availability and opening hours would improve in the absence of a monopoly.

**Negative attitude to bootlegging, but ...**

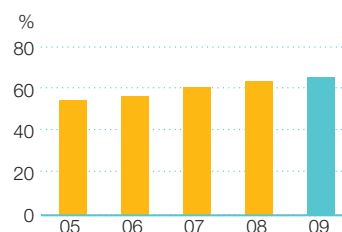
Systembolaget's studies show that nine out of every ten Swedes view bootlegging in a negative light. Other studies show, however, that approximately 75 per cent of young people under the age of 18 get hold of alcohol through friends, older siblings and parents. They do not see themselves as bootleggers: bootleggers are seen as shady characters who supply smuggled or home-distilled spirits and they regard their own bootlegging as a way of saving their friend, their younger sibling or their child from dealing with bootleggers.

Systembolaget conducted a wide-reaching campaign in 2009 in response to these findings. The message was clear: buying alcohol for youngsters in this way is not doing them a favour. Bootlegging is bootlegging, irrespective of who supplies the alcohol. The campaign was primarily aimed at parents of teenagers and included TV advertising, posters in stores, and advertising on selected websites. All of the activities led to a campaign website where the well-known Swedish psychologist, Bengt Grandelius, who has 25 years'

experience of working with families, children, young people and adults, gave concrete tips on how to handle young people on matters relating to alcohol and bootlegging.

The campaign ran during May and June and resulted in 128,000 unique visits to the website. 18,000 of these visitors watched the entire five-minute film. The film was awarded the "2009 Best Swedish Advertising Film" at the Roy Gala, organised by the industry association of film and TV producers.

**Opinion Index, 2005–2009**



The Opinion Index measures the percentage of Sweden's population who wish to retain Systembolaget and the alcohol retail monopoly.



## A far-reaching commitment

Systembolaget has improved in virtually all areas in recent years. We have improved the service we provide and our age verification checking. We have modernised our stores, offer a wider product range, and are more knowledgeable than ever before. Systembolaget's focus over the next few years will build on this platform with the aim of further strengthening our ambition and our dedication to taking responsibility when it comes to alcohol and health.



“Systembolaget is still the main source of alcohol for young people, which is why Systembolaget has a key role to play in reducing the availability of alcohol for young people and countering an early alcohol debut. Systembolaget handles these mandates very well.”

*Carin Götblad, County Police Commissioner, Stockholm*

Social responsibility emerges time and time again in customer surveys as one of the factors that have the greatest influence on levels of customer satisfaction with Systembolaget. It is in this area that the greatest potential for development exists for the company as a whole. Systembolaget is engaged in a number of partnerships designed to strengthen the ways in which we shoulder our social responsibility. SEK 24.5 million (SEK 23.8 m) was invested in these partnerships in 2009 (including the IQ initiative which is described overleaf).

### Partnership with the police

Systembolaget and the police have been conducting a nationwide partnership aimed at countering bootlegging and promoting tighter age verification checks in Systembolaget's stores. The aim of the partnership is to reduce youth drunkenness and thereby reduce the risk of young people becoming the victims of or committing crimes and violence.

Partnership initiatives are taken locally, with more and more stores and local police departments choosing to work together on a continuous basis. The police show store employees how to spot fake ID, and talk about alcohol-related problems in the area and the sort of groups who are engaged in bootlegging. The partnerships have also involved a police presence in the store and surrounding area in conjunction with big sales days, in order to prevent and stop bootlegging.

### Support for alcohol research

Systembolaget's Alcohol Research Council supports socio-scientific and medical alcohol research, and prioritises work on the prevention of alcohol-

related injuries and diseases. The Council has nine members, six of whom are leading figures in the field of alcohol research and three of whom represent general societal interests.

The Council works independently, and in 2009, awarded SEK 3 million in research grants. 37 applications for grants were received, 16 of which were approved. The projects covered a wide range of spheres, from “Development of substance P-related mimetics as a pharmaceutical treatment for addiction to alcohol and opiates” to “Risk consumption in middle-aged women – a prospective 10-year tracking study of illness and mortality.”

### Investment in alcohol-free alternatives

Systembolaget is investing in enhancing the quality of its alcohol-free range with the aim of being able to offer alternatives with an “adult” taste. Active promotion of the alcohol-free range began at a number of selected stores in 2009. This promotion took the form of, amongst other things, product displays at checkouts and proved successful. Sales of alcohol-free products increased by 19 per cent in 2009 to approximately 1 million litres, corresponding to 0.23 per cent of total sales volumes. The goal for 2011 is approximately 1.7 million litres.

# IQ: a smarter approach to alcohol

IQ is tasked with generating a new focus in the alcohol issue and with persuading more and more people to think about their attitudes to and behaviour in relation to alcohol, in order to help reduce alcohol consumption and hence alcohol-related injuries and disease. IQ shall promote reflection and deliberation, moderation and consideration.

IQ-initiativet AB was launched in 2005 as a subsidiary of Systembolaget. IQ conducts campaigns, highlights good examples, conducts surveys and participates in societal dialogues on alcohol issues. IQ partnerships with other players are also important.

## Well-known amongst young people

The primary target group for much of IQ's communication is young adults, aged between 18 and 25. 82 per cent of this group stated that they were aware of IQ at the end of 2009, 88 per cent of whom knew what IQ does and 80 per cent of whom thought that IQ's work was good or very good. IQ is, in other words, well established after only a couple of years.

## 50 new IQ projects

There are numerous players in society who engage in activities designed to reduce the problems associated with alcohol. IQ highlights concrete projects that can help inspire more people to do more. All IQ projects are presented on iq.se and some are communicated in campaigns. The year's goal of 50 new IQ projects was achieved in 2009 and there are now a total of 895 IQ projects. All of them are projects that make a difference.

## Wide-ranging campaigns and the Alcohol Profile

IQ's campaigns in 2009 were designed to encourage deliberation and reflection. Two advertising films, "Säg emot" [Just say no] and "Rus" [Buzz] were shown on TV and at the cinema in the spring, while the autumn saw the launch of a new IQ film, "Hur dricker du?" [How do you drink?], where Olle Ljungström sings about alcohol.

2009 also saw IQ take over responsibility for the Alcohol Profile, an online test that is designed to offer a simple and easily accessible means of testing your alcohol habits and obtaining an

overview of potential risks. People taking the test can also compare their results with those of other Swedes, including by age and gender.

The goal was for 150,000 people to take the full test during the period from 1st September to 31st December. The final figure achieved was 165,423.

## Grand Traffic Safety Prize

As part of IQ's efforts to promote the increased use of alcohol locks in professional traffic, IQ – together with the Swedish Road Administration, the Swedish Association of Road Haulage Companies, the Swedish Bus & Coach Federation, and the Swedish Taxi Association – became a partner in organising the Grand Traffic Safety Prize. The 2009 prize has now been awarded and will be awarded again in 2010.

## IQ in Almedalen

IQ organised two well-attended seminars on alcohol during Almedalen week, held in Visby in July 2009. "Is the glass half-full or half-empty?" was the title of a meeting that saw lively discussions on the subject of how the marketing of alcohol affects young people's alcohol consumption and debut age. The discussion was chaired by journalist, Britt-Marie Mattsson.

IQ also presented a new survey of drinking habits under the heading, "The Land of Moderation where young people drink themselves stupid", and invited people to engage in discussions of the importance of parents and other adults taking a stand when young people drink. The programme leader for the discussion was Doreen Månsson.



*The alkoholprofilen.se website offers an easy means of testing personal alcohol consumption.*



## Good customer interaction

Systembolaget's employees shall be perceived as knowledgeable and service-orientated. They shall, through their expertise and consideration, help customers to make informed drinks-related choices. The starting point for our "Good customer interaction" is our responsibility, which is designed to generate a healthy approach to alcohol, without thereby inducing guilt about drinking, per se. Developing our relationship with our customers is a permanent feature of Systembolaget's work.



"The best thing about Systembolaget is the spread of stores and agents nationwide. In principle, it's possible to buy good wine wherever you might be. The level of staff expertise is also generally high. One area where they could improve is the website – they need to provide more information and update the product list more quickly. There is one area where Systembolaget is poor - the process is sometimes sluggish and slow, e.g. during online purchasing and the available to order range."

*Gunilla Hultgren Karell,  
wine columnist*

There were 114 million customer visits to Systembolaget's stores in 2009 – the highest number ever and an increase of just over 5 per cent since 2008. The trend in recent years has seen customers visiting our stores more often, but buying approximately the same overall amount as before.

### Greater and greater customer satisfaction

A large-scale customer survey – the Customer Satisfaction Index (CSI) – is carried out every year by an external survey company, during which over 60,000 customers are given the chance to rate Systembolaget, its stores and its employees. The CSI figure rose in 2009 for the fifth year in succession, this time by one point to 78. None of the quality parameters showed any deterioration. Systembolaget's employees are the highest rated area in these surveys, with the staff regarded as knowledgeable in the areas of food and drink and as providing high standards of service for their customers.

Every store manager receives the results of the survey for their particular outlet, and can then use the data as a basis for the ongoing improvement work. Quality development is an ongoing process within Systembolaget and involves every single member of staff.

The survey also allows customers to compare their Systembolaget store with the grocery store in which they buy their food. Systembolaget confirmed its position as one of the country's best retail companies, with a rating that was eight points higher than the grocery store that received the next best rating. Systembolaget stores received higher ratings for product range, stores and per-

sonnel; the only lower rating was in terms of the value for money.

Our social responsibility is very important in terms of how satisfied our customers are with Systembolaget. According to the customer survey, Systembolaget has the biggest developmental potential with regard to product range, offering and social responsibility.

### "Customer interaction" survey in 200 stores

Systembolaget carries out a separate "customer interaction" survey every year as a complement to the CSI survey. An external survey company made 2,500 visits to 200 of Systembolaget's biggest self-service stores during the year in order to gain an overview of the customer's experience of both the individual store and Systembolaget as a whole. The store, the customer interaction and the checkout are surveyed twelve times per year per store, with the focus on the potential for improvement. The results were good for the majority of stores and in line with the opinions expressed in the CSI survey. The separate customer interaction survey will be carried out in all self-service stores, as of 2010.

### In-store campaigns

Systembolaget communicates ways in which food and drink can be combined during four annual campaign periods that follow the seasons. These campaigns are in line with our philosophy of helping establish a healthy drinking culture. We also have ongoing activities – run adjacent to the checkout lines – aimed at illustrating the relationship between alcohol and health.



### Clear rules

Living up to our selling rules is an important component of our customer interaction. We do not sell to anyone under the age of 20, or to anyone who is obviously intoxicated, or where there are grounds for suspecting illegal resale. These rules are communicated continuously in stores, on the website, on TV and in cinemas. The surveys carried out in 2009 show that our age verification checks have never been better, and when our customers rate our performance, they see the age verification checks and our responsibility as an important part of our service.

### Store of the Year

The “Store of the Year” competition, held every year within Systembolaget, is an important motivating force in our efforts to develop good customer interaction. The competition involves several rounds with the winner announced in the overall competition final. The 2009 Store of the Year was the Ersboda store in Umeå.



## Systembolaget's contact points

Most adult Swedes encounter Systembolaget in a variety of different locations in their day-to-day life. We endeavour to see every such meeting as unique and as a yardstick for our ability to live up to our customers' expectations. The personal, in-store customer interaction is, of course, still the most common contact point, but Systembolaget also has a clear ambition to be a leader when it comes to other contact points. After all, in today's world, more and more encounters are virtual ones.



"You encounter very real service-mindedness and expertise, whichever Systembolaget store you decide to visit. And you always get good recommendations when you ask for help. The opening hours could be better, however: I'd like to see them staying open longer in the evenings."

*Anders Lilja, Åhus*

The average Swede over the age of 20 visits a Systembolaget store every three weeks. The form taken by this visit has undergone a fundamental change in the last ten years.

### From over the counter sales to self-service

The process of refitting every single Systembolaget store as a self-service outlet is now in its final phase. 87 per cent of our stores had been refitted in line with this concept by the end of 2009. These stores account for 95 per cent of Systembolaget's total sales and 94 per cent of all customer visits.

Refitting a store so that it moves from over the counter sales to self-service achieves two important objectives. Firstly, it provides the scope for the personnel to work in a more customer-focused way

and to become more proactive in this relationship, and secondly, it enhances the customer's opportunities to overview and choose from Systembolaget's wide range of products. The CSI surveys clearly show that our customers appreciate the self-service concept – our rating in this respect rose from 77 to 78 in 2009.

### Popular website

Systembolaget's website – [systembolaget.se](http://systembolaget.se) – is an increasingly important contact point. The site enables customers to prepare their purchases by searching the product range, seeing what is in stock in a specific store, and receiving help on combining food and drink. The website had 13.3 million unique visits in 2009, corresponding to





a 20 per cent increase in comparison with the previous year. The highest number of visits is recorded during the Christmas period, and 1.8 million unique visits were recorded in December 2009. Systembolaget's website is probably one of the most visited in Sweden, if one looks solely at the number of visitors who only seek information in conjunction with the visit and make no actual purchase.

A trial project was launched in the fourth quarter of 2009 in Malmö and Uppsala, enabling customers to place their orders via Systembolaget's website for products in the available for order range, i.e. products held in stock by Swedish importers and producers, and to then collect them at their preferred store. The goal for 2010 is to make this service available to all customers nationwide.

#### Popular customer service department

Our customers also encounter Systembolaget via the company's customer service department phone or by e-mail. Just over 87,100 phone calls were processed in 2009 – approximately 5 calls per minute. We also received 20,440 e-mails and a smaller number of letters and faxes.

The quality of Systembolaget's customer service department is monitored via the Bright Index®, which compares Nordic call centres in 14 business sectors, using 50 or so key concepts. This survey ranks Systembolaget's customer service department as one of the leading call centres in Sweden. The customer service department also performed well in the Teleperformance Grand Prix 2009, which is a survey of 80 large Swedish companies. Systembolaget's customer service department was ranked best in terms of customer interaction within the retail sector.

#### Nationwide tastings

Systembolaget actively endeavours to establish a healthy drinking culture in a number of different ways. One concrete method is the tasting sessions held by our in-store personnel. 540 tasting sessions were organised in 31 stores in 2009 and were attended by a total of approximately 8,700 interested customers.



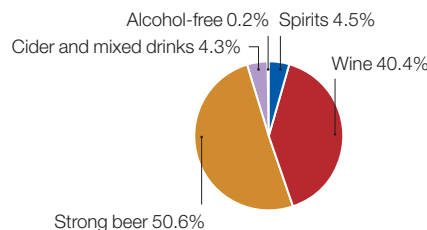
#### What do you drink with what?

Drinks advice appointments are a free service offered in just over 30 stores. The service is provided for people planning a dinner or other special event. Our advice sessions last 20 minutes and are held in the store, where a drinks expert and the customer review a range of appropriate different drinks suggestions for the planned menu.

#### Substantial interest in drinks auctions

Systembolaget organises drinks auctions four times a year in partnership with the Stockholms Auktionsverk auction house. The auctions comprise valuable collectors' items and attract considerable interest. A special whisky auction was also held in 2009. The four auctions generated a total of approximately SEK 13 million.

#### Sales per product group in 2009, litres





## From Trelleborg to Kiruna

Store availability is an important element of customers' confidence in Systembolaget. There are now a total of 412 Systembolaget stores, and they are located in all of Sweden's local municipalities, bar two. Systembolaget also sells via over 500 agents who are based in smaller communities where the customer base is insufficient to support a Systembolaget store.

Customers who buy via an agent have access to the full range of products, thanks to deliveries from Systembolaget's two product depots in Örebro and Sundsvall. The agents account for approximately 1 per cent of Systembolaget's net sales and keep no products in stock.

### Massive scope

Systembolaget's store network is structured on the basis of a service and availability perspective, rather than from a profitability viewpoint. The stores have been structured to handle one of the world's widest ranges of drinks and the demands that impose on guidance, methodology and communication. The biggest store has net sales of almost SEK 300 million and just over 700,000 customers on a yearly basis. The smallest has net sales of approximately SEK 7 million and almost 30,000 customers. It is obviously more difficult for a smaller store to cover its costs than for a larger one, and in 2009, 51 stores reported a loss, in comparison with 23 in the previous year.



### A store in every local municipality

Systembolaget's Board of Directors has laid down guidelines for opening stores, based on Systembolaget's contract with the government. Systembolaget shall be represented by at least one store in every local municipality area. Stores are then established in larger built-up areas, city districts and suburbs, with the establishment order primarily determined by the population base. Central locations are prioritised for the first store in an area, while any subsequent stores are sited with increased regard to other retail centres in the area. Opening hours are generally determined, within the framework of parliamentary rulings, by the local customer requirement.

### Organisational key ratios in brief

The Systembolaget stores are divided into 27 areas. Every area contains a management group and 12–17 stores. All stores have a store manager and between 2 and 50 sales personnel.

The layout of each individual store, the products offered and the messages communicated in the stores are determined centrally. A common methodology structure for the stores has also been drawn up centrally and is the basis for developing each store to the level laid down in one of Systembolaget's approved store formats.



# The right store for different requirements

The stores are divided into different store formats to enable their adaptation to the customers' different expectations and the stores' different pre-conditions.



*The small store* has net sales of up to SEK 23 million and carries approximately 490 items in stock. The format is designed to be cost-effective for operation in smaller communities. There are 54 stores in this format.



*The medium-sized store* is designed for small and medium-sized communities. The focus is on a good offering in relation to size. The store carries approximately 900 items and posts net sales of up to SEK 45 million. There were 73 stores in this format in 2009.

*The large store* is the most common store format and in 2009, there were 186 such stores. The store posts net sales of SEK 45 million or higher and carries just over 1,400 items in stock, depending on size and location. These stores maintain a balance between a wide offering, cost-effective operations and a good customer experience.



*The very biggest store* has sections where gaining an overview is easy, making it easier for the customer to find what they want. This is designed to lead to more informed choice and planned purchases, rather than additional sales. The range comprises just over 1,800 items. This type of store is increasingly being introduced in more and more locations and by the end of 2009, there were nine stores of this format.



There are a further two store formats in addition to the four described above. One is the Wine Cellar store, which, in addition to the normal range, also carries all of our wines priced at over SEK 100 and all types of spirits. More exclusive items are also launched here in smaller quantities. There were three stores of this kind, one in each of our three biggest cities, in 2009.

The other format is the Food Hall stores, which make a clear link between food and drink as a natural part of the Food Hall's offering. There are currently two such stores, both in Stockholm.

Some stores still sell over the counter, but are now being successively refitted as self-service stores. 357 of our total of 412 stores had implemented the self-service concept by the end of 2009.

Agents operate in smaller communities where there is no Systembolaget store. The agents carry no stock.



## A broad offering

Systembolaget's range structure is based on customer demand. The starting point for successfully meeting their wish for high quality products is wide-ranging, extensive monitoring of the outside world. Analyses and customer surveys, coupled with the extensive information gained from Swedish and international drinks sales, gives us a solid foundation for structuring our short- and long-term strategies for the product range.



"Systembolaget's staff are pleasant and knowledgeable, and the product range is usually good. But the prices are far too high and the opening hours could be better, too."

Malin Hyttstrand,  
Östersund

### Continuity and renewal

Systembolaget's range comprises a fixed and a temporary range. The fixed range is designed to meet customer requirements for a long-term approach, stability and continuity. The fixed range is changed twice yearly. The temporary range represents renewal and seasonable variations, and new products were launched within this range on eight occasions in 2009.

Systembolaget has a total of approximately 2,200 items in the fixed range. Added to this are all of the temporary products and the 7,000 or so items available via the for order range.

### 1,725 new products

Systembolaget launched a total of 1,725 new products within the range in 2009. A further 1,060 items were also introduced in small quantities in the higher price bands in the three Wine Cellar stores. The high launch rate notwithstanding, customer surveys are showing that our customers are not entirely satisfied with our new products.

As a result, we have worked, in 2009, to change the way we launch new products – a change that will come into force in our stores in 2010 and which will see us launching new products by season and thereby forging a strong link between seasonal food and the drinks products we launch.

### Demand decides

Systembolaget decides which components of its range to distribute to the individual stores on the basis of demand. In simple terms, the greater the number of customers who buy a particular product, the more stores to which the product is distributed. Every store can, moreover, choose up to

50 items solely on the basis of local customer demand.

The products not held in stock in the local store can be ordered from Systembolaget's product depots and delivered to the store within one to two days. There is also a dedicated range available to order which is distributed from the suppliers' warehouses, and which can take a few extra days to arrive. Otherwise, any product at all can, in principle, be ordered from anywhere in the world via Systembolaget's private import service.

### Increased sales

Systembolaget's total sales for all product groups in 2009 increased by 7.6 per cent, measured in litres.

181.4 million litres of wine were sold in 2009, corresponding to an increase of 9.0 per cent in comparison with the previous year. The most popular wine-producing countries were South Africa, Italy and Australia. South Africa, Germany and Italy accounted for the biggest percentage of sales of white wines. South Africa, Italy and Australia were the biggest sellers in the red wine category. Wine accounted for 39.1 per cent of sales by volume in 2009. Almost 55 per cent of all wine was bought in the bag-in-box format in 2009 – a level on a par with that in 2008. Sales of bottled wines primarily increased for wines priced SEK 70 and above.

Sales of beer totalled 226.9 million litres (212.4 m), corresponding to an increase of 6.9 per cent since 2008. Spirit sales increased by 5.4 per cent to 20.1 million (19.1 m) litres.

### Strict labelling rules

Systembolaget's General Purchasing Terms & Conditions state that our suppliers are responsible for ensuring that packaging complies with



both Swedish and EU regulations. The packaging may not contain product samples, gifts, invitations, competition offers, etc.

The EU's rules governing manufacturing specify, amongst other things, which grapes may be used, which substances may be added, permitted process aids and treatments, the terms under which wine may be blended, and the ways in which the wine shall and may be labelled. The labelling may contain information on sugar levels for sparkling wines, on the bottling company, the actual alcohol content by volume expressed as a percentage, or whether the product is an organic one.

Systembolaget requests a labelling sample prior to every launch, new vintage, or change in design. The aim of the controls is to ensure that products/packaging comply with the rules governing labelling and marketing.

### Locally produced products

New opportunities have been generated for locally produced products, as of 1st June 2008. Provided that the products form part of the available for order range, they can be stockpiled in the Systembolaget store closest to the production site. The purchasing terms and conditions relate to "local" and not "Swedish" production, and manufacturers of alcoholic drinks whose production facilities are located in Sweden's neighbouring countries, but which are close to a Systembolaget store, can also stockpile their products in the local store. This opportunity applies to a total of 186 products and 48 suppliers.

## Continued interest in alcohol-free products

The aim of Systembolaget's alcohol-free range is to offer alternatives for consumers who either will not or cannot drink alcoholic beverages. Our customers appreciate the option and we are seeing a continued increase in their interest in the alcohol-free products. Demand for alcohol-free products continued to increase at Systembolaget, and sales increased in 2009 by 19 per cent, measured in volume.

There are a number of reasons underlying this increase in sales: demand for alcohol-free alternatives is

increasing internationally, partly due to stricter blood alcohol levels in many countries, to an increased focus on the harmful effects of alcohol, and to a general trend towards healthy living.

For Systembolaget, the increase in sales is also due to an ever better and wider range of products and to the fact that alcohol-free products are the only product group we are allowed to actively market. We have been working with multiple display units for alcohol-free products in the largest stores in 2009, e.g. at the checkouts, and this has resulted in increased sales.





## Ongoing environmental work

Surveys reveal that our customers have clear expectations when it comes to our environmental work. The areas they mention include organic products, materials and transportation, and these are the three areas, together with energy consumption and waste product handling, on which Systembolaget's environmental group focuses.



"You get professional help with choosing wine for different dishes at Systembolaget, and they also help you get hold of the products that are not part of the local range. The opening hours are less good: I'd like to see them open on weekends and public holidays, too."

*Emil Larsson,  
Katrineholm*

Our operations shall be characterised by an eco-cycle-based attitude and preventative environmental work, thereby enabling Systembolaget to contribute to the creation of a long-term sustainable society.

### More organic products, better for the environment

Systembolaget is helping to reduce the impact on the environment by offering an increased percentage of organic products, all of which comply with the EU's requirements for organically cultivated products.

Organic production alone is, however, not enough: they must also meet our quality standards, and we, therefore, support the fact that more and more highly reputable suppliers are switching to organic production. The percentage of organic products that we sell is continuing to

increase and totalled 1.9 per cent (1.4%) of total sales in 2009.

Systembolaget offered 84 (51) organic products within its fixed range in 2009, and thereby exceeded its goal for the year of 60. Our new goal is to be offering 100 organic products by the end of 2010 and to launch at least one item made from organically cultivated raw materials in conjunction with each new launch round.

Two Fair Trade-labelled products were introduced in 2009. The Fair Trade symbol is an independent product labelling system that helps improve working and living conditions for growers and employees in developing countries. Our commitment to CSR, coupled with increased demand, mean that there will be more such launches in 2010.

### Recycling benefits everyone

The best alternative from an environmental viewpoint is to reuse and recycle, and the worst is to send waste to a landfill. The Group produced a total of just over 7,000 tonnes of waste, excluding household waste, in 2009, 7 tonnes of which was classified as hazardous waste. The goal for 2009 was for a maximum of 0.5 per cent of the stores' waste products to be sent to a landfill. The result was 0.6 per cent.

Systembolaget introduced the PET bottle for both wine and beer in 2009, and the reception has been very positive. PET bottles are lighter, smaller and can be transported in a more eco-friendly way, and more PET bottles will be added to the ranks of products on our shelves in 2010.

Systembolaget's carrier bags are currently made of 80 per cent recycled plastic, thereby reducing their environmental impact in comparison with using a new raw material. The designs are also printed on the bags using a water-based paint. As of 2010, the bags will be made from



# Organic dilemma

The wines made from organically cultivated grapes that form part of Systembolaget's range are checked by the relevant authorities who certified the organic cultivation methods. In early 2009, Systembolaget asked its laboratory to analyse all of these wines.

The aim of the analysis was to check that no pesticide residues were present in the wine, and the results were somewhat surprising: some of the products contained residues. None of the threshold values were exceeded, but our consumers expect organic wines to be completely free from such substances.

Systembolaget contacted the relevant suppliers directly with regard to the results and entered into a wide-ranging dialogue. The problem was resolved in every single case.

One common reason for the presence of the residues was that the wines tested, which were taken directly from the shelves in stores, belonged to earlier vintages. Subsequent vintages, however, met the relevant requirements, according to the suppliers in question. Systembolaget will be following up on this issue in 2010.



100 per cent recycled plastic. The bags are made in Germany and are transported to Sweden by rail.

## More efficient energy consumption

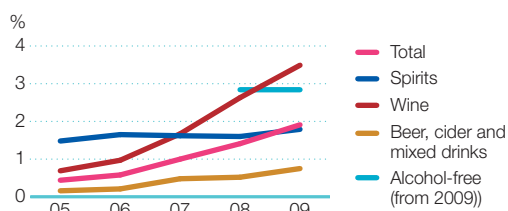
Systembolaget endeavours at all times to increase the efficiency of its energy consumption. This is a priority area for us because refitting the stores as self-service outlets demands increased lighting and climate control facilities. We are currently installing energy-saving LED fittings on a trial basis as part of this work because changing over to LED fittings, which are 100 per cent recyclable, would halve the energy requirement for our shelf lighting. An average self-service store consumed ca. 88,000 KWh in 2009. The electricity that

Systembolaget buys carries a "Good Environmental Choice" eco-label, and is produced from solar, wind, water and biofuel energy sources.

## Building for the environment

The refitting of Systembolaget's stores affects the environment, so wherever possible, we use materials that are recommended from an environmental viewpoint. Only 9 of the total of 200 materials used do not have this recommendation, and we are endeavouring to replace them as quickly as is practically possible. Our goal for 2009 was to reduce the number of materials without an environmental recommendation to five, but unfortunately, we failed to achieve this goal.

## Organic products as a percentage of sales, litres



## Breakdown of waste from stores by processing technique, per cent

	2009	2008	2007	2006	2005
Material recycled	95.7	98.3	99.0	99.0	97.3
Energy extraction	3.7	1.2	0.6	0.5	0.5
Landfill	0.6	0.4	0.3	0.4	0.7
Other*	0.0	0.1	0.1	0.1	1.5
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

\* Refers to that percentage of the stores' waste that is collected by our partner for waste product processing. We do not, at present, know the total amount because household waste is processed by the local authority in question.



## Satisfied employees mean satisfied customers

Competent and committed personnel are a prerequisite of responsible selling and satisfied customers. Leadership, terms of employment, the working environment, duties, and opportunities for development are, therefore, important factors. Of all the parameters measured in the customer satisfaction surveys, it is Systembolaget's employees who receive the highest satisfaction rating.



“The way in which Systembolaget takes responsibility for its customers is completely different from that of other consumer companies. Our well organised stores, where it's easy to find what you're looking for, but where we don't try to promote additional sales, is one example. Plus as a customer, you can get advice on anything from the choice of wine to a good argument to put to teenagers who want you to buy alcohol for them. But our product expertise could improve even further – we're not quite as good as we would like people to think.”

*Pia Thunberg,  
Store Manager, Kalmar*

Our strategic plan for 2010 to 2013 contains the basis for the work being conducted within the employee sphere.

“We shall generate the conditions in which employees and managers shall, through their competence, take responsibility for Systembolaget's mandate and customer interaction.”

“We shall build a sustainable workplace in which employees and managers have everything they need not only to perform well but to feel good in both the short and the long term.”

### Guided by three core values

Our three core values – consideration, expertise and inspiration – act as a compass for our employees when they carry out their highly responsible duties.

Consideration means that we care and it means showing respect for each other and for our customers. We do not attract customers into our stores and we do not attempt to sell more than the customer originally planned to buy. We are careful not to sell to anyone under the age of 20. Our information is factual and brand-neutral.

Our expertise is a constant theme throughout our operations – from product range and quality, to advice, service and information. It is our expertise when it comes to our products, their use and the associated risks that generate the potential for our customers to make informed decisions.

We acknowledge the fact that alcoholic drinks can actually be a source of pleasure. We want to inspire the establishment of a healthy drinking culture by providing good taste experiences and through the breadth of our range, but also by inspiring people to think about drinking and moderation.

### Ever-better employee satisfaction

The Employee Satisfaction Index (ESI) rose to 75 (74) in 2009, thereby confirming the positive trend since measurements began in 2002. Systembolaget has a high ESI in comparison with other companies. Employees' attitudes towards the company as a whole have improved, particularly with regard to confidence in management.

Goal and vision issues receive a high rating. One of the reasons for this is the theme meetings for company-wide issues and value-related concerns that are held throughout the company. Another is the recurring dialogue meetings between the company management and the store managers.

Employees are very supportive of our mandate, with “Systembolaget fulfils an important function in Swedish society” awarded the highest level of agreement. Employees' views on developmental opportunities and duties are important aspects of the survey. Measures designed to develop learning activities within the stores have resulted in it now being widely held that opportunities for development and progression to new roles have improved markedly over the past year. The survey also shows that efforts to encourage more of the in-store staff to accept a clearly defined responsibility, and to have specific areas for which they are responsible, have yielded positive results. Systembolaget will, therefore, continue to develop learning activities linked to areas of responsibility and organisation within the stores.

### Focus on sustainability issues

A sustainability survey was, for the first time ever within Systembolaget, carried out amongst randomly selected employees. 43 per cent of the 400 selected responded. The results showed that 73



per cent of employees think that Systembolaget conducts its operations in a socially, environmentally and ethically sustainable way. The environmental work sphere is also the one with the biggest scope for development.

2009 saw drinks purchasers complete a preparatory training course on international conventions on human rights, labour, anti-corruption, the environment, risk analysis and in conducting SCR dialogues with suppliers. Additional purchasing staff and controllers will undergo training in these fields in 2010. The goal is for all employees to have completed CSR training by 2011.

### Staff turnover

Systembolaget had a total of 4,744 employees at the end of 2009. 536 members of staff (539) left the company during the year, yielding a staff turnover figure of 14 per cent. The biggest turnover is amongst retail sales personnel who work

low numbers of hours per week.

All Systembolaget employees are covered by a collective agreement. Discussions between Systembolaget and Unionen (Salaried Employees' Union) recommenced in the autumn of 2009 with regard to a collective agreement concerning the introduction of regular annual working time.

### Working at Systembolaget a popular choice

Systembolaget took part, for the first time, in the 2009 "Företagsbarometern" [Company Barometer], which is a survey on the subject of careers and working life. 11 per cent of accountants stated that they would be interested in working for Systembolaget. The average figure for companies taking part in the survey for the first time is usually 3 per cent.

### Breakdown of employment positions, 2009\*

	No. employees	Type of employment, %		Working hours, %	
		Permanent	Fixed period	Full time	Part time
<i>Systembolaget</i>	4,744	83	17	24	76
Sales personnel	3,930	79	21	10	90
Store Managers	419	100	0	98	2
Caretakers	71	86	14	1	99
HQ personnel	324	97	3	95	5
<i>IQ</i>	3	100	0	100	0
<i>Lagena</i>	221	100	0	100	0
<b>Group, total</b>	<b>4,899</b>	<b>83</b>	<b>17</b>	<b>26</b>	<b>74</b>

\* Refers to all employees as of 31st Dec. 2009

### Staff turnover, 2009\*

	No. employees	Gender, %			Age, %			Working hours, %	
		Women	Men	Total	<30	30-50	>50	Full time	Part time
<i>Systembolaget</i>	3,864	13	16	14	24	9	15	6	17
Sales personnel	3,070	14	18	16	24	11	15	7	17
Store Managers	410	4	6	5	0	2	14	4	17
Caretakers	75	17	44	20	40	16	0	0	20
HQ personnel	309	7	12	9	17	7	20	8	27
<i>IQ</i>	3	0	0	0	0	0	13	0	0
<i>Lagena</i>	227	6	27	33	28	5	0	33	0
<b>Group, total</b>	<b>4,094</b>	<b>9</b>	<b>6</b>	<b>15</b>	<b>6</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>12</b>

\* Refers to permanent employees and those employed on a trial basis, as of 1st January 2009. The percentage of employees who have left the company is calculated on the basis of the number of employees in each category.



## Different roles, different profiles

Every Systembolaget employee has a role to play within the company. There are currently almost 100 defined roles. For each role, there is a profile that clearly states what is expected of the person in that role, and which is used during recruitment. But above all, it forms the basis for the annual performance review discussions between managers and employees, and for individual skill development.

A steering document in the form of a skill plan is produced every year as part of our operational planning. It is directly linked to the strategic goals laid down in the company's scorecard. The plan lists the management's priorities, and their concrete goals and follow-up areas.

### Investing in skills

Skill development work within Systembolaget is designed to help ensure that every employee can carry out their duties in such a way that the company achieves its goals. The role of the managers is to lead and coach in such a way that employees achieve their skills potential in relation to their individual roles. The individual employee is per-

sonally responsible for their own learning. Systembolaget offers the necessary support and a range of training designed to meet specific needs.

The requirement for skill development is determined at the annual performance review discussions between managers and employees, who then jointly define a development plan for the year ahead.

### One-year introduction course for new recruits

The introduction of new recruits is effected using a systematic approach based on assignments and role profiles. The introduction programmes for the two main roles – those of sales staff and store managers – run over 12 months and are divided into two periods.

During the first six months of the course, new employees are introduced via learning activities and extensive checklists to ensure that once the six months are up, the employee can “do the job”. The following six months offer a range of learning activities during which managers and employees jointly decide which activities are appropriate, based on the role in question. The range of activities is divided into product knowhow, operational knowhow, and leadership, and there are a total of around 40 different activities available. At the end of the 12-month period, every employee should be able to live up to the demands of their respective role profiles.





# A toolbox for skill development

Systembolaget has been using a company-wide “toolbox”, designed to work with skill development within the organisation in a structured way, for a couple of years now. This toolbox goes by the name of KORUS (Competence And Role Development System).

The goal is for all employees to encounter a shared methodology, from the moment they are recruited until they decide to leave the company.

KORUS comprises a number of skill tool libraries, describing the skills individual employees should possess, the role profiles for every single role within the organisation, interview questions linked to the role for use in conjunction with recruitment interviews, learning activities, etc.

## Focusing on performance reviews

Systembolaget’s performance reviews are known, collectively, as FOKUS (Future And Competence Performance Reviews) and are designed to follow up on the individual goals and skills

associated with the role and to evaluate them, to discuss the employee’s ambitions for the future, and to draw up a new development plan for the coming period. FOKUS reviews are conducted annually.

In 2009, 80 per cent (71%) of Systembolaget’s employees held performance review discussions with their managers.

## Project LÄRA [Learn]

Project LÄRA was launched in the autumn of 2007 with the aim of ensuring that KORUS is realised and has a practical impact. Its objective was to rejuvenate and develop Systembolaget’s training activities and the way our employees learn.

The goal of LÄRA’s work was to help ensure that Systembolaget has skilled and committed employees who constantly develop their own skills in line with the outside world’s requirements by taking responsibility for their own active learning.

Skill development based on the role and the employee’s requirements are primarily conducted through internal training courses, but can also take the form of external courses, the cost of which is defrayed by Systembolaget.

A training programme designed to train Systembolaget’s managers’ skills in leading learning and skill development was launched, as an adjunct to this, in 2009. This training has continued, and took the form of a two-day course for all managers in 2009.

## IT support for skills work

Systembolaget introduced a new IT tool to support the skills work in 2009. Employees and managers alike have been given access to a skills portal in order to document their performance reviews, book training courses, and inventory the skills requirement.





## Focusing on the work environment and health

Systembolaget employs ongoing proactive measures designed to reduce absence due to sickness and ill health amongst the company's employees. This work is one of the major reasons why our sick leave rates have fallen for several years in succession now, and why our work environment is generally very good. Over half of the measures implemented within the corporate health care scheme are preventative in nature.



"It's clear from, amongst other things, our customer satisfaction surveys, that the customers like our stores, our product range and our expertise. And yes, we are good at a lot of things, but I think there are also a lot of areas where we could improve. We could, for example, give the customer even more help in future, not just when it comes to choosing drinks, but when it comes to alcohol and health."

*Gerd Bladfält, sales staff, Överkalix*

This preventative work will continue, with a particular focus on sick leave and ill health. Stress-related injuries are a common cause of ill health and substantial efforts are being made into improving the ergonomics of store-based work.

A new accident investigation routine has been drawn up, during which control questions form the basis for preventing new accidents. New, clear routines for rehabilitation work are also available on the company intranet, with the aim of ensuring rapid follow-up on and early rehabilitation in conjunction with sick leave. A review designed to evaluate existing store aids has been launched.

### Reduced sick leave

An extensive programme aimed at reducing the number of people on long-term sick leave has been carried out. The work has been conducted in cooperation with a coordinator from the com-

pany health care scheme. Stage 1 began in the spring of 2009, with the goal of getting the employees back to work. Individual assessment discussions with the employee on sick leave, coupled with individual reviews of work capability, have brought about a tangible decrease in the number of employees on long-term sick leave.

Mobility problems are the most common reason why employees take sick leave. A special training programme focusing on ergonomics and health was carried out as part of our efforts to reduce stress ergonomics-related problems. New short- and long-term sick leave goals will be defined, and a special goal has been set for the group of employees whose sick leave exceeds 90 days. The aim is to halve the number of cases in this category.

The total sick leave goal for 2009 was set at less than 5.5 per cent, and during the year, Systembolaget saw its sick leave rate fall from 5.8 per cent in 2008 to 5.1 per cent.

Our work on health and function profiles has undergone further development in partnership with Previa, who provide Systembolaget's company health care scheme. The function control model offers employees the opportunity to undergo alcohol screening. The entry age for conducting health and function profiles was also lowered from 40 to 35 and the number of health checks tripled in comparison with 2008 to approximately 600.

### Ergonomics and health training

All managers and Health & Safety Officers – approximately 800 people in total – underwent training in the field of ergonomics and health. Special emphasis was placed on raising skill levels in the field of ergonomic risk assessments. An inventory of the





problem areas was also carried out in conjunction with the course. The results of the just over 100 risk assessments conducted were summarised and will form the basis for long-term development and improvement work in the work environment sphere.

Systembolaget's stores shall be a safe and secure place for employees and customers alike. A good customer interaction, rules, routines and

technical safety equipment are the tools we use in our efforts to prevent violence and threatening behaviour, shoplifting, robbery and fires. We also have an efficiently functioning organisation of support counsellors who can provide professional help if a store suffers a robbery or attempted robbery. There were six robberies or attempted robberies at our stores in 2009.

## Successful equal opportunities work

An updated equal opportunities and diversity policy was presented in 2009, in line with new anti-discrimination legislation. The anti-discrimi-

nation legislation was expanded and, as a result, discrimination based on age and transgender identity are now included. The diversity plan was

updated and adapted in line with the new equal opportunities and diversity policy. A new vision that takes a wider-ranging view of diversity and equal opportunities was presented in conjunction with the drafting of the new policy.

### Key performance indicators, employees

	2009	2008
No. employees*	4,744	4,746
Sales staff, percentage female, %	70	71
male, %	30	29
Store managers, percentage female, %	50	48
male, %	50	52
Staff turnover, %	14	14
Sick leave, %	5.1	5.8

\* Refers to Systembolaget employees as of 31st December.

### Active work

Systembolaget works actively to ensure equal opportunities and to hinder all forms of discrimination. The percentage of female store managers has increased from 34 per cent in 2000 to 50 per cent in 2009.

Salary mapping is carried out every year. Pay differences outside of normal variations are reviewed and analysed carefully and actioned as soon as possible. Female store managers' lower salaries are mainly due to the fact that a higher percentage of female store managers work in smaller stores.

### Pay structure\*

	2009		2008	
	Women	Men	Women	Men
<b>Systembolaget</b>				
Sales staff	101	97	101	97
Store Managers	95	106	95	106
Caretakers	100	99	101	95
Head Office	**	**	**	**

\* Refers to median salary key performance indicator for both groups

\*\* Not reported because the variety of positions at Head Office is excessively large.



## Guided by high ethical standards

Ethical issues are included in the annual performance review discussions between managers and employees and are a natural component of all internal training courses. Ethics and values are, moreover, important issues raised in conjunction with new recruitment.

All managers, from Store Managers to the company management team, have met up in their respective management groups in 2009 to discuss ethical issues and management. All management groups are obliged to conduct ethics dialogues twice every year, and a total of 57 ethics dialogues were conducted in 2009.

### **Ethics Advisor**

In April 2005, an Ethics Advisor was appointed within Systembolaget, tasked with providing employees with advice on ethical issues and acting as someone to whom employees can turn with information on any breaches of the company's guidelines, known as "whistle blowing".

Employees who contact the Ethics Advisor are guaranteed anonymity. The Ethics Advisor handled seven cases in 2009.

### **Clear rules for preventing corruption**

Contacts with suppliers of alcoholic drinks must be handled by personnel from Systembolaget's Purchasing Business Area. The store personnel's contacts are limited to study visits to stores by producers or visits to producers for training purposes. The visits are closely regulated. Contact by the suppliers with store personnel in an attempt to influence them to favour individual products in any way is not permitted. All new recruits to Systembolaget receive information on the rules



# Private responsibility

All Systembolaget employees naturally act as representatives of the company in the workplace, but their ethical responsibility actually extends beyond that. A high degree of integrity is required of anyone working for Systembolaget – and that includes with regard to the way they conduct themselves in their leisure time. Every employee must act in such a way that his or her neutrality can never be questioned, and this applies even when they are not actually working.

An individual employee might, for example, make a study visit to a pro-

ducer's facility during their free time, e.g. when on holiday, whether in Sweden or in another country. But if they do, they must think carefully. If they in any way state or suggest that they are employed by Systembolaget, the person in question might be perceived as representing the company, with all the responsibility that entails.

It is also inappropriate for any Systembolaget to wear a t-shirt or other garment that advertises an alcoholic drink during their free time, nor may other forms of advertising material produced by suppliers be used. Doing

so could easily be interpreted by the public as a lack of impartiality. Systembolaget employees are also prohibited from accepting gifts, product samples, etc., from suppliers.

Systembolaget's employees are informed of their ethical responsibility in conjunction with their annual performance review discussions.

governing external contacts, and managers are obliged to sign a statement that they have been familiarised with the rules in conjunction with their performance review every year. All employees are asked systematic questions about the rules governing external contacts in conjunction with these reviews.

All of the stores conducted training courses in 2009, discussing and addressing issues in connection with the rules governing external contacts, and were given the opportunity to review the rules. The sales organisation has an established routine for maintaining employees' and managers' knowledge of ethical issues, and every manager is responsible for conducting dialogues and providing information on the subject of ethical issues twice every year. All managers work with a common body of material that is produced by Systembolaget's ethics group in cooperation with the skill development unit. The sales organisation mainly comprises our 412 stores, nationwide.

## Eco-orientated travel policy

Systembolaget's travel policy encourages its employees to choose the alternative with the least environmental impact when travelling on business. This means that employees should travel by

train, rather than flying or driving, and that when renting a car, a "green car" should be chosen in preference to other types of car. The Group's carbon dioxide emissions as a result of personal transportation totalled 853 tonnes (1,016 tonnes).

## Help with finding another job

When an employee leaves the company without having personally initiated their departure, Systembolaget can, in certain cases, offer external help in finding a new position outside Systembolaget. In cases where employees have been given notice due to lack of work, they are covered by the readjustment agreement and can hence receive help from the services provided by TRR (the Swedish Employment Security Council).



# Responsibility throughout the chain

The drinks that Systembolaget sells must, of course, live up to our customers' demands in terms of quality, product range and value for money. It is equally important, however, that they are produced under responsible conditions, with regard both to people and to the environment. We conduct an ongoing dialogue with our drinks suppliers with the aim of increasing their commitment and responsibility, and of identifying formats that ensure a sustainable drinks supplier chain.

Systembolaget works in close partnership on the subject of Corporate Social Responsibility (CSR) with the monopolies in Norway, Finland, Iceland and the Faeroes. In 2008, the alcohol monopolies drew up a joint Nordic platform and an initial draft of a code of conduct that addresses human rights, labour conditions, the environment and anti-corruption measures, based on the ten principles of the UN Global Compact initiative. The Global Compact's principles are based on the UN declaration on human rights, the ILO conventions, the OECD guidelines, and the Rio Declaration.

In 2009, we have provided our suppliers with information on and training in our CSR partnership. We also, in 2009, carried out a survey of 191 suppliers with the aim of discovering how they

are working with CSR issues and the support they would like to receive from Systembolaget. The survey showed that many of the suppliers are already using a code of conduct in conjunction with procurement activities. They also welcome clear demands from Systembolaget, because it helps them, in turn, to make demands on their suppliers.

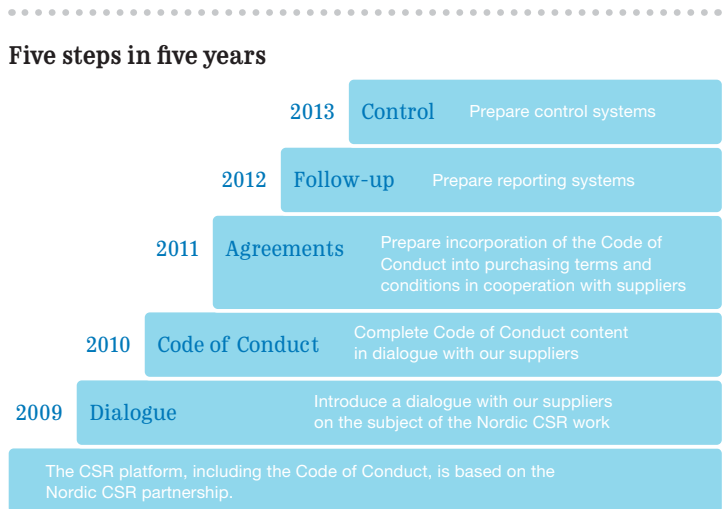
In the autumn of 2009, we integrated CSR into our purchasing staff's meeting agendas with drinks suppliers, and a total of 30 dialogues have now been conducted. A total of 83 suppliers have taken part in the basic CSR training courses that we provide.

### A clear goal

The goal for 2010 is the establishment of a joint Nordic code of conduct. We will, in conjunction with the establishment of this code, be offering our suppliers a range of different tools to support their efforts to ensure sustainability. We aim, by 2013, to have put in place a systematic methodology for creating a sustainable drinks supplier chain.

Purchasers and category managers for alcoholic beverages have received training that addresses the international conventions on human rights, labour conditions, the environment and anti-corruption during the year. Purchasers have also included threats and opportunities from a CSR perspective in their annual area presentations.

Complementary information on our sustainability work is provided in the GRI annex that is available from Systembolaget's website.



The Nordic monopoly partnership's goal and strategy ladder. The work will take place in stages and over time. The basis of the work is a joint, five-year Nordic strategy.

# On location in South Africa

Working conditions in the producer stage of the drinks supply chain have attracted considerable media attention over the past year. Systembolaget is addressing these issues through dialogues with those operating in the producer stage and research into their conditions.

A joint trip to the major wine-producing country of South Africa was carried out in 2009 as part of the Nordic CSR partnership. The primary purpose of the trip was to learn more about CSR at the producer stage as a basis for the Nordic monopolies' endeavours to establish a sustainable drinks supplier chain.

The on site visit also showed that we are keen to help bring about improvements. Over the course of four days, 19 meetings were held with a range of producers, voluntary organisations, universities, trade union representatives, ambassadors and fair trade organisations working to establish good working conditions.

South Africa's problem areas are universal: wages, housing, employee rights, information and last, but by no means least, education. A vineyard



worker's opportunities to influence his or her life increase with education in such subjects as personal finances, health and alcohol. A number of educational initiatives are currently taking place, organised by, amongst others, a range of voluntary organisations.

A visit to a fair trade-labelled vineyard provided evidence of these workers' decent working conditions and pay. Some of their wages are invested, via a democratic decision-making process, in matters that affect them all, such as schools and medical care.

The field trip to South Africa has shown the opportunities for influence available to the Nordic monopolies when we work together. Collectively,

we not only represent five customers, we represent five countries. That counts for a lot. A local trade union organisation has been in touch with us since the visit and told us that the Nordic monopolies' CSR partnership has yielded results in the form of better relationships between South African vineyard workers and farm owners.



## Quality is critical

Systembolaget's purchasing routines afford large numbers of suppliers access to the market and also mean that the market is open to small suppliers and producers. Ultimately, it is quality that determines which products we offer our customers, not the size or financial clout of the supplier. This is the method we use to ensure a level playing field between products and suppliers.



“Systembolaget is a fantastic sales channel for a small importer, because it can offer substantial volumes and hence, real credibility, with the producers. But Systembolaget must take greater responsibility for developing organic production by buying in smaller volumes in a smoother and simpler way,”

*Martin Ljungström,  
Laoag Handel AB*

Systembolaget's impending round of purchasing is based on extensive analyses and customer surveys. The data they yield is used to formulate an annual product range strategy and results in, amongst other things, Systembolaget's launch plan.

### Numerous tenders received

Systembolaget sends out requests for tender for its fixed range twice every year, and 2009 also saw requests for tender for temporary launches issued on six separate occasions. A request for tender specifies, amongst other things, the type of product, country of origin, pricing band and taste profile. All 765 registered suppliers receive the request for tender and are invited to submit their tenders. 409 of the suppliers were active in 2009.

A number of products are selected from the correctly submitted tenders and samples requested. In 2009, Systembolaget received 12,803 tenders

and sampled 10,008 products. 2,820 tenders were also received for the exclusive product range, 1,276 of which were bought in.

### Blind testing decides

The product samples for each request for tender are tasted by a tasting panel. The tasting process is blind, providing no information on brand, supplier or producer. The panel assesses the product's quality with regard to its country of origin, price band and the taste description provided in the request for tender. The product with the highest rating is bought in.

Once the purchasing decision has been taken, the product is also tasted by a complementary characteristic tasting group, which specialises in describing the products. The descriptions of taste and the pie-chart ratings for acidity and sweetness, for example, found on shelf-labels or the





# Quality monitoring

Systembolaget's laboratory in Jordbro, outside Stockholm, checks to ensure that the quality of the drinks corresponds to that bought in and that the content corresponds to the information shown on the label. The parameters analysed are chosen on the basis of a risk analysis.

In addition to the usual analyses, such as alcohol content and sulphur dioxide content, the laboratory also analyses parts of the range with regard, for example, to the presence of the mycotoxin, ochratoxin. These chemical checks are an important complement to the sensoric quality monitoring work.

All new products are analysed before launch and the fixed product range is then checked once a year. The analytical work is preventative. Suppliers and

producers know that Systembolaget conducts comprehensive sensory and chemical checks, both of new launches and of the existing range.

The laboratory also evaluates complaints relating to Systembolaget's products and works in partnership with the Nordic alcohol monopolies, wine and spirits importers, the National Food Administration, the Swedish Ministry of Agriculture, Food and Fisheries, and Swedac (the Swedish Board for Accreditation and Conformity Assessment). Around 3,000 samples pass through the laboratory every year.

The supplier is always contacted if the laboratory detects a deviation from the correct norm, and some form of action is taken, depending on the nature of the problem. In some

cases, it means that a product cannot be launched, while in others, a relabeling of the product is all that is required.



website, are based on their collective opinion. Finally, wine columnists are invited to try all of the new products and all of the wines of a new vintage, free of charge, before sale of the products in stores begins.

## Several ways in

There are two other ways into the fixed product range, in addition to purchasing after requests for tender. One is purchasing after a decision by an independent panel of consumers. Systembolaget buys 20 per cent of the planned launches in the fixed product range in response to decisions by this panel.

Another way into the range involves qualification via the "available for order" range, which means that if an item has achieved a certain volume of sales as part of the "available for order" range, it can apply for evaluation for sale in the fixed range.

## Strict brand neutrality

EU law states that Systembolaget must act in a non-discriminatory way towards its suppliers. Compliance with this regulation is monitored continuously by the Swedish Competition Authority and to date, the Authority has not found any evidence that Systembolaget's operations are conducted in a discriminatory way.

Drinks suppliers may appeal Systembolaget's decision to reject tenders or to delist a product from the range, via the Swedish Alcohol Product Range Board (part of the Alcohol & Pharmaceuticals Product Range Board). Five rejections were appealed in 2009. All of the appeals were rejected by the Board.



# Smooth logistics

Our stores receive an automatic order proposal every day from the product supply system, listing the stock-controlled items that should be ordered. The order proposal is based on historic and anticipated sales statistics unique to the items and to the store, the current stock situation, and the distribution schedule per store and distributor. The store can edit the order proposal and central monitoring is carried out continuously to ensure that a high standard of service is provided.



“We operate in other countries and in my experience, Systembolaget is one of the world’s leading retail chains. The product range and the stores are of a very high standard. The administration and logistics are handled efficiently. They’re open to new ideas and the ‘available for order’ range means that customers can influence the product range. The CSR work on establishing a sustainable supplier chain is good. But the communication with customers could be better. Systembolaget could, for example, do what other retailers do and highlight ethical labelling, such as the Fair Trade labelling system.”

*Emil Sallnäs, President, Giertz Vinimport AB*

Systembolaget shall take an all-round approach to the climate change issue within the framework of our CSR plan for 2010 to 2013, including our focus areas of energy consumption and transportation. The aim is to map our total climate impact and then set goals in order to reduce it.

Systembolaget’s purchases from suppliers include delivery of the products to all of our stores. All suppliers must, therefore, have a nationwide distribution system and can either make the deliveries themselves or use external distributors. In 2009, 12 major nationwide distributors delivered approximately 99 per cent of the total number of goods ordered.

### Trans-shipment offers environmental benefits

The increasing trend towards the use of joint transport solutions amongst larger distributors is continuing, resulting in fewer – but considerably larger – deliveries, generating the preconditions for a more rational in-store processing of goods. Fewer deliveries are also good for the environment. The trans-shipment project jointly launched by three major distributors in 2008 resulted in a reduction in the environmental impact in 2009, and yielded a saving of 2,700 tonnes of carbon dioxide. Systembolaget is currently unable to measure the environmental impact of its suppliers’ combined transportation activities.

### Environmental impact

The distribution carried out in-house by Systembolaget, from its product depots to its stores, and between its stores, yielded a total of 1,523 tonnes of carbon dioxide emissions in 2009. The environmental impact currently monitored by System-

bolaget with regard to carbon dioxide emissions is illustrated in the table below.

### Simplified goods arrival control

Delivery notification is an electronic messaging system that replaces paper delivery notes. The notification simplifies goods arrival control by reducing the amount of data registered manually. Delivery notification is also a vital platform for future solutions, such as goods arrival control via handheld computers. The number of distributors using delivery notification had increased to seven by the autumn of 2009.

### Carbon dioxide (CO2) emissions, the Group

	2009	2008
<b>Direct emissions</b>		
Transport – Lagena’s own vehicles	386	335
<b>Total direct emissions</b>	<b>386</b>	<b>335</b>
<b>Indirect emissions</b>		
Transport – personnel*	853	1 016
Transport – Systembolaget, depot-store, depot-agent, store-store**	1,523	707
Production of electricity bought in	143	137
<b>Total indirect emissions</b>	<b>2,519</b>	<b>1,860</b>
<b>Total</b>	<b>2,905</b>	<b>2,195</b>

\* Personnel transportation has decreased as a result of several training courses being held locally, rather than at the company’s training centre outside Stockholm.

\*\* The figures for transportation between depots and agents for 2008 refer exclusively to the fourth quarter. The comparison between the years is, therefore, misleading.



### Dry goods

Systembolaget's purchases break down into two main groups. The wet goods group comprises deliveries by our drinks suppliers. The dry goods group refers to everything from gift-wrapping to store décor, tools, construction contracts and services. The 100 biggest suppliers of dry goods to Systembolaget account for 80 per cent of expenditure on dry goods.

CSR demands have been made in conjunction with the majority of procurement processes carried out in 2009. Demands have been made in the human rights sphere in conjunction with the procurement of construction contracts, trucks and interior furnishings, while demands in the environmental sphere have been made in conjunction with the procurement of construction contracts and IT hardware.

All dry goods procurement processes of significant value outside of the IT and construction sectors have included CSR-related demands in both the environmental and human rights spheres. They include the procurement of value

services, staff restaurants and carrier bags.

Sustainable purchasing is one of the five focus areas chosen for the operating period from 2010 to 2013. The goal in 2010 is to identify a structured methodology, to learn more about the supplier chains through risk analyses, and to train the purchasing staff. From a CSR perspective, the most risky purchasing areas are:

- refitting, maintenance, décor and work environment tools
- working clothes, consumables and electronics
- transport, energy and travel
- services.



## Lagena – an important distributor

Systembolaget's subsidiary company, Lagena Distribution AB, offers its services to drinks suppliers and producers of alcoholic beverages within Sweden. Lagena operates in competition with other logistics players and is responsible for incoming consignments, warehousing, production for stock, and distribution of alcoholic drinks from producers all over the world to restaurants, wholesalers and Systembolaget's stores.

Lagena was founded in 1995 with the aim of guaranteeing high quality, efficient and neutral treatment for all suppliers and their brand names. In 2009, Lagena distributed approximately 83 million litres of drinks, corresponding to ca. 20 per cent of the drinks sold by Systembolaget during the year. Lagena reported a pre-tax loss for 2009 of SEK 12 million, SEK 9 million of which comprised reorganisation costs directly attributable to the ongoing action programme.

### **New structure to enhance competitiveness**

Lagena operates in a competitive market and its profitability has been poor over the last two years. An action programme is now in progress with the

aim of developing and improving both the operations and the organisation. Lagena, working in close cooperation with its customers, made important improvements to the flow of goods from producer to customer over the past year. 2009 also saw the introduction of a more efficient and more flexible production organisation. This necessitated the laying off of 33 members of staff by Lagena, which led to a wildcat strike. After negotiations with the trade unions, the number of employees laid off fell to 26, resulting in a total workforce at the end of the year of 152. Significant progress has also been made with regard to the quality of the services provided and overall, therefore, Lagena has strengthened its position as a leading logistics supplier.

### **Increased trans-shipment**

X-SAM is a division within Lagena that is responsible for the trans-shipment of several distributors' and breweries' products to Systembolaget's stores and to restaurants.

X-SAM aims to generate better delivery reliability with regard to distribution to Systembolaget's stores. It also enables the fill rate of every delivery to be increased, thereby yielding better efficiency and a reduced environmental impact. X-SAM distributed almost 150 million litres of alcoholic drinks in 2009 to recipients all over the country and has successfully increased the quality of its deliveries during a period of sharp growth.

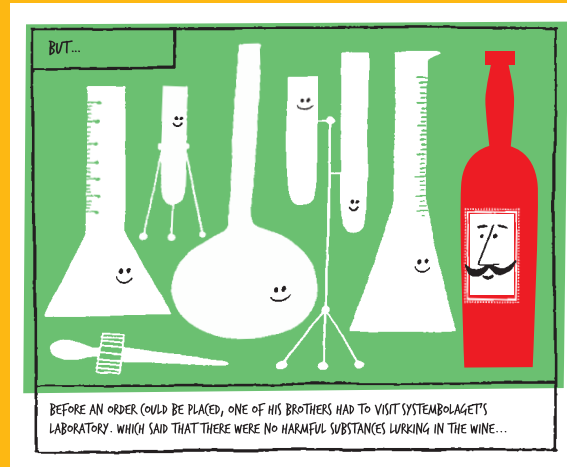
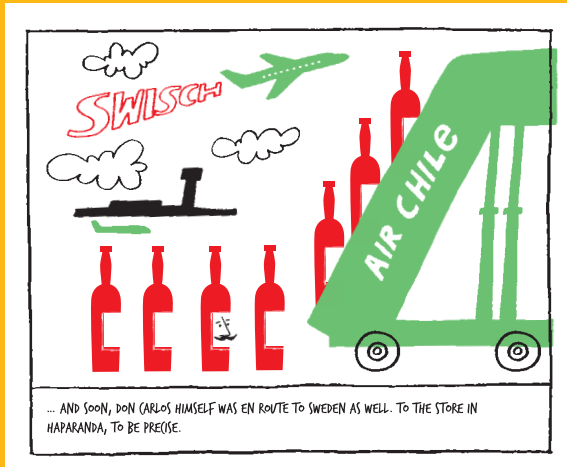
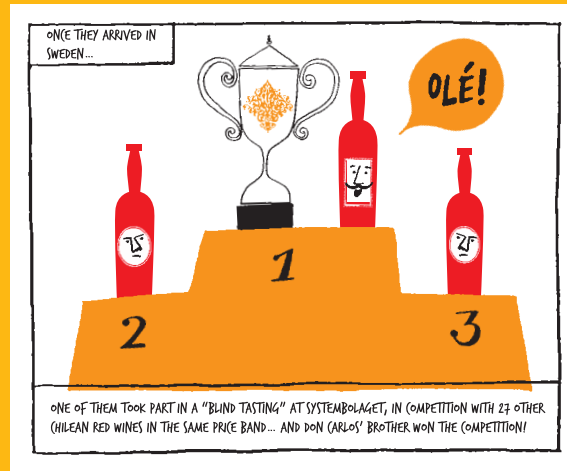


# From producer to consumer

Many of Systembolaget's products have to travel a long way before ending up in our stores. Below, we offer examples

of just a few of the checkpoints they must pass en route from the producer to the consumer. This diagram is an

extract from a more complete cartoon series available on our website.





## Our alcohol policy role

Systembolaget exists for one reason and one reason only: alcohol-related problems are reduced if alcohol is sold in the absence of a profit motive. Systembolaget is expressly mandated to help limit the harmful effects of alcohol. This mandate is governed by the Swedish Alcohol Act, Systembolaget's contract with the government, and by the directives issued by the government in its capacity as Systembolaget's owner.



“Public appreciation of Systembolaget is growing more and more. The appreciation levels testify to the fact that Systembolaget offers good service and that it is living up to its customers' expectations while simultaneously managing its social responsibility very well. It's a difficult balance to maintain, but Systembolaget manages it both convincingly and well. Public support is important to maintaining a restrictive alcohol policy. Systembolaget's mandate of helping to limit the harmful effects of alcohol is impossible if the customers and the public don't like the company!”

*Maria Larsson, Minister for Elderly Care and Public Health*

Systembolaget's mandate to limit the availability of alcohol has a socio-political objective that is laid down in the Owner's Directive issued for Systembolaget by the government. The Owner's Directive and the other steering documents also establish a number of other key principles: that the customers shall receive a high standard of service, that product selection shall be made objectively and neutrally, and that the operations shall be conducted in a rational way and shall not seek to maximise profits. These requirements and expectations on the part of the owner provide strict guidelines for the way in which Systembolaget is run and the way in which its operations are monitored.

### Two out of every three Swedes support Systembolaget

Systembolaget's overall mandate is a socio-political one. The mandate can only continue as long as it has both parliamentary and popular support. We monitor public support for Systembolaget on an ongoing basis. The Opinion Index (OPI) is the most strategic key performance indicator and is measured every month by the survey company, SIFO. In it, the public are asked if they wish to retain Systembolaget or would like sales of strong beer, wines and spirits to be made in other stores. These measurements have been carried out continuously since 2001, since when support has increased from 49 per cent to 66 per cent, which was the average value in 2009. Levels of support for Systembolaget and our monopoly amongst the Swedish public are now very high.

### Customer focus without add on sales

Systembolaget's contract with the government states that it shall provide good service and we

accordingly endeavour to be perceived as a leading retail chain with regard to product range, expertise, service and responsibility. This entails an ongoing investment in customer orientation but, at the same time, we must not work to increase sales through marketing activities. We regularly measure customers' appreciation of Systembolaget and the service we provide in the form of our CSI (Customer Satisfaction Index). The measurement for 2009 shows a continued rise in our rating to 78 (77).

### The right product range

Systembolaget's product range is the most important factor for our customers. Our owner requires us to choose our products in an objective and neutral way. Systembolaget puts considerable care and attention into ensuring that its purchasing process is as reliable and transparent as possible. From the customer's perspective, this results in only the best products in each category and price band making it onto our shelves. From the supplier's perspective, the process results in predictability and fairness. The neutrality of the process from a competition viewpoint is reviewed twice yearly by the Swedish Competition Authority.

### Increased sales in a declining total market

Total alcohol consumption in Sweden has been on the decline since 2004, and 2009 was no exception to this. At the same time, Systembolaget's sales increased for the fifth year in succession. This could be interpreted as a concrete expression of our customers' belief that Systembolaget offers good service. From a public health viewpoint, the rising consumption of wine is worrying and the long-term consequences of this trend have not, as yet, been established.



# Fyllelogik.

Om alkoholsmugglet försvarat skuld för alkoholinläsande produktens till mycket större, mättar forskarna. Så här hänger ihop.

Starköl, vin och sprit säljs i mataffärerna.



Det blir enklare att köpa alkohol.



Alkohol säljs på ett mer aktivt sätt.



Älderskontrollen blir sämre.



Särskilt tonåringar.



Folk köper mer.



Fler tar shop med sig när de dricker för mycket.



Fler orkar mindre.



Folk dricker mer.



Fler blir beroende.



Fler blir miss-handlade.



Fler ringer till jobbet och säger att de är sjuka.



Folk blir fulla oftare.



Fler blir aggressiva.



Fler blir sjuk-skrivna.



+40%

Trycket på vården ökar.



Fler dör i förtid.



Deras kollegor får jobba hårdare.



Fler blir sjuka.



Fler tappar viktmetret.



Men om du skiljer är så färdig, varför har Systembolaget återtagit?

SYSTEMBOLAGET

The poster shows the various consequences – both direct and indirect – of increased sales and consumption of alcoholic drinks.



# Key performance indicator management

Systembolaget's mandate is to help limit the harmful effects of alcohol by limiting total alcohol consumption. It is, therefore, of the utmost importance that the operations are not driven by a profit motive, which would otherwise provide an incentive to boost sales. The operations shall be sufficiently profitable, providing room for the company's development and renewal.

## Required return

The Owner's Directive states that the long-term profit shall correspond to a return on shareholders' equity of 4 percentage points above the ten-year government bond interest rate. For 2009, this corresponds to a required return on 7.2 per cent. The profit of SEK 467 million before tax posted by Systembolaget exceeded the required return, and was primarily a result of the increase in sales seen in 2009. The sales volume totalled 449 million litres, corresponding to an increase of 7.6 per cent in comparison with 2008.

The increase in sales was strongly influenced by the reduction in personal imports by travellers which was, in turn, driven by the weaker Swedish krona. In the just over 50 Systembolaget stores in Skåne, Blekinge, and Halland, and the odd individual store close to the Norwegian and Finnish borders that are most affected by cross-border trade, sales increased by almost 18 per cent in 2009. The effect on the total increase in sales corresponded to just under 2 percentage points.

Systembolaget's increased sales notwithstanding, total alcohol consumption has not increased, according to SoRAD. The main reason for this statistic is, once again, the reduction in personal imports by travellers.

## Strategic key performance indicators

Systembolaget's strategic and operational planning is based on a model that uses a so-called balance scorecard. The management is based on four different perspectives – society, customers, personnel and financial, and as of 2010, the supplier perspective will also be included in this balanced scorecard.

## Increased efficiency

Systembolaget has increased its financial efficiency in recent years, both in the stores and at Head Office. The increased efficiency in the stores is largely driven by the refitting as self-service stores, which is a more rational operating method. The work on in-store organisation has also played a major part in this improvement, helping raise productivity and simultaneously improving customer satisfaction.

Work productivity is measured daily in every store and refers to the number of units handled per day's work. In 2009, this value was 838, corresponding to a 5.0 per cent rise since 2008 and a rise of 12.8 per cent since 2005. Other financial key performance indicators monitored in store include cost productivity and wastage. Cost productivity is a reflection of the number of units sold through the costs that the store can influence. Wastage in SEK over sales in SEK constitutes the key performance indicator for wastage.

The administrative costs for 2009 totalled SEK 372 million, corresponding to a reduction of 11.6 per cent since 2008 and an increase of 3.9 per cent since 2005. The reduction is mainly due to the fact that last year's figures include a cost for damages payable to V&S Vin & Sprit AB in accordance with the arbitration ruling upheld in December 2009.

Systembolaget's improved financial efficiency is also confirmed by the fall, over several years now, in the company's trading margin, which has fallen from 25.5 per cent in 2005 to 22.2 per cent in 2009.





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## Ten years in brief

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>Sales per inhabitant aged 15+, by product group (litres)</b>										
Spirits	2.6	2.5	2.5	2.5	2.5	2.6	3.0	3.2	3.2	3.2
Wine	23.3	21.6	20.9	19.9	19.1	18.7	19.2	18.6	17.0	16.1
Strong beer	29.0	27.5	27.1	25.9	23.9	23.3	24.3	23.3	21.4	19.6
Cider & mixed drinks	2.5	2.4	2.4	2.4	2.3	2.3	2.5	2.3	1.9	1.8
Alcohol-free	0.13	0.11	0.11	0.10	0.10	0.09	0.07	0.06	0.05	0.06
Total as pure alcohol	5.8	5.4	5.3	5.1	4.9	4.8	5.1	5.0	4.6	4.4

## Sales in millions of litres, by product group

Spirits	20.1	19.1	19.3	18.9	18.8	19.2	22.1	23.3	23.4	23.4
Wine	181.4	166.5	159.5	150.5	143.0	138.7	141.8	136.5	124.2	116.6
Strong beer	226.9	212.4	207.1	195.7	179.0	172.9	179.1	170.5	156.0	142.4
Cider & mixed drinks	19.4	18.5	18.1	18.3	17.0	16.8	18.7	17.1	13.7	13.2
Alcohol-free	1.0	0.9	0.8	0.7	0.7	0.7	0.5	0.4	0.4	0.4
Total as pure alcohol	44.8	41.6	40.5	38.4	36.4	35.6	37.4	36.4	33.6	31.7

## Retail network

No. communities with stores	322	322	322	322	322	323	323	315	314	310
Stores	412	411	411	410	411	417	426	419	416	411
Agents	508	511	540	552	560	576	580	590	579	575

## Key performance indicators

	Target level		2008	2007	2006	2005
	2009	2009				
Opinion Index	66	64	64	61	57	55
Age verification checks, %	93	91	90	85	88	89
Customer Satisfaction Index (CSI)	78	77	77	75	74	73
Employee Satisfaction Index (ESI)	75	74	74	72	70	70
Trading margin, ex. alcohol tax (Parent Company), %	22.2	22.3	22.6	23.1	24.3	25.5
Work productivity (work units/day's work)	838	820	798	775	766	743
Cost productivity (overheads/work unit)	0.40	0.42	0.46	0.47	0.46	0.38
Wastage (per thousand of net sales)	1.33	1.17	1.28	1.25	1.13	1.42
Sick leave (in relation to planned time), %	4.9	4.5	5.6	6.2	6.9	8.0
Stock turnover rate (multiple/yr)	25.4	No target set	23.2	22.3	21.3	20.5

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# The Board of Directors



Cecilia Schelin Seidegård

Gert Karnberger

Johan Gernandt

Carl B Hamilton

Annika Nilsson

Sven Andréasson

## *Cecilia Schelin Seidegård*

**Chairman**

**Born:** 1954

**Principal education:** PhD in Biochemistry.

**Other positions:** Chairman of the University Board of the Royal Institute of Technology in Stockholm, Chairperson of the Vårdal Foundation – for Health Care Sciences and Allergy Research, Chairperson of Qlucore AB and BioTap A/S, and Member of the Boards of the Swedish Centre for Business and Policy Studies, the Swedish Employment Service, Previa AB, and IVA.

**Elected:** Chairperson since 2008.

**Positions previously held:** Hospital Director at Karolinska University Hospital 2003-2007, Member of the Boards 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.

**Independent\***

## *Gert Karnberger*

**Vice Chairman**

**Born:** 1943

**Principal education:** Qualified graduate from upper secondary engineering course; economics, company management

**Other positions:** Chairman of the Board of Swedish Industry and Commerce for Better Regulation (NNR), Member of the Boards of Apoteket AB, the Confederation

of Swedish Enterprise, and Swedol AB.

**Elected:** Vice President since 2009. Member 2004–2007.

**Positions previously held:** Clas Ohlson AB, Chairman of the Board from 1990–1996, President, CEO and Member of the Board 1996–2007. Chairman of the Board of Clas Ohlson Norway 1996–2007, Finland 2002–2007. Vice President of the Swedish Trade Federation and Swedish Distance Sellers. Member of the Boards of Swedish subsidiary companies of the ASKO Group. Own consultancy firm.

**Independent\***

## *Johan Gernandt*

**Born:** 1943

**Principal education:** LL.B.

**Other positions:** Lawyer and consultant at Advokatfirman Vinge. Chairman of the Board of Governors of the Bank of Sweden. Chairman of the Board of the Stockholm Chamber of Commerce. Chairman of the Board of the Svenska Dagbladet Foundation.

**Elected:** 2007.

**Positions previously held:** Lawyer and joint-owner of Gernandt & Danielson Advokatbyrå February 1992–2009, expert, Limited Companies Committee (Ju 1990:46) 1990–2000.

**Independent\***

## *Carl B Hamilton*

**Born:** 1946

**Principal education:** Ph.D. (Economics).

**Other positions:** Professor of international economics at Stockholm University

and the Royal Institute of Technology in Stockholm 1991–, Member of Parliament 2002–, Member of the national party executive and party leadership group of the Swedish Liberal Party.

**Elected:** 2007.

**Positions previously held:** Undersecretary of State at the Ministry of Finance, Member of Parliament 1991–93 and 1997–98, special commissioner, etc. Chief Economist, Handelsbanken 1995–1999.

**Independent\***

## *Annika Nilsson*

**Born:** 1971

**Principal education:** Studies in social geography and economic history at Lund University. General Science course programme.

**Other positions:** Association Secretary, ABF (the Workers' Educational Association of Sweden).

**Elected:** 2006.

**Positions previously held:** CFO at ABF 2007–2008, Member of Parliament (Socialist Party) 1994–2006, Undersecretary of State at the Ministry of Health and Social Affairs 2005–2006, Member of the Board of Teracom AB 2003–2006, Chairman of the Expert Group for Environmental Studies 2005–2006, Chairman of the Commission for the Care of Children and Young People 2003–2005.

**Independent\***



Lena Furmark Löfgren

Kerstin Wigzell

Maj-Britt Eriksson

Erik Bergström

Patrik Ström

Maria Åström

**Sven Andréasson**

**Born:** 1952

**Principal education:** Doctor of Medical Science, Ass. Professor of Health and Medical Care research.

**Other positions:** Senior Physician, Addiction Centre, Stockholm. Departmental Manager, Swedish National Institute of Public Health, alcohol and narcotics department. Scientific council for Abuse Issues at National Board of Health and Welfare.

**Elected:** 2007.

**Independent\***

**Lena Furmark Löfgren**

**Born:** 1961

**Principal education:** B.Sc. national economics/political science. State Registered Nurse.

**Other positions:** President of Caritea AB, Member of the Board of the Swedish Red Cross Home Foundation and Apoteket International AB.

**Elected:** 2007.

**Positions previously held:** Business Development Manager for health and medical care, Microsoft AB, Institute for Future Studies, and Chairman of Swedish Medtech/Slits.

**Independent\***

**Kerstin Wigzell**

**Born:** 1945

**Principal education:** Behavioural and social sciences.

**Other positions:** Chairman of the Board of the Stockholm Academy of Dramatic

Arts. Member of the Boards of the Swedish Press Council, the National Swedish Police Board's Ethics Council, the Swedish Society for Medical Research, the Swedish Postcode Association.

**Elected:** 2009

**Positions previously held:** 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. Chairman of the Swedish Council for Working Life and Social Research, Vice President of the Board of Systembolaget.

**Employee representatives**

**Maj-Britt Eriksson**

**Born:** 1947

**Principal education:** Upper secondary school, general sciences course programme, Komvux (local government-administered adult education) in Kalmar.

**Other positions:** Summer job, sales team, at Systembolaget since 1981, employed since 1987. Chairman of the South Eastern Sales Personnel Club, Contract Representative Salesperson for the South Eastern Group of Seven, Deputy Member of the Board of Systembolaget's Staff Association.

**Appointed:** as a Deputy Employee Repre-

sentative in 2006 and as a Full Employee Representative in 2007.

**Erik Bergström**

**Deputy Member**

**Born:** 1968

**Principal education:** Upper secondary school course in distributive trades/office work. 2-year post upper secondary school course in Purchasing and Sales.

**Other positions:** Store Manager at Systembolaget since 1999, member of sales team since 1993. Chairman of the Bergslagen Managers' Club

**Elected:** 2007.

**Patrik Ström**

**Born:** 1972

**Principal education:** 2-year upper secondary course specialising in woodwork.

**Other positions:** Employed by Systembolaget since 1993. Store Manager since 2003. Chairman of Systembolaget AB's Staff Association.

**Elected:** 2004.

**Maria Åström**

**Born:** 1967

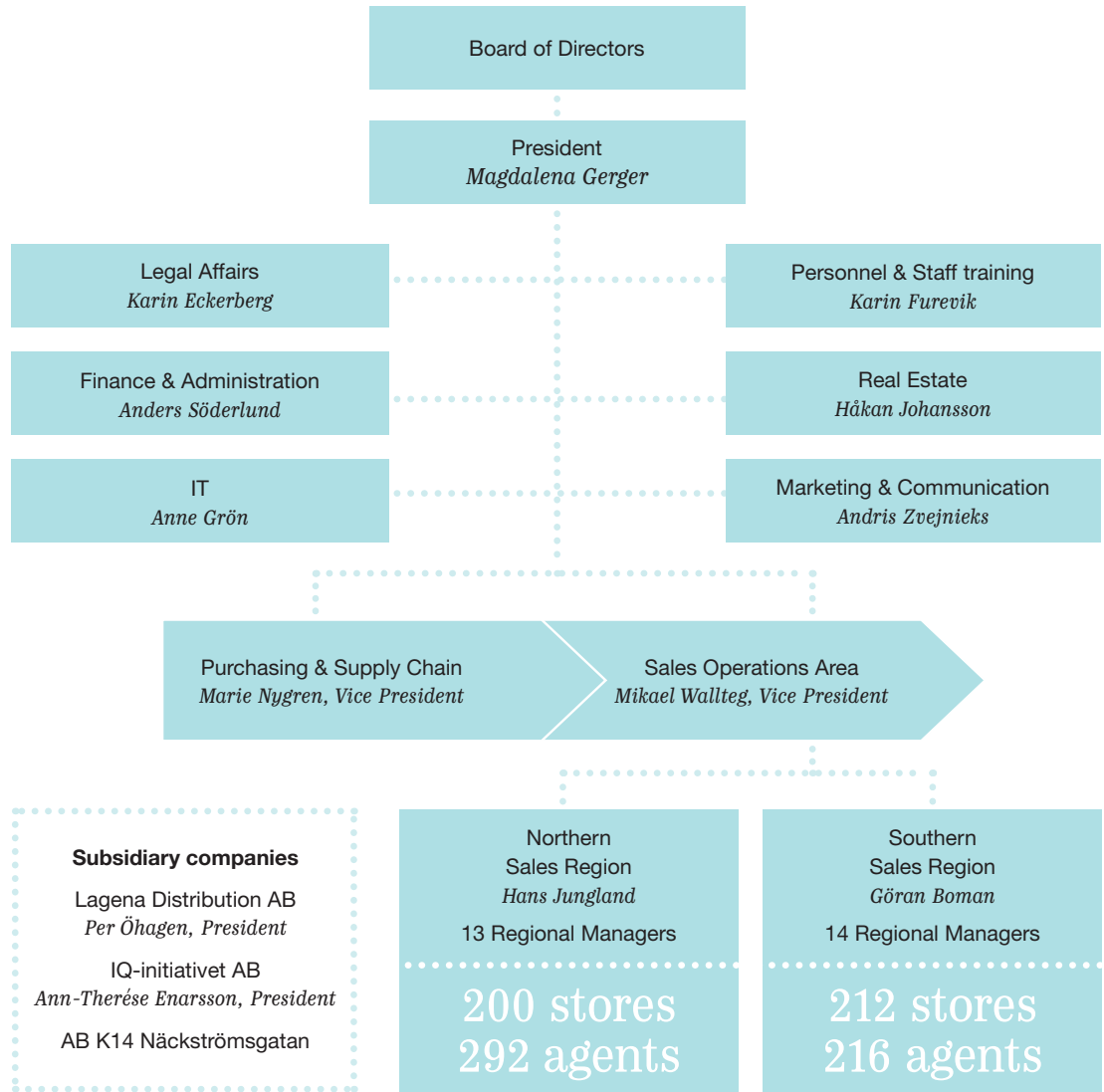
**Principal education:** 2-year upper secondary course, training as a chef.

**Other positions:** Employed as sales person since 1996. Member of the Västerbotten Sales Staff Club. Trade union representative, store #2416, Ersboda in Umeå.

**Elected:** 2009.

\* The Member should, according to the Nomination Committee, be regarded as independent in relation to the company and the company management.

# Organisation



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

Purchasing & Supply Chain Management is responsible for product range development and for the supply of goods from the supplier to the stores' shelves and the customer.

The Sales Operations Area is responsible for operations and sales in the stores. Systembolaget's 412 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 work in such areas as developing and administering the network of stores and the IT systems, information, recruiting and developing employees, and administering accounting flows. The President and corporate management team are responsible for the management process.

# Company management



*Andris Zvejnieks*  
**Communications Director**  
**Born:** 1957  
**Education:** BA in Political Science  
**Employed:** 2009

*Magdalena Gerger*  
**President**  
**Born:** 1964  
**Education:** B.Sc. Economics and Business Administration and MBA. Stockholm School of Economics.  
**Employed:** 2009

*Håkan Johansson*  
**Real Estate Director**  
**Born:** 1957  
**Education:** Market Economist  
**Employed:** 2001

*Karin Furevik*  
**HR Director**  
**Born:** 1954  
**Education:** Management sociologist  
**Employed:** 2008

*Anne Grön*  
**IT Director**  
**Born:** 1956  
**Education:** B.Sc. Economics and Business Administration  
**Employed:** 2008



*Marie Nygren*  
**Purchasing Director, Vice President**  
**Born:** 1965  
**Education:** B.Sc. Economics and Business Administration  
**Employed:** 2007

*Mikael Wallteg*  
**Sales Director, Vice President**  
**Born:** 1957  
**Education:** Internally trained at executive level  
**Employed:** 2001

*Karin Eckerberg*  
**Senior Legal Counsel**  
**Born:** 1968  
**Education:** LL.B.  
**Employed:** 2004

*Anders Söderlund*  
**CFO**  
**Born:** 1963  
**Education:** B.Sc. Economics and Business Administration  
**Employed:** 2003

# Corporate Governance Report for Systembolaget AB

This Corporate Governance Report has been adopted by the Board of Directors and President of Systembolaget AB. The report has been reviewed by the company's auditors.

Systembolaget's corporate governance is conducted on the basis of the Swedish Companies Act (2005:551), the Swedish Code of Corporate Governance (the Code), the State's ownership policy, the agreement with the State and the Owner's Directive, and of the Articles of Association, the formal work plan for the Board of Directors, and the instructions for the President.

## **The Swedish Code of Corporate Governance**

Systembolaget applies those sections of the Code that are relevant to the company in its capacity as a wholly State-owned company. The Code can be viewed in Swedish at [bolagsstyrning.se](http://bolagsstyrning.se) and in English at [www.corporategovernanceboard.se](http://www.corporategovernanceboard.se)

### *Deviations from the Code*

Systembolaget has deviated from Code Regulation 1.1 with regard to the publication of information on the shareholders' right of initiation. The aim of this regulation is to give the shareholders plenty of time to prepare for the Annual General Meeting and to have issues included in the notice convening the Annual General Meeting. There is no reason, in wholly state-owned companies, to observe the Code regulation in question.

Systembolaget has also deviated from Code Rules 2, 4.4, 8.1, and 10.1, which deviations are in accordance with the State's ownership policy. The ownership policy details the Government's motivation for the deviations.

## **Responsibility for corporate governance**

Systembolaget is a company wholly owned by the Swedish State. The ownership is administered by the Government through the Ministry of Health & Social Affairs. Responsibility for Systembolaget's management and control is divided between the owner, the Board of Directors, and the President in accordance with the provisions of the Swedish Companies Act.

## **Corporate Governance**

### **The basis of Systembolaget's corporate governance**

The company's agreement with the state, and the owner's directive in which the owner's requirements of Systembolaget are specified, constitute a starting point for the work and responsibilities of the Board of Directors. The agreement and the owner's directive form the basis for the company's operations with regard both to the social mandate and to the profitability requirement and operations in general.

Under the terms of its mandate, Systembolaget shall limit the harmful effects of alcohol. Systembolaget holds a monopoly on retail sales of spirituous drinks, wines and strong beers in Sweden. For further information on Systembolaget's purpose, mandate and the owner's goals, see pages 1, 6–15 and 50–53 of this Report.

Two meetings are held every year between the owner and the Chairman and President. The Chairman also engages in a number of ongoing dialogue meetings with the owner at which the Board's work is discussed, due to the lack of any specially designated owner's representatives amongst the Members of the Board of Directors. Areas discussed during the past year's meetings include following up on the work of the Board, the alcohol policy, the Annual General Meeting, recruitment of a new President, the 2013 strategic plan, the 2010 budget, the new Alcohol Act, Lagena Distribution AB and IQ-initiativet AB.

### **Annual General Meeting**

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

*The 2009 Annual General Meeting*

The Annual General Meeting held on 2nd April in Stockholm was open to the public and was also broadcast live on Systembolaget’s website. The Meeting resolved to set the number of Board Members elected by the Meeting at eight, and it was noted that a new Auditor shall not be appointed until the 2012 Annual General Meeting.

The Meeting resolved that Cecilia Schelin Seidegård should continue as the Chairman of the Board for the period until the next Annual General Meeting. The following persons were re-elected to the Board: Sven Andréasson, Johan Gernandt, Carl B Hamilton, Lena Furmark Löfgren and Annika Nilsson. Gert Karnberger (Deputy Chairman) and Kerstin Wigzell were appointed as new Members of the Board. The owner’s representative, Iréne Nilsson Carlsson, gave grounds for the composition of the Board and declared that all Members of the Board had been adjudged, by the owner, to be independent in relation to the company and the company’s management.

The Meeting approved payment of the following fees to the Board:

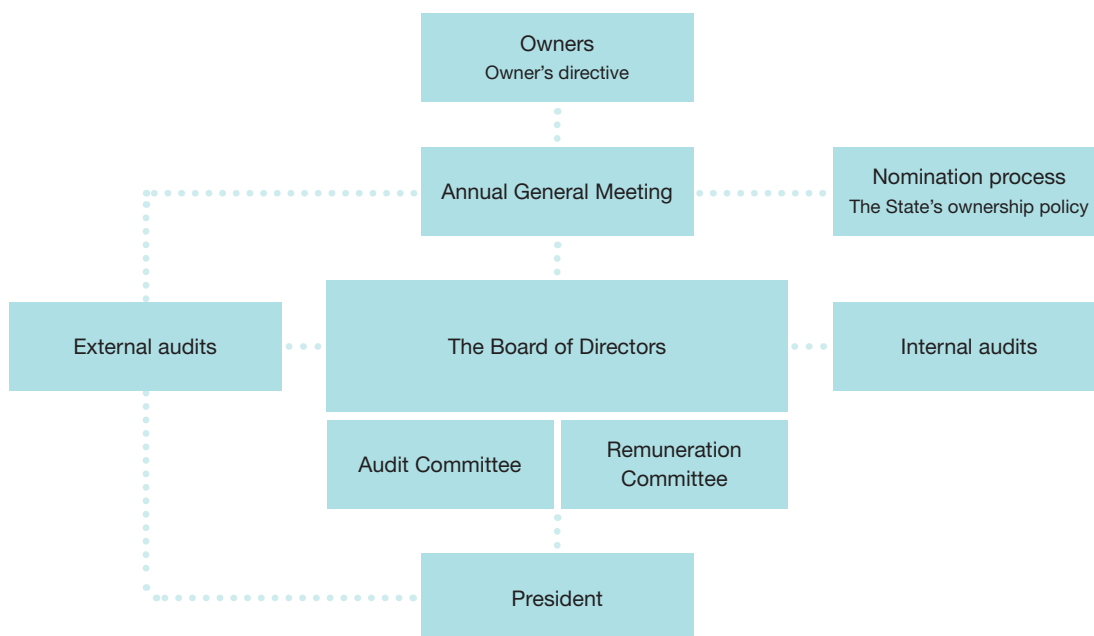
- Chairman of the Board: SEK 180,000
- Deputy Chairman of the Board: SEK 109,000
- other Board Members: SEK 87,000
- employee representatives on the Board: no fee payable

The Meeting also resolved that the following fees should be payable to members of the company’s Board-appointed committees:

- Chairman of the Audit Committee: SEK 40,000
- Member of the Audit Committee: SEK 30,000
- Chairman of the Recruitment Committee\*: SEK 25,000
- Member of the Recruitment Committee\*: SEK 15,000

\* One-off fee in conjunction with recruitment of a new President of the company.

**Responsibility for corporate governance within Systembolaget**



In 2008, the Swedish National Audit Office appointed Filip Cassel as the Systembolaget AB's Authorised Public Accountant for the period up to and including the 2012 Annual General Meeting. The Swedish National Audit Office simultaneously appointed Authorised Public Accountant, Lars Nordstrand, as Filip Cassel's deputy. On 23rd March 2009, the Swedish National Audit Office announced that Authorised Public Accountant, Staffan Nyström, would replace Lars Nordstrand as Filip Cassel's deputy, effective as of the 2009 Annual General Meeting. It was also announced that the Riksdag Board had appointed/re-elected three lay auditors and three deputy lay auditors.

The Chairman of the Board presented the Board's proposed guidelines for remuneration and other conditions of employment for the company management, in accordance with the Government guidelines regarding conditions of employment for persons in a company managerial position in state-owned companies, issued by the Government on 3rd July 2008. The Board furthermore presented the grounds on which the total remuneration payable to the President and other members of the company management were based.

The Meeting approved the remuneration levels and other conditions of employment for the company management proposed by the Board.

The Meeting resolved to adopt the Income Statements and Balance Sheets for the Parent Company and Group, as of 31st December 2008, as submitted by the Board of Directors and the President, and to approve the proposed appropriation of profits and dividend payment totalling SEK 201,240,000 proposed by the Board of Directors and the President. The Meeting further granted the Board of Directors and the President discharge from liability for the financial year.

#### *2010 Annual General Meeting*

The 2010 Annual General Meeting will be held in Stockholm on 25th March and the notice convening the Annual General Meeting will be sent out at the end of February.

### **The Board of Directors**

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

Act, for the organisation of the company and the administration of the company's affairs. The State's ownership policy states that the Board of Directors of a state-owned company shall be run in a model way in line with the framework provided by legislation and with the owner's long-term interests. The Board of Directors of state-owned companies shall also work to ensure that the company sets a good example on issues relating to sustainable development and social responsibilities, such as ethics, the environment, human rights, equal opportunities, and diversity.

### **The nomination process**

The composition of the Board complies with the nomination process described in the State's ownership policy. The nomination process is coordinated by the State Ownership unit of the Ministry of Enterprise, Energy and Communications, where a working group analyses the skill requirement on the basis of the company's operations and existing composition. The selection is made from a broad recruitment base. To be considered, individuals must not only possess high-level competence in the relevant commercial sphere, industry know-how, and extensive familiarity with financial issues or other relevant areas, they must also display a strong sense of integrity and the ability to work in the best interests of the company.

### **Composition of the Board**

The State's ownership policy states that the composition of the Board shall be such that the Board at all times possesses industry know-how and expertise relevant to the company, including that required when the company develops or the outside world changes. The composition of the Board shall be such that a balance is achieved with regard to background, areas of expertise, experience and gender breakdown. The State's ownership policy states that the goal with regard to gender breakdown shall be at least 40 per cent of both sexes.

Systembolaget's Board of Directors comprises eight Members elected by the General Meeting. The staff organisations have also appointed two employee representatives and deputies. None of the Members of the Board are part of the com-



pany management. The President, Vice President and CFO attend Board Meetings, and the rest of the company management also attends certain meetings. Systembolaget's Senior Legal Counsel is the Secretary to the Board.

The Board of Systembolaget has a broad composition with regard to industry know-how and the external issues that control the company's development. The gender breakdown of the Board during the year was 50 per cent female and 50 per cent male.

### **The Chairman of the Board**

The Chairman of the Board shall, pursuant to the provisions of the Swedish Companies Act, organise and lead the work of the Board and shall ensure that the Board carries out its duties. The Swedish Code of Corporate Governance (the Code) states that the Chairman of the Board shall also be responsible for contacts on ownership-related issues, shall ensure that the Board receives sufficient source data on which to base its decision-making work, and shall, together with the President, set the agenda for the Board Meetings, check that the Board's decisions are implemented, and ensure that the work of the Board is evaluated annually.

The Chairman consults with the President on an ongoing basis on strategic issues, as they arise, and represents the company on issues relating to corporate governance. The Chairman has met with the company's auditors and the company management once during the past year. The Chairman of the Board has, in addition to his general duties as a Director and the duties specified above, additional special obligations which are specified in the rules of procedure for the Board of Directors.

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

The Board has adopted a formal work plan specifying how the work is to be divided between the Board, committees and the President. The work plan is reviewed annually and was adjusted at the Board Meeting held in June 2009. The work plan states that the Board shall hold at least five meetings per calendar year in addition to the Board Meeting following election.

The Board shall coordinate its position with rep-

resentatives of the owner with regard to major strategic operational changes and acquisitions, mergers or disposals, and to decisions that entail a significant change to the Balance Sheet or risk scenario for Systembolaget. There is no division of the Board's work between the Members of the Board, other than that of the committees presented in this Corporate Governance Report.

A collection of documents (laws, steering documents etc., for Systembolaget AB) has been drawn up to support the Board in its work and in which certain legislative texts pertinent to the operations are presented, including documents issued by the EU, a variety of statutory instructions, company-related documentation, owner-related documentation and agreements, investment regulations, accounting principles, the strategic plan, Systembolaget's ethical programme, other policies, and information on subsidiary companies.

All Members of the Board of Systembolaget work actively with the issues that it is incumbent upon the Board to address and otherwise with the issues referred for consideration by the Board. The Board also meets annually with the company's auditors. For additional information on the contacts of the Board of Directors and the Chairman of the Board with the company's auditors, please see "The Board's description of internal control of financial reporting – Monitoring" on page 67 of this Report.

The structure of the Board's work is laid down in the Board's work plan, which is revised annually. The work plan forms the basis for the Board's work and stipulates the point during the financial year when special areas of responsibility shall be addressed by the Board. The Board establishes the long-term orientation of Systembolaget in a strategic plan.

The strategic plan extends four years forward in time and is revised every third year. Work on a new strategic plan for Systembolaget began in the autumn of 2008. Systembolaget's mandate, vision and business concept have also been reformulated in conjunction with the work on the strategic plan. The starting point of the strategic plan was an analysis of the outside world produced during the latter half of 2008 and early 2009. The analysis of the outside world and the results of a

number of internal and external surveys have resulted in a number of strategic activities that will be implemented between 2010 and 2013.

The strategic plan also contains long-term goals. The goals are based on the balanced scorecard that acts as an important cornerstone of the management of Systembolaget. Systembolaget has four fundamental perspectives: society, customers, personnel, and financial. A number of key performance indicators within each perspective constitute quantitative goals for the coming four-year period and are also broken down by year in the operating plan. The Board of Directors receives ongoing feedback on the strategic key performance indicators.

The purpose of the structure of the annual operating plan is to clarify the link with the strategic plan and to facilitate the management of various projects and activities in line with the strategic goals.

#### *The work of the Board in 2009*

The Board has held a total of ten Board Meetings during the year, of which three were extraordinary meetings. The usual follow-up work, both on the

company's economic performance and on the social and environmental aspects that have arisen during the course of the operations has been carried out on an ongoing basis by the Board. The follow-up work has taken the form of, amongst other things, the presentation of a number of strategic key performance indicators, such as the Opinion Index (OPI), Age Verification Checks, the Customer Satisfaction Index (CSI), the Employee Satisfaction Index (ESI), and the Trading Margin, and of Board memorandums on topical issues. Collectively, these measures have afforded the Board the opportunity to monitor the operations' results on an ongoing basis in the field of sustainable development.

Over and above the ongoing monitoring of strategic key issues, the work of the Board has primarily focused on follow-up work on risk reporting and internal audits, and on future investments. Other issues addressed by the Board include decisions on the rate at which Systembolaget's stores are rebuilt and other establishment issues, the arbitration proceedings against V&S Vin & Sprit AB, the work of the Alcohol Act Government Committee, recruitment of a new President, terms of employment for senior executives, analyses of the

#### Present at Board Meetings in 2009

Name	Board function	Board meetings <sup>1</sup>	Audit Committee <sup>2</sup>	Remuneration Committee <sup>3</sup>
Cecilia Schelin Seidegård <sup>6</sup>	Chairman	10/10		3/3
Gert Karnberger <sup>3, 4</sup>	Deputy Chairman	6/7	4/4	
Sven Andréasson	Member	9/10		
Johan Gernandt	Member	8/10		
Annika Nilsson <sup>5</sup>	Member	8/10	4/5	
Lena Furmark Löfgren <sup>5</sup>	Member	10/10	5/5	
Carl B Hamilton	Member	9/10		
Kerstin Wigzell <sup>3, 7</sup>	Member	6/7		2/2
Maj-Britt Eriksson	Employee representative	9/10		
Patrik Ström	Employee representative	9/10		
Erik Bergström	Deputy employee representative	8/9		
Maria Åström <sup>8</sup>	Deputy employee representative	4/4		
Patrik Olofsson <sup>8</sup>	Deputy employee representative	2/3		
Marianne Nivert <sup>9</sup>	Deputy Chairman	2/3	1/1	1/1

<sup>1</sup> Seven ordinary and three extraordinary Board Meetings were held in 2009.

<sup>2</sup> Five meetings of the Audit Committee and three meetings of the Remuneration Committee were held in 2009.

<sup>3</sup> Elected at the AGM held on 2nd April 2009.

<sup>4</sup> Chairman of the Audit Committee

<sup>5</sup> Member of the Audit Committee

<sup>6</sup> Chairman of the Remuneration Committee

<sup>7</sup> Member of the Remuneration Committee

<sup>8</sup> Maria Åström replaced Patrik Olofsson in June 2009.

<sup>9</sup> Resigned at the AGM held on 2nd April 2009.

outside world, the sale of locally produced products, the ongoing work on ethical issues, a new website with an ordering service, sustainability issues, and CSR.

### Remuneration principles

Directors' fees, as approved by the Annual General Meeting, are payable to the Chairman of the Board, the Deputy Chairman, Members and Deputy Members. The fees shall, under the terms of the State's ownership policy be competitive but not market leading.

### Evaluation of the work of the Board

The Chairman of the Board has conducted an evaluation of the work of the Board in 2009, using a systematic and structured process. The evaluation, which is carried out annually, addresses both the processes employed in the Board's work and the performance of the Board itself with regard to financial, environmental, and social issues. The evaluation revealed that the work of the Board is functioning well, and that the Board possesses the expertise required to handle the financial, environmental and social issues that arise during the course of the operations. In December 2009, the Chairman of the Board notified the Government Offices of Sweden of the results of the evaluation, in accordance with the State's ownership policy. Ongoing evaluations of the Boards of the state-owned companies are also conducted as part of the Government Offices of Sweden's internal work on the nomination process, in addition to the Board's own evaluation.

### Audit Committee

The Audit Committee comprises its Chairman, Gert Karnberger, and Members, Lena Furmark Löfgren and Annika Nilsson, who are not part of the company management. Systembolaget's President and CFO also participate in the Audit Committee's meetings.

Systembolaget's Senior Legal Counsel, who is part of the company management, is the Secretary to the Committee.

The Audit Committee is responsible for preparing the work of the Board with regard to quality assuring Systembolaget's financial and operational reporting. The Audit Committee is a plan-

ning organ for the Board and does not assume the statutory legal responsibility of the Board as a whole with regard to financial reporting, accounting and internal checks, for example, nor does the existence of the Committee mitigate the requirement for communication by the Auditor to the Board as a whole. The Audit Committee shall, furthermore, assess the routines for internal control and management of financial and operating risks.

The Audit Committee is also tasked with meeting with Systembolaget's auditors on an ongoing basis to familiarise itself with the orientation and scope of the external audit and in order to evaluate the work and performance of the external auditors, including the scope of any non-audit related engagements on behalf of Systembolaget by the auditors.

The Audit Committee has held five meetings in 2009. The Committee's activities during the year have included monitoring the company's financial performance and a number of strategic key performance indicators for the operations. Systembolaget's auditors have presented significant accounting and audit issues, and internal control and process issues. Issues in connection with such subjects as internal audits, risk analysis, the responsibility report and annual accounts etc., have also been addressed by the Audit Committee. The Committee's Chairman is responsible for informing the Board of the Committee's work on an ongoing basis.

### Remuneration Committee

The Remuneration Committee comprises the Chairman of the Board, Cecilia Schelin Seidegård, and Member of the Board, Kerstin Wigzell. None of the members of the Remuneration Committee are part of the company management. The Remuneration Committee is tasked with preparing issues relating to conditions of employment for senior executives. Decisions on remuneration and other conditions of employment for the President and on principles governing remuneration and other conditions of employment for other senior executives are ultimately the preserve of the Board. The Remuneration Committee has held three meetings during the year.

## The Company Management

### President

The President is, pursuant to the provisions of the Swedish Companies Act, other legislation and statutes, Government guidelines and the ownership directive, the Code, the Articles of Association and within the frameworks laid down by the Board of Directors, including in the instructions for the President, responsible for the ongoing administration of the company's operations. The President, in consultation with the Chairman of the Board, produces information and documentation that supports the Board in its work and which enables the Board to take well-founded decisions, and reports to the Board on the company's performance.

*President:* Magdalena Gerger

*Born:* 1964

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

*Positions currently held:* Member of the Boards of Ingka Holding BV (IKEA), and Kungsträdgårdens Park och Evenemangs AB.

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

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

### Management and steering structure

Systembolaget's company management comprises, in addition to the President, eight persons appointed by the President in consultation with the Board of Directors (see the management structure model on page 56). The management group meets regularly and its work is headed by the President who, in consultation with the company management, takes decisions in relation to the operating activities, in accordance with the Board's guidelines and instructions.

The Board of Directors, which is ultimately responsible for the management of the company, takes decisions on the strategic plan, the operat-

ing plan, budget, etc. The Board also draws up a number of company-wide policy documents based on, amongst other things, applicable legislation, regulations, and ownership directives.

The President and company management shall, on the basis of the Board's framework documents as described above, produce source data for other managers within Systembolaget, by specifying frameworks for the operating activities in the form of action plans, policy and project documentation, and other internal regulations.

Systembolaget has elected to steer its operations with the aid of key performance issues, using a so-called balanced scorecard model. The strategic plan is broken down into subsidiary activities, in order to establish a link between the strategic plan and the operating plan. Action plans are drawn up for each year for all activities. These action plans include, in addition to a description of the activity, a project plan detailing estimated time expenditure and cost. The projects and activities detailed in the annual operating plan have been prioritised in order to ensure that things are done in the correct order. The projects and activities prioritised during the past year have included the work involved in generating a new strategic plan, CSR, a new website with an ordering service, agent and depot management, and product range issues.

### Principles for remuneration to senior executives

Systembolaget follows the Government's guidelines regarding terms of employment for senior executives. Systembolaget also complies with Code regulation 9 concerning remuneration to senior executives, which stipulates that the company shall have formalised and published processes for deciding on the remuneration payable to senior executives.

The remuneration paid to Systembolaget's President and other members of the company management comprises a basic salary, other benefits, and a pension. No variable or bonus-based remuneration is payable, nor is any remuneration paid in the form of financial instruments. For detailed information, see Note 6 on pages 91–94 of the Annual Accounts.

### Assessment of the President

The Board shall, under the provisions of the Code, carry out continuous assessments of the President's performance. The current President took up her position on 1st May 2009 and the assessment of the President's performance will, therefore, take place in 2010.

### Auditors

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

At the 2008 Annual General Meeting, Ernst & Young was appointed as the auditors for Systembolaget, with Torsten Lyth as the auditor in charge. In 2008, the Swedish National Audit Office appointed Filip Cassel as Systembolaget's Authorised Public Accountant, with Authorised Public Accountant Lars Nordstrand as his deputy, for the period up to and including the 2012 Annual General Meeting. As noted above, Nordstrand has since resigned his appointment and been replaced by Authorised Public Accountant, Staffan Nyström.

A separate agreement at the 2009 Annual General Meeting approved the payment of auditors' fees for the auditors. For additional information, please see Note 5 on pages 90–91 of the Annual Accounts.

### Internal control

#### Based on a risk analysis

Every year, Systembolaget carries out a risk analysis that describes the collective view of Systembolaget's risk situation. The starting point for the analysis is broad definition of "risk" as "An event, or activity, that prevents the organisation from achieving its goals". For a full description of the risk analysis, see pages 72–73 of the Directors' Report.

The risk analysis is the foundation on which both proactive risk management work and verification work rest. Systembolaget has formalised processes for both internal and external reporting in

order to achieve and maintain a high standard of internal control, with the aim, thereby, of enabling optimum monitoring of the operations. Manuals and routine descriptions in connection with all significant in-store routines have been produced in order to quality assure the stores' administration.

#### Risk management work

The Board of Directors and the senior management monitor compliance with steering documents, process descriptions and guidelines, and the efficiency of the control structures. Follow-up work is carried out both by an externally procured internal audit function, which reports directly to the Board, and by the internal unit for risk management. The risk management function monitors the compliance of Systembolaget's routines with legislative and regulatory requirements, both internal and external. Store-based monitoring is carried out on both a rolling basis and during targeted visits. Targeted monitoring is also carried out in other parts of the company.

A review programme, based on the risk analysis, is set up every year by the Board of Directors. The reviews in 2009 have focused on the risks deemed most significant – product supply, with the emphasis on locally produced products and local product choice, and on IT service provision. No significant deficiencies have been identified. The results of the review have been reported to the company management and Board and the observations made have been evaluated. Measures have been implemented or are planned where deemed necessary.

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

Systembolaget has formalised processes for its financial reporting and for follow-up work. This is important in ensuring that the company develops in the right direction in relation to the goals and guidelines adopted by the Board of Directors and management.

The goal of the internal reporting is to ensure the existence of a fit for purpose, rapid and correct system for following up on and reporting the way in which the operations have developed in relation to the agreed operating plan and budget.

Reports on the company's development are submitted regularly to a number of internal stakeholder groups.

Systembolaget's external reporting is designed to provide regular reports on the company's development for a number of external stakeholder groups. Systembolaget's external reporting complies with specific legislative requirements and the requirements imposed by the owner.

Systembolaget applies the so-called COSO model to its internal control process.

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

#### **Risk assessment**

The assessment of the risk of errors in the financing reporting is carried out by the Board of Directors, the company management, and as part of the day-to-day operations. The assessment of the risk in connection with financial reporting is also influenced by the general control environment within Systembolaget, which is based on a healthy corporate culture with shared values.

A risk analysis with regard to the quality of the financial reporting has been carried out in 2009, in which the risk of errors in the Income Statement and Balance Sheet have been analysed with regard to significance and probability. The risk analysis entailed the assessment of every single item in the Income Statement and Balance Sheet with regard to specific criteria: volatility, subjectivity, complexity, potential for fraud, history of fraud, significant process changes, lack of GAAP know-how, critical accounting principles, and previous significant errors.

#### **The risk analysis identified four critical risk areas:**

##### *Price adjustment and stocktaking*

Risks have been identified in relation both to stocktaking of stockpiled products and to the

adjustment of prices for the "Finished goods and goods for resale" item.

##### *Personnel-related items*

A risk has been identified for Balance Sheet and Income Statement items in connection with staff overheads and pensions as the items are associated with both complex and subjective evaluations.

##### *Changes in the value of financial assets*

Risks have been identified for Balance Sheet and Income Statement items in connection with the incorrect calculation and classification of changes in value. The Board of Directors has established a financial policy in which permitted investments, risk management organisation, measurement of investment risks, approved counterparties and routines for monitoring risks are clearly specified. The policy is reviewed annually.

##### *General risks*

The reporting of supplementary information and cash flow analyses is subject to complex regulations that demand extensive expertise and experience in order to ensure correct reporting.

#### **Control activities**

The risks identified with regard to financial reporting are handled via the company's control structures, which have been documented in process and internal control descriptions. Examples of the control structures include the strict application of the duality principle and the use of several independent external valuation institutions.

#### **Information and communication**

Considerable emphasis has been placed on implementing and quality assuring the internal communication process, with the aim of ensuring that information is disseminated in a structured way throughout the organisation. Information and communication channels have been established with the aim of, amongst other things, promoting completeness and accuracy in the financial reporting. Steering documents in the form of internal policies, guidelines, manuals and codes for financial reporting are known to the relevant

personnel and are available via the company's intranet.

### Monitoring

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

The accounts department continuously monitors the administrative processes within the organisation. The work includes ongoing monitoring of significant internal control processes,

VAT and tax accounting, internal and external entertainment, and compliance with authorisation and delegation regulations. Financial reporting is monitored continuously.

The Chairman of the Board meets with the auditors at the ordinary meeting in the autumn and the closing audit, and when otherwise necessary. The entire Board meets with the auditors at the Board meeting that addresses the annual accounts and in conjunction with the Annual General Meeting.

Stockholm, 18th February 2010

Cecilia Schelin Seidegård  
*Chairman*

Gert Karnberger  
*Deputy Chairman*

Sven Andréasson  
*Member*

Lena Furmark Löfgren  
*Member*

Johan Gernandt  
*Member*

Carl B Hamilton  
*Member*

Annika Nilsson  
*Member*

Kerstin Wigzell  
*Member*

Maj-Britt Eriksson  
*Unionen – trade union representative*

Patrik Ström  
*Unionen – trade union representative*

Magdalena Gerger  
*President*

# Annual Report





# Directors' Report

**The Board of Directors and the President of Systembolaget AB, corporate ID no. 556059-9473, hereby present the Annual Accounts and the Consolidated Accounts for the 2009 financial year.**

## Operations

Systembolaget AB is a state-owned limited company that conducts retail sales of spirituous drinks, wines and strong beer in Sweden. Systembolaget's mandate is to help limit the harm caused by alcohol. The retail monopoly's most important role is to limit total consumption of alcohol by limiting its availability, controlling the store network and opening hours. The operations are run on a not-for-profit basis and Systembolaget does not promote additional sales. The operations are conducted via 412 stores in 288 of Sweden's 290 local municipalities. There are also, in addition to the stores, 508 agents located throughout Sweden and from whom customers can order goods for collection.

The Group's operations are conducted by Systembolaget AB and the wholly owned subsidiary companies, Lagena Distribution AB, IQ-Initiativet AB and AB K14 Näckströmsgatan. Lagena Distribution AB warehouses and transports alcoholic beverages nationwide. IQ-initiativet AB works to provide information and mould public opinion with the aim of preventing and reducing alcohol-related harm and injuries. AB K 14 Näckströmsgatan manages Systembolaget's operational real estate.

Systembolaget AB is 100% owned by the Swedish state. There are a total of 360,000 shares in the company.

## Significant events during the financial year

The Opinion Index, which is measured every month, rose to 66 per cent in 2009 from 49 per cent in 2008. Public support for Systembolaget's retail monopoly has never been as strong as in 2009. Systembolaget's social mandate is the most important reason for Swedes' desire to retain Systembolaget.

The programme of work designed to ensure that people under the age of 20 cannot buy alcohol continues to be successful. Age verification checks are monitored using external control purchases. Proof of age was requested in 93 per cent of control purchases made in 2008, thereby exceeding the target level of 91 per cent. The figure represents an improvement of 3 percentage points over the figure for 2008.

The pilot operation of an ordering service on Systembolaget's website began in the autumn of 2009. The

goal of the ordering service is to simplify and improve the service provided and availability of some parts of the product range. The ordering service will be expanded in 2010 and integrated with a new website to be launched as part of the E-service project.

The Nordic Code of Conduct for drinks suppliers underwent further development in 2009. A dialogue has also been initiated with the drinks suppliers regarding CSR in general.

In December 2009, the Svea Court of Appeal revoked the ruling handed down on 12 March 2008 in the arbitration proceedings between V&S Vin och Sprit AB and Systembolaget. Income attributable to the arbitration ruling has been booked to the profit for 2009.

## Sales

Systembolaget sold 448.9 million litres (417.3 m) of drinks in 2009, corresponding to an increase of 7.6 per cent in comparison with 2008. Measured in terms of pure alcohol, sales increased by 7.8 per cent. The biggest increase in volume is attributable to the wine and strong beer product groups, where sales increased by 9.0 per cent and 6.9 per cent, respectively. Net sales totalled SEK 23,360 million (SEK 21,296 m) in 2009, corresponding to an increase of 9.7 per cent.

The weakening of the Swedish krona has boosted Systembolaget's sales. Swedes are now less likely to travel abroad to buy alcohol, but at the same time, the cross-border traffic from our Nordic neighbours is increasing. According to SoRAD's calculations, a total of 9.4 litres pure alcohol per person aged 15 and over were consumed in 2009.

The gradual fall in consumption as a result of a tangible decrease in private imports is a positive trend from a public health viewpoint. The percentage of alcohol consumed in Sweden that is bought at Systembolaget is now the highest since SoRAD began taking measurements in the mid-1990s.

## Result

The operating profit for 2009 totalled SEK 394 million (SEK 135 m), representing an increase of SEK 259 million. The gross profit increased by 9.7 per cent to SEK 2,961 million (SEK 2,699 m). The trading margin, including alcohol tax, was 12.7 per cent (12.7%). Selling costs, which primarily comprise increased pension costs and increased depreciation, increased to SEK 2,255 million (SEK 2,146 m). The increase in depreciation was primarily attributable to the new checkout solution, which became operational in 2008, and to the refitting of over-

the-counter stores as self-service stores. Administration costs fell to SEK 372 million (SEK 421 m) due largely to the fact that last year's figures include a cost for the outcome of the arbitration proceedings between V&S Vin & Sprit AB and Systembolaget AB, which ruling was revoked in December 2009. The operating margin increased to 1.7 per cent (0.6%).

The profit before tax totalled SEK 467 million (SEK 833 m). Net financial items totalled SEK 73 million (SEK 698 m). The comparative figures include the capital gain of SEK 573 million on the sale of Systembolaget Fastigheter AB. Interest rates have remained stable during the year, at low levels and there have been no major fluctuations in the value of the portfolio. Market interest rates fell sharply at the end of last year, which resulted in a substantial increase in the unrealised market value of the portfolio.

#### Cash flow

The cash flow from operating activities totalled SEK 778 million (SEK 576 m). The cash flow from investment activities totalled SEK 18 million (SEK 54 m), SEK 309 million (SEK -40 m) of which referred to net investments in financial assets, while net investments in tangible and intangible fixed assets contributed SEK -291 million (SEK 194 m) to this total. The figure for 2008 also includes the sale of Systembolaget Fastigheter AB which yielded SEK 598 million. The cash flow from financing activities totalled SEK -201 million (SEK -868 m) and refers, in its entirety, to dividends paid.

#### Financial position

Shareholders' equity totalled SEK 2,213 million on 31st December 2009, which is SEK 144 million more than on 31st December 2008. The change corresponds to the profit for the period, less the dividend paid to the owner. The equity/assets ratio was 37.5 per cent and the owner's target equity/assets figure is 35 per cent. The return on shareholders' equity over the past twelve-month period totalled 16.1 per cent. The main reason for the

high rate of return on 2009 was the sharp increase in sales volumes, driven largely by the decline in personal imports by travellers.

Systembolaget does not, as a company, attempt to maximise its profits. The ownership directive states that the long-term profit shall correspond to a return on shareholders' equity that is 4 percentage points above the 10-year government bond rate. For 2009, this corresponds to a return of 7.2 per cent. If the long-term return exceeds the owner's requirement, it shall benefit the customers in the form of a reduced trading margin. The trading margin has gradually fallen since 2000 and has never been as low as in 2009. The Board endeavours at all times to balance the trading margin such that resources required for the company's development are secured while, at the same time, ensuring that customers benefit from the increases in efficiency.

#### The Board's proposed principles regarding terms of employment for senior executives

On 20th April 2009, the Government approved new terms of employment guidelines for senior executives in state-owned companies. On 22nd April 2009, the Board of Directors resolved that Systembolaget would, wherever possible, apply the new guidelines. As a consequence thereof, the retirement age has been renegotiated for three executives, from 61 years of age to 62. Two executives have existing defined benefit pension plans with a retirement age of 60. These agreements have already been renegotiated once, in 2003, at which time the pensionable income was locked by setting it at a given number of times the basic amount for income purposes. These agreements were, due to the executives' long service with the company, to the fact that the terms had already been renegotiated once, and to the fact that no corporate financial reason for renegotiation was deemed to exist, left untouched. The President's terms of employment follow the guidelines and the pension plan is a wholly defined contribution plan. The principles are described in Note 6, Employees.

#### Operations in relation to the owner's directives and operational financial requirements

Per cent	2009	2008	2007	2006	2005
Return on shareholders' equity (the Group)	16.1	36.6	13.9	20.6	17.7
Owner's directive level	7.2	7.9	8.2	7.7	7.4
Equity/assets ratio (the Group)	38	38	39	40	38
Owner's directive level	35	35	30	30	30
Proposed dividend as a percentage of consolidated profit/loss after tax	100	100*	100	50	100
Owner's directive level, minimum	50	50	50	50	50

\* Includes dividend approved by the AGM.

### Personnel

The total absence due to sickness within Systembolaget AB fell from 5.8 per cent in 2008 to 5.1 per cent in 2009. A comprehensive programme aimed at reducing the number of people on long-term sick leave has been implemented. The work has been carried out in partnership with the company health care scheme with the provision of a central coordinator. Stage one planning began in 2008 and implementation took place in the spring of 2009. A combination of individual evaluation dialogues with the person on sick leave and assessments of work capacity conducted by professional teams from the company health care service has managed to achieve substantial reductions in the number of people on long-term sick leave.

Systembolaget is working to establish a more even gender breakdown at all levels. The percentage of female store managers increased to 50 per cent in 2009.

### Sustainability issues

Systembolaget has chosen to apply the ten principles of the UN Global Compacts initiative with regard to human rights, labour conditions, the environment and anti-corruption as the framework for its CSR work. CSR work in 2009 has focused on ensuring that the alcoholic drinks we sell in our stores are produced under responsible conditions that are both human- and eco-friendly. The work follows the joint strategy and action plan drawn up by Systembolaget and adopted jointly by Systembolaget and the Nordic alcohol monopolies in Norway, Finland, Iceland and the Faeroes in September 2008. Work on the Nordic Code of Conduct, version 2.0, has continued in 2009. A dialogue has been initiated with drinks suppliers with regard to CSR issues in general and to our five-year plan for establishing a sustainable drinks supplier chain. This will mean, amongst other things, that as of 1st January 2010, the Code of Conduct will be appended to all purchasing agreements. Purchasers and suppliers have been trained in CSR and a risk analysis has been carried out for the Nordic drinks supplier chain, which included a field trip to South Africa. For further information, see our section on suppliers on pages 42 to 49. Our work in the environmental sphere has focused on organic products, building materials, energy consumption, transport, and waste material handling. For additional information, see the section on our customers on pages 24 to 33. Internally, work is continuing with the aim of ensuring and developing good working conditions and on working to prevent corruption. For detailed information on

the Group's sustainability reporting, see the GRI annex available from Systembolaget's website.

### Significant events after the closing day

There are no significant events to report.

### Future outlook and expectations

The recession has not been shown to have affected alcohol consumption. Domestic sales increase when Swedes make fewer foreign trips, and cross-border trade from our Nordic neighbours increases as a result of the weakened Swedish krona.

Substantial investments will continue to be made in the years ahead in such areas as the development of Systembolaget's website.

Overall, the company believes that it will meet the owner's returns requirement in the coming financial year.

### The Parent Company

The Parent Company's net sales increased over the past year by 9.7 per cent in comparison with last year, totalling SEK 23,360 million (SEK 21,296 m). The Parent Company's operating profit totalled SEK 424 million (SEK 9 m) and the profit before tax was SEK 533 million (SEK 723 m). The Parent Company's investments totalled SEK -27 million (SEK 431 m). The change was due, primarily to the sale of financial assets.

### Appropriation of profits

See page 108 for the proposed appropriation of profits.

# Risks and uncertainty factors

Risks and uncertainty factors are assessed continuously. Risks are managed both by employees as part of the day-to-day operations, and by the work involving store visits and special reviews that are carried out by the risk management unit.

Internal audits are carried out in order to review and evaluate Systembolaget's operations, including the way in which identified risks are managed.

## Analysis of general operating risks

A general operating risks analysis was carried out in 2009. Risk is defined as an event or activity that prevents Systembolaget from achieving its goals. Thirty or so notable risks have been identified and prioritised with regard to significance and probability. The term, significance, refers to the impact on the ability to achieve existing goals.

The risk analysis identifies risks in relation to Systembolaget's goals, the most important of which relates to our social responsibility. Systembolaget accepts a social, environmental and ethical responsibility in the course of its operations, and sustainability-related risks are, therefore, also included in the general operating risks analysis. The goals are set within the frameworks of the overall perspectives of Systembolaget's operating plan:

*Society* – responsibility: to clarify and secure our mandate externally and to develop methodologies/quantification methods for our selling rules.

*Customer* – the customer interaction: to generate the preconditions for and develop methods of improving the customer interaction.

*Employees* – skill development: to develop our work with the working environment, strategic skills and management supply and to secure internal communication.

*Financial* – increased efficiency: to increase operational efficiency, to improve management/monitoring work, and to secure customer benefit.

Systembolaget carried out a specific risk analysis in 2008 with the aim of identifying and prioritising sustainability-related risks at a detailed level. This risk analysis was limited to cultivation and manufacture, transportation and sales in Systembolaget's stores. The risk analysis identified and prioritised, for example, risks related to Systembolaget's purchasing requirements, and suppliers' work with sustainability issues, Systembolaget's emissions from transportation, and the information it supplies to customers and employees with regard to the environmental and social aspects of Systembolaget's products. For further information, see the GRI annex.

## Financial risks

The Group's operations are exposed, to a limited extent, to financial risks such as interest, credit and liquidity risks. Systembolaget is self-financing, thanks to a high rate of stock turnover that matches purchasing and payment terms. The Group has no interest-bearing liabilities.

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

The Group has very little exposure to currency and exchange rate risks. The financial risk management is steered by Systembolaget's financial policy. Information on the Group's management of financial risks is provided in Note 15 Financial Instruments.

## Reporting risks

A risk analysis with regard to the quality of the financial reporting was carried out in 2009 and during which the risk of errors in the annual accounts was analysed, with the focus on significance and probability. The primary risk areas identified include price adjustment and stocktaking, personnel-related items, changes in the value of financial assets, and general risks. For a more in-depth account of this risk analysis, see the Directors' Report on pages 58 to 67.

## Different risk categories

The general operating risk analysis identified risks in four categories, over and above the previously identified financial risks:

*External risks* – risks that arise as a result externally and over which Systembolaget has no control but to which it must adapt its behaviour and which it must manage.

*Operating risks* – refers to risks in relation to Systembolaget's alcohol policy mandate, social, environment and ethical responsibility, personnel, communication, purchasing and relationships with suppliers, and sales.

*IT risks* – refers to permissions, security, system support and information availability.

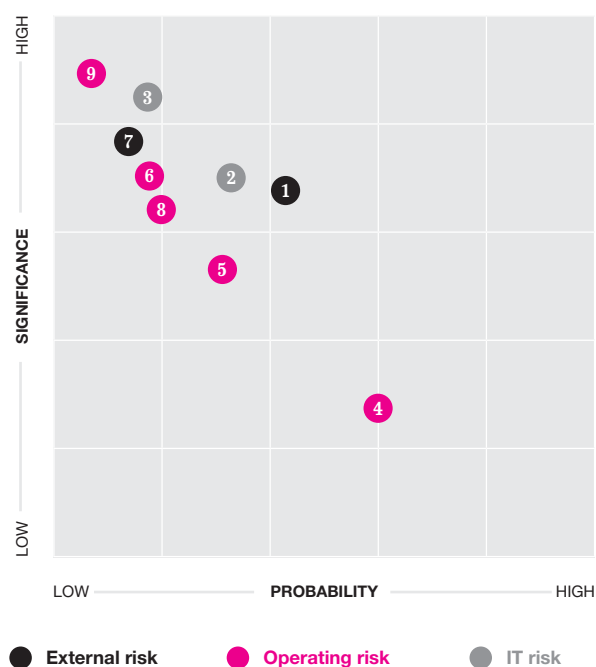
*Reporting risks* – refers to errors and deficiencies in both internal and external financial reporting.

## Key risks

Nine of the risks identified are regarded as key risks. This means that their significance is relatively high, as is the probability that they will occur, and they are adjudged to be critical. The relationship between the risks is shown in the diagram alongside.

1. *Moulding public opinion becomes more difficult* – the risk of public debate and opinion forming hindering Systembolaget’s ability to manage its mandate. Public debate and the moulding of public opinion with regard, for example, to Systembolaget’s position as a monopoly or to farm shop sales of alcoholic drinks may result in subjective opinions having a disproportional impact, which could make it more difficult for Systembolaget to manage its mandate.
2. *Deficient IT support* – the risk of the operations not receiving the system support needed for current and future information requirements and work processes. Systembolaget’s employees use IT systems to perform their duties. If full system support is lacking for critical processes, such as purchasing and sales, our ability to carry out our social mandate efficiently deteriorates.
3. *Deficient IT availability* – the risk of interruptions to service bringing operations to a halt, either partially or completely. Systembolaget relies on its IT systems being available in order to be able to conduct its operations. An interruption to service in critical processes, such as sales, would have a substantial effect on operations.
4. *Theft and shoplifting* – the risk of Systembolaget being the victim of theft and/or shoplifting. Systembolaget has zero tolerance for theft and shoplifting in order to limit access to Systembolaget’s products by persons who do not meet the requirements of our selling rules, i.e. persons under the age of 20, persons who are visibly intoxicated, or persons who are suspected of intending to sell the products on illegally.
5. *Deficiencies on the part of suppliers* – the risk of Systembolaget’s suppliers being unwilling to conduct their operations in accordance with the Global Compact principles. Areas where deficiencies may potentially arise are work with sustainability, human rights, labour conditions, and anti-corruption. Any deficiencies in suppliers’ sustainability work may have a negative effect on public confidence in Systembolaget.
6. *Deficiencies in planning and development* – the risk of Systembolaget failing to pick up on all relevant variables as a basis for its decision-making. Both new initiatives and the development of existing operations may, as a result, be sub-optimised and have undesirable consequences.

## Nine key risks



7. *Legislative and regulatory changes* – the risk that legislation and regulations will change in a way deleterious to Systembolaget. Changes, for example, to the legislation governing farm shop sales, or reductions in alcohol taxes in neighbouring countries, could make it harder for Systembolaget to manage its social mandate.
8. *Deficient compliance with regulations by suppliers* – the risk of suppliers acting in a way that contravenes existing agreements and regulations, e.g. by attempting to influence their products’ purchasing volumes or display in Systembolaget’s stores, through support purchases of their own goods or through improper contact with store employees and/or purchasers.
9. *Deficient compliance with product procurement regulations and guidelines by Systembolaget* – if Systembolaget’s employees fail to comply with existing rules and guidelines for the purchase of goods, it could entail a serious breach of competition and EU law. The consequence could be an undermining of the legitimacy of the entire social mandate.

# Consolidated ten-year overview

	2009	2008	2007	2006	2005	2004*	2003**	2002**	2001**	2000**
<b>Profit/loss (SEK m)</b>										
Income	23 360	21 296	20 211	19 039	18 083	17 708	18 985	19 132	18 241	17 368
Gross profit/loss	2 961	2 699	2 567	2 525	2 461	2 371	2 499	2 562	2 414	2 321
Operating profit/loss	394	135	310	559	477	197	172	165	159	165
Net financial items	73	698	56	43	36	43	29	37	38	32
Profit before tax	467	833	366	602	513	240	202	202	197	196
Net profit/loss for the year	345	774	295	419	330	178	138	142	133	108
<b>Financial position (SEK m)</b>										
Fixed assets	3 063	2 998	2 720	2 605	1 943	2 101	1 502	1 345	1 360	1 270
Current assets	2 831	2 439	2 830	2 627	3 235	2 246	2 615	3 359	2 435	2 944
Shareholders' equity	2 213	2 069	2 163	2 071	1 989	1 749	1 348	1 409	1 348	1 294
Liabilities	3 681	3 368	3 387	3 161	3 196	2 598	2 768	3 295	2 447	2 920
Balance Sheet total	5 894	5 437	5 550	5 232	5 185	4 347	4 116	4 704	3 795	4 214
<b>Cash Flow Statement (SEK m)</b>										
Cash flow from operating activities	778	576	706	363	1 039	198	170	1 508	211	501
Cash flow from investment activities	18	54	-426	-637	-318	-190	-342	-174	-267	-361
Cash flow from financial activities	-201	-868	-210	-330	-90	-80	-302	-216	-802	-50
Cash flow for the year	595	-238	70	-604	631	-72	-474	1 119	-858	90
<b>Key performance indicators</b>										
Trading margin, incl. alcohol tax, %	12.7	12.7	12.7	13.3	13.7	13.4	13.2	13.2	13.2	13.4
Trading margin, excl. alcohol tax, %	22.2	22.6	23.1	24.3	25.5	25.2	25.1	25.5	26.7	27.7
Operating margin, %	1.7	0.6	1.5	2.9	2.6	1.1	0.9	0.9	0.9	1.0
Return on shareholders' equity, %	16.1	36.6	13.9	20.6	17.7	11.5	10.0	10.3	10.1	8.0
Return on capital employed, %	24.2	42.2	19.7	31.9	29.7	15.6	15.3	15.1	15.5	17.0
Equity/assets ratio, %	37.5	38.1	39.0	39.6	38.4	40.2	32.7	30.0	35.5	30.7
Earnings per share before and after dilution, SEK	958	2 151	821	1 164	917	494	384	393	370	300
Equity per share, SEK	6 147	5 747	6 008	5 753	5 525	4 858	3 744	3 915	3 743	3 595
Cash flow per share, SEK	2 161	1 600	1 961	1 008	2 886	550	472	4 189	585	1 392
Dividend per share, SEK ***	958	2 151	821	583	917	250	556	222	222	222
Work productivity	838	798	775	766	743	708	701	662	659	619
Rate of stock turnover, multiple	25.4	23.2	22.3	21.3	20.5	19.9	21.9	24.7	27.6	26.8
Product wastage, SEK m	24.8	22.8	19.2	16.0	18.4	18.2	22.0	21.3	11.6	5.7
Wastage, %	1.33	1.28	1.25	1.13	1.40	1.05	1.15	1.16	0.68	0.33
Age verification checks, %	93	90	85	88	89	84	83	79	81	81
Average no. employees	3 219	3 232	3 049	3 026	2 960	3 127	3 334	3 350	3 403	3 440

\* According to IFRS, but not adjusted for IAS 39 Financial instruments.

\*\*Not according to IFRS.

\*\*\*2009 dividend per share, as proposed by the Board of Directors.

# Consolidated Comprehensive Income Statement

SEK m	Note	2009	2008
Income	2	23 360	21 296
Cost of goods sold		-20 399	-18 597
<b>Gross profit/loss</b>		<b>2 961</b>	<b>2 699</b>
Other income	3	401	345
Selling expenses	4-6	-2 255	-2 146
Administrative expenses	4-6	-372	-421
Other expenses	7	-341	-342
<b>Operating profit/loss</b>		<b>394</b>	<b>135</b>
Financial income	8	125	758
Financial expenses	8	-52	-60
<b>Profit/loss before tax</b>		<b>467</b>	<b>833</b>
Tax	10	-122	-59
<b>Net profit/loss for the year</b>	11	<b>345</b>	<b>774</b>
<b>Comprehensive profit/loss for the year</b>		<b>345</b>	<b>774</b>
There are no minority interests, and hence 100% of the net profit/loss accrues to the Parent Company's shareholders.			
Earnings per share before and after dilution, SEK*		958	2 151
No. shares at the period end		360 000	360 000
Average no. shares during the period		360 000	360 000
Total proposed dividend, SEK m		345	201
Proposed dividend per share, SEK		958	559
Dividend approved and disbursed during the year, SEK m		201	888

\* Systembolaget has no convertible instruments, options or warrants, and hence no dilution effect occurs.

## Income Statement

Income increased by SEK 2,064 million in 2009 to SEK 23,360 million. The increase in net sales is due to the increase of 7.6 per cent in sales volumes, primarily within the wine and strong beer product groups. One of the main reasons for the increase in sales was the increase in household's purchasing power. The Swedish krona has weakened, making it more expensive to buy alcohol abroad. But the increase in Systembolaget's sales notwithstanding, the consensus

to emerge from SoRAD's research is that alcohol consumption in Sweden has remained unchanged.

The operating profit increased during the year by SEK 259 million to SEK 394 million. The trading margin for the year once again totalled 12.7 per cent (12.7%), including alcohol tax. Selling expenses increased by SEK 109 million, primarily due to higher pension costs and depreciation.

# Consolidated Financial Position Report

SEK m	Note	31st Dec 2009	31st Dec 2008
<b>ASSETS</b>			
<b>Fixed assets</b>			
Buildings and land	12	188	187
Equipment, fixtures and fittings	12	896	728
Construction work in progress	12	57	199
Intangible assets	13	128	108
Pension assets	14	720	754
Deferred tax receivables	10	11	8
Other long-term securities holdings	15	1 057	1 008
Other long-term receivables	15	6	6
<b>Total fixed assets</b>		<b>3 063</b>	<b>2 998</b>
<b>Current assets</b>			
Stock-in-trade	16	881	787
Accounts receivable and accrued income	15	58	55
Prepaid costs	17	85	49
Tax receivables		–	28
Other receivables		3	19
Short-term investments	15	42	334
Liquid assets	15	1 762	1 167
<b>Total current assets</b>		<b>2 831</b>	<b>2 439</b>
<b>TOTAL ASSETS</b>	11	<b>5 894</b>	<b>5 437</b>

## Assets

The biggest change during the year was attributable primarily to the increase in sales. Liquid assets and financial investments have increased by a total of SEK 352 million.



SEK m	Note	31st Dec 2009	31st Dec 2008
<b>SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>			
<b>Shareholders' equity</b>	18		
Share capital		360	360
Profits brought forward		1 508	935
Net profit/loss for the year		345	774
<b>Total shareholders' equity</b>		<b>2 213</b>	<b>2 069</b>
<b>Provisions</b>			
Short-term provisions	19	9	9
<b>Total provisions</b>		<b>9</b>	<b>9</b>
<b>Long-term liabilities</b>			
Deferred tax liabilities	10	195	198
<b>Total long-term liabilities</b>		<b>195</b>	<b>198</b>
<b>Current liabilities</b>			
Accounts payable and accrued costs	15	3 260	3 022
Prepaid income	17	1	–
Tax liabilities		47	–
Other liabilities		169	139
<b>Total current liabilities</b>		<b>3 477</b>	<b>3 161</b>
<b>Total liabilities</b>		<b>3 681</b>	<b>3 368</b>
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>	11	<b>5 894</b>	<b>5 437</b>
<b>Pledged assets and contingent liabilities</b>			
Pledged assets	20	–	–
Contingent liabilities	21	3	3

**Shareholders' equity**

The consolidated shareholders' equity increased by SEK 144 million and the change comprises the net of the dividend of SEK 201 million paid to the owners and the net profit for the year of SEK 345 million. The equity/assets ratio was 37.5 per cent (30.8%), which exceeds the requirement stipulated in the owner's directive of 35.0 per cent. The return on shareholders' equity totalled 16.1 per cent (11.0%), which exceeds the requirement stipulated in the

owner's directive of 7.2 per cent.

The comparative figures exclude the sale of Systembolaget Fastigheter AB.

**Liabilities**

Accounts payable and accrued costs increased by SEK 238 million, corresponding to 93.8 per cent of the Group's total liabilities.

## Change in shareholders' equity, the Group

SEK m	Share capital	Profit carried forward	Total equity
<b>Opening balance, 1st January 2008</b>	<b>360</b>	<b>1 803</b>	<b>2 163</b>
Dividend*		-868	-868
Comprehensive income for the year		774	774
<b>Closing balance, 31st December 2008</b>	<b>360</b>	<b>1 709</b>	<b>2 069</b>
<b>Changes in shareholders' equity, 2009</b>			
Dividend		-201	-201
Comprehensive income for the year		345	345
<b>Closing balance, 31st December 2009</b>	<b>360</b>	<b>1 853</b>	<b>2 213</b>

\* The dividend in 2008 comprises the ordinary dividend on the net profit/loss for 2007, totalling SEK 295 million, and the dividend approved at an Extraordinary General Meeting resulting from the sale of Systembolaget Fastigheter AB and totalling SEK 573 million.

# Consolidated Cash Flow Statement

SEK m	Note	2009	2008
<b>Operating activities</b>			
Profit/loss before tax		467	833
Adjustments for items not included in the cash flow			
Depreciation and write-downs		238	226
Capital gain/loss		4	-565
Other		-30	-137
Cash flow from changes in operating capital			
Change in stock-in-trade		-94	-4
Change in receivables		-22	17
Change in liabilities		268	276
<b>Cash flow from operating activities after changes in operating capital</b>		<b>831</b>	<b>646</b>
Tax paid		-53	-70
<b>Cash flow from operating activities</b>		<b>778</b>	<b>576</b>
<b>Investment activities</b>			
Sale of subsidiary company		-	598
Acquisition of tangible fixed assets		-237	-363
Sale of tangible fixed assets		0	1
Acquisition of intangible assets		-54	-42
Acquisition/sale of financial assets		309	-40
Acquisition of pension assets		-	-100
<b>Cash flow from investment activities</b>		<b>18</b>	<b>54</b>
<b>Financial activities</b>			
Dividend		-201	-868
<b>Cash flow from financial activities</b>		<b>-201</b>	<b>-868</b>
<b>Cash flow for the year</b>		<b>595</b>	<b>-238</b>
Liquid assets at the beginning of the year		1 167	1 405
<b>Liquid assets at the end of the year</b>	22	<b>1 762</b>	<b>1 167</b>

## Cash flow from operating activities

The cash flow from operating activities increased by SEK 202 million to SEK 778 million. The change is primarily due to increased net sales.

## Cash flow from investment activities

The cash flow from investment activities totalled SEK 18 million, corresponding to a fall of SEK 36 million from 2008. SEK 309 million (SEK -40 m) of this sum refers to net investments in financial assets, while net investments in tangible and intangible fixed assets comprise SEK -291 million (SEK 94 m) of this sum. The figure for 2008 also includes the sale of Systembolaget Fastigheter AB for SEK 598 million.

## Cash flow from financial activities

The cash flow from financial activities refers in its entirety to the dividend. SEK 295 million of this sum comprises the profit dividend for 2007 approved by the Annual General Meeting and which was disbursed on 31st March 2008, while SEK 573 million comprises an extra dividend occasioned by the sale of Systembolaget Fastigheter AB, which was approved by an Extraordinary General Meeting held on 24th November 2008 and which was disbursed on 1st December 2008.

## Income Statement, the Parent Company

SEK m	Note	2009	2008
Net sales	2	23 360	21 296
Cost of goods sold		-20 399	-18 597
<b>Gross profit/loss</b>		<b>2 961</b>	<b>2 699</b>
Selling expenses	4-6	-2 220	-2 244
Administrative expenses	4-6	-366	-439
Other operating income	3	53	2
Other operating expenses	7	-4	-9
<b>Operating profit/loss</b>		<b>424</b>	<b>9</b>
Income from participations in Group companies	9	41	600
Income from other securities and receivables that are fixed assets	9	65	95
Interest income	9	2	11
Interest income from Group companies	9	2	10
Interest expenses	9	-1	-2
Interest expenses to Group companies	9	0	0
<b>Profit/loss after financial items</b>		<b>533</b>	<b>723</b>
Tax	10	-127	-36
<b>Net profit/loss for the year</b>	11	<b>406</b>	<b>687</b>

## Balance Sheet, the Parent Company

SEK m	Note	31st Dec 2009	31st Dec 2008
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets			
Capitalised expenses	13	121	101
<b>Total intangible fixed assets</b>		<b>121</b>	<b>101</b>
Tangible fixed assets			
Buildings and land	12	43	37
Equipment, fixtures & fittings	12	879	704
Construction work in progress	12	57	199
<b>Total tangible fixed assets</b>		<b>979</b>	<b>940</b>
Financial fixed assets			
Participations in Group companies	11	15	15
Receivables from Group companies	11	87	113
Deferred tax receivables	10	25	24
Other long-term securities holdings	15	1 057	1 008
Other long-term receivables	15	12	12
<b>Total financial fixed assets</b>		<b>1 196</b>	<b>1 172</b>
<b>Total fixed assets</b>		<b>2 296</b>	<b>2 213</b>

SEK m	Note	31st Dec 2009	31st Dec 2008
<b>Current assets</b>			
Stock-in-trade	16	880	786
Receivables			
Accounts receivable		8	7
Receivables from Group companies	11	49	7
Tax receivables		–	39
Other receivables		0	10
Prepaid costs and accrued income	23	82	48
<b>Total receivables</b>		<b>139</b>	<b>111</b>
Short-term investments	15	42	334
Cash and bank balances	15	1 762	1 167
<b>Total current assets</b>		<b>2 823</b>	<b>2 398</b>
<b>TOTAL ASSETS</b>	11	<b>5 119</b>	<b>4 611</b>

SEK m	Note	31st Dec 2009	31st Dec 2008
<b>SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>			
<b>Shareholders' equity</b>			
Restricted equity			
Share capital		360	360
Statutory reserve		72	72
<b>Total restricted equity</b>		<b>432</b>	<b>432</b>
Non-restricted equity			
Profit/loss carried forward		753	267
Net profit/loss for the year		406	687
<b>Total non-restricted equity</b>		<b>1 159</b>	<b>954</b>
<b>Total shareholders' equity</b>		<b>1 591</b>	<b>1 386</b>
<b>Provisions</b>			
Long-term provisions	14/19	74	72
Short-term provisions	19	9	9
<b>Total provisions</b>		<b>83</b>	<b>81</b>
<b>Long-term liabilities</b>			
Long-term liabilities to Group companies	11	1	–
Deferred tax liabilities	10	22	18
<b>Total long-term liabilities</b>		<b>23</b>	<b>18</b>
<b>Current liabilities</b>			
Accounts payable		3 045	2 809
Current liabilities to Group companies	11	2	21
Tax liabilities		49	–
Other liabilities		162	126
Accrued costs and prepaid income	24	164	170
<b>Total current liabilities</b>		<b>3 422</b>	<b>3 126</b>
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>	11	<b>5 119</b>	<b>4 611</b>
<b>MEMORANDUM ITEMS</b>			
<b>Pledged assets and contingent liabilities</b>			
Pledged assets	20	6	6
Contingent liabilities	21	9	11

## Changes in shareholders' equity, the Parent Company

SEK m	Share capital	Statutory reserve	Profit carried forward	Net profit/loss for the year	Total equity
<b>Opening balance, 1st January 2008</b>	<b>360</b>	<b>72</b>	<b>854</b>	<b>295</b>	<b>1 581</b>
Transfer to non-restricted reserves			295	-295	-
Net profit/loss for the year				687	687
Dividend			-868		-868
Group contribution			-20		-20
Fiscal effect of Group contribution			6		6
<b>Closing balance, 31st December 2008</b>	<b>360</b>	<b>72</b>	<b>267</b>	<b>687</b>	<b>1 386</b>
<b>Change in shareholders' equity, 2009</b>					
Transfer to non-restricted reserves			687	-687	-
Net profit/loss for the year				406	406
Dividend			-201		-201
<b>Closing balance on 31st December 2009</b>	<b>360</b>	<b>72</b>	<b>753</b>	<b>406</b>	<b>1 591</b>

# Cash Flow Statement, the Parent Company

SEK m	Note	2009	2008
<b>Operating activities</b>			
Profit/loss after financial items		533	723
Adjustments for items not included in the cash flow			
Depreciation and write-downs		220	197
Capital gain/loss		4	-590
Other		-62	-103
Cash flow from changes in operating capital			
Change in stock-in-trade		-94	-4
Change in receivables		-28	34
Change in liabilities		266	-4
<b>Cash flow from operating activities after changes in operating capital</b>		<b>839</b>	<b>253</b>
Tax paid		-36	-69
<b>Cash flow from operating activities</b>		<b>803</b>	<b>184</b>
<b>Investment activities</b>			
Acquisition of tangible fixed assets		-232	-353
Sale of tangible fixed assets		0	1
Acquisition of intangible fixed assets		-50	-38
Acquisition/sale of financial assets		309	-40
Sale of subsidiary company		-	598
Change in financial receivables/liabilities from subsidiaries		-34	278
<b>Cash flow from investment activities</b>		<b>-7</b>	<b>446</b>
<b>Financial activities</b>			
Dividend		-201	-868
<b>Cash flow from financial activities</b>		<b>-201</b>	<b>-868</b>
<b>Cash flow for the year</b>		<b>595</b>	<b>-238</b>
Liquid assets at the beginning of the year		1 167	1 405
<b>Liquid assets at the end of the year</b>	22	<b>1 762</b>	<b>1 167</b>

# Supplementary Information

## Note 1 Accounting principles

The following is a presentation of the significant accounting principles applied during the preparation of the consolidated and annual accounts. The accounting principles have been applied consistently for all years shown, unless otherwise stated.

### General

The consolidated accounts comprise the Parent Company, Systembolaget AB, the wholly-owned subsidiaries, Lagena Distribution AB and IQ-Initiativet AB, and the subsidiary group, AB K14 Näckströmsgatan. The companies are referred to collectively as the Group or Systembolaget. The annual accounts comprise the Parent Company.

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

The consolidated and annual accounts for the 2009 financial year were approved for publication by the Board of Directors and the President on 18th February 2010 and will be submitted to the Annual General Meeting on 25th March 2010.

### Bases for preparation

#### Amounts

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

#### Date

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

#### Consolidated accounts

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU, including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC). The Group also complies with recommendation RFR 1:2, Complementary Reporting Rules for Corporate Groups, issued by the Swedish Financial Reporting Board, which specifies the supplementary information required by the Swedish Annual Accounts Act, and applicable statements by the Swedish Financial Reporting Board (UFR). The consolidated accounts are based on historic acquisition values, with the exception of certain financial assets that are valued at their fair value. Financial assets valued at their fair value comprise financial assets that can be sold and financial assets valued at their fair value via the Income Statement.

#### Annual Accounts

The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and recommendation RFR 2.2 issued by the Swedish Financial Reporting Board. RFR 2.2 entails the application by Systembolaget AB of all standards and statements issued

by IASB and IFRIC, as approved by the European Commission for application within the EU. This shall be done to the extent possible within the framework of the Swedish Annual Accounts Act and with reference to the link between accounting and taxation.

The following accounting principles are the same for the Group and the Parent company, unless otherwise stated.

#### Amended accounting principles

The Group applies the same accounting principles as those applied in the 2008 annual accounts with the following exceptions that have arisen due to new or revised standards, interpretations and improvements adopted by the EU and which shall be applied as of 1st January 2009. Only those amendments that have had an effect on the Group are covered in the following presentation. We also comment on the non-effect of IFRS 8.

#### Revised IAS 1 Presentation of Financial Statements

The standard divides changes in shareholders' equity into those resulting from transactions with owners and other changes. The presentation of changes in shareholders' equity will only contain details of transactions with owners. The standard also introduces the "Statement of comprehensive income" concept, which displays all items relating to income and expenses previously reported under the shareholders' equity accounts, either in a separate report or in two consecutive presentations. The Group has chosen to present a separate report detailing comprehensive income.

#### IFRS 7 Financial Instruments: Disclosures

The amendment to IFRS 7 has entailed the provision of additional information regarding financial instruments reported at fair value in the Balance Sheet.

#### IFRS 8 Operating Segments

IFRS 8 came into force on 1st January 2009. The new standard requires segment information to be presented from the management's perspective, which means that it shall be presented in the way used in the internal reporting. Certain geographical information shall, amongst other things, also be presented. Systembolaget's operations are contained within a single operating segment and a single geographic market, and the new standard hence does not affect the Group's accounting.

#### Future standards, addenda and interpretations

##### IFRS 3R Business Combinations

The amendments to IFRS 3R will entail changes in the way in which future business combinations are reported. The amendment comes into force on 1st January 2010.

##### IAS 27R Consolidated and Separate Financial Statements

The amendments to IAS 27R will change the way in which losses arising in subsidiary companies are reported and the way in which the loss of a controlling influence in a subsidiary company is reported. The amendment comes into force on 1st January 2010.



*IFRS 9 Financial Instruments, Recognition and Measurement (not EU approved)*

The Group has elected not to evaluate all of the effects of the new standard until such time as all parts thereof have been approved.

*IAS 24 Related Party Disclosures*

The definition of related parties has changed and some easing has occurred with regard to information for state-owned companies.

The amendment shall be applied from 1st January 2011.

The above-mentioned new standards and interpretations of and improvements to IFRS standards are not expected to affect Systembolaget's financial result and position. They may, however, give rise to changes in the structure of the financial reports and additional supplementary information, including, in some cases, updates to accounting principles.

**Important estimates and assessments**

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

The current value of the pension undertakings is dependent on a number of factors that are determined on the basis of actuarial assumptions. The assumptions that are used to determine the current balance for pensions include the long-term return on plan assets and the discount rate. Every change in these assumptions will have an effect on the reported value of the pension undertakings.

The assumption with regard to the expected return on plan assets takes into account historic long-term returns, the distribution of the assets and an assessment of their future long-term return.

The Group adopts an appropriate discount rate at the end of every year, based on the market's expectations with regard to bonds with the same term as the pension liability.

The valuation has been based on an interest rate curve estimated on the basis of Swedish real interest rate government bonds.

*Important assessments*

When applying the company's accounting principles, the company management makes various assessments that can have an effect on the reported amounts in the Income Statement and the Balance Sheet. The reporting assessments made by the company management that have the most significant effect on the reports are the assessments of capitalization of costs for system development.

**Consolidated accounts**

*Subsidiaries*

The consolidated accounts include subsidiary companies in which the Parent Company has a controlling influence, i.e. the right to formulate the company's financial and operational strategies for financial gain. A controlling influence is deemed to exist when the Parent Company, either directly or indirectly, holds more than half of the company's voting shares.

Subsidiary companies are included in the consolidated accounts from the date of acquisition, i.e. the date when the Parent Company achieves the controlling influence, and are excluded from the consolidated accounts from the date when the Parent Company ceases to

have a controlling influence, e.g. in conjunction with the date of sale.

The accounting principles for subsidiary companies have, where relevant, been adapted in the consolidated accounts in order to achieve a consistent application of the Group's principles. The financial reports from the Parent Company and subsidiary companies used in conjunction with the preparation of the consolidated accounts have, furthermore, been prepared as of the same closing day.

*Consolidation principles*

The consolidated accounts have been prepared in accordance with the acquisition value method. The acquisition cost of an acquisition comprises the fair value of assets paid in remuneration and arising or assumed liabilities as of the transfer date, and any costs directly attributable to the acquisition. Identifiable acquired assets and liabilities, and any contingent liabilities, are valued at their fair value on the acquisition date. Any positive differences between the acquisition cost and the fair value is reported as goodwill. If the difference is negative, it is reported directly in the Income Statement.

*Transactions between Group companies*

Intra-Group Balance Sheet items and income and expenses, including unrealised profits and losses on transactions between Group companies, are eliminated if the loss does not indicate the need for a write-down.

*Internal pricing*

Market prices are applied in conjunction with transactions between Group companies.

**Foreign currencies**

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

**Segment reporting**

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

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

**Revenue recognition**

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

The subsidiaries' operations, distribution of products, provision of information and real estate management are reported under the "Other operating income and operating expenses" heading.

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

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

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

#### State subsidies

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

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

#### Cost accounting

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

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

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

#### Leasing

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

#### Lessees

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

#### Income tax

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

Deferred tax is calculated using the Balance Sheet method whereby temporary differences, i.e. differences between the reported and fiscal values of assets and liabilities, give rise to deferred tax liabilities or tax receivables. Deferred tax liabilities are calculated on the basis of all

fiscal temporary differences while deferred tax receivables are reported to the extent that it is likely that a future fiscal surplus will exist, against which the temporary differences can be offset.

Deferred tax is calculated and valued in accordance with the tax rules and at the tax rates approved or announced on the closing day and which are expected to apply when the tax receivable in question is realised or the tax liability is settled. The tax rate is 26.3 per cent, as of 1st January 2009.

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

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

#### The Parent Company

Deferred tax liabilities are – due to the link between accounting and taxation – not reported separately for legal entities, but rather, as part of the untaxed reserves to which they are attributable. Untaxed reserves are reported in the Balance Sheet and the receivable is reported under Appropriations in the Income Statement. Both untaxed reserves and appropriations are consequently reported in gross amounts in the Balance Sheet and Income Statement.

#### Information on related parties

Systembolaget defines Group companies, pension funds, the Swedish state, government-owned companies in which the government has a controlling influence, senior executives, Members of the Board and close family members of these persons as related parties.

Information is provided when transactions have occurred with a related party, irrespective of whether remuneration was disbursed. The term, transactions, refers to the transfer of resources, services or undertakings.

#### Tangible fixed assets

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

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

AB K14 Näckströmsgatan owns properties that are leased out to and used by, amongst others, the Parent Company, Systembolaget AB and the subsidiary company, Lagena Distribution AB. The properties reported in the consolidated accounts consequently comprise real estate used in business operations and are valued using the cost at acquisition method.

#### Intangible assets

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

- the intangible asset is identifiable,
- Systembolaget has control over the asset,

- the asset generates future financial gains, and,
- the asset's acquisition value can be reliably calculated.

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

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

### Depreciation

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

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

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

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

### Write-downs

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

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

### Remuneration to employees

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

#### *Defined benefit pension plans in the Group*

The Group has defined benefit pension plans, which means that the Group has an undertaking to disburse the agreed remuneration to current and former employees and that the Group, in every significant

respect, carries the actuarial risk and the investment risk. The actuarial risk is the risk that the remuneration will cost more than expected and the investment risk is the risk that the assets invested will prove insufficient to provide the expected remuneration. The defined benefit pension plans are primarily secured through pension funds, but also through provisions made in the Balance Sheet and, to a limited extent, through insurance premiums.

Actuarial methods are used, when reporting defined benefit pension plans, in order to calculate the remuneration amount earned by the employee during the current period and previous periods reliably. The Group makes assessments, known as actuarial assumptions, of the demographic and financial variables that affect the cost of the remuneration. The remuneration amount calculated is discounted annually by independent actuaries applying what is known as the "Projected Unit Credit Method". The current value of the defined benefit undertaking is determined by discounting estimated future cash flows using the interest rate for Swedish government interest bonds with a term comparable with the pension liability in question.

Actuarial profits and losses arise in conjunction with adjustments and changes in actuarial assumptions, to which the so-called "corridor rule" is applied. Under the corridor rule, that part of the accumulated actuarial profits and losses which, at the end of the preceding reporting period, exceeded whichever was the higher of 10% of the value of the plan assets and 10% of the defined benefit undertaking is capitalised or taken up as income over the employees' estimated average remaining period of service. Actuarial profits or losses are not otherwise taken into account.

The net of the current value of the undertaking on the closing day plus any actuarial profits not yet reported, less the fair value of the plan assets, any expenses in relation to previous periods' employment not yet reported and any actuarial losses not yet reported are reported within the Group. If the net amount is positive, a liability (pension undertaking) is reported in the Balance Sheet, whilst if the net amount is negative, an asset (pension asset) is reported there.

#### *Defined contribution pension plans in the Group*

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

#### *Parent Company pensions*

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

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

#### *Severance payments*

Severance payments are reported when Systembolaget is demonstra-

bly obliged either to terminate an employment before the normal date, in accordance with a detailed formal plan without any realistic possibility of a recall, or to pay compensation in conjunction with an offer designed to encourage voluntary redundancy.

### Financial instruments

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

#### Reporting in and removal from the Balance Sheet

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

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

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

#### Valuation

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

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

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

The fair value is the amount at which an asset could be transferred

or a liability settled between knowledgeable and independent parties who have an interest in completing the transaction.

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

#### Classification

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

#### Financial assets valued at their fair value via the Income Statement

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

Changes in the value of financial assets valued at their fair value via the Income Statement are reported in the Income Statement.

#### Loan receivables and accounts receivable

Loan receivables and accounts receivable are financial assets that have fixed or fixable payments and which are not quoted on an active market. Loan receivables and accounts receivable are valued, in conjunction with subsequent valuations, at the accrued acquisition value.

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

### Categories

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

and through periodisation.

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

#### *Financial liabilities valued at the accrued acquisition value*

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

#### *Liquid assets*

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

#### *Net profit and net loss*

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

#### **Stock-in-trade**

The stock-in-trade has been valued at whichever is the lower of the acquisition value and the net sales value. The acquisition value is calculated using the first in, first out method (FIFO) and the net sales value is the estimated sale price less selling expenses attributable to the sale. The stock-in-trade comprises goods for resale.

The reported value of goods held in stock that are sold is capitalised in the period when the corresponding income is recognised. Adjustments of goods held in stock to their net sales value, together with losses on goods held in stock, are reported in the Income Statement in the period when the adjustment or loss occurs.

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

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

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

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

#### **Provisions**

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

#### **Contingencies/contingent liabilities**

In the Group, this item is referred to as "contingencies" and in the Parent Company, as "contingent liabilities". A contingency/contingent liability is reported when a possible commitment exists deriving from events that have occurred and whose incidence is only confirmed by one or more uncertain future events, or when there is an existing commitment that is not reported as a liability or provision because it is not likely that a disbursement of resources will be required, or because the size of the commitment cannot be calculated with sufficient reliability.

#### **Cash Flow Statement**

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

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

#### **Events after the closing day**

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

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

## Proposed appropriation of profits

The Board of Directors proposes that the profits available for allocation, comprising SEK 1,158,943,981, are allocated as follows:

Dividend (SEK 958 per share)	344,880,000
Carried forward	814,063,981
<b>Total</b>	<b>1,158,943,981</b>

It is proposed that the dividend be disbursed on 6th April 2010.

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

of the Parent Company's and Group's consolidation requirements, liquidity and position in general, and is compatible with the owner's requirements and expectations.

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

Stockholm, 18th February 2010

Cecilia Schelin Seidegård  
*Chairman*

Gert Karnberger  
*Deputy Chairman*

Sven Andréasson  
*Member*

Lena Furmark Löfgren  
*Member*

Johan Gernandt  
*Member*

Carl B Hamilton  
*Member*

Annika Nilsson  
*Member*

Kerstin Wigzell  
*Member*

Maj-Britt Eriksson  
*Unionen – trade union representative*

Patrik Ström  
*Unionen – trade union representative*

Magdalena Gerger  
*President*

# Audit Report in respect of the Annual Accounts

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

We have examined the annual accounts, the consolidated financial statements, the accounting records and the administration by the Board of Directors and the President of Systembolaget AB for 2009. The company's annual accounts are shown on pages 68-108 of this document. These accounts, the administration of the company, the application of the Swedish Annual Accounts Act, and compliance with international accounting standards, IFRS, as adopted by the EU, when preparing the annual accounts and the consolidated financial statements, are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated financial statements and the administration based on our audit.

The audit was carried out in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform our audit so as to obtain reasonable assurance, but not absolute certainty, that the annual accounts and consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. It also includes assessing the accounting policies used and their application by the Board of Directors and the President, and significant estimates made by the Board of Directors and the President when preparing the annual accounts and consolidated accounts, as well as evaluating the overall presentation of information in the annual accounts and consolidated financial state-

ments. As the basis for our opinion on discharge from liability, we have examined significant decisions, actions taken and circumstances in the Company in order to be able to determine the liability, if any, to the Company of any Board Member or the President.

We also examined whether any Board Member or the President has, in any other way, acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Company's Articles of Association. We believe that our audit gives us reasonable grounds for the following statements.

The annual accounts and the consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and thereby give a true and fair view of the financial results and position of the Company in accordance with generally accepted accounting standards in Sweden. The consolidated financial statements have been prepared in accordance with international accounting standards, IFRS, as adopted by the EU, and the application of the Swedish Annual Accounts Act, and thereby give a true and fair view of the financial results and position of the Group. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We recommend to the Annual General Meeting, that the Income Statements and Balance Sheets of the Parent Company and Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Directors' Report, and that the Members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, 18th February 2010

Ernst & Young AB

Torsten Lyth  
*Authorised Public Accountant*

Filip Cassel  
*Authorised Public Accountant*  
*appointed by the Swedish National Audit Office*

## Review Report in respect of the Annual Accounts

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

On behalf of Swedish Parliament's Board of Administration, we have examined the administration and the internal controls of Systembolaget AB in the 2009 financial year.

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

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

We have also examined whether the Company, its management and Board observed the guidelines laid down by the government with specific reference to Systembolaget AB and also to State-owned enterprises in general. This examination also did not reveal any circumstances giving cause for objection.

Stockholm, 18th February 2010

Karin Nilsson

Lars U Granberg

Rolf Gunnarsson

## The Auditors' Report on the Corporate Governance Report

In an extension of our audit engagement, as reported in the form of our Audit Report dated 18th February 2010, we have also, at the request of the Board of Directors, conducted a review of the Corporate Governance Report for Systembolaget AB for 2009, as shown on pages 58 to 67 of this document. No circumstances have emerged from our

review that give us reason to believe that the Corporate Governance Report, as shown on page 58-67, has not been prepared in accordance with the guidelines laid down in the Swedish Code of Corporate Governance.

Stockholm, 18th February 2010

Ernst & Young AB

Torsten Lyth  
*Authorised Public Accountant*

Filip Cassel  
*Authorised Public Accountant*  
*appointed by the Swedish National Audit Office*



# The Board of Directors on the Sustainability Report

The Sustainability Report, which includes all of the sustainability-related information provided in Systembolaget's 2009 Responsibility Report, together with the associated GRI annex, as presented on

Systembolaget's website (see GRI list of contents on pages 114–115) have been approved for publication by the Board of Directors on 18th February 2010.

Stockholm, 18th February 2010

Cecilia Schelin Seidegård  
*Chairman*

Gert Karnberger  
*Deputy Chairman*

Sven Andréasson  
*Member*

Lena Furmark Löfgren  
*Member*

Johan Gernandt  
*Member*

Carl B Hamilton  
*Member*

Annika Nilsson  
*Member*

Kerstin Wigzell  
*Member*

Maj-Britt Eriksson  
*Unionen – trade union representative*

Patrik Ström  
*Unionen – trade union representative*

Magdalena Gerger  
*President*

# Combined certification report in respect of Systembolaget AB's Sustainability Report

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

We have been engaged by the Board of Directors to perform an assurance engagement related to Systembolaget AB's sustainability report for 2009. It is the Board of Directors and the executive group management that are responsible for the continuous activities regarding the environment, the work environment, quality, social responsibility and sustainable development, and for the preparation and presentation of the sustainability report in accordance with applicable criteria. Our responsibility is to express a conclusion on the Sustainability Report, based on our examination.

## The scope of the review

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

An audit is aimed at obtaining a reasonable but not absolute level of assurance for our conclusion that the information contains no significant inaccuracies. An audit includes examining a selection of evidence supporting the quantitative and qualitative information in the sustainability report. A review consists of making enquiries, primarily of persons responsible for sustainability matters and applying analytical and other review procedures. Consequently, the conclusion based on our review does not provide the same level of assurance as the conclusion of our audit. Since this constitutes a combined assurance engagement, our opinion regarding the audit and the review will be presented separately.

Our engagement includes a review of the following areas with the purpose of either providing a reasonable but not absolute assurance (hereinafter referred to as an audit) or limited assurance (hereinafter referred to as a review):

1. Our review comprises the information presented in the GRI list of contents on pages 114–115 and the pages in the responsibility report referred to in this list of content.
2. Our audit included the following information:
  - a) Description of the Nordic CSR partnership for a sustainable drinks supplier chain, Standard description 4.12.
  - b) Key performance indicators for the sale of organic products, GRI indicator EN 26.
  - c) HR statistics, GRI indicator LA2.
  - d) Structuring and scope of the routines that evaluate the operations' societal impact, GRI indicator SO1, and
  - e) Percentage with regard to risk of corruption, GRI indicator SO2.

Our assurance does not include the undertakings used or any information relating to whether it is possible for the company to achieve future performance figures (i.e. goals, expectations or ambitions).

We have not reviewed the information presented by Systembolaget AB on its website at [systembolaget.se](http://systembolaget.se).

The criteria used in the course of performing our review are based on applicable parts of the "Sustainability Reporting Guidelines", G3, issued by The Global Reporting Initiative (GRI), suitable for the sustainability report, and specific measurement and reporting principles developed and issued by the company. We consider these criteria to be suitable for our assurance engagement.

## Review procedures

The most important procedures in our review comprised the following:

- a) Updating our knowledge and understanding of Systembolaget AB's organisation and activities;
- b) Assessing the suitability and application of the criteria in relation to the stakeholders' need for information;
- c) Assessing the result of the company's stakeholder dialogues;
- d) Conducting interviews with responsible management, at Group level, subsidiary level and at selected business units, with the aim of determining whether the qualitative and quantitative information contained in the Sustainability Report is complete, correct and sufficient;
- e) Studying internal and external documents to determine whether the information reporting is complete, correct and sufficient;
- f) Evaluating the design of the systems and processes used to obtain, manage and validate sustainability information;
- g) Evaluating the model used to calculate carbon dioxide emissions;
- h) Conducting an analytical review of reported information;
- i) Reconciling financial information with the company's Annual Accounts for 2009;
- j) Evaluating the company's stated application level with regard to GRI guidelines;
- k) Considering the overall impression given by the Sustainability Report, and its format, with regard to the mutual correspondence between the information and the criteria applied; and
- l) Reconciling the reviewed information with the sustainability information contained in the company's 2009 Annual Report.

**Audit procedures**

Our audit has included the following audit procedures:

- a) Examining the design and function of relevant internal controls within the systems and processes used to obtain, handle and validate information in respect of the selected indicators during the period to which the report refers;
- b) Reconciling reported information with internal and external source documentation and conducting detailed tests of selected indicators, namely 4.12, EN26, LA2, SO1, SO2 in the sustainability report, and
- c) Reconciling the financial key performance indicators on pages 74–107 with Systembolaget AB's 2009 annual accounts.

We consider that the evidence collected during our review is sufficient and relevant to support our conclusions, as presented below.

**Conclusions****Our conclusion based on our review**

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

**Our conclusion based on our audit**

Based on our audit, we believe that the information contained in the sustainability report included in our audit has, in all material respects, been prepared in accordance with the above-mentioned criteria.

Stockholm, 18th February 2010

Ernst & Young AB

Torsten Lyth  
*Authorised Public Accountant*

Filip Cassel  
*Authorised Public Accountant*

# List of contents for GRI

Systembolaget reports in accordance with level B of the Global Reporting Initiatives (GRI) guidelines, which has been verified by Ernst & Young AB. The report for the 2009 financial year comprises the parent company, Systembolaget AB, the wholly-owned subsidiaries, Lagena Distribution AB, IQ-initiativet AB, and AB K14 Näckströmsgatan, and comprises the operations over which Systembolaget exercises control with regard to financial and operating policies. The basic principle is that all of these units are represented in every indicator. Any deviations from and comments on the GRI indicators are reported in the GRI annex to the 2009 Responsibility Report, which is available

from systembolaget.se.

The list of contents includes all core indicators and the supplementary indicators that Systembolaget adjudges to be relevant to its operations, based on the company's most important sustainability issues. The table below shows where the indicators are present – in the 2009 Responsibility Report (unless otherwise indicated) or in the GRI annex (B) on Systembolaget's website.

**W** = Wholly reported    **P** = Partially reported    **N** = Not reported

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EC1.	Generated and distributed direct economic value.	W 22, B10
EC2.	Financial implications and other risks and opportunities, due to climate change.	N
EC3.	Coverage of the organisation's defined benefit plan obligations.	W 87, 93, 99
EC4.	Significant financial assistance received from government.	N
<b>Market presence</b>		
EC5.	Standard entry level wage compared to local minimum wage at significant locations of operation.	N
EC6.	Policy, practices, and proportion of spending on locally-based suppliers.	N
EC7.	Procedures for local hiring and proportion of senior management hired from the local community.	N
<b>Indirect economic impacts</b>		
EC8.	Investments in infrastructure and services for public benefit.	N
EC9.	Significant indirect economic impacts, including the extent of impacts.	W 8, 10–11, B11
<b>6</b>	<b>Environmental Performance Indicators</b>	
Details of sustainability management.		16–17, 32–33
<b>Materials</b>		
EN1.	Materials used by weight or volume.	N
EN2.	Percentage of materials used that are recycled input materials.	N
<b>Energy</b>		
EN3.	Direct energy consumption by primary energy source.	W B11

EN4.	Indirect energy consumption by primary energy source.	P	33, B11
EN5.	Energy saved due to conservation and efficiency improvements.	W	33
<b>Water</b>			
EN8.	Total water withdrawal by source.	N	
<b>Biodiversity</b>			
EN11.	Location and size of land used in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	N	
EN12.	Significant impacts on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	N	
<b>Emissions, effluents and waste</b>			
EN16.	Total direct and indirect greenhouse gas emissions by weight.	W	46, B12
EN17.	Other relevant indirect greenhouse gas emissions by weight.	P	46, B12
EN18.	Initiatives to reduce greenhouse gas emissions and reductions achieved.	W	46
EN22.	Total weight of waste by type and disposal method.	W	32, 33, B12
EN23.	Total number and volume of significant spills.	N	
<b>Products and services</b>			
EN26.	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	W	32, 33, B13
EN27.	Percentage of products sold and their packaging materials that are reclaimed by category.	N	
<b>Compliance</b>			
EN28.	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	N	

## 7 Social Performance Indicators

<b>Employment conditions and working conditions</b>			
Details of sustainability management			16–17, 34
LA1.	Total workforce by employment type, employment contract and region.	W	35, B13
LA2.	Total number and rate of employee turnover by age group, gender and region.	W	35, B14
LA4.	Percentage of employees covered by collective bargaining agreements.	W	35, B14
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	38, 39, B14
LA8.	Education, training, counselling, prevention and risk-control programmes 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 employee category.	N	
LA11.	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	P	37, 41, B14
LA12.	Percentage of employees receiving regular performance and career development review.	W	37, B15
LA13.	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	P	54, 55, 57, 94, B15
LA14.	Ratio of basic salary of men to women by employee category.	P	39, B15

### Human Rights Performance Indicators

Details of sustainability management			16–17, 42–43
HR1.	Percentage and total number of significant investment agreements that include human rights clauses 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.	P	42, 44, 47, B15
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.	P	42
HR4.	Total number of incidents of discrimination and actions taken.	W	B15
HR5.	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	N	
HR6.	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	N	
HR7.	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour.	N	
<b>Society</b>			
Details of sustainability management			6, 16–17, B16
SO1.	Nature and scope of the routines that assess the impacts of operations on communities, including entering, operating and exiting.	W	10, 14, 15, 20, 50, B16
SO2.	Percentage and total number of business units analysed for risks related to corruption.	W	72, 73, B16
SO3.	Percentage of employees trained in organisation's anti-corruption policies and procedures.	W	40, 41, B17
SO4.	Actions taken in response to incidents of corruption.	W	B17
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 non-compliance with laws and regulations.	N	
<b>Product Responsibility</b>			
Details of sustainability management			14, 16–17
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	
PR2.	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes.	W	B17
PR3.	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	W	31, B17
PR5.	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	W	24, B18
PR6.	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	W	B18
PR7.	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	W	B18
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 ca. 6,000 control purchases are made per year. 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.

## Capital employed

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

## Cash flow per share

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

## CSR (Corporate Social Responsibility)

A company's responsibility for its environmental and social 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 ca. 60,000 randomly selected customers, spread over all of the stores. The CSI is measured and reported once a year.

## Dividend per share

Proposed/disbursed 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)

The ESI measures how satisfied employees are with Systembolaget as an employer.

The total index is a median value obtained from responses to the following two questions and two statements:

- How satisfied are you, generally speaking, to be an employee in your workplace?
- How close to or far from ideal is your workplace?
- I feel motivated in my work.
- I always look forward to going to work.

The employees' responses, 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. All Systembolaget employees complete the survey. The ESI is measured and reported once a year.

## Equity/assets ratio

Shareholders' equity as a percentage of the Balance Sheet total.

## 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.

## Income/net sales

"Income" within the Group and "net sales" within the Parent Company comprise income from goods sold and services provided that form part of Systembolaget's core operations.

## 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, per one thousand 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.

## 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 Satisfaction Index (SSI)

The Supplier Satisfaction Index measures how satisfied Systembolaget's suppliers are and provides a summary of:

- Drinks suppliers' overall satisfaction with Systembolaget.
- Their perception of the way in which their relationship with Systembolaget works at present.
- What suppliers regard as important in terms of their relationship with Systembolaget.

## Trading margin excluding alcohol tax

Gross profit as a percentage of income excluding alcohol tax.

## Wastage

Wastage, as established during stocktaking, per one thousand 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).

# Financial calendar

30th April 2010	Interim Report, January – March 2010
13th August 2010	Interim Report, January – June 2010
29th October 2010	Interim Report, January – September 2010
15th February 2011	Preliminary Financial Statement, 2010

# Annual General Meeting

The Annual General Meeting of the company's shareholders will be held in Stockholm on 25th March 2010.

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Contact persons at Systembolaget: tel. (exchange): +46 8 503 300 00

**Anders Söderlund**, CFO

**Lennart Agén**, Press & Information Director

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