

Responsibility Report

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The statutory annual report, which includes the Directors' Report and the financial reports, comprises pages 3, 8, 15 and 57-93.

The Sustainability Report, which is subject to a review by the company's auditors, is presented on pages 4-7, 12-14, 16-56 and 95-127.



The year in brief

The Board of Directors and the President of Systembolaget AB, corporate ID number 556059-9473, hereby present the annual accounts, including the Corporate Governance Report and the Sustainability Report, for the 2017 financial year.

Systembolaget AB has, in accordance with section 6, §11 of the Swedish Companies Act, elected to prepare the statutory sustainability report separately from the annual accounts. The Sustainability Report is presented on pages 4-7, 12-14, 16-56 and 95-127 of this document.

SIGNIFICANT EVENTS AND RESULTS

- The 2016 measurement of alcohol consumption* in Sweden showed a year-on-year reduction of just over one percentage point to 9.0 litres per head of population, which is in line with the ongoing downward trend seen in the last ten years.¹
- Systembolaget published its Alcohol Report² for the first time. The aim of the report is to provide a one-stop shop for alcohol-related research, statistics and trends in Sweden and to act as an easily accessible knowledge base.
- Systembolaget has, together with industry association representatives**, drafted a proposal for how the industry can help take responsibility for countering climate change. The initiative has been formalised in a joint statement of intent.

* The measurement of alcohol consumption was carried out in 2017 and refers to 2016. Reported one year in arrears.

** Industry associations: the Swedish Spirits & Wine Suppliers' Association (SVL) and Brewers of Sweden Association, and 11 member companies.

• Awards:

- First place in Medieakademin's confidence barometer for companies, media and social institutions. As in 2016, 70 per cent of respondents expressed great or fairly great confidence in Systembolaget³.
- ServiceScore winner for the fifth year in succession. Systembolaget was named "Best service in Sweden, 2017" and "Best retail company, 2017"⁴.
- Second place in this year's sustainability ranking for State-owned companies⁵.
- Winner of the Publishing prize in the "Films marketing a company" category⁶.
- The agreement between Systembolaget and the State was clarified in the autumn of 2017 such that it now explicitly states that Systembolaget shall take specific sustainability considerations into account in connection with its drinks procurement activities.
- Systembolaget, in cooperation with three State-owned companies and an external party, carried out preparatory work for offering work experience places to foreign academics, starting next year. The aim is to utilise their expertise and to facilitate access to the Swedish labour market through work experience places and networking opportunities.

- Systembolaget has continued its partnership with the Swedish Public Employment Service in 2017 and has taken on almost 200 people who, for a variety of reasons, were finding it difficult to enter the labour market.
- Cecilia Halle was elected as a new full Board Member at the AGM on 26 April.
- This year's Customer Satisfaction Index reached 84.3 (84.1), which is slightly higher than last year's previous record high figure.
- Proof of Age checks were carried out in 95.6 per cent (95.7) of cases.
- The accumulated Opinion Index figure for the year was 76.9 (76.2).
- The return on equity was 17.2 per cent (17.5).
- The equity/assets ratio for the year was 27.8 per cent (28.2).
- Systembolaget's sales volumes totalled 483 m (479) litres.
- Net sales increased to SEK 29,355 m (28,469).
- The operating profit was SEK 270 m (217).
- The net profit for the year was SEK 282 m (289).

Chairman's Statement: We're not like other companies

Kenneth Bengtsson has been the Chairman of the Board of Systembolaget since 2014, and has both extensive experience of Board-related work and a wide-ranging background in both the grocery retail sector and specialist retail. Kenneth is also active in a number of other organisations, such as the Childhood Foundation and Ersta diakoni.

How do you view Systembolaget's role and mandate?

Systembolaget isn't like other companies. We have a special mandate, and one of the things that distinguishes us is the way we work with customer interactions. We differ from outright commercial companies in that we are brand neutral and that we do not encourage increased consumption. We don't, for example, engage in bait pricing in the form of "buy 2, get 1 free". What we want, instead, is for all our customers to feel welcome, and to receive good advice and high-quality service. Our social mandate affects everything from opening hours and store openings to proof of age checks and the fact that we don't sell to people who are visibly intoxicated or where we suspect illegal resale. This is how we limit the harmful effects of alcohol in our society and how we fulfil our owner's mandate to us.

We also do a lot of other things that people are, perhaps, less familiar with, such as financing alcohol

research, helping to disseminate information, and implementing a comprehensive quality control process.

We're more like other companies when it comes to things like HR, administration and IT – in other words, issues that are not directly linked to the customer interaction and sales. We want to be – and we must be – a professional, cost-effective, and resource-smart company.

Systembolaget is an exclusive operator in a regulated market, so Systembolaget's role and mandate could, to summarise, be said to be substantially different from those of other companies. Which means, given our monopoly position, that customer service, product range, and operating cost-effectively are even more important.

How do you view your role as Chairman of the Board?

I lead the Board's work and am, along with my Board colleagues, ultimately responsible for ensuring that Systembolaget fulfils its objective of limiting the harmful effects of alcohol. My role, and that of the Board, is to generate the conditions for and support the management in their efforts to achieve long-term goal fulfilment and sustainable development. Most immediately, that involves working towards implementing the integrated strategic plan by 2020.



Which events have affected Systembolaget in 2017?

I'm delighted that our efforts to boost our Customer Satisfaction Index (CSI) are continuing to yield results. The ongoing efforts to further enhance our customer interaction are critical in this respect, and we're working on that in a variety of different ways – everything

from the layout of our stores to offering home deliveries on a trial basis in a number of areas. We are, like any company, affected both internally and externally by the process of digitisation, and the challenge for Systembolaget is to live up to our customers' expectations when it comes to improved service and accessibility in digital channels without promoting sales.

Another issue, and one that's been a hot topic in the political debate arena, is that of farm sales of alcohol. We have stated that under EU law, farm sales cannot be combined with Systembolaget's monopoly, while at the same time communicating on the development of our local and small scale product range.

As far as the future is concerned, I envisage ongoing work with customer interactions in an increasingly digitalised world. It's also vital that we remain on the cutting edge when it comes to our integrated work with sustainability issues.

What do you think distinguishes Systembolaget from other companies?

"Soft" values, such as public health, a good working environment, and selling responsibly are Systembolaget's top priority. I am seeing more and more companies placing greater importance on these soft goals, not least because this is what customers expect nowadays. This is a mindset I try to take with me into my other activities.

From a corporate governance perspective, the difference between Systembolaget and other companies is that the State has formulated our ownership directive, but the Board still has ultimate responsibility and is subject to the provisions of the Swedish Companies Act.

What are the biggest challenges and opportunities for 2018?

One of the challenges we face is maintaining a high level of customer satisfaction. A satisfied customer is about more than simply being satisfied with their purchase. It's about them having confidence in us and being treated well, whether they buy from us or not. And that's why it's important that Systembolaget is a workplace where everyone is empowered to do what they can and what they are good at, and where the workforce reflects today's Sweden.

Systembolaget in brief

Employees: 5,714

Stores and agents: 441 stores and just over 450 agents

Active drinks suppliers: in excess of 700

Items: circa 17,500 – 2,500 in the fixed range, 13,500 in the available for order range, and 1,500 in the temporary range, 1,200 of which are in the local and small scale range

Customer visits to the stores: 122.2 million

Visits via digital channels: 46.7 million (systembolaget.se, the Search & Find app, and the Promillekoll app)

President's Statement: we must be a cutting-edge company

Systembolaget began implementation of our strategic plan, which runs until 2020, in 2017. The strategic objective is for Systembolaget to continue impressing its customers, to increase awareness of alcohol's risks and Systembolaget's role, and to generate optimum conditions for our slightly over 5,000 employees. Other areas addressed by Systembolaget during the year included work on our renewed customer guarantee – that includes full integration of our entire programme of sustainability work – across our entire operations.

ALCOHOL – NOT LIKE OTHER PRODUCTS

The Alcohol Report, which Systembolaget published for the first time this year, includes an account by a woman who is strong and full of life, of how, as a 7-year old, she could mix a perfect drink for her parents, and how she was forced, at an early age, to deal with feelings such as shame and loyalty in order to protect her parents. Things turned out fine for her, but in excess of 100,000 children in Sweden today are living with a parent with alcohol abuse problems. The report also shows how seven out of every ten teachers have suspected that one of their pupils has a parent who drinks too much, but that fewer than one in five have reported their concerns.²

Alcohol is not like other products. Alcohol use is ranked as one of the five leading global threats to health⁷, and this is precisely why Systembolaget is not like other companies. We work to reduce the harmful effects of alcohol in society, and this is an important reason why Sweden is on the cutting edge in this respect. Our work in this area includes limiting the availability of alcohol through opening hours, the number of stores, and thorough proof of age checks, by selling responsibly, and by informing people of the risks associated with alcohol. We carry out ongoing proof of age checks in our stores to ensure that no minor purchases alcohol from us, and in 2017, ID was requested in 95.6 per cent of control



purchases made by so-called mystery shoppers aged between 20 and 24.

Systembolaget's subsidiary, IQ, works to reach out to teenagers and young adults in a variety of ways. Alcohol becomes part of life in various ways, as we grow up, but some age groups are more sensitive than others, both in terms of how alcohol affects the brain and in terms of their ability to resist peer pressure. Social groups and friends are one way in which teenagers build their sense of identity, which is why the Teenage Phrasebook is sent out to every household with a 14-year old child in conjunction with the Valborg festivities, because we know that this is when many young people make their alcohol debut.⁸

The Alcohol Index, which measures attitudes to alcohol in society, gives us an indication of how we should conduct our information work, and the key ratio is measured annually. The Alcohol Index figure for 2017 was 62.0, in comparison with 62.6 last year, and the weak downwards trend towards a more permissive attitude to alcohol is, therefore continuing. The biggest shift towards a more permissive attitude towards drinking is, by gender and age, greatest in the groups comprising 16 to 29-year old men and 30 to 44-year old women.

ALCOHOL RESEARCH FOR THE FUTURE

Alcohol research and dissemination of the findings are important components of Systembolaget's mandate. Systembolaget awarded SEK 10 million in research grants in 2017, with the grant recipients decided by the Alcohol Research Council, which is independent of Systembolaget. SEK 1 million has been earmarked for junior researchers, in an attempt to encourage growth in the field of alcohol research, and Systembolaget has also established a research stipend for junior researchers.

Our focus on disseminating research findings also includes the open, free research seminars we hold every year. The theme of the seminars held this year in Sundsvall and Jönköping were parents, children and alcohol. This year's alcohol research conference, which was held at our training centre on Skarpö, included a presentation of a new study of the ways in which public health in Sweden would be affected if the retail monopoly were to be abolished.

CONTINUED STRONG SUPPORT

In Sweden – as in other parts of the Nordic region, the USA and Canada, we have a retail monopoly on sales of alcohol. The reason for this is simple: by limiting total consumption, we ensure a healthier population. A number of studies have shown that if alcohol were to be sold for a profit, consumption would increase and we would see more accidents, violent crime, broken families, alcohol-related diseases, days off sick – and that's just for starters.⁹ The level of support we enjoy amongst the population of Sweden is considerable, with 76.9 per cent supporting a retention of Systembolaget's monopoly, according to the Opinion Index (OPI) key ratio.

Every year, Medieakademin measures public confidence in institutions, political parties, the media, and companies, and awards the Confidence Barometer prize. Systembolaget came first in 2017, with 70 per cent of respondents stating that they had very or fairly great confidence in us.³

The Swedish monopoly is based on popular and political support, but the past year has seen more and more voices raised in favour of farm sales of alcohol. We are continuously developing both our local and small scale offering and our dialogue with producers, and

see ourselves as enablers for the rural community, with at least three employees in every municipality and a wide range of local and small-scale products on our shelves. Our local and small-scale beer range, which has increased from around 320 products to just over 900 in just three years is one example of this.

A SUSTAINABLE ENTERPRISE PLAN

The UN has drawn up 17 sustainability goals – Agenda 2030 – and Systembolaget has identified seven of them as being of particular importance in terms of our operations and the way we work. The goals are wide-ranging, covering everything from reducing the harmful effects of alcohol to ensuring good working conditions for everyone. Our work on our strategic objectives for 2030 include an increased focus on our suppliers, because we believe that we can make a greater difference throughout the supply chain by supporting the suppliers in their dealings with producers, farmers and workers.

We are continuously working to reduce our environmental and climate footprint, and the Nordic alcohol monopolies have drawn up a joint environmental analysis of alcohol's environmental impact throughout the value chain. Packaging manufacturing in general, and glass in particular, has the biggest environmental impact, followed by cultivation and production. Transport also has a relatively substantial environmental impact throughout Systembolaget's value chain, and in 2017, the drinks industry and Systembolaget drew up a joint statement of intent with the aim of reducing our climate footprint. We will, collectively, reduce greenhouse gas emissions by setting up quantifiable goals based on each, individual company's preconditions.

Reducing the use of plastics is another component of

our environmental and climate control work, and on 1 June this year, a new law governing the use of plastic bags came into force. Systembolaget began informing our customers of the environmental impact of plastic bags and of the benefits of reducing their use, and 2017 saw purchases of plastic bags decline by 3.6 million, corresponding to a reduction of 41 tonnes in the amount of plastic used.

SALES TRENDS AND FINANCIAL RESULTS

Total consumption in Sweden in 2016 fell by just over one percentage point, year-on-year, to 9.0 litres of pure alcohol per head of population aged 15 and above. Systembolaget's share of sales in 2016 totalled 63.2 per cent, corresponding to approximately one percentage point, year-on-year.¹

Systembolaget's sales volume increased by 0.8 per cent, year-on-year, which is in line with population growth. The percentage of sales for which the organic range accounts is continuing to increase, rising to 12.6 per cent in 2016 in comparison with 11.6 per cent in the previous year. Net sales totalled SEK 29,355 m, in comparison with SEK 28,469 m in the previous year, with the increase due both to increases in sales volumes and to the so-called premiumisation trend that is seeing many customers electing to buy more expensive products.

FOCUSING ON RESPONSIBLE CUSTOMER INTERACTIONS

With 441 stores, we are the only State business that has a presence and employees in every municipality. It is important that we continue to develop and adapt our operations in line with external conditions, which includes everything from a product range that meets demand to addressing changes in customer behav-

our, both in store and online. Wherever our customers meet us, whether in a store or on our website, they must receive the same high-quality reception.

Systembolaget's customers are satisfied. Our Customer Satisfaction index figure is 84.3 per cent, which is on a par with the figure for last year. We have also, for the fifth year in succession, won the Best Service in Sweden – all categories award in ServiceScore's customer survey.⁴

Systembolaget endeavours to ensure our customers are satisfied at all time, not in order to boost our sales, but in order to ensure that Sweden's solidarity-based alcohol policy continues to enjoy the supports of Swedes. As a Systembolaget customer, you should feel welcome, that we are happy to share our expertise, and that you can rely on us to sell responsibly.

One example of how this can work in concrete terms is the approaches by the winners of Systembolaget's "Store of the Year" competition, Malå and Haninge Söderby. The stores differ greatly in terms both of the geographic location within Sweden and their size, but both have a well-thought out and structured management approach that creates a good environment for every store employee. This is how we enable every individual employee to provide an engaged interaction with customers, based on their personal qualities.

The "performance culture" key ratio measures employees' perceptions of preconditions for performing well in their job and their perceptions of how well their basic requirements are met. The result for 2017 was 81.5 per cent, corresponding to an increase from last year's figure of 77.9 per cent. The sick leave key ratio is another important indicator of how our employees

feel, and the main focus of our work in this area over the past year has been on reviewing factors promoting health and illness, respectively, and the establishment of a process team who have worked on reducing long-term sick leave.

If we are to be a long-term sustainable company, it is important that Systembolaget is an attractive employer that recruits and develops people from different backgrounds, with different areas of expertise, different experiences, and different skillsets: that we have a welcoming climate characterised by respect and understanding.

It is important for us to secure our talent pool, and to ensure that we have a workforce that feels good and reflects our society. We can never be better than the sum of our parts.

This is Systembolaget

Our history: from a “river of schnapps” to e-commerce and sustainability

Decision makers have been attempting to limit the harmful effects of alcohol since schnapps first reached Sweden in the 15th century. This was the mandate given to Systembolaget when we were founded in 1955, but our history actually begins a lot earlier than this.

Schnapps reached Sweden in the 15th century as an ingredient in the manufacture of gunpowder, but Swedes were quick to discover a different sphere of use and Sweden soon became a schnapps country to the detriment of beer and mead. Everyone drank – men, women, and even children – and the authorities became concerned about this “river of schnapps”.

In the 18th century, King Gustav III tried to enable the State to take over all manufacture and sales of schnapps, but this first schnapps monopoly only lasted a few years.

The drink problem became even worse in the wake of 19th century industrialisation. Better quality schnapps could now be manufactured at lower prices, and this was reflected in consumption. The backlash was not slow in coming, and Sweden’s first populist movement – the temperance movement – was founded.

MINE OWNERS PUT THEIR FOOT DOWN

Patience eventually wore thin, even amongst society’s leaders, and Systembolaget’s first predecessor was founded in Falun in 1850. It was founded by the mine owners, who had had enough of miners’ drunkenness.

Interruptions to work caused by accidents were hampering their operations and the compensation paid to widows was starting to become expensive, and the mine owners consequently sought permission to form a retail company with a monopoly on the distilling and sales of schnapps, with the revenues to go to the improvement of social conditions amongst the mineworkers.

Falun’s idea was refined in Gothenburg a few years later, when the so-called “Gothenburg system” was formed in 1865. This system saw the city take over all of the bars where schnapps was sold and the introduction of an age limit of 18. The name, “Gothenburg system” comes from the fact that the bar operations were incorporated and schnapps sales were systemised. And this is the origin of Systembolaget’s name.

RATION BOOKS INTRODUCED

Doctor Ivan Bratt was at the heart of the next round of Swedish alcohol policy in 1913, founding the Stockholm system that introduced the ration book. Strong beer could now only be bought on prescription at a pharmacy.

The temperance movement continued to push hard for a total ban on alcohol, in spite of these huge changes, and their pressure eventually resulted in Sweden’s first referendum in 1922. The “No” side won a slight margin, at 51 per cent against a ban and 49 per cent for.



So alcohol sales continued, as did the increasingly unpopular ration book, which was regarded as undemocratic due to the fact that one's social class, gender and occupation determined how much one was allowed to buy. After several years of investigation, the ration book was abolished in 1955 and all of the regional system companies were amalgamated into a single, State-owned company, the nationwide Systembolaget.

Any Swede over the age of 21 who was not intoxicated or suspected of carrying out illegal resale could now buy alcohol in Systembolaget's stores.

WINE INSTEAD OF SPIRITS

Schnapps is still the main type of alcohol consumed, so Systembolaget began working at a very early stage to persuade people to drink wine instead. For many, the idea that alcohol was an accompaniment to food that should be enjoyed in moderate quantities was a novelty. Learning about wine and understanding how different wines go with different types of food was also something new. This approach also coincided with the launch of new, alcohol-free drinks – choices that didn't dampen either the party spirit or taste experience.

EU ACCESSION CHANGES EVERYTHING

Systembolaget had lived side by side with Vin & Sprit, which had a monopoly on alcohol imports, since 1955. Vin & Sprit lost its monopoly when Sweden joined the EU in 1995, and the number of alcohol importers increased overnight to 115.

Hundreds of suppliers imposed completely new demands. Systembolaget's management had been working determinedly since the EU accession to ensure the company's independence and integrity, but despite the company's best efforts, a bribery scandal broke

in 1993, and 92 people were prosecuted for taking or giving bribes in connection with Systembolaget's procurement.

What had started with an anonymous letter turned into a completely new chapter in Systembolaget's history – a turning point and a new path that resulted in today's Systembolaget enjoying high levels of public confidence and, furthermore, being declared Sweden's best service company in all sectors^{3, 4}. And it's a path we intend to follow.

THE INTERNET AND E-COMMERCE

Adapting to changes in the outside world has always been important in retaining our monopoly. Satisfied customers are a must in enabling us to fulfil our mandate in the long term. The next step involves the rising level of digitisation. Customers are making completely new demands and we must meet them. We must provide advice, engage in retail operations, and provide information on the harmful effects of alcohol in the new channels enabled by technological development, as well as in the old.

We take with us the things we have learned over the years in everything we do – the things that have led to our clear social mandate: to engage, through a monopoly, responsibly and with a high standard of service, in the retail sales of spirits, wines and strong beers, and to inform people about the harmful effects of alcohol.

How we create sustainable value

Systembolaget creates sustainable economic and social value through our monopoly. This is how we do it.

WE REDUCE HARM

The greatest value created by Systembolaget lies in the form of the preconditions we establish for good public health and a reduction in alcohol-related harm, whether medical or social. In 2017, an international group of researchers presented a report on the effects of Systembolaget's monopoly on alcohol-related injuries, illnesses and deaths. The report showed that the number of alcohol-related deaths would increase by 800-1,400 per year and the number of hospital admissions by 13,000-20,000 per year if Sweden were to abolish Systembolaget's monopoly.⁹

WE CONTRIBUTE TO ENJOYMENT AND DINING PLEASURE

With over 20,000 products, Systembolaget ensures freedom of choice and accessibility with regard to both alcohol-free and alcoholic drinks. Our expertise and good advice help our customers match their food and drink.

WE CREATE BUSINESS OPPORTUNITIES

Systembolaget's procurement process is completely brand neutral and this, coupled with the fact that our range must be both broad and deep, enables our monopoly to create opportunities for a great many drinks market operators to launch their products on to the market. This is good for our customers, who gain greater freedom of choice, and for the operators, who have the chance to operate on a competitively neutral playing field.

SWEDEN-WIDE FOCUS

Systembolaget's 441 stores and just over 450 agents throughout Sweden also generate positive value for Swedish local communities, through job creation. Systembolaget has at least three employees in every municipality, and 65 per cent of our employees work in the 326 stores located outside of Sweden's three biggest conurbations. The customer flow to the stores and agents also has a positive effect on other local businesses.

Shopping at Systembolaget and accessing our products should be quick, smooth and simple. Our home delivery trials in certain counties is one example of how we are developing our service to meet our customers' needs.

We measure our success in satisfied customers who are impressed by our service, our social responsibility, and our range. This applies wherever the customer chooses to interact with us – in physical stores, online, via agents, via home deliveries, or via tomorrow's delivery concepts.

WE ARE A MAJOR EMPLOYER

Salaries and other forms of remuneration to employees totalled SEK 1,949 million in 2017, comprising 57 per cent of total operating expenses. At the end of the year, Systembolaget had 5,714 employees.

WE CREATE ECONOMIC VALUE

The most important economic value generated by Systembolaget takes the form of the reduced societal harm that results from limiting the harmful effects of

alcohol. Systembolaget has a clear social mandate and our owner has consequently stated that our purpose is not to maximise profits. Systembolaget must, however, operate cost-effectively and in a business-minded way. Our owner has set three economic goals for the operations: equity/assets ratio, return on equity, and cost-effectiveness.

WE'VE MADE PROGRESS BUT WE STILL HAVE SOME WAY TO GO

Alcohol is not like other products: it can cause both direct and indirect harm. Alcohol abuse continues to harm people and we have not, as yet, realised our vision of a society in which alcohol is enjoyed with due regard to health considerations so that no one is harmed. We also have some customers who regard the restriction on availability that comes from our opening hours as limiting their freedom of action.

The drinks industry, like all other manufacturing industries, also creates negative value through its climate footprint. The biggest impact comes from indirect emissions created in conjunction with the manufacture of packaging, the cultivation of raw materials, the production of drinks, and transportation. The production and cultivation processes also utilise valuable natural resources, including water, and in some areas, a number of suboptimal chemicals are still used. Working conditions for people working in the supply chain may also sometimes fail to live up to global minimum standards. There is also a risk, within the industry, of corruption and improper influence, which are problems that can generate substantial negative value.

Our ability to handle this type of risk by imposing more stringent demands has increased now that our agreement with the State has been clarified to explicitly state that Systembolaget shall take specific sustainability considerations into account in conjunction with its drinks procurement.

We are also endeavouring to minimise our negative impact on the climate by expanding our collaboration with drinks suppliers on the basis of a joint statement of intent undertaking to work together to reduce the industry's climate footprint.

Systembolaget's goal is to maximise the positive value we create and, at the same time, to minimise the negative value caused by alcohol. We will talk more about this throughout this Responsibility Report as, for example, in the following description of our business model.

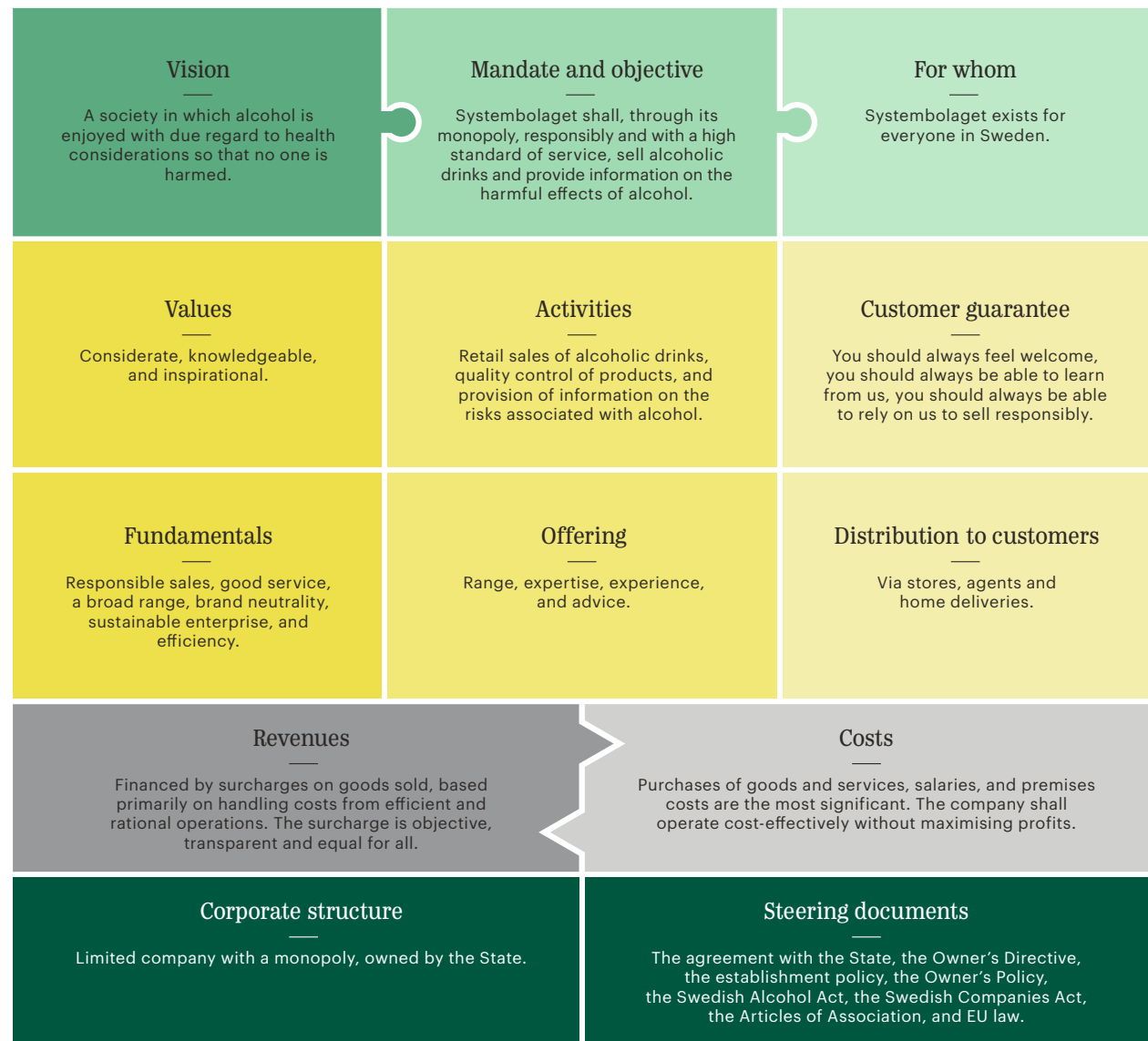


Systembolaget's business model

Several hundred years of Swedish alcohol consumption and alcohol policy resulted in the formation of Systembolaget in 1955. Nowadays, we are a State-owned company and we, administratively, come under the Ministry of Health & Social Affairs. As such, our operations are regulated by a number of steering documents, including our agreement with the state, our Owner's Directive, the Swedish Alcohol Act¹⁰, and EU law.

Systembolaget's clear vision is of a society in which alcohol is enjoyed with due regard to health considerations so that no one is harmed. We will realise this vision through our mandate: we shall, through our monopoly, responsibly and with a high standard of service, sell alcoholic drinks and provide information on the harmful effects of alcohol. Systembolaget's business model is based on our mandate and our history – and on the sustainable value we create (see page 12).

The business model is supported by our organisational structure.



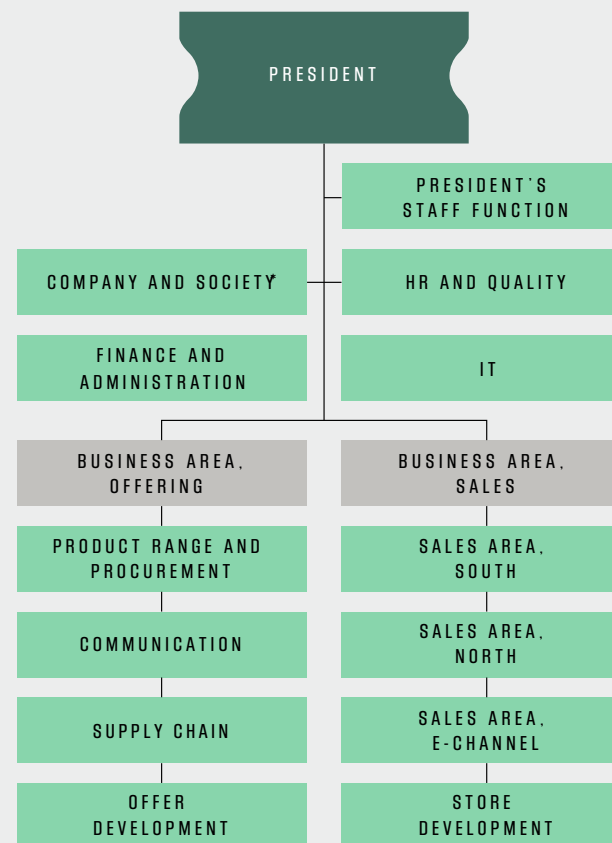
ORGANISATION

Systembolaget's operations are conducted via 441 stores in Sweden which were visited by a combined total of 122.2 million (122.1) customers during the year. Three new stores were opened in southern Sweden in 2017. Systembolaget's Board of Directors also decided to strengthen the store network by establishing stores in three municipalities. The aim, by opening more stores – the majority of which are planned for major conurbations – is to meet the demands of population growth and urbanisation. There are also, in addition to the stores, just over 450 agents throughout Sweden from whom customers can order goods for collection. Systembolaget is also offering home delivery on a trial basis in a number of areas across Sweden.

The operations are conducted by Systembolaget AB and the wholly owned subsidiaries, IQ-initiativet AB and AB K14 Näckströmsgatan. IQ-initiativet works with information and communication in order to prevent and limit the harmful effects of alcohol, while K14 Näckströmsgatan manages Systembolaget's operating premises.

Systembolaget AB is 100 per cent owned by the Swedish State and there are 360,000 shares in the company.

Our business model and organisational structure shall help optimise the conditions for our operations. If we are to succeed, we must constantly be aware of the changing world in which we live and must act in accordance with our mandate. On the next page, we talk about the external factors that have had the biggest effect on us and our stakeholders in 2017 and which we must address in future.



*New organisation from 1 March 2018.

The world around us

Systembolaget exists to limit the harmful effects of alcohol. Our entire operations are structured for optimum success in this respect, but the world around us is changing and this places new demands on how we should act if we are to achieve our goal. See below for some of the external factors that affected Systembolaget in 2017.

CHANGING ATTITUDES AND BEHAVIOURS

We must conduct ourselves, throughout our operations, in accordance with our customers' attitudes towards alcohol and their alcohol-related behaviour – from our information work to our interactions with customers, whether in-store or via our digital channels.

The trends that Systembolaget is currently handling include the general reduction in binge drinking in Sweden since the start of the new millennium and the fact that women aged between 65 and 84 are drinking more than before. Men are, however, continuing to drink more often, getting drunk more often, and drinking in larger amounts than women.¹¹ Systembolaget has been commissioned by the government to conduct annual measurements of the total volume of alcohol consumed in Sweden.

The survey, known as the Monitor measurement, is carried out by the Swedish Council for Information on Alcohol and Other Drugs (CAN)¹. The survey involves complementing registered sales in Sweden with other unregistered acquisition sources. We also, by means of the Alcohol Index and Everyday Index, measure how the population's attitudes to alcohol and drinking change. These surveys give us important insights into what we

should be doing if we are to remain relevant and topical in our efforts to limit the harmful effects of alcohol.

AN INCREASINGLY DIGITAL WORLD

The rapid pace of digital development is both posing challenges and offering opportunities. Our customers' underlying needs have not changed, but their behaviour and demands are influenced by new technological solutions.

Relevance, in 2017, means having an online presence, engaging in e-commerce, and communicating digitally, and Systembolaget, just like every other company, is at the heart of this trend – we must be. But there is one big difference: our online presence is not about selling more. In a world in which customers are demanding greater accessibility, increased service, and simple solutions, our role is to give them all that while still selling responsibly and without boosting sales.

UNWITTINGLY RISKY CONSUMPTION

93 per cent of our customers do not think they have any problems at all with alcohol – despite the fact that, according to "Allmänheten om inställning till alkohol och monopol mm", Novus, 2015" (Public attitudes to alcohol and the monopoly, et cetera), almost one million Swedes are consuming alcohol at hazardous levels.

The same survey shows that three out of every four Swedes think that they know everything, or virtually everything, about the harmful effects of alcohol on their own health. Most of them are aware that alcohol causes problems, but believe that for them, the

positive effects outweigh the negative ones and the problems are primarily experienced by other people¹². These are factors that we must take into account when we interact with customers and when we provide information about the harmful effects of alcohol.

SUPPLY CHAIN RISKS

Systembolaget has over 700 suppliers and innumerable producers in over 100 countries. Our supply chain is complex and it is an area we must constantly review in order to ensure we act responsibly.

We want all of our products to be sustainable products, both in terms of quality and from ethical, social and environmental perspectives. And our customers and owners want this too – and they are demanding it more and more loudly for every year that passes. With a global and complex supply chain, we must work continuously to improve the checks and balances we build into the supply chain. We do this in a variety of ways: with the help of industry partnerships, audits, training, and by investigating various kinds of certification, labelling, and requirements that we can impose throughout our value chain.

CLIMATE CHANGE AND INCREASED AWARENESS

Our operations have a substantial environmental footprint and our customers are not only becoming increasingly aware, they are placing higher demands on the way we work and the products we offer.

Our biggest environmental impact is indirect and arises from our producers and suppliers. It causes air pollu-

tion and has a negative impact on the climate as well as impacting biological diversity through increased land usage. Packaging production accounts for the biggest climate footprint, followed by cultivation and transport. Different eco-labelling schemes tell us a certain amount about how a product is produced, but a single eco-label does not tell us everything about a product's sustainability. When we are working to reduce our climate and environmental impact, we must also influence the way our suppliers and producers work and must, at the same time, listen to what our consumers want.

POLITICAL REGULATION

Our mandate is clearly regulated in the Owner's Directive and changes in the outside world and its demands on us may, from time to time, necessitate a review of this Directive, in consultation with our owners.

The guidelines regulating our purchasing process was one of the issues that arose during the year. The agreement between Systembolaget and the State was clarified in the autumn of 2017 such that it now explicitly states that Systembolaget must take specific sustainability considerations into account in conjunction with its drinks procurement. The clarification makes it clear that sustainable development is important and an area upon which Systembolaget must focus.

ATTITUDES TO THE MONOPOLY

The long-term fulfilment of our mandate requires the support of both decision-makers and the public.

The majority of decision-makers feel that they are fully familiar with alcohol policy and that it is effective. A majority of Swedes – four out of every five – support the monopoly, and a clear majority rate Systembolaget's service, range and personnel highly. What is

less popular is our opening hours, primarily because they are limited. The most common reason given by those customers who want to abolish the monopoly is convenience, followed by an ideological opposition to monopoly companies.

The insights are not new, but the trend in our neighbouring countries is worrying, particularly in Finland, where a new, more liberal Alcohol Act was passed during the year.

DEMOGRAPHIC CHANGES

The population growth rate in the past ten years is reckoned to be the highest for at least 100 years and, possibly, since measurements were introduced in the mid-1700s. This, coupled with the increase in the percentage of people in Sweden who were born in other countries, is imposing new demands on Systembolaget. We calculate that in the ten biggest municipalities alone, the number of people permitted to purchase alcohol will increase by approximately 400,000 by 2024 (according to an in-house analysis based on Statisticon's population forecasts for 2024). This will demand new, more flexible solutions if we are to meet the demands of big city customers in small spaces. Meeting the needs of municipalities and towns with steep population growth will demand a high level of originality and innovation.

A growing percentage of foreign-born residents mean that Systembolaget must identify ways of reaching out to and communicating with all new Swedes, particularly when it comes to the benefits of Systembolaget and to making them feel welcome.

CHANGES IN THE LABOUR MARKET

The increase in immigration levels in Sweden has

changed the labour market. We now have the opportunity to enhance and expand our expertise through new perspectives, which means we must identify ways of attracting this labour market segment.

Working with diversity and inclusiveness is a given for us, as a State-owned company. It is also vital to customer satisfaction. Recognition is an important factor in whether a customer feels included and receives personal service, which means we and our workforce need to become even better at reflecting today's Sweden.

YOU WON'T FIND A SUSTAINABILITY CHAPTER IN THIS RESPONSIBILITY REPORT ...

There is one more social trend that affects Systembolaget, and it's one we're very happy to see. Sustainability is no longer viewed as one area amongst many, but as something that should permeate every aspect of a company's operations. Which is why you will not find a separate chapter on sustainability in Systembolaget's Responsibility Report. What you will find, as we hope you'll see, is that sustainability is an important factor in all of the decisions we take and all of the programmes, initiatives, and measures we implement.

Where we want to be – Systembolaget’s strategic plan

Systembolaget’s vision is of a society in which alcohol is enjoyed with due regard to health considerations so that no one is harmed. We aim to realise this vision through our stated purpose and mandate: to engage, through a monopoly, responsibly and with a high standard of service, in the retail sales of spirits, wines and strong beers, and to inform people about the harmful effects of alcohol.

In 2016, Systembolaget decided, in line with our vision and our mandate, and taking into account our value creation and the external factors that affect us, to adopt the strategic plan that will run until 2020. The plan is the first time that our key sustainability aspects have been integrated into the overall strategic plan. Sustainability is an increasingly explicit operational goal for us, and an integrated sustainability perspec-

tive empowers our implementation of this approach.

This Responsibility Report describes how we are working to achieve the plan’s objectives – the measures and initiatives we are taking and the challenges we face and must address. But in order to be clear about why we do what we do, it is important to understand where we are going.

Strategic goal, 2020

I am proud of the fact that Sweden has Systembolaget!

I, as a customer, feel increasingly like a welcome guest at Systembolaget. The offering is increasingly adapted in line with my requirements, and Systembolaget continues to offer the best service. I like that they take responsibility. Systembolaget ensures quality and its range takes an increasingly clear position on social responsibility and the environment. It allows me, through my choices, to make a difference, too.

As a customer, it’s easy for me to learn more about drinks and about how spirits, wine, beer

and other drinks affect me and those around me. I often think about how often, how much, and what I drink. More and more people are coming forward and saying why they appreciate Systembolaget and its mandate, and it’s easier for me to understand and appreciate the monopoly and the difference Systembolaget makes to public health.

We employees know how we can help ensure more informed alcohol consumption. Thanks to us, people know more about the downsides of alcohol and are aware of the risks that come with alcohol increasingly often being portrayed as just another product. We are very involved in the alcohol debate and Systembolaget, along with other parties, is contributing to the debate by providing knowhow and insights. The rules of the game when it comes to alcohol policy are being clarified and

the monitoring of compliance with these rules is improving all the time.

There are 5,000 Systembolaget employees and we are placing increasing value on each other’s differences. We are thinking along new lines and achieving success by working with others. Developing our operations and each other makes optimum use of our resources in terms of money, employees, and the environment. Our managers are creating good conditions and more people are willing, able, and allowed to take responsibility through a clear mandate. We are well on the way to becoming Sweden’s most attractive employer and are proud of making a difference.

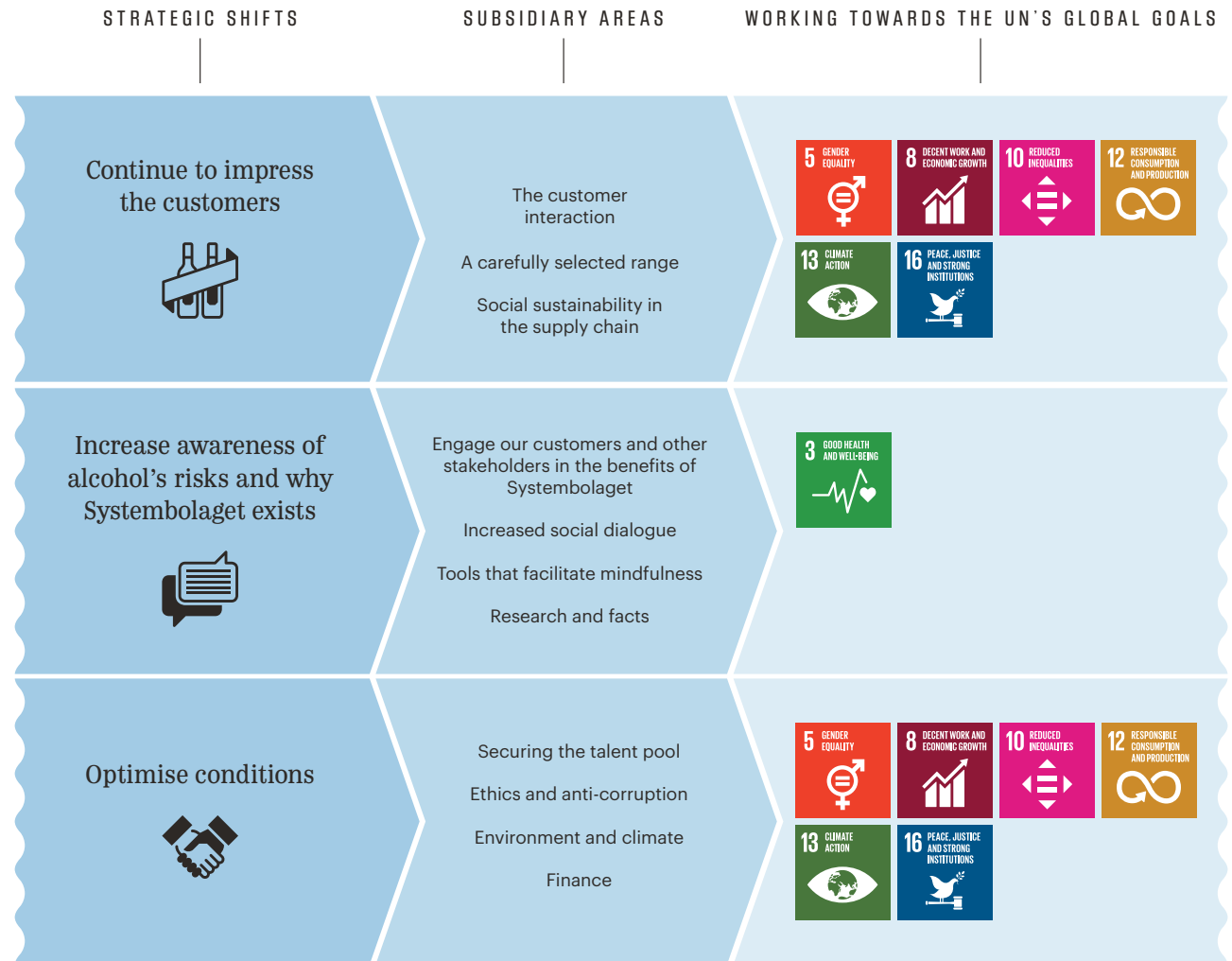
Three strategic shifts

Achieving our strategic goal – where customers, employees and our other stakeholders are proud of Systembolaget – demands hard work and that we take a stand on various issues. People’s expectations of Systembolaget are constantly increasing and we want to be proactive in meeting them, which is why we have identified three strategic shifts as being of particular importance over the next few years.

WE WANT OUR CUSTOMERS TO BE EVEN MORE IMPRESSED

Surveys show that our customers are happy with Systembolaget. But our customers’ expectations are constantly increasing, which means that they are demanding more of us if their satisfaction levels are to be maintained. The increase in digitisation is, for example, resulting in consumers generally demanding more in terms of service and accessibility and we are, therefore, keen to anticipate our customers’ changing behaviours and requirements and to be just as good online as we are in our physical stores. We must also live up to our customers’ increased expectations of us when it comes to operating a business that promotes sustainable development throughout our value chain. This involves both doing more ourselves and involving not just our customers, but our suppliers and producers in our sustainability work.

Systembolaget is not like other companies and alcohol is not like other products. We don’t want satisfied customers to make them buy more. We do not run campaigns and we do not sell three products for the price of two. We do this in our own way, within the parameters that support our mandate. Our goal is for



Our shifts will move us closer to the subsidiary areas of our operations and to several of the UN's global sustainability goals, the most important of which are presented, along with links to the relevant shift, in the following table.

our customers to be proud of Systembolaget – and achieving that means constantly striving for progress.

WE NEED TO INCREASE PEOPLE'S AWARENESS OF THE RISKS OF ALCOHOL AND WHY SYSTEMBOLAGET EXISTS

Systembolaget and the monopoly enjoy high levels of public confidence, and we're proud of that fact. But we also believe that there is a risk that the dialogue we want to promote being afforded less space if not enough people are involved. If we are to fulfil our mandate and limit the harmful effects of alcohol, this dialogue needs to involve more people. Alcohol is increasingly perceived as "just another product", as is clear from its marketing and in social media. We are pretty poor, in Sweden, at reflecting on our own alcohol consumption, and a survey by Novus shows that despite almost one million Swedes drinking at hazardous levels, only 7 per cent of Swedes believe that they, personally, drink too much. Many consumers believe that alcohol problems are "someone else's problem"¹². Our goal is to create greater space for a healthy alcohol debate and to involve more voices in the dialogue.

WE MUST CREATE BETTER INTERNAL CONDITIONS FOR ACHIEVING OUR GOALS

If we are to succeed in all these endeavours, we need to create even better conditions in which to operate. Developing our operations and each other makes optimum use of our resources in terms of money, employees, and the environment. Our employees are far and away the most important key to success in this respect. The strength inherent in our 5,000 employees is considerable, and we must ensure that our employees have both the mandate and the desire to contribute as much as possible. We want to be one of Sweden's best and most attractive employers. We want, through

a diversity of perspective, a value-governed management, sustainable and rational operations, and by taking environmental and social responsibility, all of our employees to feel proud of us as an employer.

WE WANT TO HELP ACHIEVE THE UN'S GLOBAL GOALS

Our strategic shifts move us closer to several of the UN's global sustainability goals, and we have also formulated our own long-term goals for 2030 with regard to the most significant UN goals. For more detailed information, see page 123.

KEY RATIOS AND GOAL LEVELS

Our owner, the State, has set a number of goals that steer our course, and it is clear that the mandate goals take precedence. The primary goal, according to our owner, is consequently the social benefit. The secondary goal is that we shall deliver a required return on investment that is predetermined by the owner and which is followed up over time through a number of financial key ratios.

We have adjusted the structure of our key ratios, in order to increase focus and facilitate delegation. The adjustment involved both reducing the number of ratios and, at the same time, ensuring that all strategically steering key ratios can be directly affected through our own operations.

The owner's goals over which we have direct control are obvious, such as the strategic steering key ratios. There are also a number of other key ratios that relate to the broader owner's goals but which are defined in a way that enables us to measure our own performance. All strategic key ratio goals – whether financial or non-financial – are set by the Board of Directors.

Other owner's goals are followed up and analysed continuously in order to pick up on changes. Some of the goals are set by the owners, other are not. This enables us to set goals for and follow up on our strategy in order to ensure a balanced development at the same time as we ensure we are meeting our owner's goals.

The State's ownership policy requires State-owned companies to act as role models when it comes to sustainable enterprise. Sustainable enterprise includes such areas as human rights, working conditions, the environment, anti-corruption, and business ethics, as well as gender equality and diversity. Acting as a role model with regard to sustainable enterprise means, amongst other things, acting transparently on issues relating to material risks and opportunities, engaging in an active dialogue with the company's stakeholders, cooperating with other companies and relevant organisations, and complying with international guidelines in the field. State-owned companies, such as Systembolaget, must have well thought out and firmly established strategic goals in the area of sustainable enterprise, and Systembolaget has consequently established policies, strategies and strategic goals in this area. In December 2017, the Board decided to explicitly link five strategic goals to sustainable enterprise. These goals are presented in the table overleaf, where we present all of Systembolaget's strategic key ratios and indicators.

In the next chapter, we will talk about what we are doing to achieve the goals laid down in our three strategic shifts, and our plans for the future.

OUR STRATEGIC KEY RATIOS AND INDICATORS

Strategic shift	Subsidiary area	Strategic key ratio	Result, 2017 ¹	Goal, 2017	Sustainable enterprise goal ²	Owner's goal	Board's goal
Continue to impress the customers	The customer interaction and product range	Customer Satisfaction Index (CSI)	84.3	84.5-85	x	x	x
	Social sustainability in the supply chain	Suppliers' sustainability maturity	-	-	x		x
Increase awareness of alcohol's risks and why Systembolaget exists	Engage our customers and other stakeholders in the benefits of Systembolaget	OPI (%), the percentage who want to retain Systembolaget for the sake of public health	76.9	77.0			x
	Tools that facilitate mindfulness	Proof of age checks	95.6	96.0	x		x
Optimum conditions	Securing the talent pool	Performance culture	81.5	78.2	x		x
		Sick leave (%)	4.8	4.8			x
	Environment and climate	Climate footprint of own operations (net emissions)	3,583	-	x		x
	Finances	Equity/assets ratio	27.8	20-30			x
		Return on equity	17.2	9.0-10.0			x
		Cost-effectiveness	2.2	≤ 2.3			x
Strategic indicator³			Result, 2017	Goal, 2017	Sustainable enterprise goal	Owner's goal	Board's goal
Alcohol index			62.0	-		x	x
Total consumption, litres of pure alcohol per head of population aged 15 or older ⁴			9.0	-			
Systembolaget's share of alcohol consumption, % ⁴			63.2	-			

1 As of 2017, Systembolaget reports all key ratios and indicators to one decimal place in order to increase the transparency of our analyses.

2 In December 2017, the Board resolved to adopt the following five strategic goals for sustainable enterprise.

3 Strategic indicators are also followed up by the owner, but no goals are set.

4 Reported one year in arrears.

Our three strategic shifts



STRATEGIC SHIFT #1:

We shall continue to impress our customers

The world around us is changing and our customers' wishes, expectations and behaviour are changing with it. Here at Systembolaget, we work continuously with development in order to continue impressing our customers. There are three areas that we have prioritised within the overall context of this work, namely a good customer interaction, a carefully selected range, and a sustainable supply chain. All of these factors have a substantial impact on customers' perceptions, both of Systembolaget and of our mandate. The customer interaction is also, ultimately, the place where we have the opportunity to make a difference to people's health, both individually and in terms of public health. And if we are to continue to maintain public confidence in Systembolaget's role and monopoly – factors which are, in turn, the key to a sustainable alcohol policy – it is vital that we meet our customers' new expectations and adapt to their new behaviour patterns.



Customer interaction and product range

Why this is important

Every company wants satisfied customers, and Systembolaget is no exception. A first-class customer interaction and an impressive product range are two of our most important tools in this work. But unlike many other companies, Systembolaget does not want satisfied customers so that it can boost its sales. Satisfied customers are important to us because they ensure our long-term ability to deliver on our social mandate: to engage, through a monopoly, responsibly and with a high standard of service, in the retail sales of spirits, wines and strong beers, and to inform people about the harmful effects of alcohol.

Direction and strategic initiatives – the customer interaction

The outside world is constantly changing and Systembolaget must change with it if we are to continue living up to our customers' high levels of expectation. This is why we work strategically with a number of areas in order to ensure that we continue to impress our customers in every customer interaction.

For the fifth year in succession now, Systembolaget has been rated Best Service Company and Best Retail Company by ServiceScore4. Medieakademin's 2017

Confidence Barometer showed that people have more confidence in Systembolaget than in any other company or institution included in the survey³.

A NEW CUSTOMER PROMISE

In the autumn of 2016, we developed our customer promise to generate even greater societal and customer benefits, and the promise now describes, in more concrete terms, what interacting with us should feel like, whatever the channel. It also includes a clearer statement of our values, our vision and our strategic plan. In 2017, we worked on implementing our new customer promise throughout 2017 and engaging our just over 5,000 employees in the process. A customer promise that permeates the entire organisation in a way that ensures all employees are engaged in delivering on it is an important tool in continuing to impress our customers.

Our new and improved promise to our customers is as follows:

You should always feel welcome.

- You are welcome and respected, whoever you are and whatever the reason for your visit.
- We are here for you and will actively show how happy we are to see you.
- We will do all we can to help you – simply and smoothly.

You should always feel that our knowledge and expertise is at hand.

- We share our knowledge generously in a way that suits you.
- You choose and we provide inspiration, so that you can enjoy our drinks with due regard for both your own health and other people's.

- Our advice is brand-neutral and tailor-made for you, to ensure you can make good, informed choices.

You should always be able to rely on us to sell responsibly.

- Our selling rules include consideration for everyone's wellbeing, and we adhere to them at all times.
- The products you buy are carefully selected and we are keen to ensure that they are sustainable, both for people and for the environment.
- Our goal is not to make as much money as possible. We are happy to talk about why Systembolaget exists, and the benefits we bring.

Our goal is for our just over 5,000 employees to be familiar with and work in line with this customer guarantee. The customer promise is a central component of both performance reviews and themed meetings with all employees.

PROOF OF AGE CHECKS IN THE CUSTOMER INTERACTION

Systembolaget must not sell to anyone under the age of 20, anyone who is visibly intoxicated, or whom we suspect will resell the products. The way we handle the situation where we are unsure of a customer's age is very important in terms of our customer interaction, which is why we began interweaving our proof of age checks with our efforts to improve our customer interaction in 2017. Our checks have previously been based on the rules, but we are now working towards acting in a more values-controlled way. What this means is that the proof of age checks must not contravene our good customer service principle: every customer must be treated with consideration, not suspicion. This is not easy, but it is important and every employee must not only feel responsible for this work, but must have a mandate to make the correct decision. The results of our proof of age checks are shown on page 43.



INCREASED DIGITAL SERVICE

Society's increased digitisation creates opportunities and poses challenges. For Systembolaget, adapting to the digitisation trend means everything from developing the digital customer offering to automation and internal skill development.

Our customers' underlying needs have not changed, but their behaviour is influenced by new technological solutions. Accessibility, rapid solutions, and transparency are becoming increasingly important, not least for a generation that is permanently online. Today's customers want to decide when, where and how they shop, and to customise the way in which their product is delivered.

We are working on enhancing the level of service provided by our digital channels in order to continue providing high quality, responsible service. We have noticed that customers are increasingly using our digital interfaces, both to prepare their purchases and to order goods for delivery to stores, agents, or their homes, and we are consequently developing our digital offering by providing such features as new search and ordering facilities and home deliveries in trial areas.

It's also important that we are the people customers turn to digitally for inspiration, to make decisions, or to learn more about spirits, wine, beer and the risks associated with alcohol. If someone searches online for the answers to alcohol-related questions, they should find Systembolaget. The growth in digitisation offers another benefit too: it enables a more sustainable supply chain where we can increase traceability and thereby increase the transparency of our customer information on supply chains. Systembolaget's responses to customers' new behavioural patterns must always be made with due regard to our mandate to limit the harmful effects of alcohol. If we

are to continue impressing our customers, we must be where they are, which means e-commerce and a digital presence are vital. But we must also continue to work in a way that does not increase sales and, hence, alcohol consumption. Everything we do digitally must, just as in our physical stores, be done within the framework of our entire mandate, which is why we don't have top 10 lists or discounts on our website, any more than we do in our stores. That having been said, we are operating in an increasingly commercialised digital environment and it is, therefore, vital that we continue to ensure good control of our digital information and functionality, in line with our mandate and objective, in order to ensure that they are not used to promote the sort of additional sales that are contrary to what we stand for. We must not become interchangeable with commercial operators. Alcohol-related legislation must, therefore, be modernised and adapted in line with the changes that digitisation entails to show, more clearly than ever, that Systembolaget's monopoly and the ban on commercial supply refers both to sales in physical stores and to sales through other media – e-commerce and home deliveries, for example.

SEAMLESS SERVICE IN ALL CONTACT INTERFACES

The customer's contact interfaces with Systembolaget comprise our physical stores, systembolaget.se and omsystembolaget.se, our app, our social media platforms, our agents, our drinks auctions, and our customer services department. The customer should feel at home in all of these interfaces and should be able to move smoothly from one channel to another, however they choose to interact with us.

Whatever the channel, there are three steps to achieving an impressive customer interaction:

1. The first step involves meeting the customers' basic

requirements, irrespective of their preferred channel. The goods should be in stock and it should be easy to find them, to find help, and to pay.

2. The second step involves being proactive. Systembolaget must be a proactive host, enabling everyone who wants to interact with us to do so, even when we are at our busiest. In our stores, the percentage of customers who stated that our staff made contact with them during their most recent visit has risen from 29 per cent in 2009 to 60 per cent in 2017. Being knowledgeable and sharing our expertise are, of course, equally given in our customer services department and our digital channels. Our chat function, for example, gives us the opportunity for active customer interaction via systembolaget.se.

3. The third step involves personalisation. A personalised customer interaction is increasingly what people are looking for and this is an issue that will become increasingly topical in the years ahead when we will be focusing strongly on, amongst other things, the development of our website.

DEVELOPED STORE CONCEPT

In 2015 and 2016, we developed our store concept through two new trial stores, and a further 16 stores have been refurbished in line with the new concept in 2017. In our Uppsala store and the outlet on Sergels Torg in Stockholm, we are also testing the option of enabling customers who visit the stores to collect an order also being able to order the items carried in the store. We call it "Everything for order". The physical customer interaction has also undergone development in 2017 in the form of what we call a "collection point" outside the Sergels Torg store. All of these concepts are designed to meet the changes in our customers' requirements while simulta-



neously adhering to Systembolaget's mandate. Offering customers the option of collecting the goods they have ordered outside the store means, for example, that they no longer need to enter the store, thereby potentially reducing the number of spontaneous purchases.

Key ratios, results and activities – customer interaction

CUSTOMER SATISFACTION INDEX – CSI

The way we interact with our customers has a considerable influence on their perceptions of Systembolaget – and hence on their perceptions of Systembolaget and our mandate. Customer satisfaction is consequently absolutely vital in enabling us to limit the harmful effects of alcohol on the long term.

We conduct a Customer Satisfaction Index survey in partnership with an external, independent company (CFI Group) three times a year in all of our stores in order to measure levels of customer satisfaction. The interviews reveal what is important to our customers and how well we are living up to their expectations. The stores receive the results at store level and continue their work within relevant areas for improvement. Two of the key factors in achieving a high index figure are proactivity and customer interaction, and we are working hard to increase accessibility in our stores and ensure that we have the necessary expertise available when our customers need help. The CSI index values range between 10 and 100.

On three occasions in 2017, almost 49,000 customers were recruited in our stores and a total of 32,977 customers have participated in our Customer Satisfaction Index (CSI) survey, yielding a response rate of 68 per cent.

	2017	2016	2015
Customer Satisfaction Index (CSI)	84.3	84.1	83.9
CSI – social component	81.5	81.0	80.6

The results show that the CSI for 2017 has increased by 0.2 points to a new record index level of 84.3, which means that we are approaching our target figure of 85. The new CSI level is due to a positive trend in virtually all quality areas, not least those regarded as most important by our customers. Our customers' perception of the service they receive from our staff in stores has reached a new record high index figure of 90.8 (+0.3), as has customers' perception of our social responsibility, where the index has risen by 0.5 to 81.5 in 2017. Customers' perceptions of our range have also reached a new record high, with an index figure of 80.4 (+0.4) (see also table on page 27).

The highest ranked quality areas also include, as before, the stores' social responsibility. We are particularly pleased by this, as it is about the extent to which our customers see us taking responsibility for our selling rules.

95 per cent of our stores now have a CSI index rating of above 80, which is our minimum acceptable level. It is very important that the 23 stores below this level continue their collective efforts to improve their customer interactions. We are, however, also seeing a successive increase in the levels of customer expectation, so it is vital that we continue to develop, even in the stores with the highest CSI index ratings.

Our website is the second most commonly used contact interface after the stores. The CSI here has increased to 75.5, while the ordering service has re-

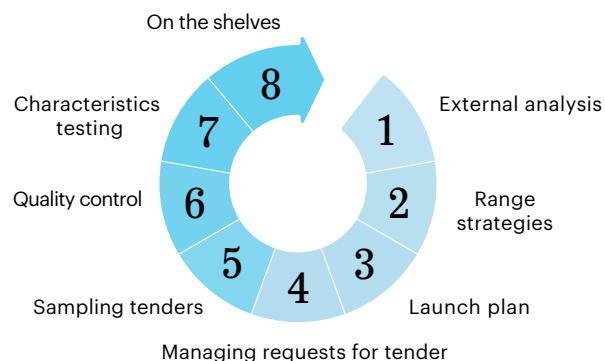
tained its high index rating of 91.6. Levels of customer satisfaction are generally lower for the digital contact interfaces than in other retail areas involving the stores and personal service. We are drawing up plans aimed at improving our website in the year ahead in order to improve the way we meet our customers' requirements and offer a simpler, smoother customer interaction.

Direction and strategic initiative – a carefully selected range

The range is the core of Systembolaget's offering. We must offer every customer in Sweden a range that meets their needs and we do so by providing a broad range that is characterised by quality and developed in accordance with brand-neutral, non-discriminatory, and transparent principles. We are keen to continue working in partnership with our suppliers to continue developing a range that increases customer satisfaction, enables informed choices and mindful consumption, and helps ensure an impressive customer interaction.

SYSTEMBOLAGET'S PURCHASING PROCESS

Our purchasing department tries out several thousand drinks from all over the world every year. Factors such as customer demand, season, festivities, and international trends affect the choice of drinks bought in for Systembolaget's range. Our customers' knowledge of and interest in drinks, sustainability and health have increased in recent years, increasing the demands made on our range. Our goal is to adjust the products we carry on our shelves in line with customer preferences, quickly and in an optimal way.



The illustration shows the steps in Systembolaget’s purchasing process.

RANGE BREAKDOWN

Systembolaget’s range is divided into the fixed range, which comprises approximately 2, 500 items, and the available for order range, which comprises around 13,500 items. This breakdown is based on Systembolaget’s ambition, wherever possible, to meet our customers’ different needs. We also, in addition to these two ranges, offer a temporary range and the option of private imports of items from other countries. The temporary range comprised on the order of 1,500 items at the end of the year.

Read on to find out a little more about our various ranges.

1. The fixed range

The fixed range accounts for 95 per cent of our sales and is designed to meet demand from the majority of our customers. There is a security, continuity and long-term approach to the range composition that also ensures its breadth and depth. The allocation of the range to the individual stores is done in a brand-neutral way and is based on customer demand.

2. Available for order range

The available for order range includes items that can be ordered from the drinks suppliers’ stocks and enables us to offer our customers an even broader range. The items can be ordered in our stores, from the agents, and at systembolaget.se. Items from the available for order range that prove particularly popular may, in time, become part of the fixed range.

3. The temporary range

Systembolaget’s temporary range is divided into three categories: small consignments, seasonal items, and local and small-scale items.

Temporary Range – Exclusive (TRE) comprises small consignments of products with very limited availability. The range has a relatively high price level.

Temporary Range – Seasonal (TRS) comprises products that are available for a limited period of time because they are associated with a particular festival or tradition.

Temporary Range – Local and Small-scale (TRLS) comprises craft products, produced in limited volumes, and available in up to ten stores within a radius of 150 kilometres from the producer.

AVAILABILITY

Systembolaget has a nationwide sales network of 441 stores and just over 450 agents. The range carried by an individual store is based on demand in that specific store, in order to ensure that the right product reaches the right customer. Every store receives a range mix adapted in line with customer demand in these specific stores, irrespective of the size or location of the store.

Systembolaget’s ability to keep all of its products in

stock in our physical stores has obvious limitations, but the entire range is available for order via systembolaget.se. Our customers can also order drinks for collection from agents and, in some areas, we are trialling home deliveries.

Ensuring our ongoing ability to offer our customers a relevant product range requires us to work continuously on developing our range. Beer and red wine are our two biggest categories and ensuring a strong range in these categories is vital.

We provide information in order to increase our customers’ knowledge of the products and make it easier for them to make informed choices. We have clarified our information during the year so that our various labelling schemes, for example, are now described and clarified. Our “New items” information is popular and we place a little extra emphasis on these items in our communication to make it easier for the customer to find them. We will continue to emphasize relevant and accessible facts about the range in order to guide the customer.

CSI FOR RANGE AND OFFERING

We monitor how well our range and offering live up to our customers’ expectations through our Customer Satisfaction Index surveys, which have shown a steady improvement in recent years.

	2017	2016	2015
Customer Satisfaction Index (CSI), Range and offering	80.4	80.0	80.2
Customer Satisfaction Index (CSI), Ordered items	91.6	91.6	91.8
Customer Satisfaction Index (CSI), Knowledgeable personnel	89.4	89.0	89.1

**RANGE SUSTAINABILITY**

Sustainability is important to Systembolaget, both in terms of our mandate and in line with our customers' expectations. We will, therefore, continue to develop and expand our range of organic and ethically certified products. Equally, the increasing percentage of lightweight glass bottles and other types of packaging with a smaller environmental footprint are helping ensure that our range becomes more sustainable.

In 2017, after discussions with our owners, Systembolaget implemented a change to our agreement with the State regarding our purchasing process and product selection. The agreement has been clarified and now states explicitly that Systembolaget shall take special sustainability criteria into account in conjunction with its drinks purchasing. The clarification demonstrates the importance of sustainable development to Systembolaget and that it is an area on which we must focus.

See below for details of some of the important components of our sustainable range.

1. Our organic products

For a number of years now, as part of our efforts to reduce our organic footprint, Systembolaget has invested in meeting the substantial customer demand for organic products. Seven years ago, we set ourselves a goal of organic products accounting for 10 per cent of our sales by 2020. By early 2016, we had already achieved this goal, but we have not subsequently set any new goals in respect of the number of items in our range. What we are working on, instead, is optimising and improving our organic range, and our goal is now to include organic alternatives in as many of the range segments as possible. We now have organic alternatives in just under half of our product segments. The

trend in the number of organic items in the fixed range over the past three years is shown in the table below.

Organic range	2017	2016	2015
Number of items	428	373	289

The term, range, refers to the items in our fixed range.

Switching to organic cultivation is not something a producer can do overnight: it takes several years to switch from conventional to organic cultivation. We have extended our evaluation period for organically and ethically labelled products in order to ensure greater security for producers during the process and, in the long term, create a good range of organic products. All drinks were previously guaranteed six months on our shelves, but the guaranteed periods for organic and conventionally cultivated drinks are now 12 and 9 months, respectively.

Systembolaget clearly labels its organic products, both in the stores and on the systembolaget.se website. We have also conducted information campaigns in-store and on omsystembolaget.se.

2. Our ethical products

One way of improving working conditions in the supply chain is to increase the range of ethically certified items. Systembolaget currently labels wines from two different ethical certification programmes, namely Fairtrade and Fair for Life Social & Fair Trade (Fair for Life). We have chosen these labelling schemes because they are third party-certified, because they contribute to fair trade, and because they guarantee a premium that ensures both financial and increased social security for the people working with cultivation. Fair for Life is currently open to offering certification

in more countries than Fairtrade, which only certifies products from developing countries.

Systembolaget is working to increase the number of ethically labelled items in its fixed range, and by the end of 2017, we had 43 ethically labelled items. The goal for 2018 is 50 ethically labelled items.

Our ethical range has posed challenges in 2017. Argentina, which is a major producer of wines in this range, has suffered two bad harvests in a row, resulting in an increase in the price of these products, and demand for the items has consequently fallen.

3. Our climate-friendly packaging

Packaging accounts for the biggest share of Systembolaget's indirect environmental impact.

Production of heavy glass bottles in particular imposes a heavy burden on the environment, and Systembolaget is working to persuade more suppliers to switch to lightweight glass bottles. We label these bottles, along with PET and returnable bottles, as climate-friendly bottles in our stores. Lightweight glass bottles currently account for around 30 per cent of sales of still wine (750 ml). Reducing the climate impact of our packaging is one of the sustainability issues that our customers regard as important, but to date, there are relatively few customers who specifically choose the climate-friendly labelled products for climate-related reasons. This poses a communications challenge.

Systembolaget will continue to focus on packaging with the aim of helping, wherever possible, to encourage the trend towards more environmentally and climate-friendly packaging solutions.



In 2017, we laid the foundations for a long-term collaboration with the industry on the climate issue in accordance with the Paris Agreement. We have collectively signed a joint statement of intent, not just with regard to packaging, but in relation to climate control issues in general. See page 53 for further information. We regard collaborations with other industry organisations as an important part of our sustainability work in relation to the UN's global goals (see also page 123 Key ratios, results and activities Key ratios, results and activities Key ratios, results and activities Key ratios, results and activities Key ratios, results and activities).

4. Our alcohol-free range

Demand for alcohol-free products is generally increasing, and this is reflected in the development of our alcohol-free range, which is something we are very pleased to see. Alcohol-free alternatives can, in many respects, be described as the most sustainable health switch that our customers can make. We are now working to further improve the quality of this range.

SUSTAINABILITY LABELLING

Systembolaget currently uses a great many environmental and social sustainability labelling, many of which focus on a specific aspect of sustainability. Increased social and environmental awareness amongst our customers imposes extensive demands on us, on our range, and on how we communicate with our customers to enable them to make sustainable choices. We welcome this challenge, which requires a rethink on our part, because it means we can make a genuine difference.

Taking an unequivocally positive view of sustainability labelling would, however, mean that we were not taking full responsibility for our impact on society, and our

strategic work with sustainability labelling must, therefore, also take a number of other factors into account:

- what, for example, does calling a product "sustainable" actually mean? An organic label does not, for example, in and of itself reduce the need for transport. Nor does it enhance working conditions or reduce the environmental impact of glass bottle production. We want to take an holistic, big picture approach to the sustainability issue, so we must, therefore, ask ourselves what role the different labelling schemes can play.
- we are also aware that a sustainability-certified product is not always more sustainable than a non-certified product. Some certification organisations, for example, only operate in countries where conditions are generally worse, and a French wine, for example, could hence never be awarded a Fairtrade label. But this does not mean that it has been produced less sustainably than a Fairtrade-labelled wine. The same is true of organic labelling. There are many wine producers who meet the organic cultivation requirements, but who are not certified. The way we approach these situations is an important issue in the context of our communication.
- what will our customers want? Which sustainability labelling schemes will be in demand in future? These are important issues for us if we are to remain to the fore in this area.
- how should we indicate sustainability on our products? We currently label sustainable products in three different ways: organic products, ethical products, and climate-friendly products. What we label and how we communicate this labelling is an ongoing issue for us and one where development is vital.

Key ratios, results and activities – a carefully selected range

ORGANIC PRODUCTS' SHARE OF SALES

Systembolaget had already achieved its organic goal for 2020 – that organic products should account for 10 per cent of our sales – by 2016. We have, nonetheless, continued to follow up on the percentage of our total sales for which organic products account this year. In future, however, we will concentrate on ensuring that organic alternatives are available in as many segments of the range as possible. The range and share of sales, when combined, show the extent of our efforts to offer organic alternatives – and our customers' interest in them.

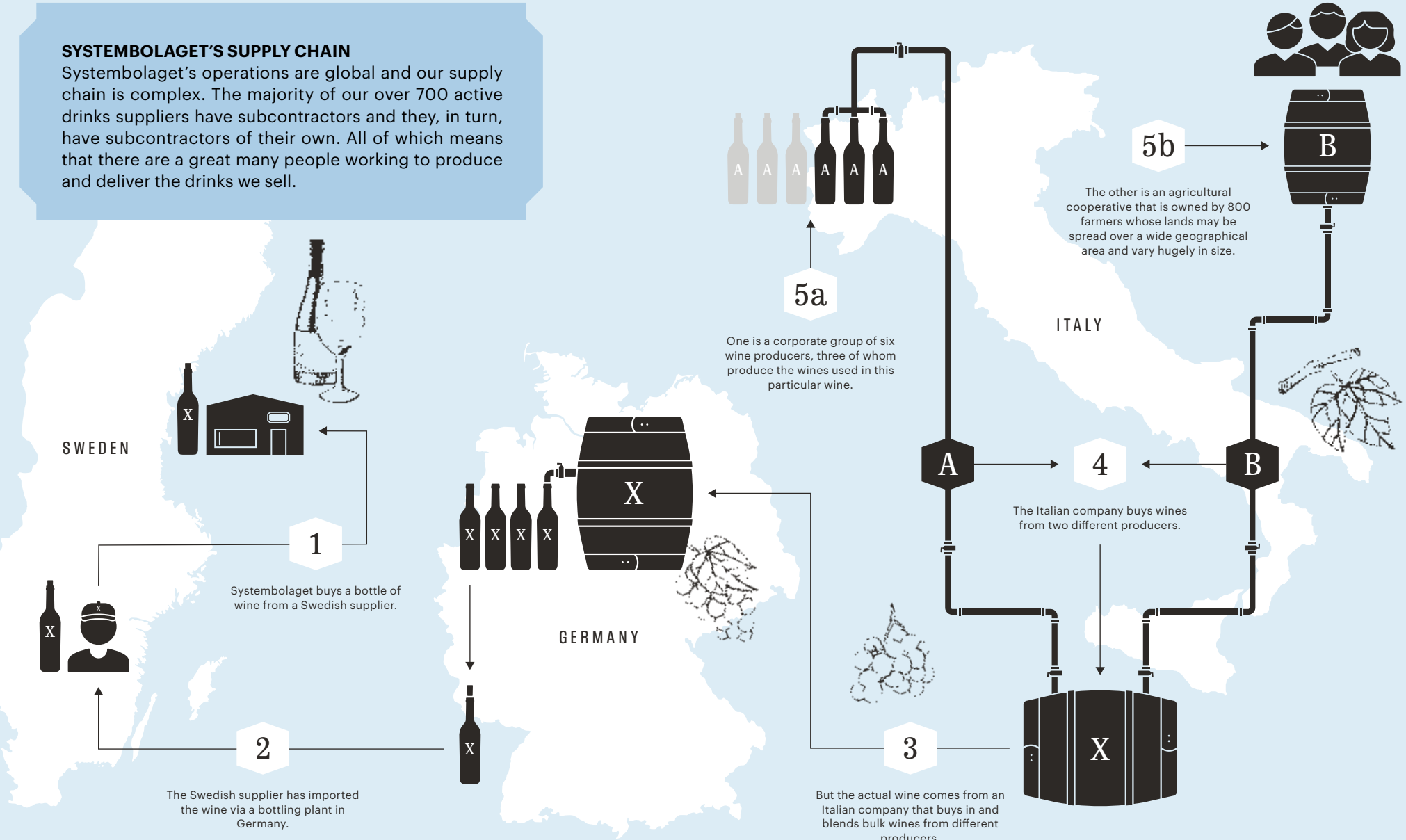
Organic products' share of sales	2017	2016	2015
Volume as a percentage of total sales	12,6	11,6	9,3

We also follow up on other results in this area, including the development in customer trends and how well our organic products communication is reaching our customers.



SYSTEMBOLAGET'S SUPPLY CHAIN

Systembolaget's operations are global and our supply chain is complex. The majority of our over 700 active drinks suppliers have subcontractors and they, in turn, have subcontractors of their own. All of which means that there are a great many people working to produce and deliver the drinks we sell.





Social sustainability in the supply chain

Why this is important

Systembolaget's operations are global and our supply chain is complex. The majority of our over 700 active drinks suppliers have subcontractors and they, in turn, have subcontractors of their own. All of which means that there are a great many people working to produce and deliver the drinks we sell.

An advanced supply chain can look like this (see also the illustration on page 30):

- Systembolaget buys a bottle of wine from a Swedish supplier.
- The Swedish supplier has imported the wine via a bottling plant in Germany.
- But the actual wine comes from an Italian company that buys in and blends bulk wines from different producers.
- The Italian company buys wines from two different producers.
 - One is a corporate group of six wine producers, three of whom produce the wines used in this particular wine.

- The other is an agricultural cooperative that is owned by 800 farmers whose lands may be spread over a wide geographical area and vary hugely in size.

And that takes us all the way from the grape to the glass. The fact that our supply chain is so complex means that we feel an extra responsibility and endeavour to ensure sustainability at every link in the chain. Our goal is to sell high quality drinks produced under good working conditions by workers with good conditions of employment.

Systembolaget's operations must support and respect internationally recognised agreements on human rights. We have a responsibility for ensuring that human rights, including children's rights, are respected throughout the supply chain, and we work systematically to exert influence in this area and monitor compliance. Our endeavours to ensure sustainability throughout the supply chain are not just an important part of our responsibility, they are also a way for us to make a real difference. Find out more about our human rights work on page 104.

Direction and strategic initiatives

FRAMEWORK FOR LONG-TERM SUSTAINABILITY WORK

Systembolaget's framework for long-term sustainability work is based on the UN's 17 global goals, Agenda 2030. The goal of our supply chain work is to ensure that by 2030:

"Suppliers take full responsibility for their supply chains, and everyone working in our products' supply chain is working under good conditions."

This is an ambitious goal and achieving it will require a great deal of work. Our suppliers' understanding of and responsibility for complying with our purchasing terms' sustainability requirements play a major part in our plan for the future. The suppliers must also be able to demonstrate that they are working systematically on these issues.

When drawing up the strategic objective for 2030, we tightened up the requirements on our suppliers, reinforced our sustainability policies, and concretised three main processes for establishing a sustainable supply chain. The three processes are:

- The incident management process, which applies to all suppliers across the range. The process includes a third-party audit, when necessary.
- The "At risk country" process, which applies to all suppliers in the Fixed-Fixed Range (FFR) in Systembolaget's "at risk countries". The process includes an annual mapping programme, visits to producers, a situation analysis on the suppliers' sustainability maturity, and systematically conducted audits in accordance with the Business Social Compliance Initiative (BSCI).
- The "High risk country" process, which applies to suppliers of all ranges in Systembolaget's "high risk countries". The process includes an annual mapping programme, working with self-assessment forms, and, when necessary, BSCI audits.



- Our ongoing work places an additional focus on our suppliers, because we believe that we can both extend and deepen our reach by working hand in hand with our suppliers on these issues. Our partnerships with the suppliers include training courses, advisory services, and support. Our goal is for them to be able to carry the work on out to their own producers, farms, and workers, and to take full responsibility for their link in the supply chain.

SUPPLY CHAIN REQUIREMENTS

Systembolaget's external Code of Conduct and associated monitoring system were devised by the Business Social Compliance Initiative (BSCI).

The Code of Conduct has formed part of the general purchasing terms agreement between Systembolaget and all of its suppliers since 2012. By accepting the purchasing terms, our suppliers undertake to comply with the Code's requirements. The principle governing compliance with the Code of Conduct means that every supplier is responsible for the working conditions of their respective subcontractors – throughout the supply chain. Systembolaget takes a systematic approach to ensuring compliance with the requirements, including third party audits, visits to producers, field trips, and dialogues and cooperation with our suppliers.

Systembolaget's Code of Conduct is based on, amongst other things, the following international agreements on working conditions and human rights:

- The UN's Universal Declaration of Human Rights
- The UN's Conventions on the Rights of the Child and on the abolition of all types of discrimination against women
- The ILO's (International Labour Organization) conventions on Fundamental Principles and Rights at Work

- The UN's Global Compact
- The OECD's guidelines for multinational companies

We apply the same Code of Conduct as the other Nordic alcohol retail monopolies. By working together on a range of issues, we enhance our potential for influencing conditions in our respective supply chains.

Our purchasing policy and our purchasing terms

Systembolaget updated its purchasing policy and purchasing terms in 2017, strengthening and clarifying the requirements for both Systembolaget and our partners.

All of our employees in the purchasing and range units have taken part in internal workshops on the subject of sustainability during the year in order to improve our own performance in this area. We are successively getting better at integrating sustainability work into our ongoing range and procurement work, and those buyers who work with purchases from "at risk" countries are now working on a continuous and close basis with the Sustainability Manager for the country in question.

Situation analysis of suppliers' sustainability maturity

Systembolaget's goal is for our suppliers to secure good conditions for those working with the products we sell. As part of this work, we introduced a survey of a number of suppliers in 2017, namely those suppliers in our Fixed-Fixed Range (FFR) who operate in "at risk" countries and all suppliers operating in "high risk" countries. The programme is the first step in producing a situation analysis that will give us an overall picture of the level of sustainability work by our suppliers. We want, for example, to know which of our suppliers have a Sustainability Manager, which have conducted a risk analysis, and the sort of things with which they require help. The situation analysis is also an important tool in helping our suppli-

ers to comply with our purchasing terms and external Code of Conduct. The situation analysis results in both an internal and an external action plan which may, for example, include various types of training activities and round table discussions.

There are two stages to the situation analysis. The suppliers are initially asked to complete a questionnaire, and a Systembolaget representative will then follow up on this through a face to face meeting. The situation analyses in 2017 initially focused on the 83 "at risk" suppliers, 80 of whom completed the questionnaire. Three of these have stated, on their own initiative, that they no longer wish to supply Systembolaget. The three suppliers who did not complete the questionnaire have also stated that they will cease to be Systembolaget suppliers.

One insight we gained from this year's survey was that our suppliers are keen to receive support in the form of tools for following up on our sustainability requirements. Another was that one in four "at risk" country suppliers were not even aware that they are operating in a country defined by Systembolaget as an "at risk" country. This means that our communication in this area must become clearer.

RISK ANALYSIS AND AUDITS

Our audit selection model

Systembolaget applies an audit selection model drawn up in 2015. The selection process looks like this:

- We start by mapping our entire fixed range, which comprises around 2,500 products and accounts for approximately 95 per cent of our sales. The aim is to see how many of the products are produced in "at risk" countries. In 2017, just over 500 of the products in our fixed range were classified in this way.



- We then map these products' principal producers and their subcontractors – the farms – and ask whether any other audits and certifications are carried out. This source data is then used to produce an overall assessment of the producer that also takes into account previous BSCI audit results, any incidents, farm structure, and qualitative and quantitative sustainability assessments.
- We then, on the basis of the above assessments, conduct on site audits of the producers and farms for the products where we believe there is an increased risk of deficiencies in production conditions.

As things currently stand, therefore, suppliers from countries not classified as “at risk” are never systematically selected for audits as they are eliminated in the first stage of our evaluation model (due diligence). Deviations from Systembolaget's terms naturally primarily occur in “at risk” and “high risk” countries, but deviations do also occur in countries deemed to pose a lower risk. These are picked up in our incident management process.

When producers fail to live up to our requirements

It is relatively common for deviations from the Code of Conduct or purchasing terms to be identified in producers undergoing their first audit. Systembolaget's follow-up process looks like this:

- Once the audit report has been published by the third-party auditor, we convene a follow-up meeting with our Swedish supplier at which the deviations identified in the audit report are discussed.
- The producer is requested, via our Swedish supplier, to produce an action plan within 60 days. Systembolaget then engages in an ongoing dialogue with

our Swedish supplier and provides expert assistance and information in order to ensure that the action plan is addressed.

- A secondary audit is then carried out, no later than one year after the first audit.

If a supplier is in breach of Systembolaget's requirements, we are entitled to terminate the agreement with them, but Systembolaget's goal is to bring about improvement and it is consequently very rare for us to terminate a business relationship as long as we are seeing results from the improvement work and as long as the producer continues to undergo our audits.

The rules governing Systembolaget's audit process include a Zero Tolerance concept. A Zero Tolerance deviation is a deviation that is regarded as unacceptable and classified as a serious breach of contract. A producer who is responsible for this kind of deviation will not be accepted as a producer of any items in Systembolaget's range until the deviation has been permanently rectified. In 2017, we handled our first Zero Tolerance cases, all from South Africa.

Italy as an “at risk” country

Italy is, as many people will know, a major player in the wine industry. Wine production in Sicily alone exceeds that of the whole of South Africa, and Italian wines account for over 20 per cent of the products in Systembolaget's fixed range. So when Italy became an “at risk” country in Systembolaget's 2015 “at risk” country analysis, it meant that the number of producers on our “at risk” country list effectively doubled.

Addressing the challenges posed by Italy is important to Systembolaget, and we have, amongst other things,

conducted a more stringent risk analysis of the country's 20 regions since 2015. We have audited suppliers, producers and farms, but are not seeing the same quality of results as when we have worked with other “at risk” countries. Systembolaget is, therefore, currently examining ways of developing and improving our work specifically in Italy.

WORKING WITH INCIDENTS

Systembolaget sometimes receives reports of abuses or shortcomings at producers who are not undergoing an audit process. These reports are known as incidents and trigger Systembolaget's incident management process. This may also happen at producers who are in the process of being audited, because an audit is just a snapshot. Systembolaget follows up on reported incidents, wherever they may occur and has an incident management process for reported incidents and which we implement in close consultation with our Swedish suppliers.

Incident follow-up work in South Africa

Systembolaget has been working with sustainability issues in South Africa for many years now. In 2016, we were notified of a number of potential deviations from our Code of Conduct by several South African producers.

Systembolaget engaged third party auditors to follow up on the potential deviations from the Code of Conduct, and a substantial number of potential deviations from the Code of Conduct were investigated at 35 producers or farms.

Several of the incidents reported were deemed, after the independent audit, to be groundless or to lack proof. Accusations of illegal dismissal, a lack of freedom of association, improper evictions, and criticisms that workers were using pesticides without protective



gear are just some of the incidents dismissed on the basis of the audit results. The auditors did, however, find evidence of illegal wage deductions and of sub-minimum wages being paid. In some of these cases, the irregularities have been rectified, and in others, action plans have been drawn up. The audit also highlighted substantial deficiencies in the homes where some of the workers live on farms and at producers. The standard may be very low, albeit not illegal in South Africa, but improvements are now being made and new housing is being built. The progress is, however, uneven.

A number of so-called Zero Tolerance regulatory breaches of Systembolaget's Code of Conduct were detected during Systembolaget's follow-up audits in South Africa in 2017 (see also details of the audit results on page 35).

If you would like to know more about this audit, we refer you to the report entitled "How Systembolaget has followed up its Code of Conduct work in South Africa", which is available from omsystembolaget.se.

ENHANCED INCIDENT MANAGEMENT POTENTIAL

New search algorithm picks up incidents

In 2016, Systembolaget addressed the issue of improving our ability to discover incidents, even in countries deemed to have a lower risk level, without losing focus on those countries classified as "at risk". In 2017, we launched a search algorithm which will, we hope, help us do precisely that. In simple terms, the algorithm picks up websites where the content is potentially of interest to us, here at Systembolaget. The idea is that Systembolaget will, for example, find out when a local newspaper in Mexico reports on an incident at a brewery. The algorithm was adjusted in the autumn of 2017 in order to refine the search results.

New partnership with IUF

In 2017, Systembolaget launched a partnership with the international trade union organisation, the IUF (The International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers Associations). The partnership aims to improve working conditions in the alcohol industry, which includes those who produce and those who cultivate the raw materials for the products that Systembolaget sells. The IUF acts as a link between Systembolaget and a multiplicity of local trade unions, which often receive valuable information on incidents at farms, directly from the workers. The partnership with IUF creates a simple pathway by means of which this information can reach Systembolaget, enabling us to interact with and guide the producers and support the trade unions.

The Swedish trade union, Unionen, in the form both of Systembolaget's own union branch and Unionen's international department, plays an active and proactive role in the partnership. The first official working meeting was held in Stockholm in November, and a meetings schedule for 2018 has been drafted. Systembolaget has also, in connection with this work, decided to sign up for Global Deal – an initiative that aims to improve the dialogue between labour market parties and national governments in order to improve conditions of employment and productivity.

Key ratios, results and activities

ELECTRONIC CONFIRMATION OF CODE OF CONDUCT NO LONGER A KEY RATIO

Systembolaget has previously used this key ratio to measure the percentage of suppliers, both new and existing, who have confirmed their acceptance of the

Code of Conduct. Starting in 2017, this Code of Conduct will no longer be used in that the Code of Conduct has been updated and confirmation of acceptance is a mandatory component of Systembolaget's purchasing agreements.

SITUATION ANALYSIS FOR MONITORING SUPPLIERS' SUSTAINABILITY MATURITY

Systembolaget has developed a new strategic key ratio in 2017 to monitor suppliers' sustainability maturity. We have begun a situation analysis during the year that is scheduled for completion in early 2018.

Follow-ups will then be conducted annually and one or two rounds of training activities for suppliers are planned for 2018. The situation analysis and key ratio applies to all suppliers of products in our fixed range, which currently accounts for around 95 per cent of total sales. Suppliers' sustainability maturity will, as of 2018, be one of the five strategic goals for sustainable enterprise adopted by the Board.

UPDATED SUSTAINABILITY PROGRAMME

Systembolaget's social sustainability programme aimed at improving suppliers' sustainability maturity has been updated in 2017. The update saw some activities added to the programme and others brought forward or strengthened. See below for a sample of the activities already carried out or planned for the 2017-2018 period.

- Systembolaget has increased the number of producer and farm audits.
- 65 site visits to producers in Italy, South Africa, Argentina and Chile were carried out in 2017. These visits to producers are designed to enhance Systembolaget's risk assessment work and to complement the annual



mapping of products in FFR from identified “at risk” countries already conducted, and are carried out by personnel from the Sustainable Supply Chain unit. Systembolaget intends to increase the number of visits to producers to around 100 in 2018, with the emphasis on Italy.

- An online training course focusing on our Code of Conduct and social responsibility was launched in 2017. The course became mandatory on 1 September and suppliers were required to have completed it by 1 December 2017. The course is also available in a revised and adapted English language version that the suppliers can pass on to their producers. A new online course focusing on environmental issues will be launched in the spring of 2018, and will be made obligatory.
- Systembolaget has also introduced a sustainability check in conjunction with launches for new fixed range products from identified “at risk” countries. This applies whether the product enters the fixed range via our tendering process or via the available for order range.

AUDIT RESULTS

We use this key ratio to measure the outcome of the audits and to compare the results of the original audit with those of the follow-up audit, one year later. This shows us whether the producers have improved their working conditions and whether they are continuously working to secure human rights in their supply chain. We have conducted almost 200 third party audits in accordance with BCSI 2.0 in 2017.

We have also conducted a number of incident investigations, which entail a third-party auditor conducting targeted audits focusing on information received regarding alleged deviations from Systembolaget’s Code

of Conduct. 12 of the incidents reported in the autumn of 2016 remain on the books for continued follow-up audits in 2018 as they cannot, as yet, be regarded as fully resolved. Major improvements have, however, taken place at all producers and farms in 2017.

As the number of audits have increased, we have reviewed the categorisation of statistics produced by the audits. We are increasingly often finding overlaps between the human rights and working conditions categories, and believe that the efficiency of our follow-up work will be enhanced if we take an overall approach to these areas as part of our audit work. Starting in 2017, therefore, we have switched to addressing the impact of and deviations from the Code of Conduct in the fields of human rights and working conditions hand in hand with the impact of and deviations from the Code in the field of social conditions.

Based on the BSCI 2.0 Code of Conduct	2017	2016	2015
Number of suppliers participating in an evaluation of social conditions	186	55	12
Number of suppliers with a significantly negative impact on social conditions	136	49	10
Number of suppliers with a less critical negative impact on social conditions	182	52	12
Number of identified significant deviations with regard to social conditions in the supply chain	317.5	216.0	46.5
Number of identified less critical negative deviations with regard to social conditions in the supply chain	1,827.5	649.5	172.5

When we speak of suppliers evaluated, we refer to producers and subcontractors. These may be farmers who cultivate grapes for juice suppliers, etc. In 2015, when we spoke of the percentage of suppliers, we referred solely to producers.

The process for inclusion of the farm level in producer audits was updated in 2017. In the past, a link was made to a specific farm reported in the annual mapping of the supply chain, but this monitoring system proved unsustainable because the farms change from one year to another. The new routine spotlights randomly selected farms linked to a producer using a standard model based on sales volumes.

This change is the reason why such a large percentage of the planned audits did not occur, but in return, new farms have also been added for producers currently undergoing an audit. The short interval that previously applied with regard to the time of year when the audit was conducted, namely during the harvest, has now been expanded to include two occasions during the year. This enables a larger number of audits to be carried out.

A shortage of qualified auditors was, however, a commonly recurring problem during the year. According to Amfori BSCI, no general improvement in this area is expected before 2020, and Systembolaget has, therefore, initiated procurement processes with four auditing companies during the year, two of which are new to Systembolaget. The hope is that this will increase the number of available auditors and enable an improved workflow.

There were also a number of cases when producers elected to certify themselves in accordance with



SA8000 which, under our risk assessment scheme, negates the need for any follow-ups in accordance with BSCI.

The comparison figure for the number of normal deviations noted in conjunction with an audit has fallen from 14.4 in 2015 to 9.8 in 2017. The number has, in other words, been almost halved, and this is despite an increase in the number of audits carried out. One of the explanations for this positive trend may be that producers are working more actively with these issues. The areas that stand out for positive reasons at a more detailed level include the improvements we have seen in relation to wages and working hours. This may, however, also be due in part to the greater number of audits carried out in Italy than was the case in previous years.

We have seen a massive improvement in the weighted total between 2016 and 2017 with regard to significant deviations. The weighted total compares the number of identified deviations with the number of audits carried out, and this would tend to support the theory that producers are generally working at a more fundamental level with these issues. An improvement of 30 per cent was noted amongst those producers and farms who were re-audited in 2017, achieving full compliance with the Code of Conduct within just one round of audits.

We have, however, noted eight instances of Zero Tolerance deviation spread over six producers and their farms in 2017. All of the cases were identified in South Africa and, in practice, exclusively entailed verbal and physical abuse. Follow-up audits were carried out in the autumn of 2017 and the producers have acted quickly, cooperated fully, and drawn up action plans.

All cases were addressed in a way that enabled the Zero Tolerance status to be rescinded, resulting in a return to normal with the producers being processed in accordance with our normal routines for ensuring a sustainable supply chain.



STRATEGIC SHIFT #2:

Increase awareness of alcohol's risks and why Systembolaget exists

Alcohol is not like other products. It can cause harm to individuals, to their nearest and dearest, and to society at large. Which is why Systembolaget is not like other retail chains. We do not exist to maximise our sales: we exist to limit the harmful effects of alcohol.



Why this is important

The more alcohol people drink in a society, the greater the problems in the form of accidents, violence and disease. The social problems in society affect not just those who drink but those around them as well – such as all of the children who grow up in families where one or both parents drink to excess.⁹ The goal of the Swedish alcohol policy is, therefore, to limit total alcohol consumption in society so that the harmful effects of alcohol, whether medical or social, are minimised.

According to the World Health Organization (WHO), the three most effective tools for limiting alcohol consumption are regulating availability, pricing, and marketing¹³. Without this type of regulation, we would drink more and the harm caused would increase dramatically. A new study has calculated that if alcohol were sold in ordinary stores, there would be 29,000 more cases of violence per year in Sweden and up to 1,400 more alcohol-related deaths.⁹

This is the background to Systembolaget's clear social mandate: to engage responsibly, and with a high standard of service, in the retail sales of spirits, wines and strong beers, and to inform people about the harmful effects of alcohol. The latter task requires research, a clear programme of information work, and an ongoing dialogue with different parts of society.

Direction and strategic initiatives – the benefits of Systembolaget

Four out of every five Swedes currently support the re-

tention of Systembolaget's monopoly. But the monopoly is also being challenged by e-commerce, for example, and the debate on whether so-called farm sales should be allowed. This is why we need to inform our customers and other stakeholders of the risks associated with alcohol and the benefits of Systembolaget's monopoly. Our information mandate enables us to share our expertise on the legal situation and alcohol policy, and their consequences, and our work in this area takes a number of forms ranging from public information campaigns to direct interactions with customers.

WORKING TO PREVENT ILLICIT RESUPPLY

A young, growing body is more affected by alcohol than an adult one. Young people are, furthermore, more likely to expose themselves to risk and hazardous situations, in addition to which it has been scientifically proven that people who started drinking at a young age are more likely to develop problems with alcohol later in life¹⁴. This is why our countering illicit resupply campaign is so important. Walpurgis Night, Midsummer, and the final day of the school year are all examples of the sort of high days and holidays when many young people make their alcohol debut^{8,15}. At the same time, we know that 64 per cent of those teenagers who drink would not try to get hold of alcohol if they couldn't get it via a friend or family member¹⁵. Which is why Systembolaget runs specific campaigns at these times, countering illicit resupply, in order to increase awareness of the risks of buying alcohol for others.

In 2017, our communication work included a continuation of our campaign to counter illicit resupply that began in 2016, and which is aimed at siblings. We have worked with high profile siblings and tried to reach out to the young adults' target group in new ways, such as through influencers and native advertising.

ALCOHOL AND EXERCISE CAMPAIGN

In 2016, Systembolaget launched a communication campaign looking at the ways in which alcohol impacts the effects of exercise with the aim of encouraging more people to think about when, how often, and what they drink. This is an area that interests both young and old who are keen to live healthy lifestyles, and we have used films, research seminars and exercise events to share facts, tips and advice in this area. The campaign continued in 2017 and Systembolaget is now regarded as the primary source of expertise on alcohol and exercise, according to a survey carried out by YouGov, a market analysis company with a broad online consumer panel.

ENGAGEMENT IN CUSTOMER INTERACTION

Every interaction with a customer here at Systembolaget gives us the opportunity to inspire people to consume more mindfully through our range of alcohol-free and low alcohol products. We endeavour to ensure that our alcohol-free range is of the highest possible quality and are working continuously on the development of our range. We are also working to increase awareness of the options that exist through our interactions, our range, and our communication. Our "Changed my mind" trolley at the checkout, where customers can place items they have changed their mind about buying, is one concrete example of this.

We also launched a new tool in 2017: the Drinks Planner. Our primary aim with this tool is to make it easier for the customer to calculate the amount of drink provided at larger dinners and events, but the Drinks Planner can also increase awareness of what alcohol researchers mean by a standard glass, and of where the boundaries of risky consumption lie.



Direction and strategic initiatives – increased social dialogue

If Systembolaget is to increase awareness of the harmful effects of alcohol and why Systembolaget exists, an effective social dialogue is a must. Systembolaget has an information provision mandate that we take very seriously indeed. We are, at the same time, keen to learn how politicians, influencers, and the Swedish public view topical alcohol issue, and Systembolaget consequently conducts an active programme of dialogue, both inside and outside Sweden.

SYSTEMBOLAGET ON FARM SALES

The idea of stopping by a farm in the Skåne countryside and buying a bottle of locally produced wine to take home is an attractive one for many people – and that’s understandable. Farm sales are, however, incompatible with out monopoly. The EU has ruled that a monopoly on retail sales of alcohol is permissible in Sweden, but only on condition that we neither discriminate against nor favour any products, and Sweden cannot, therefore, allow certain Swedish manufacturers to conduct farm sales without allowing other European manufacturers to do the same thing. This has, furthermore, been confirmed by two Government enquiries^{16, 17}.

We believe that this information was not presented clearly enough in 2017’s debate on farm sales and we accordingly decided that it was important to share what we know on this issue so that people would understand what a “yes” to farm sales would actually mean. To this end, Systembolaget implemented a number of measures including sending a letter out

to every Swedish Member of Parliament and placing advertisements in sixty or so regional and local daily newspapers, talking about the consequences of farm sales. The measures attracted some criticism, along with claims that Systembolaget was trying to influence public opinion. Our aim was, however, to inform people about why Systembolaget exists and of the consequences of permitting farm sales. If the monopoly element of Swedish alcohol policy were to disappear, consumption – and hence, the harmful effects – would increase. You can find out more about Systembolaget’s view of the current situation under EU law on the “Legal aspects of farm sales” memorandum (in Swedish) at omsystembolaget.se.

POLITICAL DIALOGUE

Systembolaget attended several national political party conferences in 2017. Farm sales of wine and beer were the big issue at these conferences. Other issues, such as Systembolaget’s operations, opening hours, store openings, and efforts to counter illicit resale, were also discussed. We also met with many local and national politicians on an individual basis by offering in-store work experience that gives them the opportunity to spend a few hours working in one of our stores.

Systembolaget’s focus during the Almedalen Week was on listening to our critics. Our activities included moderating a seminar during which politicians debated such issues as alcohol advertising, chilled drinks in stores, and extended opening hours. We also organised two round table discussions, one of which was based on our new publication, The Alcohol Report. The other discussion addressed our operations and our offering.

INTERNATIONAL COLLABORATION

Systembolaget has an ongoing dialogue with other

alcohol retail monopolies on issues of common interest. Our primary collaboration is with the other Nordic countries, in that we conduct a joint programme of sustainability work, but we also have a number of joint working groups working with such issues as quality assurance of drinks, and issue-specific groups.

Outside of the Nordic region, two other countries with whom we have an ongoing dialogue are the USA and Canada. The Nordic and North American monopolies meet every other year, at CEO level, to discuss policy and similar issues. The most recent meeting was held in August 2017.

Systembolaget also engages in a dialogue with stakeholders and operators at EU level, including representatives of the Swedish Trade Federation and Swedish EU Commissioners. The group meets annually to discuss topical issues, and one such issue discussed in 2017 was the European Commission’s requirement for ingredients lists on beer, wine, and spirits.

THE ALCOHOL REPORT

The first edition of Systembolaget’s new annual publication, The Alcohol Report², was published for the first time in 2017. The aim is to provide an overall view of the latest picture of alcohol and its risks in Sweden, and the publication includes texts on what we drink, how we drink, where we buy alcohol, what drinks trends we are following, and the harmful effects of alcohol. The theme of this year’s publication was parents, children, and alcohol.

The 2017 Alcohol Report was sent out to around one thousand decision-makers, voluntary organisations, journalists, and official bodies.



Direction and strategic initiatives - mindfulness tools

Systembolaget and our independent subsidiary company, IQ, work in a number of ways to increase our customers' mindfulness. The best chance of getting our message across is in settings in which we, as individuals, come into contact with alcohol in one way or another. Which is why we are developing digital and analogue tools that can reach people in specific situations.

IQ works in three different operating areas: know-how, communication, and networks. The company's mandate is to promote a smarter approach to alcohol. IQ endeavours, through its expertise and communication, to create awareness, mindfulness and engagement in individual's own drinking and that of other people. We have worked with a number of initiatives during the year.

THE TEENAGE PHRASEBOOK

The longer young people wait to start drinking, the smaller the risk that they will have problems with alcohol later in life, which is why IQ publishes its book, *The Teenage Phrasebook*¹⁸ every year. The *Teenage Phrasebook* offers facts, arguments and tips for concerned parents. The primary focus is on alcohol, but *The Teenage Phrasebook* also covers a number of other issues in connection with the teenage years. The hope is that the book will make it easier to talk about alcohol at home and to postpone young people's alcohol debut.

Copies of *The Teenage Phrasebook* were sent to all legal guardians of children born in 2003, in time for Walpurgis Night and the end of the school year. The book, which is published in both Swedish and English,

is also available for download at tonårsparlören.se.

The *Teenage Phrasebook* is a popular tool amongst parents and, in addition, amongst those working with locally-based preventative measures. In 2017, for example, IQ expanded its partnership with municipal and regional ANDT coordinators (ANDT is the Government's Council on alcohol, narcotics, doping and tobacco issues) by providing them with, amongst other things, information and presentation material based on the *Teenage Phrasebook*.

Discussions about alcohol can be particularly challenging for asylum seekers and newly arrived parents of teenagers, and IQ has, therefore, produced a brochure entitled "Alcohol and teenagers – for parents". The brochure is available in easy to read Swedish, Arabic, Somali, Dari, Tigrinya, and English, and has been distributed to every county council in Sweden, amongst others.

"FOTBOLL UTAN FYLLA" [SOBER FOOTBALL]

IQ has continued to work on its collaborative project, "Fotboll utan Fylla" [Sober Football] in 2017. The goal is to achieve a positive football experience for as many people as possible by reducing levels of drunkenness in football grounds. IQ is working in partnership with STAD (Stockholm prevents alcohol and drug problems), the Swedish premier league football clubs, AIK, Djurgården and Hammarby, and with the police, the Friends Arena, Tele2 Arena, and caterers at the various arenas.

IQ INSPIRERS

IQ Inspirers is a partnership between Systembolaget and IQ. In 2017, there were eight IQ Inspirers nationwide, who mainly work with local projects and initiatives that promote a smarter approach to alcohol.

These inspirers hold different positions within Systembolaget and spend a number of their working hours working with issues on behalf of IQ. They act as an important contact interface between Systembolaget and local civil society, and spotlight interesting examples of success in this field throughout Sweden.

THE "BÄSTA FESTEN" [BEST PARTY] STUDENT INITIATIVE

There are 95 student unions and clubs in Sweden. In 2017, 22 of them took part in the "Bästa Festen" [Best Party] project launched in 2016. The project entails the unions and clubs working to change norms and attitudes when it comes to alcohol in student life. The project is a platform for swapping experiences, generating ideas, and developing concrete tools and methods. All of the unions/clubs who took part have drawn up or updated their alcohol policies and begun developing action plans linked to their alcohol policy. Over 250,000 people have been reached by the project's message.

IQ'S DIGITAL STRATEGY

IQ's ambition with regard to the changing media landscape - for its communication to increasingly promote engagement and behavioural change - generated a realisation on the part of Systembolaget that realising this ambition necessitated a clearer digital strategy. Work on this new digital strategy was completed in 2017. The biggest change sees an increased focus on reaching out more specifically to individuals. Large-scale, broad communication has enabled us to build good brand familiarity and helped increase public awareness. It is now time to make greater use of digital solutions in a more individualised and efficient way, to provide concrete tips and advice that more specifically target the individual.

**ALCOHOL INDEX**

Swedes' attitudes to alcohol are an important issue for Systembolaget, showing us how well our information work is proceeding. The Alcohol Index is a strategically important key ratio and gives a combined measurement of people's attitudes to alcohol in different situations. The Alcohol Index is generated from responses to nine questions asking what people see as right or wrong when it comes to alcohol. The questions are posed on a yearly basis to 2,000 people aged 16+. Our subsidiary company, IQ, is behind both the Alcohol Index and the report produced, and commissions Novus to collect the data. A higher index value indicates a more moderate attitude to alcohol.

The steep decline seen last year levelled off in the 2017 Alcohol Index, but the trend is still gently declining towards a more permissive attitude to alcohol.

	2017	2016	2015
Alcohol Index	62.0	62.6	65.2

The biggest change can be seen in the younger men aged 16-29 and women aged 30-44 groups, with these two groups showing the biggest reduction in their alcohol index by gender and age. This represents a break in the positive trend amongst younger men towards a more moderate attitude to alcohol, and the trend is now heading down. Women aged between 30 and 44 have shown a lower index value for the second survey in succession.

The trend shows that the percentage with a permissive attitude (an alcohol index of up to 50) is slowly continuing to increase – a trend that has now continued

over several surveys in succession. This group drink alcohol more often and in larger quantities. The group primarily comprises men (2/3), and just over half of this group are below 34 years of age. Men in this group are more commonly workers or students.

WORKDAY INDEX

The Workday Index, which IQ has been compiling for four years now, shows the public's attitudes to drinking on workdays. The 2017 shows a gently rising trend towards a greater distancing from alcohol consumption on workdays.

THE MONITORING SURVEY – ALCOHOL CONSUMPTION IN SWEDEN

Systembolaget is tasked by the Government with conducting annual measurements of the total volume of alcohol consumed in Sweden. The Monitoring Survey1 is conducted by the Swedish Council for Information on Alcohol and Other Drugs (CAN) and entails complemented registered sales of alcohol in Sweden with other, unregistered acquisition sources. The survey is conducted on a rolling basis throughout the year by means of interviews with just over 18,000 people.

Alcohol consumption in Sweden in 2016 totalled 9.0 litres per head of population aged 15 and above, corresponding to a reduction of just over 1 per cent from 2015. The reduction was due to a reduction in purchases of smuggled alcohol. Imports by travellers have also declined.

Total alcohol consumption declined by 8 per cent between 2007 and 2015, with Systembolaget accounting for 63.2 per cent of sales of alcohol consumed, restaurants for 10.8 per cent, and cans of medium-strength beer from stores for 5.5 per cent. The remaining sales

comprised unregistered sales, with imports by travellers accounting for 12.5 per cent of the total, smuggled alcohol for 4.9 per cent, home-produced alcohol for 1.8 per cent, and online purchases for 1.3 per cent.

Swedes' preferred alcoholic drink nowadays is wine, and 41.6 per cent of the alcohol consumed in 2016 was wine. Strong beer accounted for 30.7 per cent, spirits for 20.7 per cent, medium-strength beer for 5.5 per cent, and cider for 1.4 per cent.

Young people aged between 17 and 19 were also interviewed within the framework of the Monitor Survey, asking them whether they had personally bought alcohol at Systembolaget. 0.1 per cent answered in the affirmative.

The results of the 2017 Monitor Survey are scheduled for publication in May 2018.

Direction and strategic initiatives – research and facts

Alcohol research builds our knowledge of the ways in which alcohol affects society and people. It results in a greater insight into one of our biggest public health problems and of the ways in which this problem can be reduced. Systembolaget endeavours to be a knowledge hub in the alcohol sphere in Sweden, and alcohol research is consequently an important part of Systembolaget's mandate. We support research in a number of different ways.

RESEARCH

The independent Alcohol Research Council, comprising



alcohol researchers and social representatives, is an important player in Systembolaget's research work. The Alcohol Research Council finances or partially finances a range of scientific studies every year. Financing is provided for social scientific, public health, and medical research into alcohol, with special priority given to preventative work in relation to alcohol-induced harm.

In 2016, Systembolaget decided to increase its Alcohol Research Council subsidy from SEK 7 million to SEK 10 million, starting in 2017. The breakdown of the funding for which researchers can apply was revised in conjunction with the increase, and SEK 3 million is now allocated to research areas identified by Systembolaget. In 2017, these areas were alcohol and parents of young children, and alcohol and young people. SEK 6 million is allocated to free subsidies, which means that researchers can apply for grants in any area of alcohol-related research at all. A further SEK 1 million is earmarked for a junior researcher who received their doctorate a maximum of three years ago. This is a new initiative that is being implemented to encourage growth in the field of alcohol research.

Systembolaget has also, to the same end, established a research grant for junior researchers. The recipient is chosen by a jury of independent alcohol researchers. In 2017, the grant was awarded to Jenny Rangmar, B.Sc., of the University of Gothenburg, who is researching alcohol-related foetal damage and the way this affects these individuals in adulthood.

FINANCING UNIVERSITY CHAIRS

Systembolaget partially finances a chair in clinical alcohol research at the University of Lund. The chair is currently held by Hanne Tønnessen. We also, in association with the chair, finance Bertil Göransson's travel grant – a travel grant for young researchers.

WHO COLLABORATION CENTER

Lund is home to the WHO Collaboration Center for the implementation of health promotion, which is partially financed by Systembolaget. There are approximately 700 such centres worldwide, and the Lund one is tasked with developing, collating, disseminating, and implementing knowledge of health promotion work. The goal is to improve treatment results for patients through improved lifestyle habits, and the focus is on alcohol, tobacco, drugs, nutrition, physical activity, and co-morbidities.

TARGETED RESEARCH PROGRAMMES

Two studies financed by Systembolaget were completed and presented in 2017.

The first study, "What are the public health and safety benefits of the Swedish government alcohol monopoly?", was carried out by an international group of researchers and the aim was to investigate the effects of a retail monopoly on public health. The study shows that a deregulation of the alcohol monopoly would increase the availability of alcohol in Sweden which would, in turn, lead to an increase in both direct and indirect alcohol-related harm. It is, for example, estimated that there would be 29,000 more cases of violence in Sweden per year, 8,000 more cases of DUI, and 1,400 more alcohol-related deaths. The number of alcohol-related suicides would increase by 42 per cent.⁹

The second study, "Vilken roll har boxviner spelat för den ökade vinkonsumtionen i Sverige?" [What role do boxed wines play in the increase in wine consumption in Sweden?], studied the effect of boxed wines on alcohol consumption in Sweden. The study, which was launched in 2015, was carried out by researchers at the Karolinska Institute in Stockholm and the results were

published as a CAN report in the autumn of 2017.¹⁹

The study shows, amongst other things, that people who buy boxed wines generally consume more wine than those who buy bottled wine. The groups with the highest alcohol consumption are, however, still those who drink beer and spirits. The study also demolishes the myth that boxed wine is a "women's thing" – no gender-related differences were found in consumption of boxed wines.

SYSTEMBOLAGET'S ACHIEVEMENT PRIZE

Systembolaget awards its Achievement Prize to reward leading researchers who have contributed new know-how in the field of alcohol research. The prize of SEK 100,000 is designed to encourage research and enhance the opportunities for communication on the subject of alcohol research.

The 2017 Achievement Prize winner was Thor Norström, who was awarded the prize for his systematic, expert and extensive socio-scientific alcohol-related research, and for the importance of his research findings to a restrictive alcohol policy in Sweden.

ALCOHOL RESEARCH SEMINARS

Systembolaget organises open and free of charge seminars on a variety of themes throughout Sweden every year. The aim is to disseminate knowledge of alcohol research across society. In 2017, the theme of the seminars was parents, children and alcohol. Seminars on the theme, based on the Alcohol Report, were held in Jönköping and Sundsvall in 2017.



Key ratios, results and activities – increase awareness of alcohol’s risks and why Systembolaget exists

OPINION INDEX – OPI

A positive attitude towards Systembolaget on the part of the population of Sweden is important in terms of our ability to carry out our mandate in the long term, which is why we measure the percentage of Swedes who wish to retain Systembolaget and the monopoly on sales of strong beer, wines and spirits on a rolling basis through our Opinion Index.

Every month*, a nationally representative selection of 750 people aged 15 and above are asked, via Kantar SIFO, “Do you think that Systembolaget and the monopoly on the sale of strong beer, wine and spirits should be retained, or would you prefer strong beer, wine and spirits to be sold in other stores”. A total of 9,000 interviews are conducted every year.

The OPI is reported quarterly.

Opinion Index (OPI)	2017	2016	2015
%	76.9	76.2	76.7

The 2017 figure for those wishing to retain Systembolaget’s monopoly is 76.9 per cent, corresponding to an increase on both the index for 2016 and on the previous record high index from 2015, which means that we have all but achieved our goal for 2017 of 77 per cent.

The number of people who want strong beer, wine and spirits to be sold in other stores has fallen to 18.7 per cent (-0.9%), while the number of those with no opinion either way has increased to 4.4 per cent (+0.2%).

The results show that, as was previously the case, support for the monopoly is stronger amongst women than men, in those aged 50+, and in those with tertiary education. The upturn shows that it continues to be important to remind people that limiting the availability of alcohol helps improve public health.

PROOF OF AGE CHECKS

Systembolaget does not sell to anyone under the age of 20, to anyone who is visibly intoxicated, or to anyone we suspect of illicit resupply. Control purchases are carried out every year by “mystery shoppers” aged between 20 and 24 to ensure that we are complying with these selling rules. Approximately 5,800 control purchases were carried out in stores in 2017, and proof of age was requested in 95.6 per cent of the control purchases carried out.

Proof of age checks	2017	2016	2015
%	95.6	95.7	95.8

The results show that the percentage of approved test purchases continues to be high and just under the target figure we had set for 2017 of 96 per cent. The marginal downturn from previous years corresponds to four more missed control purchases. One positive change is that proof of age was requested in 99 per cent of control purchases for the 20-year old age group.

*No interviews during the holiday months of July, 1,500 interviews in August.



STRATEGIC SHIFT #3:

Creating optimum conditions for achieving our goals

A great deal is expected of Systembolaget. Our special role means that our work with ethics and anti-corruption is particularly important, and this is also true of our efforts to reduce our environmental and climate impact. Our operations and our organisational ability must constantly improve and evolve if we are to live up to these expectations. Clear priorities and the ability to see the big picture are two important keys to success here. We must also be resource-smart – we must, in other words, be both cost-effective and sustainable. Our corporate culture is also critical to our success. Good performance environments enable our employees to excel, and ensure that more people feel that they are making a contribution, making a difference, and have increased job satisfaction. Creating the conditions for cooperation and engagement, both internally and externally, is important if we are to succeed.

This is how we create the optimum conditions for our operations so that we can continue to fulfil our mandate.



Securing the talent pool

Why this is important

By developing ourselves, we make Systembolaget better and more successful. The competence of Systembolaget's employees is one of the keys to continuing to impress our customers – and impressed customers are vital if we are to retain our monopoly and the ability to fulfil our mandate.

Securing the talent pool primarily means two things for us: finding the right people for us, as a company, in conjunction with new recruitments, and ensuring that our existing personnel are happy in their jobs and are developing continuously as part of their everyday activities.

We believe that ensuring engaged employees is difficult without good management, so Systembolaget has been working for many years now to develop a management structure tasked with promoting good performances and ensuring goal fulfilment – and thereby helping create the right conditions for our employees.

Direction and strategic initiatives

KRAFTEN I 5 000"

"Kraften i 5 000" [The strength of 5,000] is System-

bolaget's engine and direction in the strategic period ahead. This is a strategic approach that addresses how we want both Systembolaget and everyone who works here to be even better. Our objective here is to ensure more customers feels the benefits of our customer guarantee and that every employee is able to talk about why Systembolaget exists and the benefits we provide.

"Kraften i 5 000" is a continuation of Systembolaget's previous development programmes, Good Customer Interaction, Good Leadership, and Next Level Leadership – DGL 2.0. Personal leadership is central to "Kraften i 5 000".

"Kraften i 5 000" has set goals that we want to achieve: increased engagement and participation, increased group efficiency, and stronger personal leadership. We follow up on these goals by means of, amongst other things, our Agerus employee satisfaction survey every autumn.

LEADERSHIP AT SYSTEMBOLAGET

Managers are responsible for creating conditions for learning and development by their colleagues. Management is a profession in its own right and a critical factor in the success of Systembolaget as a whole. Leadership within Systembolaget is based on the core belief that every individual shall be encouraged to maximise their potential to enable them, in turn, to help others maximise their potential. We have accordingly implemented a number of activities during the year with the aim of strengthening and developing our managers:

- In 2016, we implemented changes in our stores that were based on the strategic decision that no manager should be directly responsible for more than 17 employees. We have continued our work in this area

in 2017 by clarifying and communicating issues in relation to responsibilities and roles. We have clarified the control structures, internal communication paths, and decision-making mandates within the stores. We have also drawn up new and explanatory role profiles for Area Managers, Store Managers, and Group Managers.

- We realised, on the basis of a pilot study of our HR processes carried out in 2016, that Systembolaget was lagging behind the rest of the retail sector with regard to operational training for newly appointed store managers. We also noted that store managers in particular were prone to high levels of both staff turnover and sick leave. We consequently began to analyse the need for a more in-depth, more comprehensive introduction to running a store, in order to make life easier for newly appointed store managers. The analysis was completed in 2017 and resulted in a decision to introduce new store managers to the art of running a store through an introductory course lasting approximately six weeks. The course structure will be announced in 2018.

IMPROVED QUANTIFIABILITY

The ability to take informed decisions based on reliable data is an important component of Systembolaget's efforts to secure the talent pool. We have increasingly begun to make use of statistics and in-depth analyses to quantify and analyse our successes and challenges as employers. We are now able, with the aid of a data analysis warehouse for personnel statistics implemented in 2016, to extra more relevant data.

We also began using a digital tool that creates visualisations of several of our key ratios in 2017.

**TRAINING TO BOOST SECURITY**

Threats and violence are one of the biggest work environment risks for our employees in several of our stores. In 2016 and 2017, we organised a new, one-day course for employees at those stores exposed to violence and threats. This one-day course was held on 23 occasions in 2017, and we will continue to provide the course in 2018.

INCLUSIVENESS

Systembolaget is there for everyone in Sweden. Our goal is to have a workforce with a wide variety of expertise, experience and skills. Our working climate shall be characterised by respect and understanding – a working climate that welcomes people from different backgrounds and with different life experiences.

Discrimination legislation was tightened up in 2017 and companies are now obliged to work proactively in connection with the seven bases for discrimination: gender, gender identity, ethnicity, sexual orientation, disability, religion, belief, and age²⁰.

We have mapped what these changes mean for us and are now working to ensure that we comply with the legislation's requirements. We are taking a two-pronged approach to this work, integrating some aspects of it into our systematic health and safety activities, and analysing the HR processes designed to identify preventative measures.

We have also provided training for all of our managers and Health & Safety Reps on the subject of discrimination legislation during the year, highlighting aspects linked to an inclusive climate.

Systembolaget has continued, in 2017, to work in ac-

cordance with the inclusiveness plan established for 2015-2018. The plan has four focus areas: increasing diversity amongst our employees, creating an inclusive climate, integrating the inclusiveness perspective into our shared methodologies and routines, and ensuring that everything we do in relation to our customers is inclusive.

Measures to increase diversity

We are continuing to develop our recruitment process in order to reach out to new groups of potential employees. In 2016, we identified important steps we could take in this respect, and we continued the work in 2017:

- We have reviewed our imagery, not least in our advertisements and on our systembolaget.se and omsystembolaget.se websites, in order to make them more inclusive and to create recognition amongst people with different backgrounds.
- We have updated all of Systembolaget's linguistic guidelines and now use a more direct language that speaks directly to the readers.
- We have held workshops reviewing the entire recruitment process.
- Systembolaget has also participated in recruitment fairs in partnership with the Swedish Public Employment Service with a view to reaching and attracting potential employees, particularly those with a foreign background.
- We have also continued our collaboration with the Swedish Public Employment Service, offering work experience placements and subsidised jobs within the framework of the "Sverige Tillsammans" [Sweden

Together] and "100-klubben" [The 100 Club] initiative. Since this venture started in 2015, we have taken on 89 people newly arrived in Sweden. Our goal is to take on 100 people during a three-year period which ends in December 2018. In 2017, we have taken on almost 200 people who, for a variety of reasons, have found it difficult to enter the labour market.

- We are preparing to offer work experience places to foreign university graduates in partnership with three other State-owned companies and one external party in 2018. The aim is to make use of their skills and to make it easier for them to enter the Swedish labour market through work experience places and networking opportunities.

Systembolaget's employees shall reflect society as a whole and we are, therefore, working to reduce exclusion in the group of people with special needs. We are continuing our collaboration with the Swedish Public Employment Service which aims to offer work experience placements and subsidised jobs to people with special needs. Our goal thereby is to learn more and, in the long term, to be able to permanently employ more people with special needs. In 2017, Systembolaget has taken on around 70 employees every month via various forms of subsidised employment. This corresponds to a considerable improvement on figures from 2015, which is positive. One big challenge we still face, however, is that these jobs are often temporary and seldom result in actual recruitment. One measure we are implementing to rectify this problem is working with experts from the Swedish Public Employment Service on the level of adaptation in our stores for employees with various physical and mental special needs, and on the measures we can take to improve accessibility.



In 2016, we launched a partnership with Samhall to use their manpower services to meet our need for janitors. This partnership has continued in 2017, and Systembolaget was nominated during the year for Samhall's "Showing the Way" prize, which they award to companies and advocates who have done the most to open up the labour market to people with special needs.

Creating an inclusive climate

Increasing internal awareness of inclusiveness and of Systembolaget's view of it is an important part of creating an inclusive environment throughout our workforce. Measures implemented in recent years have increased awareness of our inclusiveness work from 68 per cent to 90 per cent, but we still face challenges when it comes to prejudices and exclusionary jargon. In 2017, therefore, we organised a theme day for all employees on the theme of values, at which we discussed how we relate to other people and how we benefit from our differences.

In 2017, the European Court issued a ruling stipulating that employers are entitled to prohibit various kinds of religious expression amongst employees who interact with customers, e.g. headscarves or veils and crosses²¹. We have accordingly clarified our clothing policy, making it clear that we accept religious head coverings amongst our employees.

Customer inclusiveness

Inclusiveness also means that all of our customers should feel welcome and seen, however they visit us. We require, apps and other digital content, for example, to be adapted for use by people with special needs.

In 2017, we launched a package of training material about Systembolaget for SFI courses (Swedish for

Immigrants). The material has been amongst the most downloaded products on the training material site, utbudet.se. Compulsory and upper secondary schools have also shown an interest in the material as a basis for discussing alcohol habits, Systembolaget, and why we exist. These initiatives allow us to increase awareness of our operations, help improve people's Swedish language skills, increase integration, and, at the same time, ensure that more people in Sweden feel welcome at Systembolaget. We also updated our brochure about Systembolaget in 2017, translating it into several languages, including Tigrinya and Dari.

Our range is another important element of our inclusiveness work, and we currently have approximately 17,500 items from over 100 countries and are continuing our efforts to adapt our range.

#metoo

#metoo has clearly shown that there is a general culture of silence in society. Systembolaget has always had zero tolerance for sexual harassment, and as part of our systematic health and safety work, we endeavour to ensure that all of our employees feel safe and secure in submitting a complaint. In 2017, we have continued working with existing internal routines to make them clearer.

The work environment in Systembolaget's stores can be tough when it comes to threats and violence from customers. Sexual harassment by customers is not a new phenomenon either, and zero tolerance obviously also applies here. We launched a new category of health and safety incidents in November in order to gain a better picture of how common sexual harassment by customers is, and to understand how these incidents can be actioned when they occur. The aim

here is to distinguish sexual harassment from other incidents involving threats and violence. We have also established new routines for handling these incidents and initiated a programme to identify what sort of preventative measures we can take.

Key ratios, results and activities

FOCUS-/PERFORMANCE REVIEWS

We use this key ratio to follow up on the percentage of employees who receive regular evaluation and following up of their performance and career development. The FOCUS/performance reviews are an important part of creating sustainable performance environments, not least as the manager's most important channel to his or her colleagues is the personal encounter.



FOCUS review in 2017	Yes (number)	%	No (number)	%	Total no. responses¹
Head office personnel	391	91	38	9	429
Store personnel ²	3,107	79	841	21	3,948
Total	3,498	80	879	20	4,377

1 A total of 4,377 employees responded.

2 Also includes Store Managers and Area Managers.

Boundary: it is not, as yet, possible to break the figures down by gender within each category that has completed a FOCUS review.

The figure for the number of FOCUS/performance reviews is based on Systembolaget's Agerus survey. The employees personally answered a question about whether they had completed a FOCUS/performance review with their manager during the year.

FOCUS review in 2016	Yes (number)	%	No (number)	%	Total no. responses¹
Head office personnel	368	91	37	9	405
Store personnel ²	2,946	76	907	24	3,853
Total	3,314	78	944	22	4,258

1 A total of 4,258 employees responded.

2 Also includes Store Managers and Area Managers.

Boundary: it is not, as yet, possible to break the figures down by gender within each category that has completed a FOCUS review.

The figure for the number of FOCUS/performance reviews is based on Systembolaget's Agerus survey. The employees personally answered a question about whether they had completed a FOCUS/performance review with their manager during the year.

FOCUS review in 2015	Yes (number)	%	No (number)	%	Total no. responses¹
Head office personnel	351	90	39	10	390
Store personnel ²	2,935	75	978	25	3,913
Total	3,286	76	1,017	24	4,303

1 A total of 4,303 employees responded.

2 Also includes Store Managers and Area Managers.

Boundary: it is not, as yet, possible to break the figures down by gender within each category that has completed a FOCUS review.

The figure for the number of FOCUS/performance reviews is based on Systembolaget's Agerus survey. The employees personally answered a question about whether they had completed a FOCUS/performance review with their manager during the year.

Performance reviews are an important part of creating sustainable performance environments. All Systembolaget employees shall have annual performance reviews in which we follow up on and assess our shared skills and individual goals. We follow up on goals, goal fulfilment, and skills, and draw up individual development plans for all employees on the basis of the reviews' findings.

In 2016, Systembolaget simplified the templates for performance reviews, making it easier to conduct them and provide feedback. In 2017, we evaluate the new templates and organised a course addressing the best way to conduct performance reviews. We also conducted interviews which revealed that many people lacked knowledge of the actual purpose of the performance reviews and we are consequently planning to clarify the information and improve communication on this issue in future.

PERFORMANCE CULTURE

This key ratio measures the extent to which employees believe that the preconditions exist in their workplace for them to perform well (want to, know how to, capable of, allowed to, should), and the individual's perceptions of how their basic needs are being met (to contribute, to belong, to develop, to feel confirmed). These factors are basic requirements and preconditions for our ability to establish and maintain sustainable performance environments.



Performance culture	2017	2016	2015
%	81.5	77.9	77.1

The results of this year’s employee survey show that generally speaking, the organisation provides a good performance and health environment. We have seen a successive improvement in all values since 2013 (74.2%), and year on year, we have seen a marked improvement in our performance culture, from 77.9 per cent to 81.5. This is a significant increase from an already high level in comparison with our benchmark figure of 72 per cent. (The benchmark comprises approximately 110,000 responses from the survey supplier’s total customer data base.)

We have actively worked on the development of our performance culture during the year as part of the “Strength of 5,000” programme. Our aim, through the strength inherent in our 5,000 employees, is to achieve increased engagement and an increased sense of participation, an increased group efficiency, and stronger personal leadership. We believe that our results show we are on the right track.

It is incredibly important that our employees feel that they have the necessary preconditions to perform well at work and that they feel that their basic requirements as employees are being met. The percentage of Systembolaget employees who are satisfied with their ability to perform is high and continuing to increase. There are, however, still employees who responded with low values for this key ratio, and we are keen to improve their situation. All of our managers are consequently working actively with results dialogues within their working groups. During these dialogues, the participants analyse strengths and areas where improvement is needed,

talk about risks, and draw up proposed action plans that will be actively implemented in the year ahead.

In the first half of 2017, we conducted an Organisational Dialogue, in order to build up a picture of the current situation in Systembolaget’s Operating Area, Sales (OAS). The aim of the Organisational Dialogue was to obtain an honest picture of the current situation within the operating area and of any gaps between theoretical ambitions and actual conditions.

The organisational dialogue method is based on anonymous interviews. Eight internal reporters interviewed a total of over 100 employees, 70 per cent of whom worked within OAS (both in stores and centrally). The remaining 30 per cent work in various different functions at head office.

The interviews revolved around OAS’ strategy and operating plan and the conditions needed to achieve the goals. The insights gained were summarised and passed on to the sales management team in the form of a report. The sales management team then draw up both a long-term and a short-term action plan.

The analysis identified four underlying issues where action was needed, based on the current situation:

- The need for better prioritisation.
- Improve the position of store managers.
- Better skills composition in the Sales chain and centrally within the operating area.
- Overview of how OAS follows up on operations and key ratios.

The insights gained from the Organisational Dialogue will also be incorporated into next year’s operations plan.

SICK LEAVE PERCENTAGE

The sick leave percentage is an important metric for determining the sustainability of our work environments. We want our employees to be able to continue working for us until they retire, and to want to do so. The total sick leave rate is measured using the Swedish National Financial Management Authority (ESV) definition, which measures hours of sick leave relative to the total number of available hours during the same period.

Sick leave as a percentage	2017	2016	2015
%	4.8	5.0	5.1

The total sick leave rate fell relatively sharply in 2017 and the goal of a total sick leave rate of 4.8 per cent was achieved. Improvements have occurred in much of the company and in the majority of roles. The most significant reduction was noted with regard to the long-term sick leave rates for store managers.

We have worked with or continued to work with a number of activities in 2017 in order to get to grips with sick leave levels.

- In 2016, we launched a project amongst our store managers with the aim of identifying the underlying causes of the long-term sick leave noted within the group. The “healthiness factors” identified by the project are leadership, support, and meaningfulness. The “sickness factors” identified are workload (imbalance between demands/control/social support), the complexity of the store manager role, ergonomics, and threats and violence.



In 2017, we implemented a number of measures in relation to the “sickness factors”. In order to reduce the workload, for example, we have clarified the store manager role and its responsibilities through clear role descriptions. We have also conducted a pilot project designed to achieve sustainable, ergonomic behaviour throughout the Uppsala area. The ergonomics project was carried out in the spring of 2017 and will be repeated in other stores. All of the activities form part of an overall action plan and are scheduled for completion in 2018.

- We also simplified the rehabilitation templates and checklists in 2017. The goal is to make it easier for managers and leaders to quickly initiate the long-term sick leave process. We have also produced a digital visualisation, which is available on the company’s intranet, to provide support. The visualisation teaches managers what they should do and which checklists should be used, depending on the employee’s position within the rehabilitation process.
- We have also further developed a number of key ratios showing the sick leave rate status within the company, enabling us to implement more targeted measures. We are aiming to implement these key ratios in 2018.
- We have completed a new corporate health care procurement process and have engaged both a new principal supplier and complementary service suppliers.

STAFF TURNOVER

A healthy rate of staff turnover is an indicator that we have sustainable performance environments. This key ratio was introduced in 2016 and the measurements have been made possible by our new analysis methods. We are able to measure both total staff turnover and the turnover for different groups of employees.

Staff turnover	2017	2016	2015
%	18.0	16.6	11.9

Staff turnover has continued to increase in 2017, albeit at a slower rate than last year. The turnover continues to be driven by an increase in the number of sales personnel leaving the company, and this role now has a staff turnover rate of just over 20 per cent. Turnover has, however, decreased slightly amongst sales personnel under the age of 30, and it is sales personnel aged between 30 and 49 who account for the increase. Staff turnover has also decreased amongst store managers and head office employees. It should also be noted that for the first time ever, the rate of staff turnover is higher amongst women than men.

Systembolaget is keen to ensure a wide range of skills within the organisation, and if some groups have a higher staff turnover rate than others, we risk losing the breadth of our in-house skills. In 2016, therefore, we initiated a more in-depth analysis of the reasons for this staff turnover. This work continued in 2017:

- We conducted an interview-based survey during the year with the help of an external company, investigating what our employees think of Systembolaget as an employer.
- We defined three key ratios for measuring the efficiency of our recruitment process, within the framework of our recruitment work:
 1. the percentage of temporary positions that become permanent positions;
 2. the percentage of terminations (including both the percentage whose employment we terminate and the

- percentage who terminate their own employment);
- 3. the percentage of employees whom we re-employ (after they have not worked at Systembolaget for three years).

In 2017, we produced an exit questionnaire and offered everyone leaving the company the chance to complete it, in order to find out why people choose to leave Systembolaget. We have currently received over 300 responses, corresponding to a response frequency of 54 per cent.

DIVERSITY STATISTICS

One of Systembolaget’s goals is to increase the number of employees with foreign backgrounds so that they represent the same percentage of our workforce as they do the population makeup of Sweden. We have mapped this key ratio for three years now and little has changed. The impending replacement of the Swedish Data Protection Act (PUL) with the EU-wide General Data Protection Regulation (GDPR) will result in a tightening up of the requirements for processing personal data.

In the light of the minor changes from the results of the previous years’ follow-up surveys, we have elected to focus on investigating what the new requirements will entail and consequently conducted no mapping work in 2016 or 2017. Our aim in 2018 is to conduct a diversity mapping process in accordance with the GDPR requirements and will, in future, be reporting this key ratio on a regular basis.

PERCENTAGE OF EMPLOYEES (GENDER AND AGE GROUP)

Systembolaget endeavours to ensure an even gender distribution and to have employees of all ages. The



results for 2017 – 64 per cent women and 36 per cent men – is close to the definition of a gender equal company (60/40) and we are seeing a slow but steady progression towards a more gender-equal workforce composition.

In 2017 we began refining the breakdown in our survey by dividing head office (HQ) personnel into two categories: employees and managers. At managerial level, we have also elected to divide the managers into HQ managers and Area Managers.

The aim of the new breakdown is to improve our ability to measure whether the gender breakdown at managerial level reflects the gender breakdown within the respective sections of the organisation in the same way as we have previously done for our store personnel. The results show that although we are approaching the definition of equal, the gender breakdown at managerial level does not really reflect the gender breakdown of the workforce and we will, therefore, be taking a closer look in 2018 at why this difference exists and what measures we can take to move in the right direction.

2017	Number of employees	Women (%)	Men (%)	Aged <30 (%)	Aged 30-50 (%)	Aged >50 (%)
Sales personnel	4,725	65	35	38	44	18
Store Managers	476	59	41	7	71	22
Janitors	13	85	15	0	8	92
Store personnel, total	5,214	64	36	35	46	18
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HQ employees	412	57	43	7	68	24
HQ Managers	58	60	40	0	47	53
Area Managers	30	43	57	0	63	37
HQ personnel, total	500	57	43	6	66	28
Systembolaget, total	5,714	64	36	33	48	19

2016	Number of employees	Women (%)	Men (%)	Aged <30 (%)	Aged 30-50 (%)	Aged >50 (%)
Sales personnel	4,512	64	36	37	45	18
Store Managers	456	58	42	6	73	20
Janitors	19	89	11	5	11	84
Store personnel, total	4,987	64	36	34	47	18
<hr/>						
HQ employees						
HQ Managers	386	59	41	7	68	25
Area Managers	57	63	37	0	47	53
HQ personnel, total	31	52	48	0	71	29
Systembolaget, total	474	59	41	6	66	28
Sales personnel	5,461	63	37	32	49	19

2015	Number of employees	Women (%)	Men (%)	Aged <30 (%)	Aged 30-50 (%)	Aged >50 (%)
Sales personnel	4,402	66	34	33	47	19
Store Managers	465	55	45	3	74	23
Janitors	22	91	9	9	14	77
Store personnel, total	4,889	65	35	30	50	20
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HQ employees	378	60	40	6	67	26
HQ Managers	43	67	33	0	37	63
Area Managers	29	45	55	0	59	41
HQ personnel, total	450	60	40	5	64	31
Systembolaget, total	5,339	65	35	28	51	21

1 Breakdown by management category within HQ was not available in 2015.



Ethics and anti-corruption

Why this is important

Systembolaget is obliged to act in a way that is compatible with EU law regulations governing State-owned retail monopolies. In brief, this means that in conjunction both with the purchase and sale of alcoholic drinks, Systembolaget must apply objective and transparent rules in an impartial and brand-neutral way. These requirements are due to our special role and our monopoly.

Direction and strategic initiatives

Systembolaget works in a committed and structured way to maintain high ethical standards and to counter corruption throughout the value chain. We work to prevent regulatory breaches by means of established risk assessment processes and with zero tolerance for bribery and other forms of corruption. We reject any form of direct or indirect attempt to exert improper influence on our employees, either by suppliers or partners. Our ambition, if a regulatory breach nonetheless occurs, is to make reporting it as simple and secure as possible, and to conduct a programme of incident management work that focuses on consequences and change.

Systembolaget has a number of tools for working pre-

ventatively with corruption. These tools are presented in brief below.

OUR INTERNAL CODE OF CONDUCT

In 2015, we drew up an internal Code of Conduct for our employees as part of our anti-corruption work. The Code of Conduct brings together the majority of the internal regulations and policies that we apply in a single, easily accessible document. It includes rules governing corruption and impropriety, external contacts, inclusiveness, and conduct in social media.

In the autumn of 2016, the new internal Code of Conduct was established within the company in the form of an e-training course. We set a goal of making the course obligatory for all new recruits, and in 2017, we also decided to ensure that all existing employees took the course. By the end of the year, 91 per cent of all Systembolaget employees had completed the course, as had Systembolaget's Board of Directors. The e-learning course will be completed by all managers every other year in order to ensure that the Code of Conduct remains fresh in their memory.

OUR EXTERNAL CODE OF CONDUCT

Systembolaget has an external Code of Conduct drawn up by the BSCI organisation (Business Social Compliance Initiative). The Code imposes requirements in 11 different areas, such as anti-corruption, the work environment, occupational health and safety, forced labour, working hours, wages and freedom of association, non-discrimination, special protection for young workers, and a ban on child labour.²² The Code of Conduct is included in Systembolaget's purchasing agreements with Swedish suppliers, who are tasked with ensuring that the Code of Conduct is also applied by their subcontractors.

OUR PURCHASING AND EVALUATION PROCESS

Systembolaget has a centralised and transparent purchasing and evaluation process (see illustration on page 26). We apply the same terms to all drinks suppliers, for example, and do not negotiate the structure of the purchasing terms with any individual supplier or individual groups of suppliers. We have centrally approved display and placement rules adhered to by all of our stores.

Systembolaget's Owner's Directive stipulates that purchasing and evaluation must be conducted in an impartial and brand-neutral way. This is achieved by the following means:

- Transparency – Systembolaget's general purchasing terms for the purchase of alcoholic drinks are the same for all suppliers, are public, and are amended in line with previously determined norms.
- Objectivity – In Systembolaget's range model, the primary determinant of the items that make up Systembolaget's range is customer demand.
- Brand neutral – the tender tasting procedures carried out by Systembolaget in conjunction with the purchase of alcoholic drinks are conducted completely blind. The people carrying out the testing have, in other words, no idea which product is contained in which glass.

ETHICS ADVISORS

Systembolaget has two ethics advisors in the form of store managers with extensive experience of how we operate at Systembolaget. Employees can turn to these advisors to discuss ethical issues and dilemmas, with a guarantee of anonymity. In 2017, we shifted responsibility



for the ethics advisors from HR to Compliance. The work of the ethics advisors was highlighted when they gave presentations of their work at head office and at two Area Manager meetings.

THE WHISTLEBLOWING SYSTEM

Systembolaget has an external whistleblowing system to enable it to discover and manage any improprieties at an early stage. This channel gives both employees and external parties, such as suppliers, the chance to report serious improprieties anonymously in relation to Systembolaget’s own employees.

Two reports of improprieties were submitted to our whistleblowing system in 2017 and are now being investigated in accordance with our routines.

Applicable routines state that all whistleblowing reports received shall be categorised and those remaining as whistleblowing shall be reported to the President by the Department Director. The cases are then processed by the directors and the Compliance Director is kept updated on a rolling basis.

OUR COMBINED REPORTING

Systembolaget collates reports on suspected improprieties through a number of channels, such as our whistleblowing system and our ethics advisors. From 2016, all reports on suspected improprieties are collated by our Head of Compliance. Having a single person collate all the reports gives us a better overview of the incidents and enables possible “trends” to be detected at an early stage. It also ensures clearer ownership of the issue.

Our Head of Compliance compiles a report each year for submission to the Board’s ethics and sustainability

committee by the company management. The aim is to ensure that Systembolaget’s management is familiarised both with incidents and reports, and with the proactive compliance work carried out.

OUR POLICIES

In December 2017, all of Systembolaget’s policies, such as our business ethics policy, our inclusiveness policy, and our purchasing policy, were made a matter of public record, and the policies can now be viewed at omsystembolaget.se. The decision to make the policies public is part of our efforts to be more transparent.

ETHICS DIALOGUES AT MANAGERIAL LEVEL

In 2016, we developed a new system for reporting the implementation of these dialogues in order to improve the actual reporting, its quantifiability, and the followup work. In 2017 the new system was made ready for use for the first time in the spring of 2018.

Key ratios, results and activities

CONFIRMED INCIDENTS OF CORRUPTION

We use this key ratio to measure incidents when we have discovered breaches by employees of the preventative routines that we have put in place to counter corruption.

Reported incidents of corruption ¹	2017	2016	2015
Total number of confirmed incidents of corruption ¹	9	5	7
Total number of confirmed incidents where employees were subjected to occupational law-related disciplinary measures due to corruption	9	5	7
Total number of corruption incidents that resulted in the termination of commercial agreements due to breach of contract	0	0	0
Number of legal proceedings resolved in a public court of law or administrative court due to incidents of corruption	0	0	0

¹ The key ratio measures incidents where we have discovered breaches by employees of the preventative routines that we have put in place to counter corruption. No incident was sufficiently serious that bribery was suspected. No reports were made to the police and the sanction comprised, instead, disciplinary measures by Systembolaget in its role as an employer – a written reminder.

We have endeavoured, for a number of years now, to create a transparent culture in which improprieties are highlighted and incidents reported. We saw, in 2017, that this work had resulted in our picking up more incidents than before. The results also showed the importance of ongoing training in and information about our rules and ethical dilemmas in order to ensure that a focus on these issues is retained throughout the organisation. Examples of the measures we have implemented during the year to strengthen our anti-corruption work are shown below.



Measures to strengthen our anti-corruption work

- When an incident in relation to supplier influence or supporting purchases is deemed sufficiently serious, a special working group may be convened to address the problem. This was the case in the spring of 2016 after an incident had been identified in one of our stores and an action plan with specific proactive measures was drawn up and implemented across the company. This work was followed up and evaluated in 2017. Representatives of Risk control have visited 50 stores and talked to the employees about how they handle their supplier contacts. Risk control felt that the employees had good familiarity with the rules and with how to act if a deviation from these rules is discovered.
- In 2017, we carried out an anti-corruption survey of Systembolaget’s 100 biggest suppliers and all TRLS suppliers (Temporary Range Local and Small scale). The survey showed that we are not getting our message across to our smaller suppliers in the same way as to our larger ones. The smaller suppliers are generally less familiar with our purchasing policy and our external code of conduct. We will be implementing a number of activities aimed at smaller suppliers in 2018 in order to address this issue.

Environment and climate

Why this is important

Reducing our environmental and climate impact is a given for us. It is also a prerequisite for satisfied cus-

tomers and in ensuring our employees are proud to work at Systembolaget. And Systembolaget’s Owner’s Directive and social mandate make it even more vital.

Direction and strategic initiatives

Systembolaget’s operations are global and our supply chain is extensive. The majority of our over 700 active drinks suppliers have subcontractors and they, in turn, often have subcontractors of their own. Our indirect climate and environmental impact – from vineyards, drinks production, transportation and packaging – is, therefore, substantial.

We have, in partnership with the other Nordic alcohol monopolies, commissioned an environmental analysis of the environmental impact of our drinks, from cultivation to customer. The analysis shows that our indirect impact is primarily felt in three areas of the environment: air pollution, climate impact, and biological diversity thanks to increased land usage. The biggest climate impact in our value chain comes from the manufacture of packaging in general and glass in particular. The second largest climate impact comes from cultivation and production.

The environmental and climate impact of Systembolaget’s own operations in Sweden is small, in the overall context, but focusing on it is still important. Working to reduce our own impact is a priority issue for us and our ability to promote environmental issues in other parts of the value chain depends on us doing this. Our work in this area also creates a sense of pride in our employees.

Our overall environmental plan will, in future, be divided into a number of different approaches:

- Make it easier for our customers to make sustainable choices.
- Promote a reduction in the climate impact of packaging.
- Ensure fundamental minimum environmental standards on the part of our suppliers and producers.
- Engage in and promote industry partnerships.
- Conduct an exemplary programme of internal environmental work.

The first two approaches are described in more detail in the section entitled Carefully selected range (see page 26).

ENSURE FUNDAMENTAL STANDARDS

Systembolaget’s Code of Conduct demands that producers comply with a number of fundamental standards on environmental issues. It was apparent from the 2016-2017 audit result that the environmental requirements do not pose any significant challenge at the producer link in the value chain. Systembolaget will, therefore, conduct its work within the framework of Amfori BSCI in 2018 and subsequent years in a variety of ways, with the aim of strengthening the Code of Conduct’s chapter on environmental issues. Our hope was that the BEPI initiative (an initiative within the framework of Amfori BSCI) would result in an increased focus on environmental issues, but we have refrained from implementing BEPI in Systembolaget’s supply chain, due to the fact that so few people have signed up and that the current structure is complex.

We have strengthened our Nordic collaboration in the form of an updated 5-year plan that focuses on the environment, and where we have identified four key areas



that we will promote together: packaging, transport, water, and biological diversity. The focus in 2018 will be on packaging, and activities as part of this work will include a packaging seminar for our suppliers.

It is vital, if we are to generate the conditions in which our suppliers take additional responsibility for the environment, that we share our know-how and our tools, and we have now developed an e-learning course focusing on environmental issues as part of this work. The course will be launched in the spring of 2018, when it will become mandatory for all suppliers. The course looks at the environmental impact of Systembolaget's products and at what can be done to reduce one's own environmental impact.

ENGAGEMENT IN AND PROMOTION OF ENVIRONMENTAL ISSUES IN THE DRINKS INDUSTRY

In 2016, Systembolaget, in partnership with the industry organisations, the Swedish Brewers' Association and the Swedish Spirits and Wine Suppliers' Association (SVL), invited industry CEOs to a full-day discussion on the theme of business and the environment. A broad working group was then formed, comprising 11 industry representatives. Together, they have built a deeper and broader collaboration that has resulted in a joint statement of intent, undertaking to work together to reduce the industry's climate footprint. The statement of intent was signed by the industry organisations' Chairmen and Systembolaget's President at this year's CEO day event, which was held in November 2017. In 2018, the working group will be drawing up a help and support package designed to enable the various parties to deliver successfully on the statement of intent.

"We, whether we are large or small operators in the Swedish drinks industry, share with Systembolaget

a desire to reduce our climate footprint. We will, through this statement of intent, set goals based on our respective companies' preconditions before November 2018. The goals shall be quantifiable in line with the Greenhouse Gas Protocol, GHG, which is an internationally recognised standard for calculating and reporting greenhouse gas emissions. We will start today – 10 November 2017. Our ambition is that in one year's time, in November 2018, every single one of us will have reported our goals to a shared platform and taken the next step in our efforts to reduce our own impact and make a difference.

We want to be companies that integrate sustainability into our business strategy and create scope for responsibility in our business models in relation to and focusing on our customers, the climate, people and the environment. In the long term, we aim to compare ourselves with and act as role models for other industries."

REDUCING PLASTIC BAGS USAGE

A new legislative requirement to reduce plastic bag usage was introduced in June 2017, which has helped increase our focus on how much plastic we use at Systembolaget. Every year, our customers fill over 120 million baskets in our stores, which translates to a lot of plastic bags. We reduced plastic bag purchases during the year by 3.6 million, corresponding to a reduction of 41 tonnes of plastic. Our goal is to reduce our sales of plastic bags by a further 50 per cent or so by 2020.

We are now drawing up an action plan detailing ways in which we can reduce our plastic bag sales and thereby achieve our goal. The work will involve both developing alternative bags and communicating with our customers in order to bring about behavioural changes.

FOSSIL FUEL-FREE TRANSPORT IS OUR LONG-TERM GOAL

Transports have a relatively substantial environmental impact throughout Systembolaget's value chain. Systembolaget does not own any means of transport, and the further down the chain from our operations that transportation occurs, the harder it is for us to influence transport choices. What we can influence, however, is the transportation that occurs closer to us, such as suppliers' transports, via their distributors, to our stores. The same is true of the transportation we buy in for goods ordered from our available for order range and deliveries to our agents. Our new procurement strategy for the coming years will have an increased focus on identifying solutions that will reduce the climate impact of these transports. Our long-term goal is for all drinks transports within Sweden to be fossil fuel-free by 2030.

OUR OWN CLIMATE IMPACT

In 2017, we mapped the energy usage by our stores and also mapped our travel – a process that resulted in a number of suggested measures that are now being evaluated. Systembolaget has a new climate goal for our own operations, namely that emissions from purchased energy, coolants, and leased vehicles shall be zero by 2023. We will implement measures that will be identified and evaluated annual from a total sustainability perspective in order both to achieve this goal and to obtain the optimum solutions in every respect.

Key ratios, results and activities

CARBON DIOXIDE EMISSIONS FROM OUR OWN OPERATIONS

We have reformulated the climate impact key ratio that measures carbon dioxide emissions from our own



operations since 2017. The new key ratio includes direct CO₂ emissions from the company's leased vehicles and indirect CO₂ emissions from the operations electricity and heating use.

CO₂ emissions from our own operations, total no. tonnes	2017	2016
Electricity consumption	3,236	3,513
Coolants ¹	0	0
Internal trips using leased vehicles	347	342
Total CO ₂ emissions	3,583	3,855
Reduction/increase in tonnes of CO ₂ e in comparison with the previous year	-272	

The base year for our new climate goal is 2016

¹ Reported one year in arrears

The above climate impact is also reported as part of our follow-up work based on the GHG protocol, which we present in greater detail on page 106.

Emissions from our own operations fell by 7 per cent in 2017. Emissions from our electricity consumption also fell during the year, thanks to the steps we have begun taking to improve efficiency, and we will be continuing with both these and new activities with a view to achieving our goal of zero emissions from our own operations by 2023. The activities aimed at reducing energy consumption in all of our operating premises are continuing.

Our reporting cycle for coolant means that we report these figures one year in arrears. Under the provisions of legislation in force in 2016, we had four facilities for which we were obliged to submit reports: our head

office in Stockholm, the Learning Centre on Skarpö, and one store in Gothenburg and one in Strömsund. There were no emissions from these facilities in 2016. The legislative changes that came into force on 1 January 2017 meant that we are now obliged to submit reports for additional facilities, and are consequently drawing up new routines for following up on stocks of and leaks of coolants in 2018.

Emissions from travel in vehicles leased by the company increased marginally by five tonnes of carbon dioxide equivalents between 2016 and 2017. We have identified substantial potential for improvement in this area with regard to choice of fuel and will, therefore be reviewing our policies and internal regulations for vehicles in 2018. Our goal is to have switched to exclusively fossil fuel-free leased vehicles by 2023. This ambition presupposes innovations in the development of fossil fuel-free vehicle fleets. This is an important trend and one in which we are keen to participate and thereby contribute to a reduction in climate impact.

Finance

Why this is important

Systembolaget is not driven by selling targets or profit maximisation. Our primary goal, as mandated by our owner – the State – is, instead, to be of benefit to society. Our secondary goal is to deliver a yield requirement that is predetermined by our owner. The revenues generated by the operations shall, therefore, both cover costs and generate a return for the State. It is strategically important, in achieving this, that we act in a resource-smart way.

Direction and strategic initiatives

Our long-term ambition is to be an effective going concern with a reasonable rate of cost development, maintaining a high standard of quality while simultaneously achieving the yield requirement.

Systembolaget is financed by means of surcharges on goods sold. These surcharges are based on the handling costs of the goods, assuming efficient and rational operations. The surcharge calculated is objective, transparent, and equal for all, and is non-negotiable. The revenues generated by Systembolaget's retail sales include alcohol tax, which is a State-imposed excise duty. Changes to alcohol tax rates affect Systembolaget's revenues, as do the cost of the goods sold, and a change in alcohol tax must not, therefore, have any impact on the gross profit. The alcohol tax accrues to the State.

Systembolaget has three financial key ratios that are included in the strategic key ratios for which goals are set, namely the equity/assets ratio, the return on equity, and cost-effectiveness.

The equity/assets ratio is calculated as adjusted equity as a percentage of the Balance Sheet total. The owner's goal is for an equity/assets ratio of 20-30 per cent. The equity/assets ratio is affected by changes in equity relative to other Balance Sheet items, such as financial assets and inventories. Projects and initiatives that result in increased efficiency for Balance Sheet items, such as stock management, may, therefore, result in an increase in the equity/assets ratio. The aim



of the equity/assets metric is to show what percentage of the assets are financed with the company's equity: to show, in other words, how sensitive the company is to interest rate changes. The company currently has no loan financing and its liquidity is good, and the interest rate sensitivity is, therefore low.

The return on equity is calculated as the operating profit/loss for the period (rolling, 12 months) as a percentage of the average adjusted equity. The term, average adjusted equity, refers to the average of the opening and closing equity for the year, plus the capital share of untaxed reserves. The return on equity should, in the long-term correspond to the ten-year bond yield (average calculated for the financial year) plus 7 percentage points. The owner's yield requirement, together with other economic key ratios, forms the basis for the principles used when preparing the budget. Systembolaget does not attempt to increase sales and its budget work consequently focuses on ensuring optimum cost utilisation, based on an anticipated gross profit, in order to achieve the yield requirement.

The Owner's Instructions also state that the dividend should, if permitted by the dividend provisions of the Swedish Companies Act, total the equivalent of 80-100 per cent of the profit/loss for the year after tax. If the return exceeds the yield target figure, consideration is given to whether the surplus should be reversed to the operations in order to generate the maximum possible social benefit in line with the mandate and mandate goals. See page 93 for the suggested appropriation of profits for the year.

The company's operations shall be conducted in a manner that enables us to ensure the high-quality

execution of the company's mandate. The operations shall, therefore, be conducted in a cost-effective manner. By this, we mean that the company's costs shall be covered and the State shall receive a reasonable return in accordance with the specified yield requirement. Cost-effectiveness is calculated as the ratio between total overheads and quantities sold. The goal is for this key ratio to be equivalent to or less than 2.3 over time. Systembolaget may not conduct its operations in a way that maximises profits, nor may it actively promote sales, and the effectiveness metric is, therefore, intended solely to ensure cost-effectiveness.

Key ratios, results and activities

EQUITY/ASSETS RATIO

On 31 December 2017, the equity/assets ratio was 27.8 per cent (28.2). The Owner's Instructions state that the equity/assets ratio shall be 20-30 per cent for the full year. The equity/assets ratio normally varies over the course of the year.

RETURN ON EQUITY

The return on equity shall, according to the Owner's Instructions, correspond over time to the average 10 year government bond yield, plus 7 percentage points, which, on 31 December 2017, corresponded to 7.6 per cent (rolling, 12 months). Systembolaget's return on equity on 31 December 2017 was 17.2 per cent (17.5). The change from the previous year was primarily due to increased staff overheads.

COST EFFECTIVENESS

This key ratio refers to a new owner's goal and is presented once yearly. The aim of the effectiveness metric

is to adapt overheads in different periods to changes in quantities sold. The 2017 Annual General Meeting approved a new calculation basis for the key ratio and a target level of less than or equal to 2.3. The cost effectiveness on 31 December 2017 was 2.2 (2.3), which is slightly below the target level set.

	2017	2016	2015
Equity/assets ratio, %	27.8	28.2	28.3
Return on equity, %	17.2	17.5	11.6
Cost-effectiveness (factor)	2.2	2.3	-

Financial reporting

Economic performance

SALES

Systembolaget's sales in 2017 totalled SEK 29,355 million (28,469 m), corresponding to a year-on-year increase of 3.1 per cent. Sales of wine totalled SEK 15,409 million (14,873 m), corresponding to an increase of 3.6 per cent, while sales of strong beer increased by 2.2 per cent to SEK 7,028 million (6,874 m). Sales of spiritous drinks increased by 2.8 per cent and totalled SEK 5,810 million (5,651 m), while sales of cider and mixed drinks increased by 3.1 per cent to SEK 760 million (737 m). The increase in revenues exceeded the increase in sales by volume, due to a continued shift in purchasing patterns towards more expensive products.

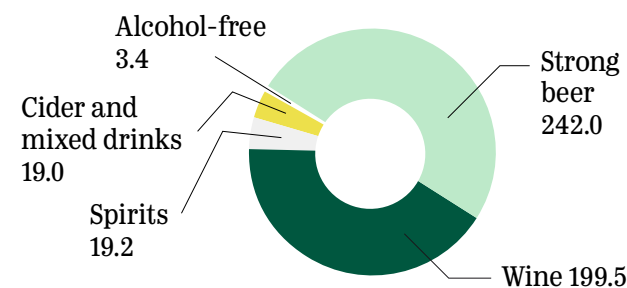
Sales volumes increased slightly, year-on-year, to 483.0 million (479.3 m) litres, corresponding to an increase of 0.8 per cent. The increase is attributable to the growth in Sweden's population, to mixing effects between product groups, and to the number and mix of retail days differing from one year to another.

Sales of organic products increased by 14.0 per cent to SEK 4,145 million and comprised 14.2 per cent of total sales in SEK million. There were a total of 428 (373) organic products in Systembolaget's fixed range at the end of the year.

The number of ethically labelled products in System-

bolaget's fixed range increased to 43 (31). Sales totalled SEK 615 million (610 m), corresponding to an increase of 0.8 per cent.

Interest in the alcohol-free range continues to increase, with sales of alcohol-free products increasing by 5.8 per cent and totalling SEK 182 million (172 m). This is a trend that Systembolaget is keen to promote and we are now able to offer a total of 66 (59) alcohol-free items in our fixed range.



Drinks sales in 2017, million litres.

FUTURE SALES DEVELOPMENT

Sales have developed in a relatively stable manner in recent years, with an annual increase in revenues of around 2-4 per cent. The increases in alcohol tax in

2015 and 2017 account for around 1-2 per cent of this overall increase. This development is expected to continue over the next few years, resulting in a continued increase in sales volumes in all product groups. Some changes from developments in recent years are, however, apparent with regard to the breakdown between product groups. These changes are primarily influenced by changes in alcohol tax, prices and trends:

- Growth is thought to be strongest in the cider and mixed drinks and strong beer product groups.
- Sales of spiritous drinks have increased slightly, reversing the decline seen over the past 4-5 years. Volumes are expected to increase to the same level as in 2016-2017.
- Wine sales are expected to increase in tandem with population growth.
- Sales of alcohol-free drinks are expected to increase, but not at the same rate as that seen in recent years. This is primarily attributable to the fact that the retail sector as a whole has expanded its range to meet customer demand.

The trend towards more expensive products in all product groups is expected to increase in the next few years, albeit not quite as rapidly. Organic products have expe-

rienced strong growth in recent years and this growth is expected to continue in the years ahead.

OPERATING PROFIT

Systembolaget shall operate in a commercial way, and shall focus on cost effectiveness, without promoting sales. Systembolaget posted an operating profit of SEK 270 million (217 m), with the increase primarily due to an increase in the gross profit to SEK 3,700 million (SEK 3,591 m), coupled with a marginal increase in total operating expenses. Selling expenses increased to SEK 2,767 million (2,746 m) due to a reduction in depreciation resulting from a lower investment rate in recent years, coupled with an increase in the stores' personnel costs as a result of increased sales, annual pay reviews, an increase in the number of stores, and rising pension costs resulting from changes to indexing and a non-recurring cost of SEK 57 million attributable to insurance for pensioners. Administration costs increased to SEK 669 million (634 m), largely due to increases in personnel costs, while information costs in relation to Systembolaget's mandate fell due to the reuse of information. The operating margin was 0.9 per cent (0.8).

NET FINANCIAL ITEMS AND PRE-TAX PROFIT

The pre-tax profit was SEK 353 million (368 m). Net financial items totalled SEK 58 million (47 m), SEK 30 million (26 m) of which comprised interest income, while SEK -14 million (6) comprised changes in value. Interest expenses totalled SEK -1 million (-1 m). A dividend of SEK 43 million (16 m) was received from Systembolaget's subsidiary company, AB K14 Näckströmsgatan, during the year and exceeded the previous year's dividend due to the sale of a property. The market valuation of Systembolaget's investments has performed slightly negatively during the year due to current interest rate trends.

CASH FLOW

The cash flow from operating activities totalled SEK 529 million (306 m), with the year-on-year change primarily due to changes in working capital. The cash flow from investment activities totalled SEK -918 million (-638 m) and comprised net investments in financial assets of SEK -739 million (-499 m) and net investments in tangible fixed assets of SEK -179 million (-139 m). The investments in tangible fixed assets primarily comprised the construction of new stores and renovation of existing ones. Systembolaget has elected to invest its surplus liquidity in interest-bearing instruments in 2017 to a greater extent than in 2016. The cash flow from financial activities totalled SEK -246 million (-182 m) and comprised a dividend of SEK 43 million (16 m) from AB K14 Näckströmsgatan corresponding to the company's net profit, and Systembolaget's payment of a dividend of SEK -289 million (-198 m) to the owner.

FINANCIAL POSITION

Shareholders' equity on 31 December 2017 totalled SEK 1,605 million, corresponding to a year-on-year decrease of SEK 7 million. The change comprised the net profit for the year less the dividend paid to the owner, which totalled SEK 298 million.

SUMMARY OF THE SUBSIDIARY COMPANIES

IQ-initiativet AB (IQ) works to help promote a smarter approach to alcohol that results in a reduction in the harmful effects of alcohol. IQ informs, inspires, challenges, and acts as a platform for good examples of alcohol-prevention measures. IQ is financed by Systembolaget with an annual budget of SEK 35 million (35 m). The pre-tax profit for the period was SEK -0.2 million (0.0 m).

AB K14 Näckströmsgatan manages Systembolaget's operating properties. On 31 December 2017, the pre-tax

profit totalled SEK 22.0 million (54.6 m). The profit for the previous year was affected by the sale of a property owned by AB K14 Näckströmsgatan which yielded a pre-tax profit of SEK 33.3 million. The net profit is otherwise primarily attributable to intercompany rental revenue.

LEGAL ISSUES

A report entitled *Privat införsel av alkoholdrycker* (Private imports of alcoholic drinks) was published in the summer of 2014. The Government Committee behind the report had been tasked with:

- determining which types of measures were currently permitted and prohibited with regard to e-commerce and home deliveries of alcoholic drinks; and
- identifying which such measures should, with regard to Swedish alcohol policy and the obligations that derive from Sweden's membership of the EU, be permitted and prohibited.

Finnish regulations in the area of distance selling of alcoholic drinks have been reviewed by the Court of Justice of the European Union as part of the so-called *Alkotaxi* case. The Court issued its ruling on 12 November 2015, confirming that the member states are permitted to implement alcohol policy measures designed to protect public health, including the imposition of bans on distance selling of alcoholic drinks. In the autumn of 2016, the Swedish government presented a draft bill entitled "The regulation of distance selling of alcoholic drinks" in order to clarify the regulations in this area. The memorandum also stated that the Court of Justice of the European Union ruling in the *Alkotaxi* case had been taken into account. In the autumn of 2017, the Government notified Parliament that it intended to present a bill on the matter. Systembolaget does not know when the

bill will be presented by the Government or debated by Parliament, or when any amended legislation is scheduled to come into force.

A report entitled “The regulation of alcoholic ice cream and other products”²⁴ was also presented in the summer of 2017. The report proposes that alcoholic preparations that resemble alcoholic drinks may only be sold by Systembolaget. Systembolaget has supported the report’s proposal in its position paper. The proposal is currently being processed in the customary manner by the Swedish Government Offices.

In the late summer of 2017, politicians and social commentators returned to the question of whether Sweden should introduce farm sales that would permit Swedish alcohol producers to sell alcohol directly to the consumer. The issue has been investigated further and the results show that it is not possible for Sweden to combine Systembolaget’s monopoly with the right for Swedish producers to sell alcohol directly to consumers¹⁶. Research has also shown that Systembolaget’s monopoly is beneficial to public health⁹. Systembolaget is, therefore, continuously developing both its local and small-scale product offering and the rest of its range, in order to continue to be one of Swedes’ most trusted companies. This work, coupled with a responsiveness to customer demand, has yielded results, and the local and small-scale range of beers, for example, increased from around 320 to just over 900 products over the past three years. Items from the local and small-scale range are generally available nationwide and this, coupled with the fact that Systembolaget has at least three employees in every local authority area in Sweden, makes Systembolaget an important enabler of a healthy drinking culture and a vibrant industry throughout Sweden.

Commercial operators now operate in a different way and on a different scale in the digital arena than is the case in the physical arena, where Systembolaget’s monopoly is more clearly regulated and easier to uphold and maintain. Unless measures are taken to modernise legislation and take the new reality into account, this will pose challenges, both to Systembolaget and to the long-term retention of Sweden’s restrictive alcohol policy. Systembolaget also needs to defend its information provision operations and functionality, its brand, and its intellectual property if – bearing in mind our socio-political mandate and brand neutrality requirements – we are to avoid being associated with or appear to be the source of alcohol advertising or commercial services. Systembolaget must do this while developing its digital offering and product range – in line with both our objective and mandate and with changes in the outside world – and retaining our focus on the customer.

SIGNIFICANT EVENTS AFTER THE CLOSING DAY

No significant events, over and above the regular operations, have occurred after the closing day.

Risk and sensitivity analysis

Systembolaget's objective for its risk management is an operation in which the risks to which the company are exposed to are identified at an early stage and managed in line with the degree of impact that they can have on the company and its mandate. Systembolaget's risk management work shall, furthermore, be an integral part of its operational governance and shall help ensure that the owner feels secure in the way in which Systembolaget fulfils its mandate and manages its risks.

RESPONSIBILITY

Responsibility for risk management within Systembolaget complies with the lines of defence described by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). Line Managers and process owners consequently have primary responsibility for managing their risks and are, therefore, by definition, risk owners. Risk controllers support the risk owners and control and review compliance with Systembolaget's risk management framework. The internal audit, which is audited by an external company, is tasked by the Board of Directors with reviewing the efficiency and fitness for purpose of the risk management framework and the operations' risk management work.

PROCESS

The risk management methodology within Systembolaget harmonises with COSO Enterprise Risk

Management and ISO 31000. Processes, categorisation, and organisational breakdown of risk management within Systembolaget are clarified in the framework ultimately approved by the Board on a yearly basis.

Systembolaget carries out a company-wide risk analysis every year. The risk analysis aggregates the risks from the operating areas and departments for evaluation by managers and key individuals within the operations and by the company management team with regard to the way in which the risks affect the company at an overall strategic and operational level.

Operational risks are reported and followed up on a six-monthly basis by the company management and Board of Directors through the Audit Committee. The principle that underlies the risk evaluation work is that Systembolaget's risk acceptance and tolerance levels are generally low, particularly with regard to threats to the safety and health of employees and the general public, or risks to the company's existence, mandate or brand.

INSURANCE

Systembolaget chooses to take out various insurance policies as part of its efforts to reduce the company's risk exposure. Systembolaget's insurance programme includes property and consequential loss insurance, liability insurance for general liability, and product

liability insurance. These policies are managed by Systembolaget's security unit with the assistance of an insurance broker. Systembolaget also takes out collective agreement insurance against occupational injuries. These policies are managed by Systembolaget's HR department.

Several of these types of insurance cover are a statutory requirement for businesses and Systembolaget has also elected to take out additional insurance cover, over and above the statutory requirement, in order to guarantee the well-being, safety and security of our employees and the company.

CRISIS AND CONTINUITY MANAGEMENT

The crisis and continuity management methodologies are spread across risk control and the security unit, with the security unit responsible for crisis management. Established fora exist in which incident, risk, crisis, and continuity management are discussed and developed in order to strengthen the work in this area. Crisis management and continuity plans are tested and updated every year as far as is practically possible.

RISKS

The areas in which Systembolaget's risk exposure is greatest, including risks from a sustainability perspective, are presented on the following page.

RISK AREA	DESCRIPTION	COMMENTS
Reputation	Existing legislation and the structure of alcohol advertising may open the door to uncertainty about the identity of the advertiser. This poses a challenge to the brand, which may generate a lack of trust in Systembolaget's objective and the way in which the company handles its mandate.	Systembolaget is working to bring about a change in the way in which the brand is used in the media.
External factors	Social development in Sweden is helping to give rise to uncertainty about Systembolaget's ability to manage our customers' increasingly elevated expectations of the ways in which Systembolaget makes its products available.	Systembolaget is working continuously to achieving ongoing improvements in its customer interactions in order to proactively address the changing demand picture.
Legislation	One of the preconditions for Systembolaget's monopoly is that Swedish legislation in this area is cohesive and consistent, and that it is strictly supervised. There is currently a lack of clarity in both the legislative and supervisory respect, which creates uncertainty in the context in which Systembolaget operates.	Systembolaget's legal department continuously examines and reviews the legal context in which Systembolaget operates.
Working conditions	The type of retail operations that Systembolaget conducts are exposed to the risk of robbery. Threats and incidents of violence against employees are also, unfortunately, not unknown within the company. Uncertainty consequently always exists with regard to whether the security-enhancing measures in place within the company are sufficient to address this issue.	Systembolaget has strengthened its security department and is reviewing employees' awareness levels and exposure to threats and violence.

RISK AREA	DESCRIPTION	COMMENTS
In-dependence	Systembolaget's monopoly means that there is always a risk that stakeholders will, in a variety of ways, attempt to influence the company's purchasing processes and, hence, the product range.	Systembolaget works continuously to raise levels of awareness amongst our employees and to inform our stakeholders ensure clarity with regard to our purchasing routines and terms and conditions. Systembolaget also continuously reviews the fitness for purpose of its purchasing process.
Transparency in the supply chain	Systembolaget operates in an industry in which traceability and transparency in the supply chain have not, historically speaking, been regarded as necessary. In some cases the lack thereof may also, due to the nature of the products, constitute a competitive advantage for certain subcontractors. This may make it difficult for Systembolaget and, to some extent, Systembolaget's suppliers, to ensure transparency at every link in the supply chain.	Systembolaget conducts annual mapping processes to identify risk areas. Systembolaget also reviews its system support in order to ensure more effective follow-up work.

RISK AREA	DESCRIPTION	COMMENTS
Complex supply chains	Systembolaget operates in an environment with complex supply chains and a complex business model with an extensive spread of purchases from numerous regions and countries. This means that the volumes per business are not great, reducing Systembolaget's degree of influence and offering less potential for monitoring compliance with sustainability requirements.	Systembolaget is increasing its annual supplier and producer audits in order to gain an increased insight into the products sold. Systembolaget is reviewing its system support in order to ensure more efficient follow-up work.
Compliance with the Code of Conduct	The large number of suppliers and sub-contractors results in a diversified supplier basis, which creates problems of scale in the follow-up work. The company's equal treatment policy also means that all suppliers, irrespective of size, must comply with the same requirements. These areas create uncertainty regarding the compliance of our external Code of Conduct with our sustainability requirements.	Systembolaget is working to increase skill levels, to clarify the requirements imposed, to improve its follow-up work, remedial actions and consequence activities, in order to increase compliance with our Code of Conduct.
Increased alcohol-related harm	Challenges to Systembolaget's monopoly can impair our ability to fulfil our mandate to reduce the harmful effects of alcohol at both an individual and a societal level. Increased alcohol consumption would result in both increased sick leave and increased policing and health care costs etc., to society.	The Swedish retail monopoly on the sale of alcoholic drinks without a profit interest is, in itself, a means of addressing the risks entailed by increased alcohol consumption. Availability is limited through the number of retail outlets, and opening hours, and through selling rules that are guided by a requirement to sell responsibly at all times.

RISK AREA	DESCRIPTION	COMMENTS
Second-hand harm	Alcohol doesn't just harm the person who drinks: it harms those around them, and children are particularly vulnerable in this context. Approximately 100,000 children are growing up with at least one parent who abuses alcohol. Between 100 and 200 children are still being born with foetal alcohol damage every year in Sweden, and 7 out of every 10 school teachers have, at some point, suspected that their pupils' parents are drinking to excess ² .	Systembolaget works to limit the harmful effects of alcohol by selling responsibly and providing information on the risks associated with alcohol. Systembolaget provides information on the omsystembolaget.se website, publishes the Alcohol Report, and holds seminars, and finances research and research conferences.

Financial risks, such as interest rate, credit, and liquidity risks are limited at Systembolaget. Systembolaget is self-financing thanks to, amongst other things, a high rate of stock turnover that matches the purchasing and payment terms.

Systembolaget has no interest-bearing liabilities. Sales are paid for in cash or by credit card and Systembolaget consequently has no significant accounts receivable. The drinks suppliers are responsible for the importation of alcoholic drinks and for reporting alcohol tax. Systembolaget's purchases are primarily made in Swedish kronor and the company's exposure to exchange rate and currency risks is consequently very low. For additional information on financial risk management, see Note 12, Financial instruments.

Corporate Governance Report

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

The owner

The owner's expectations of Systembolaget are specified in the agreement between Systembolaget and the state, in the Owner's Directive, in the State's ownership policy, and in the guidelines for State-owned companies. The agreement and the Owner's Directive specify the bases for the company's operations with regard to the social mandate, the requirement for financial efficiency, and any other requirements with regard to the company's operations. The owner determines the objectives of the company's operations through the Articles of Association, while the ownership policy establishes the owner's expectations of the company as one of the State-owned companies, and the owner issues instructions to the Board of Directors of Systembolaget through the Owner's Directive. The owner has set three mandate goals for Systembolaget, together with a number of financial goals, in the Owners Directive. The mandate goals take precedence and their goal fulfilment is measured using the Customer Satisfac-

tion Index, the Alcohol Index, and Alcohol consumption in Sweden. The financial goals comprise the equity/assets ratio, the return requirement, the dividend requirement, and a cost-effectiveness metric.

The agreement between Systembolaget and the State was clarified in the autumn of 2017 such that it now explicitly states that Systembolaget shall take specific sustainability considerations into account in conjunction with its drinks purchasing. The clarification manifests the importance of sustainable development and that it is something upon which Systembolaget must focus.

Systembolaget's mandate is to engage responsibly and with a high standard of service, in the retail sales of spirits, wines and strong beers, and to inform people about the harmful effects of alcohol. The aim is to help improve public health by limiting the harmful effects of alcohol. The monopoly means that Systembolaget is the only company permitted to engage in retail sales of strong beer, wines and spiritous drinks in Sweden.

Meetings are held on a rolling basis, approximately four to five times a year, between representatives of the owner and Systembolaget's Chairman of the Board and President. Areas discussed during these meetings include the work of the Board of Directors, operational monitoring and follow-ups, the Annual General Meeting, monitoring of key performance indicators, the mandate

goals, the financial goals, and the strategic goals for sustainable enterprise. Other issues discussed included Systembolaget's digitisation agenda, the home delivery trial, and other issues of relevance for the company. The owner exercises its rights as a shareholder at the Annual General Meeting.

Corporate governance principles

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

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

The Annual General Meeting

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

The 2017 Annual General Meeting

Systembolaget's 2017 Annual General Meeting was held on 26 April in Stockholm and was open to the public. The owner was represented by Permanent Secretary, Agneta Karlsson, from the Ministry of Health and Social Affairs.

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

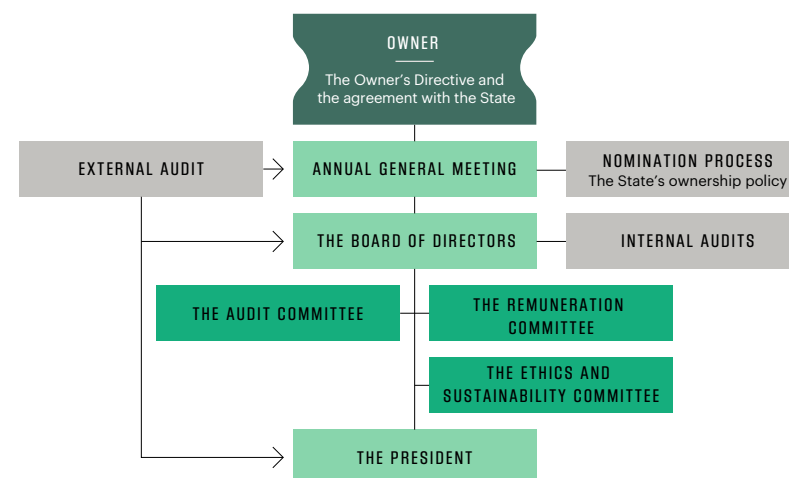
- Re-election of Kenneth Bengtsson as the Chairman of the Board
- Re-election of the following Members of the Board: Thord Andersson, Crister Fritzson, Kerstin Wigzell, Håkan Leifman, Viveca Bergstedt Sten, Frida Johansson Metso and Robert Damberg, and the new election as a Member of the Board of Cecilia Halle
- Directors' fees payable to Members of the Board elected by the Annual General Meeting, members of the company's Board-appointed committees, and Auditors
- New Owner's Directive
- Approval of the "Guidelines for remuneration and other terms of employment for senior executives of Systembolaget AB" proposed by the Board of Directors
- Adoption of the Income Statement and the Balance Sheet
- Allocation of the company's profits
- Granting of discharge from liability for the Board of Directors and the President
- The minutes of the Annual General Meeting are available on the omsystembolaget.se website.

The 2018 Annual General Meeting

The 2018 Annual General Meeting will be held on 26 April 2018 in Stockholm. Notices convening the Annual General Meeting will be sent out in March 2018.

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. According to the State's ownership policy, the Board of Directors in companies where the State has an ownership interest shall ensure that the companies are operated in a model way within the scope of the legislation, the company's Articles of Association, the owner's instructions and the State's ownership policy. Some of the work involved in ensuring public confidence in Systembolaget's operations entails the drawing up of relevant policy documents and conducting annual evaluations of existing policies, which are published on Systembolaget's website.



The nomination process for the Board of Directors

The appointment of the Board complies with the nomination process described in the State's ownership policy. The nomination process is coordinated by the Ministry of Finance. The skills requirement is analysed on the basis of the company's operations, situation and future challenges, and the existing composition of the Board and Board Member evaluations carried out. The owner has applied the diversity principles set forth in the ownership policy in their work with the nomination process.

Composition of the Board

The Articles of Association prescribe that the Board of Directors shall comprise a minimum of six and a maximum of nine Members appointed by the General Meeting. The employee organisations are also entitled to appoint Members of the Board. The Code and the State's ownership policy directs that the composition of the Board shall, with due regard for the company's operations, developmental stage, and conditions in general, be fit for purpose and characterised by diversity and breadth with regard to areas of expertise, experience and background. Diversity aspects such as ethnic and cultural background shall also be taken into account

and an even gender distribution shall be sought. The ownership policy states that the gender makeup of the Board shall comprise at least 40 per cent of either sex.

The starting point when nominating a Member shall be the Board's expertise requirements and Board Members shall always possess industry know-how or other expertise of direct relevance to the company. The Board must also be able to work strategically with issues relating to sustainable enterprise.

To be considered for a seat on the Board, individuals must possess high-level competence in the company's ongoing commercial operations, and expertise in commercial development, industry know-how, financial issues, and sustainable enterprise, or other relevant areas. The Members of the Board must also be able to dedicate the amount of time and display the level of commitment required for the role, and must, in addition, display a strong sense of integrity, good judgement, and the ability to work in the best interests of Systembolaget. The selection is made from a broad recruitment base in order to take advantage of the skills possessed by both men and women, and those possessed by people with different backgrounds and experiences.

Systembolaget's Board of Directors comprises nine Members appointed by the Annual General Meeting. Four of these Members are women and five, men. The Board also includes two employee representatives and two Deputy Members appointed by the employees' organisations. Three of the employee representatives are women and one, a man. None of the Members of the Board are part of the company management. All Board Members shall be regarded as independent in relation to the company and the company management.

Deviations from the Code

Systembolaget applies the Swedish Corporate Governance Code with the following deviations:

Code regulation	Deviation	Explanation/comments
1.1 Publication of information on the shareholders' right of initiation	Not published	The aim of this regulation is to give the shareholders plenty of time to prepare for the Annual General Meeting and to have issues included in the notice convening the Annual General Meeting. There is no reason to observe this regulation in a wholly State-owned company.
2. The company shall establish a Nomination Committee to represent the company's shareholders in conjunction with the election and determination of remuneration of the Board of Directors and Auditors of the company.	No Nomination Committee has been established	The preparation of nomination committee issues in State-owned companies is carried out by the Government in the manner detailed in the State's ownership policy.

PRESENCE AT BOARD MEETINGS, 2017

Name	Function	Presence	Note
Kenneth Bengtsson	Chairman	9/9	
Thord Andersson	Member	9/9	
Robert Damberg	Member	9/9	
Pia Fagerström	Member	2/2	Resigned seat at the Annual General Meeting on 26 April 2017
Crister Fritzson	Member	9/9	
Cecilia Halle	Member	7/7	Appointed at the Annual General Meeting on 26 April 2017
Håkan Leifman	Member	8/9	
Frida Johansson Metso	Member	8/9	
Viveca Bergstedt Sten	Member	9/9	
Kerstin Wigzell	Member	8/9	
Maria Nilsson	Employee representative (Member)	9/9	
Berit Morén	Employee representative (Member)	9/9	
Karin Larsson	Employee representative (Deputy Member)	8/9	
Nils Undall-Behrend	Employee representative (Deputy Member)	8/9	

PRESENCE AT AUDIT COMMITTEE MEETINGS, 2017

Name	Function	Presence	Note
Viveca Bergstedt Sten	Chairman	6/6	
Thord Andersson	Member	6/6	
Pia Fagerström	Member	3/4	Resigned on 26 April 2017
Crister Fritzson	Member	5/6	
Cecilia Halle	Member	2/2	Appointed on 26 April 2017 (elected at the Board Meeting following election on 26 April 2017)

PRESENCE AT REMUNERATION COMMITTEE MEETINGS, 2017

Name	Function	Presence	Note
Kenneth Bengtsson	Chairman	4/4	
Robert Damberg	Member	3/3	Appointed on 26 April 2017 (elected at the Board Meeting following election on 26 April 2017)
Håkan Leifman	Member	1/1	Resigned on 26 April 2017
Kerstin Wigzell	Member	1/1	Resigned on 26 April 2017

The October meeting was a per capsulam meeting

PRESENCE AT ETHICS AND SUSTAINABILITY COMMITTEE MEETINGS, 2017

Name	Function	Presence	Note
Kerstin Wigzell	Chairman	3/3	Appointed on 26 April 2017 (elected at the Board Meeting following election on 26 April 2017)
Håkan Leifman	Member	2/3	Appointed on 26 April 2017 (elected at the Board Meeting following election on 26 April 2017)
Frida Johansson Metso	Member	2/3	Appointed on 26 April 2017 (elected at the Board Meeting following election on 26 April 2017)

The owner's representative submitted a rationale for the composition of the Board and the proposed change at the 2017 Annual General Meeting. The Board of Systembolaget was deemed to possess the relevant expertise required for the operation of the company and to possess a high level of expertise in the company's commercial operations, commercial development, retail trade, sustainability issues, financial issues, sustainable enterprise, and alcohol and public health policies. The composition of the Board was also, with regard to the company's operations, developmental phase, and conditions in general, deemed to be fit for purpose, to be characterised by diversity and breadth with reference to the Members' competence, experience and background, and to achieve the Government's goal of an even gender breakdown as mandated in the ownership policy.

Systembolaget's President and Chief Financial Officer attend the Board Meetings. Systembolaget's Senior Legal Counsel is the Secretary to the Board. Other members of the company management attend as required.

The Chairman of the Board

The Chairman shall, pursuant to the provisions of the Swedish Companies Act, lead the work of the Board and ensure that the Board carries out its duties. The Code states that the Chairman of the Board shall also be responsible for:

- ensuring that the work of the Board is conducted efficiently and is well-organised;
- ensuring that the Board receives sufficient information and source data on which to base its decision-making work;

- working in consultation with the President to set the agenda for Board Meetings;
- checking that the Board's decisions are implemented;
- ensuring that the work of the Board is evaluated annually.

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

The work of the Board

The Board has adopted a formal work plan which specifies how the work is to be divided between Systembolaget's Board, the owner, the committees and the President. The work plan is reviewed annually and was adjusted and adopted in 2017 at the Meeting held by the newly formed Board in April of that year. The work plan states that the Board, as a rule, shall hold at least five meetings per financial year in addition to the Board Meeting that is held following elections.

The Board is responsible for the optimal administration of the company and for ensuring that the company's mandate is executed efficiently and that the operations are conducted in a manner conducive to sustainable development – economically, socially and environmentally. The Board is responsible for ensuring that Systembolaget is run in an exemplary manner in accordance with applicable regulations, and that the operations enjoy public confidence.

The Board is also responsible for the organisation of the company and the administration of its affairs in

the best interests of the company and the owner. The Board shall, if Systembolaget is faced with particularly important decisions, such as major strategic changes to the company's operations, coordinate its position, through the Chairman, with representatives of the owner. The coordination shall occur well in advance of any decision.

The Board is responsible for setting goals for Systembolaget's sustainability work, for ensuring that the goals are integrated into the company's business strategy, and for ensuring that the sustainability work is reported in accordance with the Global Reporting Initiative (GRI) international reporting standard, and otherwise in accordance with the owner's policy. Five of Systembolaget's eleven strategic goals adopted by the Board have been classified as strategic goals for sustainable enterprise over the next few years. These are: the Customer Satisfaction Index, which shall not fall below an index value of 85, the Proof of Age Checks, which shall not fall below an index value of 96, the Performance culture, which shall not fall below an index value of 82, the Suppliers' sustainability maturity, where all suppliers shall demonstrate a clear understanding of their responsibility in the supply chain, and that Systembolaget's direct climate impact (from purchased energy, operating and company vehicles, and coolants) shall be zero by 2023. The Board is also responsible for ensuring that Systembolaget complies with relevant guidelines on environmental considerations, human rights, working conditions, anti-corruption, and business ethics.

All Board Members are responsible to an equal degree for the work of the Board unless otherwise approved at a Board Meeting or in the Board's formal work plan.

A collection of documents (“Laws, steering documents and so on, for Systembolaget AB”) has been prepared to support the Board in its work. The collection includes certain legislative texts pertaining to the operations, documents issued by the EU, company-related documentation, owner-related documentation and agreements, investment regulations, Systembolaget’s current strategic plan, Systembolaget’s Code of Conduct, policies, internal guidelines and regulations, and information on Systembolaget’s subsidiaries.

Conflicts of interest within the Board are avoided in accordance with the requirements specified in the Swedish Companies Act (ABL 8:23). All Members of Systembolaget’s Board of Directors work actively with the issues that it is incumbent upon the Board to address and otherwise with issues referred to it for consideration. The Board meets annually with the company’s auditors.

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

STRATEGIC PLAN

The Board of Directors draws up the strategic plan which establishes the way in which Systembolaget prioritises its investments, resources and activities during the strategic period. The strategic plan extends four years forward in time and is revised every third year. The strategic plan in force in 2017 was adopted at the Board Meeting in June 2016 and refers to the years from 2017 to 2020. See page 18 for additional information on the strategic plan.

THE WORK OF THE BOARD IN 2017

The Board held a total of nine Board Meetings in 2017. The usual follow-up work, both on the company’s economic performance and on the social and environmental aspects that arose during the course of the operations has been carried out on an ongoing basis by the Board. This follow-up work took the form of the presentation of strategic key performance indicators, the equity/assets ratio, and the return on shareholders’ equity, cost-effectiveness, following up on the strategic goals for sustainable enterprise and the owner’s mandate goals, as well as Board memoranda on topical issues. In March, the Board met with the company’s auditors, without the presence of the management, as prescribed by the Code. Collectively, this information has afforded the Board the opportunity to monitor the operations’ results on an ongoing basis, including with regard to sustainable enterprise. Aside from the ongoing monitoring of strategic key performance indicators, the issues addressed by the Board included:

- the Responsibility Report;
- real estate issues (strategic decisions on opening or closing stores);
- the digitisation agenda, the sustainability agenda, and other strategic issues;
- issues relating to the new ethics and sustainability committee;
- the home delivery trial;
- issues relating to Systembolaget’s pricing model;
- issues relating to the Alcohol Research Council;
- the management talent pool and succession planning; and
- skill development for managers and employees.

Directors’ fees and fees for committee members

Directors’ fees and fees for work in committees specially established by the Board are approved by the Annual General Meeting. The fees shall, under the terms of the State’s ownership policy, be competitive but not market-leading.

Evaluation of the work of the Board

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

This year’s evaluation was carried out with the support of an external consultancy firm. The evaluation was carried out by means of questionnaires answered by the Members of the Board and some members of the company management, and through interviews with the Members of the Board. Interviews were also held with some members of the company management. The questionnaire that the Board and some members of the company management answered included

questions on such issues as working climate and co-operation, skills, the work of the Board, and the role of the Chairman. The results of the evaluation of the work of the Board have been presented to the Board in the form of a Board memorandum and been discussed at a Board meeting.

In November 2017, 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. The Government Offices of Sweden's ongoing work with the nomination process also includes ongoing evaluations of the Boards of State-owned companies.

The Audit Committee

COMPOSITION

Systembolaget's Audit Committee in 2017 comprised Members of the Board Viveca Bergstedt Sten (Chairman of the Committee), Crister Fritzon, Thord Andersson and Cecilia Halle. Cecilia Halle was elected at the Board Meeting following election in April 2017, when she replaced Pia Fagerström, who was a member up until this date. None of the members of the Audit Committee are part of the company's management. Systembolaget's CFO and its Senior Legal Counsel, who is also the Secretary to the Committee, and the auditors participate in the Audit Committee meetings, as, when necessary, does Systembolaget's President.

RESPONSIBILITIES

The Board has delegated to the Audit Committee the right to address certain issues, and to take decisions on the same, and has, furthermore, tasked the Committee with otherwise preparing issues relating to Systembolaget's financial reporting and the efficiency

of the company's internal controls, internal and external audits, and risk management.

The Audit Committee is also tasked with familiarising itself with the auditing of the annual accounts, and with reviewing and monitoring the impartiality and independence of the Auditors and with paying particular attention, in this context, to whether the Auditors perform any other services for the company, over and above auditing engagements.

THE WORK OF THE COMMITTEE IN 2017

The Audit Committee has held six meetings during the year. The committee carries out ongoing follow-up work on the company's financial performance and a number of strategic key performance indicators of its operations. Systembolaget's auditors have also presented significant accounting and audit issues, as well as internal control and process issues. Issues in connection with such subjects as internal and external audits, risk analysis, investment regulations, compliance, whistleblowing, procurement of external auditors, following up on and the status of the new business system project, operational IT procurement, the pensions fund, policies and the Responsibility Report. The Chairman of the committee provided the Board of Directors with regular information on the Committee's work.

The Remuneration Committee

COMPOSITION

Systembolaget's Remuneration Committee comprised three members in 2017 until the Board Meeting following election in April, and two members after that date. The Chairman of the Board, Kenneth Bengtsson, is also the Chairman of the Remuneration Committee. Board Mem-

bers Kerstin Wigzell and Håkan Leifman were members of the Committee until the Board Meeting following election in April 2017, at which time they resigned and Robert Damberg was elected as a new member of the Remuneration Committee. None of the members of the Remuneration Committee are part of the company's management. Systembolaget's President attends the Committee's meetings and the HR Director attends, as necessary.

RESPONSIBILITIES

The Remuneration Committee is tasked with preparing issues relating to remuneration and other terms of employment for senior executives. The Committee may, within the framework of the guidelines adopted by the Annual General Meeting, independently negotiate with the President and the Vice President with regard to remuneration and other conditions of employment. Decisions on remuneration and other terms of employment for the President and the Vice President are, however, the preserve of the Board of Directors.

The Remuneration Committee is also entitled, in cooperation with the President, to independently recruit and negotiate remuneration and other terms of employment for senior executives other than the President and the Vice President. Decisions on contracts of employment for senior executives (with the exception of the President and the Vice President) shall ultimately be taken by the Remuneration Committee.

THE WORK OF THE COMMITTEE IN 2017

The Remuneration Committee has held four meetings during the year. The Committee has, in customary fashion, drawn up proposed guidelines for terms of employment for senior executives of Systembolaget. The Committee has, furthermore, addressed issues relating to pay reviews, pensions, the company management's

salary trend, evaluation of the work of the President of the company, and the annual evaluation and updating of certain policies.

The Ethics and Sustainability Committee

COMPOSITION

In March 2017, the Board decided to establish an additional committee – an ethics and sustainability committee. The Ethics and Sustainability Committee comprised three members in 2017: Kerstin Wigzell, Håkan Leifman and Frida Johansson Metso. None of the members of the Ethics and Sustainability Committee are part of the company's management. Systembolaget's Purchasing Director and Systembolaget's Senior Legal Counsel, who is also the Secretary to the Committee, attend the Committee's meetings. The HR Director attends as necessary.

RESPONSIBILITIES

The Ethics and Sustainability Committee is tasked with preparing and monitoring issues in relation to Systembolaget's sustainability work. The Committee's primary task is to act as a preparatory body and the Committee has no decision-making powers.

THE WORK OF THE COMMITTEE IN 2017

The Ethics and Sustainability Committee held three meetings during the year. The Committee has, amongst other things, addressed issues relating to the Code of Conduct, the company's strategic goals for sustainable enterprise, the environmental work, occupational health and safety, compliance, and the annual evaluation and updating of certain policies.

The President and senior executives

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

Systembolaget's management and steering structure

Systembolaget's company management comprises, in addition to the President, six persons. The company management meets every other week and the work is headed up by the President who, in consultation with the management, takes decisions in relation to the operating activities.

The decisions by the President and the management are based on the guidelines and instructions adopted by the Board of Directors and it is on this basis that the President and management compile, amongst other things, source data for the various managers within

THE PRESIDENT



Magdalena Gerger

Magdalena Gerger took over as President of Systembolaget in May 2009. Her previous positions include those of Vice President of Arla Foods, Divisional Manager within Nestlé Ltd in the UK. She is also a former Member of the Board of IKEA.

Born: 1964

Other directorships: Member of the Boards of Investor AB and Ahlsell AB.

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

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

Systembolaget. These source data delimit the scope of the operating activities and take the form of internal steering documents, such as internal regulations and process, operational, steering, and information models.

Guidelines for remuneration and other terms of employment for senior executives

Systembolaget follows, in every significant respect, the Government's guidelines on remuneration and terms of employment for senior executives in State-owned companies. Systembolaget also complies with the normative provisions in the Code on remuneration for senior executives, which stipulate that the company shall have formalised and transparent processes for deciding on the remuneration payable to senior executives. See Note 5 of the financial reports for full details of guidelines and remuneration.

Assessment of the President

The Board shall, under the provisions of the Code, carry out a continual assessment of the President's performance and shall specifically address this issue, at least once a year. An assessment was carried out in the autumn under the leadership of the Chairman of the Board and examined the following elements of the President's performance: goal fulfilment, media analysis, and a verbal assessment in the form of a discussion by the Board. The results of the assessment were very good across the board and revealed that the

President is strongly supported by both the Board and the company management.

External audit

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

Deloitte AB was appointed as the auditors of Systembolaget at the Annual General Meeting, with Authorised Public Accountant, Didrik Roos, as the auditor in charge for the period up to and including the 2018 Annual General Meeting. The Annual General Meeting also approved the payment of auditors' fees to Deloitte AB, in accordance with approved invoices.

It was also announced at the Annual General Meeting that the Riksdag Board has, in accordance with a resolution dated 22 March 2017, appointed three Lay Auditors, namely Maria Plass, Jörgen Hellman and Lennart Axelsson, together with three Deputy Lay Auditors, namely Niklas Karlsson, Andrea Völkler and Amir Adan, for the period up to and including the next Annual General Meeting.

Internal control

The Board of Directors is responsible, pursuant to the provisions of the Swedish Companies Act and the Swedish Code of Corporate Governance, for ensur-

ing that the company has good internal controls and formalised routines that ensure compliance with established principles for financial reporting and internal control. The responsibility also includes ensuring that the company's financial reporting is prepared in accordance with statutory requirements, applicable accounting standards, and other external requirements. The most important features of the company's systems for internal control and risk management in conjunction with the financial reporting are described below.

Systembolaget has established formalised processes for internal and external reporting. The external financial reporting of Systembolaget comprises interim reports, financial statements and the annual Responsibility Report.

CONTROL ENVIRONMENT

The basis for Systembolaget's internal control comprises the control environment, together with the organisation, decision-making paths, authority and responsibility. The control environment is documented and communicated in steering documents, such as policies, internal regulations, work routines and manuals, and the fundamental values communicated and operated upon by the Board and the company management. Systembolaget has internal functions for risk control, security and compliance. Internal audits are carried out by an external company.

Steering documents include the formal work plans for the Board, including the Board-appointed committees, the Instructions for the President, and the Financial authorisations for the company's employees.

One example of an important control structure is the strict application of the duality principle, whereby no

one person alone shall administer the entire processing chain and two mutually independent institutions shall be used in conjunction with the valuation of financial assets.

RISK ASSESSMENT

Systembolaget conducts an annual, company-wide risk analysis. The stages of the risk analysis are as follows: Identify, evaluate, prioritise, manage and monitor. The risks are identified and evaluate by managers and key persons within the organisation, and by the company management. The risk analysis is prepared and approved by the company management and the Audit Committee. Management of the highest priority risks is then assigned to operations managers and are followed up annually by the company's management and the Audit Committee.

A financial risk analysis is carried out every other year. The financial risk analysis assesses every item in the Balance Sheet and Income Statement on the basis of specific criteria, namely materiality, the complexity of the valuation, previous errors, and the potential for fraud.

The assessment of the risk of errors in the financial reporting is also carried out on an ongoing basis as part of the day-to-day operations through the various control activities carried out.

CONTROL ACTIVITIES

The control activities are structured to prevent, identify and rectify errors in the financial reporting. Systembolaget's substantial liquid transactions and those that could potentially impact the results are, for example analysed daily. Business Control works in partnership with operations managers to monitor the way in which Systembolaget's operations are developing in rela-

tion to the business plan, budget and set goals. Other members of the Accounts & Administration Department monitor the administrative processes within the organisation, including processes relating to VAT and tax accounting, internal and external entertainment, and compliance with authorisation and delegation regulations.

The Board receives the results of the financial results and key performance indicator monitoring on a rolling basis throughout the year. Some areas are also presented to the Board in greater depth, such as indicators, key performance indicators, and projects. A dialogue is held with the Owner four times a year on Systembolaget's fulfilment of its mandate.

The prioritised, company-wide risks form the basis for the internal audit plan. The internal audit is independent and is conducted by an external company. Systembolaget's external auditors not only audit the annual report, but conduct ongoing reviews.

INFORMATION AND COMMUNICATION

Systembolaget's internal communication process ensures that information is disseminated in a structured way throughout the organisation. Steering documents, such as policies, internal regulations, work routines and manuals are, for example, available via Systembolaget's intranet. Work routines are also communicated via employee training programmes.

Our external reporting – interim reports, financial statements, and the annual Responsibility Report – is published on the omsystembolaget.se website.

MONITORING

The company management and the Board of Directors

receive ongoing financial reports in order to monitor the operations' development in relation to the business plan, budget, and established goals. The Audit Committee also receives regular reports on the results of external and internal audits, and on the operations' risk management activities.

The Board of Directors



Kenneth Bengtsson, Chairman

Born: 1961

Principal education: Upper secondary school economics course graduate and internal training courses within the ICA system.

Other positions held: Chairman of the Boards of Ahlsell AB, Clas Ohlson, the Ersta Diakoni charitable organisation, Eurocommerce and the World Childhood Foundation. Member of the Boards of Herenco and Synsam.

Elected: 2014

Positions previously held: President & CEO of ICA AB, 2001–2012, Chairman of the Board of the Confederation of Swedish Enterprise, 2010–2013, and Chairman of the Board of the Swedish Trade Federation, 2005–2010.



Thord Andersson

Born: 1961

Principal education: B.Sc. (Sociology), Örebro University, and B.Sc. (Market Economics), IHM Business School, Gothenburg.

Other positions held: Senior Consultant at ÅF Infrastructure and corporate consultant with own company. Member of the Board of Örebrokompaniet.

Elected: 2011

Positions previously held: Operations Manager for the Vänersamarbetet economic association, CEO of Apel AB, Unit Manager for the Örebro Regional Development Council with responsibility for trade & industry and infrastructure, Information Manager at E.ON Sweden, Marketing Manager for the Capio corporate group, Chairman of the Board of Inkubera AB and Member of the Boards of ALMI Invest Östra Mellansverige AB, SKB, and Svensk kärnbränsle AB.



Robert Damberg

Born: 1982

Principal education: International studies in sociology and political science at the Linnaeus University and Uppsala University.

Other positions held: Member of the Board of Visit Linköping, District Chairman of the Östergötland branch of the Swedish Green Party, Political Secretary to Linköping municipality.

Elected: 2016

Positions previously held: County Council Commissioner, Uppsala County Council, 2014–2016, Political Secretary, 2011–2014 to Uppsala County Council, Green Party spokesman, 2010, Chairman of the Swedish Youth Temperance Organisation, UNF, 2005–2009.



Crister Fritzson

Born: 1961

Principal education: B.Sc. (Market Economics) from MIS in Stockholm.

Other positions held: President and CEO of SJ AB, Member of the Boards of Net Insight AB, Samtrafiken i Sverige AB, Almega Tjänsteförbunden, Svensk Turism AB, the Confederation of Swedish Enterprise, and the Railway Industry's Collaboration Forum. Chairman of the Association of Swedish Train Operating Companies and CER - the Community of European Railway.

Elected: 2012

Positions previously held: CEO of Boxer, President & CEO of Teracom Group. Chairman of the Boards of PlusTV Finland and Boxer Danmark.

The Board of Directors



Cecilia Halle

Born: 1969

Principal education: B.Sc in Local Government Administration, specialising in international organisations, at Uppsala University.

Other positions held: Senior Advisor and Group Manager for the Public Health & Medical Care Unit of the Ministry of Health & Social Affairs. Chairman of the National Expert Group for improving accessibility in cancer care. Sweden's representative in the EU's High-Level Expert Group on health.

Elected: 2017

Positions previously held: Under-Secretary the Public Health & Medical Care Unit of the Ministry of Health & Social Affairs. Special Advisor to the Global Cooperation Unit, Ministry for Foreign Affairs.



Frida Johansson Metso

Born: 1984

Principal education: Registered Psychologist, Uppsala University.

Other positions held: Psychologist at the Transcultural Centre, Stockholm County Council, Member of the Swedish Liberal Party Board since 2011, Member of the Stockholm Municipal Council since 2010, and of the Mind Foundation and of the Stockholm Social Welfare Board.

Elected: 2016

Positions previously held: Assistant Operations Manager at the Red Cross Centre for Tortured Refugees, Chairman of the Swedish Liberal Party Youth Association, LUF, 2007–2010.



Håkan Leifman

Born: 1963

Principal education: Ph.D. (Sociology) from Stockholm University.

Other positions held: Director of the Swedish Council for Information on Alcohol and Other Drugs (CAN), Member of the Board of SAD (the Swedish Association for Alcohol & Drug Research), Member of Svenska Spel's Science Council, the Swedish Standards Institute's supervisory council.

Elected: 2014

Positions previously held: –



Viveca Bergstedt Sten

Born: 1959

Principal education: LL.B. Stockholm University, B.Sc. (Economics and Business Administration), Stockholm School of Economics

Other positions held: Author and lecturer. Member of the Boards of the Swedish Red Cross Center for Tortured Refugees, and Eknö Hemman, and an expert member of the Vinge Advokatbyrå Expert Panel.

Elected: 2014

Positions previously held: Senior Legal Counsel & Corporate Secretary of PostNord AB, Senior Legal Counsel of LetsBuyit.com, Senior Legal Counsel of Amadeus Scandinavia. Member of the Boards of Svensk Kassaservice AB and Strålfors AB. Member of the Confederation of Swedish Enterprise Corporate Legal Reference Group.

The Board of Directors



Kerstin Wigzell

Born: 1945

Principal education: Behavioural and Social Sciences at Stockholm University

Other positions held: Vice Chairman of Swedish Pensions Agency. Member of the Boards of the University of Linköping and the National Swedish Police Board's Ethics Council. Member of the Board of the Swedish Agency for Health and Care Services Analysis.

Elected: 2009

Positions previously held: 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. Chairman of the Boards of Stockholm Academy of Dramatic Arts, and the Swedish Research Council for Health, Working Life and Welfare.

The Board of Directors – employee representatives



Maria Nilsson, Member

Born: 1965

Principal education: Social Sciences courses at upper secondary school, and the College of Printmaking Arts in Stockholm.

Other positions held: Employed since 1988. Chairman of Systembolaget's Staff Association, SPF Unionen, Chairman of the Stockholm brand of the Unionen trade union.

Appointed: 2015



Berit Morén, Member

Born: 1957

Principal education: Two-year upper secondary school course, Staff Nurse.

Other positions held: Employed as a salesperson since 1979. Personnel and Consultation Contact for the Stockholm sales region. Member of the Board of the Stockholm Salespersons Club.

Appointed: 2011



Karin Larsson, Deputy

Born: 1958

Principal education: Upper secondary school courses in health care.

Other positions held: Employed as a member of the sales team since 1989. Member of the Board of Systembolaget's Staff Association, Chairman of the Salespersons' Club, Jönköping, Member of the Board of the Pension Foundation, Coordinating Work Environment Representative (SAMO) for Systembolaget.

Appointed: 2012



Nils Undall-Behrend, Deputy

Born: 1954

Principal education: Upper secondary school science courses, and mechanical engineering.

Other positions held: Employed since 1982, Store Manager since 1991.

Appointed: 2015

Company management



Magdalena Gerger, President

Born: 1964

Employed: 2009

Education and previous positions: B.Sc. (Economics and Business Administration) and MBA, Stockholm School of Economics.

Ms Gerger's previous positions include those of Marketing Director at Arla Foods and Divisional Manager at Nestlé Ltd in the UK.

See page 72 of the Corporate Governance Report for further information about the President.



Marie Nygren, Vice President, Communication, and Purchasing Director

Born: 1965

Employed: 2007

Education and previous experience: B.Sc. (Economics and Business Administration), Stockholm University.

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



Tobias Frohm, Human Resources Director

Born: 1965

Employed: 2011

Education and previous positions: Human Resources Specialist degree from Linköping University.

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



Charlotte Hansson, Chief Financial Officer

Born: 1969

Employed: 2015

Education and previous positions: M.Sc. from the University of Gothenburg School of Business, Economics and Law.

Ms Hansson has previously worked as the CFO of Cision AB and of the service company, Addici AB. She has also worked in a variety of positions within the Modern Times Group (MTG).

Company management



Hans Jungland, Sales Director

Born: 1965

Employed: 2003, in this role since 2017

Education and previous positions: Internal training at executive level.

Mr Jungland's most recent position was as Departmental Manager for Store Development at Systembolaget, prior to which he was the Sales Director of Systembolaget's Northern Sales Region. He has previously worked as a Departmental Manager/Category Manager at Coop, and a Sales Director at Stor&Liten AB.



Eva Listi, IT Director

Born: 1962

Employed: 2016

Education and previous positions: Studied chemistry, biology, law and economics at Stockholm University, and internal and external training at executive level.

Ms Listi joined Systembolaget from Post-Nord AB and the position of Deputy CIO and Director of IT Planning & Transformation. She also formerly held the position of CIO at Ericsson and has, additionally, held a number of senior IT positions at Astra-Zeneca, Pfizer and Pharmacia.



Malin Sandquist, Senior Legal Counsel

Born: 1972

Employed: 2012

Education and previous positions: LL.B. at Uppsala University and internal and external training at executive level.

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

Ten year overview

		2016	2015	2014	2013	2012	2011	2010	2009	2008
Profit/loss (SEK m)										
Net sales (including alcohol tax)	29,335	28,469	27,645	26,431	25,709	25,099	24,416	24,111	23,360	21,296
Net sales (excluding alcohol tax)	17,511	17,034	16,379	15,901	15,589	15,003	14,368	14,004	13,337	11,905
Gross profit/loss	3,700	3,591	3,488	3,382	3,303	3,201	3,115	3,051	2,961	2,699
Operating profit/loss	270	217	179	370	168	270	159	339	424	9
Net financial items	58	47	-3	56	208	58	119	-24	109	714
Profit before tax	353	368	256	324	317	248	278	315	533	723
Net profit/loss for the year	282	289	198	251	287	180	223	223	406	687
Financial position (SEK m)										
Fixed assets	3,439	2,797	2,300	2,520	2,258	1,921	1,697	1,916	2,296	2,213
Current assets	2,424	3,075	3,517	3,236	3,205	3,222	3,339	3,257	2,823	2,398
Shareholders' equity	1,605	1,612	1,521	1,574	1,610	1,411	1,390	1,469	1,591	1,386
Liabilities	4,258	4,260	4,297	4,182	3,853	3,732	3,646	3,704	3,528	3,225
Balance Sheet total	5,863	5,872	5,817	5,756	5,463	5,143	5,036	5,173	5,119	4,611
Cash Flow (SEK m)										
Cash flow from operating activities	529	306	480	632	456	574	343	537	762	184
Cash flow from investment activities	-918	-638	-117	-416	-530	-318	138	-204	34	446
Cash flow from financing activities	-246	-182	-251	-287	-90	-159	-332	-345	-201	-868
Cash flow for the year	-635	-514	112	-71	-164	97	149	-12	595	-238
Strategic key performance indicators										
Customer Satisfaction Index (CSI)	84.3	84	84	83	82	81	79	78	78	77
Proof of age checks, %	95.6	96	96	97	96	95	94	94	93	90
Opinion Index (OPI), %	76.9	76	77	74	72	71	68	66	66	64
Total sick leave, %	4.8	5.1	5.3	4.9	-	-	-	-	-	-
Climate impact of own operations, CO ₂ e	3,583	3,855	-	-	-	-	-	-	-	-
Return on shareholders' equity, %	17.2	18	12	14	18	13	16	15	27	46
Equity/assets ratio, %	27.8	28	28	31	31	29	28	28	31	30
Cost-effectiveness	2.2	2.3	-	-	-	-	-	-	-	-
Alcohol Index	62.0	63	65	62	66	-	-	-	-	-
Total consumption, litres of pure alcohol per head of population aged 15+	9.0	9.2	-	-	-	-	-	-	-	-
Systembolaget's share of consumption, %	63.2	62	-	-	-	-	-	-	-	-
Other key performance indicators										
Trading margin, %	12.6	12.6	12.6	12.8	12.8	12.8	12.8	12.7	12.7	12.7
Operating margin, %	0.9	0.8	0.6	1.4	0.7	1.1	0.7	1.4	1.8	0
Stock turnover rate, multiple	21.8	22.7	22.9	23.5	23.9	24.7	24.5	25.7	25.4	23.2
Average number of employees	3,611	3,551	3,425	3,347	3,280	3,172	3,192	3,127	3,043	3,013

1 All key performance indicators are reported to one decimal place, as of 2017.

Income Statement

SEK M	Note	2017	2016
Net sales	2	29,355	28,469
Cost of goods sold		-25,655	-24,878
Gross profit/loss		3,700	3,591
Selling expenses	3, 4, 5	-2,767	-2,746
Administrative costs	3, 4, 5	-669	-634
Other operating income	6	7	6
Other operating expenses		-1	0
Operating profit/loss		270	217
Income from participations in Group companies	7	43	16
Income from other securities and receivables classified as fixed assets	7	15	32
Other interest income and similar P/L items	7	0	0
Interest expenses and similar P/L items	7	0	-1
Profit/loss after financial items		328	264
Appropriations	16	25	104
Profit/loss before tax		353	368
Tax	8	-71	-79
Net profit/loss for the year	9	282	289

Statement of comprehensive income

SEK M	Note	2017	2016
Net profit/loss for the year	9	282	289
Other comprehensive income		-	-
Total comprehensive income for the year		282	289

Balance Sheet

ASSETS

SEK M	Note	31-12-2017	31-12-2016
Fixed assets			
Tangible fixed assets			
Buildings and land	11	30	32
Equipment, fixtures and fittings	11	412	414
Construction work in progress	11	71	50
Total tangible fixed assets		513	496
Financial fixed assets			
Participations in Group companies	9	0	0
Deferred tax receivables	8	30	28
Other long-term securities holdings	12	2,886	2,261
Other long-term receivables	12	10	12
Total financial fixed assets		2,926	2,301
Total fixed assets		3,439	2,797
Current assets			
Inventory	13	1,169	1,272
Receivables			
Accounts receivable		8	7
Current tax receivable		-	-
Receivables from Group companies		0	0
Other receivables		5	28
Prepaid costs and accrued income, Group companies	9, 14	7	7
Prepaid costs and accrued income	14	135	131
Total receivables		155	173
Short-term investments	12	376	271
Cash and bank balances	12	724	1 359
Total current assets		2,424	3,075
TOTAL ASSETS	9	5,863	5,872

SHAREHOLDERS' EQUITY AND LIABILITIES

SEK M	Note	31-12-2017	31-12-2016
Shareholders' equity			
Restricted equity			
Share capital (360,000 shares)		360	360
Statutory reserve		72	72
Total restricted equity		432	432
Non-restricted equity			
Profit/loss brought forward		891	891
Net profit/loss for the year		282	289
Total non-restricted equity		1,173	1,180
Total shareholders' equity		1,605	1,612
Untaxed reserves			
Tax allocation reserve	16	32	57
Total untaxed reserves		32	57
Provisions			
Pension provisions	17	-	0
Long-term provisions	17, 18	85	80
Short-term provisions	17	-	0
Total provisions		85	80
Long-term liabilities			
Long-term liabilities to Group companies	9	84	72
Other liabilities		23	23
Deferred tax liabilities	8	-	0
Total long-term liabilities		107	95
Current liabilities			
Accounts payable		3,657	3,678
Current liabilities to Group companies	9	1	2
Current tax liability		12	3
Other liabilities		165	154
Accrued costs and prepaid income	19	199	191
Total current liabilities		4,034	4,028
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	9	5,863	5,872

Change in shareholders' equity

SEK M	Restricted equity		Non-restricted equity		Total shareholders' equity for the year
	Share capital	Statutory reserve	Profit/loss brought forward	Net profit/loss for the year	
Opening balance, 1 January 2016	360	72	891	198	1 521
Transfer to non-restricted reserves			198	-198	-
Net profit/loss for the year				289	289
Dividend paid to the owner			-198		-198
Closing balance, 31 December 2016	360	72	891	289	1,612
Opening balance, 1 January 2017	360	72	891	289	1,612
Transfer to non-restricted reserves			289	-289	-
Net profit/loss for the year				282	282
Dividend paid to the owner			-289		-289
Closing balance, 31 December 2017	360	72	891	282	1,605

Cash Flow Statement

SEK M	Note	2017	2016
Operating activities			
Profit/loss before tax		353	368
Adjustment for items not included in the cash flow			
Depreciation and write-downs		162	196
Capital gain/loss		6	1
Other		-33	-88
Cash flow from changes in working capital			
Change in inventory		103	-111
Change in receivables		21	-12
Change in liabilities		-2	69
Change in financial receivables/liabilities from/to subsidiaries		10	-21
Cash flow from operating activities after changes in working capital		620	402
Tax paid		-91	-96
Cash flow from operating activities		529	306
Investment activities			
Acquisition of tangible fixed assets		-179	-139
Acquisition/sale of financial fixed assets		-739	-499
Cash flow from investment activities		-918	-638
Financing activities			
Dividend paid to the owner		-289	-198
Dividend received from AB K14 Näckströmsgatan		43	16
Cash flow from financing activities		-246	-182
Cash flow for the year			
Cash and cash equivalents at the beginning of the year		1,359	1,873
Cash and cash equivalents at the end of the year	22	724	1,359

Note 1 – Accounting principles

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

General

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

The annual accounts for the 2017 financial year were approved for publication by the Board of Directors and the President on 22 March 2018 and will be submitted to the Annual General Meeting on 26 April 2018. Systembolaget does not, as of 1 January 2012, prepare any consolidated accounts in accordance with chapt. 7, §3a of the Swedish Companies Act. Systembolaget conducts operations that are related to the retail sector operations, but which are not captive, via two separate, wholly owned subsidiaries – IQ-initiativet AB and AB K14 Näckströmsgatan. All of the subsidiary companies are deemed both individually and collectively to have no material importance and Systembolaget AB's annual accounts for the legal entity provide a true and fair view of the company's position and results.

Bases for preparation

AMOUNTS

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

DATES

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

ANNUAL ACCOUNTS

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

EXEMPTIONS FROM IFRS

Operating segments

IFRS 8 Operating segments is not applicable to Sys-

tembolaget as the operations are conducted within one business segment and one geographic market.

Pensions

The company's defined benefit pension undertakings have, in accordance with the simplification rule in RFR2, been calculated and reported on the basis of the Swedish Pension Obligations Vesting Act, which deviate from the provisions of IAS 19.

Development costs

All development costs in respect of, for example, business systems, are carried as expenses in accordance with the exemption in respect of IAS 38.57 in RFR 2.

Untaxed reserves

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

Leasing

All leasing costs are reported, in accordance with the exemption in respect of IAS 17:20-32 and 36-48 of RFR 2, as operational leasing.

Future standards

The future standards, amendments and interpretations that will or may affect the accounts in 2018 or thereafter are presented on the following page.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The standard addresses the reporting of revenues from contracts and from sales of certain non-financial assets. It will replace IAS 11 Accounting for Construction Contracts and IAS 18 Revenues, and associated interpretations. The standard shall be applied from 1 January 2018.

Systembolaget's revenues are generated, in every significant respect, by the sale of drinks to consumers. Sales are recognised as revenue in conjunction with the sale of the product to customers. Sales are paid for in cash or by credit card. Systembolaget is of the opinion that the recognition of these revenues will not be affected by the new standard. Systembolaget may, in future, acquire new types of revenues, but as is apparent from the annual accounts, the scale of other types of revenue is currently negligible.

IFRS 9 FINANCIAL INSTRUMENTS

The standard will replace IAS 39 Financial Instruments: Recognition and Measurement. It includes regulations governing the classification and valuation of financial assets and liabilities, the impairment of financial instruments, and hedge accounting. The standard shall be applied from 2018.

Systembolaget's financial instruments primarily comprise investments in the form of securities holdings, cash and cash equivalents, and accounts payable. Systembolaget currently has no loans, accounts receivable or other receivables that total significant amounts. There is also, at present, no hedge accounting. Systembolaget is of the opinion that the reporting of the current types of financial instrument will not be affected by the new standard.

IFRS 16 LEASES

The standard will replace IAS 17 Leases and associated interpretations. The standard requires lessees to enter as liabilities fixed minimum lease payment for non-terminable agreements and to report a corresponding leasing asset. The standard shall be applied from 2019 but is not, as yet, EU-approved.

The Swedish Financial Reporting Board has proposed the incorporation of an equivalent of the current exemption for financial leasing agreements into RFR 2, which is the exemption rule currently applied by Systembolaget.

IMPORTANT ESTIMATES AND ASSESSMENTS

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

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 risks that Systembolaget has deemed to exist for the company are described under Risks and sensitivity analysis.

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 day. Exchange rate differences arising in conjunction with conversion are reported in the Income Statement.

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. Revenues from Systembolaget's retail sales include alcohol tax, which is a State excise duty. Changes to the rate of alcohol tax affect both Systembolaget's revenues and the cost of goods sold, and changes to the rate of alcohol tax consequently have no effect on the gross profit.

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

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

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

State subsidies

Subsidies are reported at fair value when a reasonable certainty exists that the subsidy will be received and that the Group will comply with the terms and conditions associated with the subsidy. Subsidies intended to cover costs – in Systembolaget's case, wage subsidies of minor value only – are reported net in the Income Statement presentation of staff overheads.

Cost accounting

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

The cost of goods sold primarily comprises the purchase of goods for resale. Selling expenses include costs arising from the store operations, largely comprising personnel- and premises-related costs. Administrative expenses include costs arising from the central administrative functions at the head office.

Leasing

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

almost exclusively operational leasing agreements and it reports all leasing agreements as operational leases in accordance with the exemption in RFR 2.

Lessees

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

Income tax

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

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

and at the tax rates approved or announced on the closing day and which are expected to apply when the tax receivable in question is realised or the tax liability is settled. The tax rate is 22 per cent. Current tax and deferred tax are reported in the Income Statement.

Information on related parties

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

Information is provided when transactions have occurred with a related party, irrespective of whether remuneration was disbursed. The term, transactions, refers to the transfer of resources, services or undertakings. Transactions with related parties are conducted on an arm's length basis.

Tangible fixed assets

A tangible fixed asset is reported as an asset in the Balance Sheet when the historical cost 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 historical cost less accumulated depreciation

and any accumulated write-downs. Expenses attributable to the improvement of the assets' performance, over and above its original level, increase the reported value of the asset. Expenses attributable to repairs and maintenance are capitalised on a rolling basis.

Intangible assets

Additional development costs, for example for business systems, have been carried as expenses since 2012 in accordance with the exemption in respect of IAS 38.57 in RFR 2. Development costs reported before 2012 have been reported as intangible assets when the following criteria are met:

- the intangible asset is identifiable;
- Systembolaget has control of the assets;
- the asset generates future economic benefits; and
- the asset's historic cost 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 historical cost, less any accumulated depreciation and any accumulated write-downs.

Depreciation

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

Asset	Useful life
Buildings	17-33 years
Machinery, fixtures and fittings	3-5 years
In-store renovations	7 years
Intangible assets	5 years

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

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

Write-downs

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

A calculation is carried out on every closing day to determine whether there is any indication that a previous write-down, either wholly or in part, is no longer justified, and in such cases, the recoverable value of the asset is calculated and a Asset Useful life Buildings 17-33 years Machinery, fixtures & fitting 3-5 years Rebuilding in stores 7 years Intangible assets 5 years

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.

PENSIONS

The company has both defined benefit and defined contribution pension plans, primarily within the collective agreement-based ITP occupational pension plan, but also has in-house pension plans. The defined contribution plans are financed by the payment of premiums to insurance companies or administration companies. The defined benefit pension plans are primarily secured via Systembolaget's Pension Fund and through provisions made in the Balance Sheet. The provisions reported in the Parent Company's Balance Sheet refer primarily 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.

A defined benefit pension plan is a pension plan that specifies the pension benefit amount an employee

will receive after retirement, based on age, duration of service, and pensionable salary. The company has an obligation to disburse the agreed remuneration to current or former employees Systembolaget and the company, in every significant respect, carries the actuarial risk and the investment risk. The calculation of the pension undertaking is based on the salary and pension level obtaining on the closing day. The PRI bases for valuation are those used to calculate the pension liability that relates to defined benefit ITP occupational pension plan pensions. The Swedish Securing Pension Commitments Act's bases for valuation and the Swedish Financial Security Authority's instructions for calculating pension liabilities, FFS 2007:24, in accordance with the 2017 bases, are used as bases for valuation for other defined benefit pension liabilities.

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

SEVERANCE PAYMENTS

Severance payments are reported when Systembolaget is 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 cash and cash equivalents, accounts receivable, accounts payable and financial investments.

RECOGNITION IN AND ELIMINATION FROM THE BALANCE SHEET

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

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

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

VALUATION

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

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

Subsequent valuation is effected either at the fair value or at the amortised cost by application of the effective interest method. The valuation method used is determined by the category to which the respective instruments belong. The fair value is the amount which could, on the valuation date, be received from the sale of an asset or paid in conjunction with the transfer of a liability by means of an orderly transaction between market operators.

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

CLASSIFICATION

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

FINANCIAL ASSETS VALUED AT FAIR VALUE VIA THE INCOME STATEMENT

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

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

LOAN RECEIVABLES AND ACCOUNTS RECEIVABLE

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

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

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

FINANCIAL LIABILITIES VALUED AT AMORTISED COST

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

CASH AND CASH EQUIVALENTS

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

NET PROFIT AND NET LOSS

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

Inventory

The inventory has been valued at whichever is the lower of the historical cost and the net sales value. The historical cost 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 inventory comprises goods for resale.

The reported value of goods held in stock that are sold is capitalised in the period when the corresponding

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

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.

Financial instruments

Types	Category	Valuation
Financial assets		
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	Amortised cost
Accounts receivable and accrued income	Loan receivables and accounts receivable	Amortised cost
Short-term investments	Financial assets valued at fair value via the Income Statement	Fair value
Cash and cash equivalents	Financial assets valued at fair value via the Income Statement	Fair value
Financial liabilities		
Accounts payable and accrued costs	Financial liabilities valued at amortised cost	Amortised cost

Contingent liabilities

A contingent liability is reported when a possible commitment exists deriving from events that have occurred and whose incidence is only confirmed by one or more uncertain future events, or when there is an

existing commitment that is not reported as a liability or provision because it is not likely that a disbursement of resources will be required, or because the size of the commitment cannot be calculated with sufficient reliability.

Cash Flow Statement

The Cash Flow Statement demonstrates the inflow and outflow of monies attributable to the operating activities, investment activities and financing activities, and which has occurred during the period.

The Cash Flow Statement is prepared using the indirect method, whereby the result is adjusted for:

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

Events after the balance sheet date

Events after the balance sheet date are defined as events that occur during the period from the balance sheet date 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 its omission could affect the financial decisions that users take on the basis of the financial reports is, however, provided.

Proposed appropriation of profits and signatures

The Board of Directors proposes that the profits available for allocation, comprising SEK 1,173,073,089, be appropriated as follows:

Dividend (SEK 784.1 per share)	282,260,403
Carried forward	890,812,686
Total	1,173,073,089

It is proposed that the dividend be disbursed on 10 May 2018.

The Board of Directors is of the opinion that the proposed dividend payment is justifiable with reference to the requirements laid down in chapt. 17:3, §§ 2 and 3 of the Swedish Companies Act, and with reference to the requirements that the nature of the operations, their scope and their inherent risks make of the shareholders' equity in the company. The dividend is also deemed justifiable from the point of view of Systembolaget'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 results. The undersigned also affirm that the accounts have been prepared on the basis of the Annual Accounts Act and the Swedish Financial Supervisory Authority recommendation, RFR2 Reporting for legal entities, and that they provide a true and fair view of the company's position and results. It is further affirmed that the Directors' Report provides a true and fair view of the performance of the company operations, their position and their result, and that it describes significant risks and uncertainty factors faced by the company.

Stockholm, 15 March 2018

Kenneth Bengtsson
Chairman

Thord Andersson
Member

Viveca Bergstedt Sten
Member

Robert Damberg
Member

Crister Fritzson
Member

Cecilia Halle
Member

Frida Johansson Metso
Member

Håkan Leifman
Member

Kerstin Wigzell
Member

Berit Morén
Employee representative

Maria Nilsson
Employee representative

Magdalena Gerger
President

Our audit report was submitted on 15 March 2018
Deloitte AB

Didrik Roos

Sustainability notes and other information

About our Responsibility Report

The Responsibility Report integrates our annual accounts and our Corporate Governance Report with our Sustainability Report. The reporting is structured in line with our strategic plan's three strategic shifts:

1. Continue to impress our customers
2. Increase awareness of alcohol's risks and why Systembolaget exists
3. Creating optimum conditions

The new ownership policy, which came into force in the 2017 financial year, enabled us to use a set of regulations other than the GRI (Global Reporting Initiative) guidelines for preparing a sustainability report in order to accommodate the ongoing trend towards a more integrated reporting approach. Systembolaget has accordingly produced a more integrated report in 2017 than was the case in previous years, with the aim of describing our work in line with the strategic plan for 2017-2020, in which sustainability-related integration forms an integral part. We have been inspired by the Integrated Reporting (IR) framework produced by the IIRC (International Integrated Reporting Council) with regard to the way in which strategy and business models are linked to our value creation. We regard IR as a principle-based framework, however, rather than as reporting regulations, and have, therefore, also continued to prepare our sustainability report in accordance with GRI.

GRI is a global network that issues regulations con-

taining guidelines for sustainability reporting. Systembolaget has chosen to report in accordance with the GRI Core level. This is now the tenth year in succession that Systembolaget has reported in accordance with GRI guidelines and our reports have been produced in accordance with GRI G4 since 2014. The most recent report was published on 31 March 2017. This report has, as in previous years, been subject to review by Systembolaget's external auditors. See the Auditor's review report in respect of the Sustainability Report (page 122).

The financial reports for 2017 comprise Systembolaget AB only, while the Sustainability Report for the 2017 financial year comprises the operations of Systembolaget AB and the wholly owned subsidiary company, IQ-initiativet AB, which are material from a sustainability perspective. Sustainability data that falls outside of the information mandate of IQ-initiativet, or which refers to Systembolaget's other subsidiary companies is not, however, included as these data have no material significance in relation to Systembolaget as a whole.

Systembolaget currently conducts its measurement and monitoring of work in relation to sustainability issues at company level. In cases where the GRI guidelines encourage reporting per region, therefore, the region corresponds to Sweden as a whole.

Systembolaget has reported 9 indicators and 13 company-specific key performance indicators for 2017. We are keen to continue, wherever possible, reporting non-financial key performance indicators that reflect the monitoring and follow-up work carried out within

the organisation and to apply only those GRI indicators that provide added value for our sustainability management. We have, therefore, removed the LA10 GRI indicator regarding skills management including programmes for upgrading employee skills and promoting lifelong learning, from this year's sustainability report in order to focus, instead, on following up on our skills management work, based on Systembolaget's overall approach. The EN27 GRI indicator has also been removed as the primary result of its inclusion comprised descriptions of measures designed to reduce the environmental impact of packaging, which is not strategically quantifiable for us at the moment. It is currently more relevant for us, with regard to packaging, to follow up on and present details of the initiatives we have launched with a view to finding ways of reducing our climate footprint in this area through industry collaboration. Our company-specific key performance indicator for following up on CO₂ emissions has been revised to distinguish emissions from our own operations, which primarily result from energy consumption and internal travel, as these are the areas where we have the greatest potential for influencing the outcome (see also page 56). The GRI indicators LA15 on labour practices and HR11 on human rights have been presented collectively as influence on and deviations from social conditions, which we describe in greater depth in the section on social sustainability in our supply chain (see page 31).

The same section also presents a key performance indicator that is new for this year, namely our suppliers' sustainability maturity. This is a strategic key performance

indicator and we are, at present, in a start-up phase that is focusing on analysing the current situation.

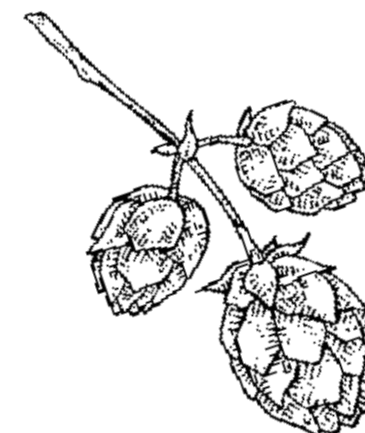
We have, however, stopped monitoring the percentage of suppliers who have confirmed their acceptance of our Code of Conduct electronically in that confirmation of acceptance of the Code is a mandatory part of our purchasing agreements and this kind of key performance indicator consequently provides no added value.

A number of strategic indicators, such as the Alcohol Index and the average alcohol consumption have been addressed through our integrated reporting this year, but are outside the scope of the GRI index.

Measurement and calculation methods are, where necessary, described in conjunction with the respective indicator. The compilation and quality assurance of the sustainability reporting's company-specific key performance indicators and GRI indicators is conducted by Systembolaget's GRI Coordinator. Target figures and comparative figures are reported, where relevant. All monitoring data for our carbon dioxide emissions is, as has been the case since 2015, calculated in line with the Green House Gas Protocol (GHG protocol). Any amendments to comparison figures from previous years' reports are noted under the indicator in question.

Systembolaget's annual internal audit not only focuses on areas within our anti-corruption work, but also examines a number of different areas within the operations every year, as described in greater detail in the Corporate Governance Report (see page 73).

Contact person at Systembolaget
Press Manager, Lennart Agén
Tel. (switchboard): 08-503 300 00



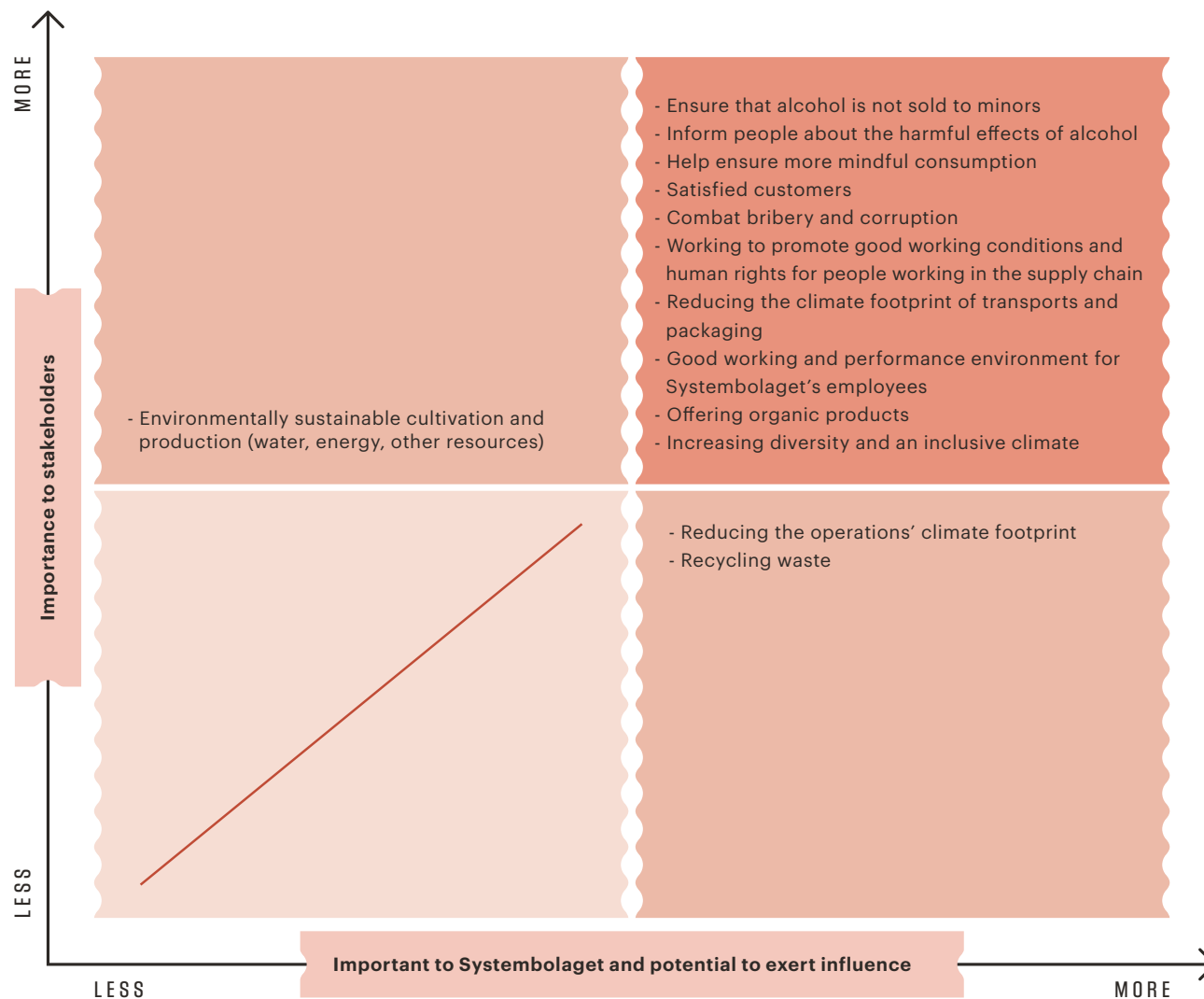
Materiality analysis

Systembolaget conducts an annual materiality analysis. The analysis is designed to enable us to build up a picture of the issues where Systembolaget can exert the greatest influence and of the issues that the company’s external and internal stakeholders are most keen to see us report. The materiality analysis jointly weights the issues that Systembolaget regards as strategically important and those issues that our stakeholders regard as being of the greatest importance. There is no particular internal order of priority between the various fields in the table.

The materiality analysis is based on ongoing dialogues with our most important stakeholders. In May 2017, a large-scale online dialogue was conducted with:

- our customers (a nationally representative selection of people aged 15+ – just over 1,000 responses);
- all Systembolaget managers – department managers, unit managers, sales managers, area managers and store managers;
- our 100 biggest suppliers.

We have an ongoing dialogue and reconciliation process with our owners in the field of sustainable enterprise. The results of this year’s dialogues differ only very slightly from those in previous years. The list is headed by issues associated with Systembolaget’s purpose – to limit the harmful effects of alcohol. This is followed by working conditions and work environments in the supply chain, the work environment for



our employees, and efforts to counter corruption. Environmental issues are generally regarded as less important than those listed above, but their importance has increased from previous years' levels. Offering organic products is ranked bottom of the environmental issues, but is still regarded as important.

The area that our customers, managers and suppliers all regarded as least important, relatively speaking, was diversity, but is an area that both our owner and we, ourselves, regarded as being a high priority.

The same stakeholder survey also showed that levels of awareness of Systembolaget's sustainability work continue to be relatively low nationwide. Issues related to limiting the harmful effects of alcohol and relating to the range of organic products are, however, exceptions to this rule.

At an overall level, we identified our most important stakeholder groups many years ago, based on our social mandate and our operations. Identifying the most significant subgroups within these groups is an ongoing process for us in order to ensure we can build relevant networks and platforms for our stakeholder dialogues.

In 2017, for example, we identified a need for more dialogue with global trade unions in relation to our efforts to establish a sustainable supply chain. The partnerships we consequently forged with IUF (the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers Associations) and Global Deal are examples of how we endeavour to establish new networks and platforms for expanding the dialogue with our stakeholders.

Stakeholder dialogues are conducted on a rolling basis throughout the year in various forms, and the most significant ones in 2017 are presented in the section detailing our stakeholder engagement (see page 99).

Stakeholder engagement

We are engaged in ongoing dialogues with the following stakeholder groups: owners, customers, employees, suppliers, and society as a whole. We conduct questionnaire-based surveys at least once a year and also hold roundtable discussions and carry out surveys based on need and specific subject areas. The results of our questionnaire-based surveys and dialogues are used in, amongst other things, Systembolaget's strategic work, and form the basis for our strategic key ratios. We usually conduct some form of stakeholder mapping work to ensure we target the right stakeholders within the stakeholder groups, in line with the occasion and the dialogue objective, in order to determine which stakeholders are likely to be able to make a contribution. The dialogues conducted in 2017, together with a brief description of what these dialogues led to, are presented below.

Stakeholder group	Important key issues	Examples of dialogues and what we have done to address these key issues
Society	Challenges to the monopoly	<p>Systembolaget conducts ongoing dialogues on the subject of the monopoly, and Systembolaget's role and task in the context of Swedish alcohol policy, with decision-makers, amongst others. This occurs during both face-to-face meetings and in other settings, such as a variety of seminars and the political parties' conferences and events. One topical issue in 2017 was that of farm sales and Systembolaget's range of local and small-scale products.</p> <p>We also offer in-store work experience for elected political representatives and other decision-makers, during which we also engage in dialogues about how our operations could improve.</p> <p>We have also held roundtable discussions during the year with the relevant authorities, CAN (the Swedish Council for Information on Alcohol and Other Drugs), and industry organisations on the subject of illegal importation of alcohol.</p>
	Opinion surveys	<p>Every month, a nationally representative selection of people aged 15+ are asked "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" by the Kantar Sifo survey organisation. The aim is to find out what our customers think about our monopoly. A total of 9,000 interviews are conducted every year.</p>

Society	Information on the harmful effects of alcohol	<p>The Alcohol Report is produced in order to provide an overall picture of alcohol in Sweden. The theme of this year's report was alcohol, children and parents. The report compiles statistics, the latest research, and interviews, based on both product range and mandate-related questions. The Alcohol Report was sent out to around 1,000 interested politicians, opinion formers, and interested parties. Media activities and seminars were also used to tell people about the report and its content.</p> <p>Alcohol research is an important component of Systembolaget's mandate and we contribute to scientific work in this area by financing research and disseminating research findings.</p>
	Attitudes to alcohol	<p>The Alcohol Index is based on an attitude survey conducted by IQ every year since 2010. 2,000 people are surveyed every year and the results are representative of the Swedish population.</p> <p>The Teenage Phrasebook is a recurring annual dialogue. Examples of other dialogues during the year include our "Fotboll utan Fylla" [Sober Football] project and the student campaign, "Bästa festen" [The Best Party].</p>
	Brand monitoring	<p>A representative selection of men and women aged between 18 and 74 are asked, twice every year, for their views on Systembolaget and the role of alcohol in society. The survey takes the form of an online panel and comprises just over 3,000 interviews.</p>
	Inclusiveness work	<p>Launch of SFI (Swedish for Immigrants) material in SFI schools in various locations nationwide.</p> <p>IQ's work with the Teenage Phrasebook in several languages.</p>
	Supervision	<p>We conduct regular dialogues with supervisory authorities in areas of relevance to our operations, such as the Public Health Agency of Sweden, the Swedish Consumer Agency, the Swedish Competition Authority, the National Food Administration, the Alcoholic Beverages Product Range Board, and Swedish Customs.</p>

Customers	Good service	We conduct a Customer Satisfaction survey (CSI) three times a year, recruiting customers in virtually all of our stores, to enable us to continue developing our offering and the just over 120 million customer interactions that take place in our stores. A total of around 33,000 interviews are conducted annually in cooperation with an external, independent company (CFI Group). The survey reveals what is important to our customers and how well we are living up to their expectations.
	Customer interaction	We want to ensure that we live up to our customers' expectations of good service and a responsible interaction every time they interact with Systembolaget. This is why we conduct annual measurements of the customer experience in physical stores (CSI), the digital store (ordering service), from our agents, at systembolaget.se, in our Search & Find app, at our drinks auctions, and from our Customer Services (via phone, email, Facebook or online chat service).
	Informed alcohol consumption	Customer insight surveys on the subject of alcohol and health. We have continued to run our communication programme on the way in which alcohol influences the effect of exercise in 2017. We have shared facts, tips and advice in this area with the help of films, research seminars, and exercise events.
Owners	The alcohol policy mandate	Owner dialogue and Annual General Meeting. We have an ongoing dialogue with our owners to ensure that we live up to their expectations and requirements. Areas discussed during the year include the work of the Board, operational monitoring and follow-up work, the Annual General Meeting, and monitoring of key performance indicators, mandate goals, financial goals, and the strategic goals for sustainable enterprise. Systembolaget's digitisation agenda, the home delivery trial, and other issues of relevance to the company have also been discussed.
	Strategic goals	Owner dialogue and Annual General Meeting. The AGM approved the goal level for the cost-effectiveness metric during the year. The cost-effectiveness metric is designed to work with efficiency enhancing measures in our efforts to ensure rationalised operations within our company.

Owner	Sustainable enterprise	Owner dialogue, Annual General Meeting, seminars. Dialogues on Systembolaget's efforts to ensure respect for human rights and on Systembolaget's environmental work. One issue we highlighted specifically during the year was our ability to clarify our agreement with the state regarding the ability to impose sustainability requirements in the product selection. The agreement was updated in the autumn of 2017 as a result.
Employees	Skills and development	Ongoing "Focus" discussions with employees. These are the managers' and employees' most important tool for jointly setting goals, talking about expectations, and developing both employees and the operations. The goals are followed up on and revised continuously in the day to day operations. If we are to impress our customers, it is vital that we continuously develop both ourselves and our skills.
	Performance terms	Work with Good Leadership (DGL) and Agerus employee surveys. Systembolaget's annual Agerus dialogue is carried out every autumn in working groups. The dialogue is based on the results of the survey carried out within the group, where everyone is asked to answer a number of questions posed in an online questionnaire. The dialogue helps us identify measures that we can use to generate optimum conditions for achieving our goal of "An impressive customer interaction".
	Ethics	Ethics dialogues designed to keep ethical issues front of mind and to create a dialogue on the ethical dilemma throughout the organisation. We have also conducted an anti-corruption survey this year when we asked both our employees and our suppliers how we can keep getting better at protecting brand neutrality. The aim of the survey was to investigate suppliers' and employees' views on whether Systembolaget is run in an equality for all and non-discriminatory way and whether they, as employees or suppliers, feel able to take our regulations on board.

Employees	Work environment issues	Work Environment Committee and collaboration agreements. Systembolaget has a Work Environment Committee that meets four times a year at which time employer and personnel representatives (from different trade unions) get together to address strategic work environment issues. Both parties are responsible for highlighting important issues. Systembolaget is careful to keep the trade unions informed of ongoing developments in the work environment sphere and the contribution of the unions is, in turn, important in terms of the end results. It is equally important that the unions provide information and sound the alarm if something is not working, in order to enable the company to act. One issue addressed by the Work Environment Committee during the year was the central risk assessment process, and as a result, we have developed and clarified how and when central risk assessments should be carried out. The company's procurement of corporate health care system has also been monitored by the Committee. The procurement resulted in us changing our corporate health care system and signing agreements with a number of complementary operators.
Suppliers	Environment and climate	Climate footprint is one of the biggest shared challenges faced by the drinks industry. To this end we have, amongst other things, formed a working group comprising representatives of Swedish Spirits and Wine Suppliers' Association (SVL) and the Swedish Brewers' Association, together with 11 member companies. Over the course of the year, we drew up a joint proposal for the ways in which each of us can, in line with our various preconditions, play a part and help ensure that the industry accepts its climate responsibility. The next stage involved formalising this in the form of a joint statement of intent that was presented and signed on 10 November at a joint environmental strategy day.
	Working conditions and health	Compilation of and communication on the "How Systembolaget has followed up on Code of Conduct work in South Africa" report.

Suppliers	Ongoing collaboration	We held a number of supplier meetings during the year. We also held two workshops to obtain supplier input on our efforts to develop new key performance indicators and a new scorecard that will help both Systembolaget and our suppliers to establish a smoother, more sustainable purchasing and supply process. Other meetings have addressed such issues as our work on a new range model and a variety of sustainability challenges. The Supplier Barometer survey is conducted once yearly in October. We ask our 100 biggest suppliers for feedback on our ongoing work and their perceptions of the partnership with Systembolaget. The results deliver insights for our ongoing improvement work.
	Following up on suppliers' sustainability maturity	We carry out situation analyses of our suppliers to establish their degree of sustainability maturity. The analyses are evaluated and the aim is to implement a number of targeted training activities in 2018 in the areas where we have identified the greatest need and demand amongst our suppliers. The meetings with the suppliers have also provided Systembolaget with feedback on the improvements that Systembolaget could make in order to integrate sustainability aspects throughout our operations more effectively in such areas as communication, purchasing model, product range, and labelling.
Producers	Sustainability work, incl. working conditions and health	We have conducted around 200 third party audits during the year, some of which were shadowed by Systembolaget. We have also, in parallel with this work, carried out a number of producer visits and organised meetings to facilitate additional dialogue in Italy, for example.
Stakeholder organisations in the supply chain	Working conditions and health	In August 2017, we signed an agreement with IUF (the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers Associations). The aim of the collaboration is to enable us to reach a greater number of local trade union organisations and to find out about more incidents in the supply chain. The Swedish trade union, Unionen, in the form both of Systembolaget's own union branch and Unionen's international department, is also involved in this work. Systembolaget has also, in connection with this work, decided to sign up for Global Deal – an initiative that aims to improve the dialogue between labour market parties and national governments in order to improve conditions of employment and productivity.

Our work with the UN’s global sustainability goals

The world’s leaders have signed up to 17 global sustainability goals in order to abolish extreme poverty, reduce inequality and injustice in the world, promote peace and justice, and solve the climate crisis. The goals are integrated and indivisible, and balance the three dimensions of sustainable development – the economic, the social and the environmental. The goals apply in all countries and to all people. Find out more at un.org/sustainabledevelopment/sustainable-development-goals/.

State-owned companies shall, within the framework of their operations, analyse the sustainable development goals set forth in Agenda 2030 in order to identify the most relevant goals to which the company can, through its operations, exert and influence and make a contribution. Companies are also expected to identify business opportunities that help achieve the UN’s global sustainability goals.

Systembolaget has conducted an in-depth analysis of the places in our supply chain where we can exert the greatest influence and where we have the potential to achieving the global goals. We have, on the basis of the analysis, identified 7 goals where we can make a real difference and have then, on the basis thereof, formulated our own overall goals for 2030 for the various links in our supply chain.



Agenda 2030 goals	Systembolaget’s goals for 2030
3. Good health and well-being	We have, by means of research, collaboration, communication and responsible sales, approached the realisation of our vision of a society in which alcoholic drinks are enjoyed with due regard for health, so that no one is harmed.
5. Gender equality	We achieved gender equality at every level in the company and ensured equal rights and opportunities with regard to recruitment, skill development, working conditions, and the opportunity to combine parenthood and work many years ago. Our suppliers have full responsibility for their supply chains and there is no discrimination amongst those working in the supply chain behind our products.
8. Decent work and economic growth	Systembolaget is one of Sweden’s most attractive employers. Our suppliers have full responsibility for their supply chains and everyone working in the supply chain behind our products has decent working conditions.
10. Reduced inequalities	We reflect the differences in society well and have generated the preconditions for everyone’s equal right to and opportunity for work, irrespective of age, gender, functional variation, ethnicity, origin and religion. Our suppliers have full responsibility for their supply chains and there is no discrimination amongst those working in the supply chain behind our products.

Agenda 2030 goals**Systembolaget's goals for 2030**

12. Responsible consumption and production

Our suppliers take full responsibility for their supply chains and the products we sell are produced with due regard for sustainable resource usage and otherwise with knowledge of and consideration for the consequences for people's health and the environment.

Our customers have good access to information on the products' environmental footprint and on how they can, through their purchases, contribute to increased sustainability.

13. Climate action

Our own operations and all transport bought in are fossil fuel-free.

We have managed to radically reduce the climate impact of our entire production chain with the help of our customers and in collaboration with our suppliers, distributors, and other partnerships.

16. Significantly reduce all forms of corruption and bribery

We work proactively to counter all forms of corruption and act as role models, both internally and externally.

Systembolaget's value chain is fully transparent, which has helped reduce the risk of corruption.

The nature of our operations has resulted in us also choosing, in the context of our work in line with goal 12, "Ensure sustainable consumption and production patterns", to incorporate a long-term programme of work linked to the following goals:

- Goal 6 ("Ensure availability and sustainable management of water and sanitation for all")
- Goal 7 ("Ensure access to affordable, reliable, sustainable and modern energy for all")

- Goal 14 ("Conserve and sustainably use the oceans, seas and marine resources for sustainable development")
- Goal 15 ("Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss").

If we are to achieve both the short-term and long-term shifts that are our goal, we must identify developmental partnerships with other relevant operators, both locally and globally. This will also ensure that goal 17 ("Implementation and global partnership") remains at the heart of our work in future.

Our human rights work

Systembolaget's operations shall support and respect internationally declared human rights throughout the value chain. The declaration of human rights means that people shall be treated well in every country in the world.

Systembolaget's operations affect human rights, both in our extensive supply chain and within our own operations, and as a consequence of the products we sell. Levels of awareness of this impact amongst both the company management and the Board are high nowadays, and risks are regularly monitored and discussed. Responsibility has been clearly delegated to internal functions whose day to day work entails reducing the

risk of our operations infringing these rights.

Systembolaget has an overall policy governing our commercial ethics responsibility. It includes our human rights undertaking which is also posted publicly on our website. Our external Code of Conduct and Internal Code of Conduct, both of which are presented in greater detail in this Report (see page 52) are two of the other central steering documents for our work in this area.

In 2017, Systembolaget launched a more in-depth programme of activities and analysis of our impact on human rights. The following table reveals what we

currently regard as the greatest risks and the places in our value chain where these risks arise, and provides details of where you can find out more about what we are doing about them.

We have still to carry out a more detailed analysis of the risks in our value chain from various human rights perspectives. We humbly admit that this is a complex area in which we have a great deal to learn, and where a great deal of work remains to be done, and we have, therefore, enlisted the help of established frameworks to support us in our analysis work and as part of our efforts to address these issues in a structured and goal-orientated way.

Framework	Article	Where is this relevant?				Find out more, page
		Supply chain	Systembolaget's own operations	Customers	Society	
The UN's Universal Declaration of Human Rights	1. All human beings are born free and equal in dignity and rights.	Discrimination in the workplace	Discrimination in the workplace	Treat all customers with consideration and respect	Reduce exclusion in the workplace	31 45 23
	Protection against discrimination is one of the cornerstones of human rights work.		An inclusive climate Diversity			
The UN's Universal Declaration of Human Rights	3. Everyone has the right to life, liberty and security of person.				We sell products that pose a risk to the health and safety of third parties	37
	5. No one shall be subjected to torture or to cruel, inhuman or degrading treatment or punishment.					

Framework	Article	Where is this relevant?				Find out more, page
		Supply chain	Systembolaget's own operations	Customers	Society	
The UN's Universal Declaration of Human Rights	4. No one shall be held in slavery or servitude; slavery and the slave trade shall be prohibited in all their forms.	Forced labour				31
The UN's Universal Declaration of Human Rights ILO	23. Everyone has the right to just and favourable conditions of work, to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, to equal pay for equal work, and to secure and healthy working conditions. Everyone has the right to form and to join trade unions for the protection of his interests	Working conditions	Working conditions			31 45
The UN's Universal Declaration of Human Rights	25. Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family. Motherhood and childhood are entitled to special care and assistance.	Health and safety in the workplace and activities that can have an indirect impact on health.	Health and safety in the workplace.	We sell products that pose a risk to health.	We sell products that pose a risk to the health and safety of third parties, of domestic violence, and of traffic accidents.	37 31 45
The UN Convention on the Rights of the Child	6. Every child has the inherent right to life, survival and development. 19. Every child has the right to a safe and secure upbringing. 32. Every child has the right to be protected from work that is hazardous or interferes with the child's education.	Risk of child labour and working conditions for young workers. Children of seasonal workers are at risk of uncertain living conditions.	Children of colleagues/ employees		Children who are indirectly affected by alcohol misuse. Avoid the consumption of alcohol by children and young people	31 37

Carbon dioxide emissions reported in accordance with the GHG protocol

In 2015, Systembolaget initiated a more explicit monitoring of its emissions, based on the Green House Gas Protocol (GHG protocol). We have included the GRI EN15 and EN16 indicators in our sustainability reporting ever since, in order to report our climate impact in accordance with the GRI protocol.

The EN15 indicator applies to the area of the GHG protocol referred to as Scope 1, while EN16 comes under Scope 2. Scope 1 shows estimated direct carbon dioxide emissions from the operations, for example from cars leased by the company. In Systembolaget's case, Scope 2 calculates indirect carbon dioxide emissions from the operations' electricity and heat consumption.

There is also a Scope 3, which calculates all other indirect emissions, but the GHG protocol states that reporting these other indirect emissions is optional. By far the biggest share of our Scope 3 emissions comprises carbon dioxide emissions from packaging, which is currently not strategically quantifiable for us, and we have, therefore, elected not to report Scope 3 this year.

Our ambitions and governance when it comes to reducing our negative climate impact are presented in the section on page 54 entitled "Environment and climate". This section also describes our strategic key performance indicator for carbon dioxide emissions, which has been revised in 2017 and now only includes our own operations. We have set a new climate goal

for this key performance indicator, with the ambition of reducing our emissions from purchased energy and coolants, and from leased vehicles, to zero by 2023.

We apply the calculation methodology referred to within the GHG protocol as "operational control". The calculations use the global warming potential (GWP) of the Kyoto gases, based on the Intergovernmental Panel on Climate Change, IPCC's Fourth Assessment Report, 2007.

The year-on-year decrease in Scope 2 is primarily due to our ongoing programme of increasing energy efficiency (see also page 56).

Calculation of CO₂ emissions, based on the GHG Protocol	2017	2016	2015
<hr/>			
Scope 1			
Systembolaget's own vehicles and heating of the Learning Centre	283	285	302
<hr/>			
Scope 2			
Electricity consumption, own operations	5,501 ¹	6,655	7,574
<hr/>			
Total, CO₂e (tonnes)	5,783	6,940	7,876

¹ If our electricity consumption for 2017 were to be calculated in accordance with the method referred to in the GHG protocol as "location based", which is based on IEA (2016), our carbon dioxide emissions from energy consumption would, instead, total 3,081 tonnes of carbon dioxide equivalents.

Greenhouse gas emissions in 2017	GWP	Greenhouse gases/year (tonnes)	CO ₂ e/year (tonnes)
Carbon dioxide, CO ₂	1	3,204	3,204
Methane, CH ₄	25	0.01	0.13
Nitrous oxide), N ₂ O	298	0.01	2.09
Carbon dioxide equivalents, CO ₂ e	1	2,577	2,577
Total			5,783

Greenhouse gas emissions in 2016	GWP	Greenhouse gases/year (tonnes)	CO ₂ e/year (tonnes)
Carbon dioxide, CO ₂	1	3,419	3,419
Methane, CH ₄	25	0.00	0.12
Nitrous oxide), N ₂ O	298	0.01	2.11
Carbon dioxide equivalents, CO ₂ e	1	3,518	3,518
Total			6,940

Greenhouse gas emissions in 2015	GWP	Greenhouse gases/year (tonnes)	CO ₂ e/year (tonnes)
Carbon dioxide, CO ₂	1	3,567	3,567
Methane, CH ₄	25	0.00	0.10
Nitrous oxide), N ₂ O	298	0.01	2.24
Carbon dioxide equivalents, CO ₂ e	1	4,306	4,306
Total			7,876

GRI Aspect Boundary table

Systembolaget has identified 13 company-specific key performance indicators for 2017, along with 9 GRI indicators for monitoring the material sustainability aspects, which we have grouped within our three strategic shifts. Boundaries and results for these indicators are shown in the table below.

COMPANY-SPECIFIC KEY PERFORMANCE INDICATORS AND GRI INDICATORS IN OUR SUSTAINABILITY REPORTING

Strategic shift	Area	Boundary – the point in our value chain that the area is important	GRI indicator	Company-specific key performance indicator * = Strategic key performance indicator	Result, 2017	Goal 2017
Continue to impress the customers	The customer interaction	The entire local community (everyone in Sweden)	PR5 (Customer satisfaction)	Customer Satisfaction Index (CSI)* CSI – social component	84.3 81.5	84.5-85.0 -
	Carefully selected range	The entire local community (everyone in Sweden)		Organic products' share of sales (%)	12.6	10.0
	Social sustainability in the supply chain	Material at both producer and cultivation level, but also in evaluating whether the suppliers (agents) take responsibility for these issues	LA15 and HR11 in combination (Social responsibility in the supply chain)	Suppliers' sustainability maturity*	-	-
Increase awareness of the risks associated with alcohol and why Systembolaget exists	Engage with our customers and other stakeholders on the benefits of Systembolaget	The entire local community (everyone in Sweden)	SO1 (Our influence on society)	Opinion Index (OPI)* (The percentage who want to retain Systembolaget for public health reasons)	76.9	77.0
	Increased social dialogue					
	Tools that help increased mindfulness			Proof of age checks (%)*	95.6	96.0
	Research and facts					

Strategic shift	Area	Boundary – the point in our value chain that the area is important	GRI indicator	Company-specific key performance indicator * = Strategic key performance indicator	Result, 2017	Goal, 2017
Optimise conditions	Securing the talent pool	Throughout Systembolaget's operations	LA11 (Focus – performance reviews)	Performance culture*	81.5	78.2
		Our approach to diversity is based on the fact that we exist for all Swedes. The area is also material with regard to securing our talent pool.	LA12 (Inclusiveness)		-	-
		Throughout Systembolaget's operations		Sick leave rate (%)*	4.8	4.8
		Throughout Systembolaget's operations		Staff turnover (%)	18.0	-
Ethics and anti-corruption	The area is material both within the organisation and in the supply chain	SO5 (Confirmed incidents of corruption and actions taken)			9	-
Environment and climate	The direct climate impact of our own operations is the area where we have the greatest opportunity to exert influence and also has an important signal value, even if it's scale is not material	EN15 (direct sources) EN16 (indirect sources)		Climate impact of own operations (net CO ₂ e emissions)*	3,583	-
Finance	Throughout Systembolaget's operations.			Equity/assets ratio*	27.8	20-30
				Return on shareholders' equity*	17.2	9.0-10.0
				Cost-effectiveness*	2.2	≤ 2.3

GRI-index

This sustainability report complies with the Global Reporting Initiatives (GRI) guidelines, version G4, and has been verified by Deloitte AB. Systembolaget, in accordance with the Core option, reports at least one indicator or company-specific key performance indicator per material sustainability aspect. For the

2017 operational year, Systembolaget has grouped its material sustainability disclosures within five aspects of the GRI index.

The list of contents includes all sustainability aspects and the indicators or company-specific key perfor-

mance indicators that Systembolaget has adjudged relevant to its operations on the basis of the company's most important sustainability aspects. Information on Aspect Boundaries and others can be found in the index or via a reference to the location of the information in question.

General standard disclosures

Strategy and analysis

			Page
G4 - 1	Provide a statement from the most senior decision-maker of the organisation (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	President's Statement	6

Organisational profile

			Page
G4 - 3	Report the name of the organisation	Note 1 – Accounting principles	86
G4 - 4	Report the primary brands, products and services	Systembolaget's business model	14
G4 - 5	Report the location of the organisation's headquarters	Note 1 – Accounting principles	86
G4 - 6	Report the number of countries where the organisation operates	Note 1 – Accounting principles	86
G4 - 7	Report the nature of ownership and legal form	Corporate Governance Report	65
G4 - 8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	Systembolaget's business model	14

G4 - 9	Report the scale of the organisation, including: <ul style="list-style-type: none"> • Total number of employees • Total number of operations • Net sales • Quantity of products or services provided • Total assets • Beneficial ownership • Sales and revenues by countries or regions that make up 5% or more of total revenues • Costs by countries or regions that make up 5% or more of total costs • Employees 	Systembolaget's business model Income Statement Balance Sheet Note 2 – Net sales G4-10 Total number of employees	14 82 83 115
G4 - 10	<ul style="list-style-type: none"> • Report the total number of employees by employment contract and gender • Report the total number of permanent employees by employment type and gender • Report the total workforce by employees and supervised workers and by gender • Report the total workforce by region and gender <p><i>Deviation:</i> it is not possible to obtain figures for contract personnel from our system in that we use our payroll system, Heroma, which only shows Systembolaget employees, in our calculations. We currently have no means of reporting contract personnel in a corresponding manner, and contract personnel are consequently excluded in order to eliminate the risk of misleading reporting.</p>	G4-10 Total number of employees	115
G4 - 11	Report the percentage of total employees covered by collective bargaining agreements	<i>Comment:</i> 100% of the workforce is covered by collective bargaining agreements	
G4 - 12	Describe the organisation's supply chain	Social sustainability in the supply chain	30

G4 - 13	Report any significant changes during reporting period regarding the organisation's size, structure, ownership, or its supply chain, including: <ul style="list-style-type: none"> • Changes in the location of, or changes in, operations, including facility openings, closings, and expansions • Changes in the share capital structure and other capital formation • Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination 	Systembolaget's business model Social sustainability in the supply chain	14 31
G4 - 14	Report whether and how the precautionary approach or principle is addressed by the organisation <i>Comment:</i> Systembolaget does not use the precautionary approach as a control concept per se, but we operate in accordance therewith in many cases, e.g. the risk analyses and their follow-ups conducted in order to identify, evaluate, compile and report risks, including sustainability-related risks. Risk management is followed up annually.		
G4 - 15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the company subscribes or which it endorses <i>Comment:</i> Systembolaget has been a member of the Business Social Compliance Initiative (BSCI) organisation since 2011 and a Global Compact member since 2013. In August 2017, an agreement was signed with IUF (the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers Associations). Systembolaget also decided to become a member of Global Deal during the year.		
G4 - 16	List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation <ul style="list-style-type: none"> • holds a position on the governance body • participates in projects or committees • provides substantive funding beyond routine membership dues • views membership as strategic <i>Comment:</i> Systembolaget is, for strategic reasons, a member of the Business Social Compliance Initiative (BSCI), the Swedish Trade Federation, the Confederation of Swedish Enterprise, the SNS Centre for Business and Policy Studies, the Swedish Communication Association, the Royal Swedish Academy of Engineering Sciences (IVA), and of the SIDA (Swedish International Development Cooperation Agency) Swedish Leadership for Sustainable Development (SLSD) network.		

Identified Material Aspects and their Boundaries			Page
G4 - 17	<ul style="list-style-type: none"> • List all entities included in the organisation's consolidated financial statements or equivalent documents • Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report 	About our Responsibility Report	95
G4 - 18	<ul style="list-style-type: none"> • Explain the process for defining the report content and the Aspect Boundaries • Explain how the organisation has implemented the Reporting Principles for Defining Report Content 	Materiality analysis	97
G4 - 19	List all the material Aspects identified in the process for defining report content	Materiality analysis	97
G4 - 20	<ul style="list-style-type: none"> • For each material Aspect, report the Aspect Boundary within the organisation, as follows: <ul style="list-style-type: none"> - report whether the Aspect is material within the organisation - if the Aspect is not material for all entities within the organisation, select one of the following two approaches and report either: <ul style="list-style-type: none"> - the list of entities or groups of entities included in G4-17 for which the Aspect is not material, or: - the list of entities or groups of entities included in G4-17 for which the Aspects is material • Report any specific limitation regarding the Aspect Boundary within the organisation 	GRI Aspect Boundary Table	108
G4 - 21	<ul style="list-style-type: none"> • For each material Aspect, report the Aspect Boundary outside the organisation, as follows: <ul style="list-style-type: none"> - Report whether the Aspect is material outside of the organisation - If the Aspect is material outside of the organization, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified • Report any specific limitation regarding the Aspect Boundary outside the organisation 	GRI Aspect Boundary Table	108
G4 - 22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements. Restatements may result from: <ul style="list-style-type: none"> - Mergers or acquisitions - Change of base years or periods - Nature of business - Measurement methods 	About our Responsibility Report	95
G4 - 23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	About our Responsibility Report Materiality analysis	95 97

Stakeholder engagement			Page
G4 - 24	Provide a list of stakeholder groups engaged by the organisation	Stakeholder engagement	99
G4 - 25	Report the basis for identification and selection of stakeholders with whom to engage	Materiality analysis	97
G4 - 26	• Report the organisation’s approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	Stakeholder engagement	99
G4 - 27	• Report key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting • Report the stakeholder groups that raised each of the key topics and concerns	Stakeholder engagement	99

Report profile			Page
G4 - 28	Reporting period (such as fiscal or calendar year) for information provided	About our Responsibility Report	95
G4 - 29	Date of most recent previous report (if any)	About our Responsibility Report	95
G4 - 30	Reporting cycle (such as annual, biennial)	About our Responsibility Report	95
G4 - 31	Provide the contact point for questions regarding the report or its contents	About our Responsibility Report	96
G4 - 32	Report the ‘in accordance’ option the organisation has chosen Report the GRI Content Index for the chosen option Report the reference to the External Assurance Report, if the report has been externally assured	About our Responsibility Report	95
G4 - 33	Report the organisation’s policy and current practice with regard to seeking external assurance Report the relationship between the organisation and the assurance providers	Audit Report and Review Report in respect of the Annual Accounts, Auditor’s review report in respect of the Sustainability Report, Corporate Governance Report	117 122 69

Governance			Page
G4 - 34	Report the governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	Corporate Governance Report	65

Ethics and integrity			Page
G4 - 56	Describe the organisation’s values, principles, standards and norms of behaviour such as codes of conduct, codes of ethics) <i>Comment:</i> An internal Code of Conduct was adopted in 2015. There is also an External Code of Conduct, Employee Policy, and a Commercial Ethics Responsibility Policy.	Ethics and anti-corruption	52

Specific standard disclosures

Indicators and company-specific key performance indicators per aspect			Page
ECONOMIC IMPACT			
DMA	Sustainability management disclosures regarding financial key performance indicators	Finance	56
Company-specific key performance indicator	Equity/assets ratio	Finance	57
Company-specific key performance indicator	Return on Equity	Finance	57
Company-specific key performance indicator	Cost-effectiveness	Finance	57

ENVIRONMENTAL IMPACT

Aspect: Environment and climate

DMA	Sustainability management disclosure of initiatives to mitigate the operations' environmental impact	Environment and climate	54
Company-specific key performance indicator	Climate impact of own operations (CO ₂ e net)	Environment and climate	56
EN15	Carbon dioxide emissions calculated in accordance with the Green House Gas Protocol, Scope 1, Own vehicles and Teaching Centre heating	GHG protocol	106
EN16	Carbon dioxide emissions calculated in accordance with the Green House Gas Protocol, Scope 2, Electricity consumption, own operation	GHG protocol	106
DMA	Sustainability management disclosure of initiatives to reduce the environmental impact of the product range and supply chain	The customer interaction and product range	26
Company-specific key performance indicator	Organic products' share of sales (% by volume)	A carefully selected range	28

SOCIAL IMPACT

Aspect: Increase awareness of the risks associated with alcohol and why Systembolaget exists in order to limit the harmful effects of alcohol

DMA	Sustainability management disclosure regarding the operations' social impact	Increase awareness of alcohol's risks and why Systembolaget exists	38
Society			
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs <i>Comment: The goal of the Swedish alcohol policy is to limit total alcohol consumption in society so that alcohol-related harm, whether medical or social, is reduced as much as possible. Systembolaget consequently has a clear social mandate: to engage responsibly and with a high standard of service, in the retail sales of spirits, wines and strong beers, and to inform people about the harmful effects of alcohol. Achieving the latter objective requires clear information provision and an ongoing dialogue with different elements of society.</i>	Increase awareness of alcohol's risks and why Systembolaget exists	38

Company-specific key performance indicator	Opinion Index (measures Swedes' attitudes to Systembolaget)	Increase awareness of alcohol's risks and why Systembolaget exists	43
Company-specific key performance indicator	Customer Satisfaction Index – social component (provide information about the harmful effects of alcohol)	The customer interaction	26
Company-specific key performance indicator	Proof of age checks % (ensure that alcohol is not sold to minors)	Tools that contribute to increased mindfulness	43

Labelling of Products & Services/Monitoring customer satisfaction

DMA	Sustainability management disclosure of routines to monitor customer satisfaction	The customer interaction and product range	24
Company-specific key performance indicator	Customer Satisfaction Index (monitoring customer satisfaction)	The customer interaction	26
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	The customer interaction	26

Aspect: Social sustainability in the supply chain

DMA	Sustainability management disclosure with regard to working conditions and compliance with human rights in the supply chain	Social sustainability in the supply chain	31
Company-specific key performance indicator	Suppliers' sustainability maturity – situation analysis	Social sustainability in the supply chain	34
LA15 and HR11 in combination	Evaluation of working conditions and compliance with human rights in the supply chain with regard to significant and potential negative impact, and measures taken	Social sustainability in the supply chain	35

Aspect: Securing the talent pool

DMA	Sustainability management disclosure on how we develop ourselves and our skills		
		Securing the talent pool	45
LA11	Percentage of employees receiving regular performance and career development reviews <i>Deviation:</i> A breakdown by gender within every category of those employees who have received performance reviews is not currently possible in our system. We are reviewing whether this is of value from an inclusiveness perspective and, if it proves to be so, examining the system engineering opportunities for reporting by roll with a gender breakdown.	Securing the talent pool	48
Company-specific key performance indicator	Performance culture	Securing the talent pool	48
Company-specific key performance indicator	Total sick leave, %	Securing the talent pool	49
Company-specific key performance indicator	Staff turnover, %	Securing the talent pool	50
LA12	Composition of governance bodies and breakdown of employees per employee category, according to gender, age group, minority group membership, and other indicators of diversity <i>Deviation:</i> In light of the minor changes from previous years' monitoring of nationality, we have chosen to focus on investigating what the new requirements entailed by the introduction of GDPR (General Data Protection regulation) will mean, and have not charted this area in 2017. We are coordinating the measures being taken to secure the transition from PUL (the Swedish Data Protection Act) to GDPR so that we can feel secure in our legal position, and will endeavour to conduct a diversity mapping process in accordance with GDPR in 2018.	Securing the talent pool	50

Aspect: Ethics and anti-corruption

DMA	Sustainability management disclosure on risk assessment procedures in ethics and anticorruption		
SO5	Confirmed incidents of corruption and actions take	Ethics and anti-corruption	53

Number of employees, 2017

Refers to all employees, as of 31 December 2017

	NUMBER									Permanent employees											
	All employees			Permanent employees			Fixed term employees			Full-time employees			Part-time employees			Full-time employees			Part-time employees		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Sales personnel	1,668	3,057	4,725	1,382	2,620	4,002	286	437	723	256	274	530	1,412	2,783	4,195	236	264	500	1,146	2,356	3,502
SA North*	991	1,539	2,530	824	1,319	2,143	167	220	387	150	121	271	841	1,418	2,259	141	118	259	683	1,201	1,884
SA South*	677	1,518	2,195	558	1,301	1,859	119	217	336	106	153	259	571	1,365	1,936	95	146	241	463	1,155	1,618
Store Managers	196	280	476	195	279	474	1	1	2	196	277	473	0	3	3	195	276	471	0	3	3
SA North*	99	127	226	98	126	224	1	1	2	99	124	223	0	3	3	98	123	221	0	3	3
SA South*	97	153	250	97	153	250	0	0	0	97	153	250	0	0	0	97	153	250	0	0	0
Janitors	2	11	13	2	11	13	0	0	0	0	0	0	2	11	13	0	0	0	2	11	13
SA North*	1	5	6	1	5	6	0	0	0	0	0	0	1	5	6	0	0	0	1	5	6
SA South*	1	6	7	1	6	7	0	0	0	0	0	0	1	6	7	0	0	0	1	6	7
HQ personnel, Managers	40	48	88	40	48	88	0	0	0	40	48	88	0	0	0	40	48	88	0	0	0
of whom, Unit Managers	13	18	31	13	18	31	0	0	0	13	18	31	0	0	0	13	18	31	0	0	0
of whom, Area Managers	17	13	30	17	13	30	0	0	0	17	13	30	0	0	0	17	13	30	0	0	0
HQ personnel, employees	177	235	412	170	227	397	7	8	15	168	221	389	9	14	23	161	217	378	9	10	19
Contract personnel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Systembolaget, total	2,083	3,631	5,714	1,789	3,185	4,974	294	446	740	660	820	1,480	1,423	2,811	4,234	632	805	1,437	1,157	2,380	3,537
IQ	1	7	8	1	6	7	0	1	1	1	7	8	0	0	0	1	6	7	0	0	0
Total	2,084	3,638	5,722	1,790	3,191	4,981	294	447	741	661	827	1,488	1,423	2,811	4,234	633	811	1,444	1,157	2,380	3,537

* Sales Area

Comment: The percentage of men has increased amongst fixed term employees. The percentage of permanent employees has fallen slightly and the number of full-time positions has decreased slightly amongst permanent employees. The fact that we have many fixed term and part-time employees is due to the fact that we have sales peaks at the end of the week and cannot occupy weekend personnel levels throughout the week. These conditions are common within the retail sector.

Number of employees, 2017

Refers to all employees, as of 31 December 2017

	PER CENT									Permanent employees											
	All employees (%)			Permanent employees (%)			Fixed term employees (%)			Full-time employees (%)			Part-time employees (%)			Full-time employees (%)			Part-time employees (%)		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Sales personnel	35	65		35	65	85	40	60	15	48	52	11	34	66	89	47	53	12	33	67	88
SA North*	39	61		38	62	85	43	57	15	55	45	11	37	63	89	54	46	12	36	64	88
SA South*	31	69		30	70	85	35	65	15	41	59	12	29	71	88	39	61	13	29	71	87
Store Managers	41	59		41	59	100	50	50	0	41	59	99	0	100	1	41	59	99	0	100	1
SA North*	44	56		44	56	99	50	50	1	44	56	99	0	100	1	44	56	99	0	100	1
SA South*	39	61		39	61	100	0	0	0	39	61	100	0	0	0	39	61	100	0	0	0
Janitors	15	85		15	85	100	0	0	0	0	0	0	15	85	100	0	0	0	15	85	100
SA North*	17	83		17	83	100	0	0	0	0	0	0	17	83	100	0	0	0	17	83	100
SA South*	14	86		14	86	100	0	0	0	0	0	0	14	86	100	0	0	0	14	86	100
HQ personnel, Managers	45	55		45	55	100	0	0	0	45	55	100	0	0	0	45	55	100	0	0	0
HQ personnel, employees	43	57		43	57	96	47	53	4	43	57	94	39	61	6	43	57	95	47	53	5
Contract personnel	0	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Systembolaget, total	36	64		36	64	87	40	60	13	45	55	26	34	66	74	44	56	29	33	67	71
IQ	13	88		14	86	88	0	100	13	13	88	100	0	0	0	14	86	100	0	0	0
Total	36	64		36	64	87	40	60	13	44	56	26	34	66	74	44	56	29	33	67	71

* Sales Area

Boundary: We do not report consultants/contract personnel, or personnel within outsourced IT operations. We have not broken down the percentage of men and women by region because we do not break down our figures in this way. Our operations are located solely in Sweden and we therefore regard Sweden as our sole region.

Audit Report

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

Report on the Annual Accounts

OPINION

We have audited the annual accounts of Systembolaget AB for 2017, with the exception of the Corporate Governance Report on pages 65-80. The company's annual accounts are presented on pages 3, 8, 15 and 57-93 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of Systembolaget AB as of 31 December 2017 and its financial performance and cash flows for the year in accordance with the Swedish Annual Accounts Act. Our opinion does not include the Corporate Governance Report on pages 65-80. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the Annual General Meeting adopt the Income Statement and the Balance Sheet for Systembolaget AB.

BASES FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibil-

ities in accordance with these standards are described in greater detail in the section entitled "Auditor's responsibility". We are, in accordance with generally accepted auditing standards in Sweden, independent in relation to Systembolaget AB, and have otherwise complied with professional ethical requirements in accordance with these standards.

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

OTHER INFORMATION

The audit of the annual accounts for the financial year from 1 January 2016 to 31 December 2016 has been carried out by a different auditor who has submitted an audit report dated 23 March 2017 with unmodified opinions in the Report on the Annual Accounts.

INFORMATION OTHER THAN THAT CONTAINED IN THE ANNUAL ACCOUNTS

The Board of Directors and the President are responsible for the other information. The other information is presented on pages 4-7, 9-14, 16-56 and 94-128.

Our opinion on the annual accounts does not cover this information and we do not express any form of assurance regarding this other information.

In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider whether the information is ma-

terially inconsistent with the annual accounts. In this procedure we also take into account our knowledge otherwise obtained during the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE PRESIDENT

The Board of Directors and the President are responsible for the preparation and fair presentation of annual accounts in accordance with the Swedish Annual Accounts Act. The Board of Directors and the President are also responsible for the internal controls that they deem necessary for preparing annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the President;
- conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

OPINIONS

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the President of Systembolaget AB for 2016 and the proposed appropriation of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE PRESIDENT

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At

the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the parent company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The President shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the President in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- has in any other way acted in contravention of the Companies Act, the Annual Accounts Act, or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgement and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss are based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

AUDITOR'S REVIEW OF THE CORPORATE GOVERNANCE REPORT

The Board of Directors is responsible for the Corporate Governance Report on pages 65-80 and for ensuring that it is prepared in accordance with the Annual Accounts Act.

Our review has been conducted in accordance with FAR's auditing standard, RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 15 March 2018

Deloitte AB

Didrik Roos
Authorised Public Accountant

The auditor's opinion regarding the statutory sustainability report

To the Annual General Meeting of the shareholders of Systembolaget AB, corporate ID no. 556059-9473

ENGAGEMENT AND DIVISION OF RESPONSIBILITY

The Board of Directors is responsible for the statutory sustainability report for 2017 on pages 4-7, 12-14, 16-56 and 95-127, and that it is prepared in accordance with the Annual Accounts Act.

FOCUS AND SCOPE OF THE REVIEW

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

OPINION

A statutory sustainability report has been prepared.

Stockholm, 15 March 2018

Deloitte AB

Didrik Roos
Authorised Public Accountant

Review Report in respect of the Annual Accounts

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

On behalf of the Swedish Parliament's Board of Administration, we have examined the administration and internal controls of Systembolaget AB in the 2017 financial year. We have examined significant decisions, actions taken and circumstances in the company in order to be able to determine whether the company has been managed in an appropriate and financially acceptable manner and whether the company's internal controls are adequate. Our examination did not reveal any circumstances giving cause for objection. We have also examined whether the company, its management and Board observed the guidelines laid down by the government with specific reference to Systembolaget AB and to State-owned enterprises in general. This examination also failed to reveal any circumstances giving cause for objection.

Stockholm, 15 March 2018

Lennart Axelsson

Jörgen Hellman

Maria Plass

Auditor's review report in respect of Systembolaget AB's Sustainability Report

To Systembolaget AB

INTRODUCTION

I have been engaged by the Board of Directors of Systembolaget AB to perform a limited assurance engagement related to Systembolaget AB's Sustainability Report for 2017. The company has defined the scope of the sustainability report on page 2.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMPANY MANAGEMENT FOR THE SUSTAINABILITY REPORT

The Board of Directors and the executive company management are responsible for the preparation and presentation of the Sustainability Report in accordance with applicable criteria, which are specified on page 95 of the Sustainability Report, and which comprise those sections of the Sustainability Reporting Guidelines (issued by the Global Reporting Initiative (GRI)) applicable to the Sustainability Report, and the specific reporting and measurement principles developed and issued by the company. This responsibility also includes the internal controls deemed necessary for the preparation of a Sustainability Report that contains no material misstatements, whether due to error or to fraud.

AUDITOR'S RESPONSIBILITY

My responsibility is to express a conclusion on the Sustainability Report, based on our review. My limited assurance engagement has been performed

in accordance with ISAE 3000 Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making enquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other review procedures. The orientation and scope of a limited assurance engagement differs from and is considerably less than the orientation and scope of an audit engagement conducted in accordance with the IAASB standards for auditing and quality control and with generally accepted auditing practices.

The audit company applies ISQC 1 (International Standard on Quality Control) and hence has a multifaceted system of quality control that includes documented guidelines and routines in respect of compliance with business ethics requirements, professional conduct standards, and applicable legislative and other regulatory requirements. I am, in accordance with generally accepted auditing standards in Sweden, independent in relation to Systembolaget AB, and have otherwise complied with professional ethical requirements in accordance with these standards.

The review activities conducted in conjunction with a limited assurance engagement do not enable us to state with the same level of assurance that we were made aware of all of the important circumstances that could have been identified in conjunction with an audit.

The conclusion based on our limited assurance engagement consequently does not provide the same level of assurance as a conclusion based on an audit.

My review is based on the criteria chosen by the Board of Directors and executive company management, which are defined above. I consider these criteria to be suitable for the preparation of the Sustainability Report.

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

OPINION

Based on my review, nothing has come to my attention that causes me to believe that the Sustainability Report has not, in all material respects, been prepared in accordance with the criteria presented above by the Board of Directors and the executive company management.

Stockholm, 15 March 2018

Deloitte AB

Didrik Roos
Authorised Public Accountant

Glossary

ALCOHOL CONSUMPTION

Consumption of alcoholic beverages, recalculated as litres of 100 per cent alcohol, per person aged 15 and above. The term, alcoholic beverage, refers to a beverage with an alcohol content in excess of 2.25 per cent by volume (the Swedish Alcohol Act, 2010:1622).

ALCOHOL INDEX

The Alcohol Index is a combined measurement of people's attitudes to alcohol in different situations. The higher the index on a scale of 0-100, the more moderate the attitude to alcohol. The Alcohol Index is generated using the responses to nine questions on what people think is right and wrong when it comes to alcohol. The questions are put to 2,000 people aged 16 and above once a year. Data collection is carried out by Novus.

ALCOHOL TAX

Alcohol tax is an excise duty levied by the Government. Changes to the alcohol tax rate affect both Systembolaget's income and its cost of goods sold, and changes to the alcohol tax rate consequently have no effect on the trading margin.

AMFORI BSCI

The sustainability initiative that Systembolaget has signed up to - the Business Social Compliance Initiative (BSCI) - will, as of 2018, be restructured as amfori BSCI. This is occurring as part of the integration process approved by the FTA, Foreign Trade Association (commercial focus), BEPI, Business Environmental Performance Initiative (environmental focus) and BSCI (social focus). BSCI will continue as the product name

for the next two years, as is the case for BEPI, after which it will be known simply as "amfori".

ANDT: THE ANDT COUNCIL

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

"AT RISK COUNTRIES"

Systembolaget applies a global "at risk country" analysis from Verisk Maplecroft. The analysis covers 99 countries whose products are included in Systembolaget's range. The analysis weights and summarises the following three primary indicators to produce an overall risk assessment ranking of between 0 and 10 (where 0 is the highest risk and 10 is the lowest risk):

- Country Risk (which comprises 7 indicators)
- Industry Risk
- Commodity Risk

"At risk countries" meet at least one of the following parameters:

- The country's combined risk indicator value is less than 50.
- The country's risk indicator value for at least one of the seven indicators included in Country Risk is lower than 2.5.
- The country's risk indicator value for at least one of the three primary indicators Country Risk, Industry Risk and Commodity Risk is lower than 2.5.

The global "at risk country" analysis is updated every three years. The World Bank's "at risk country" list is used to analyse countries added to the producer list during the intervening period. This "at risk country" list also forms the basis for identification of high risk countries in accordance with the following definition: a high-risk country is a country with a rating that is less than 20% in accordance with the World Bank's "at risk country" list.

AVERAGE NUMBER OF EMPLOYEES

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

BSCI

BSCI, The Business Social Compliance Initiative, whose registered offices are in Brussels, is a European, commercial collaboration initiative for companies keen to improve working conditions in the global supply chain.

CAN

The Swedish Council for Information on Alcohol and Other Drugs.

CFI

Claes Fornell International CFI AB, which carries out our Customer Satisfaction Index surveys.

CLIMATE IMPACT FROM SYSTEMBOLAGET'S OWN OPERATIONS

We have reformulated our climate impact key performance indicator, as of 2017, to measure carbon dioxide emissions from our own operations. The goal is

for emissions from purchased energy, coolants, and leased vehicles to be zero by 2023. The climate impact of our own operations is followed up annually.

COMPLEX SUPPLY CHAIN

Systembolaget buys products from around 100 different countries. We always buy via Swedish suppliers – currently around 700 in number. Our suppliers often have subcontractors/producers who may, in turn, have subcontractors of their own. It is not uncommon for a producer to have as many as tens of different farmers linked to their operations, or for raw materials to be purchased as semi-finished goods for combination into a finished product – which is then bought in by us.

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 three following 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 CFI to conduct the survey. The survey base comprises a total of 48,000 randomly selected customers, spread over all of the stores. The CSI is measured and reported three times a year.

DGL

Good Leadership – a development programme within Systembolaget designed to develop a management approach that promotes good performance and ensures goal fulfilment.

DMA

GRI abbreviation that stands for Disclosure Management Approach and relates to the management of a company's sustainability work, linked to selected indicators and company-specific key performance indicators.

FINANCIAL POSITION

Total shareholders' equity on the closing day.

FFR

The abbreviation, FFR, stands for the Fast Fast Range and entails a listing period of 12 months and distribution in at least 10 stores.

GDPR – GENERAL DATA PROTECTION REGULATION

GDPR (General Data Protection Regulation) is a data protection regulation that replaces the Swedish Data Protection Act (PUL). GDPR is the law in all EU member states, while PUL only applied in Sweden. One of the main innovations is that the Swedish Data Protection Authority can impose high punitive fines and the fact that personal data incidents must be reported within 72 hours.

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.

GLOBAL DEAL

In November 2017, Systembolaget elected to sign up for the Global Deal, an initiative that aims to improve the dialogue between labour market parties and countries' governments in order to improve labour conditions and productivity. Global Deal was initiated by Sweden's Prime Minister, Stefan Löfven, and has

been structured in cooperation with the OECD and ILO. Agenda 2030 includes a specific goal relating to decent labour conditions and inclusive growth. Global Deal is a step towards achieving that goal.

GRI – GLOBAL REPORTING INITIATIVE

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

FARM SALES

Entails a local wine, spirits or beer producer engaging in the sale of in-house produced drinks to visitors or local customers, directly at the farm or factory, but also means that everyone who manufactures alcohol being entitled to sell directly to consumers. This is true of both foreign and Swedish operators in both urban and rural areas.

INCIDENT MANAGEMENT

The term, incident management, refers to a systematic approach to working with suspected breaches of our Code of Conduct on the part of producers. We may be made aware of incidents via a number of different channels, both internal and external, and they are not limited to any identified "at risk country" or product range from which the product in question derives.

INCOME/NET SALES

Income/net sales comprises income from goods sold and service provided that form part of Systembolaget's core operations.

INFLUENCERS

An influencer works to sell products, using influence as a market force. They create close digital relationships with their followers by presenting themselves in social media and these relationships act as a marketing tool.

INFORMED CHOICE

For us, working to promote informed choice means offering products with a lower alcohol content and in smaller packs, and products that take into account environmental considerations and working conditions in the supply chain.

MYSTERY SHOPPERS

People aged between 20 and 24 who make control purchases in our stores to check whether we are complying with a proof of age check selling rules.

NATIVE ADVERTISING

Marketing that takes the form of advertisements that look like and are perceived as editorial article content where they are presented.

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 Kantar Sifo to conduct the survey. A total of 750 randomly selected individuals aged 15 and above are interviewed every month with the exception of July (no interviews) and August (1,500 interviews). The Opinion Index is reported quarterly.

OWNER'S GOAL

The owner's goal comprises the mandate-related and

economic goals specified in the Owner's Directive, which was adopted at the Annual General Meeting held on 24 April 2017.

PERFORMANCE CULTURE

Performance culture measures the extent to which employees feel that their job provides the conditions that enable them to perform (want, know, can, may and should) and the individual's perception of the way in which their basic requirements are met. Measured once a year by means of a company-wide employee survey.

PROFIT MAXIMISATION

When the primary purpose of an organisation's operations is to generate the maximum possible profit for the owner.

PROOF OF AGE CHECKS

The proof of age checks measure how often proof of age was requested as a percentage of the total number of control purchases. The control purchases are carried out by people aged between 20 and 24. Systembolaget commissions Better Business to carry out these checks. A total of just over 5,800 control purchases are made every year in stores. Proof of age checks are carried out daily and are reported every month.

QUALITATIVE AND QUANTITATIVE SUSTAINABILITY ASSESSMENT

There are a large number of sustainability initiatives and certifications operated by other parties within our supply chain and which we are keen to take into account and include in our assessment of a producer's sustainability maturity. Our qualitative assessment takes into account other sustainability initiatives that

are deemed to be in line with our Code of Conduct. Producers who implement these initiatives are not systematically monitored by Systembolaget. Our quantitative assessment examines the number of certifications and audits that other customers have made of the producer in question where we have a systematic risk assessment model.

STOCK TURNOVER RATE

Purchase value divided by the average stock value at retail price.

SUPPLIER QUALITY INDEX – SQI

The Supplier Quality Index is a jointly weighted index of a number of quality parameters of significance to achieving customer benefit.

TOTAL SICK LEAVE

The total sick leave is measured using the Swedish National Financial Management Authority's definition and measures hours lost to sick leave in relation to the total number of available working hours during the same period.

TRADING MARGIN

Gross profit/loss as a percentage of income.

Definition of alternative key performance indicators

RETURN ON SHAREHOLDERS' EQUITY

The operating profit/loss for the period (rolling, 12 months) of SEK 282.3 m, as a percentage of the average adjusted shareholders' equity of SEK 1,643.3 m = 17.2 per cent. Shareholders' equity is adjusted for the standard tax rate, 22 per cent, on untaxed reserves. The average is calculated on the basis of the adjusted shareholders' equity on 31 December 2016, SEK 1,656.4 m, and on 31 December 2017, SEK 1,630.0 m. This key performance indicator is an objective set in the Owner's Directive for Systembolaget.

COST EFFECTIVENESS

Cost-effectiveness is calculated from the ratio between total overheads (adjusted for non-recurrent items), SEK 3,442 m, relative to quantities sold (number of packagings sold weighted for the respective product groups' estimated processing time), 1,540 million pcs, = 2.2. This key performance indicator is an objective set in the Owner's Directive for Systembolaget.

OPERATING PROFIT

The operating profit is calculated from the gross profit, SEK 3,700 m, plus other operating income, SEK 7 m, less other operating expenses, SEK - 1 m and less operating expenses, SEK 3,426 m, = SEK 270 m.

EQUITY/ASSETS RATIO

Adjusted equity, SEK 1,630.0 m, as a percentage of the Balance Sheet total, SEK 5,862.8 m, = 27.8 per cent. The equity is adjusted for the standard tax rate, 22 per cent, on untaxed reserves. This key ratio is an objective set in the Owner's Directive for Systembolaget.

List of references

No. Reference name

- 1 CAN Monitor Alkoholkonsumtionen i Sverige 2016/Alcohol consumption in Sweden, 2016
- 2 *Alkoholrapporten 2017*/2017 Alcohol Report, Systembolaget AB
- 3 Förtroendebarmetern/Confidence Barometer, Medieakademin
- 4 ServiceScore
- 5 *Svensk Hållbarhetsranking*/Swedish Sustainability Ranking, survey conducted by Dr Tony Apéria (Ph.D. Business & Economics), at Stockholm University
- 6 Publishing prize in the *Films marketing a company category* (<http://publishingpriset.org/vinnare-2017/>)
- 7 World Health Organization *Global status report on alcohol and health 2014*
- 8 Article on alcohol debuts <https://polisen.se/Arkiv/Nyhetsarkiv/Gavleborg/Du-traffar-mig-pa-Valborg/>
- 9 T Stockwell et al *What are the public health and safety benefits of the Swedish government alcohol monopoly?*
- 10 The Swedish Alcohol Act
- 11 CAN, *Trender i dryckesmönster – befolkningens självrapporterade alkohol-vanor under 2000-talet*/Trends in drinking patterns – the population's self-reported alcohol habits in the 21st century
- 12 *Alkoholen som samhällsproblem*/Alcohol as a social problem, SOM Institute, 2015
- 13 World Health Organization *Global status report on noncommunicable diseases*
- 14 R. W. Hingson et al *Age at Drinking Onset and Alcohol Dependence*
- 15 CAN survey *Många unga skulle låta bli att dricka om närstående slutade langa*/Many young people would not drink if their friends and family stopped buying for them
- 16 Swedish Government Inquiry, SOU 2010:98, on *Gårdsförsäljning*/Farm Sales
- 17 Swedish Government Inquiry, SOU 2009:22, on *En ny alkohollag*/A new Alcohol Act
- 18 *Tonårsparlören*/The Teenage Phrasebook, IQ-initiativet AB
- 19 CAN study of boxed wines, *Vilken roll har bag-in-box spelat för den ökade vinkonsumtionen i Sverige?*/What role has bag-in-box wines played in increased wine consumption in Sweden?
- 20 Discrimination legislation (www.do.se)
- 21 EU rulings on religious expression by employees (<http://www.do.se/om-do/pressrum/aktuellt/aktuellt-under-2017/arbetsgivare-kan-krava-neutralitet-efter-eu-domar/>)
- 22 BSCI Code of Conduct
- 23 Ministry of Health and Social Affairs, Ds 2016:33 *Reglering av distanshandel med alkoholdrycker*/Regulation of distance selling of alcoholic drinks
- 24 Swedish Government Inquiry, SOU 2017:59, *Reglering av alkoglass m.fl. produkter*/Regulation of alcoholic ice cream and other products

Financial calendar

26 April 2018	2017 Annual General Meeting
27 April 2018	Interim Report, January-March 2018
16 July 2018	Interim Report, January-March 2018
26 October 2018	Interim Report, January-September 2018

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